ANNUAL REPORT 2017

BALCO GROUP AB

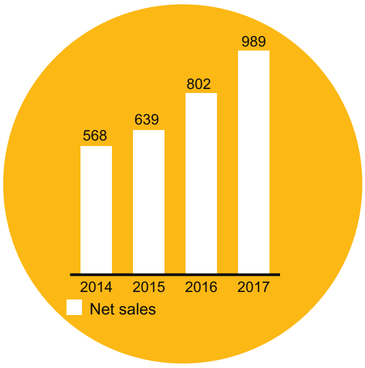
BALCONIES
FOR
GREATER
LIVING

BALCO

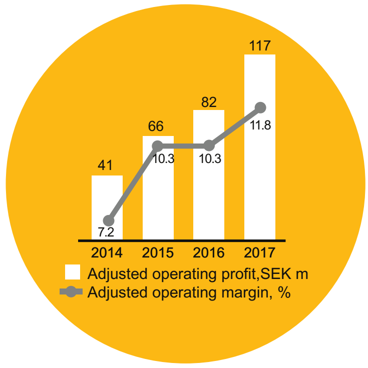
BUSINESS DESCRIPTION

CONTENT

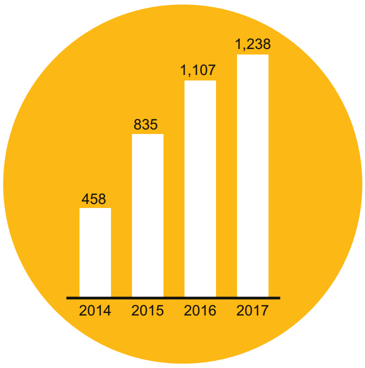
Net sales (SEK m)



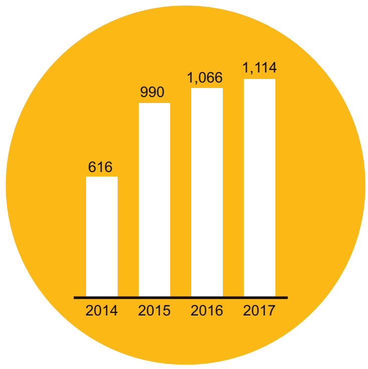
Adjusted operating profit (SEK m)
Adjusted operating margin (%)



Order backlog (SEK m)



Order intake (SEK m)



11,224
BALCONIES 2017
141,224
BALCONIES BUILT SINCE 1987

Key ratios	2017	2016
Net sales	989.0	801.6
Order intake	1,113.5	1,066.3
Order backlog	1,238.4	1,107.2
Operating profit (EBIT)	92.3	63.6
Operating margin (EBIT), %	9.3	7.9
Adjusted operating profit	116.7	82.4
Adjusted operating margin, %	11.8	10.3
Profit for the year	37.7	12.1
Operating cash flow	182.9	73.4

BALCO IN BRIEF

Since being founded in Växjö in 1987, Balco has developed from being a local, product-oriented supplier of concrete balconies into a leading market-oriented supplier of balcony solutions. Balco offers its own brand customised and innovative balcony solutions to tenant-owner associations, private landlords, publicly owned companies and construction companies. The Company is nowadays a market leader in the Nordic region and enjoys a strong challenger position in other North European markets.

Balco's core expertise is in delivering glazed balconies and balcony solutions, primarily on the renovation market to tenant-owner associations, by replacing existing balconies with new glazed balconies in accordance with the Balco method. The method provides many advantages for the customer, such as lower energy costs, enhanced living standard and increases in property value. Balco has a successful sales process whereby the Company assumes full responsibility and supports the customer throughout the building process, from project planning to implemented final inspection and aftermarket service. Balco is one of the few complete balcony suppliers with the ability to provide customised, high quality balcony solutions irrespective of order size and complexity, with a short delivery time.

Since its inception, Balco has expanded to several European countries and has sales offices in seven countries. Balco has four production plants in Sweden, Denmark and Poland, and is part owner of a Polish subcontractor which, together with the large sales force, constitutes the platform from which Balco delivers its balcony solutions to customers in northern Europe. The Company has made significant investments in its operating platform, which creates positive conditions for continued growth in sales and earnings.

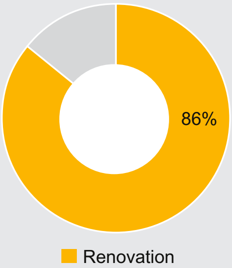
Balco's operations are divided into two business segments: Renovation and New Build. As of December 2017, Renovation accounted for approx. 86% of the Company's sales.

Business segments:

RENOVATION

OPERATING MARGIN

13.5%

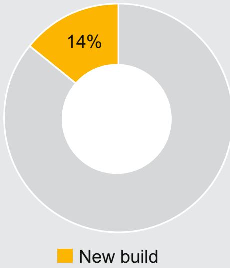


Within Renovation, Balco provides solutions for replacing and expanding existing balconies and the installation of new balconies on apartment buildings that lack balconies. Most of Balco's sales within the area comprise glazed balconies to tenant-owner associations. Sweden is the Company's largest market within Renovation, with the primary driver being the pent-up need for renovation and the prevailing age profile of the property portfolio.

NEW BUILD

OPERATING MARGIN

5.2%



Within New Build, Balco installs balconies in conjunction with the construction of new apartment properties, as well as balcony solutions within maritime applications. Balco offers its entire product range within New Build. The largest product areas comprise glazed balconies and open balconies. Balco is expanding selectively in the segment and proceeds by focusing on profitability and low risk. Demand is driven by the pace in which new homes are built and growth within the maritime segment.

2017 – THE YEAR IN WHICH BALCO BECAME A LISTED BILLION SIZED COMPANY

Balco achieved two important milestones in 2017: Balco was listed on Nasdaq Stockholm and the Company's strong growth during the year contributed to the Company achieving sales of approx. SEK 1 billion. An additional cause of celebration was Balco's 30th anniversary and the fact that planning permission was granted for the largest project in Balco's history.

A GROWTH COMPANY WITH A CLEAR GROWTH STRATEGY

Since being founded 30 years ago, Balco has expanded from being a local product-oriented supplier of concrete balconies to nowadays being a leading niche player on the balcony renovation market, with a strong market position in northern Europe. Balco is a growth company with a clear focus on the customer. We will continue to develop innovative, cutting-edge products which differentiate us from our competitors. In order to further strengthen our competitiveness and profitability, in 2016 it was decided to focus more clearly on Balco's core business – the Renovation segment. Order intake within Renovation increased by 26% in 2017. The decision to reduce exposure to smaller transactions within New Build has reduced the Company's risk exposure, increased the average value per project and contributed to improved profitability. The change in strategy has contributed to a significant reduction in Balco's exposure to the market for construction and new build during the year.

Balco continues to create its own market and growth through continued investments within sales and marketing. The workforce increased by approx. 15% in 2017, at the same time as we made significant investments in production capacity with an entirely new production plant of 5,800 m^2 in Poland. Our sales model whereby we help the customer throughout the process is unique in the industry. Through presence at local trade fairs, we meet at an early stage customers in need of a customised balcony renovation solution. We are now introducing our sales model also in Finland and the Netherlands, and we look forward to the market's response.

2017 has also been an intensive year as regards to projects. It is pleasing to be able to summarise that 185 projects were completed in 2017. We are especially proud of the fact that, during the last quarter of the year, we obtained planning permission for the largest project ever in Balco's history. The project, which is for the production and delivery of glazed balconies in Östersund, Sweden, is worth approx. SEK 160 m and will contribute to sales throughout 2018.

IPO – A PLATFORM FOR GROWTH

During the year, Balco's Board of Directors and management worked intensively preparing the Company for an IPO. The listing on Nasdaq Stockholm was the first in Balco's market segment and represents an important step for Balco's future development. A listing is a proof of quality which contributes to valuable transparency, improved financing possibilities, while at the same time increasing the knowledge about the Company. Through the listing we are creating a platform for continued growth in existing markets and a possibil-

Sales	Net sales growth	Growth order intake, Renovation	Operating profit
989 SEK m	23%	26%	92 SEK m

"2017 has been a fantastic year for Balco. I am proud of our employees who have worked hard during the year and enabled us to further advance our positions. We have a strong platform for the future."

ity to expand to new geographic markets, at the same time as we are able to continue to invest in innovation and the development of our market-leading products. It is particularly pleasing to welcome so many new shareholders to Balco.

DEVELOPMENTS IN 2017

Balco has experienced very strong growth in 2017. When summarising the year, we are able to note that we have succeeded in increasing sales, order backlog and earnings in an extremely satisfactory manner, at the same time as, through the IPO, we have significantly strengthened the Company's balance sheet. 2017 was the year in which Balco reported net sales of approx. SEK 1 billion, an increase of 23% compared with the preceding year. The increase in net sales is thanks to Balco's new growth strategy, which was introduced in 2014. The strategy, which has entailed regular investments in new sales resources and an increase in the number of trade fair attendances, has been and is extremely successful, and ensures Balco's future growth.

The main markets – Sweden, Norway and Denmark – have developed well during the year and we view the newly established markets positively. The change in strategy, with an increased focus on the Renovation and lower risk projects in the New Build, has proved to be the right one and has contributed to improved profitability. During the year, net sales within Renovation increased by 17% to SEK 847.5 million. The increase within New Build was 88%.

In 2017, order intake was SEK 1,113.5 (1,066.3) million, an increase of 4%. Renovation accounted for 26% of the growth in order intake while New Build had a lower order intake than the preceding year; this was due to deliberate risk mitigation and fewer small projects.

The Company's order backlog constitutes an important gauge for understanding how Balco – which conducts project operations that extend over a long period of time – is performing. The accumulated order backlog continued to increase during the year to SEK 1,238.4 (1,107.2) million, representing growth of 12%. As regards the future, it is particularly interesting to note the order backlog growth of 17% within Balco's growth area, Renovation. The order backlog provides good visibility and predictability as to how Balco's sales will perform during the coming year.

Profitability also improved and the operating profit, adjusted for IPO costs of SEK 24 million, increased by SEK 34.3 million to SEK 116.7 (82.4) million, representing an adjusted operating margin of 11.8% (10.3%). I am thereby able to note that we have taken yet a further step towards reaching our target of an operating margin of at least 13%.

THE FUTURE

Balco has an attractive financial profile and a history of strong growth in orders and net sales, high profitability and good cash flow generation. The possibilities are considered to be extremely good to continue to grow on existing main markets, on newly established markets and expand to new markets, and to offer new customer solutions. Balco has developed an organisation and has secured a production platform which enables us to cope with significantly higher volumes. We are well equipped to grow further and to continue to lead developments within the balcony industry, and we have a strong financial position which allows for acquisitions. I am convinced that 2018 will be an eventful year for Balco.

Kenneth Lundahl
President and CEO

A LEADING PRODUCER OF INNOVATIVE BALCONY SOLUTIONS

Since being was founded in 1987 by an entrepreneur from Småland, Balco has developed based on the same basic concept, namely to offer an innovative and attractive product within a clear industry niche. The objective of becoming a leading player within the balcony industry is still highly relevant today.

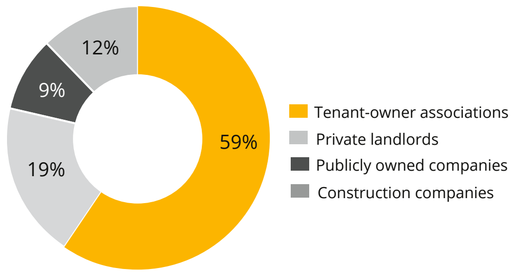
Since being founded 30 years ago, Balco has developed to what is today a clear niche player within the balcony renovation segment, with a strong market position in northern Europe. Nowadays, the Company is one of the few complete balcony suppliers that possess the skill to provide customised, high-quality balcony solutions irrespective of order size and complexity, with a short delivery time. Balco operates in seven countries in the Nordic region in northern Europe and is the market leader in Sweden and Norway, and second largest company in Denmark in terms of sales. In terms of order intake, Balco is also the largest company on the Danish market. Balco is headquartered in Växjö, where the Company was founded, and operates four production units: one in Sweden, two in Poland and one in Denmark. In addition to its four own production units, Balco is part owner of a Polish subcontractor. The four wholly-owned units have a total production area of approx. 14,600 m^2 and current capacity utilisation is approx. 70%. It is believed that in the case of full capacity utilisation, the current production plants will cope with annual sales of approx. SEK 1.4 billion. In 2017, Balco produced 11,224 balconies.

Balco specialises in supplying glazed balconies and balcony solutions to customers whose balconies are in need of renovation. Not rarley, existing balconies are in a poor condition and risk becoming dangerous for the residents. Balco's sales staff work to meet a customer when a need has been identified so that the customer is able to be informed and learn out, at an early stage, the customer benefits of renovation in accordance with the Balco method. The Balco method of entirely replacing an existing balcony with a larger glazed balcony increases the lifespan of the balcony, facilitates installation, contributes to energy savings and provides increased customer benefit since the balcony can be used a greater part of the year. By constantly investing in an expanded sales organisation which explains to the customer the alternatives to traditional balcony renovation, and by expanding production capacity in pace with the increase in the number of customer projects, Balco is continuing to create its market.

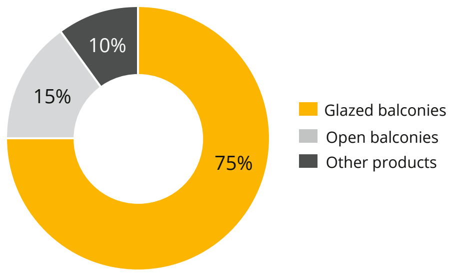
Balco provides customised balcony solutions, from sketch to installation. Balco's employees assist customers throughout the process and contribute with expertise, such as static calculations, construction drawings, advice, assist with information and cost calculations for tenant-owner association meetings, assist with planning permission applications and handle installation in-house. Each balcony project is directed by the customer order and is unique for the customer's property. Balco works proactively to be at the forefront of technology so as to differentiate the Company's products from those of competitors on the market. Balco develops and produces all products internally under its own brand and has 45 (37) patents within the balcony area. In 2017, glazed balconies accounted for 75% of total sales, open balconies for 15% and other products for 10%.

Satisfied customers are of key importance for Balco, which not infrequently gains new customers through recommendations from customers who have used Balco. The objective is that 85% of customers should be prepared to recommend Balco to another potential customer. In 2017, customer surveys reveal that 96% (95) would recommend Balco to a potential new customer.

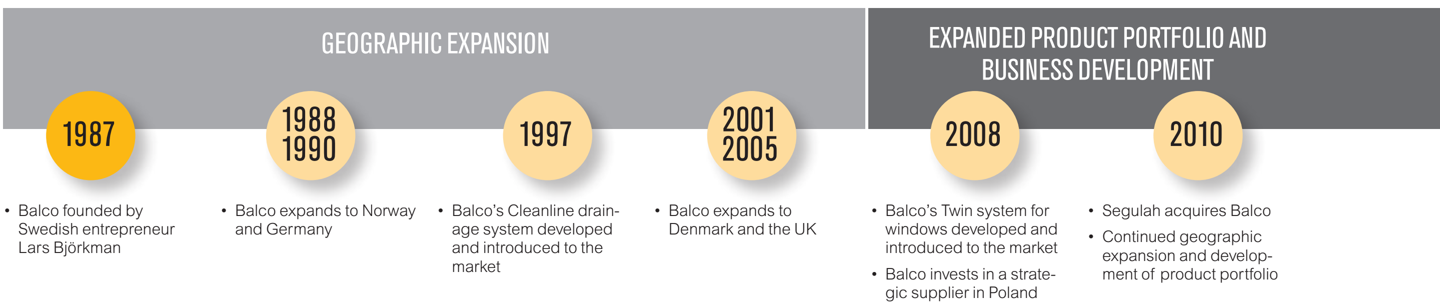
Net sales per customer group (2017)

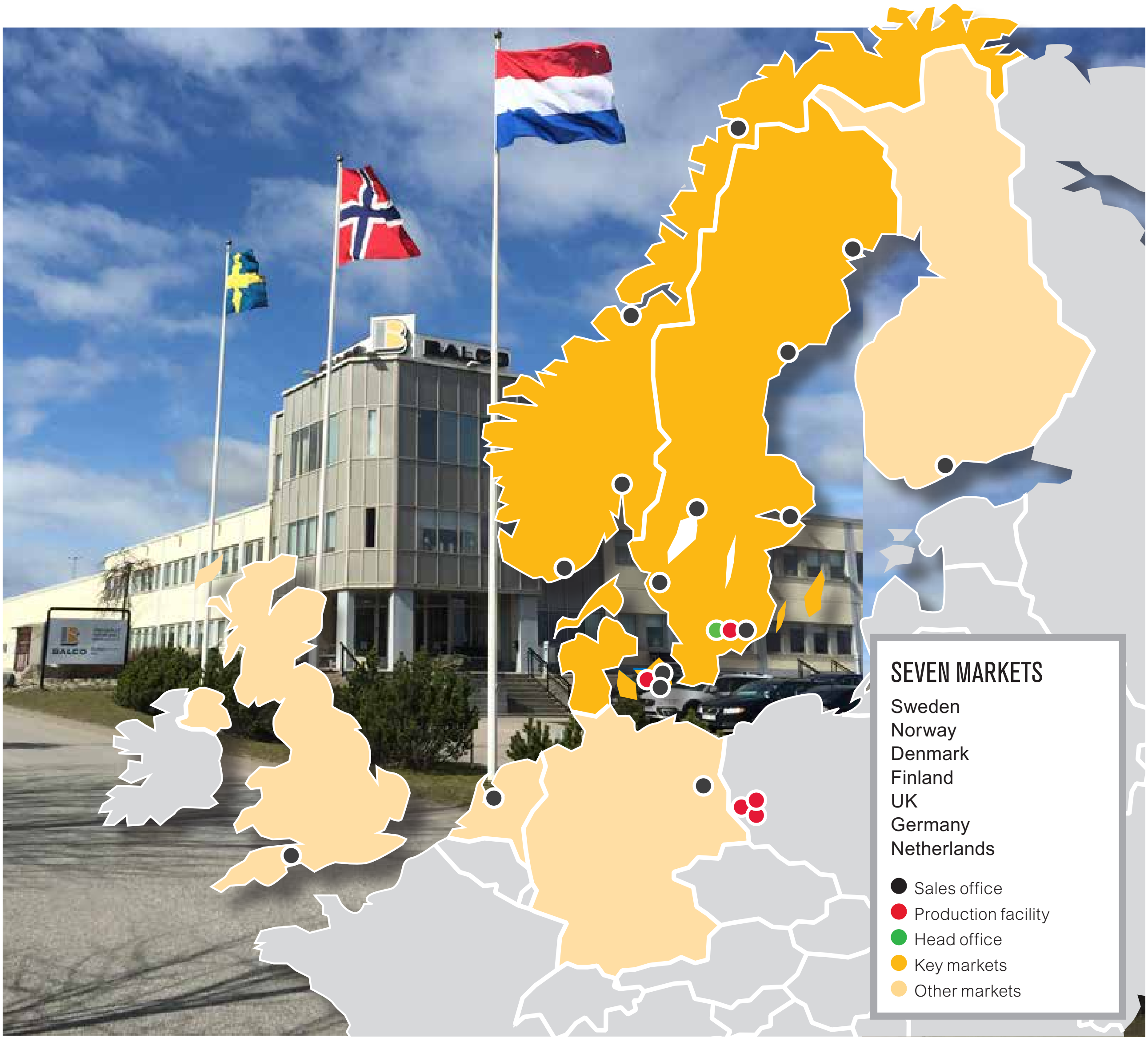


Net sales per type of product (2017)



Balco's growth journey





In 2014, Balco implemented an entirely new growth and expansion strategy. A market study, which showed that growth potential in the Nordic countries was significantly larger than previously thought, became the starting point for the strategy. Heavy investments were made to expand the sales organisation, while at the same time as the now tried and tested and successful sales model of meeting potential customers by participating at focused sales fairs ("mini-fairs") was developed. Thanks to the new sales model and process of explaining to customers about alternatives to traditional renovation, during the past four years Balco has been able to create its own market and grow strongly. During the past four years, the salesforce has increased from 38 to 64 employees and the number of trade fairs which Balco has attended has increased five times. The decision taken in 2016 to focus to a greater extent on the Renovation segment and reduce risk and exposure to New Build has contributed to increased profitability and an improved focus.

GROWTH PHASE WITH SIGNIFICANT INVESTMENTS IN MORE SALES STAFF AND AN INCREASED PRESENCE AT MINI-FAIRS

2013

- Balco establishes a separate Polish production unit
- New management in place

2014

- Balco implements a new strategy for expansion and growth involving significant investments and more sales staff. At the same time, the sales model for meeting customers at mini trade-fairs is formulated

2015

- Balco acquires Kontech – a Danish manufacturer of city balconies
- Balco expands to Finland

2016

- New strategy for the New Build segment (low risk)
- Market leader in main markets with 45 patents and 300 employees
- Expansion to the maritime segment

2017

- IPO of Balco Group AB on Nasdaq Stockholm
- New production unit in Poland of 5,800 square metres
- Sales reach approx. SEK 1 billion
- Celebrates 30th anniversary

MARKETS AND TRENDS

The total balcony market in the countries in which Balco operates is worth approx. SEK 29 billion[1]. The market largely comprises renovation of existing balconies, but also new production. The balcony market is primarily driven by the age profile of the housing portfolio and by the wishes of the residents of the properties for an enhanced quality of life and a possibility for an increase in value of the property.

Balco operates on the North European balcony market, with a major focus on glazing, which is a niche market within the broader building market. The balcony market primarily includes renovation of existing properties and the installation of new balconies on existing properties, but also installation of balconies in conjunction with the construction of new properties. The total balcony market on the markets on which Balco operates is worth approx. SEK 29 billion according to a market study conducted by Arthur D. Little in 2016.

Balco's main markets are Sweden, Norway and Denmark. The value of the balcony market in these countries was approx. SEK 3.6 billion in 2015, of which SEK 2.4 billion within renovation, which is Balco's focus segment. These countries are expected to grow on average by 12.8% per year up to 2020, when a market value of approx. SEK 6.7 billion is expected to be achieved[1].

In addition to its main markets, Balco also operates in Finland, the UK, Netherlands and Germany. In addition, Balco has made market investments in Iceland and in Switzerland. The total value of the balcony market in these countries was approx. SEK 25.6 billion in 2015, of which SEK 19.2 billion within renovation. These markets are expected to grow at an average rate of 4.3% per year during the period 2015 – 2020, and to reach approx. SEK 31,5 billion by 2020.

In a number of selectively chosen projects, Balco also manufactures, sells and installs maritime balconies that are sold to cruise ships in Europe. In 2017, the value of the maritime balcony market in Europe was approx. SEK 1 billion.

The balcony market is divided into two segments: renovation and new build, with renovation accounting for approx. 86% of Balco's sales in 2017.

MARKET POSITION AND COMPETITORS

The balcony market is fragmented and comprises a small number of larger companies with vertically integrated value chains, operating in several countries, as well as a large number of smaller, local balcony installers, balcony manufacturers and concrete renovation contractors. The larger companies are gaining a greater role in the entire value chain, from product development to offering in-house installation services.

Balco is the leading company on the Nordic balcony market and market leader in Sweden and Norway, and the second largest company in Denmark in terms of sales. In terms of order intake, Balco is also the largest company in Denmark. Balco's market share in Sweden in 2015 was 17%, of which 24% was within renovation and 5% within new build. In Norway, Balco's market share was 21%, and in Denmark it was 10%.

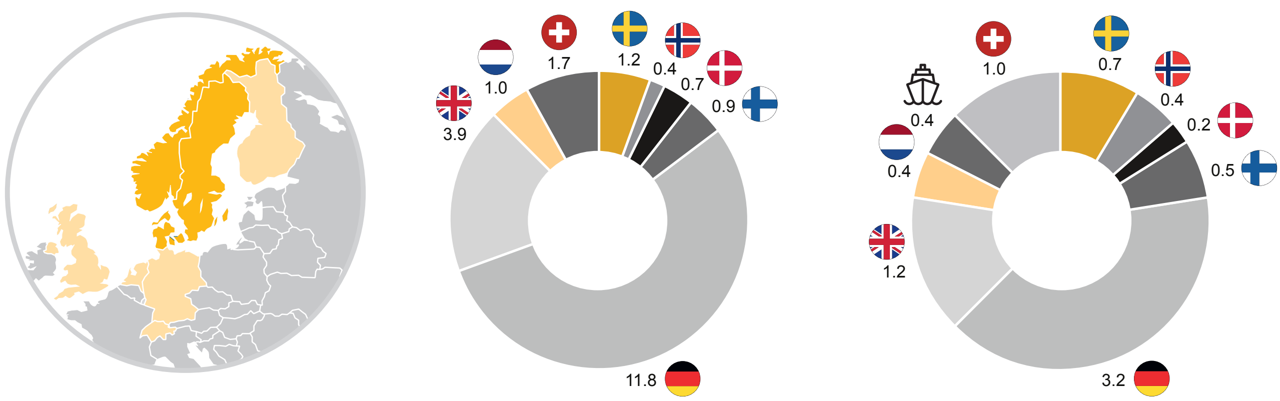
The largest companies on the Nordic balcony market are Balco, Lumon, Windoor (a part of Wingroup) and Solarlux. The smaller local companies include Teknova, Alnova, TBO, Balcona, Hallmaker, Altan.dk and Weland Aluminium.

Total balcony market, SEK 29 billion (2015)

Main markets
Other markets

Total size of renovation market, SEK 21.6 bn[1]

Total size of new build market, SEK 7.7 bn[1]



1) Source: All data in the market section is derived from Arthur D. Little market study (2016).

TRENDS ON THE BALCONY MARKET

In addition to external drivers that influence the balcony market, such as price changes on the housing market, disposable income, interest rate changes, economic growth and building industry growth, the industry is also affected by a number of trends.

Transfer of ownership to tenant-owner associations

Tenant-owner associations are the most common form of home ownership in Sweden. Between 2010-2015, the percentage represented by tenant-owner associations increased by four percentage points and the trend is expected to continue to grow strongly going forward. The growth in tenant-owner associations is driven primarily by publicly and privately owned properties being sold out and restructured into tenant-owner associations to finance new building projects and future maintenance investments.

IMPACT ON BALCO:
Tenant-owner associations are currently Balco's most important customer group and account for 59% of the Company's sales. The customer group is the segment most inclined to make value-enhancing investments. Balco has a well functioning model and an attractive solution for meeting the needs of tenant-owner associations.

Environmental legislation and energy savings

Assumption of responsibility for a sustainable society and ensuring that products are produced in a responsible manner is an increasingly important driver for today's consumers. A global trend towards reduced energy consumption has resulted in ever stricter laws and regulations to achieve greater energy efficiency and thereby reduced environmental impact. Energy and environment issues are important for today's property owners since correct handling of the issues contributes to a reduced adverse impact on the environment, and to lower costs.

IMPACT ON BALCO:
Glazed balcony systems contribute to increased lifespan, which benefits energy and the environmental impact in the long term. In addition, the energy efficiency of properties with a glazed balcony increases, which contributes to lower energy consumption and lower costs.

Comfort and design

Glazed balconies contribute to increased enjoyment, comfort and sound insulation in properties. Glazed balconies retain a higher temperature than traditional balconies, thereby increasing usability. In the Nordic region, the number of months in which balconies can be used increases from approx. four months to 8 months per year. Balconies also improve the external appearance of properties and provide an increased attractiveness which can give a lift to an entire residential area.

IMPACT ON BALCO:
Balco's products are of a high quality which creates peace of mind and security for their users. Not infrequently, glazing of a previously open balcony results in twice the balcony space, thereby providing an increased user benefit.

Degree of penetration of glazed balconies

There are clear differences as regards the degree of penetration by glazed balconies in the Nordic region and northern Europe. A survey conducted in 2012 showed that only 11% of apartment balconies in Sweden were glazed. The percentage is small compared with Finland(approx. 46%). The advantages such as a longer lifespan and energy savings, combined with the fact that the climate is cooler in the Nordic region and northern Europe, indicate that the percentage of glazing will continue to increase.

IMPACT ON BALCO:
Balco is currently market leader within glazed balconies on its main markets. The Company's product development and innovation within the area are ahead of its competitors, which provides Balco with a good starting point for continuing to grow within the area.

N INNOVATIVE AND SUSTAINABLE PRODUCT

GLAZED BALCONIES

Balco offers a wide range of its own brand products and solutions to the balcony market. The Company's products are developed in-house, patented and have a sought-after design. The products are adapted to the customer's wishes and specific needs and can be installed in conjunction with both renovation and new construction. Balco has a tradition of developing products in-house and invests regularly in product development. The Company's product developers are constantly working to produce new, innovative and technical solutions, and Balco has no fewer than 45 patents.





Glazed balconies

Glazed balconies are Balco's largest product category and, in 2017, accounted for 75% of total net sales. The glazed balcony solutions are sold primarily to the Renovation segment. The solutions are generally regarded as a cost-effective and attractive alternative to traditional balcony renovation and provide customers with economic benefits through reduced energy and maintenance costs. The solutions also contribute to noise reduction and reduced corrosion of the reinforcement, thereby reducing the risk of frost weathering. Balco tailors its solutions to the customers' needs, with the customers being able to choose from a wide range of e.g. windows, roofs, frontages, fixing systems and floor modules. Balco holds a number of patents on unique functions such as ventilation, drainage systems, etc. which make the glaze solutions extremely competitive. The balcony solution product category includes different types of systems for balcony solutions such as clima walls, loft glazed balconies and etage balconies.

Clima walls

Clima walls are a product within the glazed balcony category whereby the entire facade is covered with glazed balconies. By covering the entire facade, the solution functions as a climate-proofing shell for the property, resulting in significant energy savings. Clima walls also reduce the need for renovation of balconies, as well as the building's facades, windows and doors.

Loft glazing

Balco has a specially adapted glazed system which is sold to the Renovation segment to meet the need of loft balconies, also referred to as entry balconies, which have problems with snow and ice in the winter. The loft glazing provides effective protection against the weather and wind, stops the walkways from becoming slippery, and also contributes to lower energy consumption.

Etage

Glazed etage balconies are welded to stepped apartment buildings with challenging needs for innovative solutions to deal with problems of water run-off. Balco's etage balconies have been developed with effective drainage systems.

OTHER PRODUCTS

Balco also sell a large number of different accessories to the Company's balcony solutions. The Company's accessories include screens, glass corners, powered awnings, sunscreen, roller blinds and window boxes. The category accounted for 10% of net sales in 2017.

OPEN BALCONIES

Open balconies

Balco sells open balconies with steel frames, concrete base and railing to both the Renovation and New Build segments. Open balconies can have simple variations in form and design to meet the customers' needs. Among other things, the customers have the possibility to choose various designs for floor, covering, balcony rail and handrails.

The product area includes different types of open balconies, as well as parts of balconies such as balcony rail, floor, roof, and fixing systems which can be installed on existing balconies or bought by construction companies in the case of new construction. The open balconies product category, which accounted for 15% of net sales in 2017, comprises city balconies, maritime balconies and prefabricated balconies.

City balconies

City balconies are generally smaller than the Company's other open balconies and are made of steel with wooden floors. Apart from the choice of material, the fixing principles for City balconies are different inasmuch as, from a design perspective, they are adapted for city centre environments, where other design requirements prevail.

Maritime balconies

Within the cruise industry, there is a trend towards replacing steel components on cruise ships with lightweight structures made of aluminium and glass. Balco has specially developed a solution for maritime balconies which is sold to cruise ships in Europe.

Prefabricated balconies

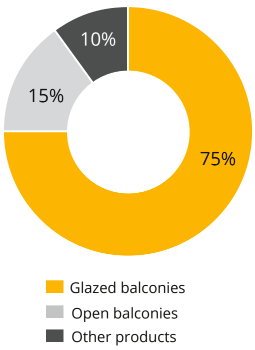
AluOne

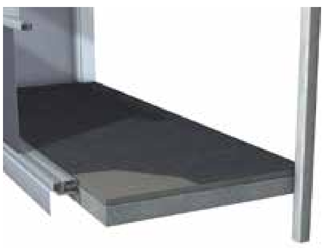
AluOne is a prefabricated, specially adapted balcony solution, mainly produced in aluminium in 12 different sizes, which can easily be adapted to different buildings, thereby making the system flexible and cost-effective, and cutting the installation time.

PGS

Balco's PGS balconies are produced for the Swedish market and comprise a prefabricated balcony module made of steel and concrete, which Balco has developed on behalf of the customer.

Net sales per product type (2017)





EMPLOYEES –THE CORE OF SMÅLAND CORPORATE CULTURE

The employees' commitment, personal responsibility and willingness to develop contribute to Balco's success. The corporate culture is characterised by closeness, entrepreneurship and a decentralised organisation in which all employees contribute to the end result. Together, we strive towards achieving our vision – of offering the market the best balconies through innovative solutions and high-quality products.

Balco has 346 employees in seven countries, with different work duties and areas of responsibility. However, Balco's employees have the same mission – to provide the market's best balcony solutions. Closeness, commitment and clarity are catchwords which permeate the entire organisation, in which the goal is that all employees shall be proud of Balco and their work. Balco promotes an equal, sustainable and healthy working life in which employees are provided with conditions to perform, develop and be stimulated.

In order to facilitate our future development, it is important for us to constantly work on our brand and continue to strengthen our attractiveness as an employer.

Balco has operations in several countries, but most employees are to be found in Sweden (54%), followed by Poland (25%), Denmark (11%) and Norway (3%). 16% of employees are women and 84% are men. Balco is endeavouring to achieve a more even gender breakdown in the Company. 55% of employees in the Company are white-collar staff. The employee turnover rate and sick leave in Balco have fallen in recent years, which is a positive trend and indicates that employees enjoy their work.

FOCUS AREAS 2018

To create an attractive brand has an employer and ensure continued growth and delivery, Balco has identified a number of focus areas for 2018:

Introduction

As we continue to grow our workforce, the development of our introduction program will become an increasingly important focus area. At present, Balco provides a thorough introduction program in which each employee is offered a general introduction lasting two weeks, which is followed up by a vocationally-specific introduction.

Remuneration and benefits package

For Balco, which engages in project operations, it is important to provide attractive remuneration and benefits packages. The Company is constantly working to provide attractive incentive programs, both individual and shared, aimed at maintaining a high performing culture, competitiveness on the employment market, and contributing to increased stimulation and successful collaboration.

Management training

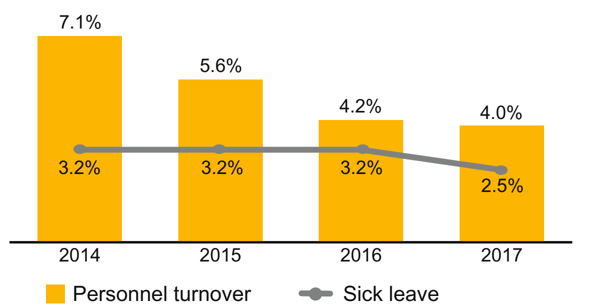
Over the years, Balco has succeeded well in identifying and further developing internal talent, which is a factor that will be strengthened through the Company's management training. Balco is working actively and in a targeted fashion to develop existing managers and find managers of tomorrow through three management programs:

- High potentials – managers of tomorrow are identified and provided with conditions for a managerial career within Balco
- Management – management training for new managers and intermediate managers
- Executive management – manager training for senior managers and management group

Employee survey

In order to continue to be an attractive workplace, demonstrate interest, attentiveness and participation, Balco will carry out an employee satisfaction survey in 2018. An employee and management index is a basis for producing an action plan for becoming an even better employer.

