

Year-end report

2019: Q4 October-December

BALCONIES
FOR
GREATER
LIVING



Strong cash flow, good order intake and increased dividend

The fourth quarter: October – December

- Net sales increased 10 percent to 333 MSEK (304).
- Order intake increased 15 percent to 352 MSEK (305).
- Order backlog increased 26 percent to 1,522 MSEK (1,204).
- Operating profit increased 40 percent to 38 MSEK (27).
- Net profit after tax increased 37 percent to 26 MSEK (19).
- Earnings per share increased to 1.11 SEK before dilution and 1.10 SEK after dilution (0.86).
- Operating cash flow increased to 100 MSEK (28).

The full year 2019: January – December

- Net sales increased 15 percent to 1,221 MSEK (1,058).
- Order intake increased 34 percent to 1,349 MSEK (1,003).
- Operating profit increased 33 percent to 140 MSEK (106).
- Net profit after tax increased 34 percent to 103 MSEK (77).
- Earnings per share increased to 4.81 SEK before dilution and 4.76 SEK after dilution (3.67).
- Operating cash flow increased to 134 MSEK (51).
- The Board of Directors proposes a dividend of 2,50 SEK per share (2,00), an increase of 25 percent.

MSEK	Oct-Dec		Jan-Dec	
	2019	2018	2019	2018
Net sales	333,3	304,2	1 220,6	1 058,1
Order intake	351,7	305,0	1 349,1	1 003,1
Order backlog	1 522,4	1 203,5	1 522,4	1 203,5
Gross profit	80,6	66,5	300,0	253,8
Gross margin %	24,2	21,9	24,6	24,0
Operating profit	37,7	27,0	140,4	105,6
Operating profit margin (EBIT-margin), %	11,3	8,9	11,5	10,0
Adjusted operating profit (EBIT)	37,7	41,6	140,4	120,2
Adjusted operating profit margin (EBIT-margin), %	11,3	13,7	11,5	11,4
Net profit for the period	26,1	19,0	102,8	76,8
Operating cash flow	100,2	28,3	133,9	51,2
Earnings per common share, SEK, before dilution	1,11	0,86	4,81	3,67
Earnings per common share, SEK, after dilution	1,10	0,86	4,76	3,67



KENNETH LUNDAHL, PRESIDENT AND CEO

Our unique sales method, where we help our customers early throughout the process, is the foundation of our stable platform for growth. The market for renovating balconies has a pent-up need and is still strong, as is evident in the number of inquiries, quotations and orders.

Net sales in the quarter increased by 10 percent to 333 MSEK and operating profit improved by 40 percent to 38 MSEK with an operating margin of 11.3 percent.

There have been delays in some major project start-ups where we are still awaiting building permits, which negatively affected organic growth in the fourth quarter as well. However, we had organic growth at the end of the quarter.

Order intake increased by 15 percent during the quarter and amounted to 352 MSEK. The order backlog is 26 percent higher than at the same time last year and amounts to just over 1.5 billion SEK, of which 88 percent is in the renovation segment.

Operating cash flow for the quarter was 100 MSEK. A strong cash flow is a good indication that the projects are up and running and revenue is coming.

The Renovation segment's revenue for the quarter increased by 4 percent to 280 MSEK. Profitability in the segment remains good.

The New Build segment increased its revenue by 18 MSEK in the quarter to 53 MSEK. The biggest project in New Build is our second maritime project, which keeps its profitability target and project plan.

We have solved the problems we had in the Maritime area at the end of 2018 and Maritime has developed into a profitable well-functioning product area with potential for continued growth. The customer is satisfied and we have received new orders.

The acquisition of TBO-Haglinds, which has been with us throughout 2019, has proven to be very successful. We have achieved the synergy effects in purchasing, production and operations that we have anticipated. TBO-Haglinds comple-

ments Balco's product and customer offering and is run as a fully independent company within the Group.

Our sustainability focus meets great interest from customers and investors. The life cycle analysis that we are working on shows that Balco's products have a lifespan of over 90 years and only require two smaller services where wear parts are replaced during this time period.

The energy savings, which are documented by an external party, from a glazed balcony according to the Balco method is 15 to 30 percent. This means that we are carbon dioxide positive after just over 20 years.

Compared to traditional concrete renovation, the Balco method and Balco's products are not only the best solution from an economic point of view and based on the quality of life of the residents, but also the most climate-smart solution.

The possibility of being able to offer 70 years of amortization time when installing Balco's glazed balconies to Swedish tenant-owner associations is of great interest and has led to several new offers. Longer repayment periods lead to lower monthly costs per balcony, which in turn makes our potential market even larger.

We are the market leader in the niche market for balcony renovation where the need and growth potential is great. Our strategy is to invest for further growth in the renovation segment.

The operating cash flow for the full year was 134 MSEK and cash at the end of the year was 119 MSEK. Our financial position gives us room for increased dividend to our shareholders while we are equipped for acquisitions.

Order intake for the year increased by 34 percent and the order backlog of just over 1.5 billion SEK gives us a strong platform for 2020.

With many and large outstanding quotes, a large order backlog and strong financial position as well as exciting development opportunities, the future continues to look positive for us.



