

# Interim report

2020: Q2 April-June

BALCONIES  
FOR  
GREATER  
LIVING



## Best revenue and profit so far

### The second quarter: April – June

- Net sales increased 8 percent to 352 MSEK (325).
- Order intake amounted to 278 MSEK (436).
- Order backlog amounted to 1,469 MSEK (1,641).
- Operating profit increased 12 percent to 49 MSEK (44).
- Net profit after tax increased 10 percent to 37 MSEK (34).
- Earnings per share amounted to 1.62 SEK (1.64).
- Operating cash flow increased to 86 MSEK (43).

### The half-year period: January – June

- Net sales increased 13 percent to 673 MSEK (595).
- Order intake amounted to 618 MSEK (798).
- Operating profit increased 17 percent to 84 MSEK (71).
- Net profit after tax increased 16 percent to 62 MSEK (54).
- Earnings per share increased 9 percent to 2.85 SEK (2.62).
- Operating cash flow increased to 90 MSEK (35).

### Events during the second quarter and after end of the quarter

- Covid-19 has affected Balco's order intake in the first and second quarters as general meetings have been postponed. In other respects, operations have functioned normally except some extra costs on construction sites and freight.
- During the quarter, Balco received large orders in the Netherlands and the United Kingdom.

MSEK	Apr-Jun		Jan-Jun		Jul-Jun	Jan-Dec
	2020	2019	2020	2019	2019/20	2019
Net sales	351,7	325,0	672,9	594,9	1 298,7	1 220,6
Order intake	277,7	436,2	618,3	798,0	1 169,4	1 349,1
Order backlog	1 468,8	1 640,9	1 468,8	1 640,9	1 468,8	1 522,4
Gross profit	94,4	87,4	174,8	152,0	322,8	300,0
Gross margin %	26,8	26,9	26,0	25,6	24,9	24,6
Operating profit	49,4	44,3	83,7	71,3	152,7	140,4
Operating profit margin (EBIT-margin), %	14,1	13,6	12,4	12,0	11,8	11,5
Adjusted operating profit (EBIT)	49,4	44,3	83,7	71,3	152,7	140,4
Adjusted operating profit margin (EBIT-margin), %	14,1	13,6	12,4	12,0	11,8	11,5
Net profit for the period	37,0	33,7	62,1	53,6	111,4	102,8
Operating cash flow	85,6	42,6	90,5	34,9	189,4	133,9
Earnings per common share, SEK, before dilution	1,62	1,64	2,85	2,62	5,04	4,81
Earnings per common share, SEK, after dilution	1,62	1,64	2,85	2,62	5,03	4,80



## KENNETH LUNDAHL, PRESIDENT AND CEO

Balco and its employees have handled the challenges that Covid-19 has brought in an impressive way. The quarter was Balco's best so far in terms of net sales, operating profit and operating margin, as well as really strong cash flow.

Balco's management continuously monitors developments in the countries in which we operate and does everything possible to fulfill the commitments we have to our customers and to ensure both the health of our employees and our operations. No short-term layoffs have been carried out and we have not received any grants or other support linked to Covid-19.

All production units have always been and are in full operation and the projects are running largely according to plan, but the installation has been delayed in some markets. We have been hit by some extra costs in measuring and installation to try to limit the spread of infection. The entire organization have been flexible and have found solutions to be able to carry out their work as normal as possible.

We have been able to parry most of the government decisions in the various countries so that we have continued to serve our customers. However, sales and marketing have been affected by postponed fairs and meetings, as well as some difficulties in getting the desired meetings. Interest, however, remains unchanged and the offer backlog is record-high.

Our order intake was 278 MSEK and the order backlog is 1.5 billion SEK. We have had a delay in order intake during March to May, due to restrictions on meeting sizes in different countries, which we estimate has affected our order intake by approximately 200 MSEK. We have introduced a number of measures regarding visiting opportunities and have, among other things, conducted meetings outdoors. Creativity is great for making our customers happy. We believe that most of the loss in order intake during the first half of the year will be taken back during the second half of the year.

Net sales in the quarter increased by 8 percent to 352 MSEK and operating profit improved by 12 percent to 49 MSEK with an operating margin of 14.1 percent. This is our best quarter to date in terms of net sales as well as operating profit and operating margin. Operating cash flow was a strong 86 MSEK in the quarter.

The renovation segment's net sales increased by 14 percent to 326 MSEK and the operating margin within the segment was 15.5 percent in the quarter. The new build segment had a turnover of 26 MSEK with improved operating margin which amounted to 10 percent.

Our sustainability work has a high priority and during the quarter we conducted a stakeholder analysis and materiality analysis. The work to achieve our new sustainability goal is ongoing. We will reduce our initial negative climate footprint per balcony by 20 percent until the end of 2021 and thus become carbon dioxide positive 5 to 10 years faster than today, as we are carbon dioxide positive after 30 to 50 years.

Balco's glazed balconies have a lifespan of over 90 years and require only two minor service occasions where wear parts are replaced during this time period. The annual energy savings from a glazed balcony according to the Balco method is 15 to 30 percent. This is documented by external parties. Now there is also documentation that our City Balconies have a lifespan of over 70 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.

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 future looks positive for Balco, despite the continued Corona spread. Large offer backlog, large order backlog, strong financial position, and exciting development and acquisition opportunities provide continued growth opportunities.



“ Best quarter so far in terms of net sales, operating profit and operating margin, as well as really strong cash flow despite the challenges that Covid-19 has brought. We believe that most of the loss in order intake during the first half of the year will be taken back during the second half of the year. ”

*Kenneth Lundahl, President and CEO*

Växjö 27 August 2020

Kenneth Lundahl, President and CEO  
Balco Group AB

## THE GROUP'S DEVELOPMENT

### Second quarter: April - June

Net sales increased by 8 percent to 352 MSEK (325). Revenue for the renovation segment increased to 326 MSEK (285), while the new build segment accounted for 26 MSEK (40). Balco's net sales development is largely influenced by the time when building permits are obtained, which means that net sales between quarters vary.