Personnel turnover and sick leave



Words employees associate with Balco*

Comfort	96%
Collaboration	93%
Safety	93%

* Data from employee surveys 2016/2017

The Company's cornerstones

Results achieved and joint goals reached

Attract and retain | **Train and develop**

"Balco wishes to be, and will be, an organisation which is involved and makes a difference for its employees. We wish to create mutual commitment and a culture in which everyone participates".

People and products

"As a company and employer, we endeavour every day to deliver attractive balcony solutions and services to our customers. Our exacting goals and ambitions would not have been possible had it not been for our responsible, committed and skilled employees, combined with our unique customer know-how and innovative balcony solutions."

Business growth

"Our most important asset is our employees and our culture, which is based on an entrepreneurial spirit".

MEET ELIN, ONE OF BALCO'S EMPLOYEES IN SWEDEN

Elin began her career at Balco as a part-time employee at the accounts department in 2009. At the beginning of 2012, she began to work as project controller and, in 2014, she advanced and became a project leader on the Swedish market. Today, she is a project manager, meaning that she has total responsibility for both projects and personnel in her region.

You changed your direction within Balco Group and went from working with accounts at the accounts department to the operating organisation. How did that happen?
-After having worked a few years as project controller, chasing project leaders with questions about economic follow-up, I felt it was time to do something new. When I was asked if I would like to work as a project leader, it felt challenging and right. The thing that most attracted me with the new role was the variety in the work and the possibility to combine balcony construction with accounting.

Describe your job as project leader. What does it involve?
- In brief, my work involves ensuring that sold balconies are installed at the customer as efficiently as possible. It also means guiding our work team through the different phases of a building project and ensuring that everyone delivers their parts in a satisfactory manner.

What is the greatest challenge with your job?
- For me with an background within economy, the greatest challenge is being able to contribute constructive ideas in the building phase and ensuring that solutions are found when problems arise at the worksite. In order to do this, I try to use all the knowledge we possess at Balco and utilise the skills of my co-workers.

What do you think are important qualities for your work?
- To be "driving", i.e. to have the ability to make sure that a project is achieved. To be involved with the project, to assume responsibility and motivate your co-workers. And, not least, to be perceptive!

What's the best part of the work?
- Meeting my colleagues is actually the best part! Also gladness when a project develops well and the customer is satisfied – these are fun parts of my work, as well as when you encounter a problem and can present a good solution.

VALUE CREATION, VISION, MISSION AND BUSINESS CONCEPT

Balco is convinced that a combination of an entrepreneurial corporate culture, great innovative power, commercial sense and great know-how are cornerstones that create value. Balco's success is based on expertise, commitment and enthusiasm of its employees, and their willingness to do the little extra which takes the Company a step forward. Together with the customer, Balco tailors a complete modern balcony solution, from sketch to installation, which contributes to an enhanced quality of life for the end customer. Balco's sustainable products, developed in-house, create direct customer benefits such as lower costs, enhanced standard of living, reduced energy consumption and an increased property value.

VISION

Balco shall, through innovative solutions and high-quality products saught by the customer, provide the best balconies on the market .

MISSION

To offer balconies that contribute to an enhanced quality of life.

BUSINESS CONCEPT

Based on the customer's needs, to develop modern, sustainable and attractive balcony solutions that provide people with an improved quality of life.

CORE VALUES

Innovation - Expertise- Entusiasm

Innovation
Balco is an innovative entrepreneurial company which constantly endeavours to create improved, more modern and more purposeful solutions. Balco shall be at the forefront in the development of the next generation of balcony systems. Product development shall be driven based on the customer's needs and the wish to create simple, sustainable solutions.

Expertise
Balco's customer shall have peace of mind when they retain Balco. Balco must always act in accordance with sound business ethics, professional skill and high competence. Balco shall be one step ahead, do the right thing from the beginning, remove risks and keep to promised times. Balco shall comply with laws and requirements, use the best possible technology and deliver the best customised comprehensive solution of the highest quality.

Entusiasm
Entusiasm is being proud of one's work and being an important part of a group which contributes to a whole. Balco believes in an environment devoid of prestige in which all employees are respected, rely on each other and work together to achieve a good result. In the work of developing the business in the best way, personnel shall have satisfaction, feel good and show each other appreciation.

BUSINESS MODEL AND HOW WE CREATE VALUE

Balco's business model works as a value chain in which each part of the process contributes to producing the final product. All parts are key to the business and the Company's success. Hundreds of steps and decisions are taken on the way, from the initial contact with a potential customer to completing the installation of the customer's balcony on the facade. All steps in the process contribute to the total value and to the customer's overall experience

1) THE CUSTOMERS' NEEDS AND TOTAL EXPERIENCE

Balco' business and product development are based on the customer's needs and wishes. Balco shall provide customers with sought-after products adapted to the customer's specific needs. By working in close proximity to the customer, being perceptive to new ideas and proposals, we become an important cooperation partner at an early stage in the process.

2) EMPLOYEES

Employees are Balco's most important resource. Balco is characterised by an entrepreneurial corporate culture which encourages employees to dare to find new and innovative solutions. High skills and specialisation within each separate part of the value chain contribute to the end product. Attracting and developing skilled, motivated employees are important conditions for future growth.

3) INNOVATION

Balco has a tradition of developing and improving existing product areas and developing its own new products. Balco endeavours to be at the forefront in order to differentiate itself from its competitors and create good conditions for continued long-term growth. Through the Company's product development process and patent portfolio, the Company's offering and market position are strengthened.

4) PRODUCTION AND LOGISTICS

Balco has an efficient and well invested production platform with good access to available delivery capacity. A significant share of manufacture takes place at our own production plants in Sweden, Denmark and Poland. Own production contributes to greater quality, flexibility and cost efficiency. Balco also manages logistics, which ensures that deliveries reach the building site at the right time and thereby shortens lead times and contributes to improved profitability. Other key areas that contribute to the business are efficient use of energy, sustainable transportation with high load rates which generate less impact on the climate and create an improved economy.

5) INSTALLATION AND FOLLOW-UP

Balco works on a turnkey basis and is responsible for all parts of the process, which creates a competitive advantage. Installation is carried out by specialist fitters, presided over by an installation supervisor. Once the balconies are installed, a final inspection takes place at the worksite and a budget at completion and customer evaluation are carried out.

RESOURCES

Employees
346 employees

Specialisation
9 product developers

Production capacity
5 production units

Local presence
7 geographic markets
17 sales offices

Expansion investments
SEK 50 million in 2017

VALUE CREATION

A COMPREHENSIVE SOLUTION

Balco's skilled employees help the customer throughout the process, from idea to realisation. Balco is a turnkey supplier which assumes full responsibility for the end result. The Company's employees contribute valuable skills and perspective, which contribute to the development of Balco's customer offering.

SECURITY

Balco is a cooperation partner with local presence close to the customer. During the 30 years in which the Company has been in operation, we have performed many projects and acquired great knowledge of the conditions on the local markets, of the characteristics of different properties and of the needs of different customer groups. An established supplier who assumes responsibility for the product creates valuable piece of mind.

INNOVATION

Balco's products offer great choice possibilities since all solutions are tailored to the customer's needs. Flexibility imposes demands on Balco as a manufacturer and supplier. Balco is regularly investing in product development in order to guarantee the market's best products. Balco currently has 45 patented solutions that create value for the end-customer.

JUST IN TIME AND SHORT LEAD TIMES

Balco has a well-functioning structure for logistics and warehouse management which is based on delivering the right product at the right time. Effective logistics and rapid installation are an important part of the service offering. Balco has invested in the development of production capacity which enables the Company to cut lead times, which results in lower costs and contributes value for the customer.

SUSTAINABILITY AND FUTURE

Environmental and sustainability issues are a constant factor in Balco's business. Most of the materials used in our glazing system are maintenance-free and recyclable. Materials with a long lifespan and robust constructions contribute to making our products sustainable in the long term.

SUSTAINABILITY

About the sustainability report

Balco's sustainability report relates to the 2017 financial year. The sustainability report covers the parent company Balco Group AB (reg. no. 556821-2319) and covers all entities consolidated in the consolidated financial statements of Balco Group AB for the same period, which are specified in Note 14 of the annual report and consolidated financial statements. The sustainability report is prepared in accordance with the provisions of Chapters 6 and 7 of the Annual Accounts Act.

Since the report is Balco's first sustainability report, no significant changes have taken place in the application of principles for reporting or the scope of the reporting.

The Board of Directors of Balco Group AB has, when signing the annual report and consolidated financial statements, also approved the sustainability report.

A SUSTAINABLE IDEA

"Everything becomes better. You obtain entirely new space which can be used for whatever you want during most of the year. You save energy, reduce maintenance costs and at the same time increase the value of the property. As I see it, glazing should be standard in northern Europe."

Finn Ørstrup
Lektor Emeritus, Arkitekt Maa, Danske Ark

For Balco, sustainability is closely associated with its business concept and something integrated in the product. Balco's core expertise is delivering glazed balconies and balcony solutions, primarily on the renovation market. Through the Balco method, whereby existing balconies are replaced with new glazed balconies, the customer obtains several sustainable advantages. Apart from the balcony increasing the value and usability of the apartment, energy costs are reduced at the same time as the lifespan of the balcony is extended. Compared with traditional balcony renovation, which does not create corresponding added values and which must be repeated approx. every 15 year, the Balco method entails a sustainable investment, economically as well as environmentally and socially.

The social benefits are clear. Satisfaction increases among the residents and relocations from the property are reduced. It has also been shown that it results in an increased sense of security in the residential area, since damage and rowdyism are reduced due to the increased "presence". Quite simply, residents spend more time on the balcony during a greater part of the year.

Through Balco's solutions, the apartments become more attractive. This creates greater demand which, in turn, leads to an increase in value. In addition, glazing is an energy-smart investment which results in a reduction of up to 20% in heating costs. This is since outdoor air is pre-heated in the glazed area before entering the apartment. This contributes to making the investment economically advantageous.

RESPONSIBLE PROCESSES

Sustainability is not merely an inherent part of the product. It permeates also Balco's work method. As a turnkey supplier of balcony solutions and glazing, Balco assumes responsibility for the entire process, from project planning to final inspection and aftermarket service. This entails a long-term assumption of responsibility and a presence on the local market which creates security for the customer.

Balco's production process takes place in accordance with the modularised work method. This means that, as early as the production and packaging of balcony systems, Balco has planned for the installation work at the building site. By delivering products in batches of modules, with a high load rate on the trucks, transportation is reduced not merely from the factory to the destination but logistics are also reduced locally at the building site. The building process becomes more efficient and secure since material arrives "just-in-time".

Balcony systems are produced in modern and efficient premises at the Swedish head office in Växjö, in Hvidovre in Denmark and in Łowyń in Poland, as well as at a partly-owned subcontractor located in Przytoczna in Poland. The operations are certified in accordance with ISO 9001 and ISO 14001. This means a high quality level throughout the entire production and that great consideration is given to the environment. Production in Poland and Denmark follows the same principles as at the Swedish plant, but is not ISO certified. In order to ensure high quality and delivery certainty, Balco is regularly investing in machinery and skills.

FOCUS ON THE ENVIRONMENT

Balco's production of balcony systems has little environmental impact. Despite that, environmental aspects are a constant factor in Balco's production and product development. In the Swedish production process, only energy from renewable energy sources is used. Material with a long lifespan and robust constructions contribute to making the products sustainable in the long term. Most of the material used in glazing systems is maintenance-free and all waste is recyclable.

Commitment to a better environment is also expressed in the fact that Balco is constantly seeking new solutions so that production processes and the products will contribute to reducing the environmental impact. Balco's environmental management systems involves monitoring all international standards that affect environmental marking, environmental audits and environmental management systems.

AN AWARE COMPANY

The sustainability perspective is noted in Balco's endeavours to produce safe and reliable products, to offer a healthy working environment and to act ethically, both internally and externally. The sustainability work thus includes Balco's code of conduct, which sets out the Company's social, ethical and environmental rules and approach. The code of conduct also contains rules concerning human rights, non-discrimination and working environment. Through dialogue, each Balco employee has been made aware of the code of conduct, since it is of greatest importance that all employees support the spirit conveyed in it.

HERE'S HOW BALCO CREATES VALUE FOR CUSTOMERS AND STAKEHOLDERS

IT USES

NATURAL RESOURCES
- Concrete 2,936 m³
- Steel 3,671 tonnes
- Glass 1,068 tonnes
- Aluminium 1,778 tonnes
- Fuel (passenger transport) 530 liters petrol, 185,396 liters diesel
- Electricity consumption 1,690 MWh

PERSONNEL
- 346 employees
- Personnel turnover 4.0 %

ECONOMIC RESOURCES
- Debt/equity ratio 0.7 times
- Capital employed SEK 116 million

PRODUCTION
- 4 wholly-owned production plants in 3 countries as well as part ownership of a subcontractor.
- Strong supplier network

INTELLECTUAL CAPITAL
- Patents, brands, skills
- Customer offering – from idea to finished product

SOCIAL/RELATIONS
- Safety and health
- Relations with customers locally, customer satisfaction
- Cooperation with partners, suppliers, prescribed stages

VALUE CREATION

GROWTH AND SUSTAINABILITY

1. TOTALITY: FROM IDEA TO FINISHED PRODUCT
2. INNOVATION: PRODUCT DEVELOPMENT AND CUSTOMISED SOLUTIONS
3. CAPACITY: EFFICIENT PRODUCTION, SHORT LEAD TIMES, SKILLS
4. SAFETY: KNOWLEDGE, RESPONSIBILITY AND LOCAL PRESENCE
5. SUSTAINABILITY: MAINTENANCE-FREE, RECYCLABLE AND LONG-TERM PERSPECTIVE

CREATES

SERVICES
- 3D visualisation
- Product development
- Construction and static
- Installation and building supervision
- Customer project management

PRODUCTS
- Glazed balconies
- Open balconies
- City balconies
- Maritime balconies
- Prefabricated balconies

WASTE
- Aluminium scrap and steel scrap (100% recyclable)
- Particulates and slag from welding and cutting work

EFFECTS

SOCIAL

For the user

- Room for life: Balco's glazed system provides a possibility for larger and lighter balconies. Usability increases and the home obtains an extra dimension.
- Increased comfort: Glazed balconies are used more and contribute to increased comfort and reduced relocation.
- Increased safety and peace of mind: Since residents spend more time on their glazed balconies, "presence" in the area increases, which results in less damage and rowdyism.

Other effects

- Increased living standard and security.
- Indirect and direct jobs.
- High enjoyment, low personnel turnover and low sick leave in the Company.

"Our solutions shall make daily life better and more pleasant for those who invest in our systems."

Martin Lamme / Architectural Advisor, Balco

ENVIRONMENTAL

For the user

- Protection for the facade: The life of a balcony with Balco's glazing is extended by at least 50 years compared with an unprotected concrete floor. Glazed balconies protect not merely the facade but also reduce the need for maintenance of doors and windows
- Less noise: Glazing effectively dampens disturbing traffic noises from nearby motorways or railways. Integrated Balco glazing reduces the noise by up to 20 dB.
- Improved indoor climate: Glazed balconies warm input air before it enters the apartment. The effect is an improved thermal indoor climate.

Other effects

- Carbon dioxide emissions from transportation. Reduced through modularisation and high utilisation rate.
- Production waste is 100% recyclable.
- Low emissions of welding particulates from production.
- Reduced energy use in properties with glazing contributes to lower climate impact.

"We will have very small costs for maintenance of the properties. The balconies are glazed so maintenance costs will minimal for the next 20 years."

Albin Røreng / Director of Myrtun Borettslag, Mo i Rana, Norway

ECONOMIC

For the user

- Reduced energy costs: Glazed balconies reduce the property's heating costs by up to 20%.
- Increased value: Glazed balconies make properties and apartments more attractive. They often contribute to an increased market value which makes the investment profitable in the long run.

Other effects

- Other effects
- Lower energy use costs
- Lower maintenance costs
- A long-term sustainable and vibrant company generating value for customers, employees, owners and society:
  - Sales SEK 989 million
  - Operating profit SEK 92.3 million
  - Cash flow SEK 155.4 million

"Renovation was necessary . Covering the building in glass and aluminium was a much larger one-off cost, but resulted in much greater value."

Atle Vollstad / Director i Tøtta Borettslag, Narvik, Norway

For a complementary description of Balco's value creating business model, see pages 14–15 of the annual report.

GOVERNANCE AND RESPONSIBILITY FOR SUSTAINABILITY ASPECTS OF THE BUSINESS

For Balco, sustainable enterprise is a condition for creating a business which grows, is profitable and creates value for the Company's customers, employees, owners and other stakeholders. Balco strives for sustainable enterprise and complies with the areas included in the UN Global Compact, the OECD's guidelines for multinational enterprises, as well as the UN's guiding principles for businesses and human rights.

Balco's Board has overall responsibility for questions relating to sustainable enterprise. The CEO is responsible for execution of the Board's decisions and strategies. As an aid to the CEO and the rest of the business, Balco has employed an environmental and quality manager, who is responsible for producing bases for decisions, conducting analyses and otherwise assisting management in executing the decisions taken by the Board of Directors.

Balco's approach to sustainable enterprise issues is defined in the Company's sustainability policy. The policy serves as a framework for operating decisions, but also for Balco's assessments and decisions on questions concerning the long-term strategic development of the Company. The sustainability policy describes Balco's position on sustainability issues, the Company's values and its preventive work within the area. The policy also states the Company's sustainability goals.

Balco's management group is responsible for compliance with the sustainability policy, that it is developed, and that it constitutes a part of the day-to-day work at Balco. The management group, the presidents of subsidiaries and other managers work together so that the sustainability work is naturally integrated in the day-to-day work and in strategic decisions.

The sustainability work is broken down into a number of goals with related activities. The activities are carried out regularly in the day-to-day operations. The goals are measured each month in accordance with clearly defined measurement methods. The result is presented regularly to the management group and the Company's Board of Directors.

GOVERNANCE DOCUMENTS AND GUIDELINES

- **Sustainability policy:** The sustainability policy and related sustainability goals have been produced in collaboration between Balco's management group and the Company's Board of Directors. The policy covers operations in the parent company and the Company's subsidiaries. Date of adoption: 26 June 2017.
- **Environmental management system:** Balco's environmental management system has been certified in accordance with ISO 14001 since 3 May 2004. The Swedish production plant is certified; production in Poland and Denmark follows the same principles as the Swedish plant, but is not ISO certified.
- **Code of conduct:** Balco's ethical guidelines, values and external relations, social responsibility and position as an employer are described in detail in the Company's code of conduct. Date of adoption: 1 September 2013.

The basic starting point for Balco sustainability work is to minimise the potential adverse effects of the business and to utilise the opportunities which sustainable enterprise entails. Balco's ambition is that all employees shall own sustainable enterprise issues which are close to their own position. Several training courses have been held for Company employees; among other things, all employees receive an introduction to the Company's code of conduct.

SIGNIFICANT SUSTAINABILITY ASPECTS

In collaboration with the consulting firm PwC, Balco carried out a significance analysis in the autumn of 2017, in which 23 significant sustainability aspects were identified which Balco prioritises from a sustainability perspective. The sustainability aspects have been weighted based on their impact on the organisation's business and its stakeholders. All in all, the sustainability aspects determine the direction of Balco's sustainability work and each individual sustainability aspect must be taken into account and monitored.

The analyses have been carried out based on risks and opportunities related to sustainable enterprise. The overarching areas considered have been the environment, social relations, personnel issues, respect for human rights, anticorruption and governance issues.

Four significant sustainability aspects have been deemed to be of particularly great importance for the business and its stakeholders. Therefore, Balco has chosen to place greatest focus on activities related to these areas in its sustainability work.

The result of the significance analysis is evident from the subjects and result indicators presented in this report.

TRANSPORT (environmental). A description of how Balco is working to minimise the environmental aspects of transport is reported under 'sustainability-related risks', page 22 and under 'prioritised sustainability goals', page 23.

HEALTH AND SAFETY (social). Balco should be a serious employer which works to provide its employees with long-term, sustainable employment in a sound working environment. Social conditions and personnel issues are described in greater detail under 'sustainability-related risks', page 22, and under 'prioritised sustainability goals', page 23.

THE LIFESPAN OF PRODUCTS, ENERGY SAVINGS AND PRODUCT SAFETY (commercial). The concept of sustainability is strongly integrated in Balco's business concept and characterises both the products and the production and delivery processes. Read more about Balco's products and product development under "An innovative and sustainable product" on pages 10-11 and under "A sustainable idea" on page 17.

CUSTOMER SATISFACTION (commercial). For Balco, which works from a sketch, via production to final installation, it is important that all elements in the process meet the customer's expectations. Customer satisfaction is measured, analysed and monitored as part of Balco's regular business goals. Read more about customer satisfaction work under 'prioritised goals' on page 24.

SIGNIFICANT SUSTAINABILITY-RELATED RISKS AND RISK MANAGEMENT

Balco presents here the significant sustainability-related risks which the Company has identified linked to the business, and describes the way in which each sustainability risk is addressed by the Company.

Significant risks	Description of risk management
Environment	
FIRE Within the business, machines and chemicals are used which may cause fire. Insufficient fire protection can cause great damage for Balco, Balco's neighbours or for the environment.	Balco works systematically with fire protection. Access to fire protection equipment, unrestricted evacuation passages and order and tidiness are checked regularly in connection with safety inspections. Fire safety equipment is maintained and checked regularly. Balco works constantly to improve its fire protection.
TRANSPORT Balco's production has increased and, with it, the number of transports has also increased. CO^2 emissions in connection with transports are one of Balco significant environmental aspects.	Project leaders and logistics cooperate to optimise deliveries in a project, so that the number of deliveries is minimised. Balco also measures the load rate on the trucks which travel from the production side to the building site, and checks off against Balco sustainability goals, to minimise the environmental aspect.
Social relations including personnel issues	
WORKPLACE ACCIDENTS In parts of the business, at Balco's production units and especially at building sites in connection with installation of balconies, there is a heightened risk of workplace accidents. A serious accident can have serious consequences for the individual in the form of injury, permanent pain, trauma and reduced work capability. It can also mean serious consequences for the Company in the form of damage to reputation, damages, and fines for deficient regulatory compliance.	Responsibility as an employer includes guaranteeing a safe workplace. Safety inspections take place continuously both at our production plans and at Balco's building sites in order to prevent accidents. In the event of near accidents or accidents, the event is followed up and measures are taken. Reporting of injuries and near accidents is an important basis for Balco's risk and injury management.
DISCRIMINATION AND LACK OF GENDER EQUALITY Balco is aware that it operates in a traditionally male-dominated industry. Although we now have an express policy of zero tolerance as regards discrimination and endeavour to achieve a gender equal workplace, the historical structure can take time to change. Discrimination on the basis of gender, age, origin, religious belief and sexual orientation is unlawful and any shortcomings in this regard may result in damage to reputation, a deteriorated workplace environment with reduced productivity as a consequence, difficulties to recruit and retain personnel, as well as damages.	Balco prohibits discrimination and harassment. No one needs to suffer discrimination or harassment connected with gender, cross-gender identity or expression, ethnicity, religion or other religious belief, functional impairment, sexual orientation and age. This is clearly stated in Balco's equality policy and in Balco's code of conduct. Balco's equality policy includes goals and measures described for the following areas: working conditions, parenthood and work, prohibition on discrimination and harassment, gender breakdown, skills development and recruitment as well as wage issues. The Company has routines in place as to how discrimination and harassment at the workplace are to be handled.
Respect for human rights	
Balco perceives no obvious risks of violations of human rights as a consequence of the Company's business. Balco conducts no business in countries identified as high-risk countries in this respect. We address risks of violations of human rights in our value chain under "Corruption and bribery" below.	Balco's sustainability policy and code of conduct are partially based on the human rights decided upon by the UN and must be complied with by all employees.
Corruption and bribery	
Balco has zero tolerance as regards bribery and corruption. This is clearly stated in Balco's code of conduct. The risk of corrupt behaviour is considered to be relatively limited and arises primarily in connection with purchasing and sales. Balco's suppliers are also expected to comply with the code of conduct and Balco requests them to sign a copy of the code as a confirmation thereof.	Balco's code of conduct covers also bribery and corruption and the code is communicated to employees and suppliers. Balco's purchasing policy states that suppliers must respect the principles in the code of conduct. If Balco discovers that any supplier has violated the code of conduct, a plan of action will be drawn up to address the situation.
Other risks	
We have identified no other significant sustainability risks. For other risks, see pages 38-41 and Note 3 on page 70 of the annual report.	

GOALS, OUTCOME AND ASSESSMENT

Balco's sustainability work is broken down into a number of goals with related activities to achieve the goals. The activities are carried out regularly in the day-to-day business and measured based on clearly defined measurement methods. The result is regularly reported to the management group and the Company's Board of Directors. Here, Balco sets out the result of a number of prioritised sustainability goals.

TRANSPORTS

GOAL: 100% utilsation of full* transports	*Comments, outcome:* Activities for achieving the goal: • Increased resources for optimisation of packaging of products • In-depth control and monitoring of the project flow • Increased resources for more enhanced site logistics at the building site Measurement interval: Monthly Measurement method: The theoretical optimal value is divided by the number of actual freights. Measured on projects concluded during the month. 3-year goal: 30% reduction in Balco's total transports, taking into account the Group's volume growth ** Theoretical optimal value defined by Balco based on the modularised work method in production.*

Outcome:

Balco has improved the load rate by 20% since 2016.

98%

SOCIAL RESPONSIBILITY

GOAL: Max 1% short time absence (days 1–14)	*Comments, outcome:* Activities for achieving the goal max 1 % short time absence (days 1–14): • Monthly follow-up meetings • Annual health checkups • Proactive work with AFS (2015:4) • Activities to promote well-being, satisfaction and health Measurement interval: monthly Measurement method: the percentage who are home due to sickness (days 1-14) divided by total scheduled time. Statistics produced from relevant HR-system. 3-year goal: maintain 1 % in short time absence
Max 6 % personnel turnover during a financial year	*Comments, outcome:* Activities for reaching the goal max 6% personnel turnover: • Improve communication flow • Improved working environment • Active work on personnel benefits and employer brand • Expanded personnel training and development opportunities • Clear career paths • Culture and enjoyment promoting activities Measurement interval: monthly and annually Measurement method: Number of employees leaving through number of employees per month/year 3-year goal: to be within the range 4–5 % personnel turnover

Outcome:

1 % Short time absence in 2017.

1%

4 % Personnel turnover in 2017.

4%

Outcome:

Workplace accidents

10

SOCIAL RESPONSIBILITY

GOAL:
Zero workplace accidents leading to to absence during a financial year

Comments, outcome:
In 2017, we had 8 accidents at our production plants that resulted in short absences. A further 2 were reported from our projects. Balco must ensure that subcontractors work according to our instructions and follow up and report near accidents in accordance with Balco's rules.

Activities for achieving the goal of zero workplace accidents during a financial year:

- Internal audit with focus on working environment
- Work to increase reporting of near accidents and safety observations
- Implement new system and work method which simplifies administration of reporting of events and risk management
- Safety inspections at production plans and building sites
- Ensure compliance with safety regulations
- Regular monitoring and investigation of accidents, near accidents and safety observations.

Measurement interval: Quarterly in connection with safety committee meetings
Measurement method: calculate number of reported accidents, near accidents and observations in reporting system

3-year goal:
Zero workplace accidents leading to absence.

Outcome:

Customers who recommend Balco

96%

Customers who believe the residential area has changed for the better

82%

CUSTOMER SATISFACTION

GOAL:
1. 85% of customers willing to recommend Balco

Comments, outcome:
Activities to achieve goals:
•Correct from the factory – fewer complaints
•Quicker installation
•Attractive market-leading product
•Continuous measurement and monitoring of customer satisfaction
Measurement interval: Ongoing
Measurement method: Measured via questionnaires sent to customers

2. 80% of customers shall regard the residential area as changed for the better after the balcony construction

3-year goal:
1. 90% of customers are willing to recommend Balco to relatives/friends colleagues/the general public.

2. 85% of customers consider the residential area to have changed for the better following the balcony construction

LOOKING AHEAD TO 2018

Balco will continue to deliver attractive and innovative balcony solutions that contribute to reduced energy use, and enhanced quality of life for the residents, and a more secure and more appealing environment in the surroundings in general.

Many residential areas in Balco's chosen markets in Europe are in need of major, costly renovation. Here, Balco provides a clear alternative to traditional balcony renovation. With the Balco method, whereby existing balconies are replaced with new glazed balcony systems, Balco offers a cost-effective and long-term sustainable solution.

In the significance analysis carried out by Balco in 2017, 23 prioritised sustainability aspects were emphasised. Work on them will continue in 2018. The next stage in the process will be to validate the sustainability aspects with Balco Group's most important stakeholders.

THE AUDITOR'S STATEMENT CONCERNING THE STATUTORY SUSTAINABILITY REPORT

To the general meeting of Balco Group AB, reg. no. 556821-2319

Engagement and allocation of responsibility

The Board of Directors is responsible for the sustainability report for 2017 on pages 16-25 and for ensuring that it is prepared in accordance with the Annual Accounts Act.

Focus and scope of the review

Our review has taken place in accordance with FAR's recommendation RevR 12 Auditor's statement concerning the statutory sustainability report. This means that our review of the sustainability report has a different focus, and is considerably less extensive, than the focus and extent of an audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We consider that this review provides us with a sufficient basis for our opinion.

Opinion

A sustainability report has been prepared.

Stockholm, 13 April 2018

Öhrlings PricewaterhouseCoopers AB

Magnus Svensson Henryson
Authorised Public Accountant

BALCO AS AN INVESTMENT

Balco is a growth company offering innovative, patented and energy-saving high quality balcony solutions. The Company's customised products contribute to an increased peace of mind, safety, quality of life and increase in value for residents in apartment buildings. Balco is the market leader in the Nordic region and operates on a number of markets in northern Europe.

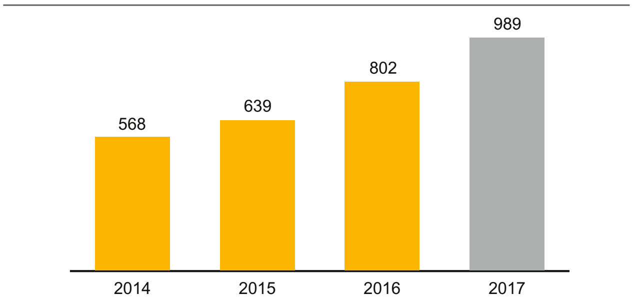
A CLEAR AND ATTRACTIVE MARKET POSITION

Balco is currently market leader in the Nordic region on an attractive niche balcony market. The Company offers customised balcony solutions under its own brand to tenant-owner associations, private landlords, municipal housing companies and building companies, primarily in Sweden, Norway and Denmark (the Company's main markets), but also in Germany, Finland, the UK, Netherlands and Switzerland.

A NICHE COMPANY ON FRAGMENTED AND STRONG GROWTH MARKET

According to a market study carried out by Arthur D Little in 2016, the northern European balcony market was estimated to be worth approx. SEK 38 billion in 2016 and is expected to grow at a rate of approx. 6% annually during the period 2015 – 2020. Growth is driven by a continued strong trend on Balco's main markets, which are expected to enjoy a growth in value of approx. 13% per year during the period 2015 – 2020.

Annual average growth in sales 19%



BALCO IS A GROWTH COMPANY

Since 1996, Balco has expanded from being a local company with approx. 25 employees and sales of approx. SEK 30 million to, at the end of 2017, having 346 employees and sales for 2017 of SEK 989 million. Since the introduction in 2014 of the new expansion strategy, focusing on more sales personnel and attendance at more mini-trade fairs, sales have grown at an annual average rate of 19%.

PROVEN BUSINESS MODEL WITH EXCLUSIVE CUSTOMER VALUE

Balco's balcony solutions are units ordered to measure comprising a number of different components and materials. Each order is unique and tailored to the customer's specific needs and requirements.

Balco's favourable position on the market is largely a result of the successful implementation method which the Company uses – the Balco method – combined with the Company's expertise and unique sales process. Renovation in accordance with the Balco method means that the existing open balconies are replaced with new glazed balcony systems which are larger and have a longer lifespan than existing balconies. Balco's renovation method is an attractive and sustainable alternative to traditional balcony renovation, with benefits such as longer lifespan, enhanced living standard, reduced energy consumption and increased property value.

ATTRACTIVE FINANCIAL PROFILE

Balco has an attractive financial profile with a strong order and sales growth, high profitability and strong cash flow. Historically, Balco has demonstrated a high order intake which, over time, increases sales as projects are implemented. At the same time as sales have increased, the Company has improved its profitability through price increases, increased efficiency and economies of scale as a consequence of increased sales. Working capital needs are low since balcony solutions are customised and the payment plans follow the course of the project. Regular investments in the business, excluding expansion investments, are also low – which contributes to cash flow. Historically, Balco has presented a strong cash flow and operating cash conversion in excess of 80% of EBITDA. Strong cash flows allow for continued investments in growth, at the same time as Balco has a target of distributing at least one half of net profit to the shareholders.

STRATEGY FOR GROWTH

Balco is a niche player with a strong position within balcony solutions. The Company largely creates its own market by explaining to potential customers the advantages of Balco's balcony solutions. The possibilities for continued growth, both organic and through selective acquisitions, are considered to be very good.

A NICHE PLAYER WITH A STRONG POSITION ON A GROWING SEGMENT

Through growth, Balco will entrench and strengthen its leading market position within balcony solutions in northern Europe. There is an expected strong rate of market growth within Balco's niche. Thanks to the Company's leading positions in Sweden, Norway and Denmark, combined with its modern and innovative product portfolio, Balco has a head start on its competitors. Market demand is being driven by a pent-up need for renovation, an ageing property portfolio and an endeavour to establish energy efficient solutions.

POTENTIAL TO CONTINUE TO GROW ON EXISTING MARKETS

Balco has great potential to continue its strategy of expanding with increased sales staff and by increasing its presence at trade fairs. The assessment is that it is possible to double the number of mini-fairs in the Nordic region and to increase the sales force by 20% during the coming four years. Since each customer is unique and Balco's products are tailored to the customer's needs, local presence and proximity to the customer is important. Market needs and thereby growth on Balco's main markets remain strong and Balco's offering, which brings with it a long lifespan, a low cost for the apartment owner and a balcony which can be used most of the year, gives potential to continue to gain market shares from local firms and concrete repair firms. In order to utilise market potential and existing markets, the Company will continue to increase and strengthen the existing salesforce on the Company's main markets, and increase exposure to the Renovation segment. Balco also perceives the possibility to expand its presence in important customer segments such as municipal housing companies and private landlords.

POSSIBILITY TO EXPAND IN NEW MARKETS AND NEW MARKET AREAS

There are very good possibilities for Balco to continue to grow on markets in which the Company is still a relatively small player. Balco is currently established on markets with strong market potential such as Benelux, Germany, Finland and the UK. Alongside expanding the organisation and growing on existing markets, there is a possibility to create customer solutions within adjacent market areas. Examples of areas in which Balco has recently developed products include the maritime market, with balcony solutions for cruise ships, and within the City balcony product segment, which is focused on inner-city environments and buildings where there have not previously been balconies.

GROWTH THROUGH ADDITIONAL CAPACITY AND EFFICIENCY IMPROVEMENTS

Balco is constantly endeavouring to improve existing production and installation processes in order to cut lead times. Shorter lead times reduce the costs while at the same time creating satisfied customers, since the total project time can be cut. In 2017, Balco invested in a new production unit to increase existing production capacity and thereby support future growth.

