

Interim report

2018: Q2 April-June

BALCONIES
FOR
GREATER
LIVING



Continued expansion and a strong underlying growth

The second quarter: April – June

- Net sales of SEK 273.6 (268.4) million, an increase of 1.9 percent or SEK 5.2 million. The increase was entirely organic.
- Order intake of SEK 299.4 (394.8) million, a decrease of 24.1 percent
- Order backlog increased by SEK 28.8 million to SEK 1 308.8 million
- Operating profit of SEK 31.5 (30.8) million, an increase of 2.3 percent. Adjustment to IFRS 15 reduced operating profit by SEK 3.7 million.
- Net profit after tax of SEK 23.1 (12.4) million, an increase of 87 percent.
- Earnings per ordinary share of SEK 1.05 (0.91), before and after dilution.
- Operating cash flow of SEK 12.9 (42.5) million.
- Adjustment to the new accounting standards in accordance with IFRS 15 has resulted in a reduction of sales for the quarter by SEK 9 million. Comparative figures have not been restated.

The half-year period January – June

- Net sales of SEK 516.1 (499.2) million, an increase of 3.4 percent or SEK 16.9 million. The increase was entirely organic.
- Order intake of SEK 570.7 (614.9) million, a decrease of 7.2 percent.
- Order backlog increased by SEK 70.4 million, equivalent to 13.4 percent more than sales for the period.
- Operating profit of SEK 53.5 (53.9) million, a decrease of 0.7 percent. Adjustment to IFRS 15 reduced operating profit by SEK 7.4 million.
- Net profit after tax of SEK 38.7 (19.6) million, an increase of 97 percent.
- Earnings per ordinary share of SEK 1.92 (1.38) before and after dilution.
- Operating cash flow of SEK -10.1 (34.4) million.
- Adjustment to the new accounting standards in accordance with IFRS 15 resulted in a reduction of SEK 16 million in sales for the quarter. Comparative figures have not been restated.

Events during the second quarter and after end of the quarter

- Balco has during the second quarter signed an order in Stockholm valued at approximately SEK 100 million. Project start will take place once the customer has been granted planning permission.
- After the end of the quarter, Balco has prolonged the banking agreement and the agreement is now valid until September 2021.

Key ratios

MSEK	Q2		Jan-Jun		Jul-Jun	Jan-Dec
	2018	2017	2018	2017	2017/18	2017
Net sales	273,6	268,4	516,1	499,2	1 005,9	989,0
Order intake	299,4	394,8	570,7	614,9	1 069,3	1 113,5
Order backlog	1 308,8	1 224,8	1 308,8	1 224,8	1 308,8	1 238,4
Gross profit	71,0	67,5	131,2	125,1	253,9	247,8
Gross profit, %	25,9	25,1	25,4	25,1	25,2	25,1
Operating profit	31,5	30,8	53,5	53,9	91,9	92,3
EBIT margin, %	11,5	11,5	10,4	10,8	9,1	9,3
Adjusted operating profit (EBIT)	31,5	33,6	53,5	57,9	112,3	116,7
Adjusted operating profit margin (EBIT), %	11,5	12,5	10,4	11,6	11,2	11,8
Net profit for the period	23,1	12,4	38,7	19,6	56,7	37,7
Operating cash flow	12,9	42,5	-10,5	34,4	138,0	182,9



KENNETH LUNDAHL, PRESIDENT AND CEO

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

The market has remained buoyant 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 the organisation, increased our marketing activities and continued to advance our positions.

Our customers often provide testimony on how well projects have proceeded and how satisfied they are with the end result. One customer summarised the implementation of his project as follows: "I'm satisfied and grateful for our cooperation, which has been very transparent and characterised by good communication. Balco is a company which actively engages in customer relations and performance."

We know that satisfied customers generate new customers or, in the words of the same customer, "I believe that Balco will make many Swedish households happy with new glazed balconies".

Our work on establishing the production of city balconies in Poland is proceeding according to plan. This will result in increased delivery capacity and flexibility in Denmark already this year and strengthen profitability. The prospects and expansion opportunities within the product area are considered to be very good.

Order intake during the quarter was SEK 299 million, which was SEK 96 million lower than our hitherto historically best quarter last year. We are certain that our business model is working and know that, in a project-oriented business, order intake varies between quarters, as was clear in Denmark during the quarter. In Denmark, a higher price level is also being established on the market, which has contributed to a more protracted sales process during the quarter.