The order intake amounted to 278 MSEK (436). The renovation segment accounted for 273 MSEK (397) of the order intake for the quarter, while the order intake of the new build segment was 5 MSEK (39). Order intake has been affected by restrictions on meeting sizes in different countries.

The order backlog amounted to 1,469 MSEK (1,641). The order backlog for the Renovation segment amounted to 1,267 MSEK (1,499), while the order backlog for the New Build segment was 202 MSEK (142).

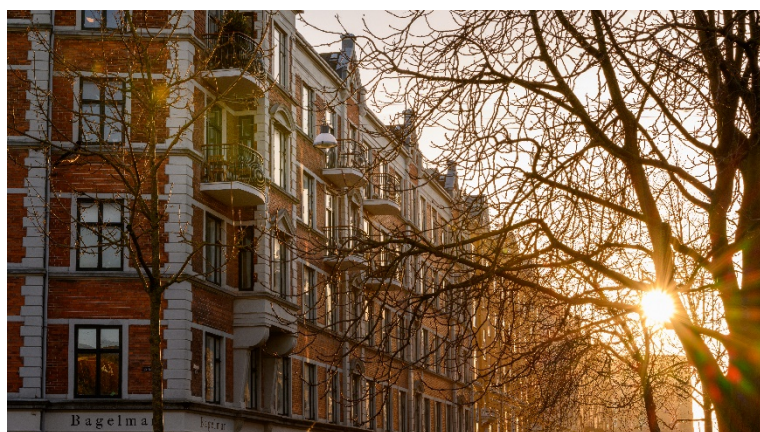
Gross profit improved to 94 MSEK (87), entailing a gross margin of 26,8 percent (26,9). The gross margin has been stable despite the increased costs of measurement and installation as well as express freight caused by Covid-19.

Sales costs amounted to 27 MSEK (26) and administrative costs to 18 MSEK (17). The cost increase is explained by increased market initiatives with a strengthened organization. Total operating costs amounted to 45 MSEK (43), corresponding to 12,8 percent (13,3) of net sales.

Operating profit improved by 12 percent to 49 MSEK (44), corresponding to an operating margin of 14,1 percent (13,6). The improvement in profit is explained by increased net sales, stable gross margin and good cost control.

Net financial items amounted to -3 MSEK (-2). The change is due to increased market interest rates. Profit after tax improved by 10 percent to 37 MSEK (34), corresponding to an earnings per share of 1,62 SEK (1,64).

Operating cash flow improved to 86 MSEK (43), where the increase is due to improved operating profit and decreased working capital. The capital tied up between the quarters is dependent on the different phases of the projects.



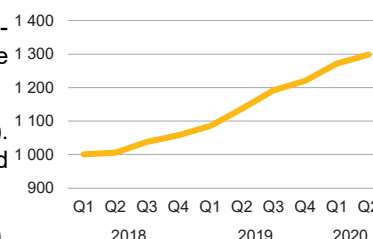
### The half-year period: January - June

Net sales grew by 13 percent to 673 MSEK (595). Net sales for the renovation segment increased by 19 percent to 607 MSEK (510) and for the new build segment net sales amounted to 66 MSEK (85).

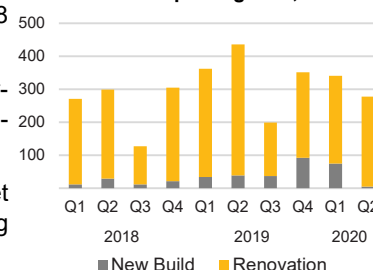
Order intake amounted to 618 MSEK (798). Order intake for the renovation segment amounted to 538 MSEK (725). Order intake for the new build segment grew to 80 MSEK (73).



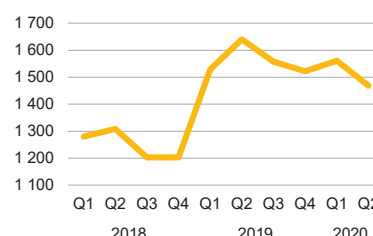
Net sales, R12 MSEK



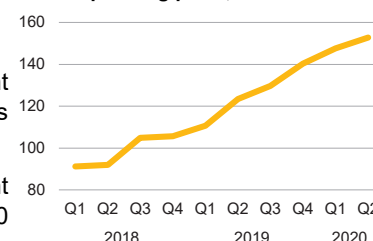
Order intake per segment, MSEK



Order backlog, MSEK



Operating profit, R12 MSEK



Gross profit increased by 23 MSEK to 175 MSEK (152), entailing a gross margin of 26.0 percent (25.6). The improvement in the gross margin comes mainly from better occupancy in production and operations, which provides improved efficiency.

Operating profit improved by 17 percent to 84 MSEK (71) corresponding to an operating margin of 12.4 percent (12.0). Increased net sales with improved gross margin explains the improvement.

The net financial items amounted to -5 MSEK (-3). The change is due to increased market interest rates. Profit after tax increased by 16 percent to 62 MSEK (54), corresponding to earnings per share of 2.85 SEK (2.62).

Operating cash flow improved to 90 MSEK (35), due to improved operating profit and working capital.

## DEVELOPMENT PER SEGMENT

Net sales, MSEK	Apr-Jun		Jan-Jun		Jul-Jun	Jan-Dec
	2020	2019	2020	2019	2019/20	2019
Renovation	325,5	284,9	607,1	509,6	1 141,9	1 044,4
New Build	26,3	40,1	65,8	85,2	156,8	176,2
Group other	3,6	4,1	9,2	8,0	17,2	16,1
Elimination	-3,6	-4,1	-9,2	-8,0	-17,2	-16,1
<b>Total Net Sales</b>	<b>351,7</b>	<b>325,0</b>	<b>672,9</b>	<b>594,8</b>	<b>1 298,7</b>	<b>1 220,6</b>

