

Interim report

2019: Q1 January-March

BALCONIES
FOR
GREATER
LIVING



Strong quarter throughout

The first quarter: January – March

- Net sales of 269.9 MSEK (242.6), an increase of 11.3 percent or 27.3 MSEK.
- Order intake of 361.8 MSEK (271.2), an increase of 33.4 percent or 90.6 MSEK.
- Order backlog increased by 100.2 MSEK to 1,528.7 MSEK at the end of the quarter.
- Operating profit of 27.0 MSEK (22.0), an increase of 5.0 MSEK or 23.1 percent.
- Net profit after tax of 19.8 MSEK (15.6), an increase of 4.2 MSEK or 27.5 percent.
- Earnings per share of 0.98 SEK (0.87) before and after dilution.
- Operating cash flow of -7.7 MSEK (-23.4).

Events during the first quarter and after end of the quarter

- The Nomination Committee has proposed that Tomas Johansson be elected as new chairman of the board, since board chairman Lennart Kalén has declined re-election and that Mikael Andersson be elected as a new director in place of Percy Calissendorff, who has declined re-election.
- To strengthen the work concerning Balco's future business development and to more rapidly exploit good growth opportunities the former CFO Fredrik Hall been appointed to Head of Business Development and Michael Grindborn has been recruited as the new CFO.

MSEK	Q1 2019	Q1 2018	Apr-Mar 2018/19	Jan-Dec 2018
Net sales	269,9	242,6	1 085,4	1 058,1
Order intake	361,8	271,2	1 093,6	1 003,1
Order backlog	1 528,7	1 280,0	1 528,7	1 203,5
Gross profit	64,6	60,2	258,2	253,8
Gross margin %	23,9	24,8	23,8	24,0
Operating profit	27,0	22,0	110,7	105,6
Operating profit margin (EBIT-margin), %	10,0	9,1	10,2	10,0
Adjusted operating profit (EBIT)	27,0	22,0	125,2	120,2
Adjusted operating profit margin (EBIT-margin), %	10,0	9,1	11,5	11,4
Net profit for the period	19,8	15,6	81,0	76,8
Operating cash flow	-7,7	-23,4	65,6	49,9



KENNETH LUNDAHL, PRESIDENT AND CEO

Balco is meeting continued strong market demand, as expressed in increased tenders and enquiries as well as an order backlog on a record scale. The growth platform that we have built is proving itself and is contributing to a strong start to the year throughout.

Sales increased 11 percent in the quarter to 270 MSEK, the order backlog increased by 100 MSEK and operating profit increased 23 percent to 27 MSEK.

The order intake in the quarter amounted to 362 MSEK, an increase of 91 MSEK or 33 percent. This was yet another quarter with order intake growth in excess of 25 percent. With a high level of market activity and a buoyant market, we believe that order intake will be strong in the coming quarters.

The acquisition of TBO-Haglinds has made a significant contribution to the positive trend and has exceeded our expectations. TBO-Haglinds complements Balco in terms of both product and customer offering, at the same time as it continues to be operated as an entirely independent company.

Our previously strong order backlog increased by a further 100 MSEK during the quarter and, for the first time, exceeded SEK 1.5 billion, with the Renovation segment accounting for 90 percent of the amount.

The lower order intake experienced in the middle of last year adversely affected sales and organic growth in the quarter. Thanks to the strong order intake of recent quarters, organic growth will recover and is expected to reach 10 percent for the year as a whole.

The Renovation segment in Sweden and Norway has developed well. Operations in Denmark have developed positively and production has been relocated to Poland without any disruptions. Sales within the Renovation segment increased in the quarter by 6 MSEK and reached 225 MSEK. Profitability within the segment remains very good.

Sales within the New Build segment increased by 21 MSEK in the quarter, to 45 MSEK. The largest project within New Build comprised our second maritime project, which is proceeding in accordance with the project plan and on course for achieving its profitability target.

Balco's focus on sustainability issues is encountering great interest from customers and investors. The life cycle analysis we are working on demonstrates that Balco's products have a lifespan greatly in excess of 50 years and result in a documented energy saving effect of up to 30 percent.

Compared with traditional concrete renovation, the Balco method and Balco's products are not only the best solution from a financial perspective, and in terms of the residents' quality of life, but also the most climate-smart solution. This will create entirely new business opportunities for us.

