

Interim report

2018: Q1 January-March

BALCONIES
FOR
GREATER
LIVING



Continued strong order intake and strong demand

The first quarter: January – March

- Net sales of SEK 242.6 (230.8) million, an increase of 5.1 percent or SEK 11.8 million. The increase was entirely organic.
- Order intake of SEK 271.2 (220.1) million), an increase of 23.2 percent, of which Renovation accounted for 95 percent.
- Operating profit of SEK 22.0 (23.1) million), a decline of 4.8 percent.
- Net profit after tax of SEK 15.6 (7.3) million.
- Earnings per ordinary share of SEK 0.89 (0.47), before and after dilution.
- Operating cash flow of SEK -23.4 (-8.2) million.
- Adjustment to the new accounting standards in accordance with IFRS 15 has resulted in a reduction of sales for the quarter by SEK 7 million and in operating profit by SEK 3.7 million. Comparative figures have not been restated.

Events in the first quarter and since the end of the quarter

- After the end of the quarter, Balco signed an order in Stockholm with an order value of approximately SEK 100 million. Project start will take place once the customer has been granted planning permission.

Key ratios

MSEK	Q1			Apr-Mar 2017/18	Jan-Dec 2017
	2018	2017	%		
Net sales	242,6	230,8	5%	1 000,7	989,0
Order intake	271,2	220,1	23%	1 164,6	1 113,5
Order backlog	1 280,0	1 100,6	16%	1 280,0	1 238,4
Gross profit	60,2	57,6	4%	250,4	247,8
Gross profit, %	24,8	25,0		25,0	25,1
Operating profit	22,0	23,1	-5%	91,2	92,3
EBIT margin, %	9,1	10,0		9,1	9,3
Adjusted operating profit (EBIT)	22,0	24,3	-10%	114,4	116,7
Adjusted operating profit margin (EBIT), %	9,1	10,5		11,4	11,8
Net profit for the period	15,6	7,3	114%	46,0	37,7
Operating cash flow	-23,4	-8,2	187%	167,6	182,9



KENNETH LUNDAHL, PRESIDENT AND CEO

Balco is the market leader in Scandinavia within the attractive balconies niche market and is in a strong challenger position in other markets on which we operate.

The market has remained strong during the quarter and we are encountering strong interest from customers, which is reflected in both a greater number of tenders and a higher order backlog. We have strengthened our organization, increased our marketing activities and continue to move our positions.

We have recently completed a fantastic project for new, large (in excess of 40 m²) balconies on an old lighthouse which has been renovated on Hangö in Finland. In this project, Balco has demonstrated its technical skill and delivery capability in a new market and obtained a satisfied customer and an excellent reference object.

Our new production plant in Poland is exceeding expectations and has provided us with significantly increased capacity in both production and operations for glazed balconies. We are now working on establishing corresponding resources in Poland for city balconies, primarily to increase delivery capacity and flexibility in Denmark and, in the long term, to increase profitability and continued expansion of the product area. The establishment also means that the production in Denmark is being relocated to Poland.

Order intake during the quarter amounted to SEK 271 (220) million, representing growth of 23 percent. The Renovation segment accounted for 95 percent of order intake in the quarter. We are still selective in the New Build segment, which is reflected both in order intake and sales within the segment.

The order backlog continued to grow and, at the end of the quarter, amounted to SEK 1,280 million, an increase of 16 percent compared with the corresponding quarter of last year. The growing order backlog gives us good prerequisites for high turnover growth in the coming year.

Sales for the quarter amounted to SEK 242.6 million, an increase of 5 percent compared with the preceding year. The adjustment to IFRS 15 and slowness in the granting of planning permission in Copenhagen have adversely affected sales in the quarter by an estimated SEK 17 million in total.

The operating profit of MSEK 22 has also been adversely affected by approximately SEK 7 million. Underlying revenue growth and earnings performance are therefore good. The longer lead time for planning permission in Copenhagen are gradually improving and we expect we expect a normalization in the second half of the year.

Balco is today a growth company with a strong niche position within the Renovation segment, where the need and growth potential is high. Our strategy is to continue to invest for growth within this segment. With a growing order backlog, strong financial position and exciting development opportunities, I am confident about the future.