SELECTIVE ACQUISITION POSSIBILITIES

Balco's growth has historically taken place organically, and the Company's primary growth strategy remains organic growth. Corporate acquisitions are regarded as a possibility to strengthen existing presence on the market, in existing or adjacent product areas or within new customer segments. Acquisitions can also be analysed to facilitate a more rapid expansion on a new market. The IPO carried out in the autumn of 2017 has strengthened the Company's financial position and thereby its possibilities to make future acquisitions.

GROWTH ACTIVITIES IN FOCUS 2018:

- Organic growth by recruiting new sales staff and increasing trade fair activity
- Expand the City balcony product outside Denmark.
- Exploit possibilities for growth provided by the expanded production capacity in Poland and continue to optimise and cut lead times and thereby increase the order backlog conversion rate.
- Assess acquisition possibilities which have arisen due to the Company's listing.
- Produce a model for more rapid establishment in the Netherlands, where there is a very large pent-up need for balcony renovations.
- Analyse the projects begun in 2017 within the maritime segment and establish a structure and process for future expansion.

FINANCIAL TARGETS

10%
GROWTH:
Balco shall grow by 10% per year

13%
PROFITABILITY:
Balco shall have an operating margin (EBIT) of at least 13%

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

50%
DIVIDEND POLICY:
Balco shall distribute at least one half of earnings after tax, taking into account the needs for Balco's long-term development and prevailing market conditions.

THE PROJECT CYCLE

The Company's order backlog is an important gauge of understanding how Balco, which engages in project operations that cover an extended period, is performing. The order backlog creates visibility, stability over time and provides predictability as to how the future will develop in the long term. Changes between months and quarters vary, however, depending on when general meetings are held and planning permission is granted.

Balco is a product company which conducts customer projects that take place over an extended period of time and which undergo a number of different phases. A customer project can be described as a process which is initiated when the sales staff first meet the customer and is concluded with Balco delivering a completed balcony solution. The project cycle comprises four different stages: *sales phase, project phase, installation phase* and *final delivery and inspection phase.*

The sales phase is complex with a number of critical elements and often long lead times. The phase takes time, resources and requires great commitment from several parts of the organisation. The sales phase includes the sales representative's first contact with the customer, to going through the customer's needs, needs analysis, pre-planning, animation and sales work.

The project phase is commenced when a decision has been taken and a cooperation agreement has been signed with the customer concerning the project. The phase includes production of extensive material, drawings, planning permission management, guidance at general meetings and viewing modules. The project phase is concluded with the *installation phase*, when the balconies are installed and completed at the building site. Installation is carried out by contracted fitters who work solely for Balco, which leads to improved precision and a higher quality. Once the balconies are constructed, the project delivery is completed with the *inspection phase.*

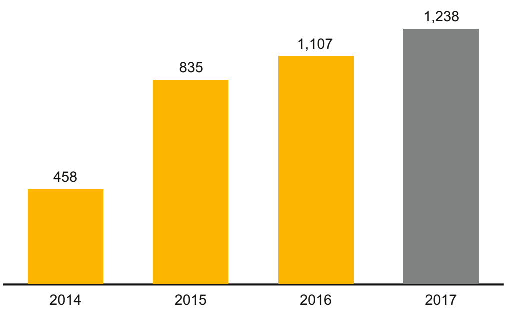
ORDER INTAKE AND SEASONAL PATTERNS

Balco measures and monitors the business based on a number of important key ratios. One of the most important key ratios for understanding how Balco's business will develop in the coming years is the accumulated value and growth in the order backlog. An order is registered once a customer has held a general meeting regarding a cooperation project. The rate of growth in the order backlog is thus affected in the short term by when during the year general meetings are held. In Balco's case, the general meeting season for tenant-owner associations is mainly in the second and fourth quarter.

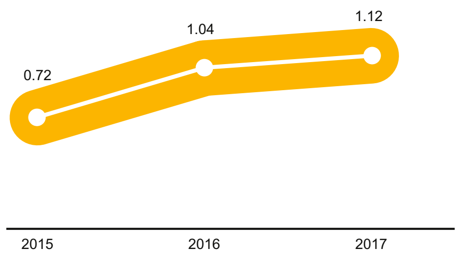
SALES

Balco's sales growth is affected by when in time the Company's customers are granted planning permission for the balcony project. The process of securing planning permission is often time-consuming, which creates lead times in the project. The average time for the order backlog to be translated into sales is 1.1 year. Balco's order backlog provides good visibility as to how the Company is performing and is an important indicator as to how the Company's sales will develop during the coming financial year. Sales and earnings will, however, fluctuate over time and between quarters depending on the factors described above.

Order backlog (SEK m)



Turnover rate, order backlog



ANNUAL REPORT 2017

ADMINISTRATION REPORT

ADMINISTRATION REPORT

The Board of Directors and CEO of Balco Group AB , registration number 556821-2319, hereby present the annual report and consolidated financial statements for the 2017 financial year.

THE BUSINESS

Balco offers customised and innovative balcony solutions under its own brand to tenant-owner associations, private landlords, publicly owned companies and construction companies. Balco is currently market leader in the Nordic region and enjoys a strong challenger position on other northern European markets. Since it was founded in 1987 in Växjö, Balco has developed from being a local product-oriented supplier of balconies to a leading market-oriented supplier of glazed balcony solutions.

Balco has expanded substantially in recent years, both on existing markets and through establishment in new countries, and today has sales offices in seven countries. The Company has four wholly-owned production units in Sweden, Denmark and Poland and is part owner of a Polish subcontractor. Unique products, good delivery capacity and skilled employees lie at the heart of Balco's business. The Company has made significant investments in its operating platform, thereby creating positive conditions for continued growth in both sales and earnings.

Balco offers an extensive range of its own brand products and solutions to the balcony market. Balco's products are developed in-house, patented and have a sought-after design. The products are adapted to the customers' wishes and specific needs and can be installed in conjunction with both renovation and new construction.

Foreign branches

The Group has a branch in Norway, Balco NUF (984997353).

MARKET

Balco operates on the northern European market for balcony solutions, with a major focus on glazing, which is a niche market within the broader construction market. The balcony market primarily comprises renovation of existing balconies and the installation of new balconies on existing properties, but also includes installation of balconies in conjunction with the construction of new properties. The total balcony market on the markets on which Balco operates is valued at approximately SEK 29 billion[1)].

Balco's main markets are Sweden, Norway and Denmark. In those countries, the balcony market was worth approximately SEK 3.6 billion in 2015, of which SEK 2.4 billion comprised the renovation segment, which is Balco's focus segment.

Measured in terms of market value, the balcony market experienced an average annual rate of growth of 12.0% in Sweden, 9.4% in Norway and 5.7% in Denmark during the period 2011-2015. In those countries, growth of 12.8% per year is expected until 2020, when a market value of approximately SEK 6.7 billion is expected to be reached.

In addition to the main markets, Balco also operates in Finland, the UK, Netherlands, Germany (referred to as Other Markets), and, in addition, has recently made market investments in Iceland and in Switzerland. In 2015, the total value of the balcony market on Other Markets was approximately SEK 25.6 billion, of which SEK 19.2 billion was within the renovation segment. The markets demonstrated average annual growth of 3.6% during the period 2011-2015 and are expected to have average growth of 4.3% during the period 2015 – 2020, reaching a worth of approximately SEK 31.5 billion in 2020

In a number of selectively chosen projects, Balco also produces, sells and installs maritime balconies, which are sold to cruise ships in Europe, where Balco's model is suitable. The maritime balcony market in Europe was worth SEK 1.0 billion in 2015.

The balcony market is divided into two market segments: renovation and new build, with renovation accounting for approximately 86 (90) percent of Balco's sales.

Important events in 2017

- Balco secures its first major order for glazed balconies with the Vista corner solution; see picture to the left. The order for 125 balconies was signed with a private landlord, Sweden.
- Balco secures an order to renovate, glaze and expand 154 balconies for an association outside Stockholm .The old balconies had been renovated in 2006 and were condemned as dangerous in 2016.

- The Balco Group workforce exceeds 300.
- Start of production on Balco's maritime products in Pappenburg, Germany.

- A new three-year bank agreement was signed.
- Balco invests in the Netherlands and recruits a president with great experience of the local market.
- Balco constructs the largest balcony to date. The balcony size is 42 m².
- Acquisition of outstanding 90% of the shares in Balco OY, which is now a wholly-owned subsidiary, comprising a sales company in Finland.

- Balco Group AB is listed on Nasdaq Stockholm. In connection with the listing, previous shareholder loans and preference shares are redeemed.
- Balco celebrates its 30th anniversary.
- Inauguration of the new production unit of 5,800 square metres in Poland.
- Planning permission obtained for Balco's largest project ever, approximately SEK 160 million, in Sweden.
- Balco signs an agreement to deliver balconies to another cruising ship.

1) Source: All data in the "Market" section is derived from Arthur D. Little market study, 2016.

NET SALES AND OPERATING PROFIT

The Group

Sales in 2017 increased by 23.4% to SEK 989 (801.6) million, an increase of SEK 187.4 million. The rate of growth, which was entirely organic, exceeds Balco's growth target of an annual rate of 10%. The increase in sales is explained by a positive development of the order backlog during the recent years. The timing for when sales are generated depends on the phase a project is in during the project cycle. In addition, growth is due to investments in an expanded sales organisation, geographic expansion, increased production capacity, as well as continued strong development of the product portfolio. All markets have performed well during the year.

Gross profit increased during the year to SEK 247.8 (189.9) million, corresponding to a gross margin of 25.1% (23.7%). The increase in gross profit is primarily due to increased sales, productivity and pricing. Selling costs fell somewhat during the year, to SEK 87.6 (89.1) million. Total operating expenses amounted to SEK 155.9 (127.9) million, corresponding to 15.8% (16.0%) of sales, which is in line with Balco's strategy of continuing to invest in an expanding organisation.

Operating profit for the year increased compared with the preceding year and amounted to SEK 92.3 (63.6) million, corresponding to an operating margin of 9.3% (7.9%). Profit for the year was affected by costs for the IPO that was conducted in the fourth quarter of SEK 24.4 (2.6) million. Adjusted for non-recurring items, operating profit amounted to SEK 116.7 (82.4) million, corresponding to an adjusted operating margin of 11.8% (10.3%). The improvement in earnings is due to higher sales, the new strategy within the New Build segment and improved productivity. The earnings growth is a step towards the Company's medium-term profitability target of an operating margin of at least 13%.

Renovation

The Renovation segment includes both replacement and expansion of existing balconies, as well as installation of new balconies on apartment buildings without balconies. Most of Balco's sales within the area comprise glazed balconies to tenant-owner associations.

Sales within Renovation increased during the year by SEK 121.1 million to SEK 874.5 (726.4) million. The increase was entirely organic. The segment accounted for 86% of Balco's total sales.

The operating profit for the Renovation segment increased and amounted to SEK 114.5 (83.2) million, corresponding to an operating margin of 13.5% (11.5%). The strengthened margin for the year is due primarily to increased sales.

New Build

The New Build segment includes installation of balconies in conjunction with new construction of apartment buildings as well as balcony solutions within maritime applications. Balco offers its entire product range within New Build. The largest product areas are glazing and open balconies.

Sales within New Build increased by SEK 66.2 million to SEK 141.4 (75.2) million. The increase, which was entirely organic, is primarily attributable to expansion within the maritime segment comprising construction of balconies for cruise ships. The segment accounted for 14% of Balco's total sales.

The operating profit for the New Build segment improved and amounted to SEK 7.3 (-19.8) million, corresponding to an operating margin of 5.2% (neg). The improvement in margin is primarily due to the organisational changes implemented at the end of the preceding year, which resulted in a stricter selection of projects, a lower risk level and a changed sales organisation.

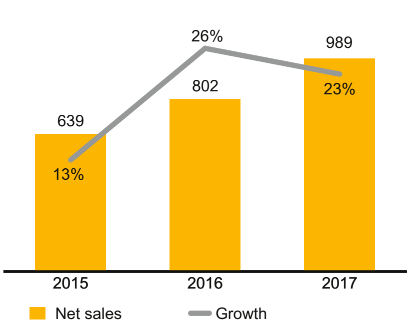
ACQUISITIONS

Balco is a growth company within the balcony industry. The target is that the Company shall grow primarily through its own forces, i.e. organically, but acquisitions are also interesting in the event they contribute to strengthening Balco's competitiveness, or can expedite the pace of establishment on a market. During 2017, Balco acquired the outstanding 90% of the shares in Balco OY. Through the acquisition, Balco strengthened the Finnish sales organisation. The purchase price for the outstanding shares in Balco OY was SEK 0.5 million.

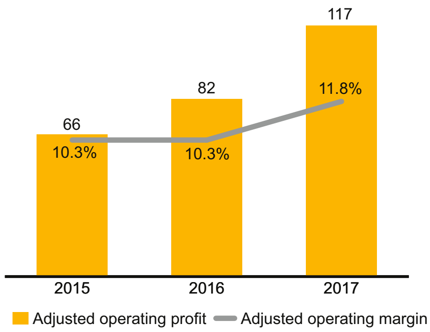
DEVELOPMENT AND RESEARCH

Balco has a tradition of developing products in-house and continuously invests in product development. Product development is one of Balco's most important strategic advantages and the Company has a proven ability to develop new, innovative and technical solutions. The product development department is constantly working to improve existing products and produce new products. The department also participates in the production of customised balcony solutions and has the capacity to develop products for new segments in which Balco perceives great potential. Examples of new products launched by Balco include maritime balconies, City balconies, Alu-One and Balco etage. At the end of the financial year, Balco had eight full-time employees at the development department and product development costs amounted to SEK 8.6 (10.7) million. As of 31 December 2017, the Company had 45 (37) product patents.

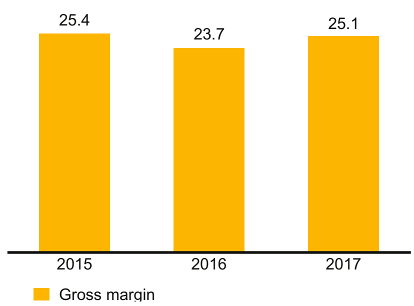
The Group's net sales (SEKm)



The Group's adjusted operating profit (SEKm)



Gross margin (%)



Booked and capitalised product development expenses

SEKm	2017	2016
Capitalised product development expenses	-	-
Product development booked as costs	8.6	10.7
Total	**8.6**	**10.7**

AMORTISATION/DEPRECIATION AND EBITDA

Amortisation/depreciation in 2017 increased and amounted to SEK 17.1 (14.3) million Profit before amortisation/depreciation and write-downs, EBITDA, amounted to SEK 109.4 (77.9) million, corresponding to an EBITDA margin of 11.1% (9.7%).

FINANCIAL EXPENSES

The Group's financial expenses fell somewhat during the year to SEK 37.1 (40.9) million, entailing an improvement of SEK 3.8 million in net financial items. The lower financial costs are due to earlier shareholder loans being redeemed and converted to equity.

TAX, PROFIT FOR THE YEAR AND EARNINGS PER SHARE

The tax expense was SEK 17.6 (10.7) million, corresponding to an effective tax rate of 31.9% (46.9%). Profit for the year after tax amounted to SEK 37.7 (12.1) million, corresponding to SEK 2.43 (0.50) per share, both before and after dilution.

CURRENCY FLUCTUATIONS

Balco's group currency is Swedish kronor (SEK), while the Company's revenues and expenses are normally stated in the local currencies of the countries in which Balco operates. As a result, Balco's earnings and financial position are exposed to exchange rate risks that affect the Company's income statement and balance sheet. Currency exposure includes both transaction exposure and translation exposure. Balco is primarily exposed to changes in NOK, EUR, DKK, PLN and GBP compared to SEK. Exchange rate changes have a less impact on the Company's sales and profitability since Balco has a balanced exposure to each currency in net sales and expenses.

SEASONAL VARIATIONS

Balco's business is marginally affected by seasonal variations. The Group is partially affected by the timing when orders are placed, seasonal variations and the fact that the general meetings of tenant-owner associations are normally held in the second and fourth quarters. Thus, the second and fourth quarters are the Group's strongest quarters. Sales and earnings are also positively affected by months with a large number of work days and lack of leave, and are somewhat negatively affected by weather factors, with large volumes of snow in the winter normally resulting in increased costs.

BALANCE SHEET AND FINANCIAL POSITION

Balco's balance sheet increased by 24.0% in 2017 compared with 2016, to SEK 885.4 (714.3) million. The increase is due primarily to increased investments and the Company's growth and expansion, which have resulted in more projects and thereby an increase in trade receivables.

In conjunction with Balco's IPO on Nasdaq Stockholm on 6 October 2017, a refinancing was carried out and a new three-year bank agreement was implemented. The agreement covers a bank loan of SEK 142 million, an overdraft facility of SEK 65 million and SEK 100 million in credit headroom intended for future acquisitions.

Non-current assets

The Group's non-current assets, comprising intangible assets, property, plant and equipment and financial assets, increased during the year by 10% to SEK 518.9 (472.5) million. The largest non-current item, 72%, comprises goodwill of SEK 372 (371.4) million.

Investments in non-current assets

SEKm	2017	2016
Investments in intangible non-current assets	0.2	1.0
Investments in property, plant and equipment	54.8	31.2
Investments in financial assets	0.1	0.3
Total	**55.1**	**32.5**

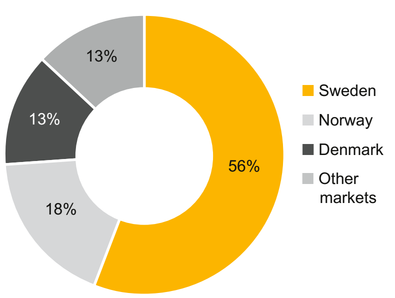
Current assets

Trade receivables and gross amounts due from customers constitute the largest single current asset item. During the year, trade receivables increased by 26.0% to SEK 119.1 million, while gross amounts due from customers increased by 3.9%, to SEK 100.1 million. The increase in balance-sheet items is due to the Company's growth. Cash and cash equivalents increased during the year to SEK 106.5 (21.7) million.

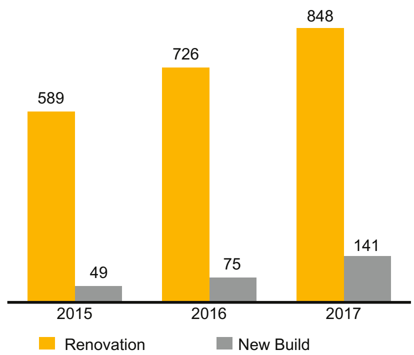
Investments

Balco's investments primarily comprise investments in property, plant and equipment in the form of buildings and land, as well as machinery and other technology. Investments in intangible non-current assets relate primarily to goodwill, trademarks and licences. The Group's total investments in 2017 amounted to SEK 55.1 (24.1) million. SEK 33.2 million of the increase is attributable to the new production plant in Poland. Balco's investments are also increasing as a consequence of the growth of the business.

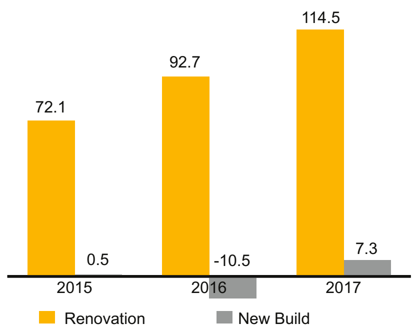
Sales per market 2017 (%)



The Group's net sales per segment (SEKm)



The Group's adjusted operating profit per segment (SEKm)



Equity and liabilities

Following the IPO on 6 October 2017, the Company's capital structure has changed and shareholder loans and preference shares have been redeemed in their entirety in exchange for ordinary shares and a smaller portion in cash. Equity has increased and the Group's equity ratio has thereby strengthened from 19.5% to 43.6%. Equity amounted to SEK 386.4 (139.5) million, a net increase of SEK 246.9 million. Balco's interest-bearing net debt at the end of the year was SEK 90.0 (360) million. Net debt relative to adjusted EBITDA amounted to 0.7 (1.0), which is within the scope of the Group's target that net debt shall not exceed 2.5 times operating profit before amortisation/depreciation (EBITDA), other than temporarily.

Number of shares

The share capital comprises 21,420,773 shares, each of which has a quotient value of SEK 6.0002. Balco has one class of share and each share carries the same voting rights and the same entitlement to dividends. There are no limitations on the number of votes each shareholder can cast at general meetings. Similarly, there are no provisions in Balco's articles of association restricting the right to transfer shares, and there is no outstanding authorisation to the Board of Directors to issue new shares or acquire the Company's own shares. For further information, see pages 42-43 and 46-47.

CASH FLOW

The Group's cash flow from ongoing activities before changes in working capital increased by SEK 94.1 million, to SEK 155.4 (61.3) million. The increase was primarily due to the improved operating profit adjusted for non-cash items. Cash flow from ongoing activities during the year was affected by SEK 24.4 million in costs connected with Balco's IPO.

Changes in working capital

The change in working capital was SEK 56.8 (-8.3) million. The reduction was primarily due to a lower net amount of capital being tied up in ongoing projects compared with the preceding year.

Cash flow from investing activities

Cash flow from investing activities amounted to SEK -55,1 (-24.1) million. The higher rate of investment is due primarily to the establishment of a new production unit in Poland.

Financial position

SEK m	31 Dec 2017	31 Dec 2016
Non-current interest-bearing liabilities	187.7	305.1
Current interest-bearing liabilities	8.8	76.6
Cash and cash equivalents	-106.5	-21.7
Interest-bearing net debt	**90.0**	**360.0**
Equity ratio	43.6	19.5
Interest-bearing net debt/adjusted EBITDA 12 months, times	0.7	1.0

Cash flow from financing activities

Cash flow from financing activities amounted to SEK -15.5 (-43,7) million. The change is due primarily to new borrowing in connection with the refinancing of the Company and the redemption of earlier shareholder loans.

EMPLOYEES

At the end of December 2017, Balco had 346 (301) full-time employees – an increase of 15% compared with the preceding year. The increase in the workforce is due to the expansion of the business that took place during the year and organisational reinforcements to meet growth. 54% (59%) of employees worked in Sweden. The majority of Balco's employees work within Production (36%) and Operations (28%). Gender equality constitutes a part of the diversity work. Balco's long-term goal is to achieve a more even gender breakdown between the Company's employees. In 2017, 16% (14%) of the workforce was female and 84% (86%) was male. Sick leave fell to 2.5% (3.2%) in 2017. Balco has a target of achieving short time absence not exceeding 1%. 'Short time absence', defined as the percentage of employees who are home on days 1-14 due to illness, fell to 1.0% (1.2%) during the year. Balco also endeavours to achieve a low personnel turnover. The target in the short term is that personnel turnover shall not exceed 6%. In 2017, personnel turnover was 4.0% (4.2).

GUIDELINES FOR REMUNERATION TO SENIOR EXECUTIVES

For a detailed description of current guidelines for remuneration and other employment conditions for the CEO and other senior executives, reference is made to the section on The Share on page 42, to the Corporate Governance Report on pages 49-50, and to Note 7 on pages 73-74.

LONG-TERM INCENTIVE PROGRAM

At an extraordinary general meeting held on 5 October 2017, it was decided to introduce a long-term incentive program for the Company's senior executives and other key employees, in total 49 employees. The incentive program covers in total not more than 1,071,440 warrants, which carry an entitlement to subscribe for not more than the same number of shares. Approximately 80% of the total number of warrants have been offered to senior executives and Balco employees in two series. The programs are for a term of two years (series I) and three years (series II). The participants have acquired warrants at market value; one-quarter of series I and three-quarters of series II. Approximately 20% of the total number of warrants have been put aside to allow for sale to future employees. Balco's total cost for the incentive program during the program term is not expected to exceed SEK 150,000. The program entails a dilution corresponding to not more than 5% of the total number of shares in the Company.

In addition to the incentive program, in September 2017 Balco's former main owner, Segulah, issued call options on Balco shares to the Company's senior executives. Each call option under the program entitles the holder to acquire one share in the Company from Segulah. The exercise price for each share is 110% of the introduction price. In total, the program covers 1,100,000 shares in Balco, corresponding to approximately 5% of the number of votes and shares in the Company. The Company is not expected to incur any costs in connection with the call option program.

Read more about the programs on pages 49-50 of the Corporate Governance Report and Note 7 on pages 73-74.

THE GROUP'S RELATED-PARTY TRANSACTIONS

Key individuals in the Group comprise the Board of Directors, the CEO and group management, through their ownership stakes in Balco and through their role as senior executives. The group of related parties also includes the Company's largest shareholder, Segulah, which is represented on the Board by Lennart Kalén, Board Chairman, Percy Calissendorff and Marcus Planting-Bergloo. Related-party transactions take place on market terms. For further information, see Note 35, page 84.

THE ENVIRONMENT, SUSTAINABILITY AND SOCIAL RESPONSIBILITY

Balco conducts no operations requiring a license in accordance with the Environmental Code (1998:808). On the other hand, there is a reporting obligation with respect to a part of the business. The reporting obligation is due to powder painting, production area and welding of concrete bases. Thus, the reporting obligation relates solely to the Group's production operations, which correspond to approximately 30% of Balco's total sales.

Balco's environmental work is included as an integral part of the Company and permeates the entire business. Balco has initiated activities to minimise the Company's environmental footprint and is working constantly towards this goal. Balco considers itself to be at the forefront of balcony development which is both environmentally friendly and energy efficient, with products that not merely reduce energy consumption but also are manufactured using environmentally friendly materials. In addition, Balco produces all balconies in modules in order to minimise unnecessary transportation. Balco is environmentally certified in accordance with ISO 9000 and is working actively to reduce waste and energy consumption through efficient production at the Company's production plants as well as recycling of materials and production waste which cannot be reduced or avoided. Balco also informs its employees about the environment, health and safety and involves them in the continuous improvement process. Balco's purchasing organisation endeavours to ensure that suppliers live up to the Company's code of conduct and assume their environmental responsibility. Balco has a requirement that all suppliers comply with environmental legislation and provisions applicable in each country.

Sustainability issues are important for Balco. This is reflected, among other things, in Balco actively endeavouring to produce safe and reliable products; to offer a healthy working environment; to act ethically both internally and through its commercial partners. Balco's sustainability work also finds expression in the Company's code of conduct which sets out the Company's social, ethical and environmental rules. The code of conduct also includes rules regarding human rights, non-discrimination and the working environment. The content of the code of conduct is included as a presentation and discussion point in the introduction which each new employee undergoes. For further information, see the prepared sustainability report on pages 16-25.

THE PARENT COMPANY

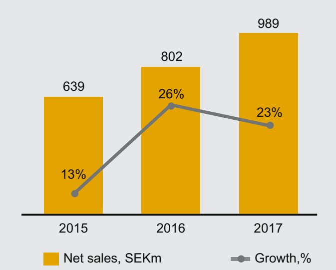
The parent company is headquartered in Växjö and conducts operations directly and through 13 Swedish and foreign subsidiaries. The business of the parent company is primarily focused on strategic development, economic control, corporate governance issues, the work of the Board of Directors and bank relations. In connection with Balco's IPO, the Company was refinanced and the parent company's capital structure was changed. The loss for the year was SEK -26.9 (-24.9) million. The parent company's equity ratio was 62.6% (35.3%).

EVENTS SINCE THE CLOSING DAY

No significant events have occurred since the closing day.

Targets and target fulfilment

GROWTH



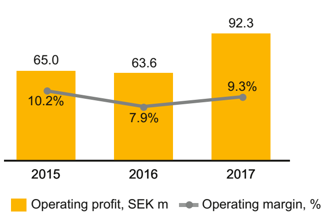
Target

Balco shall grow by 10% per year.

Target fulfilment

Net sales increased during the year by 23.4% to SEK 989 (801.6) million, which was significantly in excess of Balco's target in the medium-long-term.

PROFITABILITY



Target

Balco shall achieve an operating margin (EBIT) of at least 13%.

Target fulfilment

The operating margin was strengthened during the year to 9.3% (7.9%). Adjusted for IPO costs and non-recurring items in 2016, the margin was 11.8% (10.3%).

CAPITAL STRUCTURE

2.5

Target

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

Target fulfilment

The interest-bearing net debt relative to EBITDA amounted to 0.7x (1.0), which is within the scope for the target.

DIVIDEND POLICY

1/2

Target

Balco shall distribute at least one half of profit after tax, taking into account the needs for Balco's long-term development and prevailing market conditions.

Target fulfilment

The Board's proposal to the 2018 AGM is for a dividend of SEK 1.00 per share, corresponding to approximately 57% of profit for the year.

OUTLOOK FOR THE COMING FINANCIAL YEAR

Balco issues no financial forecasts regarding its future growth. The Group's financial targets are set forth to the bottom left on the left hand side. Balco has a strong position on a fragmented, attractive and growing European balcony market. According to a market study by Arthur D Little in 2016, the total North European balcony market was estimated to be worth approximately SEK 38 billion in 2016, and it is expected to grow by approximately 6% annually during the period 2015-2020. Balco is one of the few complete balcony suppliers on the market with the ability to provide customised balcony solutions.

DIVIDEND

The Board of Directors has established a dividend policy whereby at least 50% of profit after tax shall be distributed to the shareholders. For the 2017 financial year, the Board has proposed a dividend of SEK 1.00 per share, corresponding to approximately 57% of the Group's profit after tax. Based on 21,428,773 shares, the dividend amounts to SEK 21.4 million. Calculated on the final transaction price on 30 December 2017 (SEK 62), the dividend proposal entails a return of 1.6%.

APPROPRIATION OF PROFIT

The Board of Directors proposes that the Group's income statement and balance sheet be presented to the AGM on 17 May 2018 for adoption. The Board proposes to the AGM that a dividend be paid of SEK 1.00 per share for the 2017 financial year.

The Board believes that the proposal is compatible with the prudence principle set forth in Chapter 17, section 3 of the Companies Act, in accordance with the following description: The Board believes that the dividend is defensible in light of the requirements placed by the nature, scope and risks associated with the business as regards the size of the equity of the Company and the Group and the Company and Group's need to strengthen the balance sheet, liquidity and financial position in general.

The Board of Directors and the CEO provide an assurance that the consolidated financial statements and the annual report have been prepared in accordance with international reporting standards IFRS as adopted by the EU, as well as generally accepted accounting principles, and provide a true and fair impression of the financial position and earnings of the Group and the parent company, and that the administration report provides a fair overview of the operations, financial position and earnings of the Group and the parent company and describes significant risks and uncertainty factors facing the parent company and companies included in the group.

At the disposal of the AGM, SEK:	
Share premium reserve	381,763,774
Retained earnings	-160,529,872
Profit for the year	-26,863,973
Total	**194,369,929**

The Board of Directors proposes that available profit be appropriated as follows:	
Dividend to the shareholders	21,428,773
Carried forward	172,941,156
Total	**194,369,929**

MULTI-YEAR OVERVIEW

SEK m	2017	2016	2015	2014
The consolidated income statement in brief				
Sales	989.0	801.6	638.6	568.4
Gross profit	247.8	189.9	162.3	101.5
Operating profit before amortisation/depreciation and write-downs (EBITDA)	109.4	77.9	77.0	1.2
Operating profit (EBIT)	92.3	63.6	65.0	24.8
Profit before tax	55.3	22.7	24.8	-23.5
Profit for the year (attributable to the equity holders of the parent company)	37.7	12.1	19.3	-24.1
The consolidated balance sheet in brief				
Assets				
Goodwill	372.0	371.4	371.0	366.3
Other non-current assets	146.7	101.1	92.2	102.5
Trade receivables	119.1	94.5	79.4	64.5
Gross amounts due from customers	100.1	96.3	76.8	68.3
Other current assets	147.3	51.0	52.4	39.0
Total assets	**885.4**	**714.3**	**671.8**	**640.6**
Equity and liabilities in brief				
Equity	386.4	139.5	126.6	107.9
Non-current liabilities	192.5	305.4	293.2	307.7
Current liabilities	306.5	269.3	252.0	225.1
Total equity and liabilities	**885.4**	**714.3**	**671.8**	**640.6**
Consolidated cash flow in brief				
Cash flow from ongoing activities	155.4	61.3	27.2	36.7
Cash flow from investing activities	-55.1	-24.1	36.3	-9.2
Cash flow from financing activities	-15.5	-43.7	-43.7	-28.1
Cash flow for the year	**84.8**	**-6.4**	**19.8**	**-0.6**

SEK m	2017	2016	2015	2014
The parent company				
Net sales	3.9	-	-	-
Operating profit	-13.3	-	-	-
Profit before tax	-26.7	-23.9	-29.5	-25.7
Total assets	515.9	403.8	393.8	393.8
Equity ratio, %	62.6	35.3	42.6	50.1

KEY RATIOS

SEK m (unless otherwise stated)	2017	2016	2015	2014
	1 January - 31 December			
Net sales, order intake and order backlog				
Net sales	989.0	801.6	638.6	568.4
Increase in net sales (%)	*23.4*	*25.5*	*12.4*	*4.9*
Order intake	1,113.5	1,066.3	989.7	615.8
Increase in order intake (%)	*4.4*	*7.7*	*60.7*	*104.5*
Order backlog	1,238.4	1,107.2	835.1	458.0
Increase in order backlog (%)	*11.8*	*32.6*	*82.3*	*21.5*
Profit measurements				
Gross profit	247.8	189.9	162.3	101.5
Gross margin (%)	*25.1*	*23.7*	*25.4*	*17.8*
Operating profit before amortisation/depreciation and write-downs (EBITDA)	109.4	77.9	77.0	33.9
EBITDA margin (%)	*11.1*	*9.7*	*12.1*	*6.0*
Operating profit	92.3	63.6	65.0	24.8
Operating margin (%)	*9.3*	*7.9*	*10.2*	*4.4*
Adjusted EBITDA	133.8	96.6	78.0	50.1
Adjusted EBITDA margin (%)	*13.5*	*12.1*	*12.2*	*8.8*
Adjusted operating profit	116.7	82.4	66.0	41.0
Adjusted operating margin (%)	*11.8*	*10.3*	*10.3*	*7.2*
Cash flows				
Operating cash flow	182.9	73.4	63.1	43.3
Operating cash conversion (%)	136.7	76.0	80.9	86.4
Capital structure				
Capital employed, average	488.0	491.3	470.6	458.1
Capital employed excluding goodwill, average	116.3	120.1	101.9	91.8
Equity, average	262.9	133.0	117.2	107.9
Interest-bearing net debt	90.0	360.0	356.5	350.3
Interest-bearing net debt/adjusted EBITDA R12 (times)	0.7	1.0	1.7	3.1
Return measurements				
Return on capital employed R12 (%)	*23.9*	*16.8*	*14.0*	*9.0*
Return on capital employed excl. goodwill R12 (%)	*100.4*	*68.6*	*64.7*	*44.7*
Return on equity R12 (%)	*15.1*	*9.7*	*16.0*	*-22.3*
Equity ratio (%)	*43.6*	*19.5*	*18.8*	*16.8*
Other				
Number of shares at year-end, thousand	13,704	11,287	11,287	11,287
Earnings per share before dilution	2.43	0.5	1.10	-2.62
Earnings per share after dilution	2.43	0.5	1.10	-2.62
Full-time employees at year-end	346	301	256	212

See pages 89-91 for definitions of alternative key ratios.