We are the market leader within the balcony renovation niche market, where there is great need and growth potential. Our strategy is to invest in continued growth within the Renovation segment. With many large outstanding offers, a record order backlog and a strong financial position, as well as exciting growth opportunities, I remain positive about the future.



“ Order intake increased by 33% in the quarter and our already record-high order backlog increased by 100 MSEK, to SEK 1.5 billion. We anticipate a continued strong order intake within the Renovation segment in the coming quarters. ”

Kenneth Lundahl, President and CEO

Växjö 21 May 2019

Kenneth Lundahl, President and CEO
Balco Group AB

THE GROUP'S DEVELOPMENT

Sales, order backlog and order intake

Net sales in the first quarter grew by 27.3 MSEK to 269.9 MSEK (242.6) corresponding to 11.3 percent. The new acquired TBO-Haglinds AB has contributed with a growth of 18 percent, while the organic growth was negative by 7 percent. This is essentially due to the weaker order intake in the middle of 2018.

The main markets has developed well during the first quarter. Market conditions on the other markets have been positive. Balco's sales growth is to a large extent affected by when planning permission is granted, and consequently sales fluctuate between quarters.

Order intake during the first quarter amounted to 361.8 MSEK (271.2), an increase of 33.4 percent or 90.6 MSEK. The Renovation segment accounted for 327.7 MSEK (259.0) of the order intake for the quarter, corresponding to an increase of 27 percent while the New Build segment increased to 34.1 MSEK (12.2).

The order backlog grew strongly in the quarter, both organically by 100.7 MSEK and due to the incoming backlog of 224.5 MSEK which was added through the acquisition of TBO-Haglinds AB. Total outgoing backlog is 1,528.7 MSEK, of which 90 percent is attributable to the Renovation Segment.

Earnings

Gross profit in the first quarter increased and amounted to 64.6 MSEK (60.2), entailing a gross margin of 23.9 percent (24.8). The gross margin in the quarter was affected by the larger share of new build in quarter. New build projects has generally lower project margins than renovation projects.

Selling costs in the quarter decreased to 22.5 MSEK (24.8), primarily due to lower wage costs. Balco's strategy is to grow within the Renovation segment, at the same time as selling expenses are analysed regularly.

Administrative expenses in the quarter amounted to 15.4 MSEK (13.4). The underlying cost increase of 2.0 MSEK in the quarter is due to the acquisition of TBO-Haglinds as well as a strengthened organisation.

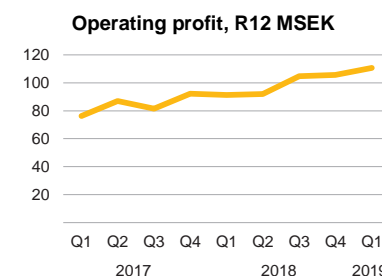
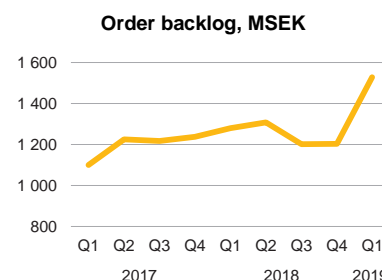
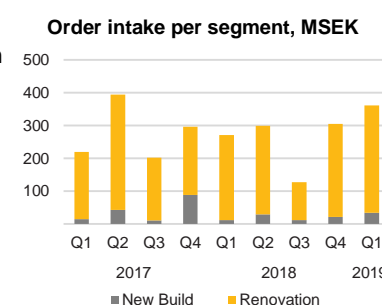
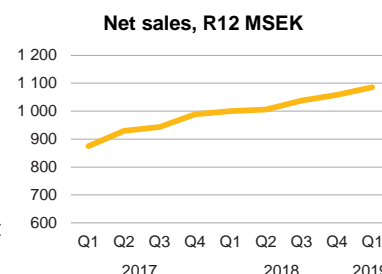
Total operating expenses in the first quarter amounted to 37.6 MSEK (38.2), corresponding to 13.9 percent (15.8) of sales.

The operating profit for the first quarter was 27.0 MSEK (22.0), corresponding to an operating margin of 10.0 percent (9.1). The improvement in earnings is a result of increased sales without any increase in total operating expenses.

Financial expenses during the first quarter amounted to 1.9 MSEK (1.7). The increase is due to increased borrowing in connection with the acquisition of TBO-Haglinds as well as implementation of IFRS 16.

Profit after tax for the quarter amounted to 19.8 MSEK (15.6), corresponding to earnings per share of 0.98 SEK (0.87).