Växjö 17 May 2018



Kenneth Lundahl, President and CEO
Balco Group AB



” Our offensive efforts through enhanced organisation and increased market activities have yielded results. Order intake is increasing sharply, and with the new production plant in Poland we are well equipped for continued growth. ”

Kenneth Lundahl, President and CEO

THE GROUP'S DEVELOPMENT

Sales, order backlog and order intake

Net sales for the first quarter increased by 5.1 percent to SEK 242.6 (230.8) million, an increase of SEK 11.8 million. Growth was entirely organic. Balco's long-term goal is to grow by 10 percent. Sales during the period were adversely affected in the amount of SEK 7 million as a consequence of adjustment to the new accounting standards in accordance with IFRS15 "Revenue from Contracts with Customers". The change affects the time when project expenditures, which constitute a part of the basis for sales in accordance with the percentage of completion method, are to be reported. Adjusted for IFRS 15, sales in the quarter grew by 8 percent.

Balco's main markets have developed well during the first quarter, with the exception from Denmark where longer lead times for planning permission in Copenhagen have had a negative effect on sales. Market conditions on the recently established markets remain positive. Balco's sales growth is largely affected by the time when planning permission is granted, with the consequence that sales vary between quarters.

The order backlog continued to develop strongly in the quarter, with an increase of SEK 41.6 million from the preceding period. The order backlog amounts to SEK 1,280.0 (1,100.6) million, representing an increase of 16.3 percent on an annual basis. The increase in order backlog is thanks to investments over several years in an expanded sales organisation and market activities.

Order intake during the first quarter amounted to SEK 271.2 (220.1) million, an increase of 23.2 percent or SEK 51.1 million. Renovation accounted for 95 percent of the order intake for the quarter, while the New Build segment, due to higher project selectivity, had a lower order intake and accounted for 5 percent.

Earnings

Gross profit for the first quarter increased to SEK 60.2 (57.6) million, entailing a gross margin of 24.8 (25.0) percent. Gross margin was negatively affected in the amount of SEK 3.7 million by the adjustment to IFRS15 and lower project margins in the New Build segment.

Selling expenses in the quarter increased to SEK 24.8 (22.7) million, mainly due to increased salary expenses as well as a high level of activity within sales and marketing. Balco's strategy of continuing to expand the sales organisation within Renovation remains in place. Administrative expenses increased to SEK 13.4 (11.8) million, due to a strengthened organisation within logistics, IT and accounts. Total operating expenses for the first quarter amounted to SEK 38.2 (34.5) million, corresponding to 15.7 (14.9) percent of sales.

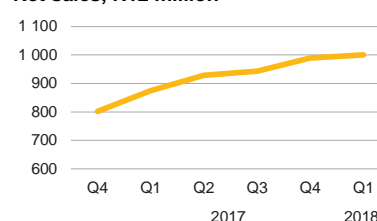
Operating profit for the first quarter was SEK 22.0 (23.1) million, corresponding to an operating margin of 9.1 (10.0) percent. The reduction in profit is due to the somewhat lower gross margin and increased expenses within sales and administration. Delayed start-up of projects in Copenhagen, due to the processing periods for planning permission, affected profit in the quarter by SEK 3.7 million.

Financial expenses declined by SEK 9.3 million in the quarter and amounted to SEK 1.7 million. The reduction is due to the Group's new capital structure since the IPO.

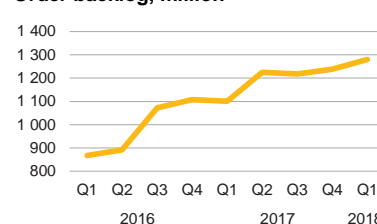
Profit after tax for the quarter amounted to SEK 15.6 (7.3) million, corresponding to earnings per ordinary share of SEK 0.87 (0.47).



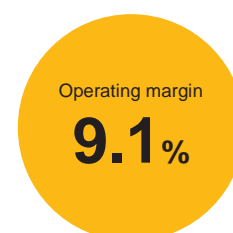
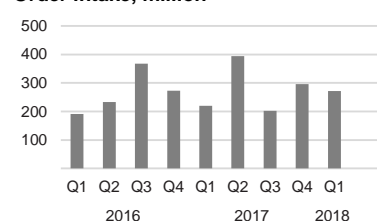
Net sales, R12 million