QUARTERLY OVERVIEW

SEK m	2017				2016				2015			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Net sales	230.8	268.4	206.0	283.7	158.1	213.7	192.1	237.7	137.8	153.4	189.3	158.1
EBITDA	27.3	35.0	16.3	30.9	13.6	23.4	20.9	19.4	11.3	17.9	18.6	29.2
Operating profit (EBIT)	23.1	30.8	12.2	26.3	10.3	20.1	17.7	15.4	8.7	15.4	15.0	25.8
Adjusted operating profit (EBIT)	24.3	33.6	21.4	37.4	10.3	20.1	17.7	32.9	8.7	15.4	15.0	26.8

Risks and risk management

Exposure to, and management of risks, is a natural aspect of business operations. Focus is placed on identifying risks, preventing the occurrence of risks and preparing action plans which enable mitigation of any damage which such risks may cause. The risks can be divided into industry and market-related risks, business-related risks, financial risks and regulatory risks. Risks can, even if prevented, have an adverse impact on the business.

RISKS

A risk is defined as an uncertainty that an event will occur which may impact the Company's ability to achieve established targets. Risks are a natural aspect of all business and must be managed effectively. Risk management is aimed at forestalling, preventing and limiting risks having an adverse effect on the business.

On a yearly basis, Balco makes a composite risk assessment in which Balco identifies and assesses risks that threaten Balco's target fulfilment. Balco defines a risk as *a future possible event which threatens the organisation's ability to achieve its targets.*

The identified risks are assessed based on the following two criteria:

1. Likelihood of the risk occurring
2. Consequences for Balco if the risk occurs

RISK MANAGEMENT

Balco's management has identified conceivable events which might impact on the Company's business. The events have been analysed and reduced to a net list which is deemed to comprise the most relevant risks. The risks have been graded as low, medium and highly likely that the risk will occur, and subsequent consequences if the risk materialises. A number of control activities (risk mitigation activities) have been adopted to manage and counter identified risks. For each identified risk, there are activities that counter, limit, control and manage the risk.

An analysis of the efficacy of the control activities shall be carried out annually. Balco has a cross-group monitoring process in which the efficacy of the controls is analysed and reported to Balco's CFO. The CFO is responsible for presenting the results of the analysis to the audit committee and the Board of Directors.

GENERAL RISK AREAS

Through its business, the Group is exposed to different types of risks. The risks can be grouped into four different categories:
Industry and market-related risks
Business-related risks
Financial risks
Regulatory risks

INDUSTRY AND MARKET-RELATED RISKS

Industry and market-related risks relate to external factors, events and changes on the markets on which Balco operates, and which may impact on the possibilities to achieve targets set by the Company.

Industry and market-related risks include, among other things, changes in demand as a result of a weaker economic climate or other macroeconomic changes, a changed price structure for raw materials that are of key importance for Balco's production, changes in competition or price pressure.

Risks

Impact of economic climate and other macroeconomic factors

Balco's business is affected by general global financial and political conditions. The Company is primarily affected by events on the Nordic markets. A weaker economic climate and political changes can create unease in the markets on which the Company operates and thereby affect demand for the Company's products.

Risk management: Balco operates on the market for balcony solutions, which is a niche market within the construction market. Balco operates primarily within the renovation segment, which is controlled more by the existing need to renovate, as compared with the new production segment which is more sensitive the to the business-cycle. Balco conducts project operations. Every year, a large number of different projects of varying sizes are managed on different markets. Therefore, there is little dependence on any individual customer.

Raw material prices

Balco's profitability is affected by changes in the prices of the following raw materials: aluminium, steel, glass and concrete. Changed raw material prices can affect earnings in individual projects.
Risk management: Balco regularly and yearly hedges raw material costs to an extent based on anticipated need. The Company's project operations mean that each product is the subject of separate price negotiations. Long lead times and the fact that each project is unique means that indexed price adjustments may be relevant in order to address changed raw material prices.

Competition and price pressure

Competition varies between different geographic markets and within different product segments. Balco's primary competitors comprise concrete renovation firms and other balcony suppliers. Increased competition can affect adversely the operations and earnings.
Risk management: Balco competes primarily with concrete renovation firms, which are not niched within the balcony renovation market. Balco's local presence and the Company's business model whereby Balco assists customers throughout the entire process means that, to a large extent, Balco contributes to creating its own market. Balco currently has a niche portfolio of cutting edge products in terms of innovation and technology, which creates a competitive advantage.

Risk	Risk level	
Industry and market-related risks	**Likelihood**	**Consequence**
Impact of economic climate and other macroeconomic factors		
Changes in economic climate and other macroeconomic factors affect Balco's earnings	Medium	Medium
Raw material prices		
Impact of changed raw material prices	Medium	Low
Competition and price pressure		
Changed competition and thereby a changed price structure on the market	Low	Medium

BUSINESS-RELATED RISKS

Business-related risks relate to the day-to-day business and the ability to perform obligations to customers. The risks can often be managed through internal control activities such as preventive and/or monitoring controls.

Examples of business-related risks include Balco's ability to develop and sell new innovative products and solutions; the Group's ability to attract and retain qualified employees; and the fact that Balco's profitability depends on the results of individual projects, i.e. the Group's ability to predict, calculate and deliver projects within set economic calculations.

Risks

Supplier and subcontractor risks

Balco is dependent on its suppliers and subcontractors to be able to produce, plan and deliver an end product. Most of the Company's production takes place in-house and its products comprise components and raw materials from a number of different suppliers.
Risk management: Balco has identified its strategic suppliers and subcontractors and ensures that alternatives are available.

Project operations

Balco's profitability depends on the results of the individual projects. The calculations and plans produced at the start of the project, and which are regularly updated, constitute the basis for the time when sales and profit are reported.

Risk management: Balco has a well-tested profit calculation model and there is a clear process and routine as to how projects are calculated and monitored.

Operational disruptions

Balco's business comprises a large number of processes in which an operational disruption such as fire, sabotage, machinery breakdown, disruption and IT systems can have consequences for the Company's ability to perform its obligations to customers, and can thereby adversely affect profitability.

Risk management: Balco has identified and ensured IT capacity for the existing production capacity. A review of systems critical for the operations is carried out yearly.

Recruitment

As a growth company, it is of great importance for Balco to be able to attract and retain skilled employees and key personnel.

Risk management: The Group endeavours to be an attractive employer with a competitive offering in terms of both remuneration and benefits, and also by creating a culture in which employees wish to develop and of which they wish to be a part. Balco is active on the market for attracting personnel and conducts an active HR policy.

Product development and production capacity

Balco's earnings and competitiveness depend on the Company's ability to develop and sell new innovative products and solutions. The Company is investing significant resources in further developing its existing product portfolio. Since the Company's products are manufactured at its own production plants, Balco requires good forward planning. In order to ensure future growth in a satisfactory manner, Balco needs to be between 6 to 12 months ahead in the planning of production capacity.

Risk management: Balco conducts project operations, entailing that the Company has good forward planning and visibility in terms of production and delivery needs. The Company regularly monitors all projects, outgoing deliveries and production orders. Since the lead times within the Company's projects are relatively long, this creates good forward planning. Balco also owns land which allows for continued expansion.

Risk	Risk level	
Business-related risks	**Likelihood**	**Consequence**
Suppliers and subcontractors		
Risk of changed situation at suppliers and subcontractors which affect Balco	Low	Medium
Project operations		
Balco's risk of individual projects developing unfavourably	High	Low
Operational disruptions		
Risk that the business might be affected by operational disruptions such as fire, IT, sabotage or machinery breakdown	Low	Medium
Recruitment		
Risk that Balco fails to attract, recruit and retain skilled employees	Low	Medium
Product development and production capacity		
Risk as regards the Company's ability to continue to develop quality products and to ensure future production capacity	Low	Medium

FINANCIAL RISKS

Through its business, the Group is exposed to financial risks such as financing risk, liquidity risk, credit risk, interest-rate risk and currency risk. The Group's finance policy forms a framework of guidelines and rules as well as risk mandates and limits. Responsibility for the Group's financial transactions and risks is managed by the CFO in consultation with the Board of Directors. The objective is to ensure cost-efficient financing and to minimise adverse effects on the Group's earnings as a consequence of market changes.

Risks

Currency risks

Balco is affected by currency risks, which can be divided into transaction exposure and translation exposure. Transaction exposure arises when a selling price or purchase price is stated in foreign currency. Balco is primarily exposed to changes in EUR, NOK, DKK, PLN and GBP relative to SEK. Translation exposure arises when the balance sheets and income statements of subsidiaries are translated from local currency to SEK.

Risk management: Transaction exposure is managed primarily through natural hedging, entailing that purchases take place in the same currency as cash flows from revenues. Balco has a finance policy which manages risks through currency hedging.

Financing and liquidity risks

There is a risk that the Company's financing possibilities might be rendered more difficult or become more costly. Although the Company's financial position is currently strong, the Company may need access to additional financing. Balco conducts project operations within which sales, profit and liquidity are affected by the status of planning permission within the projects.

Risk management: The Group has sound forward planning in its projects, which generates relatively good visibility and a possibility for planning. The Company endeavours to maintain good liquidity and flexibility and has access to an overdraft facility to ensure sufficient liquidity.

Interest-rate risks

Balco is exposed to interest-rate fluctuations in its borrowing. The Company has relatively low indebtedness.

Risk management: The risk can be managed through the target for future debt/equity ratio. The existing loan structure entails low exposure.

Credit risks

Balco's credit risk is limited. Any credit risks which may arise are due to insolvency or unwillingness to pay on the part of the Company's customers.

Risk management: Balco's customers largely consist of tenant-owner associations and construction companies. A review of the customers' economic circumstances is carried out prior to the start of a project to ensure financial stability of the counterparty. Projects have forward-heavy payment plans, which in certain cases are supplemented with credit insurance.

Risk	Risk level	
Financial risks	**Likelihood**	**Consequence**
Currency risks		
The risk that exchange rate changes will adversely impact the Group's financial outcome	Medium	Low
Financing and liquidity risks		
The risk that Balco is unable to finance the Group's business	Low	Medium
Interest-rate risks		
Means the risks of adverse impact on the Group's cash flow and earnings as a consequence of changes in market rates	Low	Low
Credit risks		
Anticipated losses on trade receivables	Low	Low

REGULATORY RISKS

Regulatory risks are related to the business' ability to manage the effects of new legislation and regulation, as well as to manage unforeseen disputes or other legal or contractual uncertainty factors.

Risks

Intellectual property

Balco invest significant resources in product development and in protecting the Company's innovations through patents. In the event Balco fails to protect and maintain its intellectual property rights, there would be a risk that other parties might copy the Company's products, which might have an adverse impact on the business, sales and earnings.

Risk management: A significant portion of Balco's products and their functions are protected through patents. As the products are developed, the Company's patents are renewed and strengthened.

Political decisions, legislation and regulation

Political decisions can affect demand for Balco's products, both positively and negatively. Political decisions include changes in legislation, the application of existing laws and regulations, as well as future subsidies and taxation within housing and housing construction.

Risk management: Balco follows and regularly monitors discussions and changes regarding political decisions, changed legislation and regulation. The Company's business model is structured to take into account the laws and regulations specific to each market.

Disputes and legal proceedings

Balco may from time to time become involved in disputes and be the subject of claims regarding contractual issues, delays, alleged defects, environmental issues, etc.

Risk management: Balco has written agreements with essentially all of its customers and subcontractors. As far as possible and commercially justifiable, any differences of opinion are resolved through agreement during the course of the project.

Changed accounting rules

Balco is affected by accounting rules, which from time to time are changed and developed. The Group's accounting, financial reporting and internal controls may, in the future, be affected by – and need to be adapted to – changed rules. The changes may affect the way in which sales and earnings are reported

Risk management: Balco's employees are trained regularly, keep up-to-date and undergo competence development as regards rules and news within the area. Collaboration takes place with the Company's auditors.

Risk	Risk level	
Regulatory risks	**Likelihood**	**Consequence**
Intellectual property		
The risk that Balco will fail to protect and maintain its intellectual property rights and thereby the Company's product innovation	Low	Medium
Political decisions, legislation and regulation		
Changes to political decisions, legislation and regulation which may affect demand for Balco's products.	Low	Medium
Disputes and legal proceedings		
The risk that Balco may be affected by legal disputes and proceedings	Low	Low
Changed accounting rules		
The risk that Balco's accounting and thereby financial position and earnings may be negatively affected by changed accounting rules	Low	Low

Balco on the stock exchange

Balco Group AB was listed on Nasdaq Stockholm on 6 October 2017. At the end of the year, the Company's market capitalisation was just over SEK 1.3 billion. Since the IPO, the share has performed positively and the share price has increased by 11%.

TRADING AND MARKET CAPITALISATION

The Balco share is traded on Nasdaq Stockholm's list for smaller companies, Small Cap. Since the listing on 6 October 2017, in total just over 8 million shares have been traded at a value of approximately SEK 500 million. The average daily turnover during the three months in which the share has been listed was SEK 8.5 million. All trading in the shares took place on Nasdaq Stockholm. The market capitalisation at the end of the year was SEK 1.3 billion.

THE SHARE'S PERFORMANCE IN 2017

The share was listed on 6 October 2017 at the introduction price of SEK 56. Thus, market capitalisation at the time of listing was SEK 1.2 billion. During the three months in which the share has been listed, its price rose by 11%, closing the year at a share price of SEK 62. The highest transaction price paid during the year was noted on 6 October (SEK 65.50) and the lowest price (SEK 57.50) on 15 November.

SHARE CAPITAL

Prior to Balco's IPO, two bonus issues and a new issue were carried out to redeem earlier shareholder loans and preference shares. At the end of December 2017, Balco's share capital comprised 21,428,773 shares. Balco has one class of share and each share carries the same voting rights and the same entitlement to dividends. A share has a quotient value of SEK 6.0002 and the share capital thus amounts to SEK 128,577,685.

OWNERSHIP STRUCTURE

At the end of the year, Balco had 3,088 shareholders. 60.6 percent of the shares are owned by Swedish shareholders. Of the total foreign shareholdings (39.4%), shareholders in Jersey accounted for 19%, owners in Finland for 1.3%, and owners in Norway for 1.2%. The Swedish ownership is dominated by individuals and companies with 30.6% of the capital, while unit trusts owned 10.4% and insurance companies and pension foundations owned 7.2%. Balco's 10 largest shareholders owned 61% of the Company. Balco's directors owned in total 592,026 shares in Balco, while the Company's management owned 877,622 shares. In total, the holdings of the Board of Directors and management corresponded to 6.9% of the number of outstanding shares.

DIVIDEND AND DIVIDEND POLICY

Balco's dividend policy establishes that the Company shall distribute at least one half of profit after tax, provided that doing so does not jeopardise Balco's long-term development. The Board has proposed to the Annual General Meting a dividend for the 2017 financial year of SEK 1.0 per share, corresponding to approximately 57% of profit for the year.

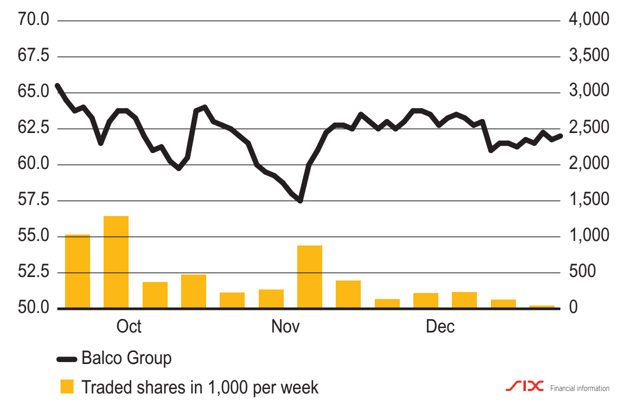
SHARE RELATED INCENTIVE PROGRAM

Balco has a long-term incentive program directed at the Company's senior executives and additional key employees, in total 49 employees. The incentive program covers in total not more than 1,071,440 warrants, which carry an entitlement to subscribe for not more than an equivalent number of shares. Balco's total cost for the incentive program during the program term is not expected to exceed SEK 150,000. The program entails a dilution not exceeding 5% of the Company's total number of shares. Balco's senior executives have acquired 397,964 warrants at a value totalling SEK 1,405,807.

In addition to the above incentive program, in September 2017 Balco's main owner, Segulah, issued call options on Balco shares to the Company's senior executives. Each call option entitles the holder to acquire one share in the Company from Segulah. The exercise price for each share is 110% of the introduction price. In total, the program covers 1,100,000 shares in Balco, corresponding to approximately 5% of the total number of votes and shares in the Company. The Company is not expected to incur any costs in respect of the call option program.

The incentive programs are aimed at encouraging broad share ownership among the Company's key employees; to enable recruitment and retention of skilled talented employees; to increase the identity of interest between the objectives of key employees and the Company; and to increase motivation.

Share performance 6 Oct 2017 - 31 Dec 2017



Shareholder structure 31 December 2017

Spread, number of shares	Number of owners	% of total owners	No of shares	Share of capital and votes, %
1 - 500	2,463	79.7	343,109	1.6
501 - 1,000	260	8.4	217,508	1.0
1,001 - 5,000	231	7.5	588,830	2.8
5,001 - 10,000	43	1.4	366,158	1.7
10,001 - 15,000	8	0.3	107,396	0.5
15,001 - 20,000	13	0.4	232,804	1.1
20,001 -	70	2.3	19,573,268	91.3
Nominee difference	-	-	-300	-
Totalt	**3,088**	**100.0**	**21,428,773**	**100.0**

Data per share

	2017
Number of shares at year-end	21,428,773
Market capitalisation at year-end (SEK millions)	1,329
Price change since listing, %	11
Number of shareholders	3,088
Share price at year-end, SEK	62
Year's highest price, SEK	65.50
Year's lowest price, SEK	57.50
Dividend per share, SEK	1.00
Shareholdings of the 10 largest owner groupings, %	61.0

NUMBER OF SHAREHOLDERS
3,088

The 10 largest shareholders on 31 December 2017

Name	No of shares	Equity and votes, %
Segulah IV L.P.	4,079,373	19.0
Skandrenting AB	2,250,000	10.5
Carl-Olof och Jenz Hamrins stiftelse	1,405,306	6.6
Swedbank Robur Fonder	1,339,286	6.2
Danica Pension	867,097	4.0
MSIL IPB Client Account	767,750	3.6
Clearstream Banking S.A., W8IMY	653,352	3.0
Vätterleden AB	645,000	3.0
Riksbankens Jubileumsfond	625,000	2.9
BPSS LDN/Henderson European Smaller	471,071	2.2
Total	**13,103,235**	**61.0**
Other	8,325,538	39.0
Total	**21,428,773**	**100.0%**

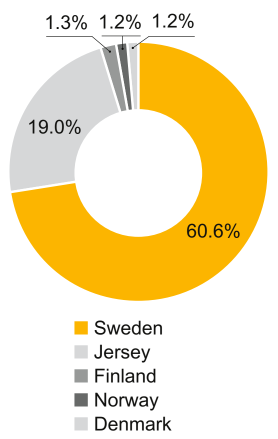
TICKER
BALCO

Financial calendar

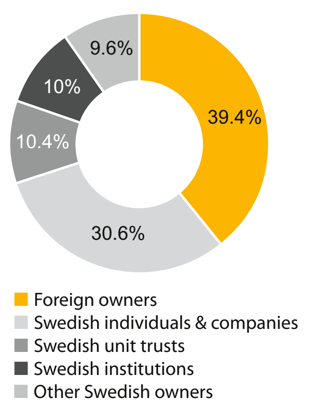
Activity	Date
Interim report January - March	17 May 2018
Annual General Meeting 2018	17 May 2018
Half-yearly report January - June	24 August 2018
Interim report January - September	16 November 2018

SHARE PERFORMANCE
11%

Geographic shareholder distribution



Distribution of owners by owner category



ALL-TIME-HIGH
65.50

MORE STRINGENT DEMANDS IN A LISTED ENVIRONMENT

30 years have passed since Balco was founded in Växjö and it is appropriate to note that the Company's development and growth journey since its inception have been impressive. Balco's successful IPO on Nasdaq Stockholm in the autumn has resulted in a strengthening of the Company's balance sheet, while at the same time contributing to increased transparency and the creation of value within several areas.

THE IPO CONTRIBUTES TO GREATER AMBITIONS

Balco has grown strongly in recent years in terms of both sales and earnings. The Company has developed from being an entrepreneur-managed local producer of balconies to nowadays being a leading player on the Nordic balcony market. As the Company has grown, its organisation, direction and control have been strengthened. The IPO has resulted in a demand for clearer routines, documentation, internal control, monitoring and governance. As a consequence of these demands, the ambition level – and thereby the quality – have increased significantly, which we consider to be a positive and natural step for ensuring that the Company's structural capital develops in pace with its growth. The internal preparations pending the IPO lasted more than a year and it is my assessment, and that of the Board, that the organisation is now well prepared and mature to operate in a listed environment. We believe that the listing has contributed to increased involvement, generated important new energy in the organisation and created a positive base for continued development of the Company.

> OPERATING IN A LISTED ENVIRONMENT INCREASES DEMANDS AND OUR AMBITION LEVEL, WHILE AT THE SAME TIME STRENGTHENING THE COMPANY'S FINANCIAL POSITION AND POSSIBILITIES FOR FUTURE DEVELOPMENT."

BALCO CREATES ITS OWN MARKET

An entrepreneurial corporate culture, high innovative power and quality products are important cornerstones for Balco's method of creating value. The expertise, involvement and assumption of responsibility by our employees are key factors in the Company's success. Balco is a decentralised company which operates locally in close dialogue with the customer. The Company's sales organisation assists the customer throughout the process, from the initial meeting to completed final inspection. The Company's business model of offering a quality product and also assuming responsibility for all parts of the process is unique. Through the Company's tried and tested method – the Balco method – existing balconies are replaced with new glazed alternatives which bring with them many advantages for customers. By educating customers about the alternative to renovating an existing balcony, and the advantages of doing so, Balco is creating its own market and gaining market shares from traditional balcony renovators. There are thus very favourable growth opportunities for Balco to continue to develop balconies of the future which create energy savings and thereby contribute to a more environmentally efficient society.

OUR MISSION: TO DEVELOP FOR THE FUTURE, BUT ALSO TO PRESERVE

Balco is a company that was successfully founded by an entrepreneur possessing great product knowledge. The Company nowadays has an attractive product which is a result of many years of innovation and development within the balcony area. As regards the future, I believe that it is important to preserve the unique aspects of the Company, such as our Småland entrepreneurial spirit, our culture characterised by assumption of great personal responsibility and possibilities to influence, as well as our ambition to be effective while at the same time watching the pennies. Continued attention to the demands of our customers and the market, and always attempting to stay one step ahead of our competitors, will continue to be key factors in ensuring the most attractive solutions of the future on the balcony market. Quite simply, it is a question of maintaining our strong positions in our niche and continuing to do that little better. Our task in the Board is clear: we shall improve and strengthen the existing business, continue to expand on our chosen path and endeavour to achieve a high and reasonable ambition level in everything we do. I am proud of what we have achieved and look with confidence to Balco's future development.

Växjö, April 2018

Lennart Kalén, *Chairman of the Board*

CORPORATE GOVERNANCE

Corporate governance in Balco is aimed at the sustainable creation of value for the shareholders through sound risk control and a healthy corporate culture. Through Balco's IPO, the work on achieving well-functioning governance, control and monitoring has been a key feature.

REGULATIONS AND GOVERNANCE MODEL

Balco Group AB, which underwent a change of name during the year from Balco Group Holding AB, is a Swedish public company listed on Nasdaq Stockholm, Small Cap. The Company, registration number 556821-2319, is headquartered in Växjö. The corporate governance report constitutes part of the Company's administration report.

Prior to Balco's IPO on Nasdaq Stockholm, which took place on 6 October 2017, Balco's corporate governance was based on Swedish law as well as internal rules and regulations. Following the IPO, the regulations and governance system with which Balco complies has been expanded to include also Nasdaq Stockholm's Rule Book for Issuers, and the Company also applies the Swedish Corporate Governance Code (the Code).

Governance in Balco can be divided into external and internal governance instruments.

External governance instruments

Following the listing, the external governance instruments constitute the framework for corporate governance within Balco. These external instruments include the Swedish Companies Act, the Annual Accounts Act, Nasdaq Stockholm's Rule Book for Issuers and the Swedish Corporate Governance Code. With respect to the 2017 financial year, Balco deviates from the Code as regards one rule:

Deviation from the Code, rule 9.7

The Code stipulates that the vesting period for share and share-price related incentive programmes shall be not less than three years. The two-year term for the series 1 warrants programme constitutes a deviation from the Code.

Explanation

Balco's incentive programme comprises two series, of which series 1 has a term of two years and series 2 a term of three years. Series 1 accounts for a smaller part (only 25 percent) of the total programme. The Board and management have made the assessment that the smaller programme, with a two-year term, constitutes an important complement to the three-year programme in order to attract and encourage a broad share ownership among senior executives, and to retain and attract employees in the future.

Internal governance instruments

The internal governance instruments include the articles of association adopted at the general meeting, internal rules and guidelines. Examples of internal rules and guidelines include the Board's rules of procedure, instructions to the CEO, instructions to committees, as well as a number of instructions regarding financial reporting that are compiled in the Company's accounting handbook. In addition, the Company's Board has adopted a number of policies that serve as guidance as to how the internal work is governed and controlled.

Governance model

As a listed company, it is Balco's shareholders who, via the general meeting, ultimately adopt decisions regarding the Group's governance by appointing the Company's Board of Directors. The Board of Directors, which is appointed by the general meeting, is in turn responsible for ensuring that corporate governance in Balco complies with applicable laws and the external and internal governance instruments described above.

Governance model

1. Shareholders

Balco Group AB was listed on Nasdaq Stockholm on 6 October 2017. At the end of 2017, the outstanding share capital comprised 21,428,773 shares. All shares carry equal voting rights and equal rights to the Company's profit and equity. The quotient value of the shares is SEK 6.002, entailing that on 31 December 2017 the registered share capital was SEK 128,577,685. Balco's articles of association contain no provisions restricting the right to transfer shares; nor is there any outstanding authorisation for the Board of Directors to issue new shares or acquire the Company's own shares. According to Balco's articles of association, directors are elected and removed through resolutions adopted by a simple majority at the general meeting. Alterations to the articles of association must be adopted by a qualified majority (more than 50 percent) voting in favour of the alteration.

As of 31 December 2017, Balco had 3,088 shareholders. According to ownership data from Euroclear Sweden AB, Balco's 10 largest shareholders owned 61% of the voting rights and shares in the Company. Swedish shareholdings accounted for 60.6% of ownership. Balco's largest shareholder on 31 December was Segulah IV L.P. For more information about Balco's share and shareholders, see the section entitled 'Balco on the exchange' on pages 42-43.

2. General meeting

According to the Companies Act, the general meeting is Balco's highest decision-making body. All shareholders entered in the share register and who have given timely notice of their participation in accordance with the rules set forth in the notice to attend are entitled to participate at the general meeting and exercise their voting rights on resolutions regarding a number of important issues such as election of the Board of Directors, auditors, adoption of financial statements, a resolution regarding appropriation of profit and a resolution regarding discharge from liability for the directors and CEO. An Annual General Meeting must be held within six months from the end of the financial year. In addition to the Annual General Meeting, extraordinary general meetings may be convened.

During the year, Balco held at three extraordinary general meetings in addition to the Annual General Meeting held on 28 April 2017. These general meetings were held on 12 July 2017, 11 September 2017 and 5 October 2017.

Resolutions adopted at the 2017 Annual General Meeting included:

- that no dividend be issued for the 2016 financial year and that the adopted earnings be carried forward
- that the directors and CEO be granted discharge from liability in respect of the 2016 financial year
- that the Board shall remain unchanged and comprise seven members, without alternates, and that all members be re-elected: Lennart Kalén (Chairman), Håkan Bergqvist, Percy Calissendorff, Ingalill Berglund, Tomas Johansson, Marcus Planting-Bergloo and Åsa Söderström Winberg
- that fees be paid to the Board totalling SEK 1,510,000 annually
- that Öhrlings PricewaterhouseCoopers AB be elected as auditors with authorised public accountant Magnus Svensson Henryson as auditor-in-charge

Resolutions adopted at the extraordinary general meetings included:

12 July 2017:
- adoption of new articles of association in which company category is changed to 'public company'; that class A shares be designated as ordinary shares; and to introduce a CSD clause

11 September 2017:
- adoption of new articles of association with altered limits regarding the minimum and maximum number of shares; alteration of the Company's name to Balco Group AB; adjustment of the Company's objects clause; and deletion of post-transfer purchase rights clause
- resolution to reduce the share capital through cancellation of ordinary shares
- resolution to increase the share capital through a bonus issue

5 October 2017:
- resolution regarding a private placement of new shares to be used to redeem shareholder loans
- resolutions regarding conversion of preference shares to ordinary shares, cancellation of preference shares and bonus issue
- new articles of association in which it is stated that the Company shall only have one class of shares
- resolution regarding issuance of two series of warrants and resolution to introduce an incentive programme for senior executives
- resolution to apply for listing of the Company's shares on Nasdaq Stockholm

2018 Annual General Meeting (AGM)

Balco's 2018 AGM will be held at 3pm on 17 May 2018 at Växjö Konserthus, Västra Esplanaden 10. Registration will commence at 2.30 pm. Important dates for the 2018 AGM are:

- 11 May – record date for the 2018 AGM
- 11 May – final date for notification of participation at the general meeting
- 17 May – final date for trading in the Balco share with a right to dividends
- 17 May – 2.30pm admission to the general meeting begins
- 17 May – 3pm the AGM begins
- 21 May – record date for dividends
- 24 May – payment of dividends

Notice to attend the AGM, notice and participation

According to the articles of association, notice to attend general meeting must be given through an announcement in Post- and Inrikes Tidningar (the Official Gazette) and through the notice being available on the Company's website. The fact that notice has been given shall simultaneously be announced in Dagens Industri. Documents for the AGM must be available on the Company's website not later than three weeks prior to the meeting.

Shareholders who are registered in the share register maintained by Euroclear Sweden AB not later than 11 May 2018 and who have given notice of their intention to attend the meeting not later than 4pm on the same day are entitled to participate at the meeting. Shareholders who shares are nominee-registered must, in order to participate at the meeting, temporarily reregister the shares in their own name at Euroclear Sweden AB. This is done by the shareholder contacting his nominee thereon in ample time prior to 11 May 2018. Shareholders who wish to participate at Balco's AGM must notify the Company via its website, by telephone on 08-402 91 98, or in writing to the following address:
Balco Group AB
Årsstämma 2018
Box 191
101 23 Stockholm

The notice must state the name, address, personal ID or organisation number, telephone number, number of shares and any assistants. Where participation takes place pursuant to a power of attorney, the power of attorney in original, together with any other authorisation documents, must be sent to Balco at the above address in advance prior to the AGM.

Proposed resolutions at the 2018 AGM

Balco's Board proposes that the AGM resolve on a dividend for the Group for the 2017 financial year of SEK 1.0 per share, corresponding to SEK 24.1 million or 57% of earnings for the year.

3. Nomination Committee

The duties of the Nomination Committee are to ensure that the members of Balco's Board together possess the knowledge and experience which is relevant to be able to contribute to Balco's best possible development over time. The Nomination Committee reviews the Board's work based on the assessment of the Board that takes place once per year, Code requirements, company-specific needs and comments from other owners as well as from the Company's Board Chairman. In addition, the Nomination Committee presents proposals to the AGM regarding the number of directors, the composition of the Board, and proposals regarding fees for the Board, including fees for committee work. The Nomination Committee also presents proposals regarding the Chairman of the Board and Chairman of the AGM, as well as auditors and their fees. The Nomination Committee's proposals are presented in the notice to attend the AGM, and reasons for the Nomination Committee's proposals are published on Balco's website in connection with issuance of the notice to attend. In accordance with Code rules, at an extraordinary general meeting held on 11 September 2017 Balco adopted instructions for a Nomination Committee. It was decided that the Nomination Committee shall comprise four members. The members shall be appointed by the Company's four largest shareholders in terms of votes on 31 December 2017 (and thereafter as of 31 August of the year prior to the AGM), in accordance with the share register maintained by Euroclear, being summoned by the Board Chairman and afforded an opportunity to each select a member. The member representing the largest shareholder in terms of votes shall be elected as chairman of the Nomination Committee. The Board Chairman may not serve as Chairman of the Nomination Committee. The composition of the Nomination Committee for the 2018 AGM was presented through a press release on 19 January 2018 and represented approximately 42% of all voting rights in the Company. The members of the Nomination Committee receive no compensation for their work in the Nomination Committee.

Members of the Nomination Committee for the 2018 AGM:

- Gabriel Urwitz, appointed by Segulah IV L.P. (*Chairman of the Nomination Committee*)
- Lennart Björkman, appointed by Skandrenting AB
- Carl-Mikael Lindholm, appointed by the Carl-Olof and Jenz Hamrin Foundation
- Marianne Flink, appointed by Swedbank Robur
- Lennart Kalén, Balco's Board Chairman

4. Board of Directors

Balco's Board has overall responsibility for creating value for shareholders and other stakeholders regularly and with a long-term perspective. The Board, together with management, is responsible for the Company's overall strategy and endeavours to ensure that the Company has sound risk management and control.

Directors

According to the articles of association, Balco's Board shall comprise at least four, and not more than eight, directors. The directors shall contribute skills and experience that benefit Balco's development. At present

Remuneration and attendance

	Lennart Kalén	Ingalill Berglund	Håkan Bergqvist	Percy Calissendorff	Tomas Johansson	Marcus Planting-Bergloo	Åsa Söderström Winberg
Board fee (year of general meeting)	320,000	160,000	160,000	160,000	160,000	160,000	160,000
Remuneration for committee work	40,000	40,000	-	-	65,000	-	85,000
Independent in relation to company and company management	yes	yes	yes	yes	yes	yes	yes
Independent in relation to main owner	no	yes	yes	no	yes	no	yes
Attendance at board meetings, 10 in number	10	10	10	10	10	9	9
Attendance at audit committee meetings, 4 in number	-	4	-	-	4	-	4
Attendance at remuneration committee meetings, 3 in number	3	-	-	-	3	-	3

Balco's Board comprises seven ordinary members: two women and five men. All members were elected at the AGM held on 28 April 2017 for a term of office until the close of the 2018 AGM. President and CEO Kenneth Lundahl attends all board meetings. Balco's CFO Fredrik Hall and deputy CFO Hanna Nattfogel also attend board meetings. Hanna Nattfogel serves as board secretary. Other senior executives participate as presenters on specific issues. All directors are independent in relation to the Company and its management. Apart from Lennart Kalén, Percy Calissendorff and Marcus Planting-Bergloo, four directors are also independent in relation to the Company's major shareholders. Balco thereby satisfies the requirements of Nasdaq Stockholm and the Code as regards independence of directors. For a summary and presentation of the directors, see pages 54-55.

Diversity policy in the Board

Balco's Board shall, as a whole, possess requisite composite skills, experience and background for the conducted business and to identify and understand the risks to which the business is exposed. The objective is that the Board shall comprise members of varying ages, be represented by both men and women, with varied geographic and ethnic backgrounds that complement each other in terms of experience, educational and professional background which together contribute to an independence and critical questioning approach on the Board. Balco's Board has adopted a diversity policy which the Nomination Committee takes into account when producing its proposal for the AGM. The Nomination Committee also proceeds based on rule 4.1 of the Swedish Corporate Governance Code, which addresses board diversity.

The Board's work and assessment of the Board

The Board's responsibilities and duties are governed by the Companies Act and Balco's articles of association, which are adopted by the AGM. In addition to the provisions of the Companies Act and the articles of association, the work of the Board is governed by written rules of procedure which are revised annually and adopted at the initial board meeting each year. The rules of procedure govern, among other things, board practice, functions and allocation of work between the directors and CEO. The Board also adopts instructions for the Board's committees.