Operating profit, MSEK	Apr-Jun		Jan-Jun		Jul-Jun	Jan-Dec
	2020	2019	2020	2019	2019/20	2019
Renovation	50,5	42,4	82,2	66,9	149,8	134,6
New Build	2,6	3,5	5,6	6,9	10,2	11,5
Group other	-3,7	-1,7	-4,1	-2,5	-7,3	-5,7
Elimination	-	-	-	-	-	-
<b>Total EBIT</b>	<b>49,4</b>	<b>44,3</b>	<b>83,7</b>	<b>71,3</b>	<b>152,7</b>	<b>140,4</b>

EBIT margin, %	Apr-Jun		Jan-Jun		Jul-Jun	Jan-Dec
	2020	2019	2020	2019	2019/20	2019
Renovation	15,5	14,9	13,5	13,1	13,1	12,9
New Build	10,0	8,8	8,5	8,1	6,5	6,5
Group other	n/a	n/a	n/a	n/a	n/a	n/a
Elimination	n/a	n/a	n/a	n/a	n/a	n/a
<b>Total EBIT margin</b>	<b>14,1</b>	<b>13,6</b>	<b>12,4</b>	<b>12,0</b>	<b>11,8</b>	<b>11,5</b>

Share, renovation  
Q2 2020

**93%**



## Renovation

Net sales grew in the quarter by 14 percent to 326 MSEK (285). The segment accounted for 93 percent of Balco's total turnover in the quarter.

Order intake amounted to 273 MSEK (397), corresponding to 98 percent of the total order intake in the quarter.

Operating profit in the quarter increased by 19 percent to 50 MSEK (42), corresponding to an improved operating margin of 15.5 percent (14.9).

For the half-year period net sales increased by 19 percent to 607 MSEK (510). Operating profit for the period improved by 23 percent to 82 MSEK (67) corresponding to an operating margin of 13.5 percent (13.1). The segment accounted for 90 percent of Balco's total net sales in the half-year period.

Order intake during the first half-year amounted to 538 MSEK (725), corresponding to 87 percent of the total order intake.

The order backlog for the segment amounted to 1,267 MSEK (1,499) as of last June, corresponding to 86 percent of the total order backlog.



Share, new build  
Q2 2020

7%

## New build

Net sales in the quarter amounted to 26 MSEK (40). The segment accounted for 7 percent of Balco's total net sales in the quarter.

Order intake amounted to 5 MSEK (39), corresponding to 2 percent of the total order intake in the quarter.

Operating profit in the quarter amounted to 3 MSEK (4), corresponding to an operating margin of 10.0 percent (8.8).

For the half-year period net sales amounted to 66 MSEK (85) corresponding to 10 percent of Balco's total turnover. Operating profit for the first half-year amounted to 6 MSEK (7) corresponding to an operating margin of 8.5 percent (8.1).

Order intake for the half-year period increased to 80 MSEK (73), corresponding to 13 percent of the total order intake in the quarter and the order backlog as of last June grew to 202 MSEK (142), corresponding to 14 percent of the total order backlog.

## Net sales per customer category, MSEK

	Apr-Jun		Jan-Jun		Jul-Jun	Jan-Dec
	2020	2019	2020	2019	2019/20	2019
Tenant-owner associations	274,5	211,7	520,6	391,4	980,9	851,6
Private landlords	26,1	47,7	53,2	74,1	147,3	168,2
Publicly owned companies	24,1	16,4	36,1	34,4	61,2	59,5
Construction and manufacturing companies	27,0	49,1	63,0	95,0	109,3	141,3
<b>Total Net sales</b>	<b>351,7</b>	<b>325,0</b>	<b>672,9</b>	<b>594,9</b>	<b>1 298,7</b>	<b>1 220,6</b>

# 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 maintenance and 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 Purkholmen, Svolvær, Norge

Within renovation, Balco provides solutions for replacing and expanding existing balconies and the installation of new balconies on apartment buildings without balconies. The majority of Balco's net 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.

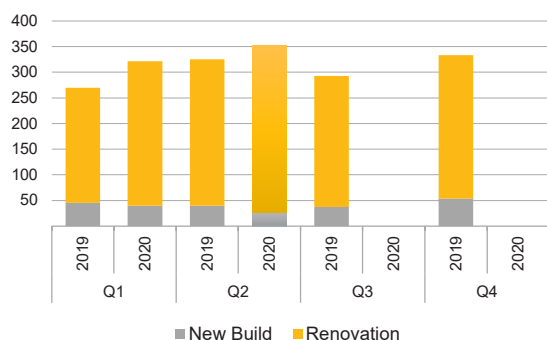
## New build



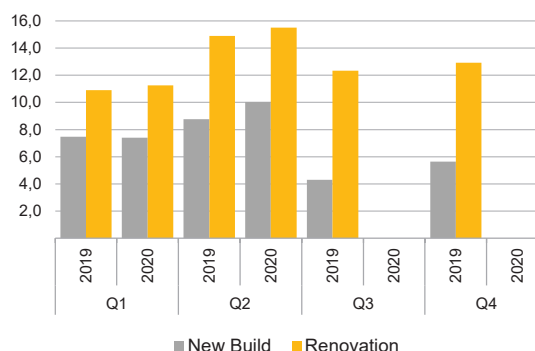
Cruise ship, Papeburg, Germany

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 building of new housing and growth within the maritime segment.

## Net sales growth per quarter, MSEK



## Operating margin per quarter, %



# FINANCIAL POSITION AND CASH FLOW

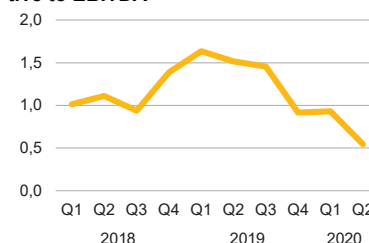
## Liquidity and financial position

The Group's interest-bearing net debt at the end of the period amounted to 104 MSEK (251). Interest-bearing net debt relative to adjusted EBITDA was 0.5 times (1.5), which is within the scope of the Company's indebtedness target (not to exceed 2.5 times). The Group's interest-bearing net debt, excluding debt related to financial leasing, relative to adjusted EBITDA was 0.3 times (1.1).

At the end of the quarter the Group's equity amounted to 575 MSEK (455). The Group's equity ratio was 48 percent (42).