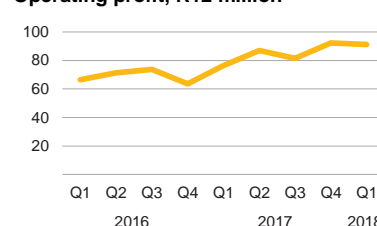
Order backlog, million



Order intake, million



Operating profit, R12 million



DEVELOPMENT PER SEGMENT

Net sales, SEK M	Q1			Apr-Mar	Jan-Dec
	2018	2017	%	2017/18	2017
Renovation	218,8	197,0	11%	869,3	847,5
New Build	23,8	33,8	-30%	131,4	141,4
Group other	4,0	1,8	123%	10,8	8,6
Elimination	-4,0	-1,8	123%	-10,8	-8,6
Total sales	242,6	230,8	5%	1 000,7	989,0
Operating profit, SEK M	Q1			Apr-Mar	Jan-Dec
	2018	2017	%	2017/18	2017
Renovation	23,5	22,6	4%	115,4	114,5
New Build	0,6	1,8	-64%	6,2	7,3
Group other	-2,1	-1,3	64%	-30,3	-29,5
Elimination	-	-	n/a	-	-
Total EBIT	22,0	23,1	-5%	91,2	92,3
EBIT margin, %	Q1			Apr-Mar	Jan-Dec
	2018	2017	%	2017/18	2017
Renovation	10,7	11,4	-6%	13,3	13,5
New Build	2,7	5,4	-49%	4,7	5,2
Group other	n/a	n/a	n/a	-280,3	-342,6
Elimination	n/a	n/a	n/a	-	-
Total EBIT margin	9,1	10,0	-9%	9,1	9,3

Renovation

Sales within the Renovation business segment increased in the first quarter by 11.1 percent or SEK 21.8 million, to SEK 218.8 (197.0) million. The segment accounted for 90.2 percent of Balco's total sales in the first quarter. The Company's investment for growth in this segment has continued during the quarter, in terms of both the sales organisation and marketing measures, as well as geographic expansion.

Operating profit in the quarter was SEK 23.5 (22.6) million, representing an operating margin of 10.7 (11.5) percent in the quarter. Adjustment to IFRS 15 has had a negative impact on both sales and operating profit during the first quarter 2018.

New Build

Sales within the New Build business segment declined during the first quarter to SEK 23.8 (33.8) million. The lower sales were due to a gradual decrease in order backlog within New Build as a consequence of the strategy of focusing on Renovation and reducing exposure to New Build. The segment accounted for 9.8 percent of Balco's total sales in the first quarter.

Operating profit for the New Build segment declined and amounted to SEK 0.6 (1.8) million, representing an operating margin of 2.7 (5.4) percent in the quarter. The decline in earnings in the quarter is primarily due to a lower project margin in projects carried out during the quarter.

Net sales per customer category, MSEK	Q1	Jan-Dec
	2018	2017
Tenant-owner associations	171,9	580,8
Private landlords	31,4	192,4
Publicly owned companies	18,7	93,4
Construction companies	20,6	122,3

Share, Renovation

90.2%



Share, New Build

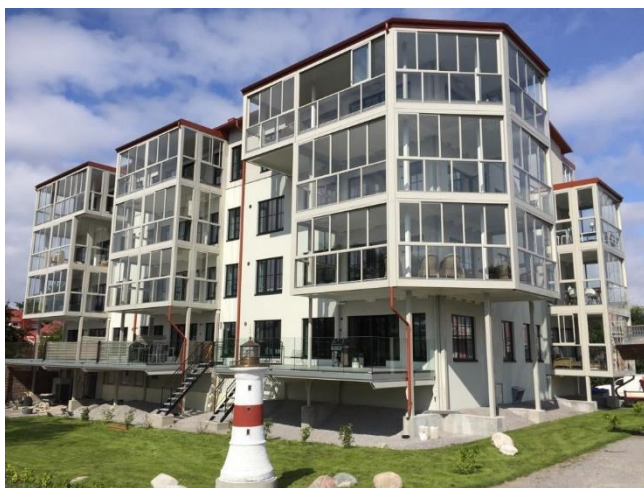
9.8%

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, as well as in Germany, Finland, the UK and the Netherlands. Balco is nowadays the market leader on the Swedish and Norwegian market and the second largest company in Denmark. On other markets, Balco enjoys a strong challenger position.

Renovation



Project Majakka, Finland

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

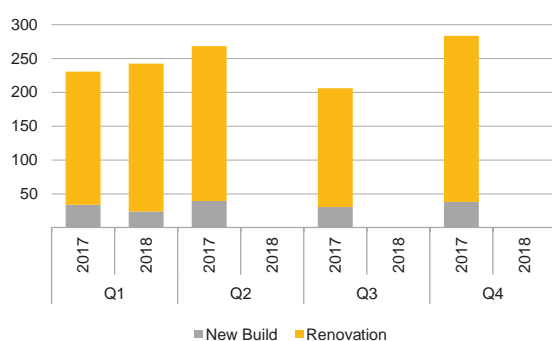
New Build



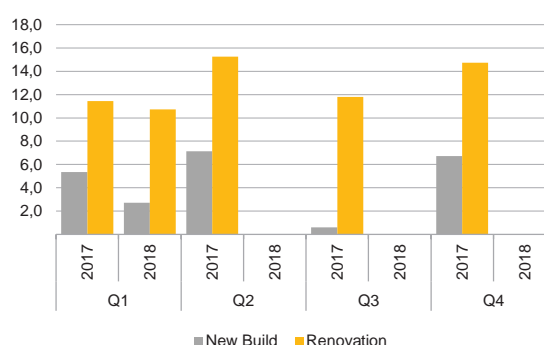
Project luxury cruise ship, Pappenburg, Germany