We are continuing to be selective within the New Build segment, and the Renovation segment accounted for 90 percent of order intake.

The order backlog continued to increase and, at the end of the quarter, amounted to SEK 1,309 million, representing an increase of SEK 29 million in the quarter. The growing order backlog gives us the prerequisites for a good sales growth during the year to come.

Sales for the quarter amounted to SEK 273.6 million, an increase of 2 percent compared with the preceding year. Adjustment to IFRS 15 and the slowness in the granting of planning permission in Copenhagen have continued to have an adverse effect on sales, by an estimated SEK 20 million during the quarter.

The operating profit of SEK 31 million has likewise been adversely affected, by approximately SEK 8 million. The adjustment to IFRS 15 displaces the time for reporting of sales and earnings in projects, which return as projects are carried out. In other words, underlying sales growth and the earnings trend are positive.

The processing of planning permission applications in Copenhagen has improved during the quarter, in accordance with expectations. Sales in Denmark will begin to increase in the second half of the year.

Balco is nowadays a growth company with a strong niche position within the Renovation segment, on which there is great need and strong growth potential. Our strategy is to continue to invest in growth within the segment. With a growing order backlog, strong financial position and exciting development opportunities, I am confident about the future.

Växjö 24 August 2018



Kenneth Lundahl, President and CEO
Balco Group AB



“ With a growing order backlog, strong financial position and exciting development opportunities, I am confident about the future. ”

Kenneth Lundahl, President and CEO

THE GROUP'S DEVELOPMENT

Sales, order backlog and order intake

Net sales in the second quarter increased by 1.9 percent to SEK 273.6 (268.4) million, an increase of SEK 5.2 million. The growth was entirely organic. For the half-year period January-June, sales increased by 3.4 percent to SEK 516.1 (499.2) million, representing an increase of SEK 16.9 million. Balco's long-term goal is to grow by 10 percent. Sales for the quarter and the period were adversely affected by the amounts of SEK 9 million and SEK 16 million respectively due to adjustment to the new accounting standards pursuant to IFRS 15 "Revenue from Contracts with Customers". The change affects the time for reporting of project expenditures, which constitute a part of the basis for sales in accordance with the percentage of completion method. Adjusted for IFRS 15, the increase in sales was 5 percent for the quarter and 6 percent for the period.

The main markets developed well during the second quarter and the first half of the year, except for Denmark where longer lead times for planning permission in Copenhagen have continued to affect sales. The percentage of projects with approved planning permission increased during the quarter and sales in Denmark will increase during the second half of the year. Market conditions remain positive on the newly established markets. Balco's sales growth is affected to a large extent by when planning permission is granted, and consequently sales vary between quarters.

Order backlog continued to develop positively in the quarter and was up SEK 28.8 million from the preceding quarter. The share of Renovation of total order backlog continued to increase. The cumulative order backlog was SEK 1,308.8 million, entailing an increase of 6.9% on an annual basis (1,224.8). The increased order backlog is due to regular investments in an expanded sales organisation and marketing activities.

During the second quarter, order intake amounted to SEK 299.4 (394.8) million, down 24.1 percent or SEK 95.4 million from the same quarter of last year, which was the best quarter to date. Order intake for the period was SEK 44.2 million lower at SEK 570.7 (614.9), corresponding to a decrease of 7.2 percent. The Renovation segment accounted for 90 percent of order intake. This is due to the fact that we continued to be selective within the New Build segment and turned down smaller projects.

Earnings

Gross profit in the second quarter increased and amounted to SEK 71.0 (67.5) million, entailing a gross margin of 25.9 (25.1) percent. For the half-year period, gross profit increased by SEK 6.1 million to SEK 131.2 (125.1) million, a gross margin of 25.4 (25.1) percent. The gross margin for the quarter and for the period increased as a consequence of higher margins in projects and include a negative impact of SEK 3.7 million and SEK 7.4 million respectively due to the adjustment to IFRS 15.

Selling expenses in the quarter increased to SEK 24.5 (22.4) million, mainly due to costs for investments in new markets and a high level of activity within sales and marketing. Balco's strategy of continuing to expand the sales organisation within the Renovation segment remains in place. Administrative expenses increased to SEK 14.9 (14.5) million due to increased costs for a strengthened organisation. Total operating expenses in the second quarter amounted to SEK 39.5 (36.7) million, corresponding to 14.4 (13.7) percent of sales.

