

BALCO | GROUP

2023

ANNUAL AND SUSTAINABILITY REPORT





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f = Administration report

Annual and Sustainability Report 2023

Balco Group’s Annual and Sustainability Report is published in both Swedish and English. The Swedish version is the original version. The Administration report includes pages: 30-35, 38-42, 50-59, 64-65, 67-71, 77-79, 81, 89, 98. The audited Annual Report and consolidated financial statements for the 2023 financial year are included on pages 30-35, 38-42, 44-45, 50-62, 64-102.

Other external review

The auditor has reviewed and certified the Sustainability report, pages 50-62. See the assurance report on page 106, which includes the auditor’s opinion on the statutory Sustainability report under RevR 12. The auditor has reviewed the Corporate governance report, pages 38-42, 44-45 in accordance with FAR’s statement RevR 16 The auditor’s review of the Corporate governance report.

ABOUT US

This is Balco Group

Balco Group AB is a market leader in innovative and sustainable balcony solutions. Under six brands, we help our customers create safer and more pleasant homes in eight markets in Northern Europe.

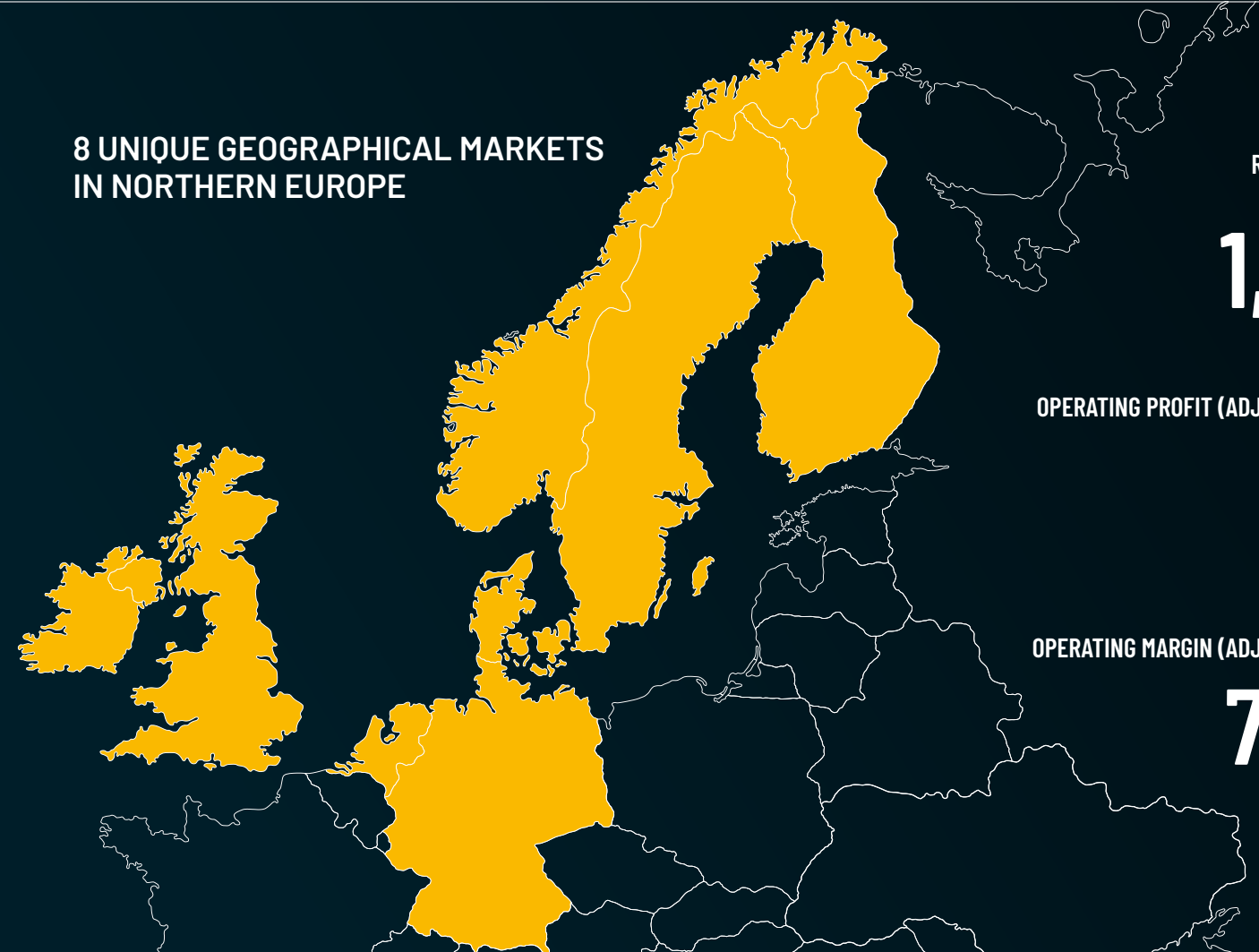
Balco AB was founded in 1987 in Växjö and has since developed into a group with around 700 employees. The Group's subsidiaries are often locally based and are spread across a large number of locations in the Nordic region and Northern Europe. The geographical proximity to our customers creates both confidence in us as a company and good knowledge of the markets in which we operate.

Many of the companies in Balco Group specialise in balconies and work mainly in the Renovation segment. Our patented glazed balcony solutions lead to energy savings of up to 30 percent. The Group is also active in the New Build segment with several successful product ranges.

In connection with customer projects, Balco Group also offers additional services, such as facade renovation, which further contributes to reduce energy consumption.

Through innovation, production and a decentralised sales process, Balco Group has complete control over the entire value chain. Balco Group also use its own fitters to a large extent. This ensures that delivery and assembly are carried out safely and efficiently. A balcony investment is often a costly and complex project, which is why customer satisfaction is a natural starting point for all our projects – from the first planning meeting to the final inspection.

8 UNIQUE GEOGRAPHICAL MARKETS
IN NORTHERN EUROPE



REVENUE 2023
(SEK million)

1,215

OPERATING PROFIT (ADJUSTED EBITA)
(SEK million)

90

OPERATING MARGIN (ADJUSTED EBITA)

7.4%

VISION

Balco Group is to be the obvious choice for balcony solutions and help ensure a better living environment.

BUSINESS CONCEPT

To develop innovative, sustainable and attractive balcony and facade solutions that improve people's quality of life, with the customer in focus.

PRIDE

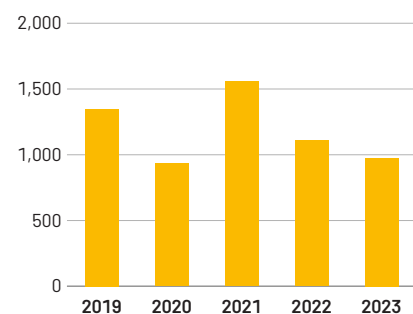
ENTREPRENEURIAL SPIRIT

QUALITY

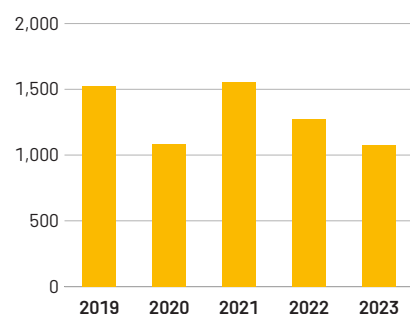
SUMMARY 2023

The year in brief

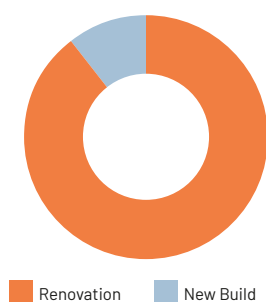
ORDER INTAKE SEK MILLION



ORDER BACKLOG SEK MILLION



NET SALES BY SEGMENT 2023



SIGNIFICANT EVENTS

● **On 2 March**, Balco Group acquired NMT Montageteknik i Norden AB, with revenue of SEK 49 million in the last financial year. Together with Balco's resources, NMT will create a Norrland unit which strengthens the local presence in northern Sweden.

● **During the year**, Balco Group has expanded its presence on the British Isles through the Group's first order in Ireland. The value of the order amounted to EUR 3 million and relates to the delivery of balconies for a new build project.

● **In order to** further develop our sustainability strategy, Balco Group has joined the Science Based Targets initiative (SBTi). The development of short-term and long-term targets has continued during the year and once adopted, the new targets will replace Balco Group's existing 2030 emission targets.

● **During the year**, Balco Group implemented a cost-saving programme to strengthen profitability. The focus has been mainly on reducing the number of indirect resources and managers, not operational resources. The Group will continue to review its costs on an ongoing basis during 2024.

● **The order intake** increased sharply in the fourth quarter and totalled SEK 295 million. This represents an increase of 57 percent compared with the corresponding quarter in 2022.

● **On 22 January 2024**, after the end of the financial year, Balco Group acquired the Finnish group Riikku Group Oy with revenue of approximately EUR 40 million. This is Balco Group's largest acquisition to date. In connection with the acquisition, the Board of Directors does not propose a dividend to the Annual General Meeting to facilitate the financing of the strategic acquisition.

KEY FIGURES OVERVIEW

SEK million	2023	2022
Net sales	1,214.9	1,333.6
Order intake	977.0	1,108.6
Order backlog	1,073.6	1,274.7
Adjusted operating profit (EBITA)	89.8	107.2
Adjusted operating margin (EBITA), %	7.4	8.0
Operating profit (EBITA)	77.1	105.1
Operating margin (EBITA), %	6.4	7.9
Operating profit (EBIT)	70.4	102.5
Operating margin (EBIT), %	5.8	7.7
Net profit for the period	46.5	76.2
Operating cash flow	3.6	200.3
Basic earnings per share, SEK	2.12	3.48
Diluted earnings per share, SEK	2.12	3.44

COMMENTS FROM THE CEO

A challenging year with good news for the future

The year 2023 brought both challenges and successes. The general rise in interest rates affected the market and led to a decrease in order intake and net sales. At the same time, we were able to defend our margins through significant cost efficiency measures. Our business in the UK saw strong development, mainly as a result of proving that we are a reliable and competent partner to our customers, which also makes us optimistic about the future. Our focus on selective acquisitions continued with the acquisition of NMT Montageteknik i Norden AB, which strengthened our position in northern Sweden. We started 2024 with our largest acquisition to date, Riikku Group OY, one of Finland's leading balcony glazing companies. During the first quarter of 2024, we also acquired Suomen ohutlevyasennus, a facade company in Finland specialising in renovation and turnkey projects. Although our order intake increased in the fourth quarter, our focus continues to be on ensuring profitability through ongoing efficiency improvements in 2024.

In 2023, our business was affected by persistent inflation and the subsequent rise in interest rates. We experienced similar developments in all our markets, which meant that the recovery in order intake was delayed. The cost reductions we implemented were effective in defending the profit margin. For the full year, the adjusted EBITA margin decreased to 7.4 percent down from 8.0 percent.

In the second half of the year, we gradually noticed an increased willingness to make investment decisions among our customers due to the declining inflation rate and the resulting lower long-term interest rates. This re-

sulted in an increased order intake in the fourth quarter. However, the processes still take a relatively long time. With regard to housing cooperatives in Scandinavia, Balco has a unique sales model whereby we support and help them with financial expertise.

During the year we had strong development in the UK market in the New Build segment with our product Levitate. This resulted in the order intake in the UK market reaching an all-time high. The need for housing remains high in the UK, but also in Ireland. We are continuing to invest in the UK market, in particular through final assembly locally and a newly developed aluminium version of Levitate that improves our competitive position against local competitors. Because it is lighter, it is both cheaper to transport and easier to install. By final assembly on the spot, we can both optimise the flow of materials and reduce shipping costs. After the summer, we took our first order in Ireland, worth just over EUR 3 million. We see this as a first step into an interesting market, of which Dublin is a large part, with around 350 planned building projects containing balconies. The balcony part of these projects is estimated to have a value approaching SEK 3 billion.

We continue to lead the development of the balcony industry. As part of the green transition, we launched a patent-pending solution during the year with a smartly placed heat pump shared by several apartments where the pipework is integrated into the balcony, making the installation aesthetically attractive. It's also good for the environment and great for residents' wallets. We begun a project in Norway with this heat pump installation and



COMMENTS FROM THE CEO

were at the same time chosen as supplier for another major project in the autumn. During the spring, we also took our first order in Sweden where, as a turnkey contractor, we delivered solar panels together with a balcony project.

Sustainability is a high priority in Balco Group and we achieved a low ESG risk rating again in 2023. The rating is awarded by Sustainalytics, which not only assesses us as a low-risk company but also places us among the 20 percent of the world's companies with the lowest sustainability risk, which means a great deal to us. Our work towards more sustainable business does not only occur at Group level, but includes all Group companies, which develop and work towards their own goals. Group management maintains a close dialogue with the subsidiaries and also follows up with regular meetings in order to enable solid and uniform sustainability work in Balco Group, where everyone strives to contribute.

In 2023, we made significant progress towards our goal of being a leader in the climate transition within our industry. For example, we joined the Science Based Targets initiative (SBTi), committing to developing both short-term and long-term targets to reduce our emissions. These are more ambitious than our existing targets for the different scopes and also include a net zero emissions target. In addition, we have begun to prepare for the EU's new sustainability directive, CSRD, which will soon enter into force with increased requirements for companies' sustainability reporting. We feel that we are well equipped to meet the new requirements.

At Balco Group, we are also proud that sustainability is a key component of our customer offering. We deliver a climate-smart solution and a product with the longest service life on the market. The longer a product is in use, the more value has been extracted from the resources we use, which we see as an important contribution to the circular economy we are aiming for. This is also the reason why our products are designed with the entire product life cycle in mind to create optimal conditions

FOCUS AREAS 2024

- **Continued sustainability work:**

With the decision to join the SBTi, Balco Group is committed to developing our sustainability goals. At the same time, the Group is preparing to begin reporting under the new EU sustainability directive, CSRD.

- **Cost efficiency:**

In 2023, the Group launched a comprehensive review of costs and streamlined several processes. This work has already produced results and will continue in 2024.

- **More customer meetings:**

As inflation decreased, we have seen an increased willingness to invest among our customers. Balco Group has good capacity in our production facilities and is ready to meet pent-up demand for our products.

for dismantling the product into small enough components for recycling or reuse.

Social responsibility is also something we are strongly committed to, and we work continuously to develop as safe and secure a workplace as possible, with our employees constantly in focus. Our business requires a lot of physical labour to produce and assemble our products, and we recognise the risks involved. Workplace safety is therefore of key importance to us at Balco Group, and we are very pleased that 2023 was a year of fewer accidents, sick leaves and absences.

Acquisitions remain an important part of our strategy and discussions with potential acquisition candidates are continuously ongoing. However, we are selective and focus on well-managed and profitable companies that can strategically strengthen the position in our existing markets and candidates that can complement our sustainable offering. Balcony companies can also be interesting in new markets provided the market has high potential. At the end of the first quarter of 2023, we acquired NMT Montageteknik i Norden AB, a turnkey construction company and one of our strongest competitors in northern Sweden. Together with Balco's resources in northern Sweden, NMT creates a strong and competitive northern unit with a significant local

presence, which is of great importance for our business and our customer relationships.

We started 2024 with our largest acquisition to date, Riikku Group Oy, one of Finland's leading balcony glazing companies. Through the acquisition, the Group establishes a strong position in the Finnish balcony market and strengthens its offering in the New Build segment. The acquisition also strengthens our leading market position as a balcony supplier in the Nordic region in line with the Group's long-term strategy. Through Balco Group's expertise in renovation, we see great potential to increase Riikku's sales in that segment. This is further enhanced by the second acquisition we made in the first quarter of 2024, Suomen ohutlevyasennus, which is another Finnish facade company. Suomen ohutlevyasennus has its expertise in facade solutions, but in recent years it has developed into a turnkey contractor in the renovation of surface layers and balconies on residential properties, mainly for housing cooperatives. With these two acquisitions, we greatly increase our presence in the Finnish market enabling us to work with energy efficiency improvements in older apartment buildings, what we call the Green Transformation.

Around 90 percent of the Group's sales comes from the Renovation segment. This gives us confidence that the

order intake will pick up again as the need for renovation remains. Although the processes for decisions currently take longer than before, the total process time from start to actual order is significantly shorter in the Renovation segment compared with New Build, which means that when the investment appetite returns, it will also be reflected in our order intake. The overall need to renovate balconies is growing further as a result of the lower level of activity in the market over the past year. A balcony that is not renovated in time can pose a danger to the occupant as well as to people moving around the balcony. This obviously has a major impact on the living environment, but also for the property owner, as it may ultimately lead to a reduction in rent until the balcony is renovated.

The lower order intake in 2023 will affect both sales and earnings in the coming year. With that in mind, our clear focus on costs continues. We continuously adapt the organisation, based on changes in capacity utilisation and order intake, while retaining important skills to preserve the company's earnings capacity in the long term. The capacity in our factories and in the project organisation remains good in the face of an improved market situation. Once inflation has decreased and interest rates have further stabilised, there is much that suggests that the order intake will increase, which we saw clear signs of in the fourth quarter. Order intake is always at the top of our overall agenda, and we focus on booking as many customer meetings as possible and tailoring projects so that customers can afford them. The entire organisation participates and works to support the sales organisation in their discussions with customers.

Camilla Ekdahl

Växjö, April 2024

Camilla Ekdahl

President & CEO, Balco Group AB

BALCO GROUP AS AN INVESTMENT

A sustainable investment for the future

Balco Group's business contributes to a more sustainable society. Our balcony solutions and products help create sustainable properties with lower energy consumption. Through control of the value chain, our unique patents and our solutions, we are able to adapt material choices, transport and processes to create long-term value for customers, employees, shareholders and our society.

International presence

Balco Group is the market leader in our main markets in Sweden and Norway. The Group also has a strong presence in Denmark and in Finland with the acquisition of Riikku Group Oy. The Group has additional operations in Germany, the UK, the Netherlands and Ireland.

A growing market

In 2023, the value of Balco Group's market was estimated at approximately SEK 40 billion, and the market for balcony renovations in our main markets is expected show annual growth of five percent in the coming years.

Attractive financial profile

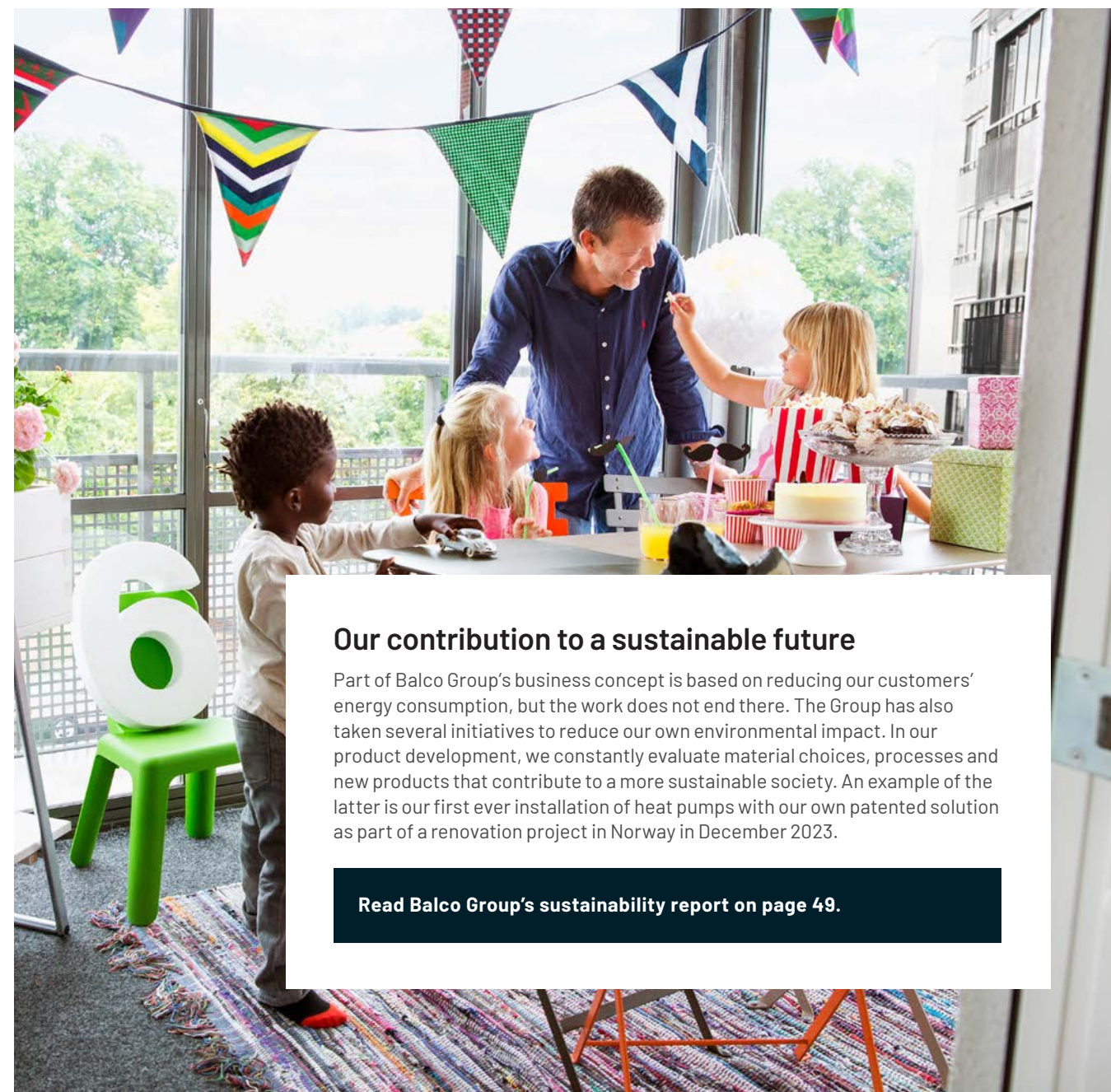
In an environment with elevated interest rates, and higher financial costs as a result, Balco Group stands firm thanks to a sustainable and long-term strategy regarding capital allocation.

Low ESG risk

Our focused sustainability efforts have reduced our ESG risk to low over the last two years according to Sustainability. In the construction sector, we are among the top 10 percent of companies with the lowest ESG risk.

More than balconies

Our balcony offering is complemented by the possibility of additional energy-saving measures such as the installation of solar panels, additional facade insulation, window replacement, roof insulation, and integrated heat pumps.



Our contribution to a sustainable future

Part of Balco Group's business concept is based on reducing our customers' energy consumption, but the work does not end there. The Group has also taken several initiatives to reduce our own environmental impact. In our product development, we constantly evaluate material choices, processes and new products that contribute to a more sustainable society. An example of the latter is our first ever installation of heat pumps with our own patented solution as part of a renovation project in Norway in December 2023.

[Read Balco Group's sustainability report on page 49.](#)

Strategy and operations

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OUR STRATEGY

Profitable and sustainable growth

Housing of the future needs to be geared towards more urbanisation, resource efficiency and quality of life. Our strategy to address this challenge in terms of economic, environmental and social value creation is based on three pillars: a long-term business model, innovation and acquisitions.

1

A long-term business model

Balco Group will be the obvious choice for balconies. Our activities include both more standardised projects in new build, but more commonly unique solutions adapted to our customers' renovation needs.

Demand for balconies is expected to increase in the coming years. An ageing housing stock and a growing trend of working from home are leading to a steady demand for safe and innovative balcony solutions. With an offering that also includes related projects, such as facade renovations and turnkey projects, the Group is able to meet the diverse needs of several customer groups.

With world-class products, high competence and long experience, we lay the foundation for continued growth in Balco Group's existing markets. At the heart of our offering is customer satisfaction. We want our customers to feel safe and confident during the process and satisfied at the end of the project.

2

Innovation for a sustainable future

Through a high level of innovation, we strengthen and complement our offer. Balco Group currently holds 58 patents in 27 patent groups in areas such as steel construction and industrial design in our patent portfolio. By constantly striving to improve our products in terms of function, material durability and installation process, we are able to offer attractive solutions for our customers.

Our long-standing expertise and innovative product development not only creates a more comprehensive customer offering, but also forms an important part of our sustainability efforts. While the need for resource-efficient housing drives continued growth, we are contributing to a more sustainable society.

Balco Group's glazed balconies, for example, provide documented energy savings of up to 30 percent. For our customers, this means additional benefits, as properties that achieve energy savings of over 30 percent qualify for "green bank loans" with favourable conditions.

3

Selective and value-adding acquisitions

A central part of Balco Group's strategy is to broaden both the product offering and the Group's geographical presence. This is achieved partly through organic growth and expansion, and partly through acquisitions of well-managed companies that contribute new expertise and a strong local connection.

Until the IPO, Balco Group's growth was mainly organic, which continues to be an important part of the growth strategy. We are in continuous dialogue with candidates who are carefully evaluated to ensure strong synergies in a potential acquisition.



PRODUCT DEVELOPMENT WITHIN BALCO GROUP

- Within the Group, Balco AB is responsible for the majority of product development. The aim of product development is to strengthen our offering and develop better, safer and more sustainable products.
- Each individual company has a unique role within the Group. The specific expertise available in each company constantly leads to new ideas and needs that drive product development forward.
- Although each Group company is responsible for its own product offering, there are synergies between our offerings. This approach is part of Balco Group's decentralised model and has proven to be successful, leading to a wide range of products and services.

BUSINESS MODEL

1 A business model for long-term value creation

Balco Group's business model is closely linked to our vision – to be the obvious choice for balconies. With a focus on customer safety, the green transition and customised solutions, Balco Group contributes to increased quality of life for our customers and a more sustainable society.

Installing a balcony – open or glazed – provides access to an outdoor environment and creates opportunities for more freedom and well-being. The value of this was particularly evident during the pandemic, but the ongoing shift towards remote work creates a greater need for the Group's products. Today, Balco Group is one of Northern Europe's safest and fastest suppliers of balconies in a growing market that continues to form the core of our business.

Our business is driven by our customers' needs. Balco Group offers several different solutions, including everything from advice in connection with building permit applications to turnkey assignments where the Group is responsible for the renovation of both balconies and facade. The projects are characterised by a holistic approach with a focus on safe and efficient work processes. By training the sales teams, a positive customer experience is en-

sured right from the first meeting. Thanks to a close dialogue, customers can feel confidence in Balco Group's ability to deliver high-quality solutions adapted to their needs. The Group's aim is to ensure that the client feels confident throughout the process, that the work will be carried out quickly, smoothly and within budget.

Over the past decade, Balco Group has broadened its customer offering through both innovation and acquisitions. The development has largely centred around the sustainable transition – offering solutions and products that reduce energy consumption in buildings. The rise in energy prices following Russia's invasion of Ukraine highlighted the importance of energy-efficient housing, and it continues to be a crucial component of our business development.



Unique offering

Customers' vision and needs vary but projects are ultimately determined by the conditions of each property. Thanks to its long experience and expertise, Balco Group can recommend the customer a customised end product that meets both current needs and conditions.

Customer safety

A balcony renovation is a significant investment for our customers. As with any construction project, challenges can arise along the way, creating a need for trust. Balco Group aims to be a reliable partner guiding the customer throughout the project. We take responsibility for the entire project, controlling the production flow and offering proactive support in everything from building permit management to financing.

Sustainable transition

40 percent of energy consumption in Europe today is used to heat buildings. The Group's balcony and facade solutions contribute to the green transition through energy savings of up to 30 percent – reducing both the customer's costs and the impact on the environment.

BUSINESS MODEL



Balco Group offers complete solutions



Consulting, planning and visualisation

At the first customer meeting, the seller visually examines the building, the conditions for a balcony installation and the possibility of an approved building permit. Right from the sales stage, we assign a project manager and develop a proposal that includes appearance, choice of materials, timetable and a budget for the proposed balcony solution. Based on customer requests, we offer visits to our production facilities and support for association meetings, as well as advice on financing plans.



Construction and design

Each balcony structure is unique and through careful calculations, adaptations are made to meet both the customer's requirements and the technical conditions. A material optimisation process takes place as early as in the design phase to minimise material consumption and waste, and to ensure a long-lasting solution. Once all the information is in place, detailed two- and three-dimensional blueprints are produced and production is prepared.



Manufacturing

The Group companies work with a high quality approach based on specific management systems, such as ISO 9001, ISO 14001 and ISO 3834-2. Manufacturing is based on strict requirements for a safe working environment and takes into account important sustainability aspects to minimise waste and energy consumption. A high degree of prefabrication is sought in order to facilitate the next stage of the work.



Delivery and installation

Assembled products and associated components are delivered to the relevant property, where specialised fitters carry out the installation. Transport is optimised to ensure the lowest possible environmental impact and cost. Incorporating choice of materials into the design phase enables careful waste sorting during installation, which contributes to a higher recycling rate of the material.



Final inspection and guarantee

When Balco Group's project manager issues a final decision for the contract, a final inspection is carried out together with the client, who is given the opportunity to make comments and request supplementary measures. Through our well-developed service organisation, we also ensure that the customer has a positive customer experience even after the end of the project, where in addition to providing a five-year warranty, we offer access to spare parts after the end of the warranty period.

INNOVATION AND DEVELOPMENT

2 How Balco Group creates the products of the future

Innovation and development play a central role in Balco Group's strategy. The Group operates in several markets with specific characteristics and varying demand. As each project is unique, product development is natural and continuous in relation to projects.

In some cases, a new product may start as an idea of how to streamline a specific process, while in other cases customer demand is the primary driver. Our aim is to identify needs early on and then explore how the product offering can be developed to make our solutions more attractive.

The Group's product development takes place at a rapid pace from idea to finished product through five overarching phases. As early as 2005, Balco AB established its own product development department, which has cutting-edge expertise in steel construction, static calculations, industrial design, energy optimisation and programming. Several of the ideas also result in new patents for Balco Group. At

present, the Group's patent portfolio consists of 27 patent groups and 58 patents.

Balco Group operates in several markets in Northern Europe where regulations and demand differ. This in turn requires good knowledge, skills and flexibility. For smooth installations, our processes are optimised and standardised to the extent possible, reducing both the Group's own costs and those of our customers. At the same time, the Group's offerings must be adapted for each new project, which presents unique challenges and opportunities. Our success lies in our ability to offer customised solutions developed according to proven processes.

Balco Group's product development contributes to more resource-efficient operations. During the development process, the environmental impact and recyclability of different material options are analysed. In addition, the use of materials is optimised to minimise the amount of scrap generated during production. An important component of the evaluation is the environmental performance and longevity of the final product. Combined, the work leads to the development of solutions that reduce the impact from operations, while offering customers long-lasting products with high recycling rates.



THE PRODUCT DEVELOPMENT PROCESS

- **Idea stage:**

All ideas pass through Balco Group's product council. Development then begins with a requirements specification, pre-design blueprints and an assessment of the project's technical feasibility and financial viability. In cases where the product has a unique function, a patent application is also filed.

- **Prototype stage:**

In this phase, a prototype is developed for further calculations and evaluations. To help us, we use 3D printers, and if the prototype is to be made of metal, we use specialised toolmakers.

- **Full-scale test:**

The full-scale prototype enables testing of the life span of the design, safety and the need for specific components. At the test facility, the prototype is assembled in a realistic environment. The marketing department also starts developing relevant marketing material for the product at an early stage.

- **Preparation for production:**

The product development department ensures the marketability and production feasibility of the new product. An important step in the process is to ensure that the product is customisable. Specifications and blueprints are produced and disseminated among designers and to the purchasing department.

- **Production phase:**

By the final phase, the product has normally already been sold in connection with a customer project. The first production run, the zero series, is tested by all parties involved and assembled at the customer's site. This is followed by evaluations and possible adjustments for future editions.

ACQUISITIONS

3 We grow together

Acquisitions are an important part of Balco Group's growth strategy and today the Group consists of seven brands, all with unique customer offerings. Our experience from previous acquisitions has given us a clear and structured process for the successful integration and development of acquired companies.

Balco Group is a long-term owner. We know that a successful acquisition takes time, sometimes several years from negotiation to integration into the Group, but it also increases the likelihood of a satisfactory outcome for both parties. An overall strategy for our acquisition activities is to be an attractive alternative for small and medium-sized companies.

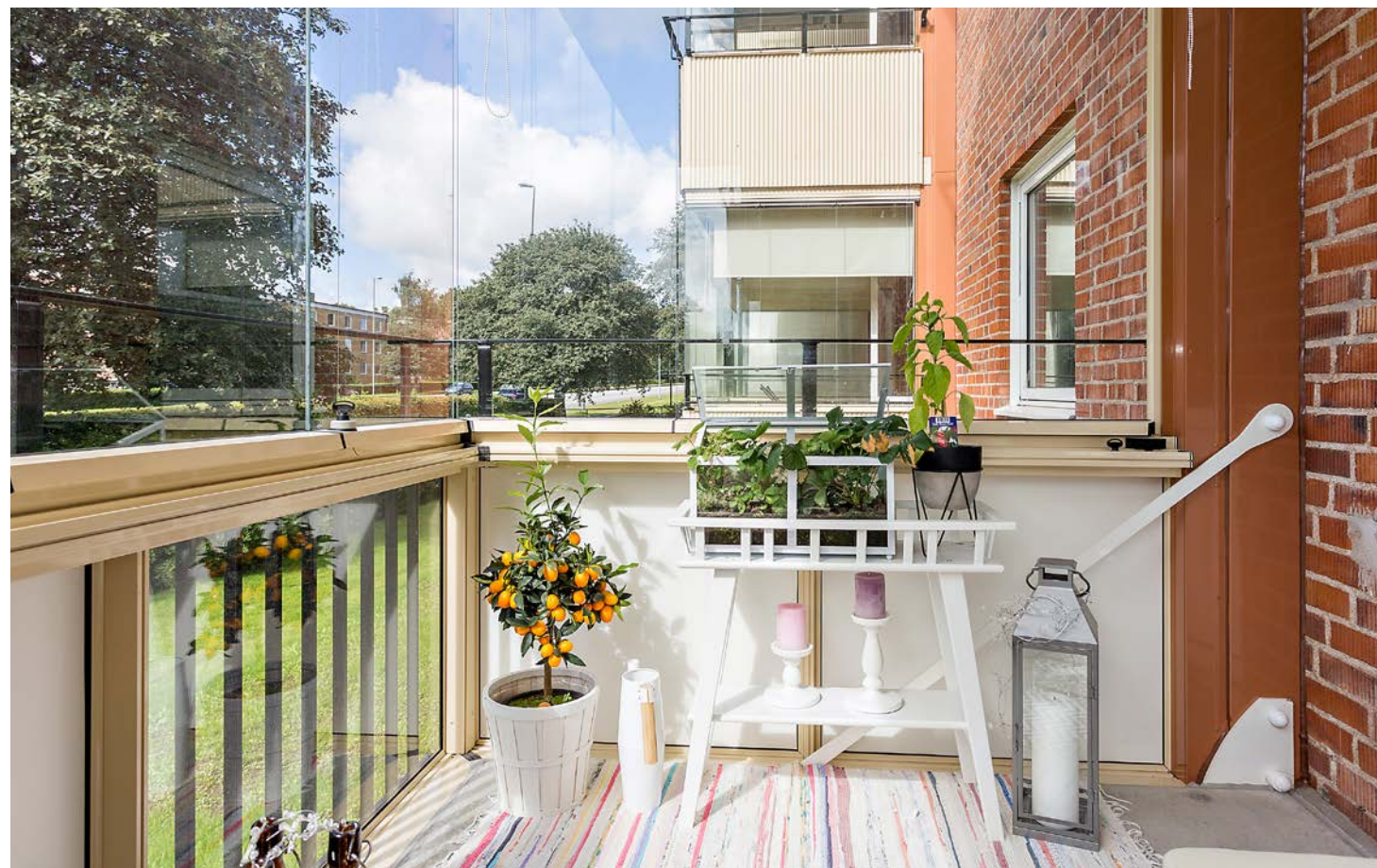
Balco Group allows acquired subsidiaries to continue their operations under current management and under their own brand. As an owner, we provide financial stability, resources and tools that make it easier and more efficient to develop the business.

Each company brings unique competences and capabilities to the Group, enabling a broad offering of products and solutions. In a number of projects, our subsidiaries collaborate to carry out a major renovation together. A good example of this is Brf Krönet in Kortedala where Balco AB is providing 378 apartments with new glazed balconies, while Söderåsens Mur&Kakel AB and Stora Fasad AB are renovating the exterior of the properties. Through cooperation between the companies, Balco Group can

ensure a high degree of control in the various stages of the project.

An additional aspect of our acquisition strategy is that it gives Balco Group access to local markets. In 2023, NMT Montagetechnik i Norden AB was acquired. NMT is a Sundsvall-based company that previously carried out turnkey projects in Sundsvall and the surrounding area. After the acquisition, the company has become part of the Balco Group and works with assembly, sales and project management. The acquisition has enabled the Group to strengthen its presence in central and northern Sweden.

As Balco Group grows, expertise in more areas is added, leading to both cooperation between our subsidiaries and further opportunities to take on new projects. As an owner, Balco Group also provides expertise in resource management, sustainability, digitalisation and business development. Cooperation within the Group also allows local companies to offer their customers more products and services without affecting what they do best.



CRITERIA FOR GOOD ACQUISITION CANDIDATES

- European balcony companies or companies whose activities can complement Balco Group's product offering for green transformation.
- Profitable, well-managed companies with strong positions in niche markets.
- A corporate culture in line with Balco Group's sustainable business model.
- Continued commitment from management and staff.

MARKET AND TRENDS



A changing market landscape

Balco Group operates in eight countries where the majority of projects involve renovation, while new build accounts for the remainder. The market is characterised by several small and local players, as well as a few larger companies which, like Balco Group, control large parts of the value chain.

Fragmented market

The majority of the market is made up of smaller local installers, manufacturers and concrete renovation contractors. These are Balco Group's main competitors. Apart from Balco Group, there are only a few larger companies that compete on several geographical markets.

Input goods and rising prices

As a producer, Balco Group is affected by price increases on input goods. Aluminium is the most important component, closely followed by steel, cement, concrete and glass. At the beginning of 2023, prices were relatively high but stabilised later in the year. The Group constantly monitors changes that may affect our operations. However, all raw materials are sourced from European suppliers, which makes us less sensitive to changes in the container freight market.

Geographical features

The national markets have unique needs and Balco Group adapts its product offering based on prevailing preferences. Sweden and the rest of Scandinavia are Balco's main markets, in which renovations constitute the majority of projects. In Sweden there is strong demand for glazed balconies, while the leading product for the Danish market is city balconies from Balco Altaner A/S. In the UK, New Build is the largest segment and glazed balconies are not as established due to differences in regulations and culture.

Driving forces in new build

With a growing urban population, the need for new housing increases, which in turn creates greater demand for Balco Group's solutions. The remote work trend has also led to increased interest in balconies in cities.

Driving forces in renovation

Northern Europe's property stock was largely built in the 1940s, creating a pent-up need for renovation. With increased interest in energy-efficient housing, demand for facade and balcony renovations is also growing. Despite a challenging national economy, many customers continue to renovate, resulting in less sensitivity to the economic cycle.

MARKET AND TRENDS

Market trends

How Balco Group meets the market

Sustainable housing

Energy savings and quality of life

With a growing interest in reducing climate impact combined with rising energy costs, more and more customers are seeking energy-efficient solutions for their homes. At the same time, interest in balconies has increased, as they offer an opportunity for outdoor living close to home.



Glazed balconies and complementary services

Balco Group offers glazed balconies with an energy saving effect of up to 30 percent. In addition, we offer advice on other measures such as the installation of solar panels, insulation and heat recovery. Our balconies are designed with residents' well-being at the centre and our aim is to enhance their quality of life through innovative balcony solutions.