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 expanding selectively in the segment, based on a focus on profitability and low risk. Demand is driven by the rate of production of new housing and growth within the maritime segment.

Sales growth per quarter SEK m



Operating margin per quarter, %



FINANCIAL POSITION AND CASH FLOW

Liquidity and financial position

The Group's interest-bearing net debt at the end of the period amounted to SEK 133.7 million (SEK 381.4 million on 31 March 2017) and SEK 90.0 million at the end of December 2017). Balco's interest-bearing net debt relative to adjusted EBITDA was 1.0 times, which is within the scope of the Company's indebtedness target (not to exceed 2.5 times). At the end of March 2018 the Group's equity amounted to SEK 402.0 million (SEK 146.9 million on 31 March 2017) and SEK 386.4 million at the end of December 2017. The Group's equity ratio was 45.7 (19.0) percent.

SEK M	31-mar 2018	31-mar 2017	31-dec 2017
Shareholder financing	-	269,9	-
External non-current interest-bearing liabilities	191,1	44,4	187,7
Current interest-bearing liabilities	5,7	85,0	8,8
Cash and cash equivalents	-63,1	-17,8	-106,5
Interest-bearing net debt	133,7	381,4	90,0
Less: shareholder financing	-	-269,9	-
External interest-bearing net debt	133,7	111,5	90,0
Equity/assets ratio, %	45,7	19,0	43,6
External interest-bearing net debt/EBITDA (12 months), times	1,0 x	0,8 x	0,7 x

Cash flow, investments and amortisation/depreciation

Cash flow from ongoing activities for the period amounted to SEK -28.6 (-7.8) million. The decline is attributable to an increase in working capital. The change in working capital during the quarter was SEK -50.4 (-33.4) million. Working capital increased due to higher trade receivables and a greater amount of tied up capital (net) in ongoing projects compared with the preceding year. To a certain extent, tied up capital varies between quarters depending on the various phases of projects.

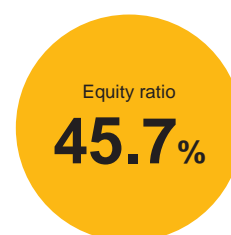
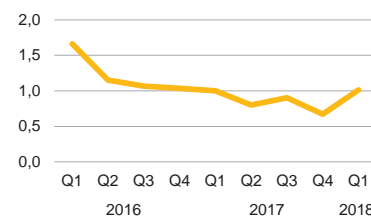
Cash flow from investing activities during the period amounted to SEK -10.8 million, an increase from the corresponding quarter of last year when investments amounted to SEK -3.5 million. Investments mainly relates to machinery for pipe plasma processing and aluminium processing. Investments for the period financed through financial leasing amounted to SEK 2.9 (0.7) million. Cash flow from financing activities amounted to SEK -3.8 (7.0) million. Cash flow for the period declined as a consequence of an increase in tied up working capital and higher investments compared with the corresponding period of the preceding year, to SEK -43.2 (-3.9) million. Of total investments, expansion investments accounted for SEK 9.3 (0.2) million

Amortisation/depreciation amounted to SEK 4.8 (4.2) million

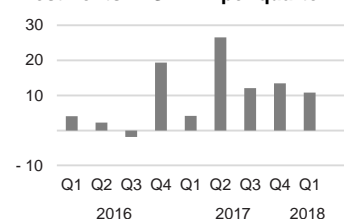
The Parent Company

The Parent Company has its registered office in Växjö and conducts operations directly as well as through 13 Swedish and foreign subsidiaries. The Parent Company's operations are focused primarily on strategic development, financial control, corporate governance issues, board work and relations with banks. Profit for the period amounted to SEK 0.4 (-9.8) million.

Interest-bearing net debt relative to EBITDA



Investments in SEK m per quarter



Cash flow R12, SEK m



OTHER INFORMATION

Employees

At the end of March 2018 Balco had 354 (302) full-time employees, compared with 346 at the end of December 2017. The increase in personnel is due to the start-up of the new production unit in Poland as well as an expansion of the sales and operating organisation (designers, structural engineers, project managers and assembly managers).