The duties of the Board are to regularly monitor the strategic focus, economic development, and the Company's methods, processes and controls for maintaining a well-functioning business. The Board must also contribute to good quality in the financial reporting, internal control and assessment of the Company based on adopted financial targets and established guidelines for senior executives. The Board's duties also include regularly assessing the Company's CEO and assisting in the annual audit performed by the Company's auditor-in-charge, Magnus Svensson Henryson.

The Board Chairman, who is elected by the AGM, has particular responsibility for ensuring that the Board's work is well organised and performed efficiently. Board meetings are planned by the Board Chairman together with the Company's CEO.

The Board meets in accordance with a meetings schedule adopted each year. In addition to these meetings, additional board meetings may be convened to address specific issues. In addition to board meetings, the Board Chairman and CEO maintain regular dialogue concerning management of the Company. During 2017, 10 board meetings were held, of which one was held by telephone and one per capsulam. Standing items on the agenda at ordinary board meetings include a report from the CEO as well as an earnings review. At the meetings in May, August and November, the Board also reviewed the interim reports. The Board work has also included work on producing joint group policies, instructions as well as structures and processes concerning the Company's internal control work and monitoring. Examples of policies adopted or reviewed during the year include finance policy, IT policy, communication policy and insider policy. During 2017, board work was focused on the Company's IPO on Nasdaq Stockholm, which took place on 6 October. In addition, board work has included work on a refinancing of the Company in connection with the IPO. During the year, board work has focused on preparing the Company for the IPO.

The Board Chairman is responsible for the directors each year making an assessment their work. The assessment includes also the work of the audit and remuneration committees. The Board Chairman ensures that the assessment covers the Board's work processes, composition and skills in the Board. The work is presented to the Nomination Committee.

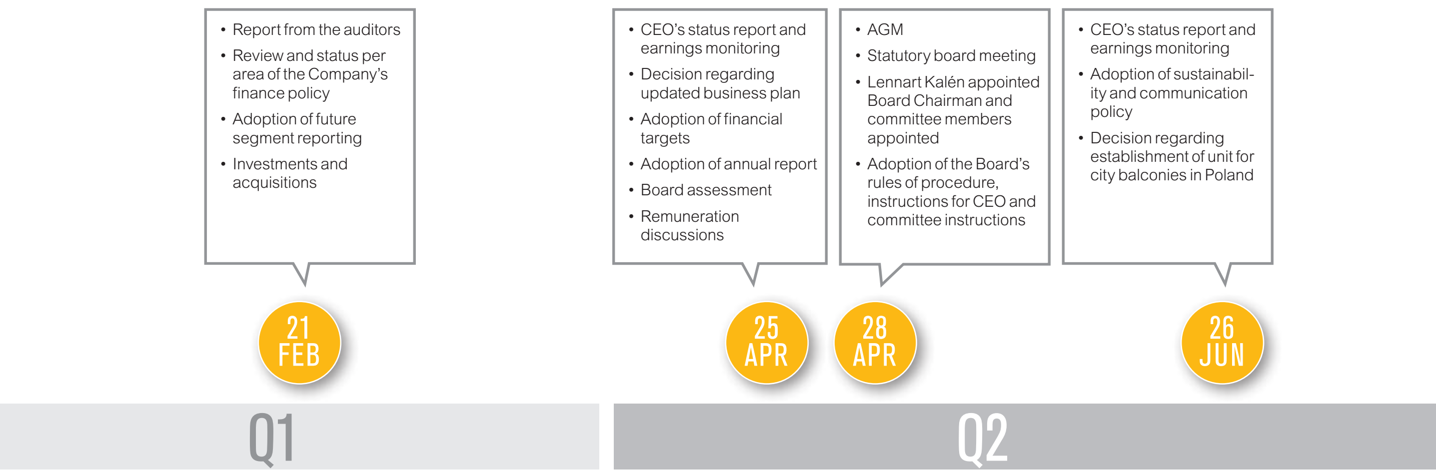
Board remuneration

Fees and other remuneration to directors, including the Chairman, are established by the AGM. At the general meeting held on 28 April 2017, it was resolved that fees be paid to the directors as follows:

- The fee to Board Chairman Lennart Kalén shall be SEK 320,000. Six ordinary directors shall each receive a fee of SEK 160,000.
- The fee for work in the Audit Committee shall be SEK 60,000 for the Chairman of the Audit Committee, Åsa Söderström Winberg. Other members of the Audit Committee (Tomas Johansson and Ingalill Berglund) shall each receive SEK 40,000.
- The fee for work in the Remuneration Committee shall be SEK 40,000 for the Chairman of the Remuneration Committee, Lennart Kalén. Other members of the Remuneration Committee (Tomas Johansson and Åsa Söderström Winberg) shall each receive SEK 25,000.

In total, remuneration for board and committee work during 2017-2018 amounts to SEK 1,510,000.

The Board's work in 2017



5. Audit Committee

The main duties of the Audit Committee are to support the Board in the work of fulfilling its responsibilities within financial reporting, including sustainability reporting, accounts, auditing, internal control, internal audit and risk management. The Audit Committee also maintains regular contact with Balco's auditors, reviews and monitors the management of market and credit risks, and keeps itself informed on questions concerning the audit of the Company's annual report and regular internal control. The Committee is also responsible for reviewing and assessing the auditor's impartiality and independence. The Audit Committee works in accordance with instructions adopted by the Board.

Members of the Audit Committee 2017–2018

- Åsa Söderström Winberg (Chairman)
- Tomas Johansson (member)
- Ingalill Berglund (member)

The committee's chairman, Åsa Söderström Winberg, possesses the accounting skills required by the Companies Act, and all members of the committee are independent of the Company and its largest owner. During 2017, the Audit Committee held four meetings at which minutes were taken. All meetings of the Audit Committee have been reported to the Board.

6. Remuneration Committee

The main duties of the Remuneration Committee are to present proposals to the Board as regards remuneration for the CEO, remuneration principles and other employment terms for management, and to monitor and assess ongoing variable remuneration and long-term incentive programmes.

The Remuneration Committee works in accordance with instructions adopted by the Board.

Members of the Remuneration Committee 2017–2018

- Lennart Kalén (Chairman)
- Åsa Söderström Winberg (member)
- Tomas Johansson (member)

Two members of the committee are independent in relation to the Company and its largest owner. During 2017, the Remuneration Committee held three meetings, at two of which minutes were taken. All meetings of the committee have been reported to the Board.

7. Auditor

The auditor shall audit Balco's annual report and accounts and review management of the Company. After each financial year, the auditor shall submit to the AGM an auditor's report and an auditor's report for the group. The external audit of Balco's accounts and all subsidiaries is conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Balco's auditor is appointed by the AGM based on a proposal from the Nomination Committee. The auditor is elected for one year. At the 2017 AGM, it was decided to elect Öhrlings PricewaterhouseCoopers AB, with Magnus Svensson Henryson as auditor-in-charge. Magnus Svensson Henryson is an authorised public accountant and a member of FAR. Öhrlings PricewaterhouseCoopers AB may be responsible for the audit up to and including 2027, when a new accounting firm must be elected in accordance with applicable rules. Authorised public accountant Magnus Svensson Henryson may serve as auditor-in-charge for the audit up to and including the 2019 AGM before he is required to rotate the engagement, in accordance with regulations. For 2017, total remuneration to the Group's auditor amounted to SEK 4,453, 000, of which SEK 4,280, 000 (1,364,000) comprised remuneration to the company's principal auditor PwC .

8. Management

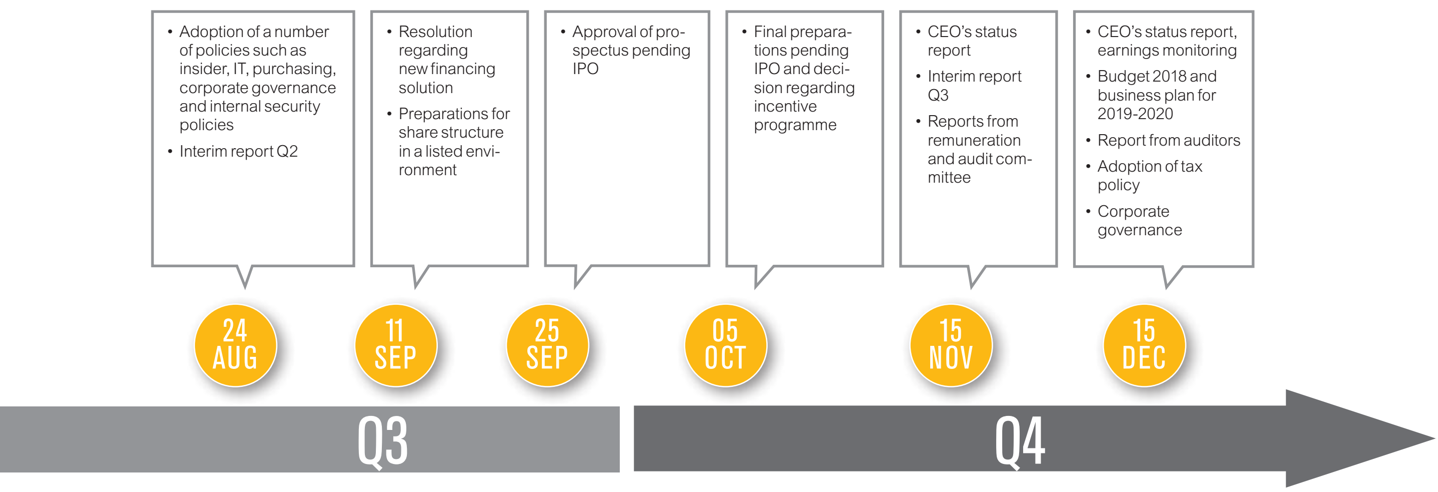
Balco's management comprises the President and CEO as well as a further eight senior managers. The management team comprises eight men and one woman.

Members of management have the following functions:

- Kenneth Lundahl, President and CEO
- David Andersson, Head of Marketing, responsible for New Markets
- Roger Andersson, Head of Sales, Sweden and Norway
- Johan Fälth, COO
- Fredrik Hall, CFO
- Cecilia Lannebo, Head of Communication and Head of Investor Relations
- Christian Linell, Head of Purchasing, IT and Quality Assurance
- Jesper Magnusson, Head of Human Resources
- Henrik Nilsson, Head of Production

Remuneration to senior management

The guidelines for remuneration and other employment terms for the CEO and other senior executives were adopted at an extraordinary general meeting held on 11 September 2017. 'Senior executive' means the CEO and group management, comprising nine individuals. The



aim of the guidelines is to ensure that Balco is able to attract, incentivise and maintain executives.

The objective with remuneration is to be competitive and to contribute to enabling Balco to recruit skilled employees. Remuneration to the management shall comprise fixed and variable salary, possible participation in a long-term incentive programme as well as pension benefits. Together, the component shall create well-balanced remuneration which reflects individual skills, responsibilities and performance, both in the short and long-term, as well as the Group's overall development. At an extraordinary general meeting held on 5 October 2017, it was decided to introduce a long-term incentive programme aimed at the Company's senior executives and additional key employees, in total 49 employees. The incentive programme covers in total not more than 1,071,440 warrants which carry an entitlement to not more than a corresponding number of shares. Approximately 80% of the total number of warrants have been offered to senior executives and Balco employees in two series. Series I has a term of two years, while series II has a term of three years. The participants have acquired warrants on market terms; one quarter of the warrants are of series I and three quarters of series II. Approximately 20% of the total number of warrants have been put aside to allow for sale to future employees. Balco's total cost for the incentive programme during the term of the programme is not expected to exceed SEK 150,000. The programme entails a dilution not exceeding 5% of the total number of shares in the Company. Balco's senior executives have acquired 397,964 warrants for a value totalling SEK 1,405,807.

The price to be paid when subscribing for a share through exercise of a warrant corresponds to 120% of the listing price as regards series I, and 130% as regards series II. This corresponds to SEK 67.20 and SEK 72.80 respectively. The participants can exercise series I warrants during the period 5 September 2019 up to and including 5 October 2019. Participants can exercise series II warrants during the period 5 September 2020 up to and including 5 October 2020

In addition to the above incentive programme, in September 2017 Balco's former main owner, Segulah, issued call options to the Company's senior executives regarding shares in Balco. Under the programme, each call option entitles the holder to acquire one share in the Company from Segulah. Holders are entitled to exercise call options commencing 8 October 2018 up to and including 7 October 2019, and requests must be submitted to Segulah 14 days in advance prior to the desired acquisition date. The option premium per share in the Company is based on Black & Scholes option pricing model and the holders are entitled to request cash settlement of the option premium. The exercise price for each share is 110% of the IPO price. In total, the programme covers 1,100,000 Balco shares, corresponding to approximately 5% of the total number of votes and shares in the Company. The company is not expected to incur any costs for the call option programme.

The incentive programmes are aimed at encouraging broad share ownership by the Company's key employees, recruiting and retaining skilled and talented employees, increasing the interest in common between the key employees and the Company's objectives, and to enhance motivation. The programme structure attains a balance between risk-taking by key employees through the requirement of their own investment and, on the other hand, possibilities for employees to receive performance-related allotment of shares and the possibility to subscribe for new shares. The term of series 1 warrants – two years – constitutes a deviation from rule 9.7 of the Code pursuant to which a warrant term shall be not less than three years; see description on page 45.

Fixed and variable salary

Management shall receive variable remuneration in addition to fixed salary. Such variable remuneration shall not exceed 50% of the fixed annual salary. Variable remuneration shall be based on outcomes as regards predetermined and documented financial and individual targets. Long-term variable remuneration in the form of shares and/or share-related instruments in the Company shall be possible through participation in long-term incentive programmes decided upon by the general meeting. Such programmes shall be performance-based, conditional on continued employment in the Group, and require personal investment by the participants.

Other benefits

Balco offers management benefits in accordance with prevailing practice on the relevant market. Other benefits may, for example, include company car and corporate health scheme. Where appropriate, the Company may also offer housing during a limited period of time.

Pension

Management shall be entitled to pension benefits based on what is customary in the country in which they are employed. Pension obligations are secured through pension premiums paid to insurance company.

Termination and severance compensation

The termination period, with an entitlement to remuneration during the termination period, is stipulated in contracts at not more than 12 months. The Company provides no additional severance compensation.

Deviations from the guidelines

The Board may deviate from the above guidelines where special reasons so justify, for example with respect to additional variable remuneration for exceptional performance. In such case, the Board must explain the reasons for the deviation at the AGM immediately thereafter.

THE BOARD'S PROPOSAL FOR NEW GUIDELINES FOR MANAGEMENT REMUNERATION

No changes in the principles for remuneration and other employment terms for management are proposed to the 2018 AGM.

Salary and remuneration for the CEO and other senior executives

	Year	Basic salary	Social insurance/ special employer's contributions	Variable remuneration	Other benefits	Pension cost
CEO	2017	2,257	1,050	444	127	666
	2016	2,160	1,109	81	101	657
Other senior executives (7 individuals)	2017	6,381	2,864	1,243	250	1,610
	2016	4,592	2,000	890	207	878
Total	**2017**	**8,638**	**3,914**	**1,687**	**377**	**2,276**
	2016	6,752	3,109	971	308	1,535

INTERNAL CONTROL OF FINANCIAL REPORTING

The objective of internal control is to assess which risks are significant for the Company and thereby should be managed through regular monitoring and control. Through a risk analysis, the work can be concentrated on the areas that it is most important to secure, so that the total risk exposure in the Company is reduced.

According to the Companies Act and the Swedish Corporate Governance Code, the Board of Directors is ultimately responsible for ensuring that the Company's organisation is structured in such a manner that financial reporting, management and operations are satisfactorily monitored and controlled. The internal control report is structured in accordance with the Annual Accounts Act and the Code. The description has been limited to addressing internal control with respect to financial reporting in accordance with the Swedish Corporate Governance Code, rule 7.4.

Balco's CFO is responsible for ensuring that implementation and maintenance of formal internal control routines takes place in accordance with decisions taken by the Board. Balco's finance division, presided over by the CFO, leads the Group's internal control work with respect to financial reporting. The work is checked regularly and monitored by the Board. For Balco, internal governance and control constitute work which is regularly integrated in the Company's operational management.

Since Balco was recently listed on Nasdaq Stockholm, the Company's internal control work regarding financial reporting has essentially been structured during the past year in order to be adapted to prevailing regulations. The internal control has been structured based on the framework in the established COSO (Committee of Sponsoring Organisations of the Treadway Commission) model. The model's components are used to assess and work with an organisation's internal governance and control linked to goals, reporting and compliance with laws and regulations.

The COSO model's five main components:

CONTROL ENVIRONMENT

The control environment constitutes the basis for the internal control with respect to financial reporting. It is important that the Company's decision paths, powers and responsibilities are clearly defined and communicated between different levels in the organisation. In order to create a framework for conduct of the work, Balco has implemented a number of governing documents in the form of internal policies, handbooks, guidelines and manuals. Balco's Board has established a work process and adopted rules of procedure for its work and the work of the Board's committees. During the year, the Board has participated in, developed and approved a number of basic policies and guidelines. These include the Board's rules of procedure, instructions for the CEO, finance policy, corporate governance policy, sustainability policy and communication policy. The produced policies are aimed at facilitating sound internal control, and constitute a shared basis for the work on improving structure and quality in the work. Governance documents for accounting and financial reporting are areas in which it is particularly important to ensure that correct, complete reporting and disclosure of information take place. Alongside the accounting handbook, Balco has prepared a report package containing results, forecasts, business plans, strategic plans, monitoring of risks and analyses of important key performance indicators.

RISK ASSESSMENT

Financial risk management constitutes a part of the ongoing financial reporting work. Balco endeavours to regularly analyse the risks that may lead to errors in the financial reporting. A process has been established as to how errors in the financial reporting are to be analysed and monitored on a yearly basis. Risks are addressed, assessed and reported in Balco's central group functions. In the process pending the IPO, Balco conducted an authorities analysis regarding the Company's IT environments for financial reporting and analysis. Delineation and adaptation have been carried out to clarify responsibilities, roles and access to information.

CONTROL ACTIVITIES

Balco monitors the risks that the Board considers to be of importance for the internal control. The Group's CFO is responsible for ensuring overall control of the financial reporting. In addition to the central control with clear decision processes and decision routines as regards major investments, results analysis and reporting, a structure is in place comprising guidelines and role descriptions with mandate descriptions as to how the work is conducted and monitored in the organisation. Guidelines and instructions are aimed at covering, or the timely prevention of, the risk of errors in the reporting.

INFORMATION AND COMMUNICATION

Governing documents in the form of policies, guidelines and manuals, in the event they relate to the financial reporting, are communicated primarily in the Group's accounting handbook and via the Company's intranet. The information is expanded and updated as needed. Communication takes place primarily on a regular basis in the organisation, since the workgroup within the accounts function is quite small. In addition, regular closing accounts meetings are held. Guidelines as to how communication with external and external parties is to take place are described in Balco's communication policy. The policy is aimed at ensuring correct and complete compliance with all disclosure obligations. Information to external stakeholders is provided on a regular basis on Balco's financial website. Internal communication largely takes place via the Company's intranet, at staff meetings and by email. Internal communication is important to ensure that all employees have a sense of belonging and participation and to ensure that everyone is working towards the same goals.

MONITORING

Balco's accounts function works in a joint account and reporting system and has shared instructions and guidelines. Balco's Board and management receive monthly information concerning the Group's earnings, financial position and development of the business. Based on the internal control work, the Board may choose a specific area within which additional monitoring may be required.

Balco has no internal audit function. Since the Company has recently been listed, during the coming financial year the Board and the Audit Committee intend to assess whether there is a need for such a function. During the year, Balco has defined a process as to how assessment and monitoring of the internal control is to be conducted.

THE BOARD OF DIRECTORS

LENNART KALÉN

INGALILL BERGLUND

HÅKAN BERGQVIST

PERCY CALISSENDORFF

TOMAS JOHANSSON

MARCUS PLANTING-BERGLOO

ÅSA SÖDERSTRÖM WINBERG

LENNART KALÉN

POSITION AND YEAR OF ELECTION
Born 1947. Chairman of Board since 2010. Chairman of the Remuneration Committee.

EDUCATION
Masters degree and doctor of philosophy in economic subjects, construction engineering degree and studies at IMI Genevé.

OTHER SIGNIFICANT APPOINTMENTS
Chairman of the Board of Optolexia AB, AB Segulah (vice chairman), and Segluah Venture AB. Director of Power Tender AB and Sandbäckens Invest Holding AB.

PREVIOUS POSITIONS AND PROFESSIONAL EXPERIENCE
Chairman of DoCu Nordic AB, Previa AB, NEA AB, Sankt Eriks AB and director of Norfoods AB. CEO of Dahl Sverige AB, Alfa Laval Celleco AB and Sydsvenska Dagbladets Industrigrupp AB.

TOTAL SHAREHOLDING (OWN, CLOSELY-RELATED PARTIES, IN COMPANIES AND THROUGH ENDOWMENT POLICIES)
Fruholmen Invest AB 307,013 shares.
Stymninge Property AB 4,987 shares.

INGALILL BERGLUND

POSITION AND YEAR OF ELECTION
Born 1964. Director since 2016. Member of the Audit Committee.

EDUCATION
Higher-level specialised courses in economics at Frans Schartaus Handelsinstitut.

OTHER SIGNIFICANT APPOINTMENTS
Director of the Scandic Group AB, Veidekke AS, Axfast AB, Kungsleden AB, Bonnier Fastigheter AB, Juni Strategi & Analys AB and Stiftelsen Danviks Hospital. CEO of Axfast AB.

PREVIOUS POSITIONS AND PROFESSIONAL EXPERIENCE
CEO and CFO of Atrium Ljungberg AB. CFO of Skolfastigheter i Stockholm AB.

TOTAL SHAREHOLDING (OWN, CLOSELY-RELATED PARTIES, IN COMPANIES AND THROUGH ENDOWMENT POLICIES)
25,000 shares

HÅKAN BERGQVIST

POSITION AND YEAR OF ELECTION
Born 1951. Director since 2010.

EDUCATION
M.Sc. Engineering and MBA från Linköping University.

OTHER SIGNIFICANT APPOINTMENTS
Chairman of Sandbäckens Rör AB and director of Eitech Automation AB. Senior adviser to Segulah and Gerson Lehrman Group.

PREVIOUS POSITIONS AND PROFESSIONAL EXPERIENCE
Chairman of NVS Installation AB, NEA Installation AB and Project Management Institute and director of Sydtotal AB, Infocare AB and Netel AB. CEO of Imtech Nordic AB, NVS Installation AB and YIT Calor AB.

TOTAL SHAREHOLDING (OWN, CLOSELY-RELATED PARTIES, IN COMPANIES AND THROUGH ENDOWMENT POLICIES)
133,932 shares

PERCY CALISSENDORFF

POSITION AND YEAR OF ELECTION
Born 1967. Director since 2010.

EDUCATION
M.Sc. in Finance from City University London and B.Sc. in Business från Buckingham University.

OTHER SIGNIFICANT APPOINTMENTS
Partner in Segulah Advisor AB and director of Sandbäckens Rör AB.

PREVIOUS POSITIONS AND PROFESSIONAL EXPERIENCE
Director of investments for STAR Capital Partners, Head of Investments for Merchant Venture Investments and Head of Corporate Finance division at Hambros Bank.

TOTAL SHAREHOLDING (OWN, CLOSELY-RELATED PARTIES, IN COMPANIES AND THROUGH ENDOWMENT POLICIES)
17,857 shares

TOMAS JOHANSSON

POSITION AND YEAR OF ELECTION
Born 1958. Director since 2013. Member of the Audit Committee and the Remuneration Committee.

EDUCATION
Degree in market economy from IHM Business School.

OTHER SIGNIFICANT APPOINTMENTS
CEO of Dahl Sverige AB.

PREVIOUS POSITIONS AND PROFESSIONAL EXPERIENCE
CEO of Bevego Byggplåt & Ventilation AB, Marketing manager at AB Gustavsberg and division manager at Strålburken (a part of NCC Group AB).

TOTAL SHAREHOLDING (OWN, CLOSELY-RELATED PARTIES, IN COMPANIES AND THROUGH ENDOWMENT POLICIES)
36,738 shares

MARCUS PLANTING-BERGLOO

POSITION AND YEAR OF ELECTION
Born 1977. Director since 2010.

EDUCATION
M.Sc. from the Stockholm School of Economics.

OTHER SIGNIFICANT APPOINTMENTS
Partner in Segulah Advisor AB. Director of Beerenberg Corp AS, HERMES Medical Solutions AB and Sandbäckens Rör AB.

PREVIOUS POSITIONS AND PROFESSIONAL EXPERIENCE
Management consultant at Occam Associates AB and L.E.K Consulting LLC.

TOTAL SHAREHOLDING (OWN, CLOSELY-RELATED PARTIES, IN COMPANIES AND THROUGH ENDOWMENT POLICIES)
-

ÅSA SÖDERSTRÖM WINBERG

POSITION AND YEAR OF ELECTION
Born 1957. Director since 2016. Chairman of the Audit Committee and member of the Remuneration Committee.

EDUCATION
MBA from Stockholm University.

OTHER SIGNIFICANT APPOINTMENTS
Chairman of Scanmast AB and Delete Oy.
Director of Vattenfall AB, JM AB, OEM International AB, Nordic Room Improvement AB and Fibo Group A/S.

PREVIOUS POSITIONS AND PROFESSIONAL EXPERIENCE
CEO of SWECO Theorells and Ballast Väst (a part of NCC Group).

TOTAL SHAREHOLDING (OWN, CLOSELY-RELATED PARTIES, IN COMPANIES AND THROUGH ENDOWMENT POLICIES)
28,028 shares; Åsa Söderström AB 25,484 shares

MANAGEMENT

KENNETH LUNDAHL

DAVID ANDERSSON

ROGER ANDERSSON

JOHAN FÄLTH

FREDRIK HALL

CECILIA LANNEBO

CHRISTIAN LINELL

JESPER MAGNUSSON

HENRIK NILSSON

KENNETH LUNDAHL

POSITION AND YEAR OF EMPLOYMENT
Born 1967. President and CEO since 2013. Employed since 2013.

EDUCATION
Civil engineering degree from Chalmers Technical University.

OTHER SIGNIFICANT APPOINTMENTS
Chairman of the Board of Lundahl & Hall AB, several directorships in the Lundahl & Hall Group. Director of Plast Aktiebolaget Orion AB. Chairman of Anderstorps Hotellfastigheter AB and Woodleg Förvaltning AB.

PREVIOUS POSITIONS AND PROFESSIONAL EXPERIENCE
Co-founder of Lundahl & Hall, CEO of Isaberg Rapid AB and head of business area at Thule AB.

TOTAL SHAREHOLDING (OWN, CLOSELY-RELATED PARTIES, IN COMPANIES AND THROUGH ENDOWMENT POLICIES)
282,153

WARRANTS
107,144

CALL OPTIONS
450,000

DAVID ANDERSSON

POSITION AND YEAR OF EMPLOYMENT
Born 1984. Head of Marketing and New markets. Employed since 2013.

EDUCATION
MBA from Växjö University.

OTHER SIGNIFICANT APPOINTMENTS
Director of SwePart AB, SwePart Transmission AB, Merlinum AB, Merlinum Fastigheter AB, NorthenSky E-gaming AB and The Smiling Group AB.

PREVIOUS POSITIONS AND PROFESSIONAL EXPERIENCE
Sales and marketing manager at Svetruck AB. Sales and marketing positions at Teknikmagasinet AB and The Phone House AB.

TOTAL SHAREHOLDING (OWN, CLOSELY-RELATED PARTIES, IN COMPANIES AND THROUGH ENDOWMENT POLICIES)
107,158

WARRANTS
30,612

CALL OPTIONS
24,000

ROGER ANDERSSON

POSITION AND YEAR OF EMPLOYMENT
Born 1967. Head of Sales, Sweden and Norway. Employed since 2005.

EDUCATION
Secondary school degree, mechanical engineering from Hässleholms Technical School.

OTHER SIGNIFICANT APPOINTMENTS
-

PREVIOUS POSITIONS AND PROFESSIONAL EXPERIENCE
District manager and product manager at Colly Components AB, product technician at Autoliv AB and designer at Levahn Industrier AS.

TOTAL SHAREHOLDING (OWN, CLOSELY-RELATED PARTIES, IN COMPANIES AND THROUGH ENDOWMENT POLICIES)
55,634

WARRANTS
45,920

CALL OPTIONS
40,000

JOHAN FÄLTH

POSITION AND YEAR OF EMPLOYMENT
Born 1975. COO since 2014. Employed since 2010.

EDUCATION
Masters degree in corporate finance from Linnaeus University.

OTHER SIGNIFICANT APPOINTMENTS
-

PREVIOUS POSITIONS AND PROFESSIONAL EXPERIENCE
Head of HR at Tenneco Automotive Sverige AB, Linnaeus University and consultant at Adecco AB.

TOTAL SHAREHOLDING (OWN, CLOSELY-RELATED PARTIES, IN COMPANIES AND THROUGH ENDOWMENT POLICIES)
77,693

WARRANTS
45,920

CALL OPTIONS
40,000

FREDRIK HALL

POSITION AND YEAR OF EMPLOYMENT
Born 1969. CFO since 2016. Employed since 2016.

EDUCATION
MBA from Växjö College.

OTHER SIGNIFICANT APPOINTMENTS
Director of Lundahl & Hall AB and several directorships in the Lundahl & Hall Group. Director of CFH Foundation AB, Plastics & Company AB and alternate director of Opphem Fastigheter AB, Anderstorps Hotellfastigheter AB and Nyhagen Fastighets AB.

PREVIOUS POSITIONS AND PROFESSIONAL EXPERIENCE
Co-founder of the Lundahl & Hall Group, CEO of Snickarlaget Norden AB and AB Smålandsinredningar, CFO of Isaberg Rapid AB, VP Finance business area Trailer and Car Accessories Thule Group AB, Business area controller Finnveden AB and CEO of Tenneco Automotive Sverige AB. Directorships in companies divested by the Lund & Group and director of Cai AB.

TOTAL SHAREHOLDING (OWN, CLOSELY-RELATED PARTIES, IN COMPANIES AND THROUGH ENDOWMENT POLICIES)
282,153

WARRANTS
76,532

CALL OPTIONS
450,000

CECILIA LANNEBO

UPPDRAG OCH ANSTÄLLD
Born 1973. Contracted as Head of Investor Relations since 2016.

EDUCATION
MBA from Mälardalen College and Wirtschaftsuniversität Wien.

OTHER SIGNIFICANT APPOINTMENTS
CEO and director of i-Core Communications AB. Head of IR at Humana AB.

PREVIOUS POSITIONS AND PROFESSIONAL EXPERIENCE
Alternate director of FondPrinsen AB. Head of IR at Leovegas AB, Eniro AB, Hakon Invest AB equities analyst at SEB.

TOTAL SHAREHOLDING (OWN, CLOSELY-RELATED PARTIES, IN COMPANIES AND THROUGH ENDOWMENT POLICIES)
9,000

WARRANTS
-

CALL OPTIONS
-

CHRISTIAN LINELL

POSITION AND YEAR OF EMPLOYMENT
Born 1974. Head of Purchasing and Quality Assurance. Employed since1996.

EDUCATION
Secondary school degree in social studies.

OTHER SIGNIFICANT APPOINTMENTS
-

PREVIOUS POSITIONS AND PROFESSIONAL EXPERIENCE
Production operator at Scanditronix Magnet AB and Abetong AB.

TOTAL SHAREHOLDING (OWN, CLOSELY-RELATED PARTIES, IN COMPANIES AND THROUGH ENDOWMENT POLICIES)
27,817

WARRANTS
30,612

CALL OPTIONS
24,000

JESPER MAGNUSSON

POSITION AND YEAR OF EMPLOYMENT
Born 1986. Head of Human Resources. Employed since 2014.

EDUCATION
Ph.D. with focus on Human Resource Management from Linnaeus University.

OTHER SIGNIFICANT APPOINTMENTS
-

PREVIOUS POSITIONS AND PROFESSIONAL EXPERIENCE
Office manager, head of consulting and recruiting at Adecco AB.

TOTAL SHAREHOLDING (OWN, CLOSELY-RELATED PARTIES, IN COMPANIES AND THROUGH ENDOWMENT POLICIES)
36,033

WARRANTS
30,612

CALL OPTIONS
24,000

HENRIK NILSSON

POSITION AND YEAR OF EMPLOYMENT
Born 1978. Head of Production. Employed since 2011.

EDUCATION
Masters degree in industrial systems finance from Växjö University.

OTHER SIGNIFICANT APPOINTMENTS
-

PREVIOUS POSITIONS AND PROFESSIONAL EXPERIENCE
Head of production and logistics at Alstrom Power Sweden AB and head of production at Finnveden Powertrain AB.

TOTAL SHAREHOLDING (OWN, CLOSELY-RELATED PARTIES, IN COMPANIES AND THROUGH ENDOWMENT POLICIES)
46,362

WARRANTS
30,612

CALL OPTIONS
24,000

FINANCIAL STATEMENTS

MISCELLANEOUS

NOTES TO THE FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Amounts in SEK '000	Note	2017	2016
Net sales	5	988,951	801,613
Production and project costs	6,7,8,13	-741,117	-611,729
Gross profit		**247,834**	**189,884**
Selling expenses	6,7,8	-87,566	-89,098
Administrative expenses	6,7,8	-68,352	-38,793
Participations in profit of associated company	9	110	556
Other operating income	10	6,847	10,413
Other operating expenses	10	-6,537	-9,361
Operating profit	5	**92,336**	**63,601**
Financial income	11	24	-
Financial expenses	11,13	-37,071	-40,889
Net financial items	11,13	**-37,047**	**-40,889**
Profit before tax		**55,289**	**22,712**
Income tax	12	-17,638	-10,662
Profit for the year		**37,651**	**12,050**
Other comprehensive income			
Items which can subsequently be restored to the income statement			
Exchange rate differences upon translation of foreign operations		2,041	896
Other comprehensive income for the year, net after tax		**2,041**	**896**
Total comprehensive income for the year		**39,692**	**12,946**
Of which attributable to the equity holders of the parent company		39,692	12,946

Amounts in SEK	Note	2017	2016
Earnings per ordinary share, calculated as earnings attributable to equity holders of the parent company during the year (expressed in SEK per share)			
Earnings per share, SEK, before dilution	32	2.43	0.5
Earnings per share, SEK, after dilution	32	2.43	0.5
Average number of ordinary shares, thousands		13,704	11,287

CONSOLIDATED BALANCE SHEET

Amounts in SEK '000	Note	31 Dec 2017	31 Dec 2016
ASSETS			
Non-current assets			
Intangible assets			
Goodwill	15	372,043	371,352
Trademarks	15	9,677	9,414
Licences	15	1,513	1,805
Advances, intangible assets	15	245	0
Total, intangible assets		**383,478**	**382,571**
Property, plant and equipment			
Buildings and land	16	77,355	40,604
Machinery and other plant	16	26,693	19,945
Equipment, tools, fixtures and fittings	16	20,866	16,740
Constructions in progress	16	5,429	7,819
Total, property, plant and equipment		**130,343**	**85,108**
Financial assets			
Holdings in affiliated company	9	3,541	3,321
Other non-current receivables	19	560	977
Investments held as fixed assets	19	20	20
Total financial assets		**4,121**	**4,318**
Deferred tax assets	17	934	531
Total non-current assets		**518,876**	**472,528**
Current assets			
Inventories			
Raw materials and consumables	18	21,052	16,656
Current receivables			
Trade receivables	19,20	119,139	94,545
Gross amounts due from customers	21	100,131	96,327
Current tax assets		1,622	1,297
Derivative instruments	19	3,628	1,019
Other receivables	22	4,340	3,197
Prepaid expenses and accrued income	23	10,090	6,991
Short-term investments			
Cash and cash equivalents	19,24	106,483	21,719
Total current assets		**366,485**	**241,751**
TOTAL ASSETS		**885,361**	**714,279**

CONSOLIDATED BALANCE SHEET, CONT.