Changing needs

Increasing demand for flexible and aesthetic solutions

New rules aimed at preserving the character and cultural heritage of buildings are lengthening building permit processes, but with the right look and design of balconies, the process can be streamlined. At the same time, due to increasing space constraints in cities, the need for smooth assembly processes and deliveries is growing as different contractors have to cooperate in a limited space.



Market knowledge, experience and new solutions

As a market leader, Balco Group is well aware of building permit processes and adapts the design of its products to fulfil the requirements. With innovative solutions, we can offer flexible options that are both easy to install and well-designed. For example, we offer a web-based configuration for the open-style balcony Levitate that enables smooth planning.

Changing processes

High demand despite market uncertainty

The change in the economic environment is contributing to the fact that associations and market participants are becoming more cautious in their decision-making processes for new investments. Nevertheless, there is an increasing need for renovations and new housing.



Strong sales organisation and increased dialogue with customers

Balco Group's efficient sales process enables a greater exchange of information with the customer. Through more dialogues and visits to associations, we shape the projects together with the client, creating confidence and laying the foundation for long-term projects that can be carried out in more stable times ahead. Both in Sweden and abroad, there is a strong focus on building long-term relationships with customers.



Levitate

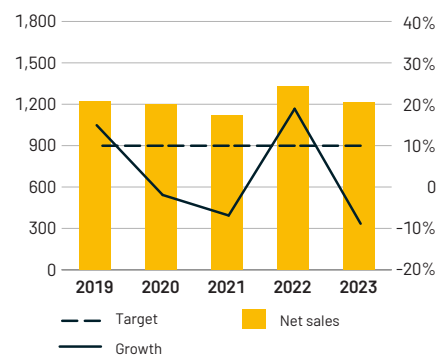
In 2020, Balco Group launched the Levitate open balcony to adapt to other preferences in the UK. The initiative has enabled Balco Group to strengthen its position in the UK with continuous growth. A new feature in Balco Group's product development in 2023 concerns Levitate, which is now offered with aluminium as a material choice.

FINANCIAL TARGETS

Balco Group's financial targets

Growth

Net sales to grow by **10%** over a business cycle.



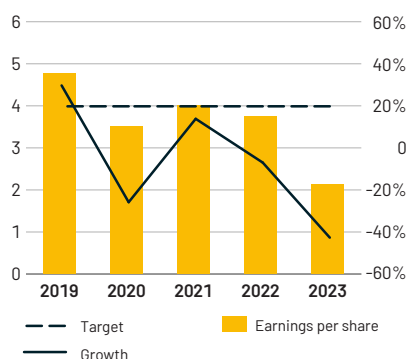
In 2023, net sales decreased by 9 percent to SEK 1,215 (1,334) million. Acquired growth was 5 percent, currency effects 2 percent and organic growth decreased 16 percent. An increased willingness to make investment decisions among our customers was noted during the second half of the year as inflation decreased, and the order intake showed a clear upturn in the fourth quarter.

Dividend policy

Balco Group shall distribute 30–50 percent of profit after tax, taking into account the needs of Balco's long-term development and the current market situation. The Board of Directors proposes to the 2024 AGM that no dividend be paid in order to facilitate the financing of the strategic acquisitions of Riikku Group Oy in January 2024 and Suomen ohutlevyasennus Oy in March 2024.

Profitability

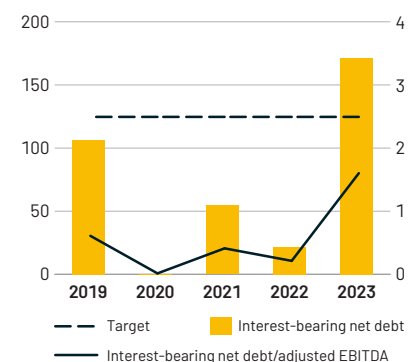
Earnings per share to grow by **20%** over a business cycle.



Earnings per share decreased by 39 percent to SEK 2.12 (3.48). Net sales affected earnings during the year, but through a strong focus on costs and efficiency, the Group largely managed to defend the profit margin. The lower order intake in 2023 will continue to affect the income statement in the period ahead. The Group will therefore continue to focus on costs to defend our profitability.

Capital structure

Interest-bearing net debt not to exceed **2.5 times** EBITDA, other than temporarily.



Interest-bearing net debt (excluding lease liabilities) amounted to SEK 171 million at the end of 2023, corresponding to 1.6 times adjusted EBITDA. Periodically, the ratio may be significantly higher than the target due to acquisitions and other large transactions. The increase in net debt is attributable to acquisitions during the year, and increased capital tied up in projects, as few new projects with advance payments have been added while several projects are in phases where the Group is incurring costs before invoicing under the payment plans can take place.



Sustainability targets

In addition to our financial targets, Balco Group is governed by a number of sustainability targets. Read more about each target on [page 52](#).

COMMENTS FROM THE CFO

Clear focus on our business and our costs

2023 meant declining sales, but through a strong focus on costs and efficiency, we managed to defend our profit margin well. The order intake was weak as customers remained cautious, leading to longer than normal decision-making processes.

In the second half of the year, however, we gradually noticed an increased willingness to make investment decisions among our customers due to falling inflation and the resulting lower long-term interest rates. This resulted in an increased order intake in the fourth quarter. Despite this, the processes still took a relatively long time.

The lower order intake in 2023 will continue to affect the income statement in the period ahead. We will therefore continue to focus on costs and, if necessary, make adjustments to the organisation if capacity utilisation and order intake so require. About 90 percent of the Group's sales come from the Renovation segment, which gives us confidence that the order intake will pick up again in the future.

I have spent a lot of time supporting our sales organisation during the year. Part of the work has involved explaining the structure of our attractive business model to potential customers such as housing cooperatives, property owners and their financial consultants. Our offering involves both long depreciation periods and long repayment periods. I have also assisted with calculations on how to calibrate the monthly charges. In addition, I have had discussions with banks to ensure that customers are offered the best possible loan conditions. It is unusual for a CFO to work so

operationally and close to the daily business. But it was something that worked very well for us in the tough market conditions that prevailed during the year.

Our financial position remains stable. At year-end, we had a net debt to EBITDA of 1.9 including leases and 1.6 excluding leases, which is within our financial target of less than 2.5. During the autumn, we extended our credit facility with Danske Bank by two years to October 2026 with a sustainability-linked revolving credit facility of SEK 510 million and an overdraft facility of SEK 75 million.

Our solid balance sheet provides opportunities for our acquisition ambitions. We have ongoing discussions with potential acquisition candidates in different geographical markets. The aim is to make between one and three acquisitions per year, but the challenging market situation has made us somewhat more selective. In 2023 we made one acquisition, NMT Montageteknik i Norden AB, a turnkey construction company and one of our strongest competitors in northern Sweden. We started 2024 with our largest acquisition to date, Riikku Group Oy, one of Finland's leading balcony glazing companies, and continued with the acquisition of Suomen ohutlevyasennus Oy, a turnkey construction company with expertise in facade renovation, in March 2024. These acquisitions enable us to establish a strong position in the Finnish balcony market. They also strengthen our leading market position in the Nordic region in line with the long-term strategy. We see great potential for a transfer of our expertise in renovation

and, with Suomen ohutlevyasennus's experience, we can increase Riikku's sales in this segment.

We have a strong focus on our cash flow, and work closely with our subsidiaries to ensure, among other things, efficient invoicing and timely payment by customers. In a tougher business climate, this is an important area to monitor even more closely. We are well prepared, have good systems in place and also work extensively with credit insurance and parent company guarantees. Our cash flow has weakened during the year as several major projects where we previously received advance payments have used up the advances and few new projects have been added. Most projects are now in a phase where we have incurred costs before we can invoice under our payment plans. This ties up capital as contract receivables.

In our sales template for the Swedish and Norwegian market, we analyse the customer's financial situation a number of years ahead, including the effect of inflation, and compare concrete renovation of balconies with renovation/conversion in the form of investment in new glazed and larger balconies. In most cases, investing in new glazed and larger balconies turns out to be economically advantageous, which helps to facilitate customers' decisions.

Michael Grindborn

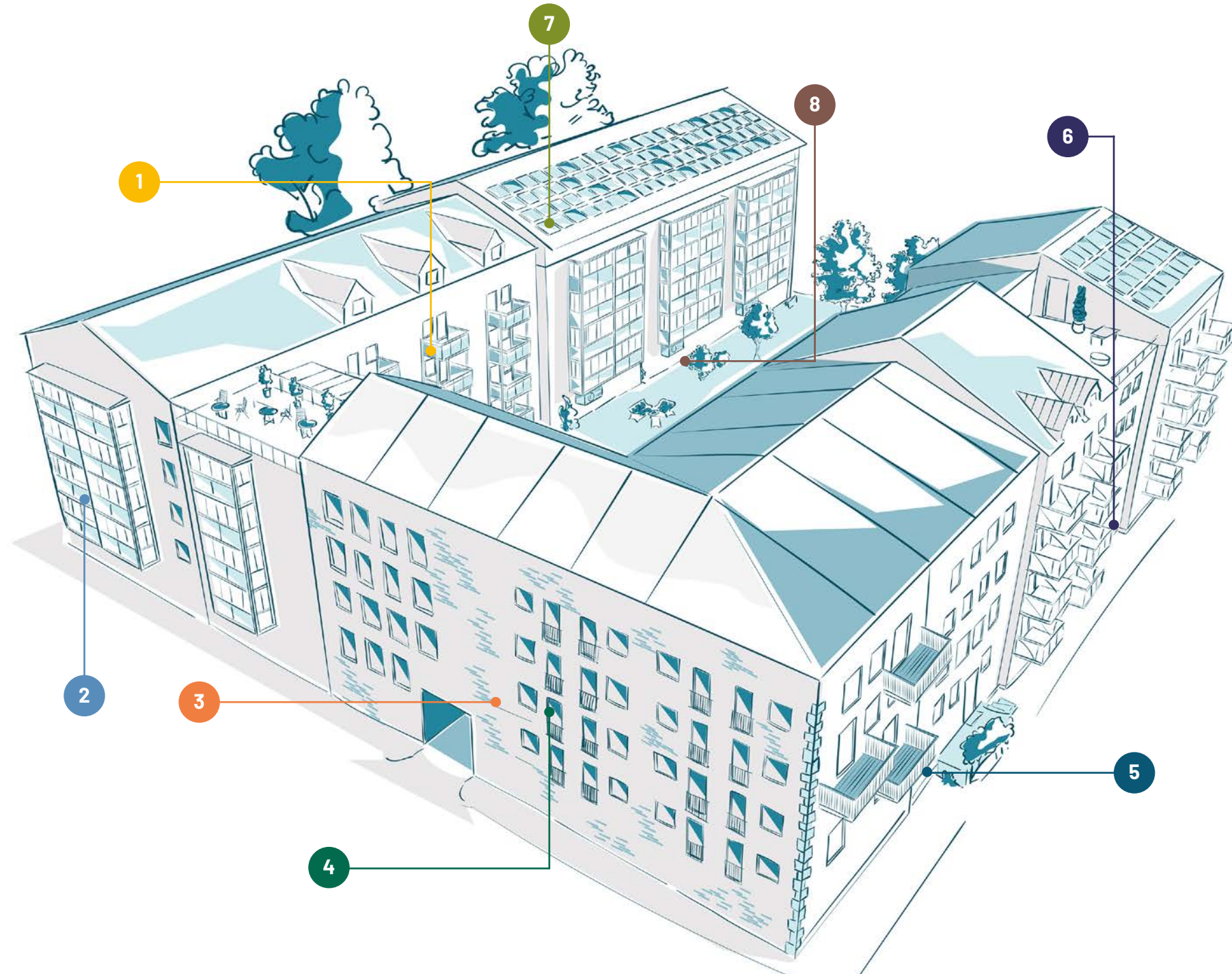
Växjö, April 2024
Michael Grindborn
 CFO, Balco Group



OUR BUSINESS

Our business is where our customers are

Balco Group creates living spaces. Our activities range from building, installing, and delivering both glazed and open balconies, to facade renovation and a number of other energy-saving measures. Balco Group's entire business is characterised by our sustainability work. When we create sustainable products, we ultimately contribute to more sustainable homes and a more sustainable society.



- 1** AluOne balconies designed by **Balco AB**
- 2** Glazed Eriksberg balconies installed by **RK Teknik i Gusum AB**
- 3** Facade renovated by **Söderåsens Mur & Kakel AB** and **Stora Fasad AB**
- 4** French city balconies delivered by **Balco Altaner A/S**
- 5** Levitate produced and installed by **Balco AB**
- 6** Classic balconies from **TBO-Haglinds AB**
- 7** Solar panels installed in consultation with **Balco AB**
- 8** Twinview balconies with integrated heat pumps from **Balco AB**

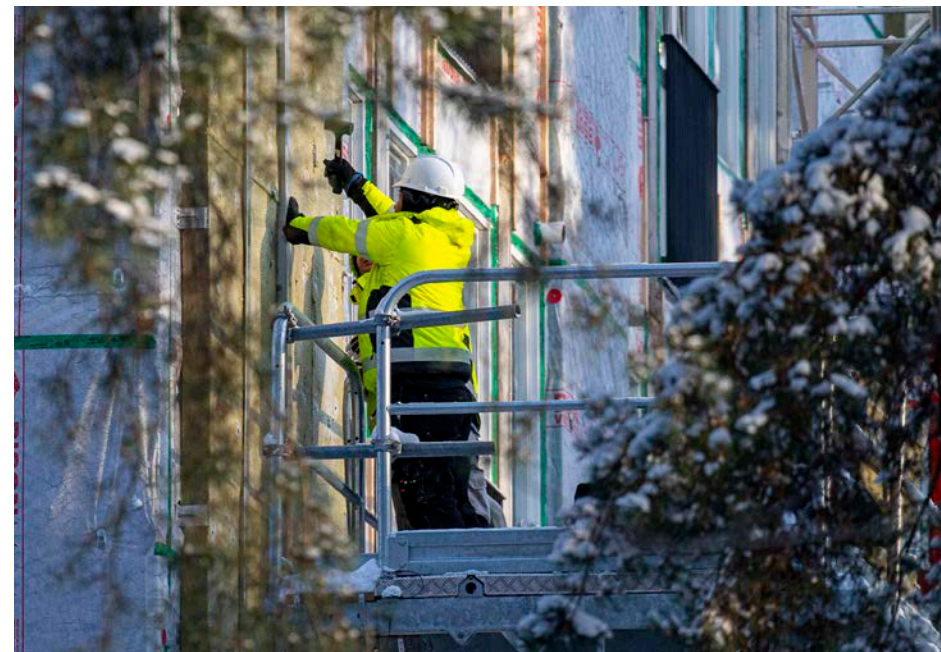
SEGMENTS

Overview of operations

Balco Group offers balcony solutions within two segments in eight markets in Northern Europe. Renovation accounts for the majority of the Group’s revenue, while New Build is a growing segment that has good prospects in selected markets in particular. In both segments, customers are mainly housing cooperatives, private property owners, the public housing sector and construction companies.

Renovation

The segment mainly includes the replacement and extension of existing balconies and the installation of new balconies – mainly glazed – on apartment buildings. In connection with new acquisitions and continuous product development, Balco Group has also expanded its offering to include facade renovation and energy-saving measures such as solar cell installation.

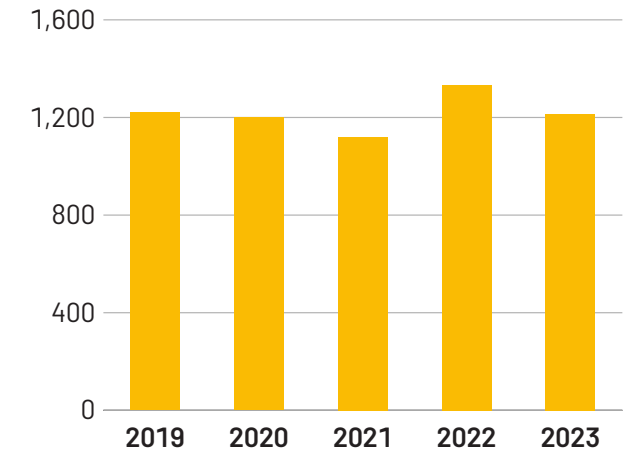


New Build

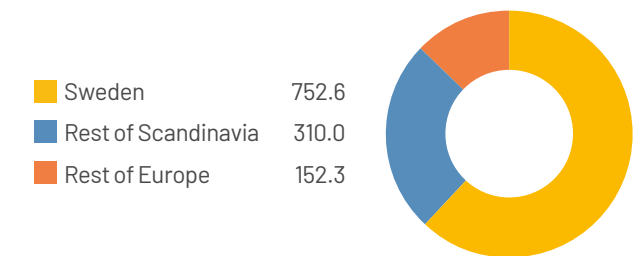
The segment includes balconies in the construction of apartment buildings and balcony projects in the maritime market. The main product area is open balcony solutions with fast delivery, easy installation and high quality. Balco is expanding selectively with a focus on profitability and low risk. Demand is driven by the pace of new housing construction.



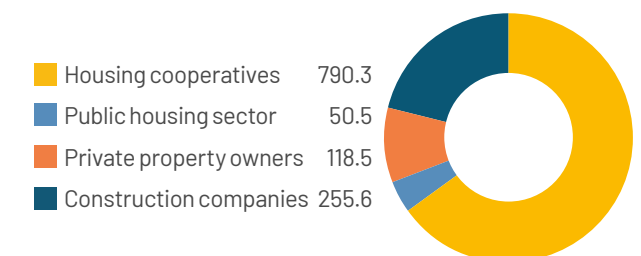
NET SALES BALCO GROUP SEK MILLION



NET SALES BY GEOGRAPHICAL MARKET SEK MILLION



NET SALES BY CUSTOMER GROUP SEK MILLION



SEGMENTS

Renovation

Renovation is Balco Group's primary segment and the largest geographical market for the Group is Sweden, followed by the rest of Scandinavia. The main driver is a pent-up need for renovation and the prevailing age profile of the property stock.

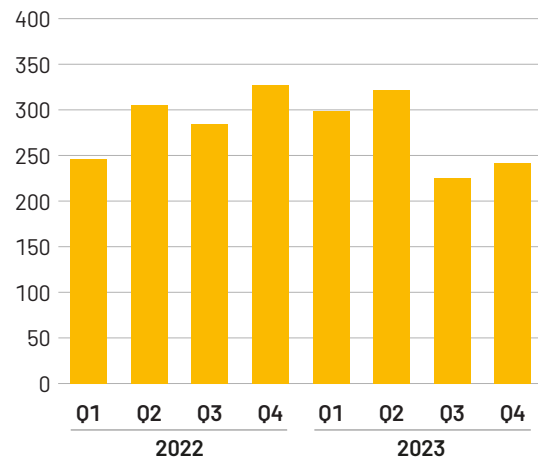
Development during the year

Net sales amounted to SEK 1,088 (1,164) million. The segment accounted for 90 (87) percent of Balco Group's total sales. The order intake amounted to SEK 839 (984) million, corresponding to 86 (89) percent of the total order intake. Adjusted operating profit (EBITA) amounted to SEK 84 (100) million, corresponding to an adjusted operating margin of 7.7 (8.6) percent.

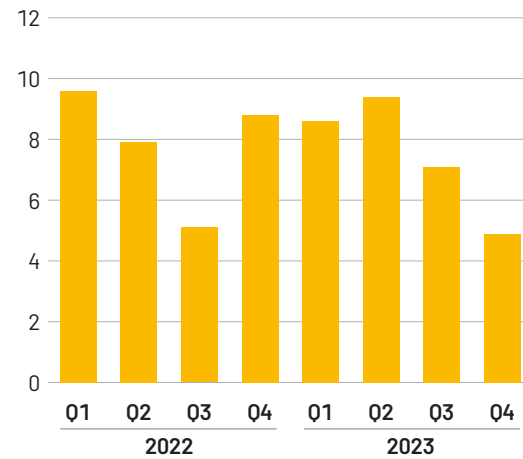
Trend

The Renovation segment is interest rate sensitive. However, there is a pent-up need for renovation as a large proportion of Northern Europe's property stock was built in the 1940s. Balco Group noted that the investment appetite of our customers picked up in the fourth quarter of 2023, which coincided with the fact that market interest rates stopped rising and inflation slowed down.

SALES GROWTH BY QUARTER SEK MILLION



OPERATING MARGIN BY QUARTER PERCENT



SEGMENTS

New Build

Balco Group operates in the New Build segment in all markets where the company is represented. The Group offers a full range of products, including the installation of balconies in new build projects and balcony solutions in the maritime sector.

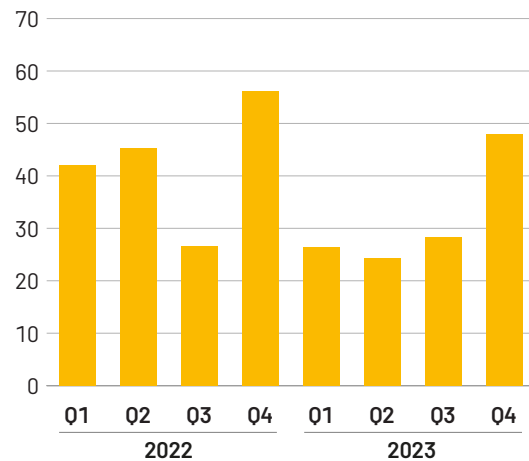
Development during the year

Net sales amounted to SEK 127 (170) million. The segment accounted for 10 (13) percent of Balco Group's total sales. Order intake increased by 11 percent to SEK 138 (125) million, corresponding to 14 (11) percent of the total order intake. Adjusted operating profit (EBITA) amounted to SEK 5 (11) million, corresponding to an adjusted operating margin of 3.8 (6.3) percent.

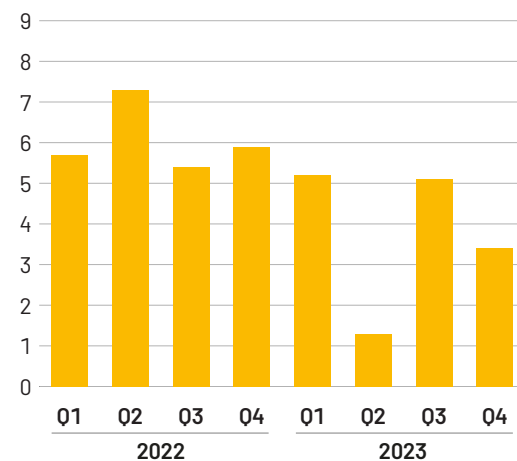
Trend

The segment is mainly driven by the pace of new build projects and the past year has been challenging for the entire construction sector, leading to a tough market. However, Balco Group sees good development in the segment in the British Isles. The maritime market, which has been the most profitable part of the New Build segment in recent years, did not have any sales in 2023.

SALES GROWTH BY QUARTER SEK MILLION



OPERATING MARGIN BY QUARTER PERCENT



OFFERING AND PRODUCTS



Balco Group's customer offering

Balco Group's customer offering is a product of the Group's vision and strategy. Being the obvious choice for balconies means that we need to be present throughout our geographical market and be able to offer specific solutions for all types of projects and properties.

The ability to safely and securely deliver innovative and high-quality balconies to everyone in our geographical markets is often what makes customers choose Balco Group. Although the products have evolved over time, our values – pride, entrepreneurial spirit and quality – stand firm. This has led to a high level of customer satisfaction over the years. In our latest customer survey, 95 percent stated that they would recommend Balco Group to others and the Group works actively to live up to each individual customer's requirements and expectations.

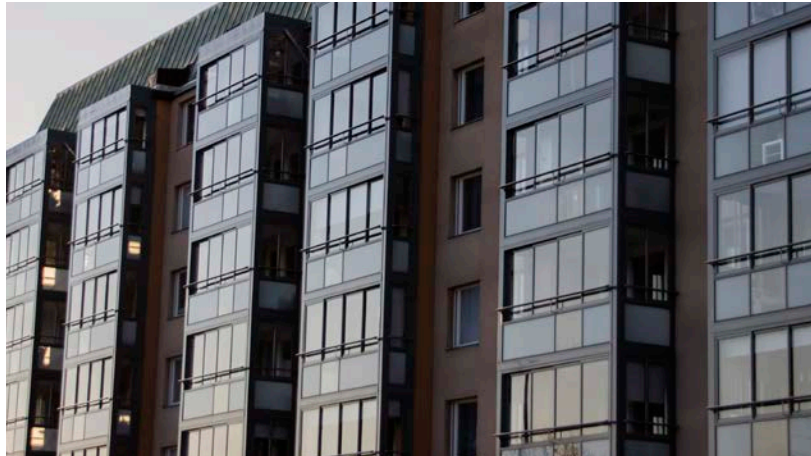
Sales are divided into four main customer groups – housing cooperatives, private property owners, the public housing sector and construction companies. The needs and conditions of the customer groups differ, and for our sales team the first step is always to discuss renovation needs, conditions and solutions. We then carry out initial work, such as building permit applications and decision-making documents for an association meeting, all of which can facilitate the process.

Our customer offering is also customised for each market. In Scandinavia, for example, Balco AB works mainly through outreach sales to housing cooperatives. We also organise around 100 mini-fairs in Sweden and Norway every year to showcase balconies and products in their entirety, and discuss unique solutions – something that is appreciated by stakeholders. Some sales are also made through enquiries

and public tenders. In other markets, such as the UK, sales are often made directly to construction consultants and mainly concern new build. These types of projects place other demands on Balco Group as an organisation, but ultimately involve the same basic principle: to meet the needs and wishes of the customer, something we succeed in doing thanks to a broad product range of, among other things, city balconies and open balcony solutions in various materials, as well as our own production and supply chain.

Many customers in the Renovation segment have additional needs such as facade renovation, as well as an interest in energy and cost savings. An initial conversation about balconies therefore becomes a natural way to discuss further services. Balco Group has a project organisation with expertise in carrying out turnkey projects and agreements with a number of subcontractors offering complementary services. Overall, this means that Balco Group can carry out, for example, facade renovation, solar cell installation, additional insulation, heat recovery and window replacement in connection with balcony projects. To create further added value for our customers, we have a cooperation agreement with a Nordic bank that offers up to 70 years of amortisation on an entire project. This makes the investment both economically and environmentally sustainable.

OFFERING AND PRODUCTS



> Glazed balconies

Glazed balconies are a cost-effective balcony solution that leads to energy savings by breaking the thermal bridge between the indoor and outdoor environment when replacing the balcony slab and adding glazing. The solution also contributes to noise reduction and reduces the risk of corrosion of the reinforcement, which in turn reduces the risk of frost cracking in the new concrete slab. Overall, a glazed balcony creates a safer and more pleasant living environment and has a positive impact on both energy consumption and property value.

Within the glazed balcony product category, Balco Group has several patents for unique functions such as ventilation and drainage. Our product portfolio also includes the customised Access glazing system for open attics, and an integrated heat pump solution launched in 2023. For those properties where it is possible, Balco AB also offers so-called "climate walls", which means that the entire facade is covered with glazed balconies and forms an extra climate shell for the building. A further example of more complex projects is glazed multi-storey balconies adapted for terraced houses. The solution is not only aesthetically pleasing, but also solves drainage and water run-off problems.



> Open balconies

Several of Balco Group's Group companies produce open balconies for both the Renovation and New Build segments. The balconies are always customised and range from standardised products for new build to city balconies, adaptable in size, material and shape. City balconies are relatively small steel structures specifically adapted for inner city environments, with older properties, where there are high demands on performance. Balco Altaner A/S has a market in Copenhagen city centre for this type of balcony and RK Teknik i Gusum AB supplies the Swedish market. There is also demand in other major European cities.

Balco AB has several prefabricated balcony solutions in its product portfolio. AluOne is designed for the German market but is also sold in the UK and the Netherlands. The balcony is mainly made of aluminium. The product is flexible, cost-effective, and can be adapted to different buildings quickly and safely. Levitate is another prefabricated solution, specifically designed for the UK market and began delivery in 2021. The balcony is built in advance and delivered complete to the property, making it possible to assemble up to 30 balconies in one day. As of 2023, the Group also supplies Levitate in a new aluminium version.



> Facade development and other services

Balco Group also offers complete facade solutions and a number of other services in the Renovation segment. Stora Fasad AB and Söderåsens Mur & Kakel AB offer both traditional services such as bricklaying, plastering, ventilation conversions and installation of additional insulation. Investments in facade renovations generally create a better indoor climate through improved ventilation and reduced cold drafts. This leads to both energy savings, higher property values and creates an attractive offer.

Within this product category there is also a large selection of products specifically for balconies developed by Balco AB, such as privacy screens, side and intermediate screens, glass corners, balcony doors, sun protection in the form of electric awnings and electric vertical awnings, roller blinds, flower boxes, flag holders, solar cells and locks. TBO-Haglinds AB, which is part of the Balco Group, also offers customised products such as integrated lighting, ceiling heating and facade panels to cover the inside of the balcony. Turnkey projects, where the main cost to the customer is the balconies, are currently included in the product category of glazed balconies.

INTERNATIONAL PRESENCE

Balco Group expands in Europe

At the beginning of 2023, Balco Group operated in seven countries in Northern Europe: Sweden, Norway, Denmark, Finland, Germany, the Netherlands and the UK. In the third quarter of 2023, we were also able to include Ireland as an additional international market after an order of just over EUR 3 million.

Balco Group's expansion in Northern Europe has been an important part of the company's growth for many years and will continue to play a crucial role in the future. In addition to the markets where we are already established, the Group received its first ever order from Ireland in the third quarter of 2023. The fact that the Group controls production and already has available supply chains in place throughout Northern Europe, including the British Isles, simplifies expansion.

Differences in rules, regulations and procurements between the geographical areas place high expectations on Balco Group, as an organisation, to be able to meet both regulatory requirements and the customers' specific wishes, but also on our sales organisation which has built up relationships with property managers in each country over many years. In Sweden, for example, Balco Group often works directly with housing cooperatives with customised solutions. As renovations are often involved, it is important that the work is done as quickly and smoothly as possible.

In Denmark and especially in Copenhagen, where Balco Altaner A/S operates, Renovation is also the most

common segment. The largest product category in Copenhagen is city balconies, which are available in both standardised and adaptable formats, facilitating unique solutions depending on the property.

A key difference between Scandinavia and the UK, for example, is that project in the British Isles mostly concerns new build with construction companies as the customer. Hence, price, quality and delivery reliability are important factors. Successful projects often lead to further collaborations, which means long-term relationships are of great significance..

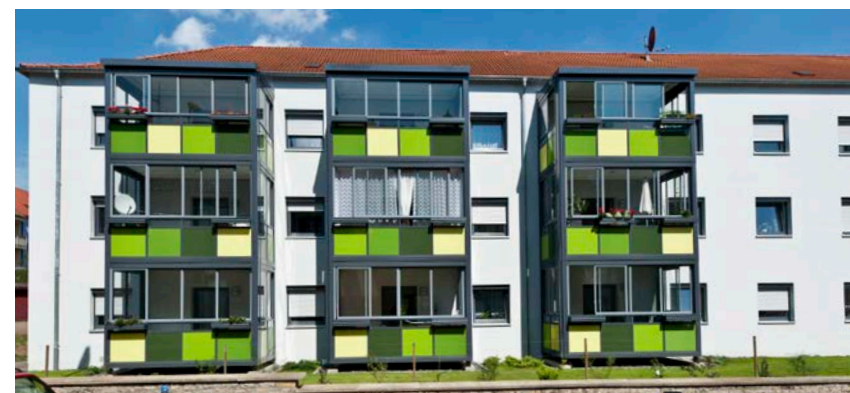
The UK also has specific regulations on fire safety. For Balco Group, the combination of both a large proportion of new build and a special regulatory framework has meant that we have adapted both our product development with our own patented solutions and our sales strategy for the market. In other words, being able to quickly adjust both production and strategy depending on the market is an important factor for continued expansion and growth in the region.



Climate wall at VvE Boerhaavelaan, in Leiden, the Netherlands.



New balconies on Lots Road in Chelsea, UK.



Glazed balconies on Sonnenstraße in Schweinfurt, Germany.



INTERVIEW



Alexander Jung

Seller, Balco GmbH, Germany

“ We want to be the best balcony builder in Europe

A few years ago, Alexander Jung was working on the construction of basements. In May 2021, he joined Balco Group's German subsidiary as part of the sales team and quickly realised that balconies were a niche in the construction sector that was completely different – and much more interesting.

"I can finally show my children what I am working on. When I look at buildings, I can visualise what they would look like with our balconies. It's far from what I used to do, the projects were just four walls and a roof," he says.

Alexander Jung comes from a family that loves sports. A former professional swimmer himself, his wife has won an Olympic medal for Germany and his children both swim and play football.

"I have found a good balance between work and life. I still have time for sports, while my job allows me to travel around the country and meet new people, which is like another hobby."

Alexander's team at Balco GmbH consists of 12 people, four of whom are salespeople. They work tirelessly to inform customers about Balco Group's products.

"Many people built balconies a few years ago, very cheaply and they already need to be replaced. One of my customers recently replaced balconies in a property with our glazed balconies. The old ones were only eight to ten years old, but had already been destroyed by icing

around the brackets and frost damage. Glazed balconies have also had a rather bad reputation here in Germany, as two companies had to be hired – one for the construction and one for the glazing, which created major problems. Much of my job is to showcase our solutions and how they work better and last longer. We have very innovative and high quality products and we need to be out there talking about them. The market is not waiting for us."

"We have very innovative products and we need to be out there talking about them"

Renovation represents the majority of the balcony market in Germany and Balco GmbH is committed to building long-term relationships with cooperatives. The large cooperatives can consist of between 5,000 and 10,000 apartments, organised in associations.

"Cooperatives have very clear and long-term plans for projects and properties they want to improve. We also think long-term and wait for them to implement their plans while we build relationships with architects and project managers. Small firms only look one or two

years ahead and have nowhere near the same conditions as us."

Even in new build, long-term relationships are necessary. Competition on the German market is high.

"Project managers test you, they want to see that everything runs smoothly. We use standardised models, mostly AluTwo, in four sizes, fixed prices and fast delivery. Modular construction has become increasingly common and, for example, we currently have a small contract with a construction company. There is a lot of potential if we do a good job – and we do that when we stick to what we do best: innovative products, stability and quality."

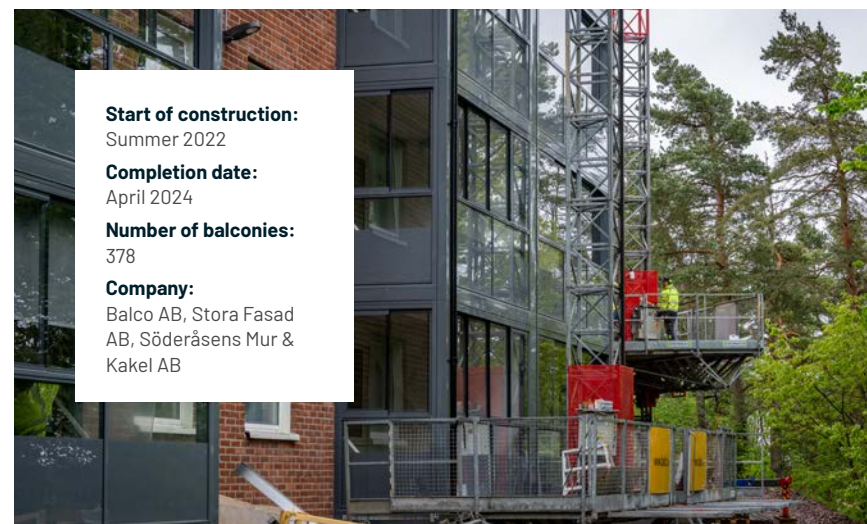
However, meetings with project managers are only a small part of the work. Most of the time Alexander Jung is travelling around eastern Germany with a balcony prototype on a trailer – and good music. And it works. When he travelled with the trailer and prototype to Lübeck last year, he signed contracts with three customers to build balconies in 2023.

"People work best together. We have to show them the product. In Germany we say 'What the farmer doesn't know, he doesn't eat', and there is something to that. Sometimes when I drive along the highway I see buildings that need Balco balconies, I stop and start knocking on the doors. We want to be the best balcony builder in Europe and that requires a vision," concludes Alexander Jung.

ONGOING PROJECTS

Housing designed for the future

In 2023, Balco Group has had a number of major projects. As the Group has grown over several years, we have also been able to take on more extensive and challenging projects.



Start of construction:
Summer 2022

Completion date:
April 2024

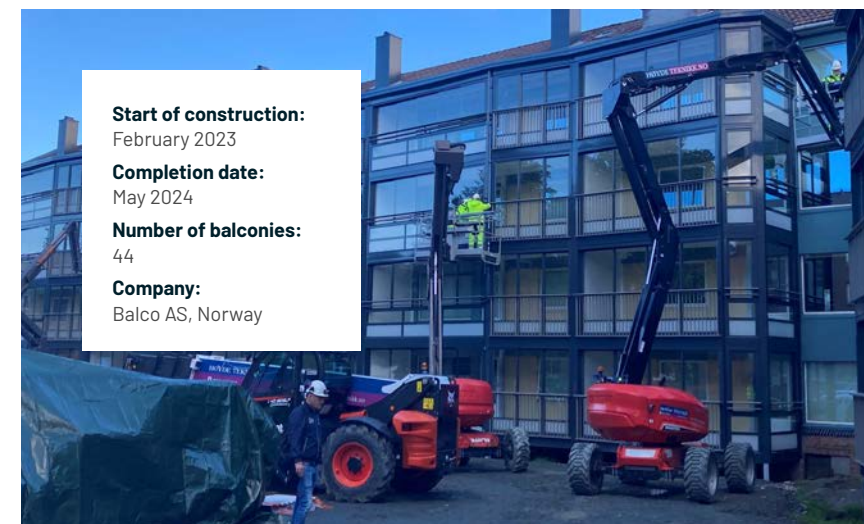
Number of balconies:
378

Company:
Balco AB, Stora Fasad AB, Söderåsens Mur & Kakel AB

↓ Slättagården

Kallinge, Sweden

The concrete in the old balconies at HSB Brf Slättagården in Kallinge was condemned by an external consultant, and in autumn 2022, the project with Balco Group began, which involved replacing them with glazed balconies, integrated with the Cleanline drainage system, awnings and curtains. At the same time, the association decided to install solar panels on the roof, which was carried out shortly after the start of construction and the dismantling of the old balconies during the summer. In total, the association now has around 300 solar panels that will produce an estimated 118 MWh per year.