MSEK	30-jun 2020	30-jun 2019	31-dec 2019
External non-current interest-bearing liabilities excl leasing	203,1	226,3	215,2
Leasing non-current liabilities	35,3	41,3	35,1
Current interest-bearing liabilities	10,4	-	10,4
Leasing current liabilities	16,8	19,8	20,7
Cash and cash equivalents	-161,6	-36,9	-119,4
<b>Interest-bearing net debt</b>	<b>103,9</b>	<b>250,5</b>	<b>161,9</b>
<i>Interest-bearing net debt excl leasing</i>	<i>51,8</i>	<i>189,4</i>	<i>106,2</i>
External interest-bearing net debt/EBITDA (12 months), times	0,5 x	1,5 x	0,9 x
External interest-bearing net debt excl. leasing/EBITDA (12 months), times	0,3 x	1,1 x	0,6 x
Equity/assets ratio, %	47,5	42,1	46,5

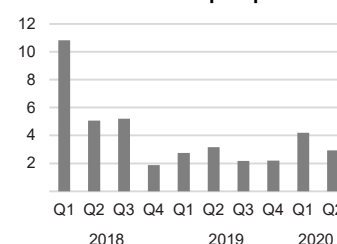
External interest-bearing net debt relative to EBITDA



Equity ratio

**48%**

Investments in MSEK per quarter



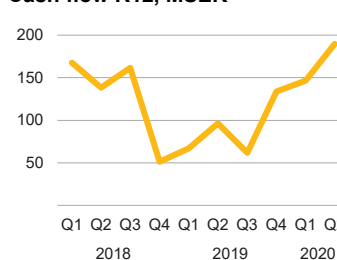
## Cash flow, investments and amortisation/depreciation

Cash flow from ongoing activities for the half-year period amounted to 53 MSEK (11). Improved operating profit and working capital are the main reasons for the improvement.

The cash flow from investing activities during the half-year period amounted to -7 MSEK (-6), of which 7 MSEK (5) was replacement investments and 0 MSEK (1) expansion investments. Cash flow from financing activities amounted to -3 MSEK (-55), of which paid dividends constitute 0 MSEK (-43). Cash flow for the half-year period improved by 93 MSEK compared to last year and amounted to 43 MSEK (-50).

Amortisation/depreciation in the half-year period amounted to 19 MSEK (17).

Cash flow R12, MSEK



## 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 half-year period amounted to -1 MSEK (-1).



## OTHER INFORMATION

### Employees

At the end of June 2020 Balco had 427 (411) full-time employees. The increase in personnel is mainly attributable to strengthened sales organization in several markets.

### Seasonal variations

Balco's net 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 quarter is normally the second quarter.

### Shares, share capital and shareholders

At the end of June 2020, there were 21,623,311 shares in Balco, corresponding to a share capital of 129,745,274 SEK. At the end of June 2020, there were 6,030 shareholders. The five largest shareholders were The Family Hamrin, Swedbank Robur fonder, Skandrenting AB, Lannebo Fonder and Segulah.

### Related-party transactions

Related parties comprise the Board of Directors, Group management and the CEO. This is due to ownership stakes in Balco and positions as senior executives. Related parties also include the Company's largest shareholder, The Family Hamrin which is represented on the Board of Directors by Carl-Mikael Lindholm and Skandrenting AB which is represented on the Board of Directors by Johannes Nyberg. Related-party transactions take place on commercial terms. For further information, see pages 47 and 98 in the 2019 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 pages 47, 52, 59 and 87 in the 2019 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 54-57, 64 and 80-82 in the 2019 annual report.

### 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.

Large offer and order backlog and strong financial position provide good opportunities for continued profitable growth during 2020, both organically and through acquisitions. We believe that most of the loss in order intake during the first half of the year will be taken back during the second half of the year.

Net sales are affected by the time when building permission is granted. 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

Covid-19 has affected Balco's order intake in the first and second quarters as general meetings have been postponed. In other respects, operations have functioned normally except some extra costs on construction sites and freight.

During the quarter, Balco received large orders in the Netherlands and the United Kingdom.

Balco's management continuously monitors developments in the countries in which we operate and does everything possible to fulfill the commitments we have to our customers and to ensure both the health of our employees and our operations.

No short-term layoffs have been carried out and we have not received any grants or other support linked to Covid-19



# 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.

This half-year report has not been the subject of a general review by the Company's auditors in accordance with ISRE 2410.

This information comprises such information as Balco Group AB is obliged to publish in accordance with the EU Market Abuse Regulation and the Securities Market Act. The information was provided by the contact persons below for publication on 27 August 2020 at 07:30 CET.

## Telephone conference

An online telephone conference will be held on 27 August 2020 at 09:00 CET at which President and CEO Kenneth Lundahl and CFO Michael Grindborn will present the report and answer questions. To participate, please call:

SE: +46 8 505 583 73

UK: +44 333 300 92 70

USA: +1 833 249 84 05

The Board of Directors and President certify that the half-year report gives a true and fair presentation of the Parent Company's and Group's business, financial position and result of operations, and describes the material risks and uncertainties facing the Parent Company and the Group.