“ Strong cash flow, good order intake and large order backlog create a good growth platform for 2020 .



Kenneth Lundahl, President and CEO

Växjö 20 February 2020

Kenneth Lundahl, President and CEO
Balco Group AB

THE GROUP'S DEVELOPMENT

Fourth quarter: October - December

Net sales increased by 10 percent to 333 MSEK (304). The new acquired TBO-Haglinds has contributed with a growth of 15 percent, while the organic growth was negative also in the fourth quarter by 5 percent. This is explained by delayed start-up of some major projects that were previously communicated. The Renovation segment accounted for 280 MSEK (270) of the quarter's net sales, while the New Build segment grew to 53 MSEK (35). Balco's sales development is largely influenced by the time when building permits are obtained, which means that sales between quarters vary.

During the quarter the order intake increased by 15 percent to 352 MSEK (305), of which 8 percent was organic growth. The Renovation segment accounted for 260 MSEK (283) of the order intake for the quarter, while the New Build segment increased to 92 MSEK (22).

The order backlog increased by 26 percent to 1,522 MSEK (1,204), of which 12 percent was organic growth. The order backlog for the Renovation segment increased to 1,339 MSEK (1,050). The order backlog for the New Build segment increased to 183 MSEK (154).

Gross profit improved to 81 MSEK (66), entailing a gross margin of 24 percent (22). The improvement in the gross margin comes mainly from the New Build segment, while the margin for Renovation segment was stable.

Sales costs amounted to 26 MSEK (24) and administrative costs to 17 MSEK (15). The cost increase is explained by strengthened organisation and the acquisition of TBO-Haglinds. Total operating costs amounted to 43 MSEK (39), corresponding to 13 percent (13) of net sales.

Operating profit improved by 40 percent to 38 MSEK (27), corresponding to an operating margin of 11.3 percent (8.9). The improvement in profit is explained by increased sales and improved gross margin.

Net financial items amounted to -4 MSEK (-2). The increase is attributable to increased borrowing in connection with the acquisition of TBO-Haglinds and the adjustment to IFRS 16.

Profit after tax improved by 37 percent to 26 MSEK (19). Earnings per share increased to 1.11 SEK before dilution and 1.10 SEK after dilution (0.86).

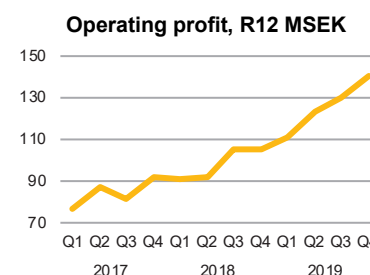
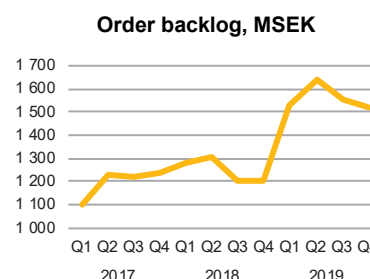
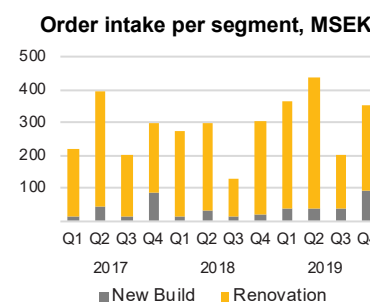
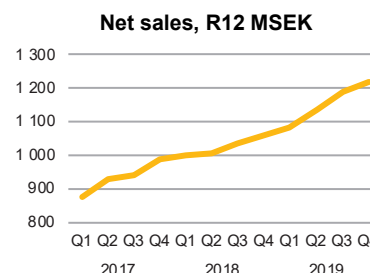
Operating cash flow improved to 100 MSEK (28), where the increase is due to improved operating profit, increased depreciation and reduced working capital. The capital tied up between the quarters is dependent on the different phases of the projects.

The full year: January - December

Net sales grew by 15 percent to 1,221 MSEK (1,058). Acquired growth accounted for 22 percent, while organic growth was negative 6 percent. Net sales for the Renovation segment increased to 1,044 MSEK (948) and for the New Build segment, the net sales grew to 176 MSEK (110).

Order intake increased by 34 percent to 1,349 MSEK (1,003), of which 16 percent was organic growth. Order intake for the Renovation segment grew to 1,147 MSEK (928). Order intake for the New Build segment increased to 202 MSEK (75).

Gross profit improved to 300 MSEK (254), entailing a gross margin of 25 percent (24). The gross margin for the year shows a stable margin in the projects in both operating segments.



Sales costs were unchanged at 94 MSEK (94). Administrative costs amounted to 66 MSEK (54). The cost increase is explained by strengthened organisation and the acquisition of TBO-Haglinds. Total operating costs amounted to 160 MSEK (148), corresponding to 13 percent (14) of net sales.

Operating profit improved to 140 MSEK (106) an increase of 33 percent, corresponding to an operating margin of 11.5 percent (10.0). Increased turnover with improved gross margin and reduced total operating costs share explains operating profit improvement.

Net financial items amounted to -9 MSEK (-6). The increase is attributable to increased borrowing in connection with the acquisition of TBO-Haglinds and the adjustment to IFRS 16.