Start of construction:
February 2023

Completion date:
May 2024

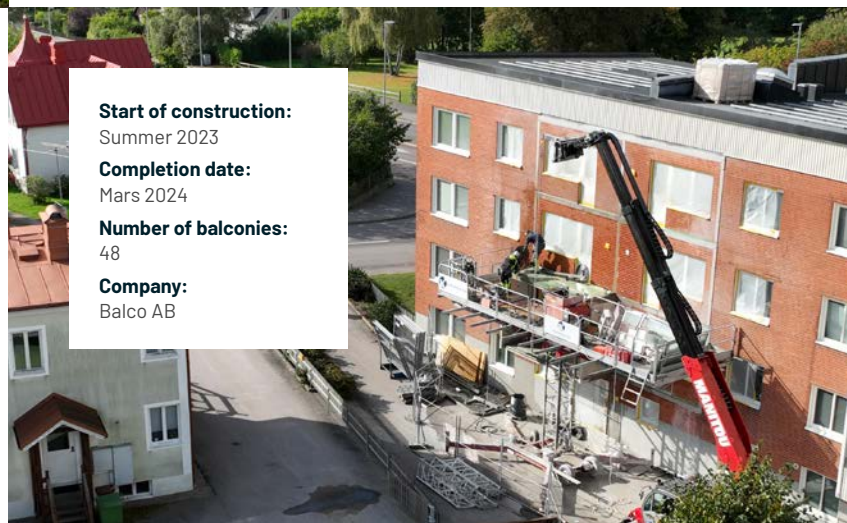
Number of balconies:
44

Company:
Balco AS, Norway

↑ Krönet

Kortedala, Sweden

Brf Krönet in Kortedala outside Gothenburg is one of Balco Group's major projects during the year. The housing cooperative needed to renovate both the facade and the balconies, which led to Balco AB, Stora Fasad AB and Söderåsens Mur & Kakel AB all participating in the project. Both the front and back of the high-rise buildings in the association are being re-bricked and insulated, the attic is being refurbished and the entrances are being re-plated. A total of 378 balconies are being renovated and the Group is installing integrated glazed balconies with new or extended tiles, sightseeing glass and Twinview shutters in the properties. The project is expected to be completed in April 2024.



Start of construction:
Summer 2023

Completion date:
Mars 2024

Number of balconies:
48

Company:
Balco AB

↑ Saxemarka V

Stavanger, Norway

Saxemarka V has been one of the few housing cooperatives in the neighbourhood without glazed balconies. The renovation project, which began in February 2023, replaced the 44 old balconies on the property with new glazed balconies. The old balconies were worn out and several had damage to the concrete. The project also includes the installation of Balco Group's new, patented heat pump solution. The heat pumps are integrated with the new balconies and the air is transported through the facade, the balconies and into the building. The project is expected to be completed in the latter part of spring 2024 and will result in significant energy savings for the association.

BALCO GROUP'S HISTORY



Our history



1987 Balco AB is founded by Swedish entrepreneur Lars Björkman.



1988-1990 Expansion into Norway and Germany.



2001-2005 Balco AB enters new markets in the UK and Denmark.



2010 Geographical expansion continues with the Netherlands.



2013 Own production unit established in Poland. A large part of Balco Group's production still takes place here.



2015 Acquisition of Kontech A/S, now Balco Altaner A/S, and expansion into Finland.



2017 Balco Group is listed on Nasdaq Stockholm. New 5,800-square metre production unit in Poland.



2018 Acquisition of TBO-Haglinds AB. Net sales reach SEK 1 billion. First maritime project delivered.



2020 New strategic direction with broadened offering and sustainability focus.



2021 Acquisition of Stora Fasad AB and RK Teknik i Gusum AB. Balco Group takes several major sustainability initiatives during the year.



2022 Acquisition of Söderåsens Mur- & Kakel AB and Arutex AB. The Group is awarded a low ESG risk rating by Sustainalytics.



2023 Acquisition of NMT Montageteknik i Norden AB. Balco Group receives its first order in Ireland.



2024 Acquisition of Riikku Group Oy.

Administration report

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GROUP OVERVIEW

Our companies

Balco Group comprises seven companies trading with their own brands as well as several further subsidiaries, most of which are organised under Balco AB. All of the companies operate their own activities under their own management. In most cases, the Group companies are managed by the people who ran those companies before they became part of the Balco Group. Each Group company offers its own product catalogue and a unique offering. As an owner, Balco Group contributes financial security and expertise relating to resource management, sustainability, digitalisation, and business development.

RIIKKU GROUP OY

CEO: Joakim Petersen-Dyggve

- **No. of employees:** about 200 ● **Founded:** 2005 ● **Market:** Finland and Scandinavia
- **Activities:** Balco Group acquired Riikku Group Oy in early 2024. This was the largest acquisition in the Group's history, and means that Balco Group strengthens its position in Finland and the other Nordic countries. Riikku Group Oy was founded in 2005 and is one of Finland's two largest providers of glazed balconies. The company primarily works with new builds, but also services the renovation segment. Riikku's head office is located in Alavus, Finland, with sales offices in several Finnish cities and subsidiaries in Sweden, Norway, and Finland. The Riikku Group had a net sales of approximately EUR 40 million in 2023 with an operating margin just below that of Balco Group. Riikku has a modern and well-invested production facility of around 7,500 sq.m. in Alavus. Riikku and its subsidiaries will remain under the management of its existing leadership team with Joakim Petersen-Dyggve as CEO.

"Being part of Balco Group's growth journey is inspiring, and I look forward to taking part in the continued development and strengthening of Riikku," said Joakim Petersen-Dyggve, CEO of Riikku Group Oy, when the acquisition was announced.

BALCO AB

CEO: Camilla Ekdahl

- **No. of employees:** about 300 ● **Founded:** 1987 ● **Market:** Northern Europe
- **Activities:** Balco AB is a market leader in the balconies sector. The company develops, manufactures, sells, and is responsible for the installation of self-manufactured open and glazed balcony systems. Balco AB's balcony systems are used in new builds, renovation, redevelopment and extensions, and to glaze previously open balconies. The wide customer base includes housing cooperatives, the public housing sector, private property owners, architects, property developers, and ferry operators. The head office, along with its own manufacturing facility, is located in Växjö in southern Sweden. The company has fellow subsidiaries located in Norway, Denmark, Finland, the UK, Germany, Poland and the Netherlands.

BALCO ALTANER A/S

CEO: Johan Söderling

- **No. of employees:** about 50 ● **Founded:** 2006 ● **Market:** Denmark
- **Activities:** Balco Altaner A/S started as Kontech Altaner A/S and was founded by Niels Jensen in the mid-1990s. The focus then, as now, was on City balconies for the Danish market, in particular in Copenhagen's inner city. Kontech was acquired by Balco Group in 2015 and renamed Balco Altaner A/S. The head office is on Hammerholmen in Copenhagen, and the main customer group is housing cooperatives and time-share apartments.

RK TEKNIK I GUSUM AB

CEO: Johan Karlsson

- **No. of employees:** about 50 ● **Founded:** 1982 ● **Market:** Sweden
- **Activities:** RK Teknik i Gusum AB initially manufactured balcony details, such as stud screws and concrete fastening products. In 1991, the business had developed, and the company was now manufacturing and selling both individual details as well as complete balconies. Growth continued and in 2011, the business moved from a barn near Leckersbo Gård, to a balcony factory of around 12,000 sq.m. in Gusum, Östergötland. Today, the company is one of Sweden's leading manufacturers of balconies. The company has been owned by the Balco Group since 2021.

TBO-HAGLINDS AB

CEO: Pär Haglind

- **No. of employees:** about 50 ● **Founded:** 1996 (1970) ● **Market:** Sweden
- **Activities:** Haglinds Svets AB was founded in 1970, manufacturing wrought iron goods for industrial use throughout the 1970s and 1980s. TBO AB, meanwhile, developed in the 1980s, carrying out renovation and replacement of balconies for apartment blocks. As time wore on, the two companies collaborated ever more closely, and finally merged in 1996. Balco Group acquired TBO-Haglinds AB in December 2018. The balcony subcontracting business had grown and become an ever-more dominant part of the business over the years, now servicing customers all over Sweden. In 2022, TBO-Haglinds AB acquired the fitting company Arutex AB, which now develops and improves the efficiency of TBO-Haglinds AB's offering for balcony assembly. Arutex was founded in 2011, is located in Arboga, and employs around 10 people. For several years, Arutex has been one of the largest partners of TBO Haglinds AB, carrying out the actual assembly of balconies and glazing.

STORA FASAD AB

CEO: Johan Bengtsson

- **No. of employees:** about 20 ● **Founded:** 1989 ● **Market:** The Lake Mälaren region
- **Activities:** Stora Fasad AB offers various services for facades, including masonry, plastering, window replacement, balcony and roof work, for renovations and maintenance as well as new builds and turnkey contracting. The company also offers related services such as scaffolding and scaffold rentals. The head office is located in Västerås. The company has been part of Balco Group since 2021.

SÖDERÅSENS MUR- & KAKEL AB

CEO: Ola Gustavsson

- **No. of employees:** about 20 ● **Founded:** 1997 ● **Market:** Southern Sweden
- **Activities:** Söderåsens Mur- & Kakel AB offers facade work including masonry, plastering, and insulation, for renovations as well as new construction projects. Customers comprise housing cooperatives, the public housing sector, private property owners and construction companies. The head office is located in Kågeröd in north-western Skåne, and the company is run by the founders, Ola Gustavsson and Emil Johansson.

RISKS AND RISK MANAGEMENT

f Risks and risk management

Exposure to and management of risk is a natural part of doing business. The focus is on identifying risks, preventing risks from occurring and preparing action plans to mitigate any damage these risks may cause. The risks can be divided into industry and market risks, operational risks, financial risks, regulatory risks and sustainability risks. Risks, even if prevented, may have a negative impact on operations.

Risks

A risk is defined as the uncertainty about the occurrence of an event that may affect the company's ability to achieve its defined goals. Risks are a natural part of all business and must be managed effectively. Risk management aims to prevent, mitigate and limit the negative impact of risks on the business.

Balco conducts an annual overall risk assessment to identify and assess risks that threaten the achievement of the Group's goals. Balco Group defines a risk as a possible future event that threatens the organisation's ability to achieve its goals.

Identified risks are assessed based on the following two criteria:

- Probability of the risk occurring
- Consequences for Balco should the risk occur

Project activities

Balco Group's management has identified possible events that could have an impact on the company's operations. The events have been evaluated and reduced to a net list of what are considered to be the most relevant risks. The risks have been graded according to low, medium and high probability of occurrence and

subsequent impact if the risk were to occur. In order to manage and counteract identified risks, a number of control activities (risk mitigation measures) have been defined.

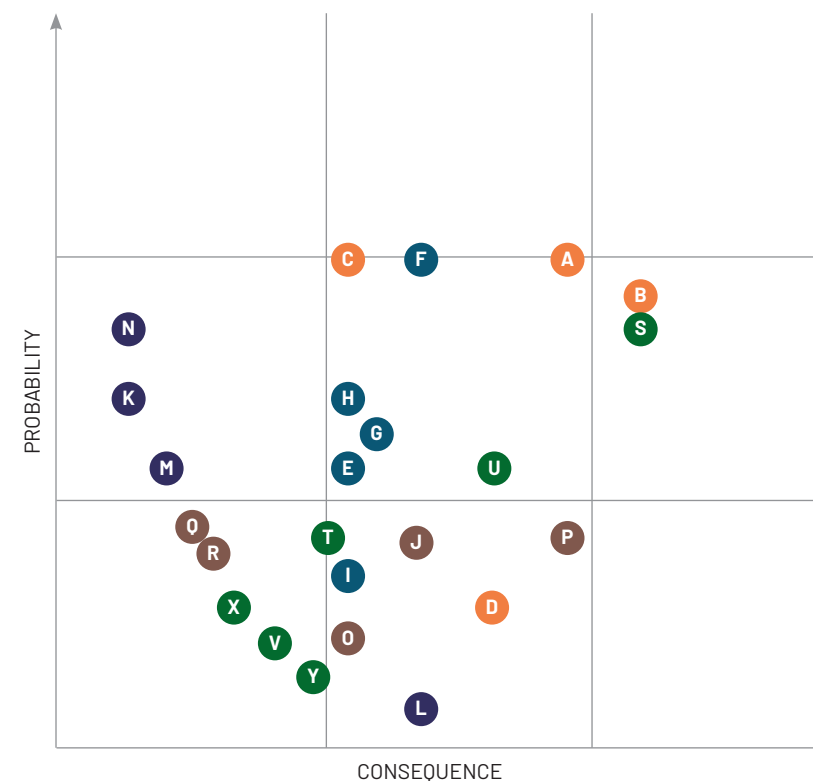
For each identified risk, there are activities to counter, limit, control and manage the risk.

An evaluation of the effectiveness of the control activities must be carried out annually. Balco has a Group-wide monitoring process where the effectiveness of controls is evaluated and reported to the CFO of Balco Group. The CFO is responsible for presenting the results of the evaluation to the Audit Committee and the Board.

Overall risk areas

The Group's activities expose it to various types of risk. The risks can be grouped into five different risk categories:

- Industry and market-related risks
- Operational risks
- Financial risks
- Regulatory risks
- Sustainability risks



Explanation The matrix presents an overview of identified risks for Balco Group. The risks are placed in the matrix based on their estimated probability and potential consequences. More information about each risk and risk area can be found on pages 31-35.

Financial risks

- K** Currency risk
- L** Liquidity risk
- M** Interest rate risk
- N** Credit risk

Regulatory risks

- O** Intellectual property rights
- P** Political decisions affecting the business
- Q** Disputes and legal proceedings
- R** Changes in accounting rules

Sustainability risks

- S** Serious global changes
- T** Changing political conditions locally
- U** Changing political conditions globally
- V** The company's climate impact
- X** Deteriorating work environment and health
- Y** Supplier impacts on health & safety and human rights

Industry and market-related risks

- A** Cyclical effects and other macroeconomic factors
- B** Serious global changes
- C** Changes in commodity prices
- D** Changing competition and price pressure

Operational risks

- E** Supplier and subcontractor risks
- F** Unfavourable project development
- G** New markets
- H** Disruptions
- I** Recruitment and retention of qualified employees
- J** Development of quality products

RISKS AND RISK MANAGEMENT

Industry and market-related risks

Industry and market-related risks refer to external factors, events and changes in the markets in which Balco operates that may have an impact on the ability to achieve the company's defined goals. These risks include changes in demand due to a weaker economy or other macroeconomic changes, a change in the price of raw materials that are central to Balco Group's production, and a change in competition or pricing pressure.

Risk	Description	Management	Probability	Consequence
<p>A B</p> <p>Cyclical effects and other macro-economic factors</p>	<p>Balco Group's activities are affected by the general financial and political situation in the world, as well as by other serious changes in the world due to natural disasters, epidemics/pandemics, wars, migration etc. Rising interest rates and high inflation have a negative impact, as they affect the Group's customers. The company is mainly affected by events affecting the Nordic markets and other countries where the Group operates. A downturn in the economy, political changes and other serious changes in the world may create unrest in the markets in which the company operates and thus affect demand for its products.</p>	<p>Balco Group is active in the market for balcony solutions, which is a niche market within the construction market. Balco is mainly active in the renovation segment, which is driven more by the existing need to renovate than the more cyclical new build segment. Balco operates on a project basis. Every year, we handle a wide range of projects of different sizes and in different markets. The dependence on a single customer is therefore small. Rising interest rates and inflation affect our customers' ability to obtain attractive credit terms.</p>	● High	● High
<p>C</p> <p>Commodity prices</p>	<p>Balco Group's profitability is affected by the development of raw material prices for aluminium, steel, glass and concrete. Changes in commodity prices may affect the performance of individual projects.</p>	<p>Balco hedges material costs on an ongoing and annual basis based on future needs. The company's project activity means that each project is an individual price negotiation. Long lead times and the fact that each project is unique mean that indexed price adjustments, to deal with changing commodity prices, are found in most customer contracts.</p>	● High	● Medium
<p>D</p> <p>Competition and price pressure</p>	<p>The competitive landscape varies across geographic markets and product segments. Balco Group's main competitors are concrete renovators and other balcony suppliers. Increased competition may have a negative impact on operations and results.</p>	<p>Balco Group competes mainly with concrete renovators that are not niche players in the balcony renovation market. Through Balco Group's local presence and its business model of helping the customer throughout the process, Balco contributes significantly to the creation of its own market. Balco Group currently has a niche portfolio of products at the forefront of innovation and technology, which creates a competitive advantage.</p>	● High	● Medium



RISKS AND RISK MANAGEMENT

Operational risks

Operational risks relate to the day-to-day operations, and the ability to meet commitments to customers. Risks can often be managed through internal control activities such as preventive and/or monitoring controls. Examples of operational risks include Balco Group's ability to develop and sell innovative new products and solutions, the Group's ability to attract and retain qualified employees, and the Group's profitability being dependent on the performance of individual projects, i.e. Balco Group's ability to predict, calculate and deliver projects within the established financial calculations.

Risk	Description	Management	Probability	Consequence
E Suppliers and subcontractors	Balco Group depends on its suppliers and subcontractors to produce, design and deliver a final product. The Group has most of its production in-house, and its products consist of components and raw materials from a variety of suppliers.	Balco Group has identified its strategic suppliers and subcontractors and ensured that alternatives are available.	● Medium	● Medium
F Project activities	Balco Group's profitability depends on the performance of individual projects. The calculations and plans produced at the start of projects, and regularly updated, form the basis for the timing of revenue and profit recognition.	During the year, Balco Group has adapted and standardised the profit recognition model so that it is handled in the same way in all Group companies. The change has been implemented as we have seen that deviations mainly occur during installation and at the end of the project. This change reduces the risk of major project deviations. There is a clear process and procedure for how projects are costed and monitored.	● High	● Medium
G New markets	Balco Group is exposed to the risk of project activities in new markets becoming too costly and resource-intensive. New markets entail different legal requirements, particularly in terms of health and safety at work, building requirements and fire safety.	Balco Group draws on local expertise in new markets to ensure that local regulations and requirements are met. Expansion into new markets will continue to take place through the acquisition of local incumbents.	● Medium	● Medium
H Disruptions	Balco Group's operations consist of many processes where a disruption such as fire, sabotage, machine breakdown or IT system failure can have an impact on the company's ability to meet its commitments to customers, thereby negatively affecting profitability.	Balco Group has identified and secured IT capacity for existing production capacity. A review of business-critical systems is conducted annually.	● Medium	● Medium
I Recruitment	For Balco Group, it is very important to be able to attract and retain qualified employees and key personnel.	The Group strives to be an attractive employer offering a competitive package in terms of compensation and benefits, but also by creating a culture that our employees want to grow in and be a part of. Balco is active in the market to attract staff and pursues an active human resources policy.	● Low	● Medium
J Product development and production capacity	Balco Group's earnings and competitiveness depend on its ability to develop and sell innovative new products and solutions. The company is investing significant resources in further developing its existing product portfolio. As the company's products are manufactured in its own production units, Balco is dependent on good planning. To ensure future growth in a satisfactory manner, Balco needs to be 6 to 12 months ahead in planning production capacity.	Balco Group operates on a project basis, which means that it has good foresight and visibility in terms of production and delivery needs. The company continuously monitors all projects, deliveries and production orders. As the lead times within the company's projects are relatively long, good forward planning is possible. Balco Group also owns land that will allow further expansion.	● Low	● Medium

RISKS AND RISK MANAGEMENT

Financial risks

The Group's activities expose it to financial risks such as financing risk, liquidity risk, credit risk, interest rate risk and currency risk. The Group's financial policy provides a framework of guidelines and rules as well as risk mandates and limits. Responsibility for the Group's financial operations and risks is managed by the CFO in consultation with the CEO and the Board. The aim is to ensure cost-effective financing and to minimise negative effects on the Group's results due to market changes.

Risk	Description	Management	Probability	Consequence
K Currency risks	Balco Group is affected by currency risks that can be divided into transaction exposure and translation exposure. Transaction exposure arises when a sale or purchase price is quoted in a foreign currency. Balco is mainly exposed to movements in EUR, NOK, DKK, PLN and GBP against SEK. Translation exposure arises when subsidiaries' balance sheets and income statements are translated from local currency into SEK.	Transaction exposure is managed mainly through natural hedging, which means that payments are made in the same currency as cash flows from receipts. Balco Group also manages risks through currency hedging in accordance with its financial policy.	● Medium	● Low
L Financing and liquidity risks	There is a risk that the company's financing options may become more difficult or costly. Although the company's financial position is currently good, it may need access to additional financing. Balco Group is engaged in project activities in which net sales, earnings and liquidity are affected by building permits within the projects.	The Group has good forward management of its projects, which provides relatively good visibility and enables planning. The company strives to have good liquidity, which is regulated by the company's financial policy with set liquidity targets.	● Low	● Medium
M Interest rate risks	Balco Group is exposed to interest rate fluctuations in its debt financing. The company has a relatively low level of debt.	The risk is managed through future debt/equity ratio targets. The existing loan structure means low exposure.	● Medium	● Low
N Credit risks	Balco Group's credit risk is limited. The cases where credit risks may arise are in the event of insolvency or default of the company's customers.	Balco Group's customers consist largely of housing cooperatives, property owners and construction companies. A review of the customers' finances is carried out before the start of a project to ensure the financial stability of the counterparty. In most cases, the projects have a forward payment plan, supplemented in specific cases by credit insurance.	● Low	● Low

Regulatory risks

Regulatory risks relate to the ability of the business to manage the impact of new legislation and regulation, as well as to manage unforeseen litigation or other legal or contractual uncertainties.

Risk	Description	Management	Probability	Consequence
O Intellectual property rights	Balco Group invests significant resources in product development and in protecting its innovations through patents. If Balco Group fails to protect and maintain its intellectual property rights, there is a risk of others copying its products, which could have a negative impact on its business, sales and earnings.	A significant part of Balco Group's products and their functions are protected by patents. As products are developed, the company's patents are renewed and strengthened.	● Medium	● Low
P Political decisions, legislation and regulations	Political decisions can affect the demand for Balco Group's products both positively and negatively. Policy decisions include changes in legislation, enforcement of existing laws and regulations, and future subsidies and taxation in housing and housing construction.	Balco Group continuously follows and monitors the discussions and changes in terms of political decisions, changing legislation and regulations. The company's business model is set up so that the process takes into account the laws and regulations specific to each market.	● Low	● Medium
Q Disputes and legal proceedings	Balco Group may become involved in disputes and be subject to claims relating to contractual issues, delays, alleged defects, environmental issues etc.	In all material respects, Balco Group ensures that it has agreements in writing with its customers and its subcontractors. Any disagreements will be resolved as far as is possible and commercially justifiable by mutual agreement during the course of the project.	● Medium	● Low
R Changes in accounting rules	Balco Group is affected by changing and evolving accounting rules. The company's accounting, financial reporting and internal control may be affected by, and need to be adapted to, changes to rules in the future.	Balco Group's employees receive ongoing training, keep up to date and develop their skills with regard to current regulations and new developments in the field. Cooperation takes place with the company's auditors.	● Low	● Low

SUSTAINABILITY RISKS

Sustainability risks

Sustainable business

Sustainability risk management

As a company, we are naturally affected by changes in the world around us, which is further reinforced by the fact that we operate in several countries. Changes in the political landscape can lead to changes in legislation and economic cycles, which in turn can create risks for our business and ultimately for our performance.

To deal with this, each country manager is responsible for monitoring policy decisions, maintaining contact with the relevant authorities and taking necessary action.

Other external events can also occur that neither we nor anyone else can influence, such as natural disasters, pandemics, wars and migration. These also pose risks to our operations, which are managed by following national guidelines and conducting scenario planning to help us adapt our operations appropriately.

We are also influenced by how our suppliers choose to conduct their activities. A poor work environment and human rights abuses risk damaging our reputation and make it necessary for us to change suppliers, which in turn can lead to delays in deliveries to our customers. This is managed through regular spot checks and frequent dialogues where we actively seek to influence our suppliers in a positive direction.

Environmental responsibility

Sustainability risk management

In the environmental area, we have identified the Group's climate impact as the most significant risk. In addition to negatively affecting the environment and the overall quality of life in the communities in which we operate, a negative climate impact, seen from the perspective of today's agenda, risks disqualifying us from future business with customers who value the issue highly.

In addition, it may entail a risk of reducing our attractiveness as an employer as environmental issues are high-

ly valued as a factor in today's labour market. To address this, climate impact is already seen as a priority within the company and through regular materiality analyses we are able to highlight the importance our stakeholders attach to the issue.

Corporate social responsibility

Sustainability risk management

Maintaining a good work environment and health level within the company is considered a priority, and to counteract the risk of any deterioration, systematic health and safety work is carried out in office and factory premises.

A significant part of Balco Group's work is carried out on construction sites, where personal safety issues and the design of the work environment have a naturally heightened focus. Our own site managers work continuously with risk analysis, safety inspections and incident and accident reporting, to ensure a safe and secure work environment at the Group's construction sites. Deteriorating work environment and health not only entails a risk of costly business interruptions and, in the worst case, legal action, but can also make it difficult to retain and attract key skills in the future.

A specific example of how safety is integrated into the whole process from product development to assembled product is the new product Levitate. One of the selling points of the product is the safety of the workplace itself, where final assembly is carried out after the work on a newly constructed building is completed and the minimum of personnel are present. Final assembly is done by crane and the assembly time is about 15 minutes per balcony.



SUSTAINABILITY RISKS

Serious global changes

S

Serious global changes such as natural disasters, epidemics, pandemics, wars and migration can lead to injuries, business interruption and increased costs. Balco Group maintains preparedness by following national guidelines and adapting operations.

Probability



Consequence

**Changing political conditions locally**

T

The conditions for Balco Group's operations may change as a result of political decisions, which may affect earnings, legislation and the economy. The responsible manager in each country is responsible for being aware of and managing new policy decisions, including by establishing contact with authorities.

Probability



Consequence

**Changing political conditions globally**

U

The conditions for Balco Group's operations may change as a result of political decisions at the global level, which may affect earnings, legislation and the economy. The responsible manager in each country is responsible for being aware of and managing new policy decisions.

Probability



Consequence

**The company's climate impact**

V

The Group's carbon footprint contributes to the risk of Balco Group being disqualified from future business and not being perceived as an attractive employer. Reducing climate impact is also important for the continued existence of future generations. Through the materiality analysis and our subsequent work, the Group monitors its impact and takes the necessary measures to reduce its carbon footprint.

Probability



Consequence

**Deteriorating work environment and health**

X

A deterioration in the work environment and health can affect the Group's employees through a lack of systematic health and safety work, which can lead to a loss of skills, business interruptions and legal proceedings. Balco Group attaches great importance to the systematic health and safety work of office and factory premises.

Probability



Consequence

**Supplier activities with negative impacts on health and safety and human rights**

Y

Negative impact from suppliers' activities may arise from a lack of requirements and control within the Group's supply chain, which may impair Balco Group's reputation and cause supplier switching, thus resulting in delayed deliveries. This risk is managed through regular spot checks and other requirements.

Probability



Consequence



FOREWORD BY THE CHAIRMAN

Poor market conditions give rise to good business opportunities

The Board's work during the year has to a considerable degree related to facing the prevailing market conditions in the best possible way in the short term, while simultaneously navigating the long-term strategic matters of increased growth and profitability.

Market conditions have been challenging for the second year in a row, with an economic downturn characterised by rising costs and continued rising inflation during the year. The policy rate in Sweden was 0.0 percent as recently as in May 2022. At year-end 2023, it had reached 4.0 percent, the highest level since 2008. The general mood suggests that the interest rate will fall in the future rather than rise further, which would be beneficial for our business. A large proportion of net sales, just over 60 percent, stems from Sweden. Interest rates in our other markets have also increased in 2023, but have stabilised toward the end of the year. Interest rate levels are of considerable significance to the Company's customer groups. Stable or sinking interest rates, and a lower rate of inflation, would once again provide improved conditions for investment decisions.

As we expected, the year began with a weak order intake, and a large part of the Board's work has been devoted to monitoring the order intake, ongoing projects, earnings and cash flow. However, we have always been confident that the order intake will return. The need for renovation grows each year, as customers have delayed

investment decisions rather than working with any of our competitors. We have been pleased to see an increased order intake toward the end of the year, growing by as much as 57 percent in the last quarter – albeit from a low level.

Economic downturns are not exclusively negative, as they also drive efficiency improvements and a focus on costs. Strategies are evaluated and reconsidered. When the market eventually turns there may, if properly managed, be a better and more profitable platform for future growth. It is my hope that this is exactly what we have achieved through the measures taken over the last two years.

Balco Group's growth is mainly organic, and the primary growth strategy is to continue to grow organically. All the same, business acquisitions are an important strategic complement and enable a rapid strengthening of the presence in an existing or new geographical market, in existing or adjacent product areas or in new customer segments. The lion's share, around 90 percent, of Balco Group's sales are derived from the Renovation segment,



FOREWORD BY THE CHAIRMAN

but we are also working toward finding profitable deals or projects in our other segment, New Build. We continue to differentiate and broaden our business through our two segments, different geographical markets and innovative products, as this both generates business opportunities and spreads risk over the business cycle.

Through the acquisitions carried out in the last few years, we have broadened our customer offering with facade renovations and turnkey contracting. We offer complete solutions, as a one stop shop, and can thereby help our customers even more throughout the process – from the initial decision to renovate, all the way to completion.

It is often in weak markets like this that the best business opportunities arise. During the year, the Board and the management team have reviewed several interesting acquisition opportunities.

Finland is a market where Balco has tried to grow organically for many years without quite succeeding. A few years ago, the Board decided to look for a suitable acquisition. The acquisition of Riikku, completed in January 2024, provides just the platform we were looking for. Riikku is one of Finland's leading balcony companies with a focus on glazed balconies for new builds. It is a profitable company with a strong order book, and Riikku's products complement Balco Group's range well, both in Finland and in Balco Group's other markets. We hope that the acquisition will provide further growth in balcony renovations in Finland, but also through Riikku's glazing solutions in Sweden.

A further acquisition in Finland was completed in the first quarter of 2024: Suomen ohutlevyasennus. The company is specialised in renovating facades and further supports the investments in Finland. Through this acquisition, we are able to offer the same turnkey solution for facade renovation and balconies in Finland as we do in Sweden.

Both acquisitions are expected to contribute positively to Balco's earnings per share in 2024.



Considering that these strategic acquisitions were made during an economic downturn, and that a weak order inflow in 2023 will affect earnings and sales in 2024, the Board proposes that no dividend be paid for 2023. However, the goal remains to pay 30-50 percent of post-tax profits in dividends, provided this does not jeopardise Balco Group's long-term growth.

There can be no doubt that sustainability is a driving force in our business and an integrated part of our strategy and business model. We are primarily active in

the renovation market. Using Balco Group's glazing and facade solutions, our customers are able to save both energy and money. Our glazed balconies have a lifetime in excess of 90 years, and reduce energy consumption by up to 30 percent, improve the residential environment and raise property values. We continue to seek new innovative solutions and collaborations in sustainability. Recently, we were awarded a turnkey contract for a major facade project in Norway. The project includes facades, balconies, solar panels and facade-mounted air source heat pumps, showing that our sustainability

strategy, with the Green Transformation concept and Balco as a turnkey contractor, is effective and attractive.

Under the Paris Agreement, global emissions shall at least be halved by 2030 and close to net-zero by 2050 at the latest. The Swedish parliament has decided that Sweden shall have net-zero emissions of greenhouse gases by 2045, and our long-term goal is therefore to be climate-neutral by 2045.

Our focused sustainability efforts have reduced our ESG risk to low over the last two years, according to Sustainability. We have an even stronger position in the construction sector, where we rank among the 10 percent of companies with the lowest ESG risk.

In summary, I can conclude that we have put a challenging year behind us but that there are many positive signals for the market in 2024. How quickly markets will recover is difficult to predict. We will continue to keep one foot on the accelerator and the other on the brake, to meet opportunities as well as challenges in the coming year. The collaboration in the Board and with the CEO and executive management is working very effectively, and together with a competent and engaged Balco team, we are well prepared.

Ingalill Berglund

Växjö, April 2024

Ingalill Berglund

Chairman of the Board, Balco Group

CORPORATE GOVERNANCE REPORT

f Corporate Governance Report

Balco Group is a Swedish public limited company listed on Nasdaq Stockholm. Balco Group applies the Swedish Corporate Governance Code and hereby submits the 2023 Corporate Governance Statement. The auditors review was conducted in accordance with FAR Statement RevU 16 Auditors Review of the Corporate Governance Statement.

Governance model

Balco Group AB (Balco), Corp. ID 556821-2319, is a Swedish public limited liability company listed on Nasdaq Stockholm. The company is headquartered in Växjö. The corporate governance statement is part of the company's administration report. Balco's corporate governance, which can be divided into external and internal governance instruments, complies with Swedish law, Nasdaq Stockholm's regulations for issuers, the Swedish Corporate Governance Code (the Code) and internal rules and regulations.

External control instruments

The external governance instruments provide the framework for corporate governance in Balco. They include the Swedish Companies Act, the Annual Accounts Act, Nasdaq Stockholm's regulations for issuers and the Swedish Corporate Governance Code. For the financial year 2023, Balco derogated from the Code regarding one point:

Derogation from Code rule 2:4

The Code stipulates that the Chairman of the Board or any other member of the Board shall not be the Chairman of the Nomination Committee. Board member Carl-Mikael Lindholm, representing Balco's largest owner, the Hamrin family, is also Chairman of the Nomination Committee.

Explanation

Balco's largest owner in terms of votes has, so far, also held the position of Chairman of the Nomination Committee, which is a derogation from the Swedish Corporate Governance Code. Balco's strategic direction and business governance model is also based on a strong commitment from the company's main owners. The Board of Directors and the Nomination Committee consider that the majority of members are independent of the company and its management and that at least three of the members are also independent of the company's major shareholders.

Internal governance instruments

Internal governance instruments include the Articles of Association adopted by the General Meeting, internal instructions and guidelines. Examples of internal instructions and guidelines are the Board's rules of procedure, instructions for committees and the CEO's instructions. In addition, the Board has adopted a number of policies, including the financial policy and the sustainability policy, which provide guidance on how to manage and control internal work. In addition, Balco's financial handbook regulates financial reporting in the Group.

1. Shareholders

Balco Group AB has been listed on Nasdaq Stockholm since 6 October 2017. The number of shares outstanding

at the end of 2023 was 21,909,348. All shares have equal voting rights and equal entitlement to the company's profits and capital. The quotient value of the shares is SEK 6.0002, which means that the registered share capital at the end of December 2023 totalled SEK 131,461,248.

As of 31 December 2023, Balco had 5,521 shareholders. According to ownership data from Euroclear Sweden AB, the ten largest shareholders in Balco held 77.8 percent of the votes and shares in the company. Swedish shareholders accounted for 93.6 percent of ownership. Balco's largest shareholder as of 31 December 2023 was the Hamrin family, whose holding at year-end 2023 consisted of 6,062,027 shares corresponding to 27.7 percent of the votes and capital. Skandrenting (10.7 percent) also has a direct or indirect holding of more than 10 percent of the total voting rights in the company.

2. General Meeting of Shareholders

The General Meeting of Shareholders is Balco's highest decision-making body. The Annual General Meeting is held annually within six months of the end of the financial year. At the Annual General Meeting, the Parent company balance sheet and income statement, and the consolidated balance sheet and income statement are presented for adoption. Resolutions are also passed on appropriation of the company's profits, election and remuneration of Board members and the auditor, and other statutory business to be dealt with at the AGM. All shareholders entered in the share register who have notified the company of their attendance in due time in accordance with the instructions contained in the notice of meeting are entitled to attend the meeting and exercise their voting rights. A shareholder wishing to have a particular item of business dealt with at the meeting must make a request in good time before the meeting to the Board of Directors at the address communicated on the company's website. In addition to the Annual General Meeting, the Board of Directors may convene an Extraordinary General Meeting.

2024 Annual General Meeting

Balco's 2024 Annual General Meeting will be held on 14 May 2024 at 3pm at Kök 11, Honnörsgatan 15 in Växjö. Registration starts at 2:30pm.

Shareholders who are recorded in the share register maintained by Euroclear Sweden AB no later than 3 May 2024 and who have notified the company of their intention to attend the meeting no later than 4pm on 8 May are entitled to attend the meeting.

Key dates for the 2024 AGM are:

3 May – record date for the 2024 Annual General Meeting
8 May – last day to register to attend the meeting
8 May – last day for postal voting
14 May – 2:30pm admission to the meeting begins
14 May – 3pm meeting begins

Proposal for resolution at the Annual General Meeting 2024

The Board proposes to the Annual General Meeting that no dividend be paid, in view of the need to fund the completed strategic acquisitions of Riikku Group Oy in January 2024 and Suomen ohutlevyasennus Oy in March 2024.

3. Nomination Committee

The role of the Nomination Committee is to ensure that the members of the Balco Board collectively have the knowledge and experience relevant to contribute to the best possible development of Balco over time. Based on the annual Board evaluation, the requirements of the Code, Balco's needs and feedback from other shareholders, the Nomination Committee reviews the work of the Board. The Nomination Committee then submits a proposal to the Annual General Meeting on the number of Board members, the composition of the Board and a proposal on the remuneration of the Board, including remuneration for committee work. The Nomination Committee also makes proposals for the Chairman of the Board of Directors and the Chairman of the Annual General Meeting, and for the auditors and their remuneration. The Nomination Commit-

CORPORATE GOVERNANCE REPORT

tee's proposals are presented in the notice of the Annual General Meeting and an explanatory statement to the Committee's proposals is published on Balco's website at the same time as the notice is sent out.

In accordance with the rules of the Code, Balco adopted Nomination Committee instructions at the Extraordinary General Meeting on 11 September 2017. The instructions stipulate that the Nomination Committee shall consist of four members. The members are appointed by convening a meeting of the four largest shareholders of the company in terms of voting rights, as recorded in the share register kept by Euroclear as at 31 August of the year preceding the annual general meeting, and giving them the opportunity to appoint one member each. The member representing the largest shareholder in terms of votes is appointed as Chairman of the Nomination Committee. The Chairman of the Board shall not be the Chairman of the Nomination Committee. The members of the Nomination Committee for the 2024 Annual General Meeting were presented in a press release on 1 December 2023. The members of the Nomination Committee do not receive any remuneration for their Nomination Committee work.

4. Board of Directors

The Board of Directors is Balco's second highest decision-making body after the Annual General Meeting. The Board of Directors has overall responsibility for creating long-term value for shareholders and other stakeholders. The Board of Directors, together with the management, is responsible for the overall strategy of the company and works to ensure that the company has good risk management and internal control.

Board members

According to the Articles of Association, the Board of Directors of Balco shall consist of a minimum of four members and a maximum of eight members. The members of the Board shall bring skills and experience conducive to the development of Balco. Currently, the Balco Board con-

sists of six full members, two women and four men. All six members were reelected by the Annual General Meeting on 9 May 2023 for the period until the 2024 Annual General Meeting. President and CEO Camilla Ekdahl and CFO Michael Grindborn are present at all Board meetings.

Michael Grindborn acts as Board secretary. Other senior executives participate in a reporting capacity on specific issues. All Board members are independent of the company and its management. Four of the Board members are also independent of the company's major shareholders. Balco thus meets the requirements of Nasdaq Stockholm and the Code regarding the independence of Board members. For a summary and presentation of the Board members, see pages 86–44.

Board diversity policy

The Board of Directors of Balco as a whole must have the appropriate collective skills, experience and background for the activities it carries out and for identifying and understanding the risks involved in its activities. The objective is for the Board to be composed of members of varying ages, both men and women, with diverse geographical and ethnic backgrounds, complementing each other in terms of experience, educational and professional backgrounds, who together contribute to the independence and critical thinking of the Board of Directors. Balco's Board of Directors has adopted a diversity policy which the Nomination Committee takes into account when preparing its proposals to the AGM. The Nomination Committee also bases its proposals on section 4.1 of the Swedish Corporate Governance Code, which deals with the diversity of the Board.