Växjö, 27 August 2020

**Tomas Johansson**  
*Chairman of the Board*

**Ingalill Berglund**  
*Board member*

**Carl-Mikael Lindholm**  
*Board member*

**Kenneth Lundahl**  
*President and CEO*

**Mikael Andersson**  
*Board member*

**Vibecke Hverven**  
*Board member*

**Johannes Nyberg**  
*Board member*

## For more information, please contact:

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

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

## Calendar 2020

**Interim report Jan-Sep 2020** 12 November 2020

**Interim report Jan-Dec 2020** 18 February 2021

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

MSEK	Note	Apr-Jun		Jan-Jun		Jul-Jun	Jan-Dec
		2020	2019	2020	2019	2019/20	2019
<b>Net sales</b>		351,7	325,0	672,9	594,9	1 298,7	1 220,6
Production and project costs		-257,3	-237,6	-498,1	-442,8	-975,8	-920,6
<b>Gross profit</b>		<b>94,4</b>	<b>87,4</b>	<b>174,8</b>	<b>152,0</b>	<b>322,8</b>	<b>300,0</b>
Sales costs		-26,9	-25,9	-57,2	-48,5	-102,9	-94,2
Administration costs		-18,1	-17,2	-34,0	-32,6	-67,5	-66,1
Other operating income		-	0,1	-	0,9	0,7	1,6
Other operating expenses		-	-0,2	-	-0,6	-0,3	-0,9
<b>Operating costs</b>		<b>-45,0</b>	<b>-43,1</b>	<b>-91,1</b>	<b>-80,7</b>	<b>-170,1</b>	<b>-159,6</b>
<b>Operating profit</b>		<b>49,4</b>	<b>44,3</b>	<b>83,7</b>	<b>71,3</b>	<b>152,7</b>	<b>140,4</b>
Finance income		-0,0	0,6	0,0	0,7	0,2	0,8
Finance costs		-2,6	-2,1	-4,8	-4,0	-10,3	-9,5
<b>Profit before tax</b>		<b>46,9</b>	<b>42,8</b>	<b>78,9</b>	<b>68,0</b>	<b>142,6</b>	<b>131,7</b>
Income tax		-9,9	-9,1	-16,8	-14,4	-31,2	-28,8
<b>Net profit for the period</b>		<b>37,0</b>	<b>33,7</b>	<b>62,1</b>	<b>53,6</b>	<b>111,4</b>	<b>102,8</b>
<b>Other comprehensive income</b>							
<b>Items that have been/can be reclassified to profit/loss</b>							
Exchange rate differences on translation of foreign operation		-1,9	1,4	-0,5	2,6	-2,9	0,2
<b>Comprehensive income for the period</b>		<b>35,1</b>	<b>35,1</b>	<b>61,7</b>	<b>56,2</b>	<b>108,5</b>	<b>103,0</b>
<b>Of which attributable to:</b>							
Owners of the parent company		35,1	35,1	61,7	56,2	108,5	103,0
Earnings per common share, SEK, before dilution	4	1,62	1,64	2,85	2,62	5,03	4,81
Earnings per common share, SEK, after dilution	4	1,62	1,64	2,85	2,62	5,02	4,76
Average number of common shares, thousands		21 623,3	21 428,8	21 623,3	21 428,8	21 558,5	21 461,2

# CONSOLIDATED BALANCE SHEET IN SUMMARY

MSEK	30-jun 2020	30-jun 2019	31-dec 2019
<b>ASSETS</b>			
<b>Non-current assets</b>			
Goodwill	401,2	401,3	401,2
Other intangible assets	51,1	52,6	52,9
Concessions	45,7	57,2	54,1
Property, plant and equipment	133,8	141,3	134,1
Financial assets	4,3	4,4	3,1
Deferred tax assets	3,2	2,0	1,8
<b>Total non-current assets</b>	<b>639,3</b>	<b>658,9</b>	<b>647,1</b>
<b>Current assets</b>			
Inventory	28,0	27,9	26,0
Trade receivables	194,7	177,9	135,5
Contract assets	154,8	154,7	149,2
Current tax receivables	1,8	4,1	3,8
Other current receivables	29,2	19,6	24,7
Cash and cash equivalents	161,6	36,9	119,4
<b>Total current assets</b>	<b>570,1</b>	<b>421,1</b>	<b>458,8</b>
<b>TOTAL ASSETS</b>	<b>1 209,4</b>	<b>1 080,0</b>	<b>1 105,9</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	129,7	128,6	129,7
Additional paid-in capital	393,5	381,8	393,5
Retained earnings, incl. profit for year	51,6	-55,5	-8,7
<b>Equity attributable to owners of the parent company</b>	<b>574,8</b>	<b>454,9</b>	<b>514,5</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities	33,1	27,5	33,6
Interest-bearing liabilities to banks	203,1	226,3	215,2
Leasing non-current liabilities	35,3	41,3	35,1
Other non-current liabilities	24,0	19,8	19,4
<b>Total non-current liabilities</b>	<b>295,5</b>	<b>314,9</b>	<b>303,3</b>
<b>Current liabilities</b>			
Interest-bearing liabilities to banks	10,4	-	10,4
Leasing current liabilities	16,8	19,8	20,7
Contract liabilities	63,1	58,7	41,4
Trade payables	147,1	117,7	122,6
Current tax liabilities	4,3	16,4	15,5
Other liabilities	34,2	38,1	23,1
Other accrued expenses and prepaid income	63,3	59,6	54,3
<b>Total current liabilities</b>	<b>339,1</b>	<b>310,3</b>	<b>288,0</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1 209,4</b>	<b>1 080,0</b>	<b>1 105,9</b>

## CONSOLIDATED CHANGES IN EQUITY IN SUMMARY

MSEK	Share Capital	Additional paid-in capital	Reserves	Retained earnings	Total equity
<b>Opening balance 1 Jan 2019</b>	<b>128,6</b>	<b>381,8</b>	<b>5,0</b>	<b>-74,8</b>	<b>440,5</b>
Impact from implementation of IFRS 16	-	-	-	1,0	1,0
<b>Comprehensive income for the period</b>					
Profit for the period	-	-	-	53,6	53,6
Other comprehensive income for the period	-	-	2,6	-	2,6
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>2,6</b>	<b>53,6</b>	<b>56,2</b>
<b>Transactions with shareholders in their status as Company owners:</b>					
Distributed dividend	-	-	-	-42,9	-42,9
<b>Total transactions with Company owners</b>		<b>-</b>	<b>-</b>	<b>-42,9</b>	<b>-42,9</b>
<b>Closing balance 30 Jun 2019</b>	<b>128,6</b>	<b>381,8</b>	<b>7,6</b>	<b>-63,1</b>	<b>454,9</b>
<b>Opening balance 1 Jan 2020</b>	<b>129,7</b>	<b>393,5</b>	<b>5,1</b>	<b>-13,8</b>	<b>514,5</b>
<b>Comprehensive income for the period</b>					
Profit for the period	-	-	-	62,1	62,1
Other comprehensive income for the period	-	-	-1,9	-	-1,9
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-1,9</b>	<b>62,1</b>	<b>60,3</b>
<b>Transactions with shareholders in their status as Company owners:</b>					
Distributed dividend	-	-	-	-	-
<b>Total transactions with Company owners</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Closing balance 30 Jun 2020</b>	<b>129,7</b>	<b>393,5</b>	<b>3,3</b>	<b>48,4</b>	<b>574,8</b>