The implementation of IFRS 16 has had a marginal impact on the income statement. Operating profit improved by 0.3 MSEK, while pre-tax profit declined by 0.2 MSEK, since interest expenses have increased by 0.5 MSEK. No recalculation has taken place as regards 2018 and earlier years.



DEVELOPMENT PER SEGMENT

	Q1 2019	Q1 2018	Apr-Mar 2018/19	Jan-Dec 2018
Net sales, MSEK				
Renovation	224,7	218,8	953,6	947,7
New Build	45,2	23,8	131,8	110,4
Group other	3,9	4,0	16,0	16,1
Elimination	-3,9	-4,0	-16,0	-16,1
Total sales	269,9	242,6	1 085,4	1 058,1

	Q1 2019	Q1 2018	Apr-Mar 2018/19	Jan-Dec 2018
Operating profit, MSEK				
Renovation	24,5	23,5	118,3	117,2
New Build	3,4	0,6	-7,9	-10,6
Group other	-0,8	-2,1	0,4	-1,0
Elimination	-	-	-	-
Total EBIT	27,0	22,0	110,7	105,6

	Q1 2019	Q1 2018	Apr-Mar 2018/19	Jan-Dec 2018
EBIT margin, %				
Renovation	10,9	10,7	12,4	12,4
New Build	7,5	2,7	-6,0	-9,6
Group other	n/a	n/a	n/a	n/a
Elimination	n/a	n/a	n/a	n/a
Total EBIT margin	10,0	9,1	10,2	10,0

Renovation

Sales within the renovation business segment grew in the first quarter by 2.7 percent or 5.9 MSEK to 224.7 MSEK (218.8). The segment accounted for 83.3 percent of Balco's total sales in the first quarter. The order intake within the segment increased by 27 percent to 327.7 MSEK (259.0).

Operating profit in the quarter was 24.5 MSEK (23.5), corresponding to an operating margin of 10.9 percent in the quarter (10.7).

The company's focus on growth within the segment continued during the quarter and was further strengthened with the acquisition of TBO-Haglinds AB, which focuses entirely on the renovation segment.

New build

Sales within the new build business segment increased in the first quarter to 45.2 MSEK (23.8). The increase is due to our second maritime project. The segment accounted for 16.7 percent of Balco's total sales in the first quarter. The order intake within the segment increased to 34.1 MSEK (12.2).

Operating profit for the new build segment in the quarter was 3.4 MSEK (0.6), corresponding to an operating margin of 7.5 percent in the quarter (2.7).

Net sales per customer category, MSEK

	Q1 2019	Q1 2018	Apr-Mar 2018/19	Jan-Dec 2018
Tenant-owner associations	179,6	171,9	735,4	727,7
Private landlords	26,3	31,4	106,4	111,4
Publicly owned companies	18,0	18,7	113,3	114,0
Construction and manufacturing companies	45,9	20,6	130,2	104,9
Total Net sales	269,9	242,6	1 085,4	1 058,1

Share, renovation
Q1 2019

83,3%



Share, new build
Q1 2019

16,7%

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 AB 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.

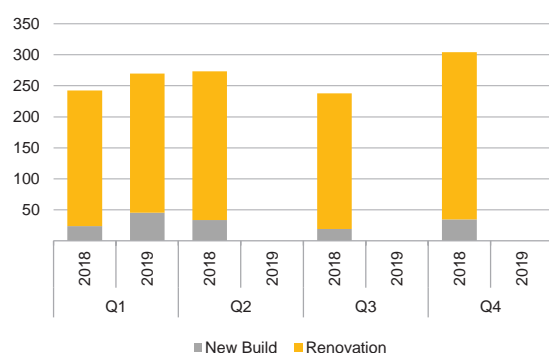
New build



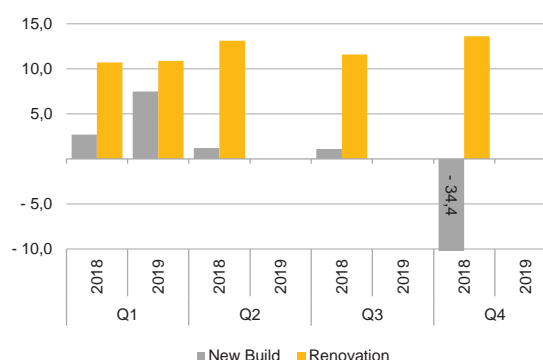
Project luxury cruise ship, Papenburg, Germany