Work of the Board and evaluation of the Board

The responsibilities and duties of the Board of Directors are governed by the Companies Act, Balco's Articles of Association and the Board's Rules of Procedure, which are reviewed annually and adopted at the Board's inaugural meeting each year. The rules of procedure govern the

RESOLUTIONS AT THE 2023 AGM INCLUDED:

- to pay a dividend of SEK 1.5 per share for the financial year 2022
- to discharge the members of the Board of Directors and the CEO of liability for the financial year 2022
- re-election of the Board members Ingalill Berglund (Chairman), Carl-Mikael Lindholm, Johannes Nyberg, Mikael Andersson, Vibecke Hverven and Thomas Widstrand
- the total annual remuneration of the Board of Directors to be SEK 1,895,000
- to elect KPMG AB as audit firm, with Michael Johansson, Authorised Public Accountant, as auditor in charge
- authorisation for the Board of Directors to decide on an issue, with or without preferential rights for the shareholders, to be paid in cash, in kind or by offsetting, of shares or warrants or convertibles in respect of such shares, entailing an increase or potential increase in the company's share capital by a maximum of ten (10) percent or a maximum of 2,190,934 shares
- authorisation for the Board of Directors to decide on the acquisition of a number of the company's own shares that, at any given time, will not result in the company's holding of own shares exceeding one-tenth of all shares in the company
- authorisation for the Board of Directors to decide on the transfer of own shares

MEMBERS OF THE NOMINATION COMMITTEE FOR THE 2024 ANNUAL GENERAL MEETING

- **Carl-Mikael Lindholm**, appointed by the Hamrin family (Chairman of the Nomination Committee)
- **Magnus Sjöqvist**, appointed by Swedbank Robur Fonder
- **Annica Nordin**, appointed by Skandrenting AB
- **Claes Murander**, appointed by Lannebo Fonder
- **Ingalill Berglund**, Chairman of the Board of Balco

CORPORATE GOVERNANCE REPORT

functions of the Board and the distribution of work between the members of the Board and the CEO. The Board also establishes instructions for the Board committees and the CEO.

The tasks of the Board of Directors are to continuously monitor the strategic direction, financial performance, methods, processes and controls of the company in order to maintain a well-functioning business. The Board shall also contribute to the quality of financial reporting, internal control and the evaluation of the company in accordance with the financial targets and the guidelines set for senior management. The Board's duties also include the ongoing evaluation of the company's CEO and participation in the annual audit conducted by KPMG AB, with Michael Johansson as auditor in charge. The Chairman of the Board, who is elected by the Annual General Meeting, has particular responsibility for the management of the Board's work and for ensuring that the Board's work is well organised and carried out efficiently. Board meetings are planned by the Chairman of the Board together with the CEO of the company.

The Board meets according to an annual schedule. In addition to these Board meetings, further Board meetings may be convened to deal with specific issues. In addition to Board meetings, the Chairman of the Board and the CEO have an ongoing dialogue regarding management of the company. In 2023, the Board held thirteen meetings, ten of which were held online or by phone. The regular Board meetings usually include reports from the CEO and any committee meetings as well as a review of results. The Board reviewed the interim reports at its meetings in February, April, July and October.

The Chairman of the Board is responsible for the annual evaluation of the work of the Board members. Evaluation also includes the work of the Audit and Remuneration Committee, covers the Board's working process, the composition of the Board and the skills of the Board. The work is presented to the Nomination Committee.

Remuneration of the Board of Directors

Fees and other remuneration paid to the members of the Board of Directors are determined by the Annual General Meeting. At the Annual General Meeting on 9 May 2023, Board fees were adopted as follows:

A fee of SEK 525,000 to Chairman of the Board Ingalill Berglund was adopted. A fee of SEK 210,000 (each) to the five ordinary Board members was adopted

For Audit Committee work, a fee of SEK 100,000 to Chairman of the Audit Committee Johannes Nyberg was adopted. A fee of SEK 50,000 (each) to the other members of the Audit Committee, Mikael Andersson and Vibecke Hverven, was adopted.

For Remuneration Committee work, a fee of SEK 60,000 to Chairman of the Remuneration Committee Ingalill Berglund was adopted. A fee of SEK 30,000 (each) to the other members of the Remuneration Committee, Carl-Mikael Lindholm and Thomas Widstrand, was adopted.

Total remuneration for Board and committee work in 2023-2024 amounts to SEK 1,895,000.

5. Audit Committee

The main task of the Audit Committee is to support the Board in fulfilling its responsibilities in financial reporting, including sustainability reporting, accounting, auditing, internal control, internal audit and risk management. The Audit Committee is also in regular contact with Balco's auditors, reviews and monitors the management of market and credit risks, and keeps itself informed on matters relating to the audit of the company's annual accounts and ongoing internal control. The Committee is also responsible for reviewing and evaluating the impartiality and independence of the auditor. The Audit Committee works according to instructions set by the Board.

Compensation and attendance

	Ingalill Berglund	Mikael Andersson	Vibecke Hverven	Carl-Mikael Lindholm	Johannes Nyberg	Thomas Widstrand
Board fees (AGM year)	525,000	210,000	210,000	210,000	210,000	210,000
Reimbursement for committee work	60,000	50,000	50,000	30,000	100,000	30,000
Independent of the company and its management	yes	yes	yes	yes	yes	yes
Independent of the main owner	yes	yes	yes	no	no	yes
Attendance at Board meetings, 13	13	12	13	13	8	12
Attendance at audit committee meetings, 4	-	4	4	-	4	-
Attendance at remuneration committee meetings, 2	2	-	-	2	-	2

Members of the Audit Committee 2023-2024

Johannes Nyberg (Chairman)

Mikael Andersson (member)

Vibecke Hverven (member)

Johannes Nyberg has the accounting expertise required by the Swedish Companies Act. All of the members of the Committee are independent of the company and two of the members of the Committee are independent of Balco's largest shareholders. The Audit Committee held four minutes meetings in 2023. Michael Johansson, the company's elected auditor, attended two of these meetings. All meetings of the Committee have been reported to the Board.

6. Remuneration Committee

The main task of the Remuneration Committee is to make proposals to the Board regarding the remuneration of the CEO, remuneration principles and other terms of employment for management, and to monitor and evaluate ongoing variable remuneration and long-term incentive programmes. The Remuneration Committee works in accordance with the rules of procedure laid down by the Board.

Members of the Remuneration Committee 2023-2024

Ingalill Berglund (Chairman)

Carl-Mikael Lindholm (member)

Thomas Widstrand (member)

All members of the Committee are independent of the company and two of the members are independent of Balco's largest shareholders. The Remuneration Committee held two meetings in 2023, which were reported to the Board.

7. Auditor

The auditor shall audit Balco's annual report and accounts and examine the administration of the company. After each financial year the auditor submits an auditor's report and an auditor's report for the Group to the Annual General Meeting. The external audit of Balco's accounts and those of all subsidiaries required to submit accounts is conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Balco's auditor is appointed by the Annual General Meeting following a proposal from the Nomination Committee.

The 2023 Annual General Meeting resolved to appoint KPMG AB as the company's auditor, with Michael Johansson as auditor in charge for the period until the 2024

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Annual General Meeting. Michael Johansson is an authorised public accountant and a member of FAR in Sweden. KPMG AB can be responsible for the audit until 2042, when a new firm needs to be selected under the current rules. Authorised public accountant Michael Johansson may serve as auditor in charge for up to and including the 2029 Annual General Meeting, after which he is required to rotate the engagement in accordance with regulations. Of the 2023 auditor remuneration, the following was paid to the audit firm KPMG AB:

Audit assignment SEK 1,883 (1,571) thousand, other statutory assignments SEK 0 (873) thousand, tax advisory services SEK 0 (0) thousand and Other services SEK 734 (59) thousand.

8. Management

The Balco management consists of the President & CEO and three other executives. Three members of the management team are men and one is a woman.

Members of management have the following functions:

Camilla Ekdahl, President & CEO
 Johan Fälth, Marketing Director
 Michael Grindborn, CFO, Head of IR and IT, M&A Director and Sustainability Manager
 Jesper Magnusson, Director of HR

Remuneration of management

The following guidelines for remuneration of senior executives were adopted at the Annual General Meeting of 9 May 2023:

The term senior executives refers to the CEO and the Executive Committee, which consists of four people. The purpose of the guidelines is to ensure that Balco can attract, motivate and retain senior executives.

The objective of the company's remuneration is to be competitive and at the same time in line with shareholders' interests. Remuneration of management consists of fixed and variable salary, the opportunity of participating in a long-term incentive scheme and pension benefits.

The company's remuneration schemes combine to create well-balanced remuneration that reflects individual skills, responsibilities and performance, in the short and long term, as well as the company's overall performance.

Fixed and variable salary

Fixed annual salary for an executive shall be competitive and based on the skills, responsibilities and performance of the person.

In addition to the fixed annual salary, executives shall be entitled to variable remuneration. Such variable remuneration shall not exceed 50 percent of the fixed annual salary. Variable remuneration shall be based on the achievement of predetermined and documented financial and individual targets.

Other benefits and pension

The Group provides other benefits to senior management in accordance with local practice. Such benefits may include, for example, a company car and occupational health care. For a limited period, official accommodation may also be offered where appropriate. Senior executives shall be entitled to pension benefits based on the practice in the country where they are employed. Pension commitments are secured through premium payments to insurance companies.

Derogations from the guidelines

The Board of Directors may derogate from the above guidelines if there are special reasons to do so, such as additional variable remuneration for exceptional performance. In such a case, the Board of Directors shall explain the reason for the derogation at the next Annual General Meeting.

Termination and severance pay

The CEO is entitled to notice of twelve months in the event of termination by Balco and notice of six months in the event of resignation by the CEO. The CEO is bound by a non-competition clause which applies for two years from the end of his/her employment. For other senior executives, a mutual notice period of three to twelve months applies.



INTERNAL CONTROL OF FINANCIAL REPORTING

f Internal control of financial reporting

The objective of internal control is to assess which risks are significant in Balco and should therefore be managed through continuous monitoring and control. Through risk analysis, work can be concentrated on the areas that are most important for reducing the overall risk exposure of the company.

According to the Swedish Companies Act and the Swedish Corporate Governance Code, the Board of Directors is ultimately responsible for ensuring that the company's organisation is designed in such a way that the financial reporting, management and operations are monitored and controlled in a satisfactory manner. The report on internal control is prepared in accordance with the Annual Accounts Act and the Swedish Corporate Governance Code. The description has been limited to internal control over financial reporting in accordance with the Swedish Corporate Governance Code, section 7.4.

Balco's CFO is responsible for ensuring that formal internal control procedures are implemented and maintained in accordance with the decisions taken by the Board of Directors. Balco's finance department, headed by the CFO, leads the Group's internal control work on financial reporting. The work is continuously monitored and followed up by the Board. For Balco, internal governance and control is a process that is continuously integrated into the company's operational management.

The internal control structure built for the listing of Balco in 2017 is based on the framework of the established model COSO, Committee of Sponsoring Organisations of the Treadway Commission. The components of the model

are used to evaluate and work with an organisation's internal governance and control linked to objectives, reporting and compliance with laws and regulations.

Control environment

The control environment constitutes the basis for the internal control regarding financial reporting. It is important that the company's decision paths, powers and responsibilities be clearly defined and communicated between different levels in the organisation. To create a framework for how the work is to be conducted, Balco has implemented a number of governing documents in the form of internal policies and guidelines. The Board of Directors of Balco has established a work process and rules of procedure for its own work and that of its committees. In addition, the Board has a number of basic policies and guidelines, such as the Board's rules of procedure, instructions to the CEO, financial policy, sustainability policy, insider policy and communication policy. Governance documents for accounting and financial reporting are particularly important areas for ensuring complete reporting and disclosure of information. Balco has a financial handbook which is intended to achieve internal governance and control of the

financial reporting. In addition to the financial handbook, Balco has prepared a report package for the ongoing financial follow-up.

Risk assessment

Financial risk management is part of the ongoing financial reporting process. Balco strives to continuously analyse the risks that may lead to errors in financial reporting. A process for analysing and following up on financial reporting errors on an annual basis has been established. Risks are addressed, assessed and reported in Balco's central corporate functions.

Control activities

Balco Group monitors the risks that the Board considers to be of importance for the internal control. The Group's CFO is responsible for safeguarding the overall control of the financial reporting. In addition to the central control with clear decision-making processes and decision routines as regards major investments, results analysis and reporting, a structure is in place comprising guidelines and role descriptions with mandate descriptions as to how the work is conducted and monitored in the organisation. Guidelines and instructions are aimed at discovering and preventing the risks of errors in the reporting. No internal audit was carried out in 2023. The Group does not have an internal audit function, but internal auditing is handled through extended controlling by the Group's controllers.

Information and communication

Governance documents in the form of policies, guidelines and manuals, inasmuch as they relate to the financial reporting, are communicated primarily in the Group's financial handbook and via the company's intranet. The information is expanded and updated as needed. Communication takes place primarily on an ongoing basis in the organisation, since the work group within the accounts

function is essentially concentrated to one location. In addition, regular meetings are held when closing the accounts. Guidelines as to how communication with internal and external parties is to take place are described in Balco Group's communication policy. The policy is aimed at ensuring compliance with all disclosure obligations. Information to external stakeholders is provided on a regular basis via the Balco Group financial website. Internal communications are largely conducted via the company's intranet, in staff meetings and by e-mail. Internal communications are important in ensuring that all employees feel a sense of belonging and participation, and for all to strive towards the same goal.

Monitoring

The Balco Group's finance functions work in accordance with shared instructions and guidelines. The Balco Group's Board of Directors and management group receive information about the Group's earnings, financial position and how the operations are developing on a monthly basis. As the internal control work proceeds, the Board may select specific areas in which additional review may be needed.



Glazed balconies at a tenant-owned building in Esbo, Finland, made by Riikku Group.

BOARD OF DIRECTORS

Board of Directors



Ingalill Berglund

Chairman of the Board since 2021, previously member since 2016
Chairman of the Remuneration Committee.



Mikael Andersson

Board member since 2019
Member of the Audit Committee.



Carl-Mikael Lindholm

Board member since 2018
Member of the Remuneration Committee.



Johannes Nyberg

Board member since 2018
Member of the Audit Committee.



Vibecke Hverven

Board member since 2020
Member of the Audit Committee.



Thomas Widstrand

Board member since 2021
Member of the Remuneration Committee.

Born	1964	1955	1971	1971	1963	1957
Education	Higher economic specialisation course at Frans Schartaus Handelssinstitut.	Master of Science in Chemical Engineering, LTH.	Medical degree, Karolinska Institutet and specialist degree in general medicine and oncology.	Master of Business Administration, International Business Program at Uppsala University; Commerce program, School of Business at Queens University and studies in Economics at Humboldt University.	MSc in Engineering, Norwegian Institute of Technology.	Master of Business Administration from Gothenburg School of Economics.
Other ongoing appointments	Board member of Axfast AB, Bonnier Fastigheter AB and Stenvälvastigheter AB. CEO Lövsta Stuteri AB.	-	Chairman of the Board of Hamhus AB and its subsidiaries. Board member of Herenco AB. Board member and trustee of the Carl-Olof and Jenz Hamrin Foundation.	CEO Skandrenting AB. Chairman of the Board of Cryonite AB and Board member of Raiffeisen Leasing Nordic AB and Skandrenting AB.	Chairman of the Board of OsloMet Storbyundersitetet and Over Easy Solar AS. Board member of Norconsult ASA, Cambi ASA, Brekke & Strand Akustikk AS, USBL, Prevent Systems AS, and Henie Onstad Kunstsenter.	President & CEO Troax AB. Board member of Arla Plast AB.
Previous appointments and work experience	CEO and CFO Atrium Ljungberg AB. CFO Skolfastigheter i Stockholm AB. CEO Axfast AB.	President & CEO PMC Group, President BU Trelleborg Waterproofing (Trelleborg AB), Divisional CEO Saint-Gobain Ecophon.	Doctor at Radiumhemmet at Karolinska Hospital, Oncologist at Linköping University Hospital, Oncologist at Ryhov County Hospital and Head of Bankeryd Healthcare Centre.	Several senior positions in banking & finance and construction & real estate, both nationally and internationally. Board member of Collector Bank AB and Chairman of the Board of Oscar Properties AB.	Partner Considium Consulting Group AS. CEO OBOS Prosjekt AS, VP DNV, GL Energy Advisory, President Sweco Norge AS and Department Head Statkraft Grøner AS.	Long career in the ESAB Group, Cardo Pump AB, Borås Wärfveri AB and Troax AB.
Own and related parties' holdings	25,000 shares.	-	6,077,027, of which 50,000 shares privately.	3,900 shares.	4,100 shares.	10,000 shares.
Independence	Independent of Balco and its management, or Balco's major shareholders.	Independent of Balco and its management, or Balco's major shareholders.	Independent of the company and its management but not of major shareholders in the company.	Independent of the company and its management but not of major shareholders in the company.	Independent of Balco and its management, or Balco's major shareholders.	Independent of Balco and its management, or Balco's major shareholders.

MANAGEMENT

Management



Camilla Ekdahl

President and CEO.
Employed in the Company since 2019.



Johan Fälth

Marketing Director.
Employed in the Company since 2010.



Michael Grindborn

CFO, Head of IR and IT, M&A Director and Sustainability Manager
Employed in the Company since 2019.



Jesper Magnusson

Human Resources Director.
Employed in the Company since 2014.

Born	1967	1975	1968	1986
Education	MSc in Engineering from Chalmers University of Technology.	Master's degree in Business Administration from Linnaeus University.	Degree in Business Administration from Linnaeus University, MBA from S.D.A Bocconi School of Management.	Bachelor of Philosophy with specialisation in Human Resources and Working Life, Linnaeus University in Växjö.
Other ongoing appointments	Board member of Haglund Industri AB. Board member in the business area management of Nibe Climate Solutions.	-	-	-
Previous appointments and work experience	COO Pelly Group AB, Operation manager/CEO Isaberg Rapid AB, Site Manager Rapid Granulator AB, Logistics Manager Thule Sweden AB.	HR Manager Tenneco Automotive Sverige AB, Linnaeus University and consultant at Adecco AB.	CFO Lamhults Design Group AB. Financial Director Gisaved Gummi AB/Hexpol Engineered Products. CFO Nordic & Baltic Recticel AB. CFO Animex AB, CEO Forshedaverken, CFO Dolomite AB, CFO IST Group.	Office Manager, Consulting Manager and Recruitment Manager at Adecco AB.
Own and related parties' holdings	17,000 shares.	16,040 shares.	11,040 shares.	5,000 shares.
Warrants	50,000 options.	22,166 options.	35,000 options.	22,166 options.

REMUNERATION REPORT

Remuneration report

The corporate governance of Balco aims to create value for shareholders through active risk control and a healthy corporate culture. Since the listing of Balco in 2017, the ongoing work for effective governance, control and monitoring has been a priority.

Introduction

This report describes how the guidelines for remuneration of senior management of Balco Group AB, adopted by the Annual General Meeting 2023, were applied in 2023. The report also contains information on the remuneration of the CEO and a summary of the company's outstanding share-based and share-price-related incentive schemes. The report has been prepared in accordance with the Swedish Companies Act and the Swedish Corporate Governance Code Rules on executive remuneration and incentive schemes.

For further information on management remuneration, see note 10 (Employee remuneration etc.) on pages 76-78. Information on the work of the Remuneration Committee in 2023 can be found in the Corporate Governance Statement on pages 38-41.

Directors' fees are not covered by this report. Such fees are decided annually by the Annual General Meeting and are disclosed in note 10.

Performance in 2023

The CEO summarises the company's overall performance in the CEO comments on pages 5-6.

Company remuneration guidelines: scope, purpose and derogations

A prerequisite for the successful implementation of the company's business strategy and safeguarding of its long-term interests, including its sustainability, is that the com-

pany is able to recruit and retain qualified employees. This requires being able to offer competitive remuneration. The company's remuneration guidelines allow for a competitive overall package for senior executives. According to the remuneration guidelines, the remuneration of senior executives must be market-based and may consist of the following components: fixed cash salary, variable cash remuneration, pension and other benefits. Variable cash remuneration must be linked to financial or non-financial criteria. They can take the form of personal quantitative or qualitative targets. The criteria should be designed to promote the company's business strategy and long-term interests, including its sustainability, by, for example, having a clear link to the business strategy or promoting long-term development of the person concerned.

The guidelines can be found in note 10 on pages 76-78. In 2023 the Company complied with the applicable remuneration guidelines adopted by the General Meeting. There have been no derogations from the guidelines, nor from the decision-making process that the guidelines require to be applied to determine the remuneration. The auditor's opinion on the company's compliance with the guidelines is available at

<https://balcogroup.se/investerare/bolagsstyrning>.

No remuneration has been claimed back. In addition to the remuneration covered by the Remuneration Guidelines, the Company's Annual General Meetings have decided on long-term share-based incentive schemes.

Share-based remuneration

Outstanding share-based and share-price-related incentive plans

At an Extraordinary General Meeting on 24 November 2020, it was decided to introduce a new three-year incentive programme aimed at the company's senior executives and other key employees, totalling 25 employees. The incentive programme comprises a maximum of 400,000 warrants, entitling the holder to subscribe for a maximum of the corresponding number of shares. Balco's total cost for the incentive programme over its full term is expected to be approximately SEK 3 million. The programme involves a dilution corresponding to approximately 1.8 percent of the company's total number of shares. The senior executives of Balco have acquired 104,000 warrants with a total value of SEK 1,178,320.

At the Annual General Meeting of 25 May 2021, it was resolved to introduce a three-year incentive programme aimed at the company's senior executives and other key employees, totalling 11 employees. The incentive programme comprises a maximum of 200,000 warrants, entitling the holder to subscribe for a maximum of the corresponding number of shares. Balco's total cost for the incentive programme over its full term is expected to be approximately SEK 1.4 million. The programme involves a dilution corresponding to approximately 0.9 percent of the company's total number of shares. The senior executives of Balco have acquired 74,332 warrants with a total value of SEK 721,764.

At the Annual General Meeting of 24 May 2022, it was resolved to introduce a three-year incentive programme aimed at the company's senior executives and other key employees, totalling 41 employees. The incentive programme comprises a maximum of 220,000 warrants, entitling the holder to subscribe for a maximum of the corresponding number of shares. Balco's total cost for the incentive programme over its full term is expected to be approximately SEK 1.6 million. The programme involves a maximum dilution corresponding to approximately 1.0 per-

cent of the company's total number of shares. The senior executives of Balco have acquired 55,000 warrants with a total value of SEK 280,700.

The purpose of the incentive programme is to encourage broad share ownership among the company's key employees, facilitate recruitment, retain skilled and talented employees, ensure that the interests of key employees and the company's objectives are increasingly aligned, and increase motivation to achieve or exceed the company's financial targets.

In order to encourage participation in the programme, it was decided to subsidise participation in the form of a gross salary supplement. The level of salary supplement cannot exceed the gross amount invested by the participant. In the event that the Board of Directors decides on such a subsidy to the participants, it will be paid in connection with exercising the warrants and will, among other things, require that the participant at that time still remains employed by the company or other equivalent employment within the Balco Group, and holds his/her warrants. The subsidy for each participant shall amount to a maximum of the premium paid for the participant's warrants held at the time of payment.

Application of performance criteria

The performance criteria for the variable remuneration of the CEO have been chosen to implement the company's strategy and to encourage actions that are in the long-term interest of the company. The selection of performance criteria has taken into account the strategic objectives and short and long-term business priorities for 2023. The non-financial performance criteria further contribute to alignment with sustainability and the company's values.

Remuneration from other companies within the Balco Group

The outgoing CEO did not receive any remuneration from any other company within the Balco Group during the previous financial year.

REMUNERATION REPORT

| Balco Group AB – Total remuneration of the CEO in 2023 (SEK 000)*

		Fixed remuneration		Variable remuneration			Pension cost	Total remuneration	Proportion of fixed and variable remuneration****
		Basic salary	Other benefits***	Annual	Multiannual***	Extraordinary items			
Camilla Ekdahl CEO	2023	2,820	176	126	0	0	877	3,999	97%/13%
Camilla Ekdahl Acting CEO 1 September–7 December, and CEO as of 8 December	2022	1,934	125	641	0	0	650	3,350	81%/19%

* With the exception of the multiannual variable remuneration, the table shows remuneration due in 2023. Multiannual variable remuneration is disclosed to the extent that it has been vested in 2023 and thereby earned, as indicated in column 10 of Table 2 and column 8 of Table 3 below (if applicable). This applies regardless of whether or not a payment has been made in the same year.

** Car benefit and housing benefit.

**** Vested share rights as shown in column 8 of Table 3 below.

***** Pension costs (column 4), which relate entirely to basic salary and are defined-contribution, have been fully recognised as fixed remuneration.

| Balco Group AB – Performance of the CEO during the reported financial year: variable cash remuneration

	Description of criteria related to the remuneration component	Relative weighting of performance criteria	a) Measured performance and b) actual allocation / remuneration
Camilla Ekdahl, CEO	If EPS exceeds SEK 4.12 and linearly up to SEK 5.36, maximum of 20% of annual salary is paid.	50%	a) SEK 3.78 million b) SEK 0 thousand
	If TB deviation greater than SEK +10 million, maximum outcome.	15%	a) SEK 10.7 million b) SEK 121 thousand
	If budget operation better than SEK -11 million, bonus starts to be paid. Max outcome if better than SEK -7 million.	15%	a) SEK -19.6 million b) SEK 0 thousand
	If at least 10% of Group sales results in a minimum of 30% energy savings, bonus starts to be paid, maximum bonus at 30%.	20%	a) 10.6% b) SEK 5 thousand

* Refers to the parameters in force in 2022 and paid in 2023.

REMUNERATION REPORT

Balco Group AB – Share option programme (CEO)

Participant	Primary conditions for the share option programmes							Information for the financial year being reported					
	Programme name	Performance period	Date of award	Date of vesting	End of lock-in period	Period of use	Exercise price (SEK)	Opening amount	During the year		Closing amount		
								Share options at beginning of year*	Share options granted*	Vested share options	Share options subject to performance conditions	Unvested share options granted	Share options subject to lock-in period
Camilla Ekdahl, CEO	2020/2023	Dec 2020–Dec 2023	16/12/2020	16/12/2023	15/01/2024	16/12/2023–15/01/2024	99.20	40,000**					
	2021/2024	June 2021–June 2024	02/06/2021	02/06/2021	24/06/2024	25/05/2024–24/06/2024	107.70	25,000***					
	2022/2025	Sep 2022–Sep 2025	01/09/2022	01/09/2022	30/09/2025	01/09/2025–30/09/2025	79.40	10,000****	15,000****				
Total								75,000	15,000	0	0	0	0

* In the Share Option Scheme 2020/2023, 40,000 options were awarded to the CEO in 2020. In the Share Option Scheme 2021/2024, 25,000 options were awarded to the CEO in 2021. In the Share Option Scheme 2022/2025, 10,000 options were awarded to the CEO in 2022, and a further 15,000 options in 2023.

** The aggregate market value of the underlying shares at the time of award was SEK 3,608 thousand. The aggregate exercise price was SEK 3,968 thousand. The option premium paid was SEK 453 thousand.

*** The aggregate market value of the underlying shares at the time of award was 2,343 SEK thousand. The aggregate exercise price was SEK 2,693 thousand. The option premium paid was SEK 243 thousand.

**** The aggregate market value of the underlying shares at the time of award was SEK 1,357 thousand. The aggregate exercise price was SEK 1,985 thousand. The option premium paid was SEK 80 thousand.

Balco Group AB – Changes in remuneration and company results over the last five reported financial years

Annual change (SEK 000)	2019 vs 2018		2020 vs 2019		2021 vs 2020		2022 vs 2021		2023 vs 2022		2023
Total CEO remuneration	114	3.0%	913	23.5%	-530	-11.0%	326	7.6%	-595	-13.0%	3,999
Group operating profit	34,733	32.9%	-24,980	-17.8%	2,612	2.3%	-15,496	-13.1%	-32,120	-31.3%	70,374
Average remuneration based on number of FTEs employed * in the Group	-596	-6.0%	1,963	20.9%	-2,112	-18.6%	-623	-6.7%	-407	-4.7%	8,228

* Excluding members of Group Management.

Sustainability

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BALCO GROUP'S SUSTAINABILITY WORK

f Our role in sustainable development

The foundation of Balco Group's sustainability efforts is ingrained in our business concept: to develop innovative, sustainable and attractive balcony and facade solutions that improve people's quality of life, with the customer in focus. Our products will contribute to creating a safe and aesthetically pleasing local environment, with long-term value creation through energy savings that benefit both people and the natural environment.

Under the Balco method, developed by Balco AB, old balconies are entirely or partially disassembled, and replaced with new, larger, patented glazing systems from Balco. The hinged glass partitions protect the new concrete plates as well as the existing windows, doors and walls. The entire assembly can be carried out from the outside of the house, offering a sustainable alternative to traditional balcony renovations. A glazed balcony has an expected lifetime in excess of 90 years, reduces energy consumption by up to 30 percent, improves the residential environment and raises property values.

For Balco Group, the Balco method is a good example of how sustainability lies at the core of the entire business.



BALCO GROUP'S SUSTAINABILITY WORK

We create innovative solutions and high-quality products with long lifetimes that meet the high demands of customers and the community around us. The goal is not only to increase our customers' quality of life by creating practical and aesthetically pleasing living spaces, but also to contribute to reducing their energy consumption.

Sustainability is therefore entirely central as it features in product development, choice of materials and at every step in the chain from manufacturing to assembly.

Our Group comprises several strong, locally anchored companies, whose businesses are based on entrepreneurship and long-term perspectives. Being present in seven countries in northern Europe, and having manufacturing both in Sweden and in Poland, means that our extensive engagement with sustainability is a considerable challenge and an important responsibility. Our stakeholders are not just investors, but also our employees, customers, suppliers, regulators and the communities where we operate. The framework defining how we meet all of our stakeholders from a sustainability perspective is defined in our Code of Conduct and Sustainability Policy, covering decision-making, planning, investment decisions, manufacturing methods, purchasing, choice of suppliers, customer service and employer responsibility.

In 2019, we aligned our sustainability strategy with the United Nations' Agenda 2030 and the Sustainable Development Goals. That year, we also joined the UN Global Impact. This change places sustainability and our goals into a more prominent context, in which we take a stance on the social, environmental and economic challenges faced by the world community and industry. For the same reason, we also chose to join the Swedish Green Building Council, an industry organisation with a focus on environmental aspects of the real estate industry. We see this as offering access to support and expertise to aid our efforts in reaching our climate goals.

In 2023, Balco Group also joined the Science Based Targets initiative, or SBTi. This is a collaboration between CDP, the UN Global Compact, World Resources Institute and the World Wide Fund for Nature. The commitment means that, as a Group, we will develop both short and long-term sustainability goals. One of our long-term goals is to strive to become carbon-neutral. Work has already begun, and in the third quarter, it was decided that all new vehicles purchased in the Group would be electric, apart from certain hybrid models, by the end of 2025.

In 2023, the Group continued to develop and began aligning our sustainability reporting with the EU CSRD regulation. At EU level, it is the hope that sustainability reporting will become clearer and more transparent. We have made good progress toward meeting the regulatory demands that will be introduced in the next few years.

Balco Group can also proudly state that the majority of the Group's financial activities are aligned with the EU Green Taxonomy, and that in 2023 we maintained our classification, as in previous years, as a low-risk company in terms of ESG according to Sustainalytics. This is a sign that we are able both to implement and maintain long-term sustainability efforts in the business, which we believe and hope will be appreciated by investors, employees and customers.



SUSTAINABILITY INITIATIVES IN 2023

- Balco Group has joined the Science Based Targets initiative, SBTi.
- New goal for all newly purchased vehicles in the Group to be fossil-free by 2025.
- New long-term goal to be carbon-neutral in accordance with the SBTi.
- Continued development of our sustainability reporting ahead of new EU regulation.

SUSTAINABILITY GOALS

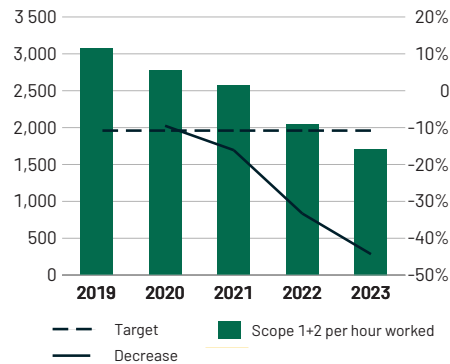
f The Group's sustainability goals

Balco Group's sustainability goals are based on goals 5, 8, 9, and 12 of the UN Agenda 2030.



Scope 1 & 2

Balco Group will reduce its environmental impact by 2025.

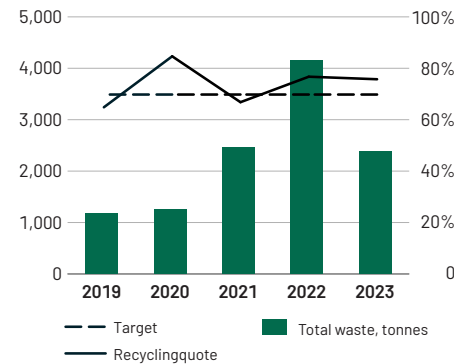


Specific targets

Reduce environmental impact in Scope 1 and Scope 2 by 35 percent per hour worked by 2025, compared with 2019.

Waste management

Balco Group will reduce unnecessary waste of input materials and use recyclable materials.

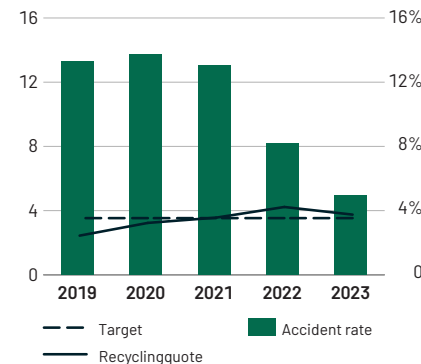


Specific targets

70 percent of all waste during the year to be recyclable.

Safe workplace

Balco Group will be a safe place to work.



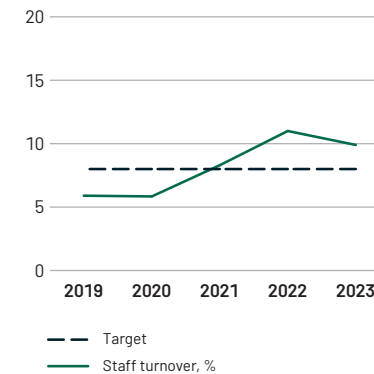
Specific targets

Total sickness absence to be no more than 3.5 percent.

Accident rate to be zero.

Staff turnover

Balco Group will be a safe employer, retain talent within the organisation, and recruit in a smart way.

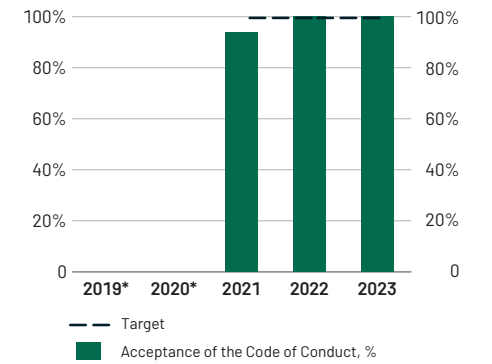


Specific targets

Staff turnover not to exceed 8 percent.

Code of Conduct

Everyone in the organisation, and our suppliers, shall comply with the Balco Group Code of Conduct.



* First measured in 2021.

Specific targets

Number of reported breaches of the Code of Conduct to be zero.

Number of confirmed breaches of the Code of Conduct to be zero.

The Supplier Code of Conduct to be accepted by 100 percent of selected suppliers.

ENVIRONMENTAL RESPONSIBILITY

f Environmental responsibility is part of Balco Group's business model

As a Group comprising manufacturing companies, we have both a direct and indirect impact on our environment, and are committed to take responsibility for this impact and continually strive to improve it.

Our goal is to deliver climate-smart products that contribute to concrete energy savings for our customers and that have been produced with as little climate impact as possible. The key to this lies in product development and internal work, where, by streamlining our processes, we will use materials, water and energy in such a way as to minimise environmental impacts and emissions to air, soil and water.

Based on the Group's strategy, which is linked to Agenda 2030, we have chosen to focus our environmental efforts on UN global goal 9 – Industry, innovation and infrastructure – and goal 12 – Responsible consumption and production – and specifically to targets 9.4 and 12.5. The targets relate to how the Group contributes to a more sustainable industry by active efforts to reduce emissions and energy consumption, as well as more sustainable manufacturing by ensuring more efficient use of resources and management of waste and recycling.

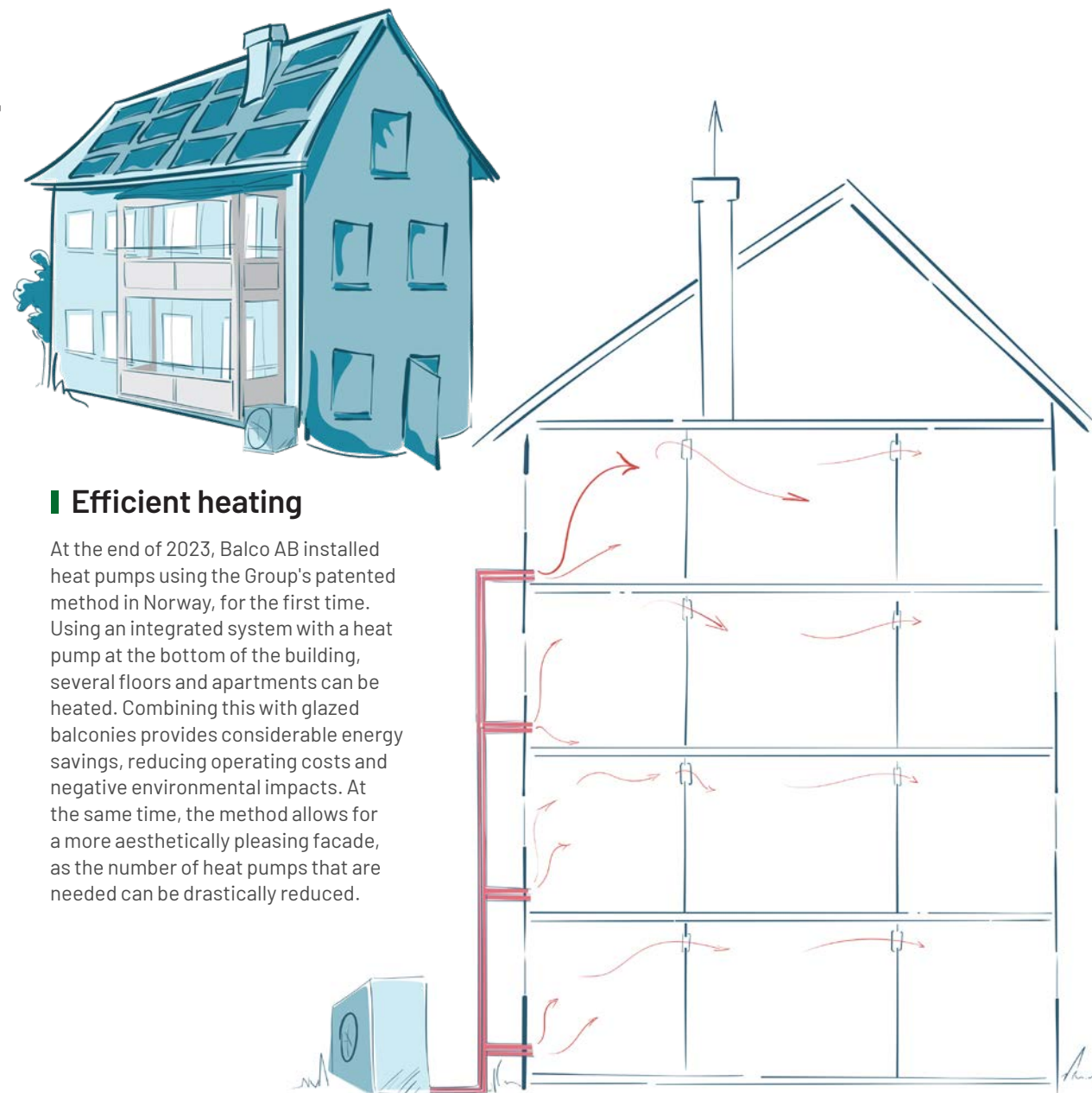
Our products are able to engender concrete energy savings for our customers. Balco Group's glazed balconies provide a building with climate protection, reducing energy consumption by up to 30 percent. By demolishing older, open balcony solutions and installing new glazed balconies, the thermal bridge between the facade and

the interior can be interrupted. This creates an insulating climate shell.