## CASH FLOW STATEMENT IN SUMMARY

MSEK	Apr-Jun		Jan-Jun		Jul-Jun	Jan-Dec
	2020	2019	2020	2019	2019/20	2019
<b>Operating activities</b>						
Operating profit (EBIT)	49,4	44,3	83,7	71,3	152,7	140,4
Adjustment for non-cash items	2,7	9,4	6,2	17,9	25,2	36,9
Interest received	0,2	0,6	0,2	0,7	0,4	0,8
Interest paid	-2,5	-2,0	-4,6	-3,9	-9,3	-8,6
Income tax paid	-6,8	-3,6	-26,4	-25,6	-35,3	-34,5
<b>Cash flow from operating activities before changes in working capital</b>	<b>43,0</b>	<b>48,8</b>	<b>59,1</b>	<b>60,4</b>	<b>133,8</b>	<b>135,1</b>
<b>Changes in working capital</b>						
Increase (-)/Decrease (+) in inventories	2,6	-1,1	-2,0	-1,4	-0,2	0,4
Increase (-)/Decrease (+) in operating receivables	20,8	-23,4	-69,9	-51,2	-27,8	-9,0
Increase (+)/Decrease (-) in operating liabilities	4,6	15,8	65,9	3,0	33,6	-29,4
<b>Cash flow from operating activities</b>	<b>71,0</b>	<b>39,9</b>	<b>53,1</b>	<b>10,8</b>	<b>139,4</b>	<b>97,1</b>
<b>Investing activities</b>						
Purchase/sale of intangible assets	-0,5	-0,1	-0,7	-0,3	-2,5	-2,1
Purchase/sale of property, plant and equipment	-2,4	-3,1	-6,4	-5,6	-9,0	-8,2
Change in other financial assets	-	-	-	-	-0,6	-0,6
<b>Cash flow from investing activities</b>	<b>-2,9</b>	<b>-3,2</b>	<b>-7,1</b>	<b>-5,9</b>	<b>-12,1</b>	<b>-10,9</b>
<b>Financing activities</b>						
Changes in bank loans	-2,2	-4,4	-8,4	4,4	-13,6	-0,9
Changes in leasing	3,8	-0,6	8,4	-18,5	3,7	-23,1
Changes in other non-current liabilities	-4,1	1,1	-3,4	2,1	-4,9	0,6
Warrants	-	-	-	-	11,4	11,4
Rights issue	-	-	-	-	1,2	1,2
Distributed dividend	-	-42,9	-	-42,9	-	-42,9
<b>Cash flow from financing activities</b>	<b>-2,5</b>	<b>-46,7</b>	<b>-3,4</b>	<b>-54,8</b>	<b>-2,3</b>	<b>-53,7</b>
<b>Cash flow for the period</b>	<b>65,6</b>	<b>-9,9</b>	<b>42,6</b>	<b>-49,9</b>	<b>125,1</b>	<b>32,5</b>
Cash and cash equivalents at beginning of the period	96,1	47,0	119,4	87,0	36,9	87,0
Exchange rate differential cash and cash equivalents	0,0	-0,2	-0,4	-0,2	-0,4	-0,2
<b>Cash and cash equivalents at end of the period</b>	<b>161,6</b>	<b>36,9</b>	<b>161,6</b>	<b>36,9</b>	<b>161,6</b>	<b>119,4</b>

## KEY RATIOS

MSEK	Apr-Jun		Jan-Jun		Jul-Jun	Jan-Dec
	2020	2019	2020	2019	2019/20	2019
Net sales	351,7	325,0	672,9	594,9	1 298,7	1 220,6
Order intake	277,7	436,2	618,3	798,0	1 169,4	1 349,1
Order backlog	1 468,8	1 640,9	1 468,8	1 528,7	1 468,8	1 522,4
Gross profit	94,4	87,4	174,8	152,0	322,8	300,0
EBITDA	58,9	52,7	102,5	88,3	191,1	176,9
Adjusted EBITDA	58,9	52,7	102,5	88,3	191,1	176,9
Operating profit (EBIT)	49,4	44,3	83,7	71,3	152,7	140,4
Adjusted operating profit	49,4	44,3	83,7	71,3	152,7	140,4
Gross profit margin, %	26,8	26,9	26,0	25,6	24,9	24,6
EBITDA margin, %	16,8	16,2	15,2	14,8	14,7	14,5
Adjusted EBITDA margin, %	16,8	16,2	15,2	14,8	14,7	14,5
Operating profit margin (EBIT), %	14,1	13,6	12,4	12,0	11,8	11,5
Adjusted operating profit margin (EBIT), %	14,1	13,6	12,4	12,0	11,8	11,5
Operating cash flow	85,6	42,6	90,5	34,9	189,4	133,9
Operating cash conversion, %	145,3	80,8	88,3	39,5	99,1	75,7
Capital employed, average	695,8	706,0	677,6	670,3	692,0	655,8
Capital employed, excl. goodwill, average	294,5	304,8	276,4	269,1	290,8	254,7
Equity, average	558,0	458,7	544,7	447,7	514,8	477,5
External interest-bearing net debt	103,9	250,5	103,9	250,5	103,9	161,9
External interest-bearing net debt/Adjusted EBITDA 12 months, times	0,5 x	1,5 x	0,5 x	1,5 x	0,5 x	0,9 x
Return on capital employed, %, (12 months)	22,0	19,5	22,5	20,6	22,1	21,4
Return on capital employed, excl. goodwill, %, (12 months)	51,9	45,3	55,3	51,3	52,5	55,1
Return on invested capital, %, (12 months)	20,0	20,0	20,5	20,5	21,6	21,5
Equity/assets ratio, %	47,5	42,1	47,1	41,8	45,0	44,0
Number of full-time employees on the closing date	427	411	427	411	427	419
Average number of common shares for the period, 000s	21 623,3	21 428,8	21 623,3	21 428,8	21 558,5	21 461,2
Equity per common share, SEK	25,80	21,41	25,19	20,89	23,88	22,25