Operating profit for the second quarter was SEK 31.5 (30.8) million, corresponding to an operating margin of 11.5 (11.5) percent. Operating profit for the half-year period was SEK 53.5 (53.9). The lower profit is due to increased costs within sales and administration. Delayed start-ups of projects in Copenhagen, due to protracted planning permission processing periods, affected profit in the quarter and for the period by SEK 4.0 million and SEK 7.7 million respectively. Adjusted for effect from implementation of IFRS 15, operating income would have been SEK 35.2 million in the quarter and SEK 60.9 million for the period, corresponding to an operating margin of 12.5 percent (11.5) and 11.5 percent (10.8) for the period.

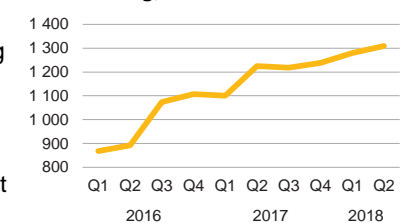
Net sales Q2 2018

+1.9%

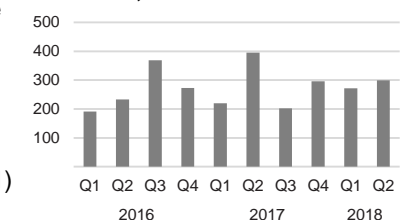
Net sales, R12 million



Order backlog, million



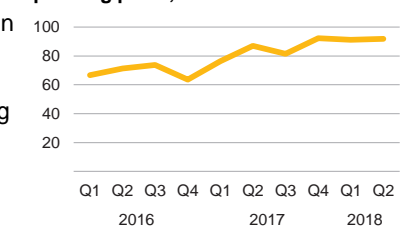
Order intake, million



Operating margin

9.1%

Operating profit, R12 million



Financial expenses during the second quarter and the half-year period declined as a consequence of the new capital structure which was established in conjunction with the Company's IPO. Interest expenses during the second quarter were SEK 10.4 million lower, at SEK 1.3 million (11.7). Interest expenses for the period were SEK 19.8 million lower, at SEK 3.0 million (22.7).

Profit after tax for the quarter was SEK 23.1 (12.4) million, corresponding to earnings per ordinary share of SEK 1.05 (0.91). For the half-year period, profit after tax was SEK 38.7 (19.6) million, corresponding to earnings per ordinary share of SEK 1.92 (1.38).

DEVELOPMENT PER SEGMENT

Net sales, SEK M	Q2		Jan-Jun		Jul-Jun	Jan-Dec
	2018	2017	2018	2017	2017/18	2017
Renovation	240,3	229,1	459,2	426,2	880,5	847,5
New Build	33,2	39,3	57,0	73,1	125,3	141,4
Group other	4,0	1,8	8,0	3,6	13,0	8,6
Elimination	-4,0	-1,8	-8,0	-3,6	-13,0	-8,6
Total sales	273,6	268,4	516,1	499,2	1 005,9	989,0
Operating profit, SEK M	Q2		Jan-Jun		Jul-Jun	Jan-Dec
	2018	2017	2018	2017	2017/18	2017
Renovation	31,6	35,0	55,1	57,5	112,0	114,5
New Build	0,4	2,8	1,0	4,6	3,8	7,3
Group other	-0,5	-7,0	-2,6	-8,3	-23,8	-29,5
Elimination	-	-	-	-	-	-
Total EBIT	31,5	30,8	53,5	53,9	92,0	92,3
EBIT margin, %	Q2		Jan-Jun		Jul-Jun	Jan-Dec
	2018	2017	2018	2017	2017/18	2017
Renovation	13,1	15,3	12,0	13,5	12,7	13,5
New Build	1,2	7,1	1,8	6,3	3,0	5,2
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
Total EBIT margin	11,5	11,5	10,4	10,8	9,1	9,3

Renovation

Sales within the Renovation business segment grew in the second quarter by 4.9 percent, or SEK 11.2 million, to SEK 240.3 (229.1) million. The segment accounted for 87.9 percent of Balco's total sales in the second quarter. For the half-year period, sales increased by 7.7 percent to SEK 459.2 (426.2) million. The Company's investment for growth in the sector, with respect to sales organisation and marketing activities as well as geographic expansion, has continued during the quarter.