The acquisitions of Stora Fasad AB and Söderåsens Mur- & Kachel AB have provided the Group with competencies in energy-saving facade works.

A natural extension of the ability to offer energy-saving solutions is that we also consider how we can improve the energy efficiency of our activities. In connection with the energy mappings that were carried out in 2021, the tool Energy Controller was introduced to facilitate the analysis of our energy use and the effect of implemented measures. The mapping showed that the majority of our energy use comes from heating, lighting, compressed air and transport. The mapping considered Balco AB, TBO Haglinds AB and RK Teknik i Gusum AB. The plan is to carry out similar mapping in the other subsidiaries in the near future. One outcome is that the lighting in our premises has been replaced with LED lighting, leading to considerable energy savings.

In connection with the refurbishment of the Växjö office, solar panels were mounted on the roof to provide sustainable energy for the office as well as for the manufacturing units. The installation comprises 235 square metres with a combined effect of 49 kW. This will contribute an esti-



Efficient heating

At the end of 2023, Balco AB installed heat pumps using the Group's patented method in Norway, for the first time. Using an integrated system with a heat pump at the bottom of the building, several floors and apartments can be heated. Combining this with glazed balconies provides considerable energy savings, reducing operating costs and negative environmental impacts. At the same time, the method allows for a more aesthetically pleasing facade, as the number of heat pumps that are needed can be drastically reduced.

ENVIRONMENTAL RESPONSIBILITY

mated 37,000 kWh per year, further reducing our energy consumption.

Starting in 2023, all Swedish companies in the Balco Group purchase 100 percent renewable electricity. The volume of purchased energy used for electricity decreased to 2,662 MWh (3,079), and for heating 1,612 MWh (3,508) in 2023.

Balco Group is working actively to reduce waste, with a targeting for 70 percent of waste to be recyclable. By continuously improving our quality and environmental control systems, the number of deviations in manufacturing can be reduced, which in turn leads to reduced materials consumption and by extension less waste. Part of those efforts happen as early as in the development process by planning and optimising materials use so as to reduce consumption, emissions, waste and cost.

We continually evaluate new options for materials that appear on the market, in order to further improve the lifetime of our products and reduce their climate impacts. In connection with our projects, we also enter into a close dialogue with our customers and train them on the various materials that are available and their related benefits and disadvantages.

Today, our glazing products are 95 percent recyclable, as they are built so as to allow them to be demolished and disassembled down to the smallest detail. As for the application of recycled material, we are unfortunately limited by the limited supply of recycled material on the market. Our ambition, however, is to increase the proportion of recycled aluminium and steel in our products.

I Reduced environmental impact

Target	Measurement interval	Measurement method	2023	2022	2021	
Reduce environmental impact in Scope 1 and Scope 2 by 35% per hour worked by 2025	Quarterly	Scope 1	Total emissions, tonnes CO2e	924	805	844
			Grams CO2e/hour worked	1,200	945	1,099
			Difference compared with 2019	-20%	-37%	-26%
	Scope 2	Total emissions, tonnes CO2e	392	939	903	
			Grams CO2e/hour worked	509	1,101	1,176
			Difference compared with 2019	-68%	-30%	-24%

* In relation to 2019

The positive trend in the Group's efforts to reduce its environmental impact continues. Under both Scope 1 and Scope 2, the overall impact has decreased, despite the acquisitions made and the growth of the Group. Contributing factors are an increasing share of hybrid and electric vehicles and a shift towards increasingly buying green electricity. The reason why Scope 1 has increased, and Scope 2 has decreased, is a correction applied in 2023, whereby heating using own boilers at RK Teknik i Gusum AB and Balco Spolkaz.o.o. has been transferred to Scope 1 from Scope 2. As Balco Group aims to grow both organically and through acquisitions, the target linked to reducing the environmental impact was adjusted. The previous target was to reduce the Group's environmental impact by 20 percent by 2025, compared with 2019. From 2022 onwards, the new target is to reduce it by 35 percent per hour worked by 2025, compared with 2019. The combined outcome in 2023 is that the Group's environmental impact under Scope 1 and 2 has decreased by 44% per hour worked since 2019, meaning that our goal is already met.

I Waste management

Target	Measurement interval	Key figures	2023	2022	2021
70% of all waste during the year to be recyclable	Quarterly	Waste, tonnes	2,382	4,146	2451
		Hazardous waste, tonnes	77	90	88
		Recyclable*	76%	77%	67%

* Percentage of waste that can be recycled/total amount of waste in the last 12 months

Waste management in the Group has been improved over the last two years, and the goal of 70 percent recyclable waste has been met. The improvement is due to an improved focus on recycling materials at construction sites.

I Recycling

	2023	2022	2021
Recycled materials, tonnes	1,809	3,186	1790
Energy-recycled materials, tonnes	405	484	520
Non-recycled materials, tonnes	168	476	361

The decrease in recycled and non-recycled materials in 2023 is a result of less production and fewer projects on construction sites.

I Water consumption

	2023	2022	2021
Total water consumption, cubic metres	3,665	4,311	3,723

Water consumption has been reduced primarily as a result of less production.



I Risks and risk management

Risks related to the strategic sustainability area 'Environmental responsibility' are presented under the section 'Risks and risk management' on page 34.

I Energy consumption

	2023	2022	2021
Electricity, MWh	2,662	3,079	3,057
Heating, MWh	1,612	3,508	3,238

The reduction in energy consumption is primarily a result of less production, as well as fewer employees.

INTERVIEW



Katarzyna Czechowska

Head of HR, Balco Spolka. z o.o, Poland

” The most important thing is safe working practices

In the little town of Lowyn, around 1.5 hours by car from Poznań in western Poland, Balco Spolka. z o.o is known as “the Swedish company”. Balco Spolka. z o.o has two properties in the area and employs around 60 people.

The Polish subsidiary is responsible for most of the manufacturing in Balco Group, but also employs engineers working with construction. They also manage finances, quality assurance, logistics, and have specialists in metalworking and welding.

“We handle nearly everything here except sales, and are in daily contact with the head office in Sweden as well as other Group companies. It is a considerable responsibility,” says Katarzyna Czechowska, who works as the Head of HR at Balco Spolka. z o.o.

She began working as a senior HR specialist at Balco Spolka. z o.o in 2017. One year on, she was promoted to Head of HR and became a part of the management team in Poland.

“I have worked for Balco Group for 6.5 years now, and it has been an exciting journey. I like that Balco Group cares about its employees, their professional development, work-life balance, and that all employees enjoy good benefits,” says Katarzyna Czechowska.

Work-life balance is especially important for Katarzyna, as she enjoys out-door activi-

ties, such as running and rock climbing, and at best together with her young daughter. Work-life balance is also something that benefits her at work, both for her own sake but also when it comes to recruiting, for example. “It is better to work for an international

“Balco Spolka had zero workplace accidents in 2023”

company with established policies, a code of conduct, and opportunities for travel and sharing experience with others in the Group. We have a good reputation as an employer, and our employees are happy to work for Balco Group.”

Balco Group’s internal policies are a priority at Balco Spolka. z o.o, taking into account Polish legislation. The Group’s sustainability goals are also of major importance, especially as Balco Spolka. z o.o accounts for much of the Group’s production.

In 2023, several preventive measures were taken to promote safe working practices. These measures included hosting meetings

on the work environment and ensuring that all employees have access to high-quality work clothes and equipment. Thanks to these ongoing efforts, Balco Spolka. z o.o reported zero workplace accidents in 2023.

“We have had no workplace accidents this year, and we heavily emphasise meeting the Group’s various goals. For example, we have a relatively gender-equal workplace with many women in leading positions, although the most important goal is to create safe working practices through preventive measures. In addition to this, we offer all of our employees access to corporate health care and the ability to find work-life balance. For the environment, we prioritise waste management and the sorting of waste to reduce our impact.”

As an employer in a small town, Balco Spolka. z o.o is also involved in the local community.

“We usually participate in the town’s annual running competition to benefit children with disabilities, and we donate many things to auctions organised by local schools, with the proceeds given to sick children and other good causes. We always try to help, when there is an opportunity.”

CORPORATE SOCIAL RESPONSIBILITY

f How Balco Group promotes a safe and secure workplace

Balco Group's most important resource is its people. All value creation stems from our employees' competence, engagement, responsibility and desire for personal development, as well as improving and developing the Group as a whole.

It is of the utmost importance that all employees have the best possible conditions to be able to work in a stimulating, safe and secure way, which we naturally also monitor. From an employer perspective, this helps us retain the right staff and attract new talent to the Group. In order to live up to the expectations on us as an employer, we have set ambitious goals in accordance with the UN framework Agenda 2030. Our focus is mainly on UN goal number 8 – Decent working conditions and economic growth – and specifically on target 8.8, concerning how we as a Group act to protect the rights of our employees and promote a safe and secure work environment.

Within the Group, there are three specific long-term goals that are tied to the UN goals.

- Total sickness absence below 3.5 percent of planned working hours.
- Staff turnover of no more than 8 percent.
- Zero workplace accidents.

We believe that some level of staff turnover is healthy for the Group, as it brings new energy and talent into the Group. We are also aware that the risk of accidents is always present in a manufacturing business, and for that reason, our vision of zero accidents is our most important goal. We want all of our employees to come home safe and sound after work, and our efforts to develop and improve the work environment are a continual concern within the

entire Group. In spite of our active efforts, workplace accidents still happen. In 2023, the number of workplace accidents that led to sickness absence was 4, which is 3 fewer than in the previous year (7).

Examples of our preventive efforts include a digitalised reporting system at Balco AB, contributing to improved observation, allowing us to act faster and therefore prevent actual accidents. We also conduct regular safety inspections at our offices, at our production facilities, and at the construction sites where our employees work. In this way, risks can be identified and mitigated. The safety inspections are supplemented with continuous risk analyses, training, and issuing of certificates for specific tasks.

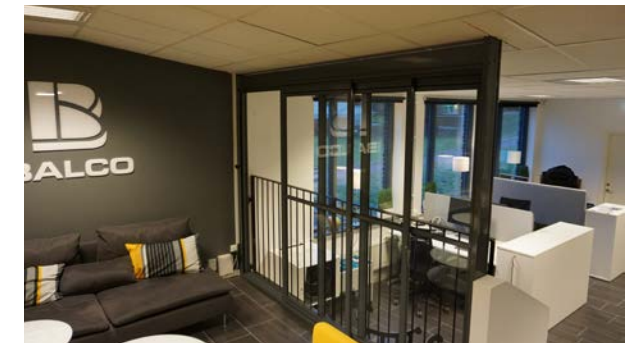
In addition to the physical work environment, we also care about the ever more important psychosocial environment. Central to those efforts are the appraisals conducted with each employee, giving Balco staff an opportunity to express their thoughts and opinions as relates to workload, working situation and work environment. As an employer, we prioritise initiatives that benefit our employees. In the last two years, considerable changes have been implemented, among other things at our office in Växjö, which has been refurbished and renovated.

For employees that are able to work from home, we have established video meetings as an alternative to physical meetings and implemented routines to support and

install equipment in the home offices of our employees. Every individual employee may, in discussion with their manager, decide where they will work, which we see as a benefit to work-life balance.

Balco Group is committed to gender equality and diversity. Within the Group, employees, consultants, trainees and job applicants must be treated equally regardless of gender, ethnicity, religion or belief, disability, age, sexual orientation or gender identity or expression. The Group works actively to promote everyone's equal rights to work, employment and working conditions, and opportunities for personal development, no matter their gender identity. There is zero tolerance for discrimination and harassment, and the Group works actively to prevent, deter and counteract these. Any incidents that do occur are reported using an external whistleblowing function. Reports are handled by an external law firm that makes initial contact with the person making the report and then provides proposals to the company's representatives for how to proceed.

The Group takes an active stance against child labour, forced and bonded labour and there is a ban on any form of purchase of sexual services. Balco Group respects the right of all employees to form and join trade unions of their choice and to carry out collective bargaining.



Improved work environment

In connection with the refurbishment of the head office in Växjö, several measures have been taken to improve the work environment. These include modernising the office environment, expanding the working area, improving the facade and ventilation, and installing electric charging posts in the parking lot. In 2023, a new gym was opened at the office, available for all employees. By encouraging an active lifestyle, our ambition is to contribute to the health and well-being of our employees.

CORPORATE SOCIAL RESPONSIBILITY



Gender equal leadership

Target	Measurement interval			2023	2022	2021
The proportion of women managers to be at least the same as the proportion of women employees overall.	Quarterly	Gender distribution, all employees	Men	89%	89%	87%
			Women	11%	11%	13%
	Gender distribution in management	Men	79%	79%	70%	
		Women	21%	21%	30%	

Through the acquisitions we have made in 2021, 2022 and 2023, both the overall proportion of female employees and the proportion of female managers have decreased. However, the proportion of female managers is still significantly higher than the overall proportion of female employees. The goal of having the same proportion of female managers as female employees overall has therefore been met by a healthy margin.

Number of employees

	2023	2022	2021
Total number of employees	490	536	467
Men	436	476	407
Women	54	60	60

The number of employees has fallen, in spite of the acquisitions of Arutex AB and NMT Montagetechnik i Norden AB. This is due to the cost-saving measures that were carried out in 2023.

No. of employees by company

	2023	2022	2021
Balco Group AB	2	2	3
Balco AB (including sales companies and NMT)	288	319	281
TBO-Haglinds AB (including Arutex)	62	57	45
Balco Altaner A/S	53	53	59
Stora Fasad AB	22	20	21
RK Teknik i Gusum AB (including Montagepartner)	47	64	58
Söderåsens Mur- & Kakel AB	16	21	-

Safe, secure and healthy workplace

Target	Measurement interval	Measurement method	2023	2022	2021
Total sickness absence to be no more than 3.5%	Quarterly	Absence time (as a proportion of planned time)	3.7%	4.2%	3.5%
Staff turnover not to exceed 8 percent.	Quarterly	Number of terminations (as a share of total number of employees)	9.9%	11.0%	8.3%
Accident rate to be zero	Quarterly	Number of accidents at work (per 1 million hours worked)	5.1	8.2	13.0

The Group exhibited a positive trend in reduced sickness absence as well as reduced staff turnover during the year. Staff turnover is higher in countries such as Denmark, with generally shorter notice periods. The accident frequency has fallen significantly over the past two years, compared with the previous years. In 2023 there were four workplace accidents, which is three fewer than in the previous year. Safety is always a priority for us. You can never relax in this industry. We must always continue to focus on our work with safety.

SUSTAINABLE BUSINESS

f Business ethics and governance make up the foundation of our sustainability efforts

The Group's vision is to be the natural choice for balcony solutions and to contribute to a better living environment. A prerequisite for this is that Balco Group shall be a sustainable enterprise, laying the foundation for a business that grows, is profitable, and creates values for customers, employees, shareholders and other stakeholders.

Correct and ethical behaviour is central to the confidence placed in us on our markets and by society at large. We comply with applicable legislation, regulation, and ordinance in the countries where we operate, and conduct our work with high integrity and morals. Our business partners are expected to act correspondingly. The Balco Group Board of Directors has overall responsibility for issues of sustainable enterprise, and the CEO is responsible for implementing their decisions and strategies. The CEO is supported in this by the Group's CFO, who is also responsible for managing the Group's sustainability efforts as of 2022. The CFO assists the Board of Directors and the management team with decision-making and analysis regarding the details of the Group's sustainability issues.

The basis for our sustainability efforts is the OECD's guidelines for multinational corporations, and in the UN's guiding principles for companies and human rights. Our work is also defined to a considerable extent by the UN Agenda 2030, goals and targets from which constitute the core of the Group's overall goals. Balco Group is a member of several forums, including the UN Global Compact and the Sweden Green Building Council, strengthening our positions in matters of human rights, social relationships,

and environmental responsibility. The Group is also certified as a Nasdaq ESG Transparency Partner, and through this, we send an important signal to our stakeholders that we welcome increased interest in how we work with social, environmental, and governance matters.

The Group's sustainability efforts is the sum of each Group company's work and measures. The task of the Group's management is to govern the overarching sustainability work by supporting the companies and providing them with the tools and resources they need to work with respect and consideration of the environment and of people.

Balco Group has developed common guidelines for the Group, providing a framework as well as support for our subsidiaries in acting and driving their sustainability efforts in a way that is compatible with our view of responsible entrepreneurship. The Group has the following policy documents, which are reviewed annually and adopted by the Board of Directors: Insider Policy, Communications Policy, Sustainability Policy, Finance Policy, IT Policy, Information Security Policy, Corporate Governance Policy and Code of Conduct.

The policies were reviewed in March and in December 2023, and found to be current, with only a few minor adjustments made. Balco Group's Sustainability Policy is a key principle for the Group's sustainability work and describes the company's key sustainability issues, shared values and division of responsibilities. The Policy serves as a framework for operational decisions and also guides evaluation and decision-making on issues related to the long-term strategic development of the Group.

The Code of Conduct is aimed at Group management, Board members, all Group companies, managers and employees, as well as to our suppliers, business partners, subcontractors and customers. The Group HR Director is responsible for updating the Code of Conduct, which is approved by the CEO and adopted annually by the Board of Directors.

The Group has zero tolerance for breaches of the Code of Conduct, and the Group monitors the number of reported and confirmed breaches of the Code. Breaches are handled on the basis of the provisions of the Code. The work is facilitated by the company's whistleblower function set up in 2019 that enables all employees at the companies to anonymously report suspicions of events



SUSTAINABLE BUSINESS

that are in breach of the Code of Conduct. Notifications are made via the website (<https://balcogroup.se/>) where the Whistleblower Partners programme guarantees full anonymity and any cases are received and initially handled by an external law firm. No reports have been made during the year. In addition, Balco Group has set a goal for our suppliers to act in accordance with the Group's view of how sustainable business should be conducted. For this reason, we require our suppliers and subcontractors to provide written confirmation that they follow the Code of Conduct. In 2023, the proportion of suppliers accepting the Code was 100 percent.

As the business grows, it is necessary to guarantee that new subsidiaries and employees comply with the Code of Conduct. An annual digital training session is conducted to strengthen the employees' understanding of our sustainability strategy and Code of Conduct. The training provides an explanation of the Group's stance, its goals, and the value to the business and its stakeholders. Through this dissemination of knowledge, the hope is that new initiatives will arise organically, allowing the Group-wide Sustainability Group to act as a model to follow and an inspiration for the subsidiaries.

In 2023, the subsidiaries have been ever more involved in the Balco Group's sustainability efforts. Group management and the Sustainability Group regularly visit the various Group companies to monitor their efforts and guide the development of targets. Together with the CEOs of the subsidiaries, management works to ensure that sustainability efforts are naturally integrated into operational and strategic decisions. Subsidiaries are then responsible for setting a number of objectives with associated activities that are implemented on an ongoing basis in daily operations. Targets are measured on a quarterly basis according to clearly defined measurement methods, and the results are presented to Group management and the Board of Directors on an ongoing basis.



Code of Conduct

Target	Measurement interval	Measurement method	2023	2022	2021
100% of strategic suppliers to have accepted the Balco Group Supplier Code of Conduct	Annual	Strategic suppliers that have accepted the Balco Group Supplier Code of Conduct	100%	100%	94%
Number of reported and confirmed breaches of the Code of Conduct to be 0	Annual	Reported and confirmed breaches of the Code of Conduct	0	1	0

As all the Group's strategic suppliers have approved the Code of Conduct, the 2023 target has been met. No whistleblower reports of breaches of the Code of Conduct have been made in 2023.



SCIENCE
BASED
TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

Engagement in the SBTi

In 2023, Balco Group took a further step toward sustainable business by joining the Science Based Targets initiative (SBTi). This is a collaboration between numerous organisations, acting to increase the level of ambition in the work against climate change by promoting the reduction of emissions and thereby counteracting global warming. The goals developed for each member of the SBTi are based on scientific research and define how much, and how quickly, a company should reduce their emissions to limit global warming to 1.5°C, in accordance with the Paris Agreement.

As a new member of the SBTi, the first step for Balco Group is to propose relevant targets to work towards. After that, work will be continuously ongoing to contribute to reduced emissions in our activities.

EU GREEN TAXONOMY

The Group's work on the EU Green Taxonomy

The EU Taxonomy Regulation EU 2020/852 (EU Taxonomy) is a classification system for sustainable economic activities in relation to the six environmental objectives of the European Union:

1. Climate change mitigation
2. Climate change adaptation
3. Sustainable use and protection of water and marine resources
4. Transition to a circular economy
5. Pollution prevention and control
6. Protection and restoration of biodiversity and ecosystems.

An activity is considered sustainable according to the EU taxonomy if it contributes significantly to one or more of the environmental objectives without causing significant harm to any of the other objectives, while complying with certain defined minimum safeguards.

In the absence of regulatory guidance in many respects, Balco Group has found that there is ample room for interpretation in several parts of the Taxonomy. We have therefore found it necessary to make our own internal judgements. Our disclosures for 2022 and 2023 are based on our current interpretation of the rules and may change in the future based on new regulatory guidance as market practice evolves and general knowledge of the Taxonomy's requirements increases.

Methodology to identify Taxonomy-eligible activities

Balco Group has determined that some of our economic activities fulfil the eligibility criteria for the Taxonomy Regulation (EU) 2020/852 (appendix 1 to the Commission's Delegated Regulation (EU) 2021/2139, "The Delegated Climate Act").

— The Group installs glazed balconies in connection with building renovations; these reduce the effect of thermal bridges and add an insulating shell. In some projects, the Group carries out additional insulation of buildings in connection with facade renovation. Both of these activities are covered under section 7.3 Installation, maintenance and repair of energy efficient equipment of the Delegated Climate Act ("7.3 Activities").

— The Group also renovates buildings by installing open balconies and renovating facades without additional insulation. These activities are Taxonomy-eligible under section 7.2 Renovation of existing buildings of the Delegated Climate Act (7.2 Activities), but are not Taxonomy-aligned as they do not fulfil the 30% energy saving requirement.

Turnover

Proportion of turnover from products or services associated with taxonomy-aligned economic activities – information covers 2023.

Economic activities	Code(s)	Absolute turnover SEK MILLION	Proportion of turnover %	Climate change mitigation %	Climate change adaptation %	Water and marine resources %	Circular economy %	Pollution %	Biodiversity and ecosystems %	Substantial contribution criteria					DNSH criteria (do no significant harm)					Minimum safeguards	Proportion of Taxonomy-aligned (A.1.) or -eligible (A.2.) turnover, 2023 %	Proportion of Taxonomy-aligned (A.1.) or -eligible (A.2.) turnover, 2022 %	Category (enabling activity) or	Category (transitional activity)			
										Climate change mitigation Yes/no	Climate change adaptation Yes/no	Water and marine resources Yes/no	Circular economy Yes/no	Pollution Yes/no	Biodiversity and ecosystems Yes/no												
A. TAXONOMY-ELIGIBLE ACTIVITIES																											
A.1. Environmentally sustainable (Taxonomy-aligned) activities																											
Renovation - glazing and facades with insulation	7.3	734.7	60.5%	60.5%						Yes	-	-	-	-	-	-	60.5%	60.6%	Enabling								
Turnover of environmentally sustainable (Taxonomy-aligned) activities (A.1)		734.7	60.5%	60.5%													60.5%	60.6%									
A.2 Taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned)																											
Renovation - open, facades without insulation and others	7.2	353.3	29.1%																								
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		353.3	29.1%																								
Total (A.1+A.2)		1,088.0	89.6%																								
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																											
Turnover of Taxonomy-non-eligible activities (B)		126.9	10.4%																								
Total (A+B)		1,214.9	100%																								

Qualitative disclosures on turnover

The reported absolute turnover includes revenue that is recognised as described in note 3 (page 73) and revenue from Balco Group's construction contracts.

29.1% 26.6%

Disclosures on Taxonomy-eligible turnover include revenue from the installation of glazed balconies during renovation of buildings and facade renovation with additional insulation (7.3 Activities).

89.6% **87.2%**

Activities that are Taxonomy-eligible but not taxonomy-aligned include the renovation of buildings with the installation of open balconies or facade renovation without additional insulation (7.2 Activities). This is because they do not meet the 30% energy-saving requirement.

EU GREEN TAXONOMY

Methodology to identify taxonomy-aligned activities

For an economic activity to be considered Taxonomy-aligned, and therefore environmentally sustainable, it must contribute significantly to at least one of the six EU environmental objectives and not cause significant harm to any of the other environmental objectives. In addition, it must be carried out in compliance with certain minimum safeguards on social and governance aspects of sustainability.

Significant contribution

Balco Group has identified a number of activities, by product, that fulfil the technical screening criteria for significant contribution to climate change mitigation. Internally within the Group, these are referred to as potentially Taxonomy-aligned, comprising the installation of glazed balconies when renovating buildings and facade renovations with additional insulation (7.3 Activities). Activities that are Taxonomy-eligible but not taxonomy-aligned include the renovation of buildings with the installation of open balconies or facade renovation without additional insulation (7.2 Activities) when they do not meet the 30% energy saving requirement.

Do no significant harm (DNSH) principle

Potentially Taxonomy-aligned products and associated factories have been evaluated against each individual DNSH criterion, as described in more detail below. As noted above, in the absence of regulatory guidance and market practice, we have found that there is considerable scope for interpretation of the DNSH criteria and have therefore considered

it necessary to make our own internal interpretations and further define what these criteria mean in the context in which the Group operates, and have subsequently developed supplementary internal guidance. The reporting of compatible activities is therefore based, to some extent, on an assumed interpretation of the DNSH criteria applicable to Balco Group's activities. The methodology for assessing compliance will be evaluated as regulatory guidance and general reporting practices evolve. In summary, all activities reported as Taxonomy-aligned have been assessed as meeting all DNSH criteria as described below.

Climate change adaptation

Physical risks are regularly reviewed as part of the Group's property management and insurance programme. In our assessment of compliance with the DNSH criterion, local risk assessments have been carried out on relevant climate risks.

Sustainable use and protection of water and marine resources

Regarding the water criterion, Balco Group has identified a limited number of operations with direct discharges of industrial wastewater or that are affected by water risks that have been deemed relevant for the criterion.

CapEx

Proportion of CapEx from products or services associated with taxonomy-aligned economic activities – information covers 2023

Economic activities	Code(s)	Absolute CapEx SEK MILLION	Proportion of CapEx %	Substantial contribution criteria							DNSH criteria (do no significant harm)							Proportion of Taxonomy-aligned (A.1) or -eligible (A.2.) CapEx, 2023 %	Proportion of Taxonomy-aligned (A.1) or -eligible (A.2.) CapEx, 2022 %	Category (enabling activity) or	Category (transitional activity)										
				Climate change mitigation %	Climate change adaptation %	Water and marine resources %	Circular economy %	Pollution %	Biodiversity and ecosystems %	Climate change mitigation Yes/no	Climate change adaptation Yes/no	Water and marine resources Yes/no	Circular economy Yes/no	Pollution Yes/no	Biodiversity and ecosystems Yes/no	Minimum safeguards Yes/no															
A. TAXONOMY-ELIGIBLE ACTIVITIES																															
A.1. Environmentally sustainable (Taxonomy-aligned) activities																															
Installation, maintenance and repair of energy efficiency equipment	7.3	12.7	73.5%																		Yes	-	-	-	-	-	-	73.5%	66.9%	Enabling	
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		12.7	73.5%																								73.5%	66.9%			
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																															
Renovation of existing buildings	7.2	1.7	9.7%																												
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		1.7	9.7%																									9.7%	19.4%		
Total (A.1+A.2)		14.4	83.2%																								83.2%	86.3%			
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																															
CapEx of Taxonomy-non-eligible activities (B)		2.9	16.8%																												
Total (A+B)		17.3	100%																												

Qualitative disclosure on CapEx

Disclosures on the Taxonomy-eligible CapEx of 7.3 Activities include capital expenditure on product development and investments in property, plant and equipment, and new leases. For 7.2 Activities, the Taxonomy-eligible CapEx includes the same categories as for 7.3 Activities.

Reported Taxonomy-aligned product development investments consist of product development projects directly related to taxonomy-aligned products.

For CapEx related to property, plant and equipment and new leases, the portion of the investment related to the Taxonomy-aligned activities is recognised. A large proportion of CapEx relates to both Taxonomy-aligned and non-Taxonomy-aligned products when they are produced in the same facilities. For these types of investments, an allocation key is used based on the distribution of volumes per facility between Taxonomy-aligned and non-Taxonomy-aligned products.

EU GREEN TAXONOMY

Transition to a circular economy

Regarding the transition to a circular economy, the assessments carried out have identified several examples of implemented practices, where possible. This includes application of the waste hierarchy and waste reduction targets in manufacturing processes and product development as well as construction sites, taking into account product lifetime, recyclability, material selection and other strategies to contribute to the transition to a circular economy.

Pollution prevention and control

The criteria for the prevention and control of environmental pollution both build on and refer to existing EU chemicals legislation. In addition to references to already existing bans and restrictions on certain substances, the Taxonomy also provides for a number of additional substances (substances on the EU candidate list under the REACH Regulation and substances with similar properties) not yet regulated in the EU that are said to be acceptable only if their use is indispensable to society. Our assessment of what can be considered indispensable to society is based on existing concepts in other EU legislation and international treaties (mainly the Montreal Protocol) and takes into account, inter alia, aspects of safety and regulatory requirements for products, product performance and availability of viable alternatives.

Protection and restoration of biodiversity and ecosystems

For the biodiversity criterion, Balco Group has assessed the impact of its activities at individual production sites on biodiversity and protected areas and species. Balco Group's operations are not deemed to have any direct material impact.

Minimum safeguards

We understand that the criteria for minimum safeguards mean that there must be procedures in place in relation to anti-corruption, fair competition, taxation and human rights, and that the Group does not deal with 'controversial weapons', which refers to anti-personnel mines, cluster munitions and chemical and biological weapons. The criteria for minimum safeguards have been assessed at Group level and it was concluded that all of the Group's majority activities, and thus all economic activities identified as potentially Taxonomy-aligned, are covered by Group-wide policies and procedures.

Reporting

As Balco Group, so far, assesses that its activities are only covered by the climate mitigation objective, and are confined to 7.3 Activities and 7.2 Activities, no activities have been double counted in the calculation of the reported taxonomy key performance indicators. For the same reason, the reporting template has also been simplified with only one column for significant contribution.

OpEx

Proportion of OpEx from products or services associated with Taxonomy-aligned economic activities – information covers 2023

Economic activities	Code(s)	Absolute OpEx SEK MILLION	Proportion of OpEx %	Substantial contribution criteria							DNSH criteria (do no significant harm)							Minimum safeguards	Proportion of Taxonomy-aligned (A.1) or -eligible (A.2.) OpEx, 2023 %	Proportion of Taxonomy-aligned (A.1) or -eligible (A.2.) OpEx, 2023 %	Category (enabling activity) or	Category (transitional activity)
				Climate change mitigation %	Climate change adaptation %	Water and marine resources %	Circular economy %	Pollution %	Biodiversity and ecosystems %	Climate change mitigation Yes/no	Climate change adaptation Yes/no	Water and marine resources Yes/no	Circular economy Yes/no	Pollution Yes/no	Biodiversity and ecosystems Yes/no							
A. TAXONOMY-ELIGIBLE ACTIVITIES																						
A.1. Environmentally sustainable (Taxonomy-aligned) activities																						
Installation, maintenance and repair of energy efficiency equipment	7.3	2.9	69.4%							Yes	-	-	-	-	-	-	69.4%	56.7%	Enabling			
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		2.9	69.4%														69.4%	56.7%				
A.2 Taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned)																						
Renovation of existing buildings	7.2	0.7	17.2%																			
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		0.7	17.2%																			
Total (A.1+A.2)		3.7	86.6%																			
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																						
OpEx of Taxonomy-non-eligible activities (B)		0.6	13.4%																			
Total (A+B)		4.2	100%																			

Qualitative disclosures on OpEx

The majority of the OpEx disclosures reported under the Taxonomy include costs for the repair and maintenance of property, plant and equipment.

For repair and maintenance costs that relate to both Taxonomy-aligned and non-Taxonomy-aligned activities, an allocation key based on the same principles as for CapEx is used.

The proportion of the Taxonomy-aligned OpEx is based on the proportion of Taxonomy-aligned turnover (revenue) during the year, reflecting the resources used by Taxonomy-aligned production at the facilities.

17.2% 29.3%

86.6% **85.9%**

Financial statements

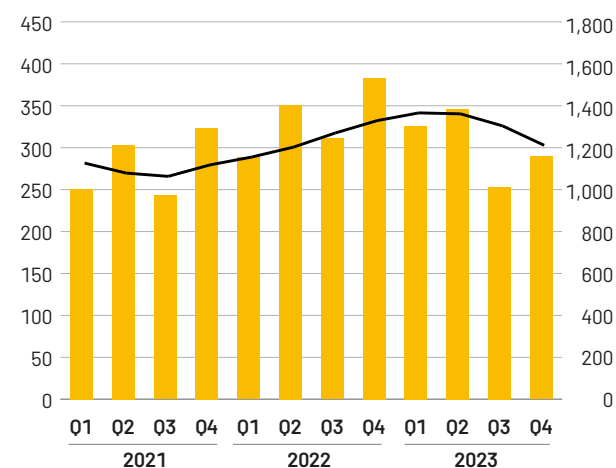
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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

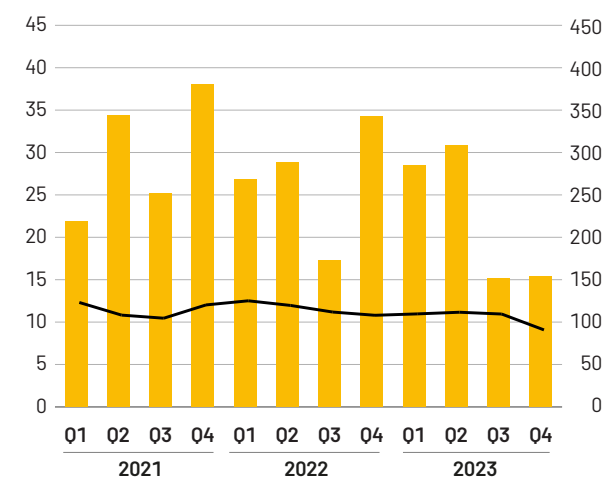
Consolidated statement of comprehensive income

Amounts in SEK thousands	Note	2023	2022
Net sales	2, 3	1,214,887	1,333,559
Production and project costs	4, 5, 10, 11	-969,532	-1,045,951
Gross profit		245,355	287,608
Distribution costs	4, 5, 10, 11	-108,383	-126,430
Administrative expenses	4, 5, 7, 10, 11	-76,653	-70,955
Other operating income	5, 6	10,294	12,294
Other operating expenses	6	-239	-23
Operating profit	2	70,374	102,494
Finance income	8	3,727	955
Finance costs	8	-18,072	-8,846
Financial items - net		-14,344	-7,891
Profit before tax	2	56,030	94,603
Income tax	9	-9,525	-18,452
Profit for the year	2	46,505	76,151
Other comprehensive income			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		3,355	6,946
Other comprehensive income		3,355	6,946
Total comprehensive income		49,860	83,097
Of which attributable to			
Parent company shareholders		49,239	82,767
Non-controlling interests		621	330
Profit for the year		49,860	83,097
Earnings per ordinary share, considering earnings attributable to Parent company shareholders during the year (SEK per share)			
Basic earnings per share		2.12	3.48
Diluted earnings per share		2.12	3.44
Average number of shares before dilution, thousands		21,909	21,909
Average number of shares after dilution, thousands		21,909	22,103

NET SALES, R12, SEK MILLIONS



ADJUSTED OPERATING PROFIT (EBITA), R12, SEK MILLION



f = Administration report

Comments on the consolidated income statement

f The business

Balco offers customised and innovative balcony and facade solutions under its own brands to housing cooperatives, private property owners, the public sector and construction companies. Balco is currently the market leader in the Nordics and holds a strong position in other Northern European markets. Since Balco was founded in 1987 in Växjö, Sweden, it has evolved from a local product-oriented supplier of balconies to a leading market-oriented supplier of glazed balcony solutions. The Parent company operates directly and through Swedish and foreign subsidiaries.

Balco has expanded in recent years, both in existing markets and by establishing itself in new countries, and now has sales offices in seven countries. The company has five wholly-owned production facilities in Sweden and Poland. Unique products, good delivery capacity and skilled employees are at the core of Balco. The company has made significant investments and has the capacity for further growth. Balco offers a comprehensive range of products and solutions for the balcony market under its own brands with patented technical designs. The products are tailored to customers' specific needs and can be installed in both renovation and new build projects.

f Market

Balco is active in the Northern European market for balcony solutions, with a strong focus on glazing, which is a niche market within the broader construction market. The balcony market includes mainly the renovation of existing balconies and the installation of new balconies on existing properties, but also the installation of balconies on new buildings. Balco's main markets are Sweden, Norway, Denmark and Finland.

In addition to its main markets, Balco is also active in Germany, the UK, the Netherlands and Ireland, and has also conducted individual business transactions in Iceland, Greenland, the Faroe Islands, Switzerland and Austria. The balcony market is divided into two market segments: Renovation and New Build, with the Renovation segment accounting for 90 (87) percent of Balco's net sales.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

f Environment, sustainability and social responsibility

Balco does not conduct any activities requiring a permit under the Environmental Code (1998:808). However, there is a notification requirement for some of the activities. The notification requirement is based on powder coating, workshop area and casting of concrete slabs. The notification requirement is therefore only related to the Group's production activities.

Balco's environmental work is an integral part of the company and permeates the entire business. Balco has implemented initiatives to minimise the company's environmental impact and is working consistently to reduce it. Balco believes it is at the forefront of the development of balconies that are both environmentally friendly and energy efficient, with products that not only reduce energy consumption but are made from environmentally friendly materials. In addition, Balco manufactures all balconies in modules to minimise unnecessary transport. Balco is environmentally certified under ISO 14000 and quality certified under ISO 9000, and works actively to reduce waste and energy consumption by streamlining production in the company's production units and increasing the recycling of materials and production waste that cannot be reduced or avoided. Balco also trains and informs its employees about environmental, health and safety issues and involves them in the continuous improvement process. Balco's purchasing organisation strives to ensure that suppliers comply with the company's Code of Conduct and accept their environmental responsibilities. Balco requires all suppliers to comply with the environmental laws and regulations applicable in each country.

Sustainability issues are important to Balco. This is reflected in Balco's active pursuit of safe and reliable products, a healthy work environment and ethical behaviour both internally and through its business partners. Balco's sustainability work is also expressed through the company's Code of Conduct, which sets out the company's social, ethical and environmental rules. The Code of Conduct also includes rules on human rights, non-discrimination and health and safety. The content of the Code of Conduct is included as a presentation and discussion point during the induction of each new employee.