Amounts in SEK '000	Note	31 Dec 2017	31 Dec 2016
EQUITY			
Equity attributable to equity holders of the parent company			
Share capital	25	128,578	67,717
Other contributed equity		381,764	177,346
Provisions		3,066	1,025
Retained earnings, including comprehensive income for the year		-127,057	-106,569
Total equity attributable to equity holders of the parent company		**386,351**	**139,519**
LIABILITIES			
Non-current liabilities			
Liabilities to credit institutions	19,26,29	187,731	44,998
Shareholder loans	19,26	-	260,114
Deferred tax liabilities	17	4,799	329
Total non-current liabilities		**192,529**	**305,441**
Current liabilities			
Liabilities to credit institutions	19,26,29	8,765	35,219
Trade creditors	19	101,151	89,015
Overdraft facility	19,26	-	41,428
Current tax liabilities		14,252	2,497
Derivative instruments	19	4,359	692
Other liabilities	27	17,703	9,671
Liabilities to customers	21	106,151	38,172
Accrued expenses and deferred income	28	54,099	52,625
Total current liabilities		**306,481**	**269,319**
TOTAL EQUITY AND LIABILITIES		**885,361**	**714,279**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Amounts in SEK '000	Share capital	Other contributed capital	Provisions	Retained earnings incl. comprehensive income for the year	Total equity
Opening balance, 1 January 2016	**67,717**	**177,346**	**129**	**-118,619**	**126,573**
Profit for the year	-	-		12,050	12,050
Other comprehensive income					
Translation differences	-	-	896	-	896
Total comprehensive income	**-**	**-**	**896**	**12,050**	**12,946**
Closing balance, 31 December 2016	**67,717**	**177,346**	**1,025**	**-106,569**	**139,519**
Opening balance, 1 January 2017	**67,717**	**177,346**	**1,025**	**-106,569**	**139,519**
Profit for the year	-	-	-	37,651	37,651
Other comprehensive income					
Translation differences	-	-	2,041	-	2,041
Total comprehensive income	**-**	**-**	**2,041**	**37,651**	**39,692**
Transactions with equity holders in their capacity as owners:					
Cancellation, ordinary and preference shares	-56,434	-	-	10,496	-45,938
Bonus issues and debt/equity swap	117,295	204,807	-	-56,436	265,666
Repayment, conditional shareholders contribution	-	-3,436	-	-12,199	-15,635
Payment, warrants	-	3,047	-	-	3,047
Total attributable to equity holders	**60,860**	**204,418**	**-**	**-58,139**	**207,140**
Closing balance, 31 December 2017	**128,578**	**381,764**	**3,066**	**-127,057**	**386,351**

CONSOLIDATED STATEMENT OF CASH FLOWS

Amounts in SEK '000	Note	2017	2016
Cash flow from ongoing activities			
Profit before financial items		92,336	63,601
Adjustments for non-cash items:			
-Amortisation/depreciation		17,089	14,277
-Other non-cash items	34	2,615	1,672
Interest received		24	0
Interest paid	11,26	-7,247	-6,961
Income taxes paid		-6,208	-3,040
Cash flow from ongoing activities before changes in working capital		**98,609**	**69,549**
Cash flow from change in working capital			
Increase/decrease, inventories		-4,396	-2,871
Increase/decrease, current receivables		-32,149	-35,215
Increase/decrease, current liabilities		93,288	29,791
Total change in working capital		**56,743**	**-8,295**
Cash flow from ongoing activities		**155,352**	**61,254**
Cash flow from investing activities			
Purchases of property, plant and equipment	16	-54,803	-24,104
Purchases of intangible assets	15	-224	-968
Sold property, plant and equipment		-	1,261
Investments in subsidiaries		-480	-
Investments in associated companies		-	-
Change, non-current financial receivables		417	-257
Cash flow from investing activities		**-55,090**	**-24,068**
Cash flow from financing activities			
New borrowings	26	143,606	-
Loan repayments	26	-50,889	-23,984
Change in current financial liabilities	26	-41,428	-9,491
Change in financial leasing	26	-8,278	-10,218
Warrants		3,047	-
Redemption, preference shares		-45,938	-
Repayment of shareholder contributions		-15,635	-
Cash flow from financing activities		**-15,515**	**-43,693**
Reduction/increase in cash and cash equivalents		84,747	-6,507
Cash and cash equivalents at beginning of year	24	21,719	28,160
Exchange rate difference in cash and cash equivalents		17	66
Cash and cash equivalents at year-end	24	**106,483**	**21,719**

In relation to issued annual reports, the cash flow statement for the 2016 financial year has been adjusted by SEK 33.9 million with respect to paid interest, and a corresponding adjustment has been made in borrowings. The adjustment is due to the fact that they are non-cash items and thereby are not reflected in the cash flow. Adjustment has also taken place with respect to financing activities, whereupon repayment with respect to financial leasing is reported separately.

Change in indebtedness			Non-cash transactions			
	1 Jan 2017	Cash flow	Debt/equity-swap	Accumulated interest	New leasing contract	31 Dec 2017
Current liabilities to credit institutions	65,412	-65,412	-	-	-	-
Non-current liabilities to credit institutions	-	143,606	-	-1,401	-	142,205
Other non-current liabilities	260,114	-24,273	-235,841			-
Financial leasing liabilities	56,233	-8,278	-	-	6,336	54,291
Total liabilities attributable to financing activities	**381,759**	**45,643**	**-235,841**	**-1,401**	**6,336**	**196,496**

THE PARENT COMPANY'S INCOME STATEMENT

Amounts in SEK '000	Note	2017	2016
Net sales	35	3,995	0
Production and project costs		0	0
Gross profit		**3,995**	**0**
Administrative expenses	6,7,31	-17,286	0
Operating profit		**-13,291**	**0**
Interest income and similar profit/loss items	11	215	0
Interest expenses and similar profit/loss items	11	-30,657	-33,928
Profit after financial items		**-43,733**	**-33,928**
Appropriations, received group contributions		17,000	10,000
Profit before tax		**-26,733**	**-23,928**
Tax on profit for the year	12	-131	-998
Profit for the year		**-26,864**	**-24,926**

The parent company has no items which are reported as other comprehensive income and thus total comprehensive income corresponds to profit for the year.

THE PARENT COMPANY'S BALANCE SHEET

Amounts in SEK '000	Note	31 Dec 2017	31 Dec 2016
ASSETS			
Non-current assets			
Financial assets			
Participations in group companies	14	389,067	389,067
Receivables from group companies		0	14,717
Other non-current receivables		891	0
Total non-current receivables		**389,958**	**403,784**
Current assets			
Receivables from group companies		33,027	0
Other receivables		1,011	0
Prepaid expenses and accrued income	23	813	0
Cash and cash equivalents	24	91,071	0
Total current assets		**125,922**	**0**
TOTAL ASSETS		**515,880**	**403,784**
EQUITY			
Restricted equity			
Share capital	25	128,578	67,717
Total, restricted equity		**128,578**	**67,717**
Non-restricted equity	37		
Share premium reserve		381,764	177,346
Retained earnings		-160,530	-77,465
Profit for the year		-26,864	-24,926
Total, non-restricted equity		**194,370**	**74,955**
Total equity		**322,948**	**142,672**
LIABILITIES			
Non-current liabilities			
Liabilities to credit institutions	26	120,000	0
Shareholder loans	26	0	260,114
Total non-current liabilities		**120,000**	**260,114**
Current liabilities			
Trade creditors		1,731	0
Liabilities to group companies		65,611	0
Current tax liabilities		1,053	998
Other liabilities	27	262	0
Accrued expenses and deferred income	28	4,275	0
Total current liabilities		**72,932**	**998**
TOTAL EQUITY AND LIABILITIES		**515,880**	**403,784**

THE PARENT COMPANY'S STATEMENT OF CHANGES IN EQUITY

	Restricted equity	Non-restricted equity		
Amounts in SEK '000	**Share capital**	**Share premium reserve**	**Retained earnings incl. profit for the year**	**Total equity**
Opening balance, 1 January 2016	67,717	177,346	-77,465	167,598
Comprehensive income				
Profit for the year			-24,926	-24,926
Total comprehensive income			**-24,926**	**-24,926**
Closing balance, 31 December 2016	**67,717**	**177,346**	**-102,391**	**142,672**
Opening balance, 1 January 2017	**67,717**	**177,346**	**-102,391**	**142,672**
Comprehensive income				
Comprehensive income for the year	-	-	-26,864	-26,864
Total comprehensive income	**-**	**-**	**-26,864**	**-26,864**
Transactions with equity holders in their capacity as owners:				
Cancellation, ordinary shares and preference shares	-56,434	-	10,496	-45,938
Bonus issues and debt/equity swap	117,295	204,807	-56,436	265,666
Repayment, conditional shareholders contributions	-	-3,436	-12,199	-15,635
Payment, warrants	-	3,047	-	3,047
Total attributable to equity holders	**60,861**	**204,418**	**-58,139**	**207,140**
Closing balance, 31 December 2017	**128,578**	**381,764**	**-187,394**	**322,948**

THE PARENT COMPANY'S STATEMENT OF CASH FLOWS

Amounts in SEK '000	Note	2017	2016
Ongoing activities			
Operating profit		-13,291	0
Adjustments for non-cash items, etc.		0	0
		-13,291	**0**
Interest received		215	0
Interest paid		-832	0
Income tax paid		-76	0
Cash flow from ongoing activities before changes in working capital		**-13,984**	**0**
Changes in working capital			
Changes in operating receivables		-3,134	0
Changes in operating liabilities		71,879	0
Cash flow from ongoing activities		**54,761**	**0**
Investing activities			
Change in non-current receivables		-891	0
Cash flow from investing activities		**-891**	**0**
Financing activities			
New borrowings		120,000	0
Loan repayments		-24,273	0
Warrants		3,047	0
Redemption, preference shares		-45,938	0
Repayment, shareholder contributions		-15,635	0
Cash flow from financing activities		**37,201**	**0**
Cash flow for the year		**91,071**	**0**
Cash and cash equivalents at beginning of year		**0**	**0**
Exchange rate difference in cash and cash equivalents		**0**	**0**
Cash and cash equivalents at year-end		**91,071**	**0**

Change in indebtedness			Non-cash transactions	
	1 Jan 2017	Cash flow	Debt/equity swap	31 Dec 2017
Non-current liabilities to credit institutions	-	120,000	-	120,000
Other non-current liabilities	260,114	-24,273	-235,841	-
Total liabilities attributable to financing activities	**260,114**	**95,727**	**-235,841**	**120,000**

NOTES

NOTE 1 GENERAL INFORMATION

The Group engages in the development, production and sale of complete balcony systems, primarily for apartment buildings. Systems are mainly marketed in Sweden, Norway, Denmark, Finland, Germany, the UK and Netherlands.

The Group comprises the parent company Balco Group AB, reg. no. 556821- 2319, and the following subsidiaries: Balco Invest AB, Balco Holding AB, Nordiska Balco AB, Balco AB, Balco Balkonkonstruktionen GmbH, Balco Balcony Systems Ltd, Balco AS, Balco Balkonsystemen B.V., Balco Spolka z o.o., Balustrade AB, Balco Oy, Balco Kontech A/S and Kronhjorten & Lodjuret Holding AB, as well as the associated company MIB-Pol Spolka z o.o.

The parent company is a Swedish public limited company which is listed on Nasdaq Stockholm and has its registered office in Växjö. The address of the head office is Älgvägen 4, 352 45, Växjö. During the financial year, the parent company changed its name from Balco Group Holding AB to Balco Group AB, which constituted part of the preparations pending the listing on Nasdaq Stockholm.

Unless otherwise stated, all amounts are reported in thousands of kronor (SEK '000).

NOTE 2 SUMMARY OF IMPORTANT ACCOUNTING PRINCIPLES

The most important accounting principles applied in the preparation of these consolidated financial statements are stated below. Unless otherwise stated, these principles have been applied consistently for all presented years.

Basis for preparation of the statements

The consolidated financial statements for Balco Group have been prepared in accordance with IFRS (International Financial Reporting Standards) as adopted by the EU, RFR 1 Supplementary accounting rules for groups, and the Swedish Annual Accounts Act.

The consolidated financial statements have been prepared in accordance with the cost method, except with respect to financial assets and liabilities (derivative instruments) valued at fair value in the income statement. The preparation of financial statements in compliance with IFRS requires the use of a number of important estimates for accounting purposes. In addition, management is required to make certain assessments when applying the Group's accounting principles; see Note 4.

New standards, amendments and interpretations applied by the Group

Standards, amendments and interpretations which entered into force in the financial year commencing 1 January 2017 have been assessed as having no significant impact on the Group's financial statements.

New standards and interpretations not yet applied by the Group

A number of new standards, amendments and interpretations of existing standards which are applicable to financial years commencing after 1 January 2017 have not been applied by the Group when preparing these consolidated financial statements. However, none of these new standards, amendments and interpretations of existing standards are expected to have any material impact on the Group, except where stated below.

IFRS 9 Financial instruments

IFRS 9 addresses the classification, valuation and reporting of financial assets and liabilities and introduces new rules for hedge accounting. The complete version of IFRS 9 was issued in July 2014. It replaces parts of IAS 39, which addresses classification and valuation of financial instruments and introduces a new impairment model. The standard has been adopted by the EU.

IFRS 9 will begin to be applied by the Group in the financial year commencing 1 January 2018. The Group will not recalculate comparison figures for the 2017 financial year; this is in accordance with the standard's transition rules.

During 2017, a study has been made concerning classification and valuation of the Group's financial instruments. It has been concluded that the new rules for classification and valuation will not affect the Group's financial position on the transition date, since the rules will not entail any change as regards valuation of the financial instruments reported in the Group's balance sheet at that time.

IFRS 9 introduces a new impairment model based on anticipated credit losses and which takes into consideration forward-looking information. Historically, the Group has had very small credit losses and the customer base comprises stable customers and, also from a forward-looking perspective, the assessment is that there is little likelihood of default by our customers. Thus, the conclusion is that no additional impairment of trade receivables or contract assets is required.

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

IFRS 9 will have no impact on the Group's financial position upon application on 1 January 2018.

A project is underway to analyse which further information may be required to satisfy the disclosure requirements in the revised IFRS 7.

IFRS 15 Revenue from contracts with customers

IFRS 15 results in new requirements regarding reporting of revenue and replaces IAS 18 Revenue, IAS 11 Construction contracts, and several related interpretations. The new standard provides more detailed guidance within a number of areas that were previously not addressed by the current IFRS, including how to report contracts with several performance obligations, variable pricing, when revenue is to be reported, etc. The standard has been adopted by the EU. The standard will be applied commencing the 2018 financial year.

During 2017, a project has been carried out to identify and analyse potential differences between current accounting principles and IFRS 15 based on the standard's 5 steps model.

The significant conclusions from the project are that the Group has established that revenue will continue to be recognised over time (percentage of completion method) when it has been concluded that there is an entitlement to payment and there is no alternative use of the products, since the products are specifically adapted for the customer. Installation is also reported over time since the customer receives a regularly performed service.

The difference identified compared with current accounting principles relates to what may be identified as project expenses when applying the percentage of completion method. Some of the expenses that the Group incurs, and which under current rules have been handled as project expenses under IAS 11, will in future – when applying the percentage of completion method – be dealt with as performance expenses and capitalised and depreciated over the term of the project. These costs may not be included as a project expense in accordance with IFRS 15. Thus, they may no longer be included when calculating a project's work-rate. This means a postponement as to when revenue can be recognised, compared with current principles. Since the Group has chosen to apply the modified transition method whereby only a forward-looking adjustment is made, the application of IFRS 15 will affect equity on 1 January 2018. The effect amounts to SEK 3.9 million, excluding tax which affects equity.

IFRS 16 Leases

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 current operational leases will be reported in the balance sheet as from 2019.

The Group has begun work on analysing the effect that IFRS 16 will have on the Group's financial statements. The Group is working to conduct a complete review of all leases in which information is being compiled and presented as a basis for calculations and quantification in connection with the transition to IFRS16. Most of the Group's significant leases are already reported as financial leases. In connection with the transition to IFRS 16, additional leases (in accordance of the review and analysis carried out in 2018) will be included in the consolidated balance sheet as a right of use asset and financial liability. Note 31 present a specification of the Group's non-terminable leases.

The Group has not yet decided which transition provisions will be applied; the Group can either choose fully retroactive application or partially retroactive application (entailing that comparison figures need not be recalculated).

Consolidated financial statements

Subsidiaries

Subsidiaries are all companies (including structured companies) over which the Group has a controlling influence. The Group controls a company when it is exposed to, or is entitled to receive varying return from, its holdings in the company and has the possibility to affect the return through its influence over the Company. Subsidiaries are included in the consolidated financial statements commencing the day on which the controlling influence is transferred to the Group. They are excluded from the consolidated financial statements commencing the day on which the controlling influence ceases.

The acquisition method is used for reporting the Group's business acquisitions. The purchase price for the acquisition of a subsidiary comprises the fair value of transferred assets, liabilities and the shares issued by the Group. The purchase price also includes fair value of all assets or liabilities as a consequence of an agreement regarding any conditional purchase price. Acquisition-related costs are booked as costs when incurred. Identifiable acquired assets and assumed liabilities in a business acquisition are initially valued at fair value on the acquisition date.

The amount by which a purchase price exceeds fair value of identifiable acquired net assets is reported as goodwill. If the amount is less than the fair value for the acquired subsidiary's assets, in the event of a bargain purchase, the difference is reported directly in the statement of comprehensive income.

Intra-group transactions and balance sheet items, and unrealised gains and losses on transactions between group companies, are eliminated. Where appropriate, the accounting principles of subsidiaries have been changed to guarantee consistent application of the Group's principles.

Associated companies
Associated companies are all companies in which the Group has a significant, but not controlling, influence; this usually involves a shareholding of between 20% and 50% of the votes. Holdings in associated companies are reported in accordance with the share of equity method. When applying the share of equity method, the investment is initially valued at historical cost and the reported value is subsequently increased or decreased to take into account the Group's share of the profit or loss after the date of acquisition.

The Group's share of earnings which arises after the acquisition is reported in the income statement and its share of changes in other comprehensive income after the acquisition is reported in other comprehensive income with a corresponding change to the reported value of the holding. When the Group's share in an associated company's losses equals or exceeds its holding, including any unsecured claims, the Company reports no further losses unless the Group has undertaken legal or informal obligations, or made payments on behalf of the associated company. The Group reports its share in the earnings of an associated company in operating profit, since the holding is of a commercial nature.

The Group makes an assessment, at the close of each reporting period, as to whether there is objective evidence for impairment of the investment in an associated company. If such is the case, the Group calculates the impairment amount as the difference between the associated company's recovery value and the reported value, and reports the amount in "Participations in earnings of associated companies" in the income statement.

Profits and losses from upstream and downstream transactions between the Company and its associated companies are reported in the consolidated financial statements only to the extent they correspond to the holdings of unrelated companies in associated companies. Unrealised losses are eliminated, unless the transaction constitutes evidence of impairment of the sold asset. Where appropriate, accounting principles applied in associated companies have been changed to guarantee a consistent application of the Group's principles.

Translation of foreign currency

Functional currency and reporting currency
The different entities in the Group have their local currency as the functional currency, whereby the local currency has been defined as the currency used in the primary economic environment in which each entity primarily operates. In the consolidated financial statements, Swedish kronor (SEK) are used as the parent company's functional currency and the Group's reporting currency.

Transactions and balance sheet items
Transactions in foreign currency are translated to the functional currency at the currency rates applicable on the transaction date. Exchange rate gains and losses arising in conjunction with payments of such transactions and upon translation of monetary assets and liabilities in foreign currency to the closing day rate, are reported in operating profit in the income statement.

Translation of foreign group companies
The earnings and financial position of all group companies that have a different functional currency than the reporting currency are translated to the Group's reporting currency. Assets and liabilities for each of the balance sheets are translated from the functional currency of the foreign business to the Group's reporting currency (Swedish kronor) at the currency rate prevailing on the closing day. Income and expenses for each of the income statements are translated to Swedish kronor at the average rate on the date of each transaction. Translation differences which arise in conjunction with currency translation of foreign businesses are reported in other comprehensive income.

Intangible assets

Goodwill
Goodwill arises in conjunction with acquisitions of subsidiaries and relates to the amount whereby the purchase price exceeds Balco's share of the fair value of identifiable assets, liabilities and contingent liabilities in the acquired company, as well as the fair value of non-controlling interests in the acquired company.

In order to test for impairment, goodwill acquired in a business acquisition is allocated to cash-generating units or groups of cash-generating units which are expected to benefit from synergies from the acquisition. Each unit or group of units to which goodwill has been allocated corresponds to the lowest level in the Group on which the goodwill item in question is monitored in the internal control. The Group's operations are divided into two different segments: Renovation and New Build. Goodwill is tested for impairment each year or more frequently if events or changes in circumstances indicate a possible diminution in value. The reported value of goodwill is compared with the recovery value, which is the higher of the value in use and the fair value minus selling expenses. Any impairment is reported immediately as an expense and is not reversed.

Trademarks and licences
Other intangible assets' means externally acquired assets such as trademarks and licences. Assets with a determinable useful life are valued at historical cost less accumulated amortisation and impairment. Any additional charges for an intangible asset are added to the reported value of the asset or reported as a separate asset, depending on which is appropriate, only if it is likely that the future economic benefits associated with the asset will benefit the Group and the historical cost of the asset can be reliably measured. Other expenses are booked as costs when they arise. The useful life is deemed to be indeterminable when a well-established trademark on the market is involved. The Group intends to retain and develop such trademark. The item is tested annually to identify any impairment and is reported at historical cost less any impairment; see also Impairment of non-financial non-current assets. Licences are amortised on a straight-line basis over the useful life, normally assessed at 4 years.

Property, plant and equipment

Property, plant and equipment are reported at historical cost less depreciation. Historical cost includes expenses directly attributable to the acquisition of the asset.

Additional expenses are added to the reported value of the asset or reported as a separate asset, depending on which is appropriate, only if it is likely that the future economic benefits associated with the asset will benefit the Group and the historical cost of the asset can be reliably measured. The reported value of a replaced part is removed from the balance sheet. All other forms of repairs and maintenance are reported as an expense in the income statement during the period in which they arise.

Each part of any property, plant and equipment with a historical cost which is significant in relation to the total historical cost of the asset is depreciated separately. No depreciation takes place on land or ongoing projects; depreciation on other assets takes place on a straight-line basis as follows:

Buildings	10-25 years
Land improvements	25 years
Building equipment	10 years
Machinery and other plant	5-10 years
Equipment, tools, fixtures and fittings	5 years

The residual value of the assets and the useful life are tested at the end of each reporting period and adjusted as needed. The reported value of an asset is written down immediately to its recovery value if the reported value of the asset exceeds its assessed recovery value.

Profits and losses upon the sale of property, plant and equipment are established by comparing the sales revenue and the reported value and is reported in 'Other operating income' or 'Other operating expenses' in the income statement.

Impairment of non-financial fixed assets

Assets with an indeterminable useful life, goodwill and trademarks, are not amortised but, rather, tested each year for any impairment. Assets which are amortised are assessed with respect to a decline in value when any events or changes in circumstances indicate that the reported value is perhaps not recoverable. A write-down takes place in the amount by which the reported value of the asset exceeds its recovery value. The recovery value is the higher of the asset's fair value reduced by selling expenses and its value in use. When assessing any impairment, assets are grouped on the lowest levels on which there are separately identifiable cash flows (cash-generating units). Impairment of goodwill and trademarks has taken place per business segment.

Financial instruments – generally

Classification
The Group classifies its financial assets and liabilities in the following categories: financial assets and liabilities valued at fair value via the income statement, loan receivables and trade receivables, realisable financial assets and other financial assets. The classification depends on the purpose for which the financial asset or liability was acquired.

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37

Financial assets and liabilities valued at fair value via the income statement
Financial assets and liabilities valued at fair value via the income statement comprise financial assets held for trading. Derivative instruments are classified as being held for trading if they are not identified as hedge instruments. The Group classifies derivative instruments (futures contracts) in this category.

Loan receivables and trade receivables
Loan receivables and trade receivables are financial assets which are not derivatives, have determined or determinable payments and are not listed on an active market. They are included in current assets, with the exception of items with a due date more than 12 months after the closing date, which are classified as non-current assets. The Group's "Loan receivables and trade receivables" comprise other non-current receivables, trade receivables, cash and cash equivalents as well as the financial assets which are reported among other receivables.

Realisable financial assets
Realisable financial assets are assets which are not derivatives and where the assets are identified which can be sold or which are not classified in any other categories. This includes non-current assets where the management does not intend to divest the asset within 12 months from the end of the reporting period. Other non-current assets are classified in this category.

Other financial assets
The Group's non-current and current liabilities to credit institutions, shareholder loans, trade creditors and the part of other current liabilities which relates to financial instruments are classified as other financial liabilities.

Reporting and valuation
Purchases and sales of financial assets and liabilities are reported on the transaction date, the date when the Group undertakes to buy or sell the asset. Financial instruments are reported for the first time at fair value plus transaction costs, which applies to all financial assets and liabilities that are not reported at fair value via the income statement. Financial assets and liabilities are valued at fair value via the income statement and reported for the first time at fair value, while attributable transaction costs are reported in the income statement. Financial assets are removed from the balance sheet when the right to receive cash flows from the instrument has expired or been transferred and the Group has largely transferred all risks and benefits associated with title. Financial assets are removed from the balance sheet when the obligation in the agreement has been performed or otherwise extinguished.

Financial assets and liabilities valued at fair value via the income statement are reported after the acquisition date at fair value. Loan receivables and trade receivables, as well as other financial liabilities, are reported after the acquisition date at accrued historical cost applying the effective rate method.

Profits and losses as a consequence of changes in fair value with respect to the category 'financial assets and liabilities' are valued at fair value via the income statement; the profit or loss is reported in the period in which it arises and is included in net financial items since it derives from the financing operations. The Group's realisable financial assets comprise unlisted shares whose fair value could not be determined in a reliable manner. Valuation thus takes place at historical cost.

Set-off of financial instruments
Financial assets and liabilities are set off and reported in a net amount in the balance sheet only when there is a legal right to set off of the reported amounts and there is an intention to settle them in a net amount or to simultaneously realise the asset and the settle the liability.

Impairment of financial instrument
(a) Assets reported at accrued historical cost (loan receivables and trade receivables)
At the end of each reporting period, the Group makes an assessment of whether there is objective evidence of impairment of a financial asset or a group of financial assets. A financial asset or group of financial assets requires impairment and is written down only if there is objective evidence of impairment as a consequence of the occurrence of one or more events after the asset was reported for the first time and such event has affected the estimated future cash flows for the financial asset or group of financial assets which may be estimated in a reliable manner.

Impairment is calculated as the difference between the reported value and present value of estimated future cash flows, discounted to the financial asset's original effective rate. The reported value of the asset is impaired and the impairment amount is reported in the Group's income statement within "production and project expenses" or within net financial items, depending on which financial asset is impaired. Where impairment diminishes in a subsequent period and the diminution can objectively be related to an event which occurred after the impairment was reported, reversal of the previously reported impairment is reported in the consolidated income statement within "production and project expenses" or within net financial items, depending on which financial item was impaired.

(b) Realisable assets classified as financial assets
At the end of each reporting period, the Group makes an assessment whether there is objective evidence of impairment of the financial asset or group of financial assets. With respect to realisable equity instruments classified as financial assets, a significant or extended decline in value of an instrument to a level below its historical cost is taken into account as evidence of impairment. Impairment of equity instruments previously reported in the income statement is not reversed in the income statement.

Derivative instruments
Derivative instruments are financial instruments reported in the balance sheet on the transaction date and valued at fair value, both initially and in conjunction with subsequent reassessments. The profit or loss which arises in conjunction with a reassessment is reported in the income statement when requirements for hedge accounting are not satisfied.

The fair value of a derivative instrument is classified as a non-current asset or non-current liability when the remaining term of the hedge item exceeds 12 months, and as a current asset or current liability when the outstanding term of the hedge item is less than 12 months.

Trade receivables
Trade receivables are financial assets comprising amounts to be paid by customers for sold goods and services in the ongoing operations. If payment is expected within one year or less, they are classified as current assets. If not, they are reported as non-current assets.

Trade receivables are initially reported at fair value and thereafter at accrued historical cost applying the effective rate method, reduced by any provision for reduction in value.

Cash and cash equivalents
Cash and cash equivalents in the statement of cash flows consist entirely of bank balances.

Trade creditors
Trade creditors are financial instruments and relate to obligations to pay for goods and services acquired from suppliers in the ongoing operations. Trade creditors are reported as current liabilities if they mature within one year. If not, they are reported as non-current liabilities.

Trade creditors are reported at nominal value. The reported value of trade creditors is assumed to correspond to their fair value since this item is current in nature.

Borrowing
Liabilities to credit institutions comprise financial instruments and are reported initially at fair value, net after transaction costs. Borrowing is subsequently reported at accrued historical cost and any difference between the amount received (net after transaction costs) and the repayment amount is reported in the income statement, allocated over the loan period, applying the effective rate method.

Borrowing is classified as a current liability unless the Group has an unconditional right to defer payment of the liability by at least 12 months after the end of the reporting period.

Inventory
Inventory is reported at the lower of historical cost and net realisable value. The historical cost is determined using the first in, first out (FIFO) method. In conjunction therewith, the risk of obsolescence is noted.

Construction contracts
IAS 11 Construction contracts defines construction contracts as a contract specifically negotiated for the construction of an asset.

When the outcome of a construction project can be calculated in a reliable manner and it is likely that the project will be profitable, the project revenues are reported over the term of the contract based on the degree of completion. Project expenses are reported regularly for the activities included in the project . When it is likely that the total project expenses will exceed the total project income, the anticipated loss is immediately reported as an expense.

When the outcome of a construction project cannot be calculated in a reliable manner, revenue is reported only in an amount which corresponds to the accrued project expenses that are likely to be compensated by the customer.

Changes to the scope of the project are included in the project revenue to the extent they have been agreed with the customer and can be measured in a reliable manner.

The Group uses the percentage of completion method for determining which amount is to be reported in a given period.

The degree of completion is determined as expended project expenses for performed work to the end of the reporting period as a percentage of estimated total project expenses for each project. Expenses which have arisen during the year but which relate to future work are not included in project expenses when determining the degree of completion.

In addition to the above expenses, order cost coverage expenses are included as part of the calculation base. Order cost coverage expenses are calculated and capitalised regularly based on each market's sales result in proportion to offers made with respective market expenses, as a calculation basis. IAS 11 is restrictive with respect to capitalisation of order cost coverage expenses, but there may be support for capitalisation. The Group currently does so pursuant to IAS 11 p 16-21 since the costs are directly associated with the contract, identifiable and measurable. As mentioned above, the transition to IFRS 15 will entail a change in the reporting of order cost coverage expenses.

In the balance sheet, the Group reports the net status of each construction project only as an asset or a liability. A project comprises an asset when the project expenses and reported profits (less deduction for reported losses) exceed invoiced amounts and as a liability when the opposite circumstances pertain.

Provisions
Provisions are valued at present value of the amount which is expected to be required to settle the obligation.

Current and deferred tax
The tax expense for the period comprises current and deferred tax. The current tax expense is calculated based on the tax rules which, on the closing date, have been decided upon or in practice decided upon in the countries in which the Group operates and generates taxable revenue.

Deferred tax is reported, in accordance with the balance sheet method, on all temporary differences which arise between the taxable value of assets and liabilities and the reported values in the consolidated financial statements. Deferred income tax is calculated applying the tax rates decided upon or announced on the closing date and which are expected to apply when the relevant deferred tax claim is realised or the deferred tax liability is settled.

Deferred tax claims on loss carry forwards are reported to the extent it is likely that future taxable profits will be available against which the loss carry forwards can be utilised.

Deferred tax claims and liabilities are set off when there is a legal entitlement to set off the relevant tax claims and tax liabilities, the deferred tax claims and tax liabilities relate to taxes charged by the same tax authority and relate either to the same tax subject or different tax subjects and it is intended to settle the balances through net payments.

Employee remuneration
Current remuneration
Current remuneration in the Group comprises salary, social security contributions, paid holiday, paid sick leave, health care and variable salary. Current remuneration is reported as an expense and a liability when there is a legal or informal obligation to pay remuneration.

Pension obligations
The Group only has defined contribution pension plans; see Note 33. A defined contribution pension plan is a pension plan pursuant to which the Group pays fixed fees to a separate legal entity. The Group has no legal or informal obligations to pay additional fees in the event such legal entity has insufficient funds to pay all remuneration to employees associated with their employment during current or earlier periods.

In respect of defined contribution pension plans, the Group pays fees to public or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no additional payment obligations once the fees are paid. Fees are reported as personnel expenses when they are due for payment. Prepaid fees are reported as an asset in so far as cash repayment or a reduction in future payments may benefit the Group. See also Note 33.

Benefits upon termination
Benefits upon termination are paid when an employee's employment is terminated by the Group prior to the normal retirement age or when an employee voluntarily accepts severance in exchange for such benefits.

The Group reports benefits in conjunction with termination when it is demonstrably obliged to terminate an employee in accordance with a detailed formal plan, without the possibility for revocation. In the event the Group has provided an offer to encourage voluntary severance, severance compensation is calculated based on the number of employees who have accepted the offer. Benefits which fall due more than 12 months after the end of the reporting period are discounted to present value.

Revenue recognition
The Group's revenues relate to construction contracts; see the section entitled Construction contracts.

Leasing
Leasing in which a significant part of the risks and benefits associated with ownership are retained by the lessor are classified as operational leasing. Payments made during the lease term (following deduction for any incentives from the lessor) are reported as expenses in the income statement on a straight-line basis over the leasing period.

The Group leases certain tangible non-current assets, such as cars, trucks, machinery and property. Lease agreements for non-current assets in which the Group has, in all essential respects, the economic risks and benefits associated with ownership, are classified as financial leasing. At the start of the lease term, financial leasing is reported in the balance sheet at the lease object's fair value or current value of minimum leasing fees, whichever is lower.

Each lease payment is broken down into repayment of the debt and financial expenses. Corresponding payment obligations, following deduction of financial expenses, are included in the balance sheet item Liabilities to credit institutions. The interest part of financial expenses is reported in the income statement allocated over the lease term so that each reporting period carries an amount corresponding to a fixed rate of interest for the liability reported during the period. Non-current assets held pursuant to financial leasing agreements are depreciated over the useful life of the asset or the lease term, whichever is shorter.

Cash flow statement
The cash flow statement is prepared in accordance with the indirect method. This entails that operating profit is adjusted for transactions that do not result in payments being received or made during the period and for any revenues and expenses attributable to cash flows from the investing or financing operations.

Share capital
Ordinary shares and preference shares are classified as equity.

Segment reporting
Businesses segments are reported in a manner which corresponds to the internal reporting provided to the highest executive decision-maker (see Note 5).

Earnings per share
(i)Earnings per share before dilution
Earnings per share before dilution are calculated by dividing:

- earnings related to the equity holders of the parent company, excluding dividends related to preference shares
- by a weighted average number of outstanding ordinary shares during the period, adjusted for the bonus issue element of ordinary shares issued during the year and excluding redeemed shares held by the parent company as treasury shares.