Profit after tax increased by 34 percent to 103 MSEK (77). Earnings per share increased to 4.81 SEK before dilution and 4.76 SEK after dilution (3.67).

Operating cash flow improved to 134 MSEK (51), due to improved operating profit, increased depreciation and better development of working capital.

DEVELOPMENT PER SEGMENT

	Oct-Dec		Jan-Dec	
	2019	2018	2019	2018
Net sales, MSEK				
Renovation	280,0	269,6	1 044,4	947,7
New Build	53,3	34,6	176,2	110,4
Group other	4,2	4,1	16,1	16,1
Elimination	-4,2	-4,1	-16,1	-16,1
Total Net Sales	333,3	304,2	1 220,6	1 058,1
	Oct-Dec		Jan-Dec	
	2019	2018	2019	2018
Operating profit, MSEK				
Renovation	36,2	36,8	134,6	117,2
New Build	3,0	-11,9	11,5	-10,6
Group other	-1,5	2,1	-5,7	-1,0
Elimination	-	-	-	-
Total EBIT	37,7	27,0	140,4	105,6
	Oct-Dec		Jan-Dec	
	2019	2018	2019	2018
EBIT margin, %				
Renovation	12,9	13,6	12,9	12,4
New Build	5,7	-34,4	6,5	-9,6
Group other	n/a	n/a	n/a	n/a
Elimination	n/a	n/a	n/a	n/a
Total EBIT margin	11,3	8,9	11,5	10,0

Renovation

Net sales grew by 4 percent in the fourth quarter to 280 MSEK (270). The segment accounted for 84 percent of Balco's total sales for the quarter.

Order intake amounted to 260 MSEK (283), which corresponds to 74 percent of the total order intake in the quarter.

Operating profit in the quarter amounted to 36 MSEK (37), corresponding to an operating margin of 12.9 percent (13.6).

For the full year, net sales increased by 10 percent to 1,044 MSEK (948). The segment's share of Balco's total sales was 86 percent

Order intake for the full year increased by 24 percent to 1,147 MSEK (928), which corresponds to 85 percent of total order intake.

The order backlog amounted to 1,339 MSEK (1,050) at the end of December, which corresponds to 88 percent of the total order backlog.

Operating profit for the full year increased to 135 MSEK (117), corresponding to an operating margin of 12.9 percent (12.4)..

Share, renovation
Q4 2019

84%



New Build

Net sales increased in the fourth quarter to 53 MSEK (35). The increase is mainly due to our second maritime project, which follows project plan with planned profitability. The segment accounted for 16 percent of Balco's total sales in the quarter.

Order intake in the quarter increased to 92 MSEK (22), corresponding to 26 percent of total order intake, where a new order within Maritime accounts for the majority.

Operating profit for the quarter improved to 3 MSEK (-12), corresponding to an operating margin of 5.7 percent (-34.4).

Net sales for the full year increased to 176 MSEK (110) corresponding to 14 percent of Balco's total sales.

Order intake for the full year increased to 202 MSEK (75), which corresponds to 15 percent of total order intake.

The order backlog at the end of December amounted to 183 MSEK (154), which corresponds to 12 percent of the total backlog.

Operating profit for the full year improved to 12 MSEK (-11), corresponding to an operating margin of 6.5 percent (-9.6).

Share, new build
Q4 2019

16%

Net sales per customer category, MSEK

	Oct-Dec		Jan-Dec	
	2019	2018	2019	2018
Tenant-owner associations	267,5	213,3	851,6	727,7
Private landlords	15,7	25,7	168,2	111,4
Publicly owned companies	9,6	26,1	59,5	114,0
Construction and manufacturing companies	40,5	39,2	141,3	104,9
Total Net sales	333,3	304,2	1 220,6	1 058,1

OPERATIONS AND SEGMENT DESCRIPTION

Operations

Balco's core expertise is in delivering glazed balconies and balcony solutions under its own brand, primarily to the renovation market and tenant-owner associations. Several advantages are achieved by replacing existing balconies with new glazed balconies in accordance with the Balco method. The method, which involves demolition and rebuilding of the entire balcony, contributes for example to lower energy costs, an enhanced quality of life and an increase in the value of the property. Balco is unique with processes that involve the Company assuming full responsibility and assisting the customer throughout the decision-making and building process, from visualisation and viewing to project planning, production and installation, with subsequent final inspection. Balco is a turnkey balcony supplier offering customised, high-quality balcony solutions irrespective of size and complexity, with short delivery times. Balco's offering is focused on tenant-owner associations, private landlords, municipal housing companies and construction companies in, primarily, Sweden, Norway and Denmark, but also in Germany, Finland, the UK and the Netherlands. Balco is the market leader in Scandinavia within the attractive niche market for balconies. On other markets, Balco enjoys a strong challenger position. TBO-Haglinds acquired in December 2018 is an independent company which is active in the renovation segment in Sweden.