Net sales and operating profit

f Group

Net sales for 2023 amounted to SEK 1,215 (1,334) million. Growth through acquisitions was 5 percent, foreign currency effects were 2 percent and organic growth was -16 percent.

Gross profit for the year was SEK 245 (288) million, corresponding to a gross margin of 20.2 (21.6) percent. Gross profit includes items affecting comparability of SEK -8 (-5) million related to restructuring costs. Adjusted gross profit was therefore SEK 253 (293) million and the adjusted gross margin was 20.8 (22.0) percent.

The decline in the gross margin is due to an increased proportion of sales in markets with lower margins and in subsidiaries with lower gross margins. In addition, the gross margin is negatively affected by low capacity utilisation, primarily in production.

Distribution costs during the year totalled SEK 108 (126) million and administrative expenses were SEK 77 (71) million. Items affecting comparability were SEK -5 (-8) million and were related to restructuring of the organisation and acquisition costs.

Adjusted operating profit (EBITA) amounted to SEK 90 (107) million, corresponding to an adjusted operating margin of 7.4 (8.0) percent. Operating profit (EBITA) was SEK 77 (105) million, corresponding to an operating margin of 6.4 (7.9) percent. Operating profit (EBIT) was SEK 70 million (102) million, corresponding to an operating margin of 5.8 (7.7) percent.

f Research and development

Balco has a tradition of proprietary products and continuously invests in product development, which is one of Balco's key strategic advantages. The company has a proven ability to develop new innovative and technical solutions. The product development department is constantly working to improve existing products and to develop new ones. The department is also involved in the development of customised balcony solutions and has the capacity to develop products for new segments where Balco sees significant potential. Examples of new products that Balco has launched in recent years include Twin View, Alu-Two and Levitate. Balco had eight full-time employees in its product development department at the end of the financial year and product development expenses accounted for 1 (1) percent of total operating expenses.

The company had 58 (63) product patents as of 31 December 2023.

f Depreciation/amortisation and EBITDA

Depreciation/amortisation in 2023 was SEK 44 (42) million, of which SEK 20 (23) million is depreciation related to leases. Earnings before interest, taxes, depreciation and amortisation, EBITDA, amounted to SEK 115 (145) million, corresponding to an EBITDA margin of 9.4 (10.8) percent. Adjusted for items affecting comparability, EBITDA totalled SEK 127 (147) million, corresponding to an adjusted EBITDA margin of 10.5 (11.0) percent.

f Finance costs

The Group's finance costs amounted to SEK 18 (9) million, of which SEK 1.5 (1.8) million are interest expenses related to leases.

f Tax, net profit for the year and earnings per share

Tax expense was SEK 10 (18) million, corresponding to an effective tax rate of 19.5 (19.5) percent.

Profit after tax totalled SEK 47 (76) million. Earnings per share amounted to SEK 2.12 (3.48).

f Currency fluctuations

Balco's Group reporting currency is Swedish kronor (SEK), but the Group's income and expenses are usually reported in the local currencies of the countries where Balco operates. As a result, Balco's results and financial position are exposed to foreign exchange risks that affect the Group's income statement and balance sheet. Currency exposure includes both transaction and translation exposure. Balco is mainly exposed to movements in NOK, EUR, DKK, PLN and GBP against SEK. Currency fluctuations have a minor impact on the company's net sales and profitability as Balco reduces currency exposures in transactions and currency hedges its ongoing transaction exposure in projects to the extent that currency balance cannot otherwise be achieved.

f Seasonal variations

Balco's net sales and earnings are partly affected by the timing of orders, seasonal variations and the fact that the meetings season for housing cooperatives is normally in the second and fourth quarters. In addition, the Group is positively affected by months with many working days and a lack of holidays, and somewhat negatively by weather factors where winters with significant snowfall mean increased costs. The Group's strongest quarter is normally the second quarter.

f Appropriation of profits

The annual accounts and consolidated financial statements have, as stated above, been approved by the Board of Directors and the CEO on the date indicated by our electronic signature. The consolidated statement of income and other comprehensive income and balance sheet, and the Parent company's income statement and balance sheet will be submitted for adoption at the Annual General Meeting on 14 May 2024.

At the disposal of the Annual General Meeting, SEK:

Share premium reserve	406,339,031
Retained earnings	-97,956,356
Profit for the year	67,114,816
Total	375,497,491

The Board of Directors proposes that the profits be distributed as follows:

To shareholders in the form of a dividend	0
Profits to be carried forward	375,497,491
Total	375,497,491

CONSOLIDATED BALANCE SHEET

Consolidated balance sheet

Amounts in SEK thousands	Note	31/12/2023	31/12/2022
ASSETS			
Non-current assets			
Intangible assets			
Goodwill	15	485,160	457,827
Trademarks	15	128,856	124,012
Other intangible assets	15	13,316	11,239
Total intangible assets		627,332	593,078
Property, plant and equipment			
Right-of-use assets	16	70,495	82,340
Land and buildings	17	108,631	108,559
Plant and machinery	17	30,334	27,995
Equipment, tools, fixtures and fittings	17	18,883	17,465
Construction in progress	17	4,081	4,770
Total property, plant and equipment		232,424	241,129
Deferred tax assets	9	294	960
Total non-current assets		860,050	835,167
Current assets			
Materials and supplies	18	51,492	58,446
Trade receivables	19	137,974	174,795
Contract assets	20	177,147	111,941
Current tax receivables		15,351	21,961
Derivative instruments	28	0	1,443
Other receivables	21	8,637	28,354
Prepaid expenses and accrued income	22	13,748	12,625
Cash and cash equivalents	23	2,805	51,865
Total current assets		407,153	461,430
TOTAL ASSETS		1,267,203	1,296,597

Amounts in SEK thousands	Note	31/12/2023	31/12/2022
EQUITY			
Equity attributable to Parent company shareholders			
Share capital		131,461	131,461
Other contributed capital		406,339	406,328
Reserves		11,631	8,276
Retained earnings incl profit for the year		196,706	183,729
Total equity attributable to Parent company shareholders		746,137	729,794
Non-controlling interests		1,816	1,237
Total equity	24	747,953	731,031
LIABILITIES			
Non-current liabilities			
Liabilities to credit institutions	27,28	174,200	72,636
Lease liabilities	27,28	51,207	63,312
Deferred tax liabilities	9	41,719	39,965
Other non-current liabilities	27,28	1,379	18,392
Total non-current liabilities		268,505	194,305
Current liabilities			
Liabilities to credit institutions	27,28	0	795
Lease liabilities	27,28	19,013	19,954
Trade payables	28	91,043	122,758
Current tax liabilities		817	3,563
Derivative instruments	28	0	3,247
Other current liabilities	25	28,517	34,906
Contract liabilities	20	49,951	124,895
Accrued expenses and deferred income	26	61,404	61,143
Total current liabilities		250,745	371,261
TOTAL EQUITY AND LIABILITIES		1,267,203	1,296,597

CONSOLIDATED BALANCE SHEET

f Balance sheet and financial position

Balco's total assets increased by 2 percent to SEK 1,267(1,297) million in 2023.

Balco's banking agreement with Danske Bank is in force until 12 October 2026. The agreement includes a sustainability-linked revolving credit facility of SEK 510 million and an overdraft facility of SEK 75 million.

f Non-current assets

The Group's non-current assets, consisting of intangible assets, property, plant and equipment and financial assets, increased during the year, totalling SEK 860(835) million. The largest non-current asset item, 56 percent, is goodwill of SEK 485(458) million.

f Investments

Investments in intangible assets relate primarily to goodwill, trademark and licences. Investments in property, plant and equipment consist of plant and machinery, and equipment. The Group's total investments in 2023 totalled SEK 53(53) million, distributed as follows: SEK 7(12) million replacement investments, SEK 7(12) million expansion investments and SEK 39(29) million acquisitions of shares in subsidiaries.

f Current assets

Trade receivables and contract assets are the single largest current assets items. Trade receivables decreased by 21 percent to SEK 138(175) million during the year, while contract assets increased by 58 percent to SEK 177(112) million.

Cash and cash equivalents totalled SEK 3(52) million.

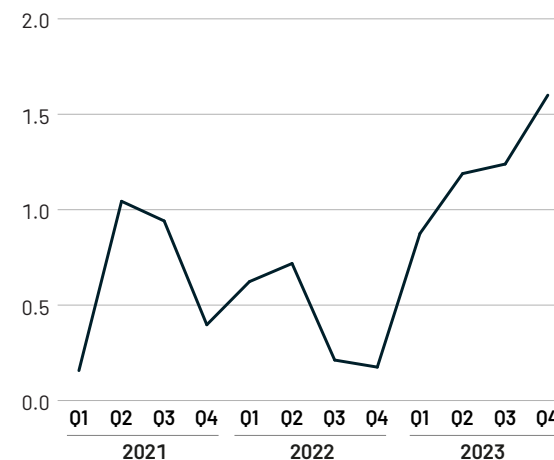


CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Consolidated statement of changes in equity

Amounts in SEK thousands	Share capital	Other contributed capital	Reserves	Retained earnings, incl. profit for year	Equity	Non-controlling interests	Total equity
Opening balance, 1 January 2022	131,461	405,111	1,330	154,100	692,002	0	692,002
Deferred tax		-3		-2,374	-2,377		-2,377
Acquired subsidiary with non-controlling interest						907	907
Other comprehensive income							
Profit for the year				75,821	75,821	330	76,151
Exchange differences on translation of foreign operations			6,946		6,946		6,946
Total comprehensive income			6,946	75,821	82,767	330	83,097
Transactions with shareholders in their capacity as owners:							
Dividend				-43,819	-43,819		-43,819
New warrants issue		1,219			1,219		1,219
Total attributable to shareholders	0	1,219	0	-43,819	-42,600	0	-42,600
Closing balance, 31 December 2022	131,461	406,328	8,276	183,729	729,794	1,237	731,030
Opening balance, 1 January 2023	131,461	406,328	8,276	183,729	729,794	1,237	731,030
Other comprehensive income							
Profit for the year				45,884	45,884	621	46,505
Exchange differences on translation of foreign operations			3,355	0	3,355		3,355
Total comprehensive income			3,355	45,884	49,239	621	49,860
Transactions with shareholders in their capacity as owners:							
Dividend				-32,865	-32,865		-32,865
New warrants issue		12		-42	-31	-42	-73
Total attributable to shareholders	0	12	0	-32,907	-32,895	-42	-32,937
Closing balance, 31 December 2023	131,461	406,339	11,631	196,706	746,137	1,816	747,953

EXTERNAL INTEREST-BEARING NET DEBT/EBITDA



Equity and liabilities

Equity amounted to SEK 748 (731) million on 31 December 2023. Interest-bearing net debt including lease liabilities was 1.9 (0.7) times adjusted EBITDA. Interest-bearing net debt excluding lease liabilities in relation to adjusted EBITDA was 1.6 (0.2) times, which is in line with the Group's target for net debt not to exceed 2.5 times adjusted operating profit before depreciation and amortisation (adjusted EBITDA), other than temporarily.

Number of shares

The share capital consists of 21,909,348 shares. The shares have a voting value of 1 vote/share. The quotient value is 6.0002. All shares issued by Balco Group AB are fully paid up. Balco has one class of shares and each share has the same voting value and entitlement to dividends. The issued shares are freely transferable without any restrictions imposed by law or by Balco's articles of association. Balco is not aware of any agreements between shareholders that may result in restrictions on the right to transfer shares in the company.

Trading and market capitalisation

The Balco share is traded on Nasdaq Stockholm's Small Cap list. In 2023, a total of more than 3.4 million shares were traded at a value of SEK 149 million. The average daily turnover in 2023 was SEK 0.55 million. Market capitalisation at the end of the year was SEK 1.0 billion.

Share performance during the year

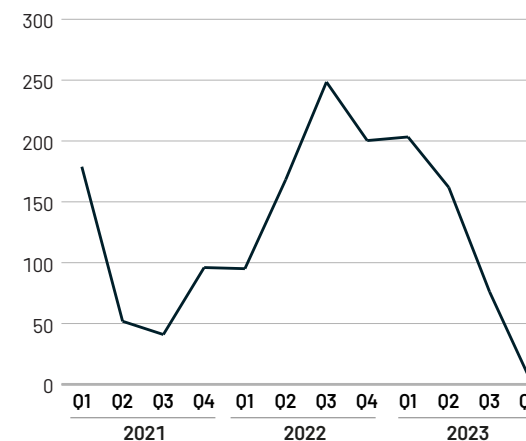
In 2023, the share price increased by 5 percent, closing the year at a share price of SEK 46.1. This year's highest bid price was recorded on 5 June at SEK 50.60, and the lowest price was SEK 36.20 on 1 November.

CONSOLIDATED STATEMENT OF CASH FLOWS

Consolidated statement of cash flows

Amounts in SEK thousands	Note	2023	2022
Cash flow from operating activities			
Operating profit (EBIT)		70,374	102,494
Adjustment for non-cash items:			
- Depreciation/amortisation	15, 16, 17	44,312	41,999
- Other non-cash items		-5,385	-9,788
Interest received	8	3,727	955
Interest paid	8	-16,534	-7,008
Income tax paid	9	-5,786	-40,959
Cash flow from operating activities before changes in working capital		90,708	87,692
Cash flow from changes in working capital			
Increase/decrease in inventories		7,385	-4,609
Increase/decrease in current receivables		4,282	2,875
Increase/decrease in current liabilities		-128,505	67,059
Total change in working capital		-116,838	65,325
Cash flow from operating activities		-26,130	153,016
Cash flow from investing activities			
Purchase of property, plant and equipment	17	-7,749	-16,938
Purchase of intangible assets	15	-5,637	-7,201
Investments in subsidiaries, net cash effect	13, 14	-39,513	-28,454
Cash flow from investing activities		-52,899	-52,593
Cash flow from financing activities			
Proceeds from borrowings	27	100,000	0
Repayment of borrowings	27	0	-99,675
Reclassification of other non-current liabilities	27	-14,171	0
Payment of lease liabilities	27	-23,358	-25,402
Proceeds from warrants issue		12	1,219
Dividends paid		-32,864	-43,819
Cash flow from financing activities		29,619	-167,677
Cash flow for the year	23	-49,410	-67,253
Cash and cash equivalents at beginning of year	23	51,865	117,497
Exchange difference in cash and cash equivalents		350	1,620
Cash and cash equivalents at end of year	23	2,805	51,865

OPERATING CASH FLOW R12, SEK MILLION



f Cash flow from operating activities

The Group's cash flow from operating activities amounted to SEK -26 (153) million. The decline was mainly due to changes in working capital.

f Cash flow from changes in working capital

Working capital increased by SEK 117 million during the year, compared with a decline of SEK 65 million in the previous year. The increase was largely due to higher capital commitments in current projects. Net capital commitments in current projects totalled SEK -127 (-13) million at the end of the year.

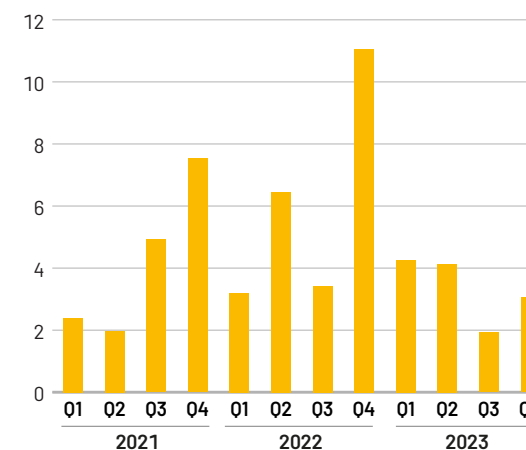
f Cash flow from investing activities

Cash flow from investing activities amounted to SEK -53 (-53) million, distributed as follows: SEK -7 (-12) million replacement investments, SEK -7 (-12) million expansion investments and SEK -39 (-29) million acquisitions of shares in subsidiaries.

f Cash flow from financing activities

Cash flow from financing activities totalled SEK 30 (-168) million, with the largest items being a dividend payment of SEK -33 (-44) million and an increase of SEK 100 million (-100) in utilisation of a credit facility.

INVESTMENTS (EXCLUDING ACQUISITIONS), SEK MILLION



GROUP NOTES

Group notes

Note 1: General information

General information

The Parent company is a Swedish public limited company listed on Nasdaq Stockholm, which has its registered office in Växjö. The address of the head office is Älgvägen 4, 352 45, Växjö, Sweden. The Group comprises the Parent company Balco Group AB, Corp. ID 556821-2319, and its subsidiaries. Balco offers customised and innovative balcony and facade solutions under its own brands to housing cooperatives, private property owners, the public sector and construction companies.

Basis for preparation of the statements

The main accounting policies and new reporting standards rules are set out below. Other accounting policies that Balco considers material are reported in the respective notes. The same policies are normally applied for both the Parent company and the Group.

Unless otherwise stated, accounting policies have been applied consistently for all years presented.

The consolidated financial statements of the Balco Group have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and Interpretations issued by the IFRS Interpretations Committee, as adopted by the EU.

In addition, the Swedish Corporate Reporting Board's recommendation RFR 1, Supplementary Accounting Rules for Groups, has been applied.

The consolidated financial statements have been prepared in accordance with the cost method, apart from financial assets and liabilities (derivative instruments) measured at fair value through profit or loss.

In order to prepare financial statements in accordance with IFRS and Swedish GAAP, judgements and assumptions must be made that affect the reported amounts of assets and liabilities, income and expenses, and other disclosures. These assumptions and estimates are usually based on historical experience but also on other factors, including expectations of future events. For further information, see the respective notes.

New standards, amendments and interpretations applied by the Group

No amendments to IFRS effective from 1 January 2023 have had a material effect on the Group's financial statements.

Functional currency and presentation currency

The different entities in the Group have the local currency as the functional currency, namely the currency of the primary economic environment in which the entities operate. In the consolidated financial statements, Swedish kronor (SEK) are used as the Parent company's functional currency and the Group's presentation currency. All amounts are presented in thousands of SEK unless otherwise stated.

Outlook for the coming year

Balco Group is one of few complete balcony suppliers on the market that provide tailored and innovative balcony solutions as a turnkey contractor. Balco is the market leader in the Nordics and holds a strong position in the other markets where the Group is active. The market is fragmented and growing across Northern Europe. The value of the balcony market in the countries where Balco Group is represented is estimated at just over SEK 40 billion.

Our financial position means that the company is well-prepared for growth through selective acquisitions that strengthen our market positions in existing markets. The timing of construction permits affects cash flow between quarters. Lower order intake in the last year will affect sales and earnings during the coming six months. We have a continued focus on costs in order to defend our operating margin and adapt the organisation based on changes in capacity utilisation and order intake, while also retaining important expertise so that the company is not harmed in the long term.

Significant changes during the reporting period

Acquisitions

On 2 March, Balco Group AB acquired all shares in the company NMT Montageteknik i Norden AB. The closing took place on the same day, and the acquisition is consolidated with effect from 1 March 2023. The acquisition is expected to make a positive contribution to earnings per share in 2023.

NMT Montageteknik was founded in 2016 and offers turnkey balcony renovation. Customers are mainly housing cooperatives.

Located in Sundsvall, NMT has 11 full-time employees and reported sales of SEK 49 million in the last financial year, with an operating profit of SEK 4.4 million. NMT will continue to be run by the current management team, with Kenneth Wirmeskog as CEO. The acquisition strengthens and complements Balco Group's market position in northern Sweden.

GROUP NOTES

Note 2: Segment reporting

f Renovation

The Renovation segment includes the replacement and extension of existing balconies and the installation of new balconies on apartment buildings without balconies. The majority of Balco's net sales in the area consists of glazed balconies for housing cooperatives.

Net sales decreased by 7 percent to SEK 1,088 (1,164) million during the year. The segment accounted for 90 (87) percent of Balco's total net sales.

Operating profit was SEK 66 (91) million, corresponding to an operating margin of 6.1 (7.8) percent. Items affecting comparability include SEK 11 (7) million related to restructuring costs. Adjusted operating profit (EBITA) was SEK 84 (100) million and the adjusted operating margin was 7.7 (8.6) percent. The decline in earnings is due to an increased proportion of sales in markets with lower margins and in subsidiaries with lower gross margins.

f New Build

The New Build segment includes the installation of balconies in the construction of new apartment buildings and balcony solutions in maritime applications. In the New Build segment, Balco offers its entire product range. Open balconies comprise the largest product area.

Net sales amounted to SEK 127 (170) million. The segment accounted for 10 (13) percent of Balco's total net sales.

Operating profit was SEK 5 (10) million, corresponding to an operating margin of 3.8 (6.3) percent.

The decline is attributable to the fact that the maritime market, in recent years the most profitable sector of the New Build segment, had no sales in 2023.

Accounting policies

Operating segments are reported in a way that corresponds to the internal reporting provided to the chief operating decision-maker.

Finance costs, finance income and income tax are mainly managed at Group level and are not allocated to the segments. The Group does not track assets and liabilities by segment.



GROUP NOTES

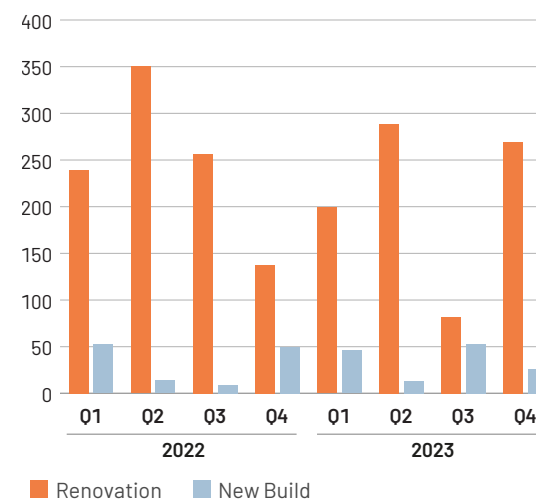
Segment reporting

2023	Renovation	New Build	Group-wide ¹	Eliminations	Total
Net sales - External revenue	1,087,956	126,931			1,214,887
Net sales - Internal revenue			26,364	-26,364	0
Total net sales	1,087,956	126,931	26,364	-26,364	1,214,887
Operating profit (EBIT)	66,427	4,634	-687	0	70,374
Depreciation/amortisation included in EBIT	41,442	2,870			44,312
of which amortisation/impairment of acquired intangible assets	6,613	161			6,774
Items affecting comparability	10,745	0	1,931		12,676
Adjusted operating profit (EBITA)	83,785	4,795	1,244	0	89,824
Adjusted operating margin (%)	7.7	3.8			7.4
Operating profit (EBIT)	66,427	4,634	-687	0	70,374
Finance income			3,727		3,727
Finance costs			-18,072		-18,072
Profit before tax			-15,031		56,030
Tax					-9,525
Profit for the year					46,505

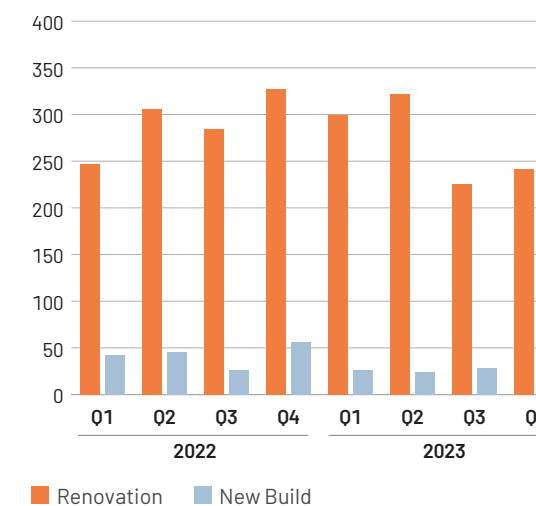
2022	Renovation	New Build	Group-wide ¹	Eliminations	Total
Net sales - External revenue	1,163,453	170,106			1,333,559
Net sales - Internal revenue			39,694	-39,694	0
Total net sales	1,163,453	170,106	39,694	-39,694	1,333,559
Operating profit (EBIT)	91,216	10,428	850	0	102,494
Depreciation/amortisation included in EBIT	36,534	5,465			41,999
of which amortisation/impairment of acquired intangible assets	2,229	328			2,557
Items affecting comparability	6,700	0	-4,555		2,145
Adjusted operating profit (EBITA)	100,145	10,756	-3,705	0	107,196
Adjusted operating margin (%)	8.6	6.3			8.0
Operating profit (EBIT)	91,216	10,428	850	0	102,494
Finance income			955		955
Finance costs			-8,846		-8,846
Profit before tax			-7,041		94,603
Tax					-18,452
Profit for the year					76,151

1) Group-wide refers essentially to management fees

ORDER INTAKE BY SEGMENT, SEK MILLION



SALES GROWTH BY QUARTER, SEK MILLIONS

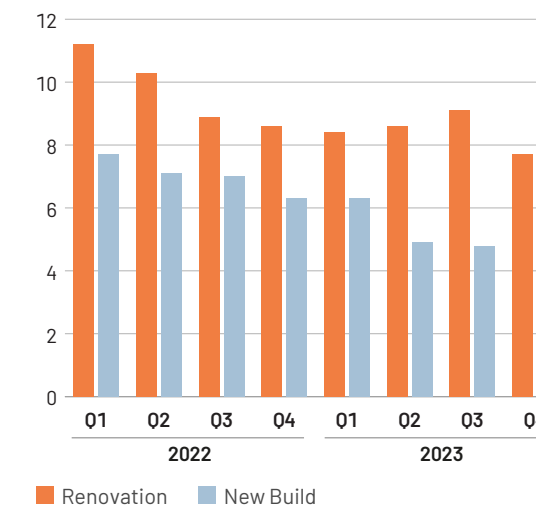


Sales by geographical market

2023	Net sales	Share of total sales
Sweden	752,603	62%
Rest of Scandinavia	309,985	25%
Rest of Europe	152,299	13%
Net sales	1,214,887	100%

2022	Net sales	Share of total sales
Sweden	835,618	63%
Rest of Scandinavia	343,021	26%
Rest of Europe	154,920	11%
Net sales	1,333,559	100%

OPERATING MARGIN BY QUARTER, PERCENT



GROUP NOTES

Note 3: Revenue recognition

Accounting policies

Construction contracts

The Group's revenues mainly relate to revenues from the execution of construction contracts for the erection of balconies in connection with new build or renovation. Typically, construction contracts are a performance obligation, as the elements of the contract are not separable from each other but form an overall obligation for both new build and renovation. Construction contracts include a warranty for the work carried out. Warranties are not considered to be a separate performance obligation given that they are statutory guarantees issued in accordance with industry practice of normally 5 years.

Transaction price

Contracts with customers are essentially fixed-price contracts. The Group considers whether there may be other commitments that constitute separate performance obligations to which the transaction price should be allocated. Revenue from contracts with customers is measured at the contractual transaction price that reflects the consideration the Group expects to receive. Under fixed-price contracts, the customer pays the contractual transaction price on agreed payment dates (see the note on Contract Assets for the relationship between work performed and consideration received from the customer). Variable consideration that affects the transaction amount does not have any material impact on the Group.

Timing of revenue recognition

Revenue is recognised over time when there is no alternative use for the products, as the products are specifically tailored to the customer, and the Group is entitled to payment. The application of revenue recognition over time shows the results as the project progresses. Revenue is recognised only when the Group can reasonably measure the progress towards meeting the performance obligation. When revenue and cost can be measured reliably and

it is probable that the contract will be profitable, revenue is recognised over the term of the contract based on the stage of completion. The stage of completion is defined as the expenditure incurred on work performed up to the end of the reporting period as a percentage of the estimated total expenditure for each contract. Costs are recognised as incurred for the activities included in the contract. When it is probable that total expenditure will exceed total revenue, the expected loss is recognised as an expense immediately. When the outcome of a contract cannot be measured reliably, revenue is recognised only to the extent of the expenditure incurred that is likely to be reimbursed by the customer. The Group acts as principal in all contracts in view of the fact that the Group is responsible for fulfilling the obligation to the customer, sets the transaction price and retains control of the products until control is transferred to the customer.

Contract costs

Some of the indirect project expenses, such as pre-planning and sales commissions, incurred by the Group are treated as completion costs and are capitalised and amortised over the life of the project. The Group applies the practical expedient that enables the incremental costs of obtaining a contract to be recognised as an expense when incurred if the amortisation period of the asset that the Group otherwise would have recognised is one year or less. Sales commission expenses are included in the consolidated income statement under production and project costs.

Financing components

The Group does not expect to have any contracts where the time between delivery of the products to the customer and payment from the customer exceeds one year. As a result, the Group does not adjust the transaction price for the effects of a significant financing component.



Significant estimates and assessments

The Group applies revenue recognition over time for construction contracts, which is a well-proven and long-established model for the Group and requires the Group to estimate the services already performed at the reporting date in proportion to the total services to be performed. Balco's revenue and profit are determined by the timing of the actual costs incurred during the implementation of the project. Remaining performance obligations are parts of contracts with an original expected duration of one year or less.

In accordance with IAS 37, the full expected loss on a project is recognised when a negative project outcome is forecast. If the ratio between services performed and total services to be performed were to differ by 1 percent, the revenue recognised for the year would change by SEK 12 million (2022: SEK 13 million).



Note 4: Expenses by nature

Accounting policies

Foreign currency transactions are translated to the functional currency using the exchange rates applicable on the transaction date. Exchange gains and losses arising from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rate, are recognised in operating profit in the income statement.

	2023	2022
Raw materials, consumables and subcontracting services	-731,690	-795,251
Employee benefits expenses (note 10)	-292,418	-269,560
Depreciation and amortisation (notes 15-17)	-44,312	-41,999
Other costs	-86,148	-136,526
Total production, project, sales and administration costs	-1,154,568	-1,243,336

Exchange differences

Exchange differences have been recognised in the income statement as follows:

	2023	2022
Production and project costs	387	16,072
Total exchange differences in the income statement	387	16,072

The Group strives to balance currency flows by matching sales and purchases in the respective currencies wherever possible. For currency flows that cannot be balanced, the Group uses currency hedges to reduce the ongoing currency risks of its operations. The currency hedges are based on the currency flows of the Group's ongoing projects and other operating activities, with the unhedged portion recognised as an exchange difference related to production and project costs.

GROUP NOTES

Note 5: Items affecting comparability

Accounting policies

Items affecting comparability, such as restructuring costs, impairment, disposals and acquisition costs, are specific material items that are disclosed separately because of their size or frequency. Restructuring costs are included in production and project costs, distribution costs and administrative expenses. Acquisition costs are recognised as administrative expenses.



	2023	2022
Other operating income	0	10,675
Production and project costs	-7,553	-4,875
Distribution costs	-1,534	-3,493
Administrative expenses	-3,590	-4,452
Total items affecting comparability	-12,676	-2,145

Note 6: Other operating income and expenses

Accounting policies

Government grants

Government grants are recognised when there is reasonable assurance that the grants will be received and the Group will comply with the conditions attached to the grants. The Group's recognises government grants as other operating income.



	2023	2022
Other operating income		
Personnel-related	1,000	625
Change in contingent consideration	6,583	10,675
Gain on disposal of property, plant and equipment	2,710	994
Total other operating income	10,294	12,294
Other operating expenses		
Loss on disposal of property, plant and equipment	-6	-23
Other	-232	0
Total other operating expenses	-239	-23

For contingent consideration, see Note 28.

Note 7: Remuneration of auditors

	2023	2022
KPMG		
Audit engagement	-1,883	-1,571
Auditing in addition to the audit engagement	0	-873
Tax advisory services	0	0
Other services	-734	-59
Total	-2,617	-2,503
PwC		
Audit engagement	0	-21
Auditing in addition to the audit engagement	0	0
Tax advisory services	0	-9
Other services	0	0
Total	0	-30
Audit engagements:		
Alpha Revision AS	-54	-49
Herman Slater	-53	-36
Kancelaria Biegłych Rewidentów "CDP" Sp. z o.o.	-46	-37
MyAuditor Oy	-17	-10
Total	-170	-132
Total	-2,786	-2,665

Of the remuneration for 2023, the following has been paid to the audit firm KPMG AB for services to the Group's Swedish and Danish companies: audit engagement SEK 1,883 thousand (2022: SEK 1,571 thousand), other statutory tasks SEK 0 thousand (2022: SEK 873 thousand), tax advisory services SEK 0 thousand (2022: SEK 0 thousand) and other services SEK 734 thousand (2022: SEK 59 thousand).

Note 8: Finance income and costs

	2023	2022
Finance income		
Interest income on bank deposits	3,727	955
Finance income	3,727	955
Finance costs		
Interest expenses on liabilities to credit institutions	-14,113	-4,972
Interest expenses on leases	-1,538	-1,837
Other finance costs	-2,421	-2,036
Finance costs	-18,072	-8,846
Total financial items – net	-14,344	-7,891

GROUP NOTES

Note 9: Income tax

Tax on profit for the year differs from the theoretical amount that would result from using the weighted average tax rate for the results of the consolidated companies as follows:

Tax on profit for the year	2023	2022
Current tax:		
Current tax on profit for the year	-10,948	-17,971
Prior year adjustments	151	1,312
Total current tax	-10,797	-16,659
Deferred tax:		
Deferred tax related to temporary differences	1,272	-1,794
Total deferred tax	1,272	-1,794
Income tax	-9,525	-18,452
	2023	2022
Profit before tax	56,030	94,603
Income tax calculated at the current tax rate of the Parent company, 20.6% (2022: 20.6%)	-11,542	-19,488
Tax effects of:		
- Tax rate, foreign	-76	-112
- Non-taxable income	1,667	2,238
- Non-deductible expenses	-561	-2,377
- Other	836	-25
- Prior year adjustments	151	1,312
Tax expense	-9,525	-18,452
Effective tax rate, %	19.5	19.5

Accounting policies

Deferred tax

Deferred tax assets and liabilities are offset when there is a legal right of set-off for current tax assets and liabilities, the deferred tax assets and liabilities relate to taxes levied by the same tax authority and refer to either the same taxable entity or different taxable entities and there is an intention to settle the balances on a net basis.

Changes in deferred tax assets and tax liabilities during the year, which have been recognised in the income statement, without taking into account offsetting within the same tax jurisdiction, are shown below:

Deferred tax income and expenses	2023	2022
Deferred tax expense in respect of temporary differences	1,939	-2,074
Deferred tax income in respect of temporary differences	-666	517
Total deferred tax in income statement	1,272	-1,557

Deferred tax assets

2022	Tax losses	Derivative instruments	Leases etc.	Other	Total
Opening balance	71	0	372	0	443
Recognised in income statement	-71	421	-221	388	517
Recognised in equity	0	0	0	0	0
Closing balance	0	421	151	388	960
2023	Tax losses	Derivative instruments	Leases etc.	Other	Total
Opening balance	0	421	151	388	960
Recognised in income statement	0	-421	-203	-42	-666
Recognised in equity	0	0	0	0	0
Closing balance	0	0	-52	346	294

Deferred tax liabilities

2022	Building	Trademarks/ Order backlog	Untaxed reserves	Derivatives	Other	Total
Opening balance	-6,329	-22,454	-2,805	-72	-1,301	-32,961
Reclassification	-1,807	1,916	-77	0	-1,265	-1,233
Recognised in income statement	312	215	272	72	-1,713	-842
Recognised in equity	0	-4,292	-346	0	-290	-4,928
Closing balance	-7,824	-24,615	-2,956	0	-4,569	-39,965
2023	Building	Trademarks/ Order backlog	Untaxed reserves	Derivatives	Other	Total
Opening balance	-7,824	-24,615	-2,956	0	-4,569	-39,965
Recognised in income statement	313	2,244	695	0	-1,313	1,939
Recognised in equity	0	-2,860	-884	0	51	-3,693
Closing balance	-7,511	-25,230	-3,146	0	-5,832	-41,719

GROUP NOTES

Note 10: Employee benefits expenses

Accounting policies



Short-term remuneration

Short-term remuneration is recognised as an expense and a liability when there is a legal or constructive obligation to pay benefits. The cost is recognised as the services are performed by the employees.

Pension obligations

The Group has only defined contribution pension plans, see note 11. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate legal entity. The Group has no legal or constructive obligation to pay further contributions if this legal entity does not hold sufficient assets to pay all employee benefits relating to employee service in the current or prior periods.

For defined contribution pension plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis.

The Group has no further payment obligations once the contributions have been paid. Contributions to defined contribution plans are recognised as an expense in profit or loss as they are earned by employees in the course of providing services to the enterprise over a period of time. Prepaid expenses are recognised as an asset to the extent that the cash repayment or reduction in future payments can benefit the Group. See also note 11.

	2023	2022
Salaries and other benefits	-208,140	-189,242
Social security contributions	-63,302	-56,579
Pension costs	-20,976	-23,739
Total	-292,418	-269,560

Average number of employees by country	2023		2022	
	Number of employees	Of which women	Number of employees	Of which women
Sweden	332	34	357	39
Norway	9	0	7	0
Denmark	53	4	53	1
UK	13	0	11	0
Netherlands	1	0	3	0
Poland	72	14	89	17
Finland	0	0	3	0
Germany	10	2	13	3
Total	490	54	536	60

	2023		2022	
	Number on reporting date	Of which women	Number on reporting date	Of which women
Board members	18	4	16	4
CEO	9	1	7	1
Total	27	5	23	5

Remuneration and other benefits 2023	Basic salary/ Board fees	Social security contributions/ Special payroll tax	Variable remuneration	Other benefits	Pension costs	Total
Ingaliil Berglund, Chairman of the Board	-585	-184	0	0	0	-769
Carl-Mikael Lindholm, Board member	-240	-76	0	0	0	-316
Johannes Nyberg, Board member	-310	-97	0	0	0	-407
Vibecke Hverven, Board member	-260	-82	0	0	0	-342
Thomas Widstrand, Board member	-240	-75	0	0	0	-315
Mikael Andersson, Board member	-260	-27	0	0	0	-287
Camilla Ekdahl, CEO	-2,820	-1,208	-126	-176	-877	-5,207
Other senior executives (3 people)	-4,644	-2,074	-455	-235	-1,451	-8,858
Total	-9,359	-3,822	-581	-411	-2,328	-16,501

Remuneration and other benefits 2022	Basic salary/ Board fees	Social security contributions/ Special payroll tax	Variable remuneration	Other benefits	Pension costs	Total
Ingaliil Berglund, Chairman of the Board	-563	-177	0	0	0	-739
Carl-Mikael Lindholm, Board member	-233	-74	0	0	0	-306
Johannes Nyberg, Board member	-295	-93	0	0	0	-388
Vibecke Hverven, Board member	-250	-79	0	0	0	-329
Thomas Widstrand, Board member	-234	-73	0	0	0	-307
Mikael Andersson, Board member	-252	-26	0	0	0	-278
Kenneth Lundahl, CEO up to 08/12	-2,892	-1,131	-817	-106	-779	-5,725
Camilla Ekdahl, Acting CEO 01/09-07/12 and CEO from 08/12	-1,934	-1,037	-641	-125	-650	-4,387
Other senior executives (3 people)	-4,465	-2,005	-1,090	-224	-1,371	-9,155
Total	-11,118	-4,694	-2,548	-454	-2,800	-21,614

GROUP NOTES

Terms and conditions for the CEO

If the CEO is dismissed, a 12-month notice period applies. If the CEO resigns, a 6-month notice period applies. The CEO is entitled to keep his fixed salary during the notice period. Other benefits are adjusted during the notice period according to the needs and the tasks assigned to the CEO, which means that all benefits cease if the CEO is released from work obligations. If, during the period of notice, the CEO obtains other employment or otherwise has income from service, business or his own activities, the CEO's notice salary and severance pay shall be reduced by the amount the CEO then earns. The company allocates 30 percent of gross salary and 25 percent of variable remuneration to a pension insurance scheme through the CEO's choice of insurance company. Outstanding pension obligations to the CEO exist in the form of a direct pension solution totalling SEK 1,668 thousand (2022). SEK 1,322 thousand).

f The Annual General Meeting resolves on the following guidelines for remuneration to the company's senior executives.