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

Sales growth per quarter, MSEK



Operating margin per quarter, %



FINANCIAL POSITION AND CASH FLOW

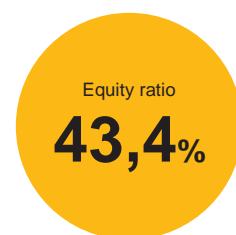
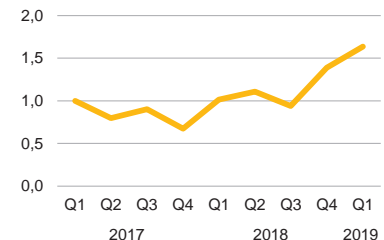
Liquidity and financial position

The Group's interest-bearing net debt at the end of the period amounted to 244.1 MSEK (133.7). Balco's interest-bearing net debt relative to adjusted EBITDA was 1.6 times (1.0), which is within the scope of the Company's indebtedness target (not to exceed 2.5 times). The increase in net debt is related to the acquisition of TBO-Haglinds AB and the implementation of IFRS 16, which has increased the financial lease liabilities with 11.8 MSEK. The Group's interest-bearing net debt, excluding debt related to financial leasing, relative to adjusted EBITDA was 1.2 times (0.6).

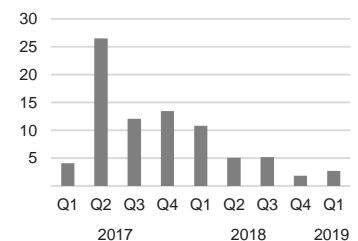
At the end of the quarter the Group's equity amounted to 462.6 MSEK (402.0). The Group's equity ratio was 43.4 percent (45.7). The decrease is due to the increased balance sheet total as a result of the acquisition and the implementation of IFRS 16, which has increased the balance sheet total by 13.0 MSEK.

MSEK	31-mar 2019	31-mar 2018	31-dec 2018
External non-current interest-bearing liabilities excl leasing	224,9	143,2	228,1
Financial leasing non-current liabilities	44,7	47,9	43,2
Current interest-bearing liabilities	0,7	-	0,7
Financial leasing current liabilities	20,7	5,7	9,7
Cash and cash equivalents	-47,0	-63,1	-87,0
Interest-bearing net debt	244,1	133,7	194,7
<i>Interest-bearing net debt excl leasing</i>	<i>178,7</i>	<i>80,1</i>	<i>141,8</i>
External interest-bearing net debt/EBITDA (12 months), times	1,6 x	1,0 x	1,4 x
<i>External interest-bearing net debt excl. leasing/EBITDA (12 months), times</i>	<i>1,2 x</i>	<i>0,6 x</i>	<i>1,0 x</i>
Equity/assets ratio, %	43,4	45,7	41,4

External interest-bearing net debt relative to EBITDA



Investments in MSEK per quarter



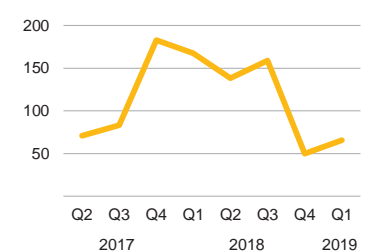
Cash flow, investments and amortisation/depreciation

Cash flow from ongoing activities for the quarter amounted to -29.2 MSEK (-28.6). Improved operating profit and increased amortisation/depreciation made a positive contribution, while increased tax paid reduced cash flow to a corresponding extent. The cash flow from investing activities during the quarter was -2.7 MSEK (-10.8), with 1.9 MSEK comprising replacement investments and 0.8 MSEK expansion investments. Cash flow from financing activities amounted to -8.1 MSEK (-3.8), with the increase being due to changes as regards financial leasing, as a consequence of implementation of IFRS 16. Cash flow for the quarter was in line with the preceding year and amounted to -40.0 (-43.2). Amortisation/ depreciation in the quarter amounted to 8.5 MSEK (4.8).

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 quarter amounted to -0.7 MSEK (0.4). The change in profit is due to increased operating expenses in the quarter.

Cash flow R12, MSEK



OTHER INFORMATION

Employees

At the end of March 2019 Balco had 412 (354) full-time employees. The increase in personnel is mainly due to the acquisition of TBO-Haglinds AB.