Operating profit in the quarter was SEK 31.6 (35.0) million, corresponding to an operating margin of 13.1 (15.3) percent in the quarter. Allotted Group common administrative expenses reduced the profit in the quarter, which together with the adjustment to IFRS 15 affected the segment's profitability by more than the actual decline in operating margin. Operating profit for the half-year period was SEK 55.1 (57.5) million.

New Build

Sales within the New Big business segment fell to SEK 33.2 (39.3) million in the second quarter. Sales for the period fell to SEK 57.0 (73.1) million. The lower sales are due to a gradually reduced order backlog within New Build as a consequence of the strategy of focusing on the Renovation segment and reducing exposure to New Build. The segment accounted for 12.1 percent of Balco's total sales in the second quarter.

Operating profit for the New Build segment declined to SEK 0.4 (2.8) million. Operating profit for the half-year period was SEK 1.0 (4.6) million.

Share, Renovation
Q2 2018

87.9%



Share, New Build
Q2 2018

12.1%

Net sales per customer category, MSEK

	Q2 2018	Jan-Jun 2018	Jan-Dec 2017
Tenant-owner associations	187,4	359,4	580,8
Private landlords	27,4	58,8	192,4
Publicly owned companies	30,5	49,2	93,4
Construction companies	28,2	48,8	122,3
Total Net sales	273,6	516,1	989,0

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.

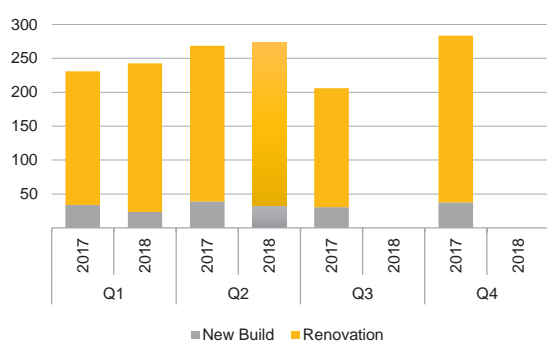
New Build



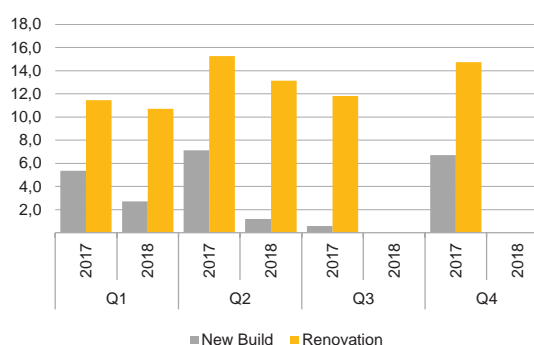
Project luxury cruise ship, Papenburg, Germany

Within New Build, Balco performs installation of balconies in conjunction with the construction of new apartment buildings as well as balcony solutions within maritime applications (shipbuilding industry). The largest product areas comprise balcony glazing solutions and open balconies. Balco is 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 145.0 million (SEK 380.1 million on 30 June 2017) and SEK 90.0 million at the end of December 2017). Balco's interest-bearing net debt relative to adjusted EBITDA was 1.1 times, which is within the scope of the Company's indebtedness target (not to exceed 2.5 times). At the end of June 2018 the Group's equity amounted to SEK 403.0 million (SEK 159.3 million on 30 June 2017) and SEK 386.4 million at the end of December 2017. The Group's equity ratio was 45.1 (19.8) percent.

SEK M	30-jun 2018	30-jun 2017	31-dec 2017
Shareholder financing	-	279,6	-
External non-current interest-bearing liabilities	187,2	44,5	187,7
Current interest-bearing liabilities	9,5	75,6	8,8
Cash and cash equivalents	-51,7	-19,6	-106,5
Interest-bearing net debt	145,0	380,1	90,0
Less: shareholder financing	-	-279,6	-
External interest-bearing net debt	145,0	100,5	90,0
Equity/assets ratio, %	45,1	19,8	43,6
External interest-bearing net debt/EBITDA (12 months), times	1,1 x	0,8 x	0,7 x

Cash flow, investments and amortisation/depreciation

Cash flow from ongoing activities for the period amounted to SEK -10.5 (29.9) million. The decrease was attributable to increased working capital in the form of higher accounts receivable and higher net capital (net) in ongoing projects compared with the previous year. To a certain extent, tied up capital varies between quarters depending on the various phases of projects.