## PARENT COMPANY, INCOME STATEMENT IN SUMMARY

MSEK	Apr-Jun		Jan-Jun		Jul-Jun	Jan-Dec
	2020	2019	2020	2019	2019/20	2019
Net sales	5,0	3,7	10,0	7,4	17,4	14,8
Operating expenses	-6,1	-4,5	-10,8	-8,5	-19,8	-17,5
<b>Operating profit</b>	<b>-1,1</b>	<b>-0,8</b>	<b>-0,8</b>	<b>-1,1</b>	<b>-2,3</b>	<b>-2,7</b>
Interest income	0,2	0,3	0,4	0,5	1,2	1,3
Interest expenses	-0,9	-0,7	-1,9	-1,5	-3,7	-3,3
<b>Profit/loss after financial items</b>	<b>-1,8</b>	<b>-1,3</b>	<b>-2,3</b>	<b>-2,1</b>	<b>-4,9</b>	<b>-4,7</b>
Dividend	-	-	-	-	-	-
Change in untaxed reserves	-	-	-	-	9,0	9,0
Tax	0,4	0,3	0,5	0,5	-0,9	-0,9
<b>Net profit/loss for the period</b>	<b>-1,4</b>	<b>-1,0</b>	<b>-1,8</b>	<b>-1,7</b>	<b>3,3</b>	<b>3,4</b>

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

## PARENT COMPANY, BALANCE SHEET IN SUMMARY

MSEK	30-jun 2020	30-jun 2019	31-dec 2019
<b>ASSETS</b>			
<b>Non-current assets</b>			
Financial assets	389,7	389,8	389,7
<b>Total non-current assets</b>	<b>389,7</b>	<b>389,8</b>	<b>389,7</b>
<b>Current assets</b>			
Current receivables	92,1	11,1	14,9
Cash and cash equivalents	161,1	35,5	117,7
<b>Total current assets</b>	<b>253,2</b>	<b>46,5</b>	<b>132,5</b>
<b>TOTAL ASSETS</b>	<b>642,9</b>	<b>436,4</b>	<b>522,2</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Restricted equity	129,7	128,6	129,7
Unrestricted equity	144,2	129,2	146,0
<b>Total equity</b>	<b>273,9</b>	<b>257,8</b>	<b>275,7</b>
<b>Non-current liabilities</b>	<b>190,0</b>	<b>120,0</b>	<b>110,0</b>
<b>Other current liabilities</b>	<b>178,9</b>	<b>58,5</b>	<b>136,5</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>642,9</b>	<b>436,4</b>	<b>522,2</b>

# NOTES

## Note 1 Accounting principles

This interim report for the Group has been prepared in accordance with IAS 34 Interim Financial Reporting and relevant provisions of the Swedish Annual Accounts Act. The interim report for the Parent Company has been prepared in accordance with RFR 2 and Chapter 9, Interim Reports, of the Swedish Annual Accounts Act. For the Group, the same accounting policies and computation methods have been applied as in the 2019 annual report, which was prepared in accordance with International Financial Reporting Standards and Interpretations as adopted by the EU.

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.

## Note 2 Financial instruments

The financial instruments measured at fair value are forward exchange contracts. Financial assets at fair value amounted to 11.8 MSEK (0.6) at the end of the period while financial liabilities at fair value amounted to 0.9 MSEK (8.0).

The fair values of financial instruments are determined using valuation techniques. Market information is used as far as possible when available, while company-specific information is used as little as possible. If all key inputs required for the fair value measurement of an instrument are observable, the instrument is 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-Jun		Renovation		New Build		Group Other		Eliminations		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Net sales – External revenue	607,1	509,6	65,8	85,2	-	-	-	-	-	-	672,9	594,8
Net sales – Internal revenue	-	-	-	-	9,2	8,0	-9,2	-8,0	-	-	-	-
<b>Total sales</b>	<b>607,1</b>	<b>509,6</b>	<b>65,8</b>	<b>85,2</b>	<b>9,2</b>	<b>8,0</b>	<b>-9,2</b>	<b>-8,0</b>	<b>-</b>	<b>-</b>	<b>672,9</b>	<b>594,8</b>
<b>Operating profit (EBIT)</b>	<b>82,2</b>	<b>66,9</b>	<b>5,6</b>	<b>6,9</b>	<b>-4,1</b>	<b>-2,5</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>83,7</b>	<b>71,3</b>
Depreciation included with	16,8	14,8	2,0	2,2	-	-	-	-	-	-	18,8	16,9
<b>Operating profit (EBIT)</b>	<b>82,2</b>	<b>66,9</b>	<b>5,6</b>	<b>6,9</b>	<b>-4,1</b>	<b>-2,5</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>83,7</b>	<b>71,3</b>
Finance income	-	-	-	-	0,0	0,7	-	-	-	-	0,0	0,7
Finance cost	-	-	-	-	-4,8	-4,0	-	-	-	-	-4,8	-4,0
<b>Profit before tax</b>	<b>82,2</b>	<b>66,9</b>	<b>5,6</b>	<b>6,9</b>	<b>-8,9</b>	<b>-5,8</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>78,9</b>	<b>68,0</b>

## Note 4 Earnings per share

MSEK	Apr-Jun		Jan-Jun		Jul-Jun	Jan-Dec
	2020	2019	2020	2019	2019/20	2019
<b>Net profit for the period attributable to the owners of the parent company</b>	<b>35,1</b>	<b>35,1</b>	<b>61,7</b>	<b>56,2</b>	<b>108,5</b>	<b>103,0</b>
Average number of common shares, 000'	21 623,3	21 428,8	21 623,3	21 428,8	21 558,5	21 461,2
Earnings per common share, SEK, before dilution	1,62	1,64	2,85	2,62	5,03	4,81
Earnings per common share, SEK, after dilution	1,62	1,64	2,85	2,62	5,02	4,76