Seasonal variations

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

Shares, share capital and shareholders

At the end of March 2019, there were 21,428,773 shares in Balco, corresponding to a share capital of SEK 128,557,685. At the end of March 2019, there were 2,850 shareholders. The five largest shareholders were Segulah IV L.P., Carl-Olof and Jenz Hamrins Stiftelse, Skandrenting AB, Swedbank Robur Fonder and Länsförsäkringar fondförvaltning AB.

Related-party transactions

Related parties comprise the Board of Directors, Group management and the CEO. This is due to ownership stakes in Balco and positions as senior executives. Related parties also include the Company's largest shareholder, Segulah, which is represented on the Board of Directors by Board Chairman Lennart Kalén, Percy Calissendorff and Tomas Johansson, Carl-Olof and Jenz Hamrins Stiftelse 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 49 employees. The aim of the incentive program is to encourage broad share ownership among Balco's employees, to facilitate the recruitment and retention of skilled employees, and to enhance motivation to achieve or exceed the Company's financial targets. In addition to the above incentive program, Segulah has issued call options on Balco shares to the Company's senior executives. The call option program is not expected to result in any costs for the Company. For further information, see page 48 in the 2018 annual report.

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 2017 annual report. TBO-Haglinds AB's operations are similar Balco's and thus carry corresponding risks.

Outlook

Balco is one of a small number of complete balcony suppliers on the market 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.

In the coming quarters we anticipate continued strong order intake within Renovation, which has increased by more than 25 percent in recent quarters, due to a high level of market activity and buoyant demand. We anticipate that the organic rate of growth at the end of the year will be 10 percent, since sales are affected by the time when planning 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 SEK 30 billion 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

The Nomination Committee has proposed that Tomas Johansson be elected as new chairman of the board, since board chairman Lennart Kalén has declined re-election and that Mikael Andersson be elected as a new director in place of Percy Calissendorff, who has declined re-election.

To strengthen the work concerning Balco's future business development and to more rapidly exploit good growth opportunities the former CFO Fredrik Hall been appointed to Head of Business Development and Michael Grindborn has been recruited as the new CFO.

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, 21 May 2019

Kenneth Lundahl

President and CEO

This information comprises such information as Balco Group AB is obliged to publish in accordance with the EU Market Abuse Regulation. The information was provided by the contact person below for publication on 21 May 2019 at 08:00 CET.

Telephone conference

An online telephone conference will be held on 21 May 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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Tel: +46 70 670 18 48

Calendar 2019

Interim report Jan-Jun 2019	27 August 2019
Interim report Jan-Sep 2019	14 November 2019
Interim report Jan-Dec 2019	20 February 2020

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

MSEK	Note	Q1 2019	Q1 2018	Apr-Mar 2018/19	Jan-Dec 2018
Net sales		269,9	242,6	1 085,4	1 058,1
Production and project costs		-205,3	-182,4	-827,1	-804,3
Gross profit		64,6	60,2	258,2	253,8
Sales costs		-22,5	-24,8	-91,8	-94,1
Administration costs		-15,4	-13,4	-55,9	-53,9
Share of profit or loss of associates		-0,0	0,1	-0,1	0,0
Other operating income		0,8	0,3	1,2	0,7
Other operating expenses		-0,4	-0,3	-1,0	-0,9
Operating costs		-37,6	-38,2	-147,5	-148,2
Operating profit		27,0	22,0	110,7	105,6
Finance income		0,1	0,0	0,1	0,1
Finance costs		-1,9	-1,7	-6,5	-6,2
Profit before tax		25,2	20,3	104,4	99,5
Income tax		-5,3	-4,7	-23,3	-22,8
Net profit for the period		19,8	15,6	81,0	76,8
Other comprehensive income					
Items that have been/can be reclassified to profit/loss					
Exchange rate differences on translation of foreign operation		1,2	3,1	-0,0	1,9
Comprehensive income for the period		21,1	18,7	81,0	78,6
Of which attributable to:					
Owners of the parent company		21,1	18,7	81,0	78,6
Earnings per common share, SEK, before dilution	4	0,98	0,87	3,78	3,67
Earnings per common share, SEK, after dilution	4	0,98	0,87	3,78	3,67
Average number of common shares, thousands		21 428,8	21 428,8	21 428,8	21 428,8