Seasonal variations

Balco's sales and earnings are partially affected by the date when orders are placed, seasonal variations and the fact that the 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 2018 Balco Group AB's share capital comprised 21,428,773, corresponding to a share capital of SEK 128,557,685. At the end of March 2018 there were 3,103 shareholders. The five largest shareholders were Segulah IV L.P., Carl-Olof och Jenz Hamrins Stiftelse, AB Skandrenting, Swedbank Robur Fonder and Danica Pension.

Related-party transactions

Related-party circuit 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 Marcus Planting-Bergloo. Related-party transactions take place on commercial terms. For further information, see the 2017 annual report.

Incentive program

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

2018 Annual General Meeting

Balco's 2018 Annual General Meeting will take place on 17 May 2018 at 3pm at Växjö Konserthus, Västra Esplanaden 10. Registration will begin at 2.30pm.

Dividend

The Board of Directors proposes to the 2018 Annual General Meeting that a dividend of SEK 1.00 be issued for the 2017 financial year. It is proposed that the remaining earnings be carried forward.

Risks and uncertainty factors

The Group is exposed to different types of risks through its operations. The risks can be divided into the following categories: industry and market-related risks, business-related risks and financial risks. Industry and market-related risks include changes in demand due to a weaker economy or other macroeconomic changes, changed prices of raw materials that are of key importance to Balco's production and changed competition or price pressure. Business-related risks include Balco's ability to develop and sell innovative new products and solutions, the Group's ability to attract and retain qualified employees, and the dependence of Balco's profitability on individual project results, i.e. the Group's ability to predict, calculate and deliver the projects within defined financial limits. Financial risks are summarised under financing risk, liquidity risk, credit risk and interest rate risk. Balco's risks and uncertainty factors are described on pages 28 – 41 and page 70 of the 2017 annual report.

Outlook

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

The market is fragmented and is growing throughout Northern Europe. In 2016 the balcony market was estimated to be worth approximately SEK 38 billion, and it is expected to grow at a rate of approximately 6 percent annually over the next few years.

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

Events since the end of the quarter

Since the end of the quarter Balco has signed in order for renovation of balconies for a tenant-owners association in Stockholm. Project start will take place once the customer has been granted planning permission. The order is valued at approximately SEK 100 million and it will be reported as order intake during the second quarter of 2018.

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

Växjö, 17 May 2018

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 17 May 2018 at 08.00 CET.

Telephone conference

An online telephone conference will be held on 17 May at 09.00 CET at which President and CEO Kenneth Lundahl and CFO Fredrik Hall will present the report and answer questions. To participate, please call:

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For more information, please contact:

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Tel: 070-630 2057

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Cecilia Lannebo, Head of IR

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Calendar 2018/2019

2018 Annual General Meeting	17 May 2018
Interim report Jan-Jun 2018	24 August 2018
Interim report Jan-Sep 2018	16 November 2018
Year-end report 2018	22 February 2019

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SEK M	Note	Q1		Apr-Mar	Jan-Dec
		2018	2017	2017/18	2017
Net sales		242,6	230,8	1 000,7	989,0
Production and project costs		-182,4	-173,2	-750,3	-741,1
Gross profit		60,2	57,6	250,4	247,8
Sales costs		-24,8	-22,7	-89,7	-87,6
Administration costs		-13,4	-11,8	-70,0	-68,4
Share of profit or loss of associates		0,1	-0,1	0,2	0,1
Other operating income		0,3	1,7	5,4	6,8
Other operating expenses		-0,3	-1,7	-5,2	-6,5
Operating costs		-38,2	-34,5	-159,2	-155,5
Operating profit		22,0	23,1	91,2	92,3
Finance income		0,0	0,0	0,0	0,0
Finance costs		-1,7	-11,0	-27,8	-37,1
Profit before tax		20,3	12,1	63,5	55,3
Income tax		-4,7	-4,8	-17,6	-17,6
Net profit for the period		15,6	7,3	46,0	37,7
Other comprehensive income					
Items that have been/can be reclassified to profit/loss					
Exchange rate differences on translation of foreign operation		3,1	0,1	5,0	2,0
Comprehensive income for the period		18,7	7,4	51,0	39,7
Of which attributable to:					
Owners of the parent company		18,7	7,4	51,0	39,7
Earnings per common share, SEK, before dilution	4	0,87	0,47	2,88	2,43
Earnings per common share, SEK, after dilution	4	0,87	0,47	2,88	2,43
Average number of common shares, thousands		21 428,8	11 286,6	16 204,6	13 703,7