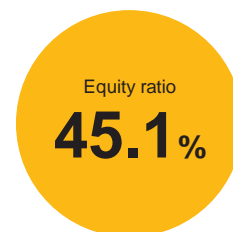
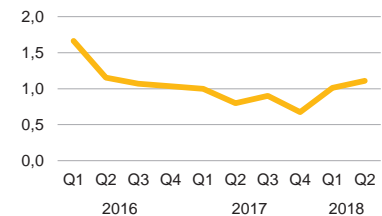
Cash flow from investing activities during the period amounted to SEK -15.9 million, a decrease from the corresponding quarter of last year when investments amounted to SEK -29.6 million. Investments mainly relates to machinery for pipe plasma processing and aluminium processing. Investments for the period financed through financial leasing amounted to SEK 6.4 (4.5) million. Cash flow from financing activities amounted to SEK -28.2 (-2.4) million. Cash flow for the period declined as a consequence of an increase in tied up working capital and dividend payment compared with the corresponding period of the preceding year, to SEK -54.7 (-2.1) million. Of total investments, expansion investments accounted for SEK 11.1 (25.8) million

Amortisation/depreciation amounted to SEK 9.7 (8.4) million

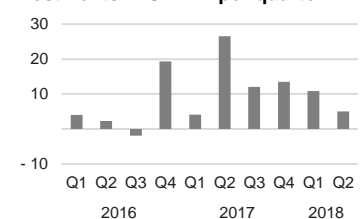
The Parent Company

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 0.1 (-20.1) million.

External 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 June 2018 Balco had 367 (314) 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 June 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 June 2018 there were 3,199 shareholders. The five largest shareholders were Segulah IV L.P., Carl-Olof och Jenz Hamrins Stiftelse, Skandrenting AB, 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, and Percy Calissendorff. 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.

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 during the quarter and since the end of the quarter

Balco has during the quarter signed an 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 value, which amounts to approximately 100 MSEK, is included in order intake for the second quarter of 2018.

After the end of the quarter, Balco has extended the bank agreement with Danske Bank until September 2021.

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.

Växjö, 24 August 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 and the Securities Market Act. The information was provided by the contact person below for publication on 24 August 2018 at 08.00 CET.

Telephone conference

An online telephone conference will be held on 24 August 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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UK: +44 203 008 98 02

USA: +1 855 753 22 37

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, 24 August 2018

Lennart Kalén

Chairman of the Board

Ingalill Berglund

Board member

Percy Calissendorff

Board member

Tomas Johansson

Board member

Carl-Mikael Lindholm

Board member

Johannes Nyberg

Board member

Åsa Söderström Winberg

Board member

Kenneth Lundahl

President and CEO

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Fredrik Hall, CFO

Tel: 070-392 77 30

Cecilia Lannebo, Head of IR

0722-208 277

Calendar 2018/2019

Interim report Jan-Sep 2018 16 November 2018

Year-end report 2018 22 February 2019

Interim report Jan-Mar 2019 21 May 2019

AGM 2019 21 May 2019

Interim report Jan-Jul 2019 27 August 2018

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SEK M	Note	Q2		Jan-Jun		Jul-Jun	Jan-Dec
		2018	2017	2018	2017	2017/18	2017
Net sales		273,6	268,4	516,1	499,2	1 005,9	989,0
Production and project costs		-202,6	-200,9	-385,0	-374,2	-752,0	-741,1
Gross profit		71,0	67,5	131,2	125,1	253,9	247,8
Sales costs		-24,5	-22,4	-49,4	-45,1	-91,8	-87,6
Administration costs		-14,9	-14,5	-28,3	-26,3	-70,3	-68,4
Share of profit or loss of associates		-0,1	0,3	0,0	0,2	-0,1	0,1
Other operating income		0,3	2,1	0,6	3,8	3,6	6,8
Other operating expenses		-0,3	-2,1	-0,6	-3,8	-3,4	-6,5
Operating costs		-39,5	-36,7	-77,7	-71,2	-162,0	-155,5
Operating profit		31,5	30,8	53,5	53,9	91,9	92,3
Finance income		0,0	0,0	0,0	0,0	0,0	0,0
Finance costs		-1,3	-11,7	-3,0	-22,7	-17,3	-37,1
Profit before tax		30,2	19,1	50,5	31,1	74,7	55,3
Income tax		-7,1	-6,7	-11,8	-11,5	-18,0	-17,6
Net profit for the period		23,1	12,4	38,7	19,6	56,7	37,7
Other comprehensive income							
Items that have been/can be reclassified to profit/loss							
Exchange rate differences on translation of foreign operation		-0,7	-0,0	2,5	0,1	4,4	2,0
Comprehensive income for the period		22,5	12,4	41,1	19,7	61,1	39,7
Of which attributable to:							
Owners of the parent company		22,5	12,4	41,1	19,7	61,1	39,7
Earnings per common share, SEK, before dilution	4	1,05	0,91	1,92	1,38	3,14	2,43
Earnings per common share, SEK, after dilution	4	1,05	0,91	1,92	1,38	3,14	2,43
Average number of common shares, thousands		21 428,8	11 286,6	21 428,8	11 286,6	18,733,331	13 703,7