CONSOLIDATED BALANCE SHEET IN SUMMARY

MSEK	31-mar 2019	31-mar 2018	31-dec 2018
ASSETS			
Non-current assets			
Goodwill	401,2	372,3	401,1
Other intangible assets	53,0	11,9	51,8
Concessions	61,3	-	-
Property, plant and equipment	140,2	141,2	189,9
Financial assets	4,3	4,3	5,4
Deferred tax assets	2,4	1,8	1,7
Total non-current assets	662,5	531,6	649,8
Current assets			
Inventory	26,7	21,4	26,4
Trade receivables	165,1	129,7	161,6
Contract assets	145,0	117,9	116,9
Current tax receivables	2,7	1,4	1,6
Other current receivables	17,9	14,9	19,8
Cash and cash equivalents	47,0	63,1	87,0
Total current assets	404,5	348,4	413,4
TOTAL ASSETS	1 067,0	880,0	1 063,2
EQUITY AND LIABILITIES			
Equity			
Share capital	128,6	128,6	128,6
Additional paid-in capital	381,8	381,8	381,8
Retained earnings, incl. profit for year	-47,7	-108,4	-69,8
Equity attributable to owners of the parent company	462,6	402,0	440,5
Non-current liabilities			
Deferred tax liabilities	27,7	4,8	27,7
Interest-bearing liabilities to banks	224,9	143,2	228,1
Financial lease non-current liabilities	44,7	47,9	43,2
Other non-current liabilities	19,2	-	20,1
Total non-current liabilities	316,5	195,9	319,1
Current liabilities			
Interest-bearing liabilities to banks	0,7	-	0,7
Financial lease current liabilities	20,7	5,7	9,7
Contract liabilities	52,1	65,9	45,7
Trade payables	116,0	107,5	138,5
Current tax liabilities	9,3	15,6	24,9
Other liabilities	32,4	31,0	27,7
Other accrued expenses and prepaid income	56,5	56,4	56,4
Total current liabilities	287,8	282,1	303,6
TOTAL EQUITY AND LIABILITIES	1 067,0	880,0	1 063,2

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				15,6	15,6
Other comprehensive income for the period			3,1		3,1
Total comprehensive income for the period			3,1	15,6	18,7
Closing balance 31 Mar 2018	128,6	381,8	6,2	-114,6	402,0
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				19,8	19,8
Other comprehensive income for the period			1,2		1,2
Total comprehensive income for the period		-	1,2	19,8	21,1
Closing balance 31 Mar 2019	128,6	381,8	6,2	-53,9	462,6

CASH FLOW STATEMENT IN SUMMARY

MSEK	Q1 2019	Q1 2018	Apr-Mar 2018/19	Jan-Dec 2018
Operating activities				
Operating profit (EBIT)	27,0	22,0	110,7	105,6
Adjustment for non-cash items	8,5	4,6	24,9	21,0
Interest received	0,1	0,0	0,1	0,1
Interest paid	-1,9	-1,6	-6,5	-6,2
Income tax paid	-22,0	-3,1	-28,5	-9,6
Cash flow from operating activities before changes in working capital	11,7	21,8	100,7	110,8
Changes in working capital				
Increase (-)/Decrease (+) in inventories	-0,3	-0,3	1,2	1,2
Increase (-)/Decrease (+) in operating receivables	-27,7	-26,2	-6,0	-4,4
Increase (+)/Decrease (-) in operating liabilities	-12,8	-23,9	-68,6	-79,7
Cash flow from operating activities	-29,2	-28,6	27,4	28,0
Investing activities				
Purchase/sale of intangible assets	-0,2	-0,3	-1,9	-1,9
Purchase/sale of property, plant and equipment	-2,5	-10,6	-13,0	-21,1
Purchase/sale of subsidiaries	-	-	-70,6	-70,6
Cash flow from investing activities	-2,7	-10,8	-85,5	-93,6
Financing activities				
Proceeds from loans	8,8	-	88,8	80,0
Changes in financial leasing	-17,9	-2,9	-27,5	-12,5
Changes in current financial liabilities	1,0	-0,8	1,9	-
Distributed dividend	-	-	-21,4	-21,4
Cash flow from financing activities	-8,1	-3,8	41,8	46,1
Cash flow for the period	-40,0	-43,2	-16,3	-19,5
Cash and cash equivalents at beginning of the period	87,0	106,5	63,1	106,5
Exchange rate differential cash and cash equivalents	-0,1	-0,2	0,2	0,1
Cash and cash equivalents at end of the period	47,0	63,1	47,0	87,0