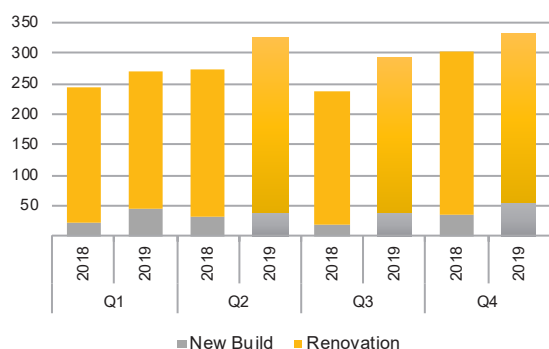
Renovation



Project Storden Stavanger, Norway

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

Net sales per quarter, MSEK



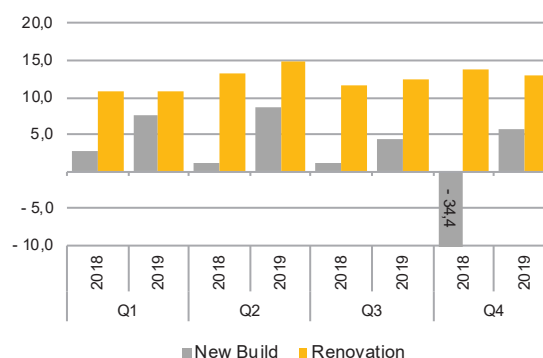
New build



Project cruise ship, Papenburg, Germany

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

Operating margin per quarter, %



FINANCIAL POSITION AND CASH FLOW

Liquidity and financial position

The Group's interest-bearing net debt at the end of the year amounted to 162 MSEK (195). Interest-bearing net debt in relation to adjusted EBITDA amounted to 0.9 times (1.4), which is within the framework of the Group's debt target (not more than 2.5 times). The reduction in debt is due to a very strong cash flow in the fourth quarter of this year. Interest-bearing net debt, excluding leasing liability, in relation to adjusted EBITDA amounted to 0.6 times (1.0).

At the end of the year the Group's equity amounted to 515 MSEK (440). The Group's equity ratio was 46.5 percent (41.4).

MSEK	31-dec 2019	31-dec 2018
External non-current interest-bearing liabilities excl leasing	215,2	228,1
Financial leasing non-current liabilities	35,1	43,2
Current interest-bearing liabilities	10,4	0,7
Financial leasing current liabilities	20,7	9,7
Cash and cash equivalents	-119,4	-87,0
Interest-bearing net debt	161,9	194,7
<i>Interest-bearing net debt excl leasing</i>	<i>106,2</i>	<i>141,8</i>
External interest-bearing net debt/EBITDA (12 months), times	0,9 x	1,4 x
External interest-bearing net debt excl. leasing/EBITDA (12 months), times	0,6 x	1,0 x
Equity/assets ratio, %	46,5	41,4

Cash flow, investments and amortisation/depreciation

For the full year, cash flow from operating activities amounted to 97 MSEK (28), where the improvement comes from improved operating profit and better development of working capital. The capital tied up between the quarters depends on the different phases of the projects.

Cash flow from investing activities during the full year amounted to -11 MSEK (-94), of which -6 MSEK (-8) was replacement investments, -5 MSEK (-15) expansion investments and 0 MSEK (-71) acquisitions of shares in subsidiaries.

Cash flow from financing activities amounted to -54 MSEK (46), of which paid dividends constitute -43 MSEK (-21).

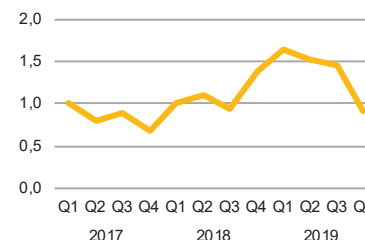
Cash flow for the full year was 33 MSEK (-20), where the difference is mainly due to the acquisition of TBO Haglinds in the fourth quarter last year.

Full-year depreciation amounted to SEK 37 M (20).

The Parent Company

The Parent Company has its registered office in Växjö and conducts operations directly as well as through Swedish and foreign subsidiaries. The Parent Company's operations are focused primarily on strategic development, financial control, corporate governance issues, board work and relations with banks. The result for the full year amounted to 3 MSEK (1).

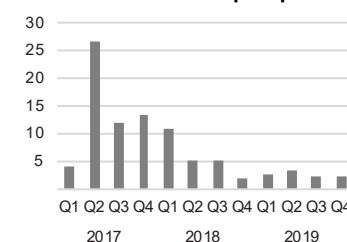
External interest-bearing net debt relative to EBITDA



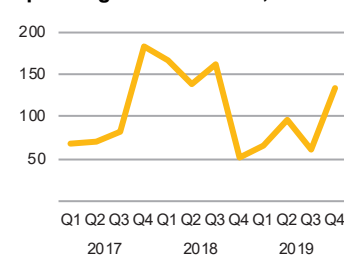
Equity ratio

46.5%

Investments in MSEK per quarter



Operating Cash flow R12, MSEK



OTHER INFORMATION

Employees

At the end of December 2019 Balco had 419 (385) full-time employees. The increase in personnel is mainly due to the acquisition of TBO-Haglinds.

Seasonal variations

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

Shares, share capital and shareholders

At the end of December 2019, there were 21,623,311 shares in Balco, corresponding to a share capital of 129,745,274 SEK. At the end of December 2019, there were 4,504 shareholders. The five largest shareholders were The Family Hamrin, Skandrenting AB, Lannebo Fonder, Segulah and Swedbank Robur fonder.