CONSOLIDATED BALANCE SHEET IN SUMMARY

SEK M	30-jun 2018	30-jun 2017	31-dec 2017
ASSETS			
Non-current assets			
Goodwill	372,4	371,4	372,0
Other intangible assets	12,5	11,1	11,4
Property, plant and equipment	142,3	107,7	130,3
Financial assets	4,2	4,3	4,1
Deferred tax assets	1,9	0,7	0,9
Total non-current assets	533,3	495,0	518,9
Current assets			
Inventory	21,4	19,5	21,1
Trade receivables	131,6	124,6	119,1
Gross amount due from customers	137,9	125,1	100,1
Current tax receivables	2,7	0,9	1,6
Other current receivables	14,0	19,7	18,1
Cash and cash equivalents	51,7	19,6	106,5
Total current assets	359,4	309,4	366,5
TOTAL ASSETS	892,7	804,4	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	-107,3	-85,8	-124,0
Equity attributable to owners of the parent company	403,0	159,3	386,4
Non-current liabilities			
Deferred tax liabilities	4,8	1,2	4,8
Shareholder financing	-	279,6	-
Interest-bearing liabilities	187,2	44,5	187,7
Other non-current liabilities	4,2	-	-
Total non-current liabilities	196,2	325,3	192,5
Current liabilities			
Interest-bearing liabilities	9,5	75,6	8,8
Gross amount due to customers	58,7	39,4	106,2
Trade payables	120,3	117,6	101,2
Current tax liabilities	22,5	11,7	14,3
Other liabilities	26,5	18,2	22,1
Other accrued expenses and prepaid income	56,1	57,3	54,1
Total current liabilities	293,5	319,8	306,5
TOTAL EQUITY AND LIABILITIES	892,7	804,4	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				19,6	19,6
Other comprehensive income for the period			0,1		0,1
Total comprehensive income for the period			0,1	19,6	19,7
Closing balance 30 Jun 2017	67,7	177,3	1,1	-86,9	159,3
Opening balance 1 Jan 2018	128,6	381,8	3,1	-127,1	386,4
Comprehensive income for the period					
Profit for the period				38,7	38,7
Other comprehensive income for the period			2,5		2,5
Impact from implementation of IFRS 15				-3,1	-3,1
Total comprehensive income for the period		-	2,5	35,6	38,1
Transactions with shareholders in their status as Company owners:					
Distributed dividend				-21,4	-21,4
Total transactions with Company owners	-	-	-	-21,4	-21,4