(ii) Earnings per share after dilution
To calculate earnings per share after dilution, amounts used for calculating earnings per share before dilution are adjusted taking into account:

- the effect, after tax, of dividends and tax expenses on potential ordinary shares; and
- the weighted average number of additional ordinary shares which would have been outstanding upon conversion of all potential ordinary shares.

The parent company's accounting principles

The parent company complies with the Swedish Annual Accounts Act (ÅRL) and recommendation RFR 2 Accounting for legal entities, issued by the Swedish Financial Reporting Board, pursuant to which the parent company shall, in its financial statements, apply International Financial Reporting Standards (IFRS) as adopted by the EU, insofar as such is possible within the scope of the Annual Accounts Act and taking into account the connection between accounting and taxation.

The same accounting and valuation principles are applied in the parent company as the Group, except where stated below.

No changed accounting principles have been applied in 2017 with respect to the parent company.

Presentation
The income statement and balance sheet are presented in accordance with the presentation in the Annual Accounts Act. The statement of changes in equity also complies with the Group's presentation, but contains the columns stated in the Annual Accounts Act. In addition, this entails differences in designations compared with the consolidated financial statements, primarily with respect to financial revenues and expenses as well as equity.

Participations in the subsidiaries
Participations in subsidiaries are reported at historical cost less deduction for any impairment. The historical cost includes acquisition-related costs and any supplemental purchase prices.

When there is an indication that participations in subsidiaries have fallen in value, a calculation of the recovery value is made. If this is lower than the reported value, write-down takes place. Impairment is reported in the items "Profit/loss from participations in group companies".

Leasing
All leasing agreements are reported in the parent company in accordance with the rules regarding operational leasing.

Group contributions
Received and provided group contributions are reported as an appropriation.

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NOTE 3 FINANCIAL RISK MANAGEMENT

Financial risk factors

Through its business, the Group is exposed to a number of different financial risks: market risk (including currency risk, interest-rate risk in fair value, interest-rate risk in cash flow and price risk), credit risk and liquidity risk. The Group's overarching risk management policy focuses on unpredictability on the financial markets and endeavours to minimise potential disadvantageous affects on the Group's financial results. Hedge accounting is not applied.

Risk management is addressed by a central accounts department in accordance with a policy adopted by the Board of Directors. The accounts department identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units. The Board draws up written policies with respect to overarching risk management and for specific areas, such as currency risk, interest-rate risk, credit risk, use of derivative instruments and financial instruments which are not derivatives, as well as investment of surplus liquidity.

Market risks

(i) Currency risk

The Group operates internationally and is exposed to currency risks arising from various currency exposures, primarily with respect to the Norwegian krona (NOK), the euro (EUR), the Polish zloty (PLN) and the Danish krona (DKK) but also to a certain extent the British pound (GBP). Currency risks arise through future commercial transactions, reported assets and liabilities and net investments in foreign operations.

The Board has introduced a policy whereby the currency risk which arises from future commercial transactions and reported assets and liabilities is handled through the use of futures contract by group companies. Currency risks arise when future commercial transactions or reported assets and liabilities are expressed in a currency which is not the unit's functional currency.

The Group's risk management policy is to hedge 100 % (± 20 %) of anticipated cash flows (primarily construction contracts and purchases of inventory) in each major currency for the following 12 months.

If the Swedish krona had weakened/strengthened by 5 öre (5%) compared with the Norwegian krona, with all other variables being constant, profit for the financial year would have been SEK 878,000 (2016: SEK 880,000) higher/lower, largely due to profits/losses when translating trade receivables and trade creditors in NOK, financial assets and liabilities valued at fair value via the income statement.

If the Swedish krona had weakened/strengthened by 5 öre (5%) compared with the euro, with all other variables being constant, profit for the financial year would have been SEK 312,000 (2016: SEK 301,00) lower/higher largely due to profits/losses when translating trade receivables and trade creditors in EUR financial assets and liabilities valued at fair value via the income statement.

If the Swedish krona had weakened/strengthened by 5 öre (4%) compared with the Danish krona, with all other variables being constant, profit for the financial year would have been SEK 137,000 (2016: SEK 48,000) higher/lower, largely due to profits/losses when translating trade receivables and trade creditors in DKK, financial assets and liabilities valued at fair value via the income statement.

(ii) Interest-rate risks regarding cash flows and fair values

The Group's interest-rate risk arises through long-term borrowing. Borrowing at variable interest rates exposes the Group to an interest-rate risk with respect to cash flows, which is partially neutralised by cash funds carrying a variable rate of interest. At the end of 2017, the Group's borrowing comprised loans in Swedish kronor and Polish zloty, at a variable interest rate.

If interest rates on borrowing in Swedish kronor on 31 December 2017 had been 100 base points (1%) higher/lower, with all other variables being constant, profit for the financial year would have been SEK 623,000 (2016: SEK 523,000) lower/higher, primarily as an result of higher/lower interest expenses for borrowing at a variable rate.

Credit risk

Credit risk is managed by each company in accordance with the Group's credit instruction. Credit risk primarily arises through trade receivables and gross amounts due from customers. There is a policy for credit hedging certain customer categories. Historically, the Group's credit losses have been small.

Liquidity risk

Cash flow forecasts are prepared by the Group's operating companies and aggregated by the accounts department. The Group complies carefully with rolling forecasts as regards the liquidity reserve to ensure that sufficient cash funds are available to meet needs in the ongoing operations, at the same time as they regularly maintain sufficient headroom on undrawn agreed credit facilities (Note 26), so that the Group does not violate loan limits or loan terms (where appropriate) on any of the Group's loan facilities.

The table below analyses the Group's non-derivative financial liabilities and net-settled derivative instruments which comprise financial liabilities, broken down by the outstanding period on the closing date until the contractual maturity date. Derivative instruments comprising financial liabilities are included in the analysis in the event their contractual due dates are important for understanding dates for future cash flows. The amounts stated in the table are the contractual, non-discounted cash flows.

Per 31 december 2016	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Borrowing (excl. liabilities with respect to financial leasing)	-	23,984	-	-	260,114
Overdraft facility	-	41,428	-	-	-
Liabilities with respect to financial leasing	-	11,235	10,671	21,234	13,093
Derivative instruments	-	692	-	-	-
Trade creditors and other liabilities	89,015	-	-	-	-
Total	**89,015**	**77,339**	**10,671**	**21,234**	**273,207**

Per 31 december 2017	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Borrowing (excl. liabilities with respect to financial leasing)	-	-	-	142,205	-
Overdraft facility	-	-	-	-	-
Liabilities with respect to financial leasing	-	8,765	12,976	20,322	12,228
Derivative instruments	-	4,359	-	-	-
Trade creditors and other liabilities	101,151	-	-	-	-
Total	**101,151**	**13,124**	**12,976**	**162,527**	**12,228**

Management of capital

The Group assesses capital on the basis of operating profit excluding amortisation/depreciation (EBITDA), with capital limited to external financing, Net debt in relation to EBITDA. This key ratio is calculated as EBITDA in relation to the Group's external borrowing. External borrowing is defined as current borrowing and non-current borrowing less cash and cash equivalents and excluding liabilities relating to financial leasing and subordinated liabilities to owners.

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

	31 Dec 2017	31 Dec 2016
Total borrowing (Note 26)	196,496	381,759
Of which shareholder loans	-	260,114
Of which liabilities to credit institutions	142,205	65,412
Of which financial leasing	54,291	56,233
Less: cash and cash equivalents (Note 24)	-106,483	-21,719
Less: shareholder loans	-	-260,114
Less: financial leasing	-54,291	-56,233
External borrowing	**35,722**	**43,693**
EBITDA	109,425	77,878
External borrowing/EBITDA	**0.33**	**0.56**

Calculation of fair value
The table below shows financial instruments valued at fair value, based on the classification in the fair value hierarchy. The different levels are defined as follows:

- Listed prices (unadjusted) on active markets for identical assets or liabilities (level 1)
- Observable data for assets or liabilities other than listed prices included in level 1, either directly (i.e. as price listings) or indirectly (i.e. derived from price listings) (level 2)
- Data for assets and liabilities which is not based on observable market data (i.e. non-observable data) (level 3)

The following table shows the Group's assets and liabilities valued at fair value on 31 December 2016.

	Level 1	Level 2	Level 3	Total
Assets				
Financial assets valued at fair value via the income statement				
Derivative instruments held for trading				
- Currency derivatives	-	1,019	-	1,019
Total Assets	**-**	**1,019**	**-**	**1,019**
Liabilities				
Financial assets valued at fair value via the income statement				
Derivative instruments held for trading				
- Currency derivatives	-	692	-	692
Total Liabilities	**-**	**692**	**-**	**692**

The following table shows the Group's assets and liabilities valued at fair value on 31 December 2017.

	Level 1	Level 2	Level 3	Total
Assets				
Financial assets valued at fair value via the income statement				
Derivative instruments held for trading				
- Currency derivatives	-	3,628	-	3,628
Total Assets	**-**	**3,628**	**-**	**3,628**
Liabilities				
Financial assets valued at fair value via the income statement				
Derivative instruments held for trading				
- Currency derivatives	-	4,359	-	4,359
Total Liabilities	**-**	**4,359**	**-**	**4,359**

No transfers have taken place between valuation model level 1 and valuation model level 2 during any of the years.

Financial instruments in level 1
The fair value of financial instruments traded on an active market is based on listed market prices on the closing date. A market is regarded as active if listed prices from an exchange, broker, industry group, pricing service or supervisory authority are easily and regularly available and such prices represent fair and regularly occurring market transactions on an arm's-length basis. The Group holds no financial instruments classified as level 1.

Financial instruments in level 2
The fair value of financial instruments not traded on an active market (e.g. OTC derivatives) is determined using valuation techniques. In this context, as far as possible market information is used when such is available, while company-specific information is used as little as possible. If all significant input data required for the fair valuation of an instrument is observable, the instrument is on level 2.

In cases where one or more pieces of significant input data are not based on observable market information, the relevant instrument is classified in level 3.

Specific valuation techniques used to value financial instruments include:

- Listed market prices or broker quotations for similar instruments.
- Fair value for interest rate swaps based on present value of assessed future cash flows based on observable return curves.
- Fair value for currency future contracts determined through the use of prices for currency futures on the closing date, where the resulting value is discounted to present value.
- Other techniques, such as calculation of discounted cash flows, used to determine fair value for remaining financial instruments.

NOTE 4 IMPORTANT ESTIMATES AND ASSESSMENTS

Estimates and assessments are evaluated regularly and based on historical experience and other factors, including expectations of future events which might be deemed reasonable under prevailing conditions.

Important estimates and assessments for accounting purposes
The Group makes estimates and assumptions regarding the future. The resulting estimates for accounting purposes will, by definition, seldom correspond to the actual result. The estimates and assumptions which entail a significant risk of material adjustments to reported values for assets and liabilities during the next financial year are essentially addressed below.

Test for impairment of goodwill and trademarks
The Group tests each year whether there is any need for impairment of goodwill and trademarks, in accordance with the accounting principle described in Note 2. The recovery value for cash-generating units has been determined by calculating value in use. In respect of these calculations, certain estimates must be made (Note 15).

Revenue recognition
The Group applies the percentage of completion method when reporting construction contracts in accordance with a tried and tested method long applied by the Group whereby the Group must make estimates as to the percentage by which the services performed on the closing date represent of the total services to be performed. Balco's revenue and profit are governed by the time when actually expended costs are incurred during performance of the project. The model is not linear but, rather, is based on costs within the project's two phases: manufacture and installation. Most of the costs are generated during project phase 1 (the manufacturing phase), which includes Balco's entire processing. The phase includes costs such as materials, product development, project management, transport, design, statics, preparation and patents. In project phase 2 (construction/installation), the second and smaller part of the costs in a project are generated. The costs include installation management and installation of the end product. Project 2 always takes place with a construction mark-up of 10%. The development of each individual project is monitored regularly on a monthly basis throughout the life of the project. Deviations compared with initial calculations are adjusted and the updated forecasts are addressed regularly. In accordance with IAS 11 p .36, the entire anticipated loss on the project is booked when the forecast entails a negative project result. If the proportion between performed services and total services to be performed had deviated by 1%, reported revenue for the year would have changed by SEK 10 million (2016: SEK 8 million).

Trade receivables
Significant financial difficulties of the debtor, the likelihood that the debtor will go into bankruptcy or carry out a financial restructuring and non-payment or late payments are regarded as indicators that impairment of a trade receivables may be necessary.

Warranty reserves
The Group continuously tests the value of allocated reserves in relation to the estimated need. Provisions are made based on historical statistics regarding defective products and performed construction. On 31 December 2017, the warranty reserve comprised 0.5% of net sales (2016:0.6%) and is reported under accrued expenses, see Note 28.

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NOTE 5 SEGMENT REPORTING

The Group's business is divided into two segments: Renovation and New Build. Renovation is the part of the business which covers both replacement and expansion of existing balconies as well as installation of new balconies on existing buildings that lack of balconies. Most of Balco's sales within Renovation comprise glazed balconies for tenant-owner associations. New Build includes installation of balconies in conjunction with the construction of new apartment buildings as well as balcony solutions for maritime applications. Balco offers its entire product range within New Build. Allocation in respect of segment reporting comprises the segment affiliation of each individual project.

Renovation has continued to perform well in 2017, with both increased sales and higher earnings. Continued development and strengthening of the sales and market organisation within this segment are planned.

During the year, order intake within Renovation has continued to outstrip the increase in sales.

During the year, New Build has implemented a new strategy which was decided upon for the segment at the end of 2016, with a changed sales organisation and a stricter selection policy based on the assessment of the risks in projects. As a consequence of the new strategy, the loss recorded in 2016 has been turned into a profit. The increased sales within New Build during the year have been based on the order backlog which the Group had at the beginning of the year. During the year, order intake for the segment fell compared with the preceding year, as a consequence of the new strategy.

Financial expenses, financial income and income tax are essentially managed on the group level and are not broken down by segment. The Group does not monitor operating fixed assets broken by segment.

2017	Renovation	New Build	Group, other	Eliminations	Total
Net sales -External revenue	847,517	141,434	-	-	988,951
Net sales - Internal revenue	-	-	8,605	-8,605	0
Total Net sales	**847,517**	**141,434**	**8,605**	**-8,605**	**988,951**
Operating profit (EBITA)	**114,487**	**7,329**	**-29,480**	**-**	**92,336**
Amortisation/depreciation are included in EBITA in the amount of	14,763	2,326	-	-	17,089
Operating profit (EBITA)	**114,487**	**7,329**	**-29,480**	**-**	**92,336**
Financial revenue					24
Financial expenses					-37,071
Profit after financial items					**55,289**
Tax					-17,638
Profit for the year					**37,651**

2016	Renovation	New Build	Group, other	Eliminations	Total
Net sales -External revenue	726,416	75,197	-	-	801,613
Net sales - Internal revenue	-	-	6,217	-6,217	0
Total Net sales	**726,416**	**75,197**	**6,217**	**-6,217**	**801,613**
Operating profit (EBITA)	**83,216**	**-19,844**	**229**	**-**	**63,601**
Amortisation/depreciation are included in EBITA in the amount of	12,586	1,691	-	-	14,277
Operating profit (EBITA)	**83,216**	**-19,844**	**229**	**-**	**63,601**
Financial revenue					0
Financial expenses					-40,889
Profit after financial items					**22,712**
Tax					-10,662
Profit for the year					**12,050**

Net sales by geographic market

	2017	2016
Sweden	549,571	473,703
Germany	96,681	45,317
Norway	182,587	151,266
Denmark	131,204	89,570
UK	10,569	34,228
Netherlands	7,409	3,008
Finland	10,930	4,521
Total	**988,951**	**801,613**

No individual customer accounted for more than 10% of sales in 2016 or 2017.

Non-current assets by geographic market

Per geographic market	31 Dec 2017	31 Dec 2016
Sweden	435,061	431,662
Norway	1,097	1,269
Denmark	13,792	16,078
Finland	595	-
Germany	291	356
Netherlands	41	34
UK	-	-
Poland	62,944	18,280
Total	**513,821**	**467,679**

NOTE 6 REMUNERATION TO THE AUDITORS

Group	2017	2016
PwC		
Audit engagement	1,292	609
Audit work in addition to audit engagement	990	405
Tax advice	683	150
Other services	1,315	200
Total	**4,280**	**1,364**
Alpha Revision AS		
Audit engagement	73	60
Herman Slater		
Audit engagement	26	32
BHA Statsautoriseret revision A/S		
Audit engagement	39	48
Kancelaria Biegłych Rewidentów "CDP" Sp. z o.o.		
Audit engagement	35	-
Total	**173**	**140**
Total	**4,453**	**1,504**

Audit engagement' means auditing of the annual report and the accounts as well as management by the Board of Directors and the CEO, other work duties incumbent on the Company's auditor as well as advice and other assistance resulting from observations in conjunction with the audit or the performance of such other work duties. Everything else comprises other services.

In 2017, remuneration to the auditors was paid to the accounting firm Öhrlings PricewaterhouseCoopers AB as follows: Audit engagement, SEK 1,124,000; other statutory engagements, SEK 64,000; tax advice, SEK 670,000, and other services SEK 2,284,000. 'Other services' means advice in connection with the IPO, review of quarterly reports and issuance of a comfort letter.

NOTE 7 EMPLOYEE REMUNERATION, ETC.

Group	2017	2016
Salary and other remuneration	130,743	111,745
Social security contributions	36,009	30,304
Pension expenses – defined contribution plans	14,147	10,621
Total	**180,899**	**152,670**

Parent Company	2017	2016
Salary and other remuneration	1,549	0
Social security contributions	474	0
Pension expenses – defined contribution plans	111	0
Total	**2,134**	**0**

Remuneration and other benefits 2017	Base salary /Board fee	Social security charges/ Special employer's contribution	Variable remuneration	Other benefits	Pension expense	Share-related remuner-ation	Other remuner-ation	Total
Lennart Kalén, Board Chairman	360	59	-	-	-	-	-	419
Tomas Johansson, director	225	71	-	-	-	-	-	296
Håkan Bergqvist, director	160	26	-	-	-	-	-	186
Percy Calissendorff, director	160	50	-	-	-	-	-	210
Marcus Planting-Bergloo, director	160	50	-	-	-	-	-	210
Åsa Söderström Winberg, director	245	77	-	-	-	-	-	322
Ingalill Berglund, director	200	63	-	-	-	-	-	263
Kenneth Lundahl, CEO	2,257	1,050	444	127	666	-	-	4,544
Other senior executives (7 individuals)	6,381	2,864	1,243	250	1,610	-	-	12,348
Total	**10,148**	**4,311**	**1,687**	**377**	**2,276**	**-**	**-**	**18,798**

Remuneration and other benefits 2016	Base salary /Board fee	Social security charges/ Special employer's contribution	Variable remuneration	Other benefits	Pension expense	Share-related remuner-ation	Other remuner-ation	Total
Lennart Kalén, Board Chairman	200	63	-	-	-	-	-	263
Kerstin Gillsbro, director	63	20	-	-	-	-	-	82
Tomas Johansson, director	63	20	-	-	-	-	-	82
Håkan Bergqvist, director	125	39	-	-	-	-	-	164
Percy Calissendorff, director	50	16	-	-	-	-	-	66
Marcus Planting-Bergloo, director	50	16	-	-	-	-	-	66
Åsa Söderström Winberg, director	63	20	-	-	-	-	-	82
Ingalill Berglund, director	-	-	-	-	-	-	-	0
Kenneth Lundahl, CEO	2,160	1,109	81	101	657	-	-	4,108
Other senior executives (7 individuals)	4,592	2,000	890	207	878	-	-	8,567
Total	**7,365**	**3,302**	**971**	**308**	**1,535**	**0**	**0**	**13,481**

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Continuation Note 7

Warrants

At an extraordinary general meeting held on 5 October 2017, it was decided to introduce a long-term incentive program for the Company's senior executives and other key employees, in total 49 employees. The incentive program covers in total not more than 1,071,440 warrants, carrying an entitlement to subscribe for not more than a corresponding number of shares. Approximately 80% of the total number of warrants have been offered to senior executives and employees of Balco in two series. Series I has a term of 2 years while series II has a term of 3 years. The participants have acquired warrants (one-quarter of series I and three-quarters of series II) at market price. Approximately 20% of the total number of warrants have been set aside for possible sale to future employees. Balco's total expense for the incentive program during the term of the program is not expected to exceed SEK 150,000. The program entails a dilution of not more than 5% of the total number of shares in the Company.

In addition to the above incentive program, in September 2017 Balco's former main owner, Segulah, issued call options on shares in Balco to the Company's senior executives. Each call option under the program entitles the holder to acquire one share in the Company from Segulah. The exercise price for each share is 110% of the introduction price. In total, the program covers 1,100,000 Balco shares, corresponding to approximately 5% of the total number of votes in shares in the Company. The Company is not expected to incur any costs in respect of the call option program.

Years	Number of warrants	Number of exercised warrants	Number of lapsed warrants	Total	Exercise price	Subscription period
2017	215,620	-	-	215,620	-	5 Sep 2019 -5 Oct 2019
2017	646,860	-	-	646,860	-	5 Sep 2020 -5 Oct 2020
	862,480	**-**	**-**	**862,480**		

Gender breakdown in the Group (incl. subsidiaries) as regards directors and CEO.

Group	2017		2016	
	Number on closing date	Of whom women	Number on closing date	Of whom women
Directors	15	4	14	4
CEO	1	0	1	0
Total	**16**	**4**	**15**	**4**

Parent company	2017		2016	
	Number on closing date	Of whom women	Number on closing date	Of whom women
Directors	7	2	7	2
CEO	1	0	1	0
Total	**8**	**0**	**8**	**2**

Group	2017		2016	
Average number of employees per country	**Average number of employees**	**Of whom women**	**Average number of employees**	**Of whom women**
Sweden	186	31	179	26
Norway	9	0	10	0
Denmark	40	4	39	4
UK	4	0	8	1
Netherlands	1	0	1	0
Poland	88	18	48	8
Finland	1	0	-	-
Germany	17	3	16	3
Total	**346**	**56**	**301**	**42**

Parent company	2017		2016	
Average number of employees per country	**Average number of employees**	**Of whom women**	**Average number of employees**	**Of whom women**
Sweden	1	-	-	-
Total	**1**	**-**	**-**	**-**

CEO's terms and conditions

In the event the CEO's employment is terminated: 12 months notice of termination. In the event the CEO terminates his employment: 6 months notice of termination. During the termination period, the CEO is entitled to retain his fixed salary, but no other benefits.

The Group allocates 30% (2016: 25%) of gross salary, excluding bonuses, to a pension policy with an insurance company chosen by the CEO. The Group has no other outstanding pension obligations to the Board or CEO.

NOTE 8 COSTS BROKEN DOWN BY TYPE

Group	2017	2016
Raw materials, consumables and installation services	-628,486	-484,346
Employee remuneration costs (Note 7)	-180,899	-152,670
Depreciation and impairment (Notes 15 och 16)	-17,089	-14,277
Transport costs	-21,118	-17,269
Marketing costs	-17,893	-15,451
Operational leasing costs (Note 31)	-3,515	-4,171
Other costs	-28,035	-51,436
Total cost for production, projects, sales and administration	**-897,035**	**-739,620**

NOTE 9 HOLDINGS IN ASSOCIATED COMPANIES

Group	31 Dec 2017	31 Dec 2016
Opening historical cost	1,424	1,424
Purchases	-	-
Divestments	-2	-
Closing accumulated Historical cost	**1,422**	**1,424**
Opening changes in share of equity	1,897	1,980
Changes in share of equity in associated companies	110	556
Exchange rate differences	112	-177
Adjustment of tax from previous years	-	-462
Closing change in share of equity	**2,119**	**1,897**
Closing reported value	**3,541**	**3,321**

The Group's share in the earnings of associated companies and its share of the assets and liabilities are as follows:

Indirectly owned	Countryy of registration	Assets	Liabilities	Revenues	Profit	Ownership stake % 2017/2016
MIB-POL Spolka Zo.o.	Poland	69,349	57,042	94,370	521	25%

The difference between the equity share value using the equity share method in the consolidated financial statements compared with the value of the participations reported in Nordiska Balco AB, applying the acquisition cost method, is SEK 2,119,000 (2016: SEK 1, 897,000).

NOTE 10 OTHER OPERATING INCOME AND OTHER OPERATING EXPENSES

Group	2017	2016
Other operating income		
Sales of raw material to subcontractors	6,847	9,657
Other	-	198
Compensation for warranty commitments	-	558
Total other operating income	**6,847**	**10,413**
Other operating expenses		
Purchases of raw materials for invoicing onwards	-6,537	-9,361
Total other operating expenses	**-6,537**	**-9,361**

NOTE 11 FINANCIAL INCOME AND EXPENSES/INTEREST INCOME AND SIMILAR PROFIT/LOSS ITEMS AS WELL AS INTEREST EXPENSES AND SIMILAR PROFIT/LOSS ITEMS

Group	2017	2016
Financial income/Interest income and similar profit/loss items		
Interest income on bank balances	24	-
Interest income on lending	-	-
Financial income	**24**	**0**
Financial expenses/Interest expenses and similar profit/loss items		
Interest expenses on liabilities to credit institutions	-4,783	-5,858
Interest expenses on shareholder loans	-29,824	-33,928
Other financial expenses	-2,464	-1,103
Financial expenses	**-37,071**	**-40,889**
Total net financial items	**-37,047**	**-40,889**

Parent company	2017	2016
Interest income on bank balances	215	-
Financial income	**215**	**-**
Interest expenses	-653	-
Interest expenses, shareholder loans	-29,824	-33,928
Other financial expenses	-179	-
Financial expenses	**-30,657**	**-33,928**
Total net financial items	**-30,442**	**-33,928**

The Group-internal interest income reported in the parent company amounts to SEK 212,000 (2016: SEK 0). All interest expenses are external.

NOTE 12 INCOME TAX

	2017	2016
Current tax:		
Current tax on profit for the year	-14,267	-4,559
Adjustments for previous years	635	567
Total current tax	**-13,632**	**-3,992**
Deferred tax (see Note 17):		
Occurrence and reversal of temporary differences	-4,006	-6,670
Total deferred tax	**-4,006**	**-6,670**
Income tax	**-17,638**	**-10,662**

Parent Company	2017	2016
Current tax:		
Current tax on profit for the year	-131	-1,565
Adjustments for previous years	-	567
Total current tax	**-131**	**-998**
Deferred tax (se Note 17):		
Occurrence and reversal of temporary differences	-	-
Total deferred tax	**-**	**-**
Income tax	**-131**	**-998**

Income tax on profit differs from the theoretical amount which would have been reached when using a weighted average tax rate for profit in the consolidated companies as follows:

Group	2017	2016
Profit before tax	55,289	22,712
Income tax calculated in accordance with the parent company's current tax rate, 22%	-12,164	-4,997
Tax effects of:		
- Foreign tax rate	57	251
- Non-taxable income	620	558
-Non-deductible interest, shareholder loans	-6,013	-6,829
- Non-deductible expenses	-773	-212
- Adjustments for previous years	635	567
Tax expense	**-17,638**	**-10,662**
Effective tax rate	31.9%	46.9%

Parent Company	2017	2016
Profit before tax	-26,733	-23,928
Income tax calculated in accordance with the parent company's current tax rate, 22%	5,881	5,264
Tax effects of:		
- Foreign tax rate	-	-
- Non-taxable income	-	-
-Non-deductible interest, shareholder loans	-6,012	-6,829
- Non-deductible expenses	-	-
- Adjustments for previous years	-	567
Tax expense	**-131**	**-998**
Effective tax rate	0.5%	4.2%

NOTE 13 EXCHANGE RATE DIFFERENCES

Exchange rate differences are reported in the income statement as follows:

Group	2017	2016
Cost of goods sold	-929	-674
Net financial items	-	-
Total exchange rate differences in the income statement	**-929**	**-674**

The Group engages in regular currency hedging in respect of the currency impact of projects, with the aim of reducing the business' currency risks. Currency hedging is allocated to projects and the part of the currency hedging which is not matched by a project is reported as an exchange rate difference.

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37

NOTE 14 PARTICIPATIONS IN GROUP COMPANIES

Parent Company	31 Dec 2017	31 Dec 2016
Opening historical cost	389,067	389,067
Closing reported cost	**389,067**	**389,067**

The parent company and the Group hold participations in the following subsidiaries:

Name	Registration Number	Registered office	Share of equity,%	Number of shares	Reported value 31 Dec 2017	Reported value 31 Dec 2016
Balco Invest AB	556821-2301	Växjö	100	63,000,467	389,067	389,067
-Balco Holding AB	556627-4964	Växjö	100			
-Nordiska Balco AB	556325-3847	Växjö	100			
-Balustrade AB	556791-9393	Växjö	100			
-Balco AB	556299-4482	Växjö	100			
-Balco AS	979458398	Norway	100			
-Balco Ltd	5280899	UK	100			
-Balco Balkonkonstruktionen GmbH	HRB9039	Germany	100			
-Balco Balkonsystemen B.V	57577978	Netherlands	100			
-Balco Kontech AS	59222401	Denmark	100			
-Balco Spolka. z o.o.	5961747062	Poland	100			
-Kronhjorten och Lodjuret Holding AB	559018-7489	Växjö	100			
-Balco Oy	2706308-7	Finland	100			
Total				**63,000,467**	**389,067**	**389,067**

In 2016, a decision was taken to merge the Group's two companies in Denmark, Balco Kontech AS and Balco AS, with Balco Kontech AS as the continuing company. The merger was completed in 2017. On 6 June 2017, the outstanding 90% of the shares in Balco Oy were acquired and the company was thereupon consolidated as a wholly-owned subsidiary.

NOTE 15 INTANGIBLE ASSETS

Group	Goodwill	Trademarks	Licences	Advances	Total
2016 financial year					
Opening reported value	371,032	8,955	1,521	-	381,508
Purchases		-	24	-	24
Reclassification			944	-	944
Exchange rate differences	320	459	-	-	779
Amortisation	-	-	-684	-	-684
Closing reported value	**371,352**	**9,414**	**1,805**	**-**	**382,571**
Per 31,December,2016					
Historical cost	371,352	9,414	3,546	-	384,312
Accumulated amortisation	-	-	-1,741	-	-1,741
Reported value	**371,352**	**9,414**	**1,805**	**-**	**382,571**
2017 financial year					
Opening reported value	371,352	9,414	1,805	-	382,571
Purchases	579	-	36	245	860
Reclassification			2,186	-	2,186
Exchange rate differences, historical cost	112	263	7	-	382
Amortisation	-	-	-1,411	-	-1,411
Exchange rate differences, amortisation	-	-	-17	-	-17
Amortisation reclassifications	-	-	-1,093	-	-1,093
Closing reported value	**372,043**	**9,677**	**1,513**	**245**	**383,478**
Per 31 December 2017					
Historical cost	372,043	9,677	5,775	245	387,740
Accumulated amortisation	-	-	-4,262	-	-4,262
Reported value	**372,043**	**9,677**	**1,513**	**245**	**383,478**

Amortisation costs of SEK 1,411,000 (2016: SEK 684,000) are included in production and project costs.

Test for impairment of goodwill and trademarks
Management assesses the performance of the business based on the business. Renovation and New Build have been identified as the main businesses. Goodwill and trademarks are monitored by management on a business segment level as from 2016. Presented below is a summary of goodwill broken down by business segment as well as a presentation of trademarks broken down by each business segment.

Goodwill

2016	**Renovation**	**New Build**	**Group**
Opening reported value	370,796	236	371,032
Additions	304	16	320
Sales	-	-	-
Impairment	-	-	-
Closing reported value	**371,100**	**252**	**371,352**

2017	**Renovation**	**New Build**	**Group**
Opening reported value	371,100	252	371,352
Additions	91	5	96
Sales	595	-	595
Impairment	-	-	-
Closing reported value	-	-	-
Closing reported value	**371,786**	**257**	**372,043**

Trademarks

2016	**Renovation**	**New Build**	**Group**
Opening reported value	8,507	448	8,955
Additions	436	23	459
Sales	-	-	-
Impairment	-	-	-
Closing reported value	**8,943**	**471**	**9,414**

2017	**Renovation**	**New Build**	**Group**
Opening reported value	8,943	471	9,414
Additions	250	13	263
Sales	-	-	-
Impairment	-	-	-
Closing reported value	**9,193**	**484**	**9,677**

Recoverable amounts for a cash-generating unit (CGU) have been determined based on calculations of value in use. These calculations are based on estimated future cash flows before tax, based on financial budgets approved by group management and cover a five-year period. Cash flows beyond the five-year period are extrapolated using an assessed rate of growth in accordance with the information below. The rate of growth does not exceed the long-term rate of growth for the balcony market on which the relevant CGU operates.

Significant assumptions used for calculation of value in use:

2016	**Renovation**	**New Build**
EBITDA margin[1]	15.8 %	8.7 %
Annual rate of growth[2]	11.7 %	13.4 %
Discount rate[3]	7.12 % after tax (9.17 % before tax)	7.12 % after tax (9.17 % before tax)
Long-term rate of growth[4]	2%	2%

1) Budgeted EBITDA margin.
2) Average rate of growth over the five-year forecast; based on historical results and the management's assessment of market growth.
3) Discount rate after tax is used in conjunction with present value calculation of estimated future cash flows.
4) Weighted average rate of growth is used for extrapolating cash flows beyond the budget period.

2017	**Renovation**	**New Build**
EBITDA margin[1]	12.4 %	2.2 %
Annual rate of growth[2]	9.8 %	0.0 %
Discount rate[3]	8.22 % after tax (9.14 % before tax)	8.22 % after tax (9.14 % before tax)
Long-term rate of growth[4]	2%	2%

1) Forecast 2017.
2) Average rate of growth over the five-year forecast; based on historical results and the management's assessment of market growth.
3) Discount rate after tax is used in conjunction with present value calculation of estimated future cash flows.
4) Weighted average rate of growth is used for extrapolating cash flows beyond the budget period.

Management has set the budgeted gross margin based on earlier results and its expectations of market growth. The weighted average rate of growth used conforms to forecasts contained in industry reports. The discount rate used is stated before tax and reflects the specific risks in the segment.

Sensitivity analysis, Goodwill
The recovery value exceeds the reported values for goodwill by a wide margin. This is the case also with respect to assumptions that, each independently:
– the discount rate after tax had been 2 percentage points higher
– the estimated rate of growth for extrapolating cash flows beyond the five-year period had been 0%.

The most important assumptions are sales growth and the earnings trend.
A change in these two assumptions, each individually, by two percentage points would not result in any impairment.
No impairment has been identified with respect to goodwill and/or trademarks for any of the years.