Related-party transactions

Related parties comprise the Board of Directors, Group management and the CEO. This is due to ownership stakes in Balco and positions as senior executives. Related parties also include the Company's largest shareholders: The Family Hamrin which is represented on the Board of Directors by Carl-Mikael Lindholm and Skandrenting which is represented on the Board of Directors by Johannes Nyberg. Related-party transactions take place on commercial terms. For further information, see the 2018 annual report.

Incentive program

Balco Group AB has a long-term incentive program aimed at the Company's senior executives and additional key employees, in total 39 employees. The aim of the incentive program is to encourage broad share ownership among Balco's employees, to facilitate the recruitment and retention of skilled employees, and to enhance motivation to achieve or exceed the Company's financial goals. For further information, see page 46 in the 2018 annual report.

Annual General Meeting 2020

Balco's Annual General Meeting 2020 will be held on May 14, 2020 at 15:00 at KÖK11, Honnörsgatan 15 in Växjö. Registration starts at 14:30. The Annual Report for 2019 will be published on April 8 on Balco's website www.balcogroup.se.

Dividend

The Board of Directors proposes to the 2020 Annual General Meeting that a dividend be paid of 2,50 SEK per share in respect of the 2019 financial year. The remaining earnings will be carried forward.

Risks and uncertainty factors

The Group is exposed to different types of risks through its operations. The risks can be divided into the following categories: industry and market-related risks, business-related risks and financial risks. Industry and market-related risks include changes in demand due to a weaker economy or other macroeconomic changes, changed prices of raw materials that are of key importance to Balco's production and changed competition or price pressure. Business-related risks include Balco's ability to develop and sell innovative new products and solutions, the Group's ability to attract and retain qualified employees, and the dependence of Balco's profitability on individual project results, i.e. the Group's ability to predict, calculate and deliver the projects within defined financial limits. Financial risks are summarised under financing risk, liquidity risk, credit risk and interest rate risk. Balco's risks and uncertainty factors are described on pages 52-55 and 81-83 of the 2018 annual report. TBO-Haglinds' operations are similar Balco's and thus carry corresponding risks.

Outlook

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

Good order intake, large order backlog and strong financial position provide a good growth platform for 2020, both organically and opportunities for acquisitions.

Sales are affected by the time when building permission is granted. We will continue to be selective within New Build.

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

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

Events during the quarter and since the end of the quarter

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FINANCIAL GOALS

Revenue growth

Balco shall achieve growth of 10 percent per year.

Profitability

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

Capital structure

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

Dividend policy

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

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

Växjö, 20 February 2020

Kenneth Lundahl

President and CEO

This information comprises such information as Balco Group AB is obliged to publish in accordance with the EU Market Abuse Regulation. The information was provided by the contact person below for publication on 20 February 2020 at 07.30 CET.

Telephone conference

An online telephone conference will be held on 20 February at 09:00 CET at which President and CEO Kenneth Lundahl and CFO Michael Grindborn will present the report and answer questions. To participate, please call:

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For more information, please contact:

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Calendar 2019/2020

Interim report Jan-Mar 2020 14 May 2020

Annual General Meeting 2020 14 May 2020

Interim report Jan-Jun 2020 27 August 2020

Interim report Jan-Sep 2020 12 November 2020

Year-end report 2020 18 February 2021

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

MSEK	Note	Oct-Dec		Jan-Dec	
		2019	2018	2019	2018
Net sales		333,3	304,2	1 220,6	1 058,1
Production and project costs		-252,8	-237,7	-920,6	-804,3
Gross profit		80,6	66,5	300,0	253,8
Sales costs		-26,0	-24,4	-94,2	-94,1
Administration costs		-17,2	-15,0	-66,1	-53,9
Other operating income		0,6	0,1	1,6	0,7
Other operating expenses		-0,2	-0,2	-0,9	-0,9
Operating costs		-42,8	-39,5	-159,6	-148,2
Operating profit		37,7	27,0	140,4	105,6
Finance income		0,1	0,0	0,8	0,1
Finance costs		-3,6	-1,7	-9,5	-6,2
Profit before tax		34,2	25,4	131,7	99,5
Income tax		-8,1	-6,4	-28,8	-22,8
Net profit for the period		26,1	19,0	102,8	76,8
Other comprehensive income					
Items that have been/can be reclassified to profit/loss					
Exchange rate differences on translation of foreign operation		-2,3	-0,6	0,2	1,9
Comprehensive income for the period		23,8	18,3	103,0	78,6
Of which attributable to:					
Owners of the parent company		23,8	18,3	103,0	78,6
Earnings per common share, SEK, before dilution	4	1,11	0,86	4,81	3,67
Earnings per common share, SEK, after dilution	4	1,10	0,86	4,76	3,67
Average number of common shares, thousands		21 558,5	21 428,8	21 461,2	21 428,8