Senior executives refers to the CEO and Group Management. These guidelines shall apply to remuneration agreed and changes made to remuneration already agreed after the guidelines were adopted by the Annual General Meeting. Remuneration decided by the shareholders at the general meeting falls outside these guidelines. Accordingly, share-based incentive schemes for senior executives or remuneration of directors for Board service are not covered by these guidelines.

Contribution of the guidelines to the company's business strategy, long-term interests and sustainability

In short, the company's business strategy aims to strengthen its market-leading position as a supplier of high-quality balcony solutions tailored to the specific needs and requirements of its customers. For more information on the company's business strategy, see the company's website www.balco.se. Successful implementation of the company's business strategy and safeguarding of its long-term interests, including sustainability, is contingent on the company's ability to recruit, motivate and retain senior executives. The objective of the company's remuneration is to be competitive and at the same time in line with shareholders' interests. The company's remuneration schemes should combine to create well-balanced remuneration that reflects individual skills, responsibilities and performance, in the short and long term, as well as the company's overall performance.

Decision-making process

The Board has established a Remuneration Committee whose tasks include preparing remuneration-related issues and proposals to the Board regarding senior executives and possible decisions on deviations from the guidelines. The Board shall prepare a proposal for new guidelines when the need for substantial change arises, but at least every four years, and submit the proposal for decision at the Annual General Meeting. The guidelines shall remain in force until new guidelines are adopted by the AGM. The Remuneration Committee shall also monitor and evaluate ongoing and variable remuneration programmes concluded during the year for senior executives, the application of the guidelines for remuneration of senior executives and the current remuneration structures and remuneration levels in Balco. Senior executives do not participate in the Board's consideration of and decisions on remuneration-related matters when they are affected by such matters.

Forms of remuneration

Remuneration of senior executives may consist of fixed and variable salary, pension and other benefits. In addition, the general meeting may, independently of these guidelines, decide on share-based or other forms of remuneration.

Fixed and variable salary

Fixed annual salary for a senior executive shall be competitive and based on the skills, responsibilities and performance of the individual.

In addition to the fixed annual salary, executives shall be entitled to variable remuneration. Such variable remuneration shall be based on predetermined and measurable criteria, which may be financial or non-financial. Variable remuneration may be linked directly or indirectly to the achievement of financial targets, e.g. the Group's operating profit, set by the Balco Board of Directors. Non-financial criteria are linked to sustainability, among other things. Variable salary is normally paid based on performance over twelve months (calendar year) and on the most recent financial information published by the company. Variable cash remuneration is thus linked to the company's business strategy, long-term interests and sustainability.

The criteria shall be established, monitored and evaluated annually by the Board of Directors. Variable remuneration may not exceed 50 percent of each senior executive's fixed annual salary.

Other benefits and pension

The Group provides other benefits to senior management in accordance with local practice. Such benefits may include, for example, a company car and occupational health care. For a limited period, official accommodation may also be offered where appropriate.

Senior executives shall be entitled to pension benefits based on the practice in the country where they are employed. Pension arrangements shall be defined-contribution and secured by payments of premiums to insurance companies, except where the individual concerned is covered by a defined-benefit pension plan in accordance with applicable collective agreement provisions. Variable remuneration can only form the basis for pension benefits if provided for in applicable collective agreement provisions. Pensions may not exceed 30 percent of each senior executive's fixed annual salary, unless a higher provision is made under an applicable collectively agreed pension plan.

In the case of employment contracts governed by rules other than those of Swedish law, appropriate adjustments may be made to pension and other benefits in order to comply with such mandatory rules or local practice, the overall purpose of these guidelines being to meet those needs.

Salary and terms of employment for employees

In preparing the Board's proposal for these remuneration guidelines, the salaries and terms of employment for the Company's employees have been taken into account by including information about employees' total remuneration, components of remuneration and the increase and growth rate of remuneration over time in the support material provided to the Remuneration Committee and the Board for their evaluation of the reasonableness of the guidelines and their associated limitations.

Termination and severance pay

Employment contracts concluded between the company and senior executives shall, as a general rule, be for an indefinite period. If the company terminates the employment of a senior executive, the notice period may not exceed twelve months. Severance pay shall only be paid in the event of termination by the Company and shall not exceed an amount equal to the fixed annual salary during the period of notice. In the event of termination by the executive, the period of notice shall not exceed six months and no severance pay shall be payable in the event of the executive's own termination.

Derogations from the guidelines

The Board of Directors shall have the right to derogate temporarily from these guidelines, in whole or in part, if there are specific reasons for doing so in a particular case and such derogation is necessary to safeguard the long-term interests of the company, including its sustainability, or to ensure the financial viability of the company. As stated above, the Remuneration Committee's tasks include preparing the Board's decisions on remuneration issues, including decisions on derogations from the guidelines.

GROUP NOTES

f Long-term incentive programme

The Group has issued warrants to employees. The employees have paid the fair value of the warrants, and this warrant premium is recognised as other contributed capital.

The programme has been classified as equity-settled as the holder can only receive shares upon redemption. Upon exercise of the warrants, the exercise price will be recognised in equity.

At an Extraordinary General Meeting on 24 November 2020, it was decided to introduce a new three-year incentive programme aimed at the company's senior executives and other key employees, totalling 25 employees. The incentive programme comprises a maximum of 400,000 warrants, entitling the holder to subscribe for a maximum of the corresponding number of shares. Balco's total cost for the incentive programme over its full term is expected to be approximately SEK 3 million. The programme involves a dilution corresponding to approximately 1.8 percent of the company's total number of shares. The senior executives of Balco have acquired 104,000 warrants with a total value of SEK 1,178,320.

At the Annual General Meeting of 25 May 2021, it was resolved to introduce a three-year incentive programme aimed at the company's senior executives and other key employees, totalling 11 employees. The incentive programme comprises a maximum of 200,000 warrants, entitling the holder to subscribe for a maximum of the corresponding number of shares. Balco's total cost for the incentive programme over its full term is expected to be approximately SEK 1.4 million. The programme involves a dilution corresponding to approximately 0.9 percent of the company's total number of shares. The senior executives of Balco have acquired 74,332 warrants with a total value of SEK 721,764.

At the Annual General Meeting of 24 May 2022, it was resolved to introduce a three-year incentive programme aimed at the company's senior executives and other key employees, totalling 41 employees.

The incentive programme comprises a maximum of 220,000 warrants, entitling the holder to subscribe for a maximum of the corresponding number of shares. Balco's total cost for the incentive programme over its full term is expected to be approximately SEK 1.6 million. The programme involves a maximum dilution corresponding to approximately 1.0 percent of the company's total number of shares. The senior executives of Balco have acquired 55,000 warrants with a total value of SEK 280,700.

The purpose of the incentive programme is to encourage broad share ownership among the company's key employees, facilitate recruitment, retain skilled and talented employees, ensure that the interests of key employees and the company's objectives are increasingly aligned, and increase motivation to achieve or exceed the company's financial targets.

In order to encourage participation in the programme, it was decided to subsidise participation in the form of a gross salary supplement. The level of salary supplement cannot exceed the gross amount invested by the participant. In the event that the Board of Directors decides on such a subsidy to the participants, it will be paid in connection with exercising the warrants and will, among other things, require that the participant at that time still remains employed by the company or other equivalent employment within the Balco Group, and holds his/her warrants. The subsidy for each participant shall amount to a maximum of the premium paid for the participant's warrants held at the time of payment.

Year	Number of warrants	Number of warrants exercised	Number of warrants expired	Total	Exercise price	Subscription period
2020/2023	400,000	0	0	400,000	99.20	16/12/2023-15/01/2024
2021/2024	200,000	0	0	200,000	107.70	25/05/2024-24/06/2024
2022/2025	220,000	0	0	220,000	79.40	01/09/2025-30/09/2025
	820,000	0	0	820,000		



GROUP NOTES

Note 11: Post-employment benefits

Accounting policies



Termination benefits

Termination benefits are payable when an employee's employment is terminated by the Group before the normal retirement date or when an employee accepts voluntary redundancy in exchange for such benefits.

The Group recognises termination benefits when it is demonstrably committed to terminating employees under a detailed formal plan without the possibility of withdrawal. Where the Group has made an offer to encourage voluntary redundancy, the redundancy payment is calculated based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

The amounts recognised in the income statement are as follows:

	2023	2022
Recognised in income statement:		
Cost of defined contribution pension plans	-15,351	-17,989
Income statement	-15,351	-17,989

For salaried personnel in Sweden, the ITP 2 plan's defined-benefit pension obligations for retirement and family pension are secured by an insurance policy with Alecta. According to a statement by the Financial Reporting Council, UFR 10 Accounting for the ITP 2 pension plan funded by insurance in Alecta, this is a multi-employer defined-benefit plan. For the financial years 2022 and 2023, the company did not have the information to account for its proportionate share of the plan's obligations, plan assets and expenses, which meant that the plan could not be accounted for as a defined-benefit plan. The ITP 2 pension plan,

which is covered by an insurance policy with Alecta, is therefore accounted for as a defined-contribution plan. The premium for the defined-benefit retirement and family pension is calculated on an individual basis and depends on, among other things, salary, previously earned pension and expected remaining period of service. Expected contributions for the next reporting period for ITP 2 insurance policies underwritten by Alecta amount to SEK 14,506 thousand (2022: SEK 17,000 thousand).

The collective funding ratio is the market value of Alecta's assets as a percentage of the insurance liabilities calculated according to Alecta's actuarial methods and assumptions, which do not comply with IAS 19. The collective funding ratio should normally be allowed to vary between 125 and 175 percent. If Alecta's collective funding ratio falls below 125 percent or exceeds 155 percent, measures must be taken to create the conditions for it to return to the normal range. With a low funding ratio, one measure could be to increase the price of newly subscribed benefits and benefit increases. If the funding ratio is too high, premium reductions could be introduced. At the end of 2023, Alecta's surplus in the form of the collective funding ratio was 157 percent (2022: 172 percent).

Premiums to Alecta are determined by assumptions about interest, longevity, operating costs and yield tax and are calculated so that the payment of constant premiums until the retirement date is sufficient for the full target benefit, based on the insured's current pensionable salary to be earned by then.

There is no set framework for how to deal with any losses that may arise, but in the first instance losses are to be covered by Alecta's collective funding capital and thus do not lead to increased costs through higher contractual premiums. There are also no rules on how any surpluses or deficits are to be distributed when the plan is wound up or a company leaves the plan.

In addition to the above-mentioned pension plan, the Group has only defined-contribution pension plans and endowment insurance.

Note 12: Transactions with related parties

Transactions with related parties

The Group's key personnel consist of the Board of Directors, the CEO and Group management, partly through their ownership in Balco and partly through their role as senior executives. Related parties also include the company's largest shareholders, the Hamrin family, represented on the Board by Carl-Mikael Lindholm, and Skandrenting, represented on the Board by Johannes Nyberg. Transactions with related parties are conducted on an arm's-length basis.

The following transactions have taken place with related parties:

Sale of goods and services	2023	2022
Sale of goods	0	0
Sale of services	0	0
Total	0	0

Purchase of goods and services	2023	2022
Purchase of goods	0	8
Purchase of services	0	0
Total	0	8

GROUP NOTES

Note 13: Investments in Group companies

Accounting policies



Subsidiaries

The Group's business acquisitions are accounted for using the acquisition method. The purchase consideration for the acquisition of a subsidiary comprises the fair value of the assets transferred, liabilities incurred and equity interests issued by the Group. The consideration also includes the fair value of all liabilities or assets arising from a contingent consideration agreement.

Parent company	31/12/2023	31/12/2022
Opening cost	702,459	683,197
Acquisitions	761,111	29,937
Contingent consideration remeasurement	-5,386	-10,675
Closing carrying amount	1,458,184	702,459

Name	Corp. ID	Reg'd office	Holding, %	31/12/2023		31/12/2022	
				Number of shares	Carrying amount	Number of shares	Carrying amount
Nordiska Balco AB	556325-3847	Växjö	100	1,548,176	567,910	1,548,176	567,910
- Balco Spolka. z o.o	5 961 747 062	Poland	100				
Balco AB	556299-4482	Växjö	100	500	573,736		
Balco AS	979 458 398	Norway	100	1,000	1,712		
Balco Ltd	5 280 899	UK	100	1	0		
Balco Balkonkonstruktionen GmbH	HRB9039	Germany	100	-	1,354		
Balco Balkonsystemen B.V	57577 978	Netherlands	100	200	173		
Balco Altaner AS	59222 401	Denmark	100	500,000	20,563		
Balco Oy	2706308-7	Finland	100	2,500	482		
Kronhjorten och Lodjuret Holding AB	559018-7489	Växjö	100	50,000	50		
TBO-Haglinds AB	556363-9631	Arboga	100	1,000	119,556		
- Arutex AB	556814-1575	Arboga	100				
Stora Fasad AB	556376-2185	Västerås	100	1,000	27,982	1,000	28,408
RK Teknik i Gusum AB	556414-3955	Gusum	100	1,000	71,244	1,000	76,205
- Fastigheter i Gusum AB	556857-5236	Gusum	100				
- Montage Partner i Sverige AB	559112-2170	Gusum	100				
Söderåsens Mur- och Kakel AB	556584-9725	Kågeröd	80	800	29,937	800	29,937
NMT Montageteknik i Norden AB	559056-8415	Sundsvall	100	2,000	43,484		
Total				2,108,177	1,458,184	1,550,976	702,460

A restructuring has taken place in 2023, whereby Nordiska Balco AB sold its shares in Balco AB and TBO-Haglinds AB to Balco Group AB. In addition, the company's holdings in Kronhjorten och Lodjuret Holding AB, Balco AS, Balco Ltd, Balco Balkonkonstruktionen GmbH, Balco Balkonsystemen B.V, Balco Altaner AS and Balco OY were distributed as dividends.

GROUP NOTES

Note 14: Acquisitions

f Acquisitions

Balco Group's aim is for the company to grow primarily organically through its own efforts, but acquisitions are also interesting if they help to strengthen Balco's competitiveness or can accelerate the pace of establishment in a market.

During the year, NMT Montageteknik i Norden AB was acquired.

Transaction costs for the acquisitions of NMT Montageteknik i Norden AB totalled SEK 735 thousand for financial and legal advice, which is reported as administrative expenses and an item affecting comparability.

NMT Montageteknik i Norden AB

On 2 March 2023, Balco entered into an agreement for the acquisition of all shares in NMT Montageteknik i Norden AB, a company in Sundsvall offering turnkey contracting with a focus on balcony renovation in northern Sweden, and specialising in the Renovation segment.

NMT had 11 employees and sales of approximately SEK 49 million in the most recent financial year. Balco paid SEK 42.8 million in cash for the shares. The acquisition was financed with existing cash and cash equivalents.

The acquisition strengthens and complements Balco Group's product and customer offering and market position in northern Sweden.

For more information, see the press release dated 2 March 2023.

The acquisition was completed on 2 October, and NMT was consolidated with effect from 1 March 2023.

The acquisition analysis presented in this annual report is final.

The consideration consists of the following components (SEK million)

Cash payment	42.8
Net assets acquired	-15.3
Goodwill	27.5

The following assets and liabilities were included in the acquisition (SEK million)

Cash and cash equivalents	6.1
Property, plant and equipment	1.6
Intangible assets	8.3
Receivables	12.1
Liabilities	-10.2
Deferred tax liabilities	-2.6

Net assets acquired 15.3

The consideration amounted to SEK 42.8 million. The acquisition had an effect of SEK 33 million on the Group's cumulative net sales from the date of acquisition. The net effect, after acquisition costs, on operating profit (EBITA) to date is SEK 0.8 million and on profit after tax SEK -2.5 million. If the acquisition had been completed on 1 January 2023, it would have had an effect of approximately SEK 45 million on the Group's net sales, SEK 1.2 million on operating profit (EBITA) and SEK -2 million on profit after tax. The acquisition analysis for NMT Montageteknik i Norden AB is final.

Goodwill arising in connection with the acquisition is attributable to the knowledge accumulated in the acquired company and to its well-established market position and thus expected profitability contribution to Balco Group.

The values allocated to intangible assets relate to trademarks and the order backlog. These have been measured at the discounted value of future cash flows. The order backlog is amortised on a straight-line basis over ten months. The year's amortisation of intangible assets for the acquisition amounts to SEK 3.3 million and future annual amortisation is estimated at SEK 0 million.

Balco Group acquires Riikku Group Oy

On 22 January 2024, Balco Group entered into an agreement for and completed the acquisition of all shares in Riikku Group Oy, one of Finland's leading providers of glazed balconies. The acquisition was consolidated with effect from 1 January 2024 and is expected to contribute positively to earnings per share throughout the full year 2024.

Through the acquisition, Balco Group establishes a strong position in the Finnish balcony market and strengthens its offering in the New Build segment. The acquisition also strengthens Balco Group's market position in the Nordics, in line with the Group's long-term strategy.

Riikku Group Oy

Riikku Group Oy was founded in 2005 and is one of Finland's two largest providers of glazed balconies. The company primarily works in the New Build segment, but also services the Renovation segment. Riikku's head office is located in Alavus, Finland, with sales offices in several Finnish cities and subsidiaries in Sweden, Norway, and Finland.

The Riikku Group had a net sales of approximately EUR 40 million in 2023 with an operating margin just below that of Balco Group. Riikku has a modern and well-invested production facility of around 7,500 sq.m. in Alavus. Riikku and its subsidiaries will remain under the management of its existing leadership team with Joakim Petersen-Dyggve as CEO.

The consideration consists of the following components (SEK million)

Cash payment	78.5
Present value of future payments	39.2
Net assets acquired	-117.7
Goodwill	0.0

The following assets and liabilities were included in the acquisition (SEK million)

Cash and cash equivalents	2.2
Property, plant and equipment	64.3
Intangible assets	104.6
Inventories	15.9
Receivables	84.3
Liabilities	-133.8
Deferred tax liabilities	-19.8

Net assets acquired 117.7

The agreed consideration amounts to EUR 15 million on a cash and debt-free basis. EUR 3 million will be paid in the form of newly issued shares to Riikku Group's previous owner. The remaining EUR 12 million will be financed with cash, half of which was paid when the acquisition was finalised. The remaining half will be paid over the next four years at a rate of one-quarter per year.

Goodwill arising in connection with the acquisition is attributable to the knowledge accumulated in the acquired company and to its well-established market position and thus expected profitability contribution to Balco Group.

The values allocated to intangible assets relate to trademarks and the order backlog. These have been measured at the discounted value of future cash flows. The order backlog is amortised on a straight-line basis over one year.

The acquisition analysis presented in this annual report is preliminary.

GROUP NOTES

Note 15: Intangible assets

Accounting policies

Goodwill

Goodwill arising on business combinations is initially measured at the amount by which the total purchase consideration, plus the fair value of any non-controlling interest, exceeds the fair value of the identifiable assets acquired and liabilities assumed.

In order to test for impairment, goodwill acquired in a business combination is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from synergies from the acquisition. Each unit or group of units to which goodwill has been allocated corresponds to the lowest level in the Group on which the goodwill item in question is monitored in internal control. The Group's operations are divided into two different segments: Renovation and New Build. Goodwill is tested for impairment each year or more frequently if events or changes in circumstances indicate a possible decrease in value. The carrying amount of goodwill is compared with the recoverable amount, which is the higher of value in use and fair value less costs to sell. Any impairment is recognised immediately as an expense and is not reversed.

Trademarks, Acquired order backlog, Patents and Licences

Separately acquired trademarks, order backlogs, patents and licences are recognised at cost less accumulated amortisation and any impairment. They are amortised on a straight-line basis over their estimated useful lives. Amortisation is based on the estimated useful lives set out below and corresponds to the estimated time in which they are expected to generate cash flow. The Group's trademarks have been assessed as having an indefinite useful life. The useful life is considered indefinite as the trademarks are well-established in the market. The Group

intends to retain and develop these trademarks. The item is tested annually to identify any impairment and is recognised at cost less any impairment; see also Impairment of non-current financial assets.

Patents.....	10 years
Capitalised development expenses	5 years
Licences	4 years
Order backlog.....	1-3 years

Impairment of non-financial non-current assets

Assets with an indefinite useful life, goodwill and trademarks, are not amortised but instead are tested for impairment each year. Assets that are amortised are tested for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Impairment is recognised as the amount by which the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For impairment testing, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Impairment testing of goodwill and trademarks is carried out at operating segment level.

Significant estimates and assessments

Impairment testing of goodwill and trademarks

The Group assesses annually whether there is an indication of an impairment of goodwill and trademarks, in accordance with the accounting policy described above. The recoverable amounts of cash-generating units have been determined by calculating the value in use.

Management assesses the business based on the company's segments, which correspond to the lowest cash-generating units. Renovation and New Build have been identified as the main segments. Goodwill and trademarks have been monitored by management at operating segment level since 2016. A summary of goodwill by operating segment and trademarks by operating segment is presented below.

The recoverable amount of a cash-generating unit (CGU) has been determined based on value-in-use calculations. These calculations use estimated future pre-tax cash flows based on financial plans approved by management and covering a five-year period. Cash flows beyond the five-year period are extrapolated using estimated growth rates as indicated below. The growth rate does not exceed the long-term growth rate of the balcony market in which the CGU concerned operates. For significant assumptions used in the value-in-use calculations, see the table on page 83.

Sensitivity analysis for goodwill

The recoverable amount exceeds the carrying amount of goodwill by a good margin.

No reasonably possible change in key assumptions would result in impairment.

No impairment of goodwill and/or trademarks has been identified for any of the years.

GROUP NOTES

Intangible assets

2022	Goodwill	Trademarks	Acquired order backlog	Licences	Capitalised development expenses	Ongoing development	Total
Opening carrying amount	447,977	103,262	853	4,005	0	1,738	557,835
Acquisitions	0	0	0	-37	0	7,238	7,201
Increase through business acquisitions	9,304	19,863	972	0	0	0	30,139
Reclassification	0	0	0	1,481	0	-2,470	-989
Sales and disposals	0	0	0	-3,680	0	0	-3,680
Exchange difference, cost of acquisition	547	887	0	242	0	17	1,693
Amortisation/impairment	0	0	-1,043	-1,635	0	0	-2,678
Amortisation, disposals	0	0	0	3,680	0	0	3,680
Exchange difference, amortisation	0	0	0	-122	0	0	-122
Closing carrying amount	457,827	124,012	782	3,933	0	6,523	593,078
31 December 2022							
Cost of acquisition	457,827	124,012	9,575	9,579	0	6,523	607,516
Accumulated amortisation	0	0	-8,792	-5,647	0	0	-14,439
Closing carrying amount	457,827	124,012	783	3,933	0	6,523	593,078
2023	Goodwill	Trademarks	Acquired order backlog	Licences	Capitalised development expenses	Ongoing development	Total
Opening carrying amount	457,827	124,012	783	3,933	0	6,523	593,078
Acquisitions	0	0	0	420	0	5,216	5,637
Increase through business acquisitions	27,420	4,900	3,378	0	0	0	35,698
Reclassification	0	0	0	684	8,289	-8,973	0
Sales and disposals	0	0	0	0	0	0	0
Exchange difference, cost of acquisition	-87	-56	0	42	0	20	-81
Amortisation/impairment	0	0	-4,160	-1,805	-1,029	0	-6,994
Amortisation, disposals	0	0	0	0	0	0	0
Exchange difference, amortisation	0	0	0	-5	0	0	-5
Closing carrying amount	485,160	128,856	0	3,270	7,260	2,787	627,332
31 December 2023							
Cost of acquisition	485,160	128,856	12,952	10,726	8,289	2,787	648,770
Accumulated amortisation	0	0	-12,952	-7,456	-1,029	0	-21,438
Closing carrying amount	485,160	128,856	0	3,270	7,260	2,787	627,332

Amortisation of intangible assets by function	2023	2022
Production and project costs	-6,069	-1,857
Distribution costs	-275	-253
Administrative expenses	-650	-568
Total	-6,994	-2,678

Goodwill

2022	Renovation	New Build	Total
Opening carrying amount	440,689	7,288	447,977
Exchange difference, cost of acquisition	536	11	547
Acquisitions	6,978	2,326	9,304
Closing carrying amount	448,202	9,625	457,827
2023	Renovation	New Build	Total
Opening carrying amount	448,203	9,625	457,828
Exchange difference, cost of acquisition	-86	-2	-88
Acquisitions	27,420	0	27,420
Closing carrying amount	475,537	9,623	485,160

Intangible assets by geographical market	2023	2022
Sweden	607,507	573,110
Rest of Scandinavia	18,338	18,388
Rest of Europe	1,486	1,580
Total	627,332	593,078

Trademarks

2022	Renovation	New Build	Total
Opening carrying amount	94,848	8,414	103,262
Exchange difference, cost of acquisition	842	44	887
Acquisitions	14,897	4,966	19,863
Closing carrying amount	110,588	13,424	124,012
2023	Renovation	New Build	Total
Opening carrying amount	110,587	13,424	124,011
Exchange difference, cost of acquisition	-52	-3	-55
Acquisitions	4,900	0	4,900
Closing carrying amount	115,435	13,421	128,856

	2023		2022	
	Renovation	New Build	Renovation	New Build
EBITDA margin ¹⁾	10.40%	6.60%	12.90%	8.80%
Annual growth rate ²⁾	9.60%	10.90%	7.00%	7.00%
Discount rate ³⁾	10.95%	10.95%	9.87%	9.87%
Long-term growth rate ⁴⁾	3.00%	3.00%	3.00%	3.00%

1) Budgeted EBITDA margin

2) Average growth rate over the five-year forecast; based on historical performance and management's assessment of market trends.

3) The post-tax discount rate is used in the present value calculation of estimated future cash flows.

4) Weighted average growth rate used for extrapolation of cash flows beyond the budget period.

GROUP NOTES

Note 16: Right-of-use assets

Accounting policies

The Group's leases relate mainly to premises, plant and machinery, vehicles and other equipment.

Leases are recognised as a right-of-use asset and a corresponding liability on the date on which the leased asset is available for use by the Group. Each lease payment is apportioned between the finance charge and repayment of the lease liability. The finance charge is allocated over the lease term in such a way as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the useful life of the asset and the lease term.

Lease liabilities include the present value of the following lease payments:

- Fixed payments
- Variable lease payments that depend on an index
- Amounts expected to be payable under residual value guarantees
- The exercise price of a purchase option if the Group is reasonably certain to exercise such an option.

Lease payments are discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the incremental borrowing rate. The incremental borrowing rate is the interest rate that the individual lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

Right-of-use assets are measured at cost, which includes:

- The amount of the initial measurement of the lease liability.
- Payments made on or before the date on which the leased asset is made available for use by the lessee.

Lease payments relating to short-term leases and leases where the underlying asset has a low value are recognised as an expense on a straight-line basis over the lease term. Short-term leases are contracts with a lease term of 12 months or less and are mainly for scaffolding rental for assembly on construction sites. These are recognised as production and project costs. Leases for which the underlying asset is of low value relate mainly to IT equipment and office machines which are recognised as administrative expenses.

Extension and termination options

Options to extend and terminate contracts are included in a number of the Group's leases for buildings and equipment. The conditions are used to maximise flexibility in the management of the assets used in the Group's operations. The vast majority of the options allowing for the extension and termination of contracts can only be exercised by the Group and not by the lessors.

In determining the lease term, management considers all available information that creates an economic incentive to exercise an option to extend the lease or not to exercise an option to terminate the lease.

Options to extend a lease are included in the lease term only if it is reasonably certain that the contract will be extended (or not terminated).

For leases of warehouses, machinery and equipment, the following factors are normally the most significant:

- If a contract includes significant penalties for terminating the lease (or not extending it), the Group normally considers it reasonably certain that the lease will be extended (or not terminated).
- If the Group has made leasehold improvements and expects the leases to have a significant residual value, it is usually reasonably certain that the leases will be extended (or not terminated).

- The Group also considers other factors, including the historical lease term and the costs and business interruption required to replace the leased asset.

The majority of extension options relating to leases of office premises and vehicles have not been included in the lease liability, as the Group can replace the assets without significant cost or disruption to its operations.

The lease term is reassessed if an option is exercised (or not exercised) or if the Group is required to exercise (or not exercise) the option. Reasonable certainty is reassessed only if there is a significant event or change in circumstances that affects that assessment and the change is within the lessee's control.



GROUP NOTES

Right-of-use assets

2022	Premises	Plant and machinery	Vehicles and other equipment	Total
Opening carrying amount	24,210	2,029	13,418	39,657
New contracts	68,107	701	11,839	80,646
Exchange difference, cost of acquisition	897	1	550	1,448
Completed contracts	-13,771	-112	-840	-14,724
Depreciation	-11,317	-1,157	-11,251	-23,725
Exchange difference, depreciation	-662	-1	-299	-962
Closing carrying amount	67,463	1,460	13,418	82,340
2023	Premises	Plant and machinery	Vehicles and other equipment	Total
Opening carrying amount	67,462	1,461	13,418	82,340
New contracts	178	0	1,450	1,628
Exchange difference, cost of acquisition	-185	-6	-42	-233
Completed contracts	4,750	332	1,883	6,965
Depreciation	-12,076	-706	-7,622	-20,404
Exchange difference, depreciation	148	0	51	199
Closing carrying amount	60,278	1,081	9,136	70,495

Depreciation of right-of-use assets by function	2023	2022
Production and project costs	-12,251	-13,659
Distribution costs	-7,843	-9,340
Administrative expenses	-310	-726
Total	-20,404	-23,725

Right-of-use assets by geographical market	2023	2022
Sweden	65,701	75,016
Rest of Scandinavia	2,775	3,062
Rest of Europe	2,019	4,263
Total	70,495	82,340

Lease liabilities	31/12/2023	31/12/2022
Non-current	51,207	63,312
Current	19,013	19,954
Total	70,220	83,266

See note 28 Financial instruments for further information on the maturity structure of lease liabilities.

	2023	2022
Interest expense on leases included in finance costs	-1,538	-1,837
Expenses attributable to short-term leases	-15,928	-18,194
Expenses attributable to low-value but not short-term leases	-242	-88

Total cash flow for leases was SEK 23,235 thousand during the year (2022: SEK 25,924 thousand), of which SEK 21,697 thousand (2022: SEK 24,087 thousand) was operating cash flow and SEK 1,538 thousand (2022: SEK 1,837 thousand) was financial cash flow.

GROUP NOTES

Note 17: Property, plant and equipment

Accounting policies

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. Land and projects in progress are not depreciated.

For other assets, depreciation is applied on a straight-line basis as follows:

Buildings	10-25 years
Land improvements	25 years
Specialised complex installations.....	10 years
Machinery and other plant	5-10 years
Equipment, tools, fixtures and fittings	5 years

Property, plant and equipment is recognised as an asset in the balance sheet when, on the basis of the information available, it is probable that future economic benefits associated with the item will flow to the Group/company and the cost of the item can be measured reliably.

Property, plant and equipment is recognised at cost less accumulated depreciation and any impairment.

Cost comprises the purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be used in accordance with the purpose for which it was acquired.

The carrying amount of an item of property, plant and equipment item is derecognised on retirement or disposal or when no future economic benefits are expected from its use. The gain or loss on the sale or disposal consists of the selling price and the carrying amount of the asset less direct costs of disposal. The gain or loss is recognised as other operating income/expenses.

2022	Land and buildings	Machinery and other plant	Equipment, tools, fixtures and fittings	Construction in progress	Total
Opening carrying amount	104,306	27,666	18,865	1,003	151,840
Acquisitions	1,010	79	1,511	14,339	16,938
Increase through business acquisitions	2,608	0	1,763	0	4,371
Reclassifications	1,586	5,854	2,465	-10,653	-749
Sales and disposals	0	-13,785	-6,231	0	-20,016
Exchange difference, cost of acquisition	3,286	1,772	869	81	6,008
Depreciation/impairment	-3,719	-5,869	-6,009	0	-15,597
Depreciation, disposals	0	13,550	6,208	0	19,758
Depreciation, through business acquisitions	-152	0	-1,337	0	-1,489
Exchange difference, depreciation	-365	-1,272	-639	0	-2,276
Closing carrying amount	108,559	27,995	17,465	4,770	158,788
31 December 2022					
Cost of acquisition	129,803	86,468	52,610	4,770	273,651
Accumulated depreciation	-21,243	-58,473	-35,146	0	-114,862
Closing carrying amount	108,559	27,995	17,465	4,770	158,789

2023	Land and buildings	Machinery and other plant	Equipment, tools, fixtures and fittings	Construction in progress	Total
Opening carrying amount	108,559	27,995	17,465	4,770	158,789
Acquisitions	345	5,031	1,482	5,926	12,784
Increase through business acquisitions	0	0	3,673	0	3,673
Reclassifications	19	3,795	3,527	-6,727	614
Sales and disposals	0	-1,430	-352	0	-1,782
Exchange difference, cost of acquisition	4,146	1,459	698	112	6,414
Depreciation/impairment	-3,943	-7,059	-5,912	0	-16,914
Depreciation, disposals	0	1,427	345	0	1,772
Depreciation, through business acquisitions	0	0	-1,516	0	-1,516
Exchange difference, depreciation	-496	-882	-526	0	-1,905
Closing carrying amount	108,631	30,334	18,883	4,081	161,929
31 December 2023					
Cost of acquisition	134,314	95,322	62,595	4,081	296,310
Accumulated depreciation	-25,683	-64,988	-43,711	0	-134,382
Closing carrying amount	108,631	30,334	18,883	4,081	161,929

Depreciation of property, plant and equipment by function	2023	2022
Production and project costs	-15,122	-13,271
Distribution costs	-466	-501
Administrative expenses	-1,325	-1,826
Total	-16,914	-15,597

Property, plant and equipment by geographical market	31/12/2023	31/12/2022
Sweden	99,783	99,115
Rest of Scandinavia	124	343
Rest of Europe	62,022	59,330
Total	161,929	158,789

GROUP NOTES

Note 18: Inventories

Accounting policies

Inventories are measured at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The risk of obsolescence has been taken into account.



	31/12/2023	31/12/2022
Materials and supplies	51,492	58,446
Total	51,492	58,446

The item production and project costs includes costs of inventories amounting to SEK 31,230 thousand (2022: 51,085 thousand). Other income statement items include costs of inventories amounting to SEK 0 thousand (2022: SEK 0 thousand). Inventories in the Group have been written down by SEK 893 thousand (2022: SEK 867 thousand) during the period.

Note 19: Trade receivables

Accounting policies

Trade receivables are generally due within 30 days and all trade receivables are therefore classified as current assets. Trade receivables are initially recognised at the transaction price. The Group holds the trade receivables for the purpose of collecting contractual cash flows and therefore measures them at subsequent reporting dates at amortised cost using the effective interest method.

The loss allowance and reversals of the loss allowance for doubtful receivables are included in the item project and production costs in the income statement.



Significant estimates and assessments

The loss allowance for financial assets is based on assumptions about the risk of default (e.g. due to financial difficulties of customers such as bankruptcy, or financial reorganisation) and expected loss levels. The Group makes its own judgements for assumptions and choice of inputs to the impairment calculation. These are based on historical data, known market conditions and forward-looking estimates at the end of each reporting period.

Past-due trade receivables include trade receivables related to both current and completed projects. Delayed payments may be related to the implementation of the project, which means that past-due trade receivables vary over time. The Group also works with credit insurance and various forms of collateral from clients, to reduce the risk in trade receivables.



	31/12/2023	31/12/2022
Trade receivables	140,570	178,645
Less: loss allowance	-2,596	-3,850
Trade receivables – net	137,974	174,795

The ageing analysis of these trade receivables is shown below:

31/12/2023	SEK thousand	%
Not due	83,722	61%
1-30 days	32,026	23%
31-60 days	5,289	4%
> 60 days	16,937	12%
Total trade receivables	137,974	100%

31/12/2022	SEK thousand	%
Not due	138,149	79%
1-30 days	22,322	13%
31-60 days	4,337	2%
> 60 days	9,988	6%
Total trade receivables	174,795	100%

Changes in the loss allowance for impaired trade receivables are as follows:

	31/12/2023	31/12/2022
Opening carrying amount	-3,850	-2,791
Loss allowance	-554	-1,865
Receivables written off as uncollectible during the year	9	805
Reversal of unused amounts	1,798	0
Closing carrying amount	-2,596	-3,850

GROUP NOTES

Note 20: Contract assets and contract liabilities

Accounting policies

In connection with construction contracts (see the note on Revenue recognition), the Group incurs items in the balance sheet related to the status of the relationship between work performed and consideration received from the customer. In the balance sheet, the Group presents the position of each contract on a net basis, as either an asset or a liability. A contract is an asset when the revenue earned (net of recognised losses) exceeds the amount invoiced and is recognised in the balance sheet under Contract assets. The Group recognises a liability when the opposite relationship exists and is presented in the balance sheet under Contract liabilities.



Significant estimates and assessments



Trade receivables and contract assets

The loss allowance for financial assets is based on assumptions about the risk of default (e.g. due to financial difficulties of customers such as bankruptcy, or financial reorganisation) and expected loss levels. The Group makes its own judgements for assumptions and choice of inputs to the impairment calculation. These are based on historical data, known market conditions and forward-looking estimates at the end of each reporting period.

Contract reserve

The Group continually tests the value of reserves in relation to the estimated requirement. A provision is recognised based on historical statistics on deficient products and completed projects.

The contract reserve accounted for 0.5 percent of net sales on 31 December 2023 (2022: 0.5 percent) and is reported under Contract assets.

	31/12/2023	31/12/2022
Contract assets	177,147	111,941
Contract liabilities	-49,951	-124,895
Net	127,196	-12,954

At 31 December 2023, the closing order backlog was SEK 1,074 million (2022: SEK 1,275 million). The average project time from customer receipt of planning permission is 3-12 months. The time until the customer receives planning permission varies for each project.

Amounts withheld by the client totalled SEK 0 thousand (2022: SEK 0 thousand).

2022	Accumulated contract costs	Less invoiced amounts	Costs to fulfil contracts	Net amount in balance sheet for current contracts
Opening carrying amount	1,532,312	-1,482,100	18,411	68,623
New contracts for the year	561,376	-652,651	28,564	-62,711
Completed contracts for the year	-752,367	764,676	-31,175	-18,866
Closing carrying amount	1,341,321	-1,370,075	15,800	-12,954

2023	Accumulated contract costs	Less invoiced amounts	Costs to fulfil contracts	Net amount in balance sheet for current contracts
Opening carrying amount	1,341,321	-1,370,075	15,800	-12,954
New contracts for the year	834,508	-703,703	6,325	137,130
Completed contracts for the year	-796,909	824,960	-25,031	3,020
Closing carrying amount	1,378,920	-1,248,818	-2,906	127,196

Note 21: Other current receivables

	31/12/2023	31/12/2022
VAT recoverable	1,495	4,556
VAT deposits	1,120	1,515
Other	6,022	22,283
Total	8,637	28,354

Note 22: Prepaid expenses and accrued income

	31/12/2023	31/12/2022
Prepaid invoices	9,307	11,672
Deposit for premises	2,581	443
Other	1,860	510
Total	13,748	12,625

Note 23: Cash and cash equivalents

Cash and cash equivalents consist entirely of bank deposits. In the first instance, the Group applies a cash pool solution to manage variations in payment flows within the Group. The Parent company is the sole counter-party to the bank.