CONSOLIDATED BALANCE SHEET IN SUMMARY

SEK M	31-mar 2018	31-mar 2017	31-dec 2017
ASSETS			
Non-current assets			
Goodwill	372,3	371,3	372,0
Other intangible assets	11,9	11,0	11,4
Property, plant and equipment	141,2	85,5	130,3
Financial assets	4,3	4,1	4,1
Deferred tax assets	1,8	0,5	0,9
Total non-current assets	531,6	472,4	518,9
Current assets			
Inventory	21,4	17,7	21,1
Trade receivables	129,7	129,1	119,1
Gross amount due from customers	117,9	123,7	100,1
Current tax receivables	1,4	0,7	1,6
Other current receivables	14,9	11,3	18,1
Cash and cash equivalents	63,1	17,8	106,5
Total current assets	348,4	300,3	366,5
TOTAL ASSETS	880,0	772,6	885,4
EQUITY AND LIABILITIES			
Equity			
Share capital	128,6	67,7	128,6
Additional paid-in capital	381,8	177,3	381,8
Retained earnings, incl. profit for year	-108,4	-98,1	-124,0
Equity attributable to owners of the parent company	402,0	146,9	386,4
Non-current liabilities			
Deferred tax liabilities	4,8	-	4,8
Shareholder financing	-	269,9	-
Interest-bearing liabilities	191,1	44,4	187,7
Total non-current liabilities	195,9	314,2	192,5
Current liabilities			
Interest-bearing liabilities	5,7	85,0	8,8
Gross amount due to customers	65,9	51,2	106,2
Trade payables	107,5	100,6	101,2
Current tax liabilities	15,6	6,6	14,3
Other liabilities	31,0	16,9	22,1
Other accrued expenses and prepaid income	56,4	51,2	54,1
Total current liabilities	282,1	311,5	306,5
TOTAL EQUITY AND LIABILITIES	880,0	772,6	885,4

CONSOLIDATED CHANGES IN EQUITY IN SUMMARY

SEK M	Share Capital	Additional paid-in capital	Reserves	Retained earnings	Total equity
Opening balance 1 Jan 2017	67,7	177,3	1,0	-106,6	139,5
Comprehensive income for the period					
Profit for the period				7,3	7,3
Other comprehensive income for the period			0,1		0,1
Total comprehensive income for the period			0,1	7,3	7,4
Closing balance 31 Mar 2017	67,7	177,3	1,2	-99,3	146,9
Opening balance 1 Jan 2018	128,6	381,8	3,1	-127,1	386,4
Comprehensive income for the period					
Profit for the period				15,6	15,6
Other comprehensive income for the period			3,1		3,1
Effekt av övergång till IFRS 15				-3,1	-3,1
Total comprehensive income for the period		-	3,1	12,5	15,6
Closing balance 31 Mar 2018	128,6	381,8	6,2	-114,6	402,0

CASH FLOW STATEMENT IN SUMMARY

SEK M	Q1 2018	2017	Apr-Mar 2017/18	Jan-Dec 2017
Operating activities				
Operating profit (EBIT)	22,0	23,1	91,2	92,3
Adjustment for non-cash items	4,6	3,7	20,5	19,7
Interest received	0,0	0,0	0,0	0,0
Interest paid	-1,6	-1,2	-7,6	-7,2
Income tax paid	-3,1	-0,1	-9,3	-6,2
Cash flow from operating activities before changes in working capital	21,8	25,5	94,9	98,6
Changes in working capital				
Increase (-)/Decrease (+) in inventories	-0,3	-1,1	-3,6	-4,4
Increase (-)/Decrease (+) in operating receivables	-26,2	-62,0	3,7	-32,1
Increase (+)/Decrease (-) in operating liabilities	-23,9	29,7	39,6	93,3
Cash flow from operating activities	-28,6	-7,8	134,6	155,4
Investing activities				
Purchase/sale of intangible assets	-0,3	-	-0,5	-0,2
Purchase/sale of property, plant and equipment	-10,6	-3,5	-61,9	-54,8
Purchase/sale of subsidiaries	-	-	-0,5	-0,5
Change in other financial assets	-	0,3	0,1	0,4
Cash flow from investing activities	-10,8	-3,1	-62,8	-55,1
Financing activities				
Amortisation of loans	-	-	-50,9	-50,9
Proceeds from loans	-	0,3	143,3	143,6
Changes in financial leasing	-2,9	-2,7	-8,5	-8,3
Changes in current financial liabilities	-0,8	9,4	-51,7	-41,4
Warrants	-	-	3,0	3,0
Redemption, preference shares	-	-	-45,9	-45,9
Repayment, shareholders' contributions	-	-	-15,6	-15,6
Cash flow from financing activities	-3,8	7,0	-26,3	-15,5
Cash flow for the period	-43,2	-3,9	45,5	84,8
Cash and cash equivalents at beginning of the period	106,5	21,7	17,8	21,7
Exchange rate differential cash and cash equivalents	-0,2	0,0	-0,2	0,0
Cash and cash equivalents at end of the period	63,1	17,8	63,1	106,5