CONSOLIDATED BALANCE SHEET IN SUMMARY

MSEK	31-dec 2019	31-dec 2018
ASSETS		
Non-current assets		
Goodwill	401,2	401,1
Other intangible assets	52,9	51,8
Concessions	54,1	-
Property, plant and equipment	134,1	189,9
Financial assets	3,1	5,4
Deferred tax assets	1,8	1,7
Total non-current assets	647,1	649,8
Current assets		
Inventory	26,0	26,4
Trade receivables	135,5	161,6
Contract assets	149,2	116,9
Current tax receivables	3,8	1,6
Other current receivables	24,7	19,8
Cash and cash equivalents	119,4	87,0
Total current assets	458,8	413,4
TOTAL ASSETS	1 105,9	1 063,2
EQUITY AND LIABILITIES		
Equity		
Share capital	129,7	128,6
Additional paid-in capital	393,5	381,8
Retained earnings, incl. profit for year	-8,7	-69,8
Equity attributable to owners of the parent company	514,5	440,5
Non-current liabilities		
Deferred tax liabilities	33,6	27,7
Interest-bearing liabilities to banks	215,2	228,1
Financial lease non-current liabilities	35,1	43,2
Other non-current liabilities	19,4	20,1
Total non-current liabilities	303,3	319,1
Current liabilities		
Interest-bearing liabilities to banks	10,4	0,7
Financial lease current liabilities	20,7	9,7
Contract liabilities	41,4	45,7
Trade payables	122,6	138,5
Current tax liabilities	15,5	24,9
Other liabilities	23,1	27,7
Other accrued expenses and prepaid income	54,3	56,4
Total current liabilities	288,0	303,6
TOTAL EQUITY AND LIABILITIES	1 105,9	1 063,2

As from 2019, assets attributable to leases have been reported as Concessions. The leasing agreements that were previously recognized as assets were recognized in the line of Property, plant and equipment.

CONSOLIDATED CHANGES IN EQUITY IN SUMMARY

MSEK	Share Capital	Additional paid-in capital	Reserves	Retained earnings	Total equity
Opening balance 1 Jan 2018	128,6	381,8	3,1	-127,1	386,4
Impact from implementation of IFRS 15	-	-	-	-3,1	-3,1
Comprehensive income for the period					
Profit for the period	-	-	-	76,8	76,8
Other comprehensive income for the period	-	-	1,9	-	1,9
Total comprehensive income for the period	-	-	1,9	76,8	78,6
Transactions with shareholders in their status as Company owner					
Distributed dividend	-	-	-	-21,4	-21,4
Total transactions with Company owners				-21,4	-21,4
Closing balance 31 Dec 2018	128,6	381,8	5,0	-74,8	440,5
Opening balance 1 Jan 2019	128,6	381,8	5,0	-74,8	440,5
Impact from implementation of IFRS 16	-	-	-	1,0	1,0
Comprehensive income for the period					
Profit for the period	-	-	-	102,8	102,8
Other comprehensive income for the period	-	-	0,2	-	0,2
Total comprehensive income for the period	-	-	0,2	102,8	103,0
Transactions with shareholders in their status as Company owner					
Distributed dividend	-	-	-	-42,9	-42,9
Warrants to shares	1,2	-	-	-	1,2
Proceeds, Warrants	-	11,7	-	-	11,7
Total transactions with Company owners	1,2	11,7	-	-42,9	-30,0
Closing balance 31 Dec 2019	129,7	393,5	5,1	-13,8	514,5

CASH FLOW STATEMENT IN SUMMARY

MSEK	Oct-Dec		Jan-Dec	
	2019	2018	2019	2018
Operating activities				
Operating profit (EBIT)	37,7	27,0	140,4	105,6
Adjustment for non-cash items	9,8	7,6	36,9	21,0
Interest received	0,1	0,0	0,8	0,1
Interest paid	-2,9	-1,7	-8,6	-6,2
Income tax paid	-4,4	-4,6	-34,5	-9,6
Cash flow from operating activities before changes in working capital	40,3	28,4	135,1	110,8
Changes in working capital				
Increase (-)/Decrease (+) in inventories	1,5	1,0	0,4	1,2
Increase (-)/Decrease (+) in operating receivables	44,5	37,5	-9,0	-4,4
Increase (+)/Decrease (-) in operating liabilities	5,4	-55,9	-29,4	-79,7
Cash flow from operating activities	91,7	10,9	97,1	28,0
Investing activities				
Purchase/sale of intangible assets	-1,5	-0,5	-2,1	-1,9
Purchase/sale of property, plant and equipment	-0,7	-1,4	-8,2	-21,1
Purchase/sale of subsidiaries	-	-70,6	-	-70,6
Change in other financial assets	-0,6	-	-0,6	-
Cash flow from investing activities	-2,8	-72,5	-10,9	-93,6
Financing activities				
Changes in bank loans	-1,4	80,4	-0,9	80,0
Changes in financial leasing	-3,2	-1,8	-23,1	-12,5
Changes in other non-current liabilities	-2,0	-0,3	0,6	-
Warrants	7,3	-	11,4	-
Rights issue	1,2	-	1,2	-
Distributed dividend	-	-	-42,9	-21,4
Cash flow from financing activities	1,8	78,3	-53,7	46,1
Cash flow for the period	90,7	16,7	32,5	-19,5
Cash and cash equivalents at beginning of the period	28,6	70,2	87,0	106,5
Exchange rate differential cash and cash equivalents	0,1	0,1	-0,2	0,1
Cash and cash equivalents at end of the period	119,4	87,0	119,4	87,0