KEY RATIOS

MSEK	Q1 2019	Q1 2018	%	Apr-Mar 2018/19	Jan-Dec 2018
Net sales	269,9	242,6	11%	1 085,4	1 058,1
Order intake	361,8	271,2	33%	1 093,6	1 003,1
Order backlog	1 528,7	1 280,0	19%	1 528,7	1 203,5
Gross profit	64,6	60,2	7%	258,2	253,8
EBITDA	35,5	26,7	33%	134,7	125,9
Adjusted EBITDA	35,5	26,7	33%	149,2	140,5
Operating profit (EBIT)	27,0	22,0	23%	110,7	105,6
Adjusted operating profit	27,0	22,0	23%	125,2	120,2
Gross profit margin, %	23,9	24,8		23,8	24,0
EBITDA margin, %	13,2	11,0		12,4	11,9
Adjusted EBITDA margin, %	13,2	11,0		13,8	13,3
Operating profit margin (EBIT), %	10,0	9,1		10,2	10,0
Adjusted operating profit margin (EBIT), %	10,0	9,1		11,5	11,4
Operating cash flow	-7,7	-23,4	-67%	65,6	49,9
Operating cash conversion, %	-21,7	-87,5		44,0	35,6
Capital employed, average	670,9	506,0	33%	621,2	555,8
Capital employed, excl. goodwill, average	269,8	133,8	102%	234,4	169,2
Equity, average	451,6	394,2	15%	432,3	413,4
External interest-bearing net debt	244,1	133,7	83%	244,1	194,7
External interest-bearing net debt/Adjusted EBITDA 12 months, times	1,6	1,0	61%	1,6	1,4
Return on capital employed, %, (12 months)	18,7	22,6	-17%	20,2	21,6
Return on capital employed, excl. goodwill, %, (12 months)	46,4	85,5	-46%	53,4	71,0
Return on invested capital, %, (12 months)	17,9	12,9	39%	18,7	18,6
Equity/assets ratio, %	43,4	45,7	-5%	41,4	43,6
Number of full-time employees on the closing date	412	354	16%	412	385
Average number of common shares for the period, 000s	21 428,8	21 428,8	0%	21 428,8	21 428,8
Equity per common share, SEK	21,07	18,39		20,17	19,29

PARENT COMPANY, INCOME STATEMENT IN SUMMARY

MSEK	Q1 2019	Q1 2018	Apr-Mar 2018/19	Jan-Dec 2018
Net sales	3,7	3,8	15,1	15,2
Operating expenses	-4,0	-2,5	-13,0	-11,5
Operating profit	-0,3	1,3	2,1	3,7
Interest income	0,2	0,1	0,7	0,5
Interest expenses	-0,8	-0,8	-3,1	-3,2
Profit/loss after financial items	-0,9	0,5	-0,3	1,0
Tax	0,2	-0,1	0,1	-0,2
Net profit/loss for the period	-0,7	0,4	-0,3	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-mar 2019	31-mar 2018	31-dec 2018
ASSETS			
Non-current assets			
Financial assets	389,8	390,0	389,8
Total non-current assets	389,8	390,0	389,8
Current assets			
Current receivables	81,3	64,2	76,1
Cash and cash equivalents	18,4	58,5	23,4
Total current assets	99,7	122,7	99,5
TOTAL ASSETS	489,5	512,7	489,3
EQUITY AND LIABILITIES			
Restricted equity	128,6	128,6	128,6
Unrestricted equity	173,1	194,8	173,8
Total equity	301,7	323,4	302,3
Non-current liabilities	120,0	120,0	120,0
Other current liabilities	67,9	69,3	67,0

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 –8 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
Property, plant and equipment / 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

Note 2 Financial instruments

The financial instruments measured at fair value are forward exchange contracts. Financial assets at fair value amounted to 0.3 MSEK (0.0) at the end of the period while financial liabilities at fair value amounted to 6.4 MSEK (10.7).

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

Note 3 Business segments

Balco reports the following segments:

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

Jan-Mar MSEK	Renovation		New Build		Group Other		Eliminations		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Net sales – External revenue	224,7	218,8	45,2	23,8	-	-	-	-	269,9	242,6
Net sales – Internal revenue	-	-	-	-	3,9	4,0	-3,9	-4,0	-	-
Total sales	224,7	218,8	45,2	23,8	3,9	4,0	-3,9	-4,0	269,9	242,6
Operating profit (EBIT)	24,5	23,5	3,4	0,6	-0,8	-2,1	-	-	27,0	22,0
Depreciation included with	7,3	4,5	1,2	0,3	-	-	-	-	8,5	4,8
Adjusted operating profit (EBIT)	24,5	23,5	3,4	0,6	-0,8	-2,1	-	-	27,0	22,0
Operating profit (EBIT)	24,5	23,5	3,4	0,6	-0,8	-2,1	-	-	27,0	22,0
Finance income	-	-	-	-	0,1	0,0	-	-	0,1	0,0
Finance cost	-	-	-	-	-1,9	-1,7	-	-	-1,9	-1,7
Profit before tax	24,5	-	3,4	-	-2,7	-3,8	-	-	25,2	20,3