KEY RATIOS

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

PARENT COMPANY, INCOME STATEMENT IN SUMMARY

SEK M	Q1			Apr-Mar 2017/18	Jan-Dec 2017
	2018	2017	%		
Net sales	3,8	-	n/a	7,8	4,0
Operating expenses	-2,5	-	n/a	-19,8	-17,3
Operating profit	1,3	-	n/a	-12,0	-13,3
Interest income	0,1	-	n/a	0,3	0,2
Interest expenses	-0,8	-9,8	-0,9	-21,7	-30,7
Profit/loss after financial items	0,5	-9,8	-1,1	-33,5	-43,7
Group contribution	-	-	n/a	17,0	17,0
Change in untaxed reserves	-	-	n/a	-	-
Tax	-0,1	-	n/a	-0,2	-0,1
Net profit/loss for the period	0,4	-9,8	-1,0	-16,7	-26,9

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

PARENT COMPANY, BALANCE SHEET IN SUMMARY

SEK M	31-mar 2018	31-mar 2017	31-dec 2017
ASSETS			
Non-current assets	390,0	403,8	390,0
Current assets	65,3	-	125,9
TOTAL ASSETS	455,3	403,8	515,9
EQUITY AND LIABILITIES			
Restricted equity	128,6	67,7	128,6
Unrestricted equity	194,8	65,2	194,4
Total equity	323,4	132,9	322,9
Non-current liabilities	120,0	269,9	120,0
Other current liabilities	11,9	1,0	72,9
TOTAL EQUITY AND LIABILITIES	455,3	403,8	515,9

NOTES

Note 1 Accounting principles

This interim report for the Group has been prepared in accordance with IAS 34 Interim Financial Reporting and relevant provisions of the Swedish Annual Accounts Act. The interim report for the Parent Company has been prepared in accordance with RFR 2 and Chapter 9, Interim Reports, of the Swedish Annual Accounts Act. For the Group, the same accounting policies and computation methods have been applied as in the 2017 annual report, which was prepared in accordance with International Financial Reporting Standards and Interpretations as adopted by the EU with the exception of changes specified below.

The information on pages 2 –9 relating to the part of the year covered by this interim report constitutes an integral part of this financial report.

IFRS 15 Revenue from Contracts with Customers

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

The difference that has been identified compared with previous accounting principles relates to what can be identified as project expenditures when applying the percentage of completion method. Some of the expenditures that the Group incurs and which, under present rules, have been treated as project expenditures under IAS 11, will in future be treated as performance costs when applying the percentage of completion method and will be capitalised and depreciated over the period of the project. IFRS prescribes that these costs may not be included as a project expenditure. Thus, they will no longer be included when calculating the work-up rate of the project. Consequently, there will be a time lag with respect to when revenue can be recognised, compared with current principles.

Since the Group has chosen to apply the modified transition method in which only forward-looking adjustments are made, the application of IFRS 15 will affect shareholders' equity as of 1 January 2018, amounting to SEK 3.9 million excluding tax.

IFRS 9 Financial instruments

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

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

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

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

IFRS 16 Leasing

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

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

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

Note 2 Financial instruments

The financial instruments measured at fair value are forward exchange contracts. Financial assets at fair value amounted to SEK 0.0 (1.7) million at the end of the period, while financial liabilities at fair value amounted to SEK 10.7 (0.8) million.