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37

NOTE 16 PROPERTY PLANT AND EQUIPMENT

Group	Buildings and land	Machinery and other plant	Equipment, tools, fixtures and fittings	Constructions in progress	Total
2016 financial year					
Opening reported value	42,226	12,720	13,422	355	68,723
Exchange rate difference	32	194	52	-	278
Purchases	2,351	10,960	8,700	10,187	32,198
Sales and disposals	-	-	-2,988	-	-2,988
Reclassifications	-	1,265	221	-2,723	-1,237
Depreciation, reversal upon sale	-	-	1,727	-	1,727
Depreciation	-4,005	-5,194	-4,394	-	-13,593
Closing reported value	**40,604**	**19,945**	**16,740**	**7,819**	**85,108**
Per 31 December 2016					
Historical cost	45,601	80,255	32,849	7,819	166,524
Accumulated depreciation	-4,997	-60,310	-16,109	-	-81,416
Reported value	**40,604**	**19,945**	**16,740**	**7,819**	**85,108**

Group	Buildings and land	Machinery and other plant	Equipment, tools, fixtures and fittings	Constructions in progress	Total
2017 financial year					
Opening reported value	40,604	19,945	16,740	7,819	85,108
Exchange rate difference, historical cost	537	1,051	396	2,086	4,070
Purchases	584	6,514	8,859	45,182	61,139
Sales and disposals	-	-640	-5,126	-	-5,766
Reclassifications	40,100	5,017	2,638	-49,658	-1,903
Depreciation, reversal upon sale	-	124	3,462	-	3,586
Exchange rate difference, depreciation	-34	-529	-91	-	-654
Exchange rate difference, reclassifications	-	1,182	-741	-	441
Depreciation	-4,436	-5,971	-5,271	-	-15,678
Closing reported value	**77,355**	**26,693**	**20,866**	**5,429**	**130,343**
Per 31 December 2017					
Historical cost	86,822	92,197	39,617	5,429	224,065
Accumulated depreciation	-9,467	-65,504	-18,752	-	-93,722
Reported value	**77,355**	**26,693**	**20,866**	**5,429**	**130,343**

Depreciation costs of SEK 14,272,000 (2016: SEK 12,855,000) are included in production and project costs; SEK 60,000 (2016: SEK 251,000) in selling expenses; and SEK 2,757,000 (2016: SEK 487,000) in administrative expenses.

The items above include leasing objects which the Group holds under financial leasing agreements in the following amounts:

	31 Dec 2017	31 Dec 2016
Historical cost – capitalised financial leasing	92,470	85,673
Accumulated depreciation	-39,414	-30,669
Reported value	**53,056**	**55,004**

NOTE 17 DEFERRED TAX

Group	31 Dec 2017	31 Dec 2016
Deferred tax expense regarding temporary differences	-4,409	-7,213
Deferred tax income regarding temporary differences	403	543
Total deferred tax in the income statement	**-4,006**	**-6,670**

The change in deferred tax assets and liabilities during the year, as reported in the income statement without taking into account set-offs made within the same tax law jurisdiction, is presented below:

Deferred tax liabilities	Derivative instruments	Buildings and land	Untaxed reserves	Other	Total
Per 1 January 2016	-615	0	0	-140	-755
Reported in income statement	543	0	0	0	543
Reported via equity	0	0	0	-117	-117
Per 31 December 2016	**-72**	**0**	**0**	**-257**	**-329**
Per 1 January 2017	**-72**	**0**	**0**	**-257**	**-329**
Reported in income statement	72	0	-4,466	-15	-4,409
Reported via equity	0	0	0	-61	-61
Per 31 December 2017	**0**	**0**	**-4,466**	**-333**	**-4,799**

Other deferred tax liabilities relate to tax liability attributable to the acquisition in 2015 of Kontech, SEK 333,000 (SEK 257,000).

Deferred tax assets	Loss carry forwards	Derivative instrument	Leasing, etc.	Total
Per 1 January 2016	**8,515**	**0**	**313**	**8,828**
Reported in income statement	-7,132	0	-81	-7,213
Reported via equity	-1,083	0	-1	-1,084
Per 31 December 2016	**300**	**0**	**231**	**531**
Per 1 January 2017	300	0	231	531
Reported in income statement	0	161	242	403
Reported via equity	0	0	0	0
Per 31 December 2017	**300**	**161**	**473**	**934**

Deferred tax assets are reported for taxable loss carry forwards to the extent it is likely that they might be utilised through future taxable profits. Loss carry forwards do not lapse on any given date.

NOTE 18 INVENTORIES

Group	31 Dec 2017	31 Dec 2016
Raw materials and consumables	21,052	16,656
Total	**21,052**	**16,656**

The item 'production and project expenses' includes inventory expenses booked as costs amounting to SEK 39,406,000 (2016: SEK 35,695,000). Other income statement items include inventory expenses booked as costs at SEK 0 (2016 SEK 0). During the period, group inventories were written down by SEK 588,000 (2016: SEK 486,000).

NOTE 19 FINANCIAL INSTRUMENTS PER CATEGORY

Balance sheet assets	Assets valued at fair value via the income statement	Loan receivables and trade receivables	Realisable financial assets	Total
31 December 2017				
Other non-current receivables	-	560	-	560
Other investments held as fixed assets	-	-	20	20
Trade receivables	-	119,139	-	119,139
Derivative instruments	3,628	-	-	3,628
Cash and equivalents	106,483	-	-	106,483
Total	**110,111**	**119,699**	**20**	**229,830**
31 December 2016				
Other non-current receivables	-	977	-	977
Other investments held as fixed assets	-	-	20	20
Trade receivables	-	94,545	-	94,545
Derivative instruments	1,019	-	-	1,019
Cash and equivalents	21,719	-	-	21,719
Total	**22,738**	**95,522**	**20**	**118,280**

Balance sheet assets	Liabilities valued at fair value via the income statement	Other financial liabilities	Total
31 December 2017			
Liabilities to credit institutions	-	196,496	196,496
Shareholder loans	-	-	-
Trade creditors	-	101,151	101,151
Derivative instruments	4,359	-	4,359
Total	**4,359**	**297,647**	**302,006**
31 December 2016			
Liabilities to credit institutions	-	121,645	121,645
Shareholder loans	-	260,114	260,114
Trade creditors	-	89,015	89,015
Derivative instruments	692	-	692
Total	**692**	**470,774**	**471,466**

Derivative instruments are classified as current assets or current liabilities when the expiry date of the derivative instrument is within less than 12 months.

Futures contracts
On 31 December 2017, the nominal amount of outstanding futures contracts was SEK 189,782,000 (2016: SEK 93,812,000). Currency futures which are not matched by the project's currency exposure are reported as a gain or loss in the operating profit.

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37

NOTE 20 TRADE RECEIVABLES

Group	31 Dec 2017	31 Dec 2016
Trade receivables	119,139	98,294
Less: provision for bad debts	-	-3,749
Trade creditors, net	**119,139**	**94,545**

On 31 December 2017, satisfactory trade receivables amounted to SEK 119,139,000 (2016: SEK 94,545,000).

On 31 December 2017, trade receivables amounting to SEK 37,932,000 (2016: SEK 10,233,000) had fallen due, but without there being deemed any need for impairment.

The age analysis of the above trade receivables is as follows:

	31 Dec 2017	31 Dec 2016
1-30 days	26,925	5,121
31-60 days	2,626	2,859
> 61 days	8,381	2,253
Total due trade receivables	**37,932**	**10,233**

Due trade receivables include both trade receivables related to ongoing as well as completed projects. Delayed payments may relate to the project's final inspection, and thus trade receivables may vary over time. The Group also employs credit insurance and other forms of security from customers in order to reduce the risk in trade receivables.

Changes in provisions for bad debts are as follows:

	31 Dec 2017	31 Dec 2016
Per 1 January	-3,749	-4,833
Provision for bad debts	-	-420
Receivables written off during the year as non-collectable	1,560	-
Reversed non-utilised amount	2,189	1,504
Per 31 December	**0**	**-3,749**

Provisions and reversal of bad debt provisions are included in the item 'production and project costs' in the income statement.

NOTE 21 CONSTRUCTION CONTRACTS

Group	31 Dec 2017	31 Dec 2016
Accumulated project expenses and reported profits (after deduction for reported losses)	957,024	824,326
Less: Invoiced amounts	-963,044	-766,171
Net amount in balance sheet for ongoing projects	**-6,020**	**58,155**

Gross amounts due from customers amount to SEK 100,131,000 (2016 SEK 96,327,000) and liabilities to customers amount to SEK 106,151,000 (2016: SEK 38,172,000), yielding a net amount of SEK -6,020,000 (2016: SEK 58,155,000).

Received advances amounted to SEK 106,151,000 (2016: SEK 38,172,000). The amount received from customers was SEK 11,000 (2016: SEK 196,000).

NOTE 22 OTHER RECEIVABLES

Group	31 Dec 2017	31 Dec 2016
VAT receivable	2,296	2,454
Other	2,044	743
Total	**4,340**	**3,197**

NOTE 23 PREPAID EXPENSES AND ACCRUED INCOME

Group	31 Dec 2017	31 Dec 2016
VAT deposit	445	419
Prepaid invoices	5,012	4,147
Deposit for premises	806	789
Other	3,827	1,636
Total	**10,090**	**6,991**

Parent Company	31 Dec 2017	31 Dec 2016
Prepaid invoices	813	-
Total	**813**	**-**

NOTE 24 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist entirely of bank balances.

In 2017, a cash pool solution has been introduced whereby the parent company is the sole contracting party with the bank.

NOTE 25 SHARE CAPITAL

Share capital comprises 21,428,773 shares, broken down as follows:
Class A ordinary shares 21,428,773

Shares carry 1 vote per share. The quotient value is SEK 6.0002.
All shares issued by Balco Group AB are paid up in full.

NOTE 26 BORROWING

Group	31 Dec 2017	31 Dec 2016
Non-current		
Liabilities to credit institutions	142,205	0
Shareholder loans	-	260,114
Liabilities regarding financial leasing	45,526	44,998
Total non-current borrowing	**187,731**	**305,112**
Current		
Overdraft facility	-	41,428
Liabilities to credit institutions	-	23,984
Liabilities regarding financial leasing	8,765	11,235
Total current borrowing	**8,765**	**76,647**
Total borrowing	**196,496**	**381,759**

Parent Company	31 Dec 2017	31 Dec 2016
Non-current		
Liabilities to credit institutions	120,000	-
Shareholder loans	-	260,114
Total non-current borrowing	**120,000**	**260,114**

Liabilities to credit institutions mature within 2-5 years.

Liabilities to credit institutions
The Group's borrowing is in SEK and PLN and comprises loans from Danske Bank. The maturity date of the loans is stated in Note 3. Interest on the loans is set based on an applied margin on changes in STIBOR 90 and WIBOR 90 for fixed terms of three months, in accordance with applicable bank agreements.

Borrowing from credit institutions	Reported value 31 Dec 2017	Maturity date
Danske bank	142,205	14 Sep 2020
Total borrowing from credit institutions	**142,205**	

The fair value of borrowing corresponds to its reported value since the discounting effect is insignificant.

Shareholder loans
Shareholder loans ended on 5 Oct 2017. The loans were in SEK and carried a rate of interest of 15%.

Credit facility
An overdraft facility is available in Swedish kronor.

Undrawn overdraft facilities amount to SEK 65,000,000 (2016: SEK 42,129,000). In addition, the Group has at its disposal a separate credit facility for acquisitions amouting to SEK 100,000,000 (2016: SEK 0).

Liabilities regarding financial leasing
Leasing liabilities are effectively secured since the rights to the leased asset reverts to the lessor in the event of non-payment. For further information regarding the Group's financial leasing agreements, see Note 31 Leasing agreements.

Covenants
In 2017, the Group met all of its obligations under applicable covenants to the bank. There are two covenants, which are measured and reported quarterly based on rolling 12 month results:
- Interest coverage ratio (Adjusted EBITDA in relation to paid interest)
- Net debt in relation to adjusted EBITDA

NOTE 27 OTHER LIABILITIES

Group	31 Dec 2017	31 Dec 2016
Personnel, taxes	3,053	2,129
VAT liability	10,749	3,795
Commission liability, non-personnel	526	766
Other	3,375	2,981
Total	**17,703**	**9,671**

Parent Company	31 Dec 2017	31 Dec 2016
Personnel, taxes	167	-
VAT liability	95	-
	262	**-**

NOTE 28 ACCRUED EXPENSES AND DEFERRED INCOME

Group	31 Dec 2017	31 Dec 2016
Personnel, liabilities	35,666	31,335
Project-related provisions	5,724	10,698
Warranty provision	5,117	5,288
Other	7,592	5,304
Total	**54,099**	**52,625**

Parent Company	31 Dec 2017	31 Dec 2016
Personnel, liabilities	1,201	-
Accrued interest	574	-
Other	2,500	-
	4,275	**-**

NOTE 29 PLEDGED ASSETS

Group	31 Dec 2017	31 Dec 2016
For own liabilities and provisions, and those of group companies		
Floating charges	-	49,300
Participations in subsidiaries	-	385,914
Total	**-**	**435,214**

For the Group, participations in subsidiaries comprise the net assets of the Balco Invest AB group.

Parent Company	31 Dec 2017	31 Dec 2016
For liabilities and provisions of group companies		
Participations in subsidiaries	-	389,067
Total	**-**	**389,067**

NOTE 30 CONTINGENT LIABILITIES

Guarantee commitments in the Group have been provided regarding the leasing obligations of Balco Sp.Zo.o. In connection with construction projects, security is often provided in the form of guarantees from banks, insurance institutions or parent company. As regards Balco Holding AB, SEK 267 million (2016: SEK 200 million) relates to various guarantees in respect of construction obligations entered into by subsidiaries. As regards the Group, Balco Holding AB's guarantees constitute no expanded liability compared with the construction obligations. In Balco Holding AB there is also a guarantee commitment for the performance of currency futures contracts, for the benefit of Swedbank, corresponding to SEK 8 million.

NOTE 31 LEASING AGREEMENTS

Financial leasing
The Group's financial leasing agreements relate to cars, trucks and machinery. There is no further letting. In addition to the foregoing, tenancy agreements entered into regarding the properties Växjö Lodjuret 4 and Växjö Kronhjorten 4 are also regarded as financial leasing agreements.

Group	31 Dec 2017	31 Dec 2016
Future total minimum leasing fees		
Within 1 year	8,765	10,068
Between 1 and 5 years	34,161	29,343
More than 5 years	12,228	18,598
	55,154	**58,009**
Future financial costs for financial leasing	-863	-1,776
Present value of financial leasing liabilities	**54,291**	**56,233**

Operational leasing
The Group has tenancy agreements regarding premises in the operations of subsidiaries. The change compared with preceding years is that long leases have been ended.

Future minimum leasing fees in accordance with non-terminable operational leasing agreements, in force at the end of the reporting period, fall due as follows:

Group	31 Dec 2017	31 Dec 2016
Within one year	4,192	4,237
Later than one year but within five years	-	1,413
Later than five years	-	-
Total	**4,192**	**5,650**

Operational leasing costs in the Group during the financial year amounted to SEK 3,515,000 (2016: SEK 4,171,000).

Parent Company	31 Dec 2017	31 Dec 2016
Operational leasing		
Within 1 year	156	-
Between 1 and 5 years	91	-
More than 5 years	0	-
Total	**247**	**-**
Operational leasing costs during the year	36	-

The parent company has leasing contracts for vehicles.

NOTE 32 EARNINGS PER SHARE

Earnings per share are calculated by dividing the earnings attributable to the equity holders of the parent company by a weighted average number of outstanding ordinary shares during the period. The Group has had no dilution effects in 2017 or 2016.

	2017	2016
Earnings for the period attributable to equity holders of the parent company	39,692	12,946
Less income paid on preference shares	-6,429	-7,314
Earnings for the period after income paid on preference shares	**33,263**	**5,632**
Weighted average number of outstanding ordinary shares (thousands)	13,704	11,287
Earnings per ordinary share, SEK, before dilution	2.43	0.50
Earnings per ordinary share, SEK, after dilution	2.43	0.50

NOTE 33 EMPLOYEE BENEFITS AFTER CONCLUSION OF EMPLOYMENT

For white-collar employees in Sweden the ITP 2 plan's defined-benefit pension commitments for retirement and survivor pension are secured through a policy with Alecta. According to an opinion issued by the Swedish Financial Reporting Board, UFR 10, *Reporting of the ITP 2 pension plans financed through insurance with Alecta,* this is a defined-benefit plan which covers many employers. For the 2016 and 2017 financial years, the Company has not had access to information to allow it to report its proportionate share of the plan's obligations, management assets and costs, and accordingly it is not possible to report the plan as a defined-benefit plan. The ITP 2 pension plan which is secured through a policy with Alecta is therefore reported as a defined-contribution plan. The premium for the defined-benefit retirement and survivor pension policies are calculated individually and depend, among other things, on salary, previously earned pension and anticipated outstanding period of employment. Anticipated fees for the next reporting period in respect of ITP 2 policies purchased with Alecta amounted to SEK 10,666,000 (2016: SEK 8,918,000).

The collective funding level comprises the market value of Alecta's assets as a percentage of insurance commitments, calculated in accordance with Alecta's insurance-technical methods and assumptions, which do not conform to IAS 19. The collective funding level shall normally vary between 125 and 155 percent. In the event Alecta's consolidated funding level is less than 125 percent or exceeds 155 percent, measures are taken with the aim of creating conditions to restore the funding level to the normal range. In the case of low funding, one measure may be to increase the agreed price for new policies and expansion of existing benefits. In the event of high funding, one measure may be to introduce premium reductions. At the end of 2017, Alecta's surplus in the form of the collective funding level amounted to 154 percent (2016: 149 percent).

Other than the above-mentioned pension plans, the Group only has defined-contribution pension plans.

The amounts reported in the income statement are as follows:

Group	2017	2016
Reporting in the income statement regarding:		
Costs for defined-contribution pension plans	11,286	9,437
Income statement	**11,286**	**9,437**

NOTE 34 OTHER ITEMS NOT AFFECTING LIQUIDITY

Group	2017	2016
Capital gains upon divestments	72	-
Share in result of associated company	-109	-556
Change, provisions	4,066	1,816
Other	-1,414	412
Total	**2,615**	**1,672**

NOTE 35 RELATED-PARTY TRANSACTIONS

Related parties comprise all subsidiaries within the Group, associated companies as well as senior executives of the Group and related parties.

The following related-party transactions have taken place:

Sales of goods and services	2017	2016
Sales of goods:		
-Associated company MIB-Pol Spolka Zo.o.	6,822	5,870
Sales of services:	-	-
Total	**6,822**	**5,870**

Purchases of goods and services	2017	2016
Purchases of goods:		-
Purchases of services:		
- MIB-Pol Spolka Zo.o.	12,299	9,366
-Other related parties (Goods and services)	2,934	4,512
Total	**15,233**	**13,878**

Parent Company	2017	2016
Intra-group sales and purchases		
The year's intra-group purchases and sales are stated below		
Purchases (SEK '000)	-	-
Sales (SEK '000)	3,995	-

Goods and services are bought and sold from/to related parties on normal commercial terms. Within the Group, goods and services are priced in accordance with an adopted transfer pricing policy which is based on the arm's length principle.

Remuneration to senior executives
See Note 7.

Loans from related parties
See Note 26, Borrowing, for a description of terms regarding the shareholder loan.

NOTE 36 EVENTS AFTER THE CLOSING DATE

No significant events have occurred since the closing date.

NOTE 37 APPROPRIATION OF PROFIT AND SIGNATURES

The Board of Directors proposes that the Group's income statement and balance sheet be presented for adoption to the annual general meeting to be held on 17 May 2018.

The Board proposes to the annual general meeting that a dividend of SEK 1.00 per share be issued in respect of the 2017 financial year.

The Board believes that the proposal is compatible with the prudence rule in Chapter 17, section 3 of the Companies Act, as follows: The Board considers the dividend to be defensible in light of the requirements which the nature, scope and risks associated with the business impose regarding the size of the equity of the Company and the Group, as well as the Company and the Group's need to strengthen the balance sheet, liquidity and financial position in general.

The Board and the CEO provide an assurance that the consolidated financial statements and annual report have been prepared in accordance with international accounting standards IFRS as adopted by the EU, and in accordance with generally accepted accounting principles, and provide a true and fair impression of the financial position and earnings of the Group and the parent company, and that the administration report provides a true and fair overview of the business, financial position and earnings of the Group and parent company, and describes significant risks and uncertainty factors facing the parent company and companies included in the Group.

At the disposal of the Annual General Meeting:	
Share premium reserve	381,763,774
Retained earnings	-160,529,872
Profit for the year	-26,863,973
Total	**194,369,929**

The Board proposes that profits be appropriated as follows:	
Dividend	21,428,773
Carried forward	172,941,156
Total	**194,369,929**

Växjö, 12 April 2018

Lennart Karlén
Chairman

Ingalill Berglund
Director

Håkan Bergqvist
Director

Percy Calissendorff
Director

Tomas Johansson
Director

Marcus Planting-Bergloo
Director

Kenneth Lundahl
CEO

Åsa Söderström Winberg
Director

Our auditor's report was presented on 13 April 2018
Öhrlings PricewaterhouseCoopers AB

Magnus Svensson Henryson
Authorised Public Accountant

AUDITOR'S REPORT

To the general meeting of Balco Group AB, reg. no. 556821-2319

REPORT ON THE ANNUAL REPORT AND THE CONSOLIDATED ACCOUNTS

Opinions

We have audited the annual accounts and consolidated accounts of Balco Group AB for 2017, with the exception of the corporate governance report on pages 44-57. The Company's annual accounts and consolidated accounts are included on pages 29-85 of this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2017 and its financial performance and cash flow for the year in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the Group as of 31 December 2017 and its financial performance and cash flow for the year in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinion does not extend to the corporate governance report on pages 44-57. The administration report is consistent with other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the Group.

Our opinions in this report regarding the annual accounts and the consolidated accounts are consistent with the contents of the additional report that has been submitted to the audit committee of the parent company and the Group in accordance with the Statutory Audit Regulation No 537/2014 Article 11.

Basis for opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the Group in accordance with professional ethics for accountants in Sweden and have otherwise ful-filled our ethical responsibilities in accordance with these requirements. This includes that, to the best of our knowledge and belief, no prohibited services referred to in the Statutory Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Our audit work

Focus and scope of the audit

We have structured our audit by determining materiality and assessing the risk of material misstatements in the consolidated accounts. In particular, we considered areas in which the CEO and the Board of Directors have made subjective judgments, for example significant accounting estimates that involved making assumptions and forecasts of future events, which are inherently uncertain. As with all audits, we have also addressed the risk of the Board of Directors and the CEO overriding internal controls including, among other matters, consideration of whether there was evidence of bias that represented a material risk of misstatement due to fraud.

We have tailored our audit in order to perform suffient work to enable us to provide an opinion on the consolidated accounts as a whole, taking into account the Group's structure, accounting procedures and controls, and the industry in which the Group operates.

Balco Group AB has 13 subsidiaries located in eight countries in Europe. Most of the Group's business is conducted in Sweden and Denmark, while business in entities in other countries is less extensive. We have focused our audit work on the countries with the largest operations, while operations in other countries have, for the purposes of a group audit, been reviewed to a lesser extent than a full audit.

Materiality

The scope and direction of the audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from any material misstatements. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence economic decisions of users taken on the basis of the financial statements.

Based on our professional assessment, we have determined quantitative thresholds for materiality in the audit of the financial statements of the whole. These, together with qualitative considerations, helped us determine the scope of the audit and the nature, timing and extent of our audit procedures. Quantitative thresholds of materiality are also used to evaluate the effect of any misstatement, both individually and in aggregate, on the financial statements as a whole.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of greater significance in our audit of the annual accounts and consolidated accounts for the relevant period. These matters were addressed in the context of our audit of, and informing our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Key audit matters	How our audit addressed key audit matters
Net sales and percentage of completion On page 68 of the annual accounts and under the heading "Construction contracts", Balco Group describes the revenue recognition accounting principles which the Group applies. Under the principle, anticipated results from projects are reported regularly based on a current calculation and work-up level (percentage of completion). Most of the Group's Net sales in 2017 (totalling SEK 989 million) were reported in accordance with the percentage of completion method. Balco Group describes this in Note 2 and the section 'Revenue recognition' on page 69. The principle entails that reported revenue and profit margin are partially based on estimates and assessments of future results, which involve an inherent uncertainty.	We have tested a selection of Balco's controls in the income recognition process in order to assess the design of the controls and, in certain cases, their efficacy. We have tested that the Company applied its accounting principles consistently with previous years and that the principles are consistent with IFRS. We have tested expenses reported in a selection of projects to ensure that correct expenses are included in project expenses in accordance with the Company's principles. Based on the calculations prepared for each project and which are subsequently regularly updated based on actual results, we have assessed, for a selection of ongoing projects, whether the Company has used its best assessment regarding final profit margin as a basis for income recognition. For a selection of ongoing projects, we have compared forecast total expenses with contracted income to identify whether there was any loss project for which, in such case, provision should have been made. In conjunction with this review, we have also verified the outcome during the year of completed projects to assess the reliability of the Company's own processes. Finally, we have verified that the disclosure in the annual accounts agrees with the opinion we have formed during the audit.

INFORMATION OTHER THAN THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

This document also contains information other than the annual accounts and consolidated accounts, set forth on pages 1-43 and 89-91. The Board of Directors and the CEO are responsible for the other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure, we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If, based on the work performed concerning this information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITY OF THE BOARD OF DIRECTORS AND THE CEO

The Board of Directors and the CEO are responsible for the preparation and fair presentation of the annual accounts and the consolidated accounts in accordance with the Annual Accounts Act and, with respect to the consolidated accounts, in accordance with IFRS as adopted by the EU, and the Annual Accounts Act. The Board of Directors and the CEO are also responsible for such internal controls as they deem necessary to enable preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, the Board of Directors and CEO are responsible for assessment of the Company and the Group's ability to continue as a going concern. They disclose, where appropriate, matters related to going concerns and apply the going concern basis of accounting. The going concern basis of accounting is not, however, applied if the Board of directors and the CEO intend to liquidate the Company, to cease operations or have no realistic alternative to doing so.

The audit committee shall, without prejudice to the responsibilities and tasks in general of the Board of Directors, among other things monitor the Company's financial reporting.

THE AUDITOR'S RESPONSIBILITY

Our objectives are to achieve reasonable assurance as to whether the annual accounts and the consolidated accounts as a whole are free of any material misstatements, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance constitutes a high level of assurance but is not a guarantee that an audit conducted in accordance with ISA and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise due to fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on the website of the Swedish Inspectorate of Auditors: www.revisionsinspektion.se/revisornsansvar. This description constitutes a part of the auditor's report.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of Balco Group AB for 2017 by the Board of Directors and the CEO, as well as proposed appropriations of the Company's profit or loss.

We recommend to the general meeting that the profit be appropriated in accordance with the proposal in the administration report and that the directors and the CEO be granted discharge from liability for the financial year.

Basis for opinions

We have conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in 'The Auditor's responsibilities' section. We are independent of the parent company and the Group in accordance with generally accepted auditing standards in Sweden and have otherwise fulfilled our professional ethics responsibilities in accordance with those requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of directors and CEO

The Board of Directors is responsible for the proposal for appropriations of the Company's profit or loss. A proposed dividend includes, among other things, an assessment of whether the dividend is justified considering the requirements which the nature, scope and risks associated with the business of the Company and the Group impose with respect to the size of the parent company and the Group's equity, need to strengthen the balance sheet, liquidity, and financial position in general.

The Board of Directors is responsible for the Company's organisation and administration of the Company's affairs. This includes, among other things, continuous assessment of the financial circumstances of the company and the Group, and ensuring that the Company's organisation is structured so that the accounting, funds administration and the Company's financial affairs are otherwise controlled in a reassuring manner. The CEO shall attend to the ongoing administration in accordance with guidelines and instructions issued by the Board of Directors and otherwise take such measures as are necessary to ensure that the Company's accounts are maintained in accordance with law and that funds administration is managed in a reassuring manner.

Auditor's responsibility

Our objective with the audit of the administration, and thereby our opinion regarding discharge from liability, is to obtain audit evidence in order, with a reasonable degree of assurance, to assess whether any director or the CEO ha,s in any material respect:

- undertaken any action or been guilty of any omission which can give rise to liability to the Company
- has in any other way acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective with the audit of the proposal regarding appropriations of the Company's profit or loss, and thereby our opinion thereon, is to assess with a reasonable degree of assurance whether the proposal is compatible with the Companies Act.

Reasonable assurance constitutes a high level of assurance but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the Company, or that a proposed appropriations of the Company's profit or loss are not compatible with the Companies Act.

A further description of our responsibility for the audit of the administration is available on the website of the Swedish Inspectorate of Auditors: www.revisionsinspektion.se/ revisornsansvar. This description constitutes a part of the auditor's report.

The auditor's review of the corporate governance report

The Board of Directors is responsible for the corporate governance report on pages 44-57 and that it is prepared in accordance with the Annual Accounts Act.

Our review has taken place in accordance with FAR's opinion RevU 16 The Auditor's review of the corporate governance report. Accordingly, our review of the corporate governance report has a different focus, and is significantly less extensive, than the focus and scope of an audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that this review provides us with a sufficient basis for our opinion.

A corporate governance report has been prepared. Disclosures in accordance with Chapter 6, section 6, second paragraph, subsections 2-6 of the Annual Accounts Act and Chapter 7, section 31, second paragraph of the same Act are consistent with the other parts of the annual accounts and the consolidated accounts.

Öhrlings PricewaterhouseCoopers AB, Torsgatan 21, 113 97 Stockholm, was appointed Balco Group AB's auditor by the general meeting held on 28 April 2017 and has been the Company's auditor since 25 October 2010.

Stockholm, 13 April 2018

Öhrlings PricewaterhouseCoopers AB

Magnus Svensson Henryson
Authorised Public Accountant

ALTERNATIVE KEY RATIOS

In these annual accounts, there are references to a number of measurements of earnings. Some of these measurements are defined in IFRS, while others are alternative measurements that are not reported in accordance with applicable frameworks for financial reporting or other legislation. The measurements are used by Balco to assist both investors and management in analysing the business. Presented below are descriptions of measurements presented in these annual accounts, together with definitions and the reasons they are used.

ALTERNATIVE KEY RATIO	DEFINITION	PURPOSE
Return on equity	Profit for the period divided by average equity attributable to equity holders of the parent company. The average is calculated as the average of the opening balance and closing balance for the period.	The measurement shows the return generated on shareholders' capital invested in the company.
Return on capital employed	Adjusted operating profit (EBIT) divided by average capital employed. The average is calculated as the average of the opening balance and closing balance for the period; see p. 91.	The measurement shows the return generated on capital employed and is used by Balco to monitor the profitability of the business since the measurement relates to capital efficiency.
Return on capital employed excl. goodwill	Adjusted operating profit (EBIT) divided by average capital employed excluding goodwill. The average is calculated as the average of the opening balance and closing balance for the period.	Balco believes that return on capital employed excluding goodwill, together with return on capital employed, shows a comprehensive view of Balco's capital efficiency.
Gross profit	Net sales less production project costs.	Shows the efficiency of Balco's business and, together with EBIT, provides a comprehensive view of ongoing profit generation and cost structure.
Gross margin	Gross profit as a percentage of net sales.	A key ratio used to analyse efficiency and value creation.
EBITDA	Profit before interest, taxes, depreciation and amortisation.	Balco believes EBITDA to be a useful measurement to show profit generated in the ongoing business and a good measurement of cash flow from ongoing business.
External interest-bearing net debt	Interest-bearing net debt excluding shareholder loans. For a reconciliation of net debt, see p. 91.	Balco believes external net debt to be a useful measure to show the Company's total external loan financing.
External interest-bearing net debt relative to adjusted EDITDA	Interest-bearing net debt as a percentage of EBITDA.	Balco believes that this measurement is helpful for showing financial risk and that it is a useful measurement for monitoring the Company's indebtedness.
Adjusted EBITDA	EBITDA adjusted for non-recurring items. For aBalco believes that EBITDA is a useful measurement reconciliation of Adjusted EBITDA against profit for the period, see p. 89.	Balco believes that EBITDA is a useful measurement for showing the profit generated in the ongoing business adjusted for non-recurring items and mainly uses adjusted EBITDA when calculating the Company's operating cash flow and cash generation.
Adjusted EBITDA margin	Adjusted EBITDA as a percentage of net sales.	Balco believes that adjusted EBITDA margin is a useful measurement for showing the profit generated in the ongoing business.
Adjusted operating margin (EBIT)	Adjusted operating profit (EBIT) as a percentage of net sales.	Balco believes that adjusted operating margin (EBIT) is a useful measurement for showing profit generated in the ongoing business after adjustment for non-recurring items.
Adjusted operating profit (EBIT)	Operating profit (EBIT) adjusted for non-recurring items. For a reconciliation of Adjusted operating profit (EBIT) against profit for the period, see p. 91.	Balco thus believes that adjusted operating profit (EBIT) is a useful measurement for showing the profit generated in the ongoing business and primarily uses the measurement to calculate return on capital employed (see above).
Operating cash flow	Adjusted EBITDA increased/decreased by changes in working capital and reduced by investments, excluding expansion investments; see p. 91.	Balco users operating cash flow to monitor the development of the business.
Interest-bearing net debt	Total shareholder loans, non-current and current interest-bearing, liabilities. For a reconciliation of net debt, see p. 91.	Balco believes that net debt is a useful measurement for showing the Group's total loan financing.

Working capital	Current assets, excluding cash and equivalents and current tax assets, reduced by interest-free current liabilities, excluding current tax liabilities.	This measurement shows how much working capital is tied up in the business and can be compared with sales to understand how efficiently working capital is used.
Operating margin (EBIT)	Operating profit (EBIT) as a percentage of net sales.	Balco believes that the operating margin together with sales growth and adjusted working capital is a useful measurement for monitoring the creation of value in the business.
Operating profit (EBIT)	Profit before interest and tax.	Balco believes that operating profit (EBIT) is a useful measurement for showing the profit generated in the ongoing business.
Equity ratio	Equity divided by total assets, see p. 91.	Balco believes that equity ratio is a useful measure for the Company's survival as a going concern.
Capital employed	Equity increased by interest-bearing net debt (external interest-bearing net debt plus shareholder loans.)	Capital employed is used by Balco as a measurement of the Group's overarching capital efficiency.
Capital employed excl. goodwill	Capital employed minus goodwill.	Capital employed excluding goodwill is used by Balco, together with capital employed, as a measurement of the Company's capital efficiency.

RECONCILIATION AGAINST FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS

The financial statements that Balco issues contain alternative key ratios, which complement the measurements defined or specified in applicable financial reporting standards. Alternative key ratios are stated when, in their context, they provide clearer or more in-depth information than the measurements defined in accordance with applicable financial reporting standards. The alternative key ratios are derived from the Company's consolidated financial statements and do not constitute measurements in accordance with IFRS.

Amounts in SEK m	2017	2016
Adjusted operating profit		
Operating profit	92,3	63,6
Expenses, IPO	24,4	2,6
Other non-recurring items	-	16,1
Adjusted operating profit	**116,7**	**82,4**
Adjusted EBITDA		
Adjusted operating profit	116,7	82,4
Amortisation/depreciation	17,1	14,3
Adjusted EBITDA	**133,8**	**96,6**
Operating cash flow		
Adjusted EBITDA	133,8	96,6
Change in working capital	53,7	-8,3
Investments, excluding expansion investments	-4,6	-14,9
Operating cash flow	**182,9**	**73,4**
External interest-bearing net debt		
External long-term interest-bearing net debt	187,7	45,0
Current interest-bearing net debt	8,8	76,6
Cash and cash equivalents	-106,5	-21,7
Interest-bearing net debt	**90,0**	**99,9**
Adjusted EBITDA, (R12)	**133,8**	**96,6**
Interest-bearing net debt/EBITDA 12 months, times	**0,7x**	**1,0x**
Return on capital employed, %		
Equity	386,4	139,5
External interest-bearing net debt	90,0	99,9
Shareholder loans	0	260,1
Average return on capital	**488,0**	**491,3**
Adjusted operating profit (EBIT)	116,7	82,4
Return on capital employed, % (R12)	**23,9**	**16,8**
Equity ratio		
Equity attributable to equity holders of the parent company	386,4	139,5
Total assets	885,4	714,3
Equity ratio, %	**43,6**	**19,5**

BALCO
Balco Group AB
Älgvägen 4, 352 45 Växjö

Design and DTP: Gylling Produktion AB