GROUP NOTES

Note 24: Equity

Accounting policies



Basic earnings per share

Basic earnings per share before is calculated by dividing:

- Profit for the year attributable to Parent company shareholders
- by the weighted average number of shares outstanding during the period.

Diluted earnings per share

To calculate diluted earnings per share, the amounts used to calculate the basic figure are adjusted by taking into account:

- the weighted average of additional ordinary shares that would have been outstanding, had all potential ordinary shares been converted.

Share capital

Ordinary shares are classified as equity.

Amounts in SEK	2023	2022
Basic earnings per share	2.12	3.48
Diluted earnings per share	2.12	3.44

Share capital

As of the end of December 2023, the number of shares in in Balco amounted to 21,909,348. Balco has one class of shares and each share has the same voting value and confers the same right to dividends. One share has a quota value of SEK 6.0002 and the share capital thus amounts to SEK 131,461,248.

Note 25: Other liabilities

	31/12/2023	31/12/2022
Personnel taxes	5,212	7,547
VAT liability	8,517	20,748
Other	14,788	6,611
Total	28,517	34,906

Note 26: Accrued expenses and deferred income

	31/12/2023	31/12/2022
Personnel liabilities	46,487	50,739
Other	14,917	10,404
Total	61,404	61,143



GROUP NOTES

Note 27: Interest-bearing liabilities

Accounting policies



Borrowings

Liabilities to credit institutions are initially recognised at fair value, net of transaction costs. Borrowings are subsequently recognised at amortised cost. Any difference between the amounts received (net of transaction costs) and the repayment amount is reported in the income statement, distributed across the term of the loan, by applying the effective interest method.

Borrowings are removed from the balance sheet when the obligations have been discharged, cancelled or extinguished in some other way. The difference between the carrying amount of a financial liability (or part of a financial liability) that is extinguished or transferred to another party and the consideration paid, including non-cash assets transferred or liabilities assumed, is recognised in the income statement.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer payment of the liability for at least 12 months after the end of the reporting period.

	31/12/2023	31/12/2022
Non-current		
Liabilities to credit institutions	174,200	72,636
Lease liabilities	51,207	63,312
Total non-current borrowings	225,407	135,948
Current		
Liabilities to credit institutions	0	795
Lease liabilities	19,013	19,954
Total current borrowings	19,013	20,749
Total borrowings	244,420	156,697

Borrowings from credit institutions	Carrying amount 31/12/2023	Date of maturity
Danske bank	174,200	12/10/2026
Total borrowings from credit institutions	174,200	

Borrowings from credit institutions	Closing balance 31/12/2022	Date of maturity
Danske bank	72,326	12/10/2024
AGCO Finance	1,105	30/06/2027
Total borrowings from credit institutions	73,431	

Liabilities to credit institutions

The Group's borrowings are in SEK and PLN, and comprise a revolving credit facility from Danske Bank totalling SEK 510 million. The maturity date of this credit is 12 October 2026. Interest on the loans is determined by applying a margin considering the development of market interest rates with a three-month fixed interest period, in accordance with the banking agreements in force.

The fair value of borrowings correspond to the carrying amount, as the discounting effect is not material.

Credits

There is a credit overdraft facility in SEK.

Unutilised credit overdraft facilities amount to SEK 71,554 thousand (2022: SEK 75,000 thousand).

Lease liabilities

Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of non-payment.

Covenants

In 2023, the Group will meet all its commitments under the covenants in force with the bank. There are two covenants, which are measured and reported on quarterly:

- Interest coverage ratio (Adjusted EBITDA in relation to interest paid)
- Net debt to adjusted EBITDA

Change in debt

	01/01/2023	Cash flow	Transactions not affecting cash flow				31/12/2023
			Acquisitions	Accumulated interest	Currency effect	Leases	
Current liabilities to credit institutions	795	-795	0	0	0	0	0
Non-current liabilities to credit institutions	72,636	100,000	0	0	1,564	0	174,200
Other non-current liabilities	18,392	0	-17,013	0	0	0	1,379
Lease liabilities	83,266	-23,235	0	1,538	-34	8,686	70,220
Total liabilities related to financing activities	175,089	75,970	-17,013	1,538	1,530	8,686	245,799

	01/01/2022	Cash flow	Transactions not affecting cash flow				31/12/2022
			Acquisitions	Accumulated interest	Currency effect	Leases	
Current liabilities to credit institutions	380	415	0	0	0	0	795
Non-current liabilities to credit institutions	171,727	-99,675	0	0	584	0	72,636
Other non-current liabilities	28,331	736	-10,675	0	0	0	18,392
Lease liabilities	42,392	-25,924	0	1,845	460	64,493	83,266
Total liabilities related to financing activities	242,830	-124,448	-10,675	1,845	1,044	64,493	175,089

GROUP NOTES

Note 28: Financial instruments

Accounting policies

Classification

The Group classifies its financial assets and liabilities into the following categories:

- Financial assets and liabilities at fair value through profit or loss, and
- Financial assets and liabilities at amortised cost,

The classification of investments in debt securities depends on the Group's business model for managing financial assets and the contractual terms of the assets' cash flows. The Group reclassifies debt instruments only when the Group's business model for the instruments changes.

Recognition and derecognition

Purchases and sales of financial assets are recognised on the trade date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the right to receive cash flows from the instrument has expired or has been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Financial liabilities are removed from the balance sheet when the obligations have been discharged, cancelled or extinguished in some other way. The difference between the carrying amount of a financial liability that is extinguished or transferred to another party and the consideration paid, including non-cash assets transferred or liabilities assumed, is recognised in the statement of comprehensive income.

The Group also derecognises a financial liability when the contractual terms are modified and the cash flows from the modified liability are materially different. In these cases, a new financial liability is recognised at fair value based on the modified conditions. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate.

Measurement

Financial assets are initially measured at fair value plus, where the asset is not measured at fair value through profit or loss, transaction costs directly attributable to the purchase. Transaction costs directly attributable to financial assets at fair value through profit or loss are expensed directly in the income statement.

Investments in debt securities (trade and other long-term receivables)

Subsequent measurement depends on the Group's business model for managing the asset and the nature of the cash flows generated by the asset. The Group classifies its investments in debt securities as in the amortised cost measurement category.

- At amortised cost: Assets held for the purpose of collecting contractual cash flows that are solely payments of principal and interest are measured at amortised cost. Interest income on such financial assets is recognised as finance income using the effective interest method. Gains and losses arising on derecognition are recognised directly in profit or loss within other gains and losses, together with foreign exchange gains and losses.
- At fair value through profit or loss: Assets that do not qualify for recognition at amortised cost are measured at fair value through profit or loss. A gain or loss on a debt security that is measured at fair value through profit or loss under the item production and project costs and that is not part of a hedging relationship is recognised net in the income statement in the period in which the gain or loss arises.

Impairment losses on financial assets at amortised cost

The Group measures the future expected credit losses related to investments in debt instruments carried at amortised cost based on forward-looking information. The Group applies the simplified approach to measure expected credit losses. This involves measuring the loss allowance at an amount equal to lifetime expected credit losses for trade receivables and contract assets.

Offsetting of financial instruments

A financial asset and a financial liability may be offset and the net amount presented in the balance sheet only when there is a legal right to set off the recognised amounts and there is an intention either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Derivative instruments

Derivative instruments are held for economic hedging purposes only and not for speculative purposes. The Group does not apply hedge accounting. Derivative instruments are classified as held for trading and are measured at fair value through profit or loss.

Derivative instruments are recognised in the balance sheet on the trade date and are measured at fair value, both initially and on subsequent remeasurement. The fair value of a derivative instrument is classified as a non-current asset or non-current liability when the remaining maturity of the hedged item is more than 12 months and as a current asset or current liability when the remaining maturity of the hedged item is less than 12 months.

Trade payables

Trade payables refer to obligations to pay for goods and services acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if they fall due within one year. If they do not, they are classified as non-current liabilities. Trade payables are carried at nominal amounts. The carrying amounts of trade payables are assumed to be equal to their fair value, as this item is short-term in nature.

Contingent consideration

Financial liabilities are measured at fair value through profit or loss if they are a contingent consideration under IFRS 3, held for trading or if they are initially designated as a liability at fair value through profit or loss.



GROUP NOTES

Financial instruments

31 December 2023	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Borrowings(excl. lease liabilities)	2,471	7,414	19,771	183,698 ¹	0
Lease liabilities	4,836	14,507	10,299	22,154	27,218
Contingent consideration	0	7,800	0	0	0
Derivative instruments	0	0	0	0	0
Trade and other payables	91,043	0	0	0	0
Total	98,350	29,721	30,070	205,852	27,218

1) Matures 12/10/2026

31 December 2022	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Borrowings(excl. lease liabilities)	931	3,589	85,201 ²	0	0
Lease liabilities	5,078	15,234	12,496	23,363	34,023
Contingent consideration	0	0	17,668	0	0
Derivative instruments	0	3,247	0	0	0
Trade and other payables	122,758	0	0	0	0
Total	128,767	22,070	115,365	23,363	34,023

2) Matures 12/10/2024 with option to extend 1-2 years

Capital accounting

The Group assesses capital on the basis of adjusted operating profit excluding depreciation and amortisation (EBITDA), with capital limited to external financing, Net debt in relation to EBITDA. This key ratio is calculated as EBITDA divided by the Group's external loan debt. External loan debt is defined as current and non-current borrowings less cash and cash equivalents and excluding lease liabilities. Interest-bearing net debt shall not exceed 2.5 times operating profit before depreciation and amortisation (EBITDA), other than temporarily.

	31/12/2023	31/12/2022
Total borrowing	244,420	156,697
Of which liabilities to credit institutions	174,200	73,431
Of which lease liabilities	70,220	83,266
Less: cash and cash equivalents	-2,805	-51,865
Less: lease liabilities	-70,220	-83,266
External loan debt	171,395	21,566
Adjusted EBITDA	127,362	146,638
Lease amortisation	-20,247	-23,431
EBITDA excluding leases	107,115	123,207
External loan debt/EBITDA	1.60	0.18

Contingent consideration

In connection with acquisitions, Balco sometimes agrees to contingent consideration. Contingent consideration in the balance sheet amounted to SEK 7.8 (17.7) million on 31 December 2023. These agreements are conditional on the acquired companies achieving certain earnings growth over time. The contingent consideration liability in the balance sheet reflects management's best estimate of the future outcome.

In the event that these companies develop better or worse than the management's estimate, the difference will be recognised in profit or loss.

	31/12/2023	31/12/2022
Opening carrying amount	17,668	28,343
Remeasurement in income statement	214	592
Contingent consideration paid	-4,482	0
Reversed in income statement	-5,600	-11,268
Closing carrying amount	7,800	17,668

This means that the fair value measurement is essentially based on unobservable inputs (Level 3 as defined in IFRS 13).

Total outstanding consideration as of 31 December 2023 amounts to SEK 7.8 (17.7) million, of which SEK 7.8 (17.7) million is contingent consideration. The contingent consideration liability is in SEK. Consideration recognised as a liability is due for payment in 2024.

GROUP NOTES

■ The following table shows the Group's assets and liabilities measured at fair value as at 31 December 2023

	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit or loss				
Derivative instruments held for trading				
- Currency derivatives	0	0	0	0
Total assets	0	0	0	0
Liabilities				
Financial liabilities at fair value through profit or loss				
Other non-current liabilities	0	1,379	0	1,379
Derivative instruments held for trading				
- Currency derivatives	0	0	0	0
Total liabilities	0	1,379	0	1,379

■ The following table shows the Group's assets and liabilities measured at fair value as at 31 December 2022

	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit or loss				
Derivative instruments held for trading				
- Currency derivatives	0	1,443	0	1,443
Total assets	0	1,443	0	1,443
Liabilities				
Financial liabilities at fair value through profit or loss				
Other non-current liabilities	0	0	18,392	18,392
Derivative instruments held for trading				
- Currency derivatives	0	3,247	0	3,247
Total liabilities	0	3,247	18,392	21,639

Fair value measurement

The table on the left shows financial instruments measured at fair value, based on the classification in the fair value hierarchy. The different levels are defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (quoted prices for similar assets or liabilities) or indirectly (derived from quoted prices) (level 2).
- Inputs for the asset or liability not based on observable market data (i.e. unobservable inputs) (level 3)

There have been no transfers between level 1 and level 2 of the fair value hierarchy in any of the years.

Level 1 financial instruments

The fair value of financial instruments traded in an active market is based on quoted market prices at the reporting date. A market is considered active if quoted prices from an exchange, broker, industry group, pricing service or surveillance authority are readily and regularly available and these prices represent actual and regularly occurring market transactions at arm's length. The Group does not hold any financial instruments classified at level 1.

Level 2 financial instruments

The fair value of financial instruments that are not traded in an active market (e.g. OTC derivatives) is determined using valuation techniques. Market information is used as much as possible where available, while company-specific information is used as little as possible. If all significant inputs required for the fair value measurement of an instrument are observable, the instrument is classified at level 2.

Where one or more significant inputs are not based on observable market information, the instrument concerned is classified at level 3.

Specific valuation techniques used to measure financial instruments include:

- Quoted market prices or broker quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of estimated future cash flows based on observable yield curves.
- The fair value of forward exchange contracts is determined using forward exchange rates at the reporting date, with the resulting value discounted to present value.
- Other techniques, such as discounted cash flow calculations, are used to determine the fair value of the remaining financial instruments.

Level 3 financial instruments

The Group's contingent consideration liabilities related to acquisitions are measured at fair value. These items are recognised at fair value in the balance sheet with changes in value recognised in profit or loss.

Forward exchange contracts

The nominal amount of outstanding forward exchange rates at 31 December 2023 was SEK 0 thousand (2022: SEK 125,500 thousand). Forward exchange contracts that are not matched by the current currency exposure of projects and other activities are recognised as foreign exchange gains or losses under Production and project costs.

GROUP NOTES

Note 29: Financial risk management

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management policy focuses on the unpredictability of the financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative instruments to hedge certain risk exposures. Hedge accounting was not applied in 2022 or 2023.

Risk management is handled by a central finance department according to policies set by the Board of Directors. The Finance Department identifies, evaluates and hedges financial risks in close cooperation with the Group's operational units. The Board of Directors establishes written policies both for overall risk management and for specific areas, such as currency risk, interest rate risk, credit risk, use of derivative and non-derivative financial instruments and investment of excess liquidity.

Currency risk

The Group operates internationally and is exposed to currency risks arising from various currency exposures, mainly in Norwegian Kroner (NOK), Euro (EUR) and Danish Kroner (DKK) and to a lesser extent the Pound Sterling (GBP) and Polish Zloty (PLN). Currency risk arises from future business transactions, recognised assets and liabilities and net investments in foreign operations.

The Board of Directors has implemented a policy whereby the currency risk arising from future business transactions and recognised assets and liabilities is managed through the use of forward contracts by Group companies. Currency risk arises when future business transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.

If the Swedish krona had weakened/strengthened by 5 öre (5 percent) against the Norwegian krone with all other variables held constant, the net profit for the financial year would have been SEK 340 thousand (2022: SEK 3,375 thousand) higher/lower, mainly due to gains/losses on translation of trade receivables and payables in NOK, and financial assets and liabilities at fair value through profit or loss.

If the Swedish krona had weakened/strengthened by 50 öre (5 percent) against the euro, with all other variables held constant, the net profit for the financial year would have been SEK 190 thousand (2022: 1,035 thousand) lower/higher, mainly as a result of gains/losses on the translation of trade receivables and payables in EUR, and financial assets and liabilities at fair value through profit or loss.

If the Swedish krona had weakened/strengthened by 5 öre (4 percent) against the Danish krone with all other variables held constant, the net profit for the financial year would have been SEK 801 thousand (2022: SEK 187 thousand) higher/lower, mainly due to gains/losses on translation of trade receivables and payables in DKK, and financial assets and liabilities at fair value through profit or loss. Equity would be affected correspondingly.

Interest rate risk on cash flows and fair values

The Group's interest rate risk arises from long-term borrowings. Borrowings arranged at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash at variable rates. At the end of 2023, the Group's borrowings consisted of loans in Swedish kronor and Polish zloty, which bear interest at variable rates.

If interest rates on borrowings in Swedish kronor at 31 December 2023 had been 100 basis points (1.0 percent) higher/lower with all other variables constant, the net profit for the financial year would have been SEK 1,000 thousand (2022: SEK -395 thousand) lower/higher, mainly as an effect of higher/lower interest expenses for borrowings with variable interest rates. Equity would be affected correspondingly.

Credit risk

The Group has established guidelines to ensure that sales are made to customers with an appropriate credit history. A credit risk assessment of the customer is carried out before each project. The customer's financial position, historical finances and other factors are taken into account. Credit risk is managed by each company in accordance with the Group's credit instructions. Credit risk arises mainly from trade receivables and contract assets. Historically, the Group's credit losses are small. Payments are made according to a predetermined payment schedule. The credit period is generally 30 days. A policy exists to insure certain categories of customers.

Liquidity risk

Cash flow forecasts are prepared by the Group's operating companies and aggregated by the finance department. The Group closely monitors rolling cash reserve forecasts to ensure that it has sufficient cash resources to meet the needs of its ongoing operations while maintaining sufficient headroom on undrawn committed credit facilities (note 27) so that the Group does not breach borrowing limits or loan covenants (where applicable) on any of the Group's borrowing facilities.

The table in note 28, Financial instruments, analyses the Group's non-derivative financial liabilities and net derivative financial liabilities by the period remaining to the contractual maturity date at the reporting date. Derivative instruments that are financial liabilities are included in the analysis if their contractual maturity dates are material to understanding the timing of future cash flows. The amounts shown in the table are the contractual undiscounted cash flows.

Note 30: Pledged assets

	31/12/2023	31/12/2022
For own and Group company liabilities and provisions		
Property mortgages	0	1,090
Floating charges	2,000	2,300
Assets with retention of title	724	704
For own pension obligation	5,844	5,344
Other pledged assets	1,801	0
Total	10,369	9,438

Note 31: Contingent liabilities

In the Group, guarantees are provided for lease commitments in Balco Sp.Zo.o. In connection with construction contracts, security is often provided in the form of guarantees from banks, insurance companies or parent companies for performance. For Balco Group AB, SEK 157 million (2022: 345 million) concerns various guarantees for construction commitments entered into by subsidiaries.

GROUP NOTES

Note 32: Events after the reporting date

Acquisition of Riikku Group Oy

On 22 January 2024, Balco Group entered into an agreement and completed the acquisition of all shares in Riikku Group Oy, one of Finland's leading providers of glazed balconies. The acquisition was consolidated with effect from 1 January 2024 and is expected to contribute positively to earnings per share throughout the full year 2024.

Through the acquisition, Balco Group establishes a strong position in the Finnish balcony market and strengthens its offering in the New Build segment. The acquisition also strengthens Balco Group's market position in the Nordics, in line with the Group's long-term strategy.

Riikku Group Oy was founded in 2004 and is one of Finland's two largest providers of glazed balconies. The company primarily works in the New Build segment, but also services the Renovation segment. Riikku's head office is located in Alavus, Finland, with sales offices in several Finnish cities and subsidiaries in Sweden, Norway, and Finland. The Riikku Group had a net sales of approximately EUR 40 million in 2023 with an operating margin just below that of Balco Group. Riikku has a modern and well-invested production facility of around 7,500 sq.m. in Alavus. Riikku and its subsidiaries will remain under the management of its existing leadership team with Joakim Petersen-Dyggve as CEO.

The agreed consideration amounts to EUR 15 million on a cash and debt-free basis. EUR 3 million will be paid in the form of newly issued shares to Riikku's previous owner. The remaining EUR 12 million will be financed with cash, half of which was paid when the acquisition was finalised. The remaining half will be paid over the next four years at a rate of one-quarter per year. For further information see note 14.

Acquisition of Suomen ohutlevyasennus Oy

On 6 March 2024, Balco Group entered into an agreement and completed the acquisition of sixty (60) percent of the shares in Suomen ohutlevyasennus Oy, a Finnish turnkey contracting and facade company. The acquisition was consolidated with effect from 1 March 2024 and is expected to contribute positively to earnings per share throughout the full year 2024.

Through this acquisition, Balco Group further strengthens its position on the Finnish market and expands its offering in the renovation segment, as well as in turnkey contracting and

green transition. The acquisition also strengthens Balco Group's market position in the Nordics, in line with the Group's long-term strategy. Balco Group's most recent acquisition, Riikku, is a major supplier to Suomen ohutlevyasennus. Together, the two acquisitions establish the Group as a leader in Finland. Suomen ohutlevyasennus Oy was founded in 1984 and is a turnkey contractor specialising in facades. The projects primarily comprise facade renovation with additional insulation, and often installation of balcony glazing. Over 90 percent of the company's sales stem from the Renovation segment, and customers are typically housing cooperatives and construction companies. The company is located in Åbo, Finland and reported sales of approximately EUR 11 million in 2023, with a higher operating margin than Balco Group over the last few years. Suomen ohutlevyasennus will remain under the management of Jukka Stam and Mikko Jokinen, who are part owners.

The purchase consideration is financed in part with cash and in part with newly issued shares transferred to the previous owners of Suomen ohutlevyasennus. Balco Group retains an option to purchase the remaining 40 percent of the shares.



THE PARENT COMPANY'S INCOME STATEMENT AND BALANCE SHEET

Parent company income statement

Amounts in SEK thousands	Note	2023	2022
Net sales	38	26,364	25,984
Production and project costs		0	-1,070
Gross profit		26,364	24,914
Administrative expenses	10, 11, 35, 37	-24,704	-23,080
Operating profit		1,660	1,834
Capital gains/losses		37,879	0
Interest and similar income	34	6,915	3,306
Interest and similar expenses	34	-19,448	-8,075
Profit after financial items		27,006	-2,935
Appropriations, Group contributions received	39	47,850	62,000
Profit before tax		74,856	59,065
Tax on profit for the year	36	-7,741	-12,308
Profit for the year		67,115	46,757

In the Parent company there are no items recognised as other comprehensive income, and total comprehensive income is therefore consistent with the profit for the year.

Parent company balance sheet

Amounts in SEK thousands	Note	31/12/2023	31/12/2022
ASSETS			
Non-current assets			
Financial assets			
Investments in Group companies	13, 14	1,458,184	702,459
Other non-current receivables	40	3,413	3,063
Total non-current assets		1,461,597	705,522
Current assets			
Receivables from Group companies		89,659	126,298
Other receivables	41	211	13,209
Tax receivable		3,109	11,349
Prepaid expenses and accrued income	42	2,840	1,139
Cash and cash equivalents	23	0	46,301
Total current assets		95,819	198,296
TOTAL ASSETS		1,557,416	903,818

Amounts in SEK thousands	Note	31/12/2023	31/12/2022
EQUITY			
Restricted equity			
Share capital		131,461	131,461
Total restricted equity		131,461	131,461
Non-restricted equity			
Share premium reserve		406,339	406,327
Retained earnings		-97,956	-111,849
Profit for the year		67,115	46,757
Total non-restricted equity		375,498	341,235
Total equity		506,959	472,696
LIABILITIES			
Non-current liabilities			
Liabilities to credit institutions	45, 46	150,000	50,000
Other non-current liabilities	46	3,091	20,317
Total non-current liabilities		153,091	70,317
Current liabilities			
Trade payables		1,142	983
Liabilities to Group companies	46	874,676	351,968
Overdraft facility	27	3,446	0
Other liabilities	43	8,894	619
Accrued expenses and deferred income	44	9,208	7,235
Total current liabilities		897,366	360,805
TOTAL EQUITY AND LIABILITIES		1,557,416	903,818

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY AND CASH FLOWS

Parent company statement of changes in equity

Amounts in SEK thousands	Share capital	Share premium reserve	Retained earnings, incl. profit for the year	Total equity
Opening balance, 1 January 2022	131,461	405,111	-68,030	468,542
Comprehensive income				
Profit for the year			46,757	46,757
Comprehensive income			-21,273	515,299
Transactions with shareholders in their capacity as owners:				
Dividend	0	0	-43,819	-43,819
Proceeds from warrants issue	0	1,219	0	1,219
Total attributable to shareholders	0	1,219	-43,819	-42,600
Closing balance, 31 December 2022	131,461	406,327	-65,092	472,696
Opening balance, 1 January 2023	131,461	406,327	-65,092	472,696
Comprehensive income				
Profit for the year			67,115	67,115
Comprehensive income			2,022	539,811
Transactions with shareholders in their capacity as owners:				
Dividend	0	0	-32,864	-32,864
Proceeds from warrants issue	0	12	0	12
Total attributable to shareholders	0	12	-32,864	-32,853
Closing balance, 31 December 2023	131,461	406,339	-30,842	506,959

Parent company statement of cash flows

Amounts in SEK thousands	Note	2023	2022
Cash flow from operating activities			
Operating profit		1,660	1,834
Adjustment for non-cash items			
Interest received	34	6,915	3,306
Interest paid	34	-19,448	-8,075
Income tax paid	36	499	-34,678
Cash flow from operating activities before changes in working capital		-10,374	-37,613
<i>Changes in working capital</i>			
Change in operating receivables		96,675	5,624
Change in operating liabilities		557,362	134,220
Cash flow from operating activities		643,663	102,231
<i>Investing activities</i>			
Investments in subsidiaries		-775,725	-29,937
Change in non-current receivables		-350	-1,325
Cash flow from investing activities		-756,075	-31,262
<i>Financing activities</i>			
Proceeds from borrowings	45	100,000	0
Repayment of borrowings	45	0	-100,000
Change in other non-current liabilities		-4,482	1,876
Proceeds from warrants issue		12	1,219
Dividends paid		-32,864	-43,819
Cash flow from financing activities		62,665	-140,724
Cash flow for the year		-49,746	-69,755
Cash and cash equivalents at beginning of year	23	46,301	116,056
Cash and cash equivalents at end of year	23	-3,446	46,301

PARENT COMPANY NOTES

Parent company notes

f General information

The Parent company is based in Växjö and operates directly and indirectly through 18 Swedish and foreign subsidiaries. The activities of the Parent company are mainly focused on strategic development, financial management, corporate governance issues, Board work and banking relations. The Group's CEO and CFO are employed by the Parent company.

The Parent company complies with the Swedish Annual Accounts Act and the Swedish Corporate Reporting Board's recommendation RFR 2 Accounting for Legal Entities. RFR 2 requires the Parent company to prepare its annual financial statements in compliance with International Financial Reporting Standards (IFRS) as adopted by the EU to the extent possible within the framework of the Swedish Annual Accounts Act and taking into account the relationship between tax expense (income) and accounting profit.

The same accounting policies are applied in the Parent company as in the Group, except as indicated below.

There were no changes to the Parent company's accounting policies during the financial year or previous year.

Note 33: General accounting policies

Presentation

The presentation of the income statement and balance sheet follows the format prescribed in the Annual Accounts Act. The statement of changes in equity also follows the Group's presentation format but must contain the columns specified in the Annual Accounts Act. In addition, some of the names of the line items differ from the consolidated financial statements, mainly with regard to finance income, finance costs and equity.

Financial instruments

IFRS 9 is not applied in the Parent company. Instead, the Parent company applies the paragraphs set out in RFR 2 (IFRS 9 Financial Instruments, p. 3-10). Financial instruments are measured at cost. In subsequent periods, financial assets acquired with the intention of being held in the short term are recognised at the lower of cost and market value.

In calculating the net realisable value of receivables, the principles of impairment testing and loss allowance in IFRS 9 are applied. For a receivable recognised at amortised cost at Group level, this means that the loss allowance recognised in the consolidated financial statements in accordance with IFRS 9 is also to be recognised in the Parent company.

Dividends

Dividends to the Parent company's shareholders are recognised as a liability in the consolidated financial statements in the period in which the dividend is approved by the Parent company's shareholders and before payment to the shareholders.

Note 34: Interest and similar income, and interest and similar expenses

	2023	2022
Interest and similar income		
Interest income on bank deposits	6,915	3,306
	6,915	3,306
Interest and similar expenses		
Interest expenses	-17,468	-6,214
Other finance costs	-1,980	-1,861
Interest and similar expenses	-19,448	-8,075
Total	-12,533	-4,768

Intra-Group interest income recognised in the Parent company amounts to SEK 3,450 thousand (2022: SEK 2,337 thousand). The corresponding interest expenses are SEK 7,604 thousand (2022: SEK 2,748 thousand).

PARENT COMPANY NOTES

Note 35: Leases

Accounting policies

To the extent that they exist, all leases are accounted for in accordance with the lease accounting rules. Lease costs correspond to the payment to the lessor.



	2023	2022
Within one year	204	0
Later than one year but within five	322	0
Total	526	0

Future minimum lease payments under non-cancellable operating leases, applicable at the end of the reporting period, are due as follows:

The Parent company's operating lease costs for the financial year amounted to SEK 85 thousand (2022: SEK 192 thousand).

Note 36: Income tax

Tax on profit for the year differs from the theoretical amount that would result from using the weighted average tax rate for the results of the Parent company as follows:

	2023	2022
Current tax:		
Current tax on profit for the year	-7,741	-12,308
Total current tax	-7,741	-12,308
Deferred tax:		
Deferred tax related to temporary differences	0	0
Total deferred tax	0	0
Income tax	-7,741	-12,308
	2023	2022
Profit before tax	74,856	59,065
Income tax calculated at the current tax rate for the Parent company, 20.6% (2022: 20.6%)	-15,420	-12,167
Tax effects of:		
-Non-taxable income	7,813	3
-Non-deductible expenses	-134	-144
Tax expense	-7,741	-12,308
Effective tax rate, %	10.3%	20.8%

Note 37: Remuneration of employees

	2023	2022
Salaries and other benefits	-8,901	-10,599
Social security contributions	-3,144	-3,314
Pension costs - defined-contribution plans	-1,540	-1,852
Total	-13,586	-15,765

	2023		2022	
	No. on reporting date	Of which women	No. on reporting date	Of which women
Board members	6	2	6	2
CEO	1	1	1	1
Total	7	3	7	3

	2023		2022	
	Number of employees	Of which women	Number of employees	Of which women
Sweden	2	1	3	0
Total	2	1	3	0

Note 38: Transactions with related parties

	2023	2022
Purchases and sales for the year between other Group companies:		
Sales	26,364	25,984
Purchases	0	0
Total	26,364	25,984

Information on related companies can be found in note 12.

PARENT COMPANY NOTES

Note 39: Appropriations

Accounting policies

Group contributions received and paid are recognised as an appropriation.



	2023	2022
Group contribution received	47,850	62,000
Total appropriations	47,850	62,000

Note 40: Other non-current receivables

	31/12/2023	31/12/2022
Opening carrying amount	3,063	1,738
Additional endowment insurance	356	1,876
Outgoing other non-current receivables	-6	-551
Closing carrying amount	3,413	3,063

Note 41: Other current receivables

	31/12/2023	31/12/2022
Tax account	0	12,823
Other	211	386
Total	211	13,209

Note 42: Prepaid expenses and accrued income

	31/12/2023	31/12/2022
Prepaid invoices	2,019	447
Other	821	692
Total	2,840	1,139

Note 43: Other liabilities

	31/12/2023	31/12/2022
Personnel taxes	212	167
Contingent consideration	7,800	0
VAT liability	882	452
Total	8,894	619

Note 44: Accrued expenses and deferred income

	31/12/2023	31/12/2022
Personnel liabilities	2,661	5,921
Other	6,547	1,315
Total	9,207	7,235

Note 45: Interest-bearing liabilities

	31/12/2023	31/12/2022
Non-current		
Liabilities to credit institutions	150,000	50,000
Total non-current borrowings	150,000	50,000
Current liabilities		
Liabilities to credit institutions	0	0
Total current borrowings	0	0
Total borrowings	150,000	50,000

Change in debt	01/01/2023	Cash flow	31/12/2023
Liabilities to credit institutions	50,000	100,000	150,000
Total liabilities related to financing activities	50,000	100,000	150,000

Change in debt	01/01/2022	Cash flow	31/12/2022
Liabilities to credit institutions	150,000	-100,000	50,000
Total liabilities related to financing activities	150,000	-100,000	50,000

No liabilities fall due later than five years from the reporting date.

PARENT COMPANY NOTES

Note 46: Financial instruments

31 December 2023	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Borrowings	2,003	6,008	16,020	156,008 ¹⁾	0
Other non-current liabilities	0	0	0	0	3,091
Liabilities to Group companies	874,676	0	0	0	0
Trade and other payables	1,142	0	0	0	0
Total	877,820	6,008	16,020	156,008	3,091

1) Matures 12/10/2026

31 December 2022	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Borrowings	0	0	0	50,000 ²⁾	0
Other non-current liabilities	0	0	20,317	0	0
Liabilities to Group companies	351,968	0	0	0	0
Trade and other payables	983	0	0	0	0
Total	352,951	0	20,317	50,000	0

2) Matures 12/10/2024 with option to extend 1-2 years

Note 47: Pledged assets

	31/12/2023	31/12/2022
For Group company liabilities and provisions		
For own pension obligation	3,005	2,650
Other pledged assets	1,000	0
Total	4,005	2,650

PARENT COMPANY NOTES

Note 48: Appropriation of profit

Appropriation of profit

The Board of Directors has adopted a dividend policy whereby 30-50 percent of profit after tax is distributed. For the 2023 financial year, the Board proposes to the Annual General Meeting that no dividend be paid, in view of the need to finance the strategic acquisitions of Riikku Group Oy and Suomen ohutlevyasennus Oy, completed in January and March 2024, respectively.

The annual accounts and consolidated financial statements have, as stated above, been approved by the Board of Directors and the CEO on the date indicated by our electronic signature. The consolidated statement of income and other comprehensive income and balance sheet, and the Parent company's income statement and balance sheet will be submitted for adoption at the Annual General Meeting on 14 May 2024.

At the disposal of the Annual General Meeting, SEK:

Share premium reserve	406,339,031
Retained earnings	-97,956,356
Profit for the year	67,114,816
Total	375,497,491

The Board of Directors proposes that profits be distributed as follows:

To shareholders in the form of a dividend	0
Profits to be carried forward	375,497,491
Total	375,497,491

The Board of Directors and the CEO confirm that the consolidated financial statements and Parent company annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and generally accepted accounting principles and give a true and fair view of the position and performance of the Group and the Parent company, and that the Administration Report gives a true and fair view of the activities, position and performance of the Group and the Parent company, and of the principal risks and uncertainties faced by the Parent company and Group companies.

Växjö

Signature according to the date indicated by our electronic signature.

Ingalill Berglund

Chairman

Thomas Widstrand

Member

Carl-Mikael Lindholm

Member

Mikael Andersson

Member

Vibecke Hverven

Member

Johannes Nyberg

Member

Camilla Ekdahl

CEO

Our audit report was issued on the date indicated by our electronic signature.

KPMG AB

Michael Johansson

Authorised public accountant

Auditor in charge

AUDITOR'S REPORT

Auditor's report

To the general meeting of the shareholders of Balco Group AB (publ), corp. id 556821-2319

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Balco Group AB (publ) for the year 2023, except for the corporate governance statement on pages 38-42, 44-45 and the sustainability report on pages 50-62. The annual accounts and consolidated accounts of the company are included on pages 30-35, 38-42, 44-45, 50-62, 64-102 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act, and present fairly, in all material respects, the financial position of the parent company as of 31 December 2023 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2023 and its financial performance and cash flow for the year then ended in accordance with IFRS Accounting Standards, as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 38-42, 44-45 and sustainability report on pages 50-62. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopt the income statement and balance

sheet for the parent company and the statement of comprehensive income and balance sheet for the group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibility section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgement, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated

accounts as a whole, but we do not provide a separate opinion on these matters.

Impairment of Goodwill

See disclosure 15 in the annual account and consolidated accounts for detailed information and description of the matter.

Description of key audit matter

In the consolidated balance sheet, goodwill as of 31 December 2023 is reported as SEK 485,2 (457,8) million, which is 38.3% (35.3%) in relation to total assets. Goodwill and acquisition-related surplus values represent the difference between the value of net assets and the consideration paid in an acquisition.

Unlike other non-current assets, goodwill is not amortised but is tested annually for impairment or when there is an indication of impairment. Future events and new information may change these judgements and estimates, and it is therefore particularly important for management to continuously evaluate whether the value of goodwill can be justified in the light of new information and circumstances.

Impairment tests naturally contain a greater element of estimates and judgements by management, which is why we have considered this to be a key audit matter in our audit.

Response in the audit

In our audit, we paid particular attention to the group's impairment testing of the asset item goodwill.

We assessed whether the impairment test performed for goodwill was prepared in accordance with the prescribed discounted cash flow technique.

We also performed procedures to evaluate management's process for testing goodwill for impairment and examined how management identifies cash-generating units.

Furthermore, we evaluated the reasonableness of the assumptions made, performed sensitivity analyses for changed assumptions and evaluated the reasonableness of the applied discount rate.

We assessed the circumstances presented in the disclosures in the annual report and whether the information is sufficiently comprehensive to describe the company's judgements.

AUDITOR'S REPORT

Revenue recognition over time

See disclosure 2-3 of the annual account and consolidated accounts for detailed information and description of the matter.

Description of key audit matter

For 2023, the Group reports net sales of SEK 1,214.9 (1,333.6) million, of which the majority of revenue is recognised over time in accordance with IFRS 15. This means that the projects' expected revenues are recognised continuously during the project period based on calculations and the degree of completion.

Revenue recognition over time means that management must make estimates and judgements regarding, among other things, the degree of completion and profit margin, and changes in these judgements mean that the result for the coming period can be affected.

Given that there is a significant amount of judgement involved in the recognition of revenue and performance related to revenue recognised over time, we have determined that this is a key audit matter.

Response in the audit

In our audit, we evaluated the process and internal controls for recognising revenue over time. In particular, we focused on the company's procedures and judgements for measuring progress and completion rates.

We randomly audited projects and followed up against costs, customer invoices and forecasts. We also verified a sample of payments against the project accounts. For the sampled projects, we also evaluated the management's assessment of the final profit margin, which is the basis for recognising revenue over time.

We also examined management's specific assessment of the need for provisions for selected onerous contracts.

We also examined disclosures related to revenue recognition in the annual accounts.

Information other than the annual accounts and consolidated accounts

This document also contains information other than the annual accounts and consolidated accounts, which is found on pages 2-29, 36-37, 43, 46-63, 107-116. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If, based on the work performed concerning this information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and for ensuring that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS Accounting Standards as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, the Board of Directors and the Managing Director

are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intend to liquidate the company, to cease operations, or have no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion,

forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's, use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the

AUDITOR'S REPORT

direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, measures that have been taken to eliminate the threats or related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and these are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure of the matter.

Report on other legal and regulatory requirements

Auditor's audit of the administration and the proposed appropriations of profit or loss

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Balco Group AB (publ) for the year 2023 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibility section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations,

size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organisation and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organisation is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner.

The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfil the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to lia-

bility to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgement and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined whether the proposal is in accordance with the Companies Act.

The auditor's examination of the ESEF report

Opinion

In addition to our audit of the annual accounts and consolidated accounts, we have also examined whether the Board of Directors and the Managing Director have prepared the annual accounts and consolidated accounts in a format that enables uniform electronic reporting (the ESEF report) pursuant to Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528) for Balco Group AB (publ) for