CASH FLOW STATEMENT IN SUMMARY

SEK M	Q2		Jan-Jun		Jul-Jun	Jan-Dec
	2018	2017	2018	2017	2017/18	2017
Operating activities						
Operating profit (EBIT)	31,5	30,8	53,5	53,9	91,9	92,3
Adjustment for non-cash items	5,7	5,2	10,3	9,0	21,0	19,7
Interest received	0,0	0,0	0,0	0,0	0,0	0,0
Interest paid	-1,5	-2,0	-3,1	-3,2	-7,1	-7,2
Income tax paid	-1,6	-1,9	-4,7	-2,0	-9,0	-6,2
Cash flow from operating activities before changes in working capital	34,2	32,1	56,0	57,6	96,9	98,6
Changes in working capital						
Increase (-)/Decrease (+) in inventories	0,1	-1,7	-0,2	-2,8	-1,8	-4,4
Increase (-)/Decrease (+) in operating receivables	-20,9	-5,3	-47,0	-67,3	-11,9	-32,1
Increase (+)/Decrease (-) in operating liabilities	4,8	12,6	-19,2	42,3	31,8	93,3
Cash flow from operating activities	18,1	37,7	-10,5	29,9	115,0	155,4
Investing activities						
Purchase/sale of intangible assets	-0,7	-0,1	-1,0	-0,1	-1,1	-0,2
Purchase/sale of property, plant and equipment	-4,3	-26,4	-14,9	-29,9	-39,9	-54,8
Purchase/sale of property, plant and equipment	-	-	-	-	-	-
Purchase/sale of subsidiaries	-	-	-	-	-0,5	-0,5
Purchase/sale of participations in associated companies	-	-	-	-	-	-
Change in other financial assets	-	-	-	0,3	0,1	0,4
Cash flow from investing activities	-5,1	-26,5	-15,9	-29,6	-41,4	-55,1
Financing activities						
Amortisation of loans	-	-	-	-	-50,9	-50,9
Proceeds from loans	-	0,3	-	0,7	142,9	143,6
Changes in financial leasing	-3,5	-1,8	-6,4	-4,5	-10,2	-8,3
Changes in current financial liabilities	0,4	-8,0	-0,4	1,5	-43,3	-41,4
Warrants	-	-	-	-	3,0	3,0
Redemption, preference shares	-	-	-	-	-45,9	-45,9
Repayment, shareholders' contributions	-	-	-	-	-15,6	-15,6
Distributed dividend	-21,4	-	-21,4	-	-21,4	-
Cash flow from financing activities	-24,5	-9,4	-28,2	-2,4	-41,4	-15,5
Cash flow for the period	-11,5	1,8	-54,7	-2,1	32,2	84,8
Cash and cash equivalents at beginning of the period	63,1	17,8	169,5	39,5	19,6	21,7
Exchange rate differential cash and cash equivalents	0,1	0,0	-0,1	0,0	-0,1	0,0
Cash and cash equivalents at end of the period	51,7	19,6	114,8	37,4	51,7	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	Q2		Jan-Jun		Jul-Jun	Jan-Dec
	2018	2017	2018	2017	2017/18	2017
Net sales	3,8	-	7,6	-	11,6	4,0
Operating expenses	-3,5	-0,7	-6,0	-0,7	-22,6	-17,3
Operating profit	0,3	-0,7	1,6	-0,7	-11,0	-13,3
Interest income	0,1	-	0,1	-	0,4	0,2
Interest expenses	-0,8	-9,8	-1,6	-19,5	-12,7	-30,7
Profit/loss after financial items	-0,4	-10,5	0,2	-20,2	-23,3	-43,7
Group contribution	-	-	-	-	17,0	17,0
Change in untaxed reserves	-	-	-	-	-	-
Tax	0,1	0,2	-0,0	0,2	-0,3	-0,1
Net profit/loss for the period	-0,3	-10,3	0,1	-20,1	-6,7	-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	30-jun 2018	30-jun 2017	31-dec 2017
ASSETS			
Non-current assets	390,0	389,1	390,0
Current assets	70,1	14,9	125,9
TOTAL ASSETS	460,1	403,9	515,9
EQUITY AND LIABILITIES			
Restricted equity	128,6	67,7	128,6
Unrestricted equity	173,1	54,9	194,4
Total equity	301,6	122,6	322,9
Non-current liabilities	152,7	279,6	120,0
Other current liabilities	5,8	1,7	72,9
TOTAL EQUITY AND LIABILITIES	460,1	403,9	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 1 –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. Certain of the expenditures incurred by the Group, which under current rules are treated as project expenditures under IAS 11 when applying the percentage of completion method, will be treated as completion costs and capitalized as well as written off over the project period. 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 6 requires that assets and liabilities related to all leases, with the exception of short leases or agreements regarding assets of low value, be reported in the balance sheet. This reporting is based on the view that the lessee is entitled to use an asset during a specific period of time, and at the same time has an obligation to pay for such entitlement. Consequently, most of the Group's current operational leases will be reported in the balance sheet as from 2019.