KEY RATIOS

MSEK	Oct-Dec		Jan-Dec	
	2019	2018	2019	2018
Net sales	333,3	304,2	1 220,6	1 058,1
Order intake	351,7	305,0	1 349,1	1 003,1
Order backlog	1 522,4	1 203,5	1 522,4	1 280,0
Gross profit	80,6	66,5	300,0	253,8
EBITDA	48,5	32,3	176,9	125,9
Adjusted EBITDA	48,5	46,9	176,9	140,4
Operating profit (EBIT)	37,7	27,0	140,4	105,6
Adjusted operating profit	37,7	41,6	140,4	120,2
Gross profit margin, %	24,2	21,9	24,6	24,0
EBITDA margin, %	14,6	10,6	14,5	11,9
Adjusted EBITDA margin, %	14,6	15,4	14,5	13,3
Operating profit margin (EBIT), %	11,3	8,9	11,5	10,0
Adjusted operating profit margin (EBIT), %	11,3	13,7	11,5	11,4
Operating cash flow	100,2	28,3	133,9	51,2
Operating cash conversion, %	206,4	60,3	75,7	36,5
Capital employed, average	706,6	592,3	655,8	555,8
Capital employed, excl. goodwill, average	305,3	205,5	254,7	169,2
Equity, average	498,2	431,3	477,5	413,4
External interest-bearing net debt	161,9	194,7	161,9	194,7
External interest-bearing net debt/Adjusted EBITDA 12 months, times	0,9	1,4	0,9	1,4
Return on capital employed, %, (12 months)	19,9	20,3	21,4	21,6
Return on capital employed, excl. goodwill, %, (12 months)	46,0	58,5	55,1	71,0
Return on invested capital, %, (12 months)	20,6	18,6	21,5	18,6
Equity/assets ratio, %	46,5	41,4	44,0	42,4
Number of full-time employees on the closing date	419,0	385,0	419,0	385,0
Average number of common shares for the period, 000s	21 558,5	21 428,8	21 461,2	21 428,8
Equity per common share, SEK	23,11	19,68	22,25	19,29

The key ratios for 2018 have not been recalculated according to IFRS 16

PARENT COMPANY, INCOME STATEMENT IN SUMMARY

MSEK	Oct-Dec		Jan-Dec	
	2019	2018	2019	2018
Net sales	3,7	3,8	14,8	15,2
Operating expenses	-4,3	-3,0	-17,5	-11,5
Operating profit	-0,6	0,8	-2,7	3,7
Interest income	0,3	0,2	1,3	0,5
Interest expenses	-1,1	-0,8	-3,3	-3,2
Profit/loss after financial items	-1,3	0,3	-4,7	1,0
Change in untaxed reserves	-	-	9,0	-
Tax	-1,7	-0,1	-0,9	-0,2
Net profit/loss for the period	-3,0	0,2	3,4	0,8

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

PARENT COMPANY, BALANCE SHEET IN SUMMARY

MSEK	31-dec 2019	31-dec 2018
ASSETS		
Non-current assets		
Financial assets	389,7	389,8
Total non-current assets	389,7	389,8
Current assets		
Current receivables	14,9	76,1
Cash and cash equivalents	117,7	23,4
Total current assets	132,5	99,5
TOTAL ASSETS	522,2	489,3
EQUITY AND LIABILITIES		
Equity		
Restricted equity	129,7	128,6
Unrestricted equity	146,0	173,8
Total equity	275,7	302,3
Non-current liabilities	110,0	120,0
Other current liabilities	136,5	67,0
TOTAL EQUITY AND LIABILITIES	522,2	489,3

NOTES

Note 1 Accounting principles

This interim report for the Group has been prepared in accordance with IAS 34 Interim Financial Reporting and relevant provisions of the Swedish Annual Accounts Act. The interim report for the Parent Company has been prepared in accordance with RFR 2 and Chapter 9, Interim Reports, of the Swedish Annual Accounts Act. For the Group, the same accounting policies and computation methods have been applied as in the 2018 annual report, which was prepared in accordance with International Financial Reporting Standards and Interpretations as adopted by the EU with the exception of changes specified below.

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

IFRS 16 Leasing

IFRS 16 “Leases” was published by the IASB in January 2016. The standard has been adopted by the EU and replaces IAS 17 Leases and related interpretations IFRIC 4, SIC-15 and SIC-27. IFRS 16 requires that all assets and liabilities related to all leases be reported in the balance sheet (with the exception of short leases or leases involving low value assets). This reporting is based on the view that the lessee has a right to use an asset during a specific period and, at the same time, an obligation to pay for that right. Consequently, more of the Group’s leases are reported in the balance sheet as from 2019.