## 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	Apr-Jun		Jan-Jun		Jul-Jun	Jan-Dec
	2020	2019	2020	2019	2019/20	2019
<b>Adjusted operating profit</b>						
Operating profit	49,4	44,3	83,7	71,3	152,7	140,4
Non-recurring items	-	-	-	-	-	-
<b>Adjusted operating profit</b>	<b>49,4</b>	<b>44,3</b>	<b>83,7</b>	<b>71,3</b>	<b>152,7</b>	<b>140,4</b>
<b>Adjusted EBITDA</b>						
Operating profit	49,4	44,3	83,7	71,3	152,7	140,4
Depreciation	9,5	8,5	18,8	16,9	38,4	36,5
Non-recurring items	-	-	-	-	-	-
<b>Adjusted EBITDA</b>	<b>58,9</b>	<b>52,7</b>	<b>102,5</b>	<b>88,3</b>	<b>191,1</b>	<b>176,9</b>
<b>Operating cash flow</b>						
Adjusted EBITDA	58,9	52,7	102,5	88,3	191,1	176,9
Changes in working capital	29,6	-8,3	-4,9	-49,6	7,0	-37,7
Investments in other non-current assets, net	-2,9	-1,8	-7,1	-3,7	-8,7	-5,3
<b>Operating cash flow</b>	<b>85,6</b>	<b>42,6</b>	<b>90,5</b>	<b>34,9</b>	<b>189,4</b>	<b>133,9</b>
<b>MSEK</b>			<b>30-jun</b>	<b>30-jun</b>	<b>31-dec</b>	
			<b>2020</b>	<b>2019</b>	<b>2019</b>	
<b>External interest-bearing net deb</b>						
External non-current interest-bearing liabilities			238,3	267,6	250,3	
Current interest-bearing liabilities			27,2	19,8	31,1	
Cash and cash equivalents			-161,6	-36,9	-119,4	
<b>Interest-bearing net debt</b>			<b>103,9</b>	<b>250,5</b>	<b>161,9</b>	
<b>Adjusted EBITDA (12 months)</b>			<b>191,1</b>	<b>165,5</b>	<b>176,9</b>	
<b>Interest-bearing net debt/EBITDA 12 months, times</b>			<b>0,5 x</b>	<b>1,5 x</b>	<b>0,9 x</b>	
<b>Return on capital employed</b>						
Equity			574,8	454,9	514,5	
External interest-bearing net debt			103,9	250,5	161,9	
Average capital employed			692,0	626,7	655,8	
Adjusted operating profit (EBIT), (12 months)			152,7	138,0	140,4	
<b>Return on capital employed, %</b>			<b>22,1</b>	<b>22,0</b>	<b>21,4</b>	
<b>Equity/assets ratio</b>						
Equity attributable to owners of the parent company			574,8	454,9	514,5	
Total assets			1 209,4	1 080,0	1 105,9	
<b>Equity/assets ratio, %</b>			<b>47,5</b>	<b>42,1</b>	<b>46,5</b>	

# ALTERNATIVE PERFORMANCE MEASURES

This interim report contains references to a number of performance measures. Some of these measures are defined in IFRS, while others are alternative measures and are not reported in accordance with applicable financial reporting frameworks or other legislation. The measures are used by Balco to help both investors and management to 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
<b>Return on equity</b>	Income for the period divided by the average shareholder equity for the period. Average calculated as the average of the opening balance and the closing balance for the period.	Return on equity shows the return that is generated on the shareholders' capital that is invested in the company.
<b>Return on capital employed</b>	Adjusted EBIT as a percentage of average capital employed for the period. Average calculated as the average of the opening balance and the closing balance for the period, 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
<b>Return on capital employed excluding goodwill</b>	Adjusted EBIT as a percentage of average capital employed for the period excluding goodwill. Average calculated as the average of the opening balance and the closing balance for the period.	Balco believes that return on capital employed excluding goodwill together with return on capital employed shows a complete picture of Balco's capital efficiency
<b>Gross income</b>	Revenue less production and project costs.	Shows the effectiveness of Balco's operations and together with EBIT, provides a complete picture of the operating profit generation and expenses.
<b>Gross margin</b>	Gross income as a percentage of net sales.	Ratio is used for analysis of the company's effectiveness and profitability.
<b>EBITDA</b>	Earnings before interest, tax, depreciation and amortization.	Balco believes that EBITDA shows the profit generated by the operating activities and is a good measure of cash flow from operations.
<b>External interest-bearing net debt</b>	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.
<b>External interest-bearing net debt relative to adjusted EBITDA</b>	Interest-bearing external net debt divided by adjusted EBITDA.	Balco believes this ratio helps to show financial risk and is a useful measure for Balco to monitor the level of the company's indebtedness.
<b>Adjusted EBITDA</b>	EBITDA as adjusted for items affecting comparability. For a reconciliation of adjusted EBITDA to income for the period, 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.
<b>Adjusted EBITDA margin</b>	Adjusted EBITDA as a percentage of net sales.	Balco believes that adjusted EBITDA margin is a useful measure for showing the company's profit generated by the operating activities after non-recurring items.
<b>Adjusted EBIT margin</b>	Adjusted EBIT as a percentage of net sales.	Balco believes that adjusted EBIT margin is a useful measure for showing the company's profit generated by the operating activities.
<b>Adjusted EBIT</b>	EBIT adjusted for items affecting comparability. For a reconciliation of adjusted EBIT to income for the period, 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.
<b>Operating cash flow</b>	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.
<b>Interest-bearing net debt</b>	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.
<b>Net working capital</b>	Current assets excluding cash and cash equivalents and current tax assets less non-interest-bearing liabilities excluding current tax liabilities.	This measure shows how much net working capital that is tied up in the operations and can be put in relation to net sales to understand how effectively net working capital tied up in the operations is used.
<b>EBIT margin</b>	EBIT as a percentage of net sales.	Balco believes EBIT margin is a useful measure together with net sales growth and net working capital to monitor value creation.

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