The Group has begun work on analysing the effect that IFRS 16 will have on the Group's financial statements. The Group is working to conduct a complete review of all leases in which information is being compiled and presented as a basis for calculations and quantification in connection with the transition to 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 0.4 (4.0) million at the end of the period, while financial liabilities at fair value amounted to SEK 11.6 (1.6) 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-Jun SEK M	Renovation		New Build		Group Other		Eliminations		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Net sales – External revenue	459,2	426,2	57,0	73,1	-	-	-	-	516,1	499,2
Net sales – Internal revenue	-	-	-	-	8,0	3,6	-8,0	-3,6	-	-
Total sales	459,2	426,2	57,0	73,1	8,0	3,6	-8,0	-3,6	515,1	499,2
Operating profit (EBIT)	55,1	57,5	1,0	4,6	-2,6	-8,3	-	-	53,5	53,9
Depreciation included with	8,8	7,1	0,9	1,3	-	-	-	-	9,7	8,4
IPO costs	-	-	-	-	-	4,0	-	-	-	4,0
Adjusted operating profit (EBIT)	55,1	57,5	1,0	4,6	-2,6	-4,2	-	-	53,5	57,9
Operating profit (EBIT)	55,1	57,5	1,0	4,6	-2,6	-8,3	-	-	53,5	53,9
Finance income	-	-	-	-	0,0	0,0	-	-	0,0	0,0
Finance cost	-	-	-	-	-3,0	-22,7	-	-	-3,0	-22,7
Profit before tax	-	-	-	-	-5,6	-31,0	-	-	50,5	31,1

Note 4 Earnings per share

SEK M	Q2		Jan-Jun		Jul-Jun	Jan-Dec
	2018	2017	2018	2017	2017/18	2017
Net profit for the period attributable to the owners of the parent co	22,5	12,4	41,1	19,7	61,1	39,7
Less return on preference shares	-	-2,1	-	-4,2	-2,3	-6,4
Profit for the period after return on preference shares	22,5	10,3	41,1	15,6	58,8	33,3
Average number of common shares, 000'	21 428,8	11 286,6	21 428,8	11 286,6	18,733,331	13 703,7
Earnings per common share, SEK, before dilution	1,05	0,91	1,92	1,38	3,14	2,43
Earnings per common share, SEK, after dilution	1,05	0,91	1,92	1,38	3,14	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	Q2		Jan-Jun		Jul-Jun	Jan-Dec
	2018	2017	2018	2017	2017/18	2017
Adjusted operating profit						
Operating profit	31,5	30,8	53,5	53,9	91,9	92,3
IPO costs	-	2,8	-	4,0	20,3	24,4
Other non-recurring items	-	-	-	-	-	-
Adjusted operating profit	31,5	33,6	53,5	57,9	112,3	116,7
Adjusted EBITDA						
Operating profit	31,5	30,8	53,5	53,9	91,9	92,3
Depreciation	5,0	4,2	9,7	8,4	18,4	17,1
IPO costs	-	2,8	-	4,0	20,3	24,4
Other non-recurring items	-	-	-	-	-	-
Adjusted EBITDA	36,5	37,8	63,2	66,3	130,7	133,8
Operating cash flow, SEK M						
Adjusted EBITDA	36,5	37,8	63,2	66,3	130,7	133,8
Changes in working capital	-20,2	5,6	-68,5	-27,8	13,0	53,6
Investments in other non-current assets, net	-3,4	-0,8	-5,3	-4,2	-5,7	-4,6
Operating cash flow, SEK M	12,9	42,5	-10,5	34,4	138,0	182,9

SEK M	30-jun 2018	30-jun 2017	31-dec 2017
External interest-bearing net debt, SEK M			
External non-current interest-bearing liabilities	187,2	44,5	187,7
Current interest-bearing liabilities	9,5	75,6	8,8
Cash and cash equivalents	-51,7	-19,6	-106,5
Interest-bearing net debt	145,0	100,5	90,0
Adjusted EBITDA (12 months)	130,7	125,9	133,8
Interest-bearing net debt/EBITDA 12 months, times	1,1 x	0,8 x	0,7 x
Return on capital employed, %			
Equity	403,0	159,3	386,4
External interest-bearing net debt	145,0	100,5	90,0
Shareholder financing	-	279,6	-
Average capital employed	512,2	519,5	488,0
Adjusted operating profit (EBIT), (12 months)	112,3	109,8	116,7
Return on capital employed, %	21,9	21,1	23,9
Equity/assets ratio, %			
Equity attributable to owners of the parent company	403,0	159,3	386,4
Total assets	892,7	804,4	885,4
Equity/assets ratio, %	45,1	19,8	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 is a useful measure for the Company's survival.
Capital employed	Equity plus interest-bearing net debt (external net debt plus shareholder loan)	Capital employed is used by Balco to indicate the general capital efficiency of the Company
Capital employed excluding goodwill	Capital employed less goodwill.	Capital employed excluding goodwill together with capital employed is used by Balco to indicate the capital efficiency of the Company



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