Most of the Group’s important leases were already reported as financial leases. In connection with the transition to IFRS 16, a number of additional leases have been included in the consolidated balance sheet as right of use assets and financial liabilities. In respect of leases, depreciation on the leased asset is reported in the income statement, as are interest expenses attributable to the leasing liability. The leased asset is depreciated on a straight-line basis over the useful life of the asset and the length of the lease. The Group has chosen the standard’s C5b alternative with partially retroactive application, without recalculation of comparison figures in conjunction with implementation. The Group’s balance sheet total has increased by 13 MSEK as a consequence of the implementation of IFRS 16. In accordance with the standard, Balco does not report leases where the underlying asset is for a term of less than one year or has a low value as a right of use asset and leasing liability.

The effects in conjunction with the transition to IFRS 16 are shown below.

Adjustment, 1 January 2019	MSEK
Concessions	13.0
Financial leasing liability	-11.8
Effect on net assets before tax	1.2
Deferred tax asset	-0.2
Effect on equity	1.0

The implementation of IFRS 16 has had a marginal impact on the income statement. Operating profit improved marginally, while pre-tax profit marginally.

Note 2 Financial instruments

The financial instruments measured at fair value are forward exchange contracts. Financial assets at fair value amounted to 0.6 MSEK (0.9) at the end of the period while financial liabilities at fair value amounted to 8.0 MSEK (4.4).

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

Note 3 Business segments

Balco reports the following segments:

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

MSEK	Jan-Dec		Renovation		New Build		Group Other		Eliminations		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Net sales – External revenue	1 044,4	947,7	176,2	110,4	-	-	-	-	-	-	1 220,6	1 058,1
Net sales – Internal revenue	-	-	-	-	16,1	16,1	-16,1	-16,1	-	-	-	-
Total sales	1 044,4	947,7	176,2	110,4	16,1	16,1	-16,1	-16,1	-	-	1 220,6	1 058,1
Operating profit (EBIT)	134,6	117,2	11,5	-10,6	-5,7	-1,0	-	-	-	-	140,4	105,6
Depreciation included with	32,1	18,5	4,5	1,8	-	-	-	-	-	-	36,5	20,2
Operating profit (EBIT)	134,6	117,2	11,5	-10,6	-5,7	-1,0	-	-	-	-	140,4	105,6
Finance income	-	-	-	-	0,8	0,1	-	-	-	-	0,8	0,1
Finance cost	-	-	-	-	-9,5	-6,2	-	-	-	-	-9,5	-6,2
Profit before tax	134,6	117,2	11,5	-10,6	-14,4	-7,1	-	-	-	-	131,7	99,5

The figures for 2018 have not been recalculated according to IFRS 16

Note 4 Earnings per share

MSEK	Oct-Dec		Jan-Dec	
	2019	2018	2019	2018
Net profit for the period attributable to the owners of the parent company	23,8	18,3	103,0	78,6
Average number of common shares, 000'	21 558,5	21 428,8	21 461,2	21 428,8
Earnings per common share, SEK, before dilution	1,11	0,86	4,81	3,67
Earnings per common share, SEK, after dilution	1,10	0,86	4,76	3,67

Note 5 Reconciliation with IFRS financial statements

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

MSEK	Oct-Dec		Jan-Dec	
	2019	2018	2019	2018
Adjusted operating profit				
Operating profit	37,7	27,0	140,4	105,6
Forcing cost Maritime	-	13,3	-	13,3
Other non-recurring items	-	1,2	-	1,2
Adjusted operating profit	37,7	41,6	140,4	120,2
Adjusted EBITDA				
Operating profit	37,7	27,0	140,4	105,6
Depreciation	10,8	5,3	36,5	20,2
Forcing costs Maritime	-	13,3	-	13,3
Other non-recurring items	-	1,2	-	1,2
Adjusted EBITDA	48,5	46,9	176,9	140,4
Operating cash flow				
Adjusted EBITDA	48,5	46,9	176,9	140,4
Changes in working capital	51,6	-18,3	-37,7	-81,5
Investments in other non-current assets, net	-	-0,3	-5,3	-7,7
Operating cash flow	100,2	28,3	133,9	51,2
MSEK			31-dec	31-dec
			2019	2018
External interest-bearing net deb				
External non-current interest-bearing liabilities			250,3	272,0
Current interest-bearing liabilities			31,1	9,7
Cash and cash equivalents			-119,4	-87,0
Interest-bearing net debt			161,9	194,7
Adjusted EBITDA (12 months)			176,9	140,4
Interest-bearing net debt/EBITDA 12 months, times			0,9 x	1,4 x
Return on capital employed				
Equity			514,5	440,5
External interest-bearing net debt			161,9	194,7
Average capital employed			655,8	555,8
Adjusted operating profit (EBIT), (12 months)			140,4	120,2
Return on capital employed, %			21,4	21,6
Equity/assets ratio				
Equity attributable to owners of the parent company			514,5	440,5
Total assets			1 105,9	1 063,2
Equity/assets ratio, %			46,5	41,4

ALTERNATIVE PERFORMANCE MEASURES

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

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

Alternative performance measures	Definition	Reason for use
EBIT	Earnings before interest and tax.	Balco believes that EBIT shows the profit generated by the operating activities.
Equity/asset ratio	Equity divided on total assets, see note 5.	Balco believes that equity to asset ratio is a useful measure for the company's survival.
Capital employed	Equity plus interest-bearing net debt (external net debt plus shareholder loan).	Capital employed is used by Balco to indicate the general capital efficiency of the company



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