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

Note 3 Business segments

Balco reports the following segments:

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

Jan-Mar SEK M	Renovation		New Build		Group Other		Eliminations		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Net sales – External revenue	218,8	197,0	23,8	33,8	-	-	-	-	242,6	230,8
Net sales – Internal revenue	-	-	-	-	4,0	1,8	-4,0	-1,8	-	-
Total sales	218,8	197,0	23,8	33,8	4,0	1,8	-4,0	-1,8	242,6	230,8
Operating profit (EBIT)	23,5	22,6	0,6	1,8	-2,1	-1,3	-	-	22,0	23,1
Depreciation included with	4,5	3,6	0,3	0,6	-	-	-	-	4,8	4,2
0	-	-	-	-	-	-	-	-	-	-
IPO costs	-	-	-	-	-	1,3	-	-	-	1,3
Adjusted operating profit (EBIT)	23,5	22,6	0,6	1,8	-2,1	-0,1	-	-	22,0	24,3
Operating profit (EBIT)	23,5	22,6	0,6	1,8	-2,1	-1,3	-	-	22,0	23,1
Finance income	-	-	-	-	0,0	0,0	-	-	0,0	0,0
Finance cost	-	-	-	-	-1,7	-11,0	-	-	-1,7	-11,0
Profit before tax	-	-	-	-	-3,8	-12,3	-	-	23,3	12,1

Note 4 Earnings per share

SEK M	Q1		Apr-Mar	Jan-Dec
	2018	2017	2017/18	2017
Net profit for the period attributable to the owners of the parent company	18,7	7,4	51,0	39,7
Less return on preference shares	-	-2,1	-4,4	-6,4
Profit for the period after return on preference shares	18,7	5,3	46,6	33,3
Average number of common shares, 000'	21 428,8	11 286,6	16 204,6	13 703,7
Earnings per common share, SEK, before dilution	0,87	0,47	2,88	2,43
Earnings per common share, SEK, after dilution	0,87	0,47	2,88	2,43

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.

SEK M	Q1 2018	2017	%	Apr-Mar 2017/18	Jan-Dec 2017
Adjusted operating profit					
Operating profit	22,0	23,1	-5%	91,2	92,3
IPO costs	-	1,3	-100%	23,1	24,4
Other non-recurring items	-	-	n/a	-	-
Adjusted operating profit	22,0	24,3	-10%	114,4	116,7
Adjusted EBITDA					
Operating profit	22,0	23,1	-5%	91,2	92,3
Depreciation	4,8	4,2	14%	17,7	17,1
IPO costs	-	1,3	-100%	23,1	24,4
Other non-recurring items	-	-	n/a	-	-
Adjusted EBITDA	26,7	28,5	-6%	132,0	133,8
Operating cash flow, SEK M					
Adjusted EBITDA	26,7	28,5	-6%	132,0	133,8
Changes in working capital	-48,2	-33,3	45%	38,8	53,6
Investments in other non-current assets, net	-1,9	-3,3	-42%	-3,2	-4,6
Operating cash flow, SEK M	-23,4	-8,2	187%	167,6	182,9

SEK M	31-mar 2018	31-mar 2017	31-dec 2017
External interest-bearing net debt, SEK M			
External non-current interest-bearing liabilities	191,1	44,4	187,7
Current interest-bearing liabilities	5,7	85,0	8,8
Cash and cash equivalents	-63,1	-17,8	-106,5
Interest-bearing net debt	133,7	65,2	90,0
Adjusted EBITDA (12 months)	132,0	111,5	133,8
Interest-bearing net debt/EBITDA 12 months, times	1,0 x	0,6 x	0,7 x
Return on capital employed, %			
Equity	402,0	146,9	386,4
External interest-bearing net debt	133,7	111,5	90,0
Shareholder financing	-	269,9	-
Average capital employed	506,0	513,9	488,0
Adjusted operating profit (EBIT), (12 months)	114,4	96,3	116,7
Return on capital employed, %	22,6	18,7	23,9
Equity/assets ratio, %			
Equity attributable to owners of the parent company	402,0	146,9	386,4
Total assets	880,0	772,6	885,4
Equity/assets ratio, %	45,7	19,0	43,6

ALTERNATIVE PERFORMANCE MEASURES

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

Alternative performance measures	Definition	Reason for use
Return on equity	Income for the period divided by the average shareholder equity for the period. Average calculated as the average of the opening balance and the closing balance for the period.	Return on equity shows the return that is generated on the shareholders' capital that is invested in the Company.
Return on capital employed	Adjusted EBIT as a percentage of average capital employed for the period. Average calculated as the average of the opening balance and the closing balance for the period, see note 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.
EBIT margin	EBIT as a percentage of net sales	Balco believes EBIT margin is a useful measure together with net sales growth and net working capital to monitor value creation.

Alternative performance measures	Definition	Reason for use
EBIT	Earnings before interest and tax.	Balco believes that EBIT shows the profit generated by the operating activities.
Equity/asset ratio	Equity divided on total assets, see note 5.	Balco believes that equity to asset ratio shows the Company's long-term survival rate
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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