Note 4 Earnings per share

MSEK	Q1 2019	Q1 2018	Apr-Mar 2018/19	Jan-Dec 2018
Net profit for the period attributable to the owners of the parent company	21,1	18,7	81,0	78,6
Less return on preference shares	-	-	-	-
Profit for the period after return on preference shares	21,1	18,7	81,0	78,6
Average number of common shares, 000'	21 428,8	21 428,8	21 428,8	21 428,8
Earnings per common share, SEK, before dilution	0,98	0,87	3,78	3,67
Earnings per common share, SEK, after dilution	0,98	0,87	3,78	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	Q1 2019	Q1 2018	Apr-Mar 2018/19	Jan-Dec 2018
Adjusted operating profit				
Operating profit	27,0	22,0	110,7	105,6
Forcing cost Maritime	-	-	13,3	13,3
Other non-recurring items	-	-	1,2	1,2
Adjusted operating profit	27,0	22,0	125,2	120,2
Adjusted EBITDA				
Operating profit	27,0	22,0	110,7	105,6
Depreciation	8,5	4,8	24,0	20,2
Forcing costs Maritime	-	-	13,3	13,3
Other non-recurring items	-	-	1,2	1,2
Adjusted EBITDA	35,5	26,7	149,2	140,4
Operating cash flow, SEK M				
Adjusted EBITDA	35,5	26,7	149,2	140,4
Changes in working capital	-41,3	-48,2	-75,8	-82,7
Investments in other non-current assets, net	-1,9	-1,9	-7,8	-7,7
Operating cash flow, SEK M	-7,7	-23,4	65,6	49,9
MSEK	31-mar 2019	31-mar 2018	31-dec 2018	
External interest-bearing net debt, SEK M				
External non-current interest-bearing liabilities	269,6	191,1	272,0	
Current interest-bearing liabilities	21,5	5,7	9,7	
Cash and cash equivalents	-47,0	-63,1	-87,0	
Interest-bearing net debt	244,1	133,7	194,7	
Adjusted EBITDA (12 months)	149,2	132,0	140,4	
Interest-bearing net debt/EBITDA 12 months, times	1,6 x	1,0 x	1,4 x	
Return on capital employed, %				
Equity	462,6	402,0	440,5	
External interest-bearing net debt	244,1	133,7	194,7	
Average capital employed	621,2	506,0	555,8	
Adjusted operating profit (EBIT), (12 months)	125,2	114,4	120,2	
Return on capital employed, %	20,2	22,6	21,6	
Equity/assets ratio, %				
Equity attributable to owners of the parent company	462,6	402,0	440,5	
Total assets	1 067,0	880,0	1 063,2	
Equity/assets ratio, %	43,4	45,7	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 amortisation.	Balco believes that EBITDA shows the profit generated by the operating activities and is a good measure of cash flow from operations.
External interest-bearing net debt	Interest-bearing net Debt excluding the Shareholder Loan. For a reconciliation of Net Debt for the periods, see note 5.	Balco believes that external interest-bearing net debt is a useful measure for showing the Company's total external debt financing.
External interest-bearing net debt 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.

Alternative performance measures	Definition	Reason for use
EBIT margin	EBIT as a percentage of net sales.	Balco believes EBIT margin is a useful measure together with net sales growth and net working capital to monitor value creation.
EBIT	Earnings before interest and tax.	Balco believes that EBIT shows the profit generated by the operating activities.
Equity/asset ratio	Equity divided on total assets, see note 5.	Balco believes that equity to asset ratio is a useful measure for the Company's survival.
Capital employed	Equity plus interest-bearing net debt (external net debt plus shareholder loan).	Capital employed is used by Balco to indicate the general capital efficiency of the Company
Capital employed excluding goodwill	Capital employed less goodwill.	Capital employed excluding goodwill together with capital employed is used by Balco to indicate the capital efficiency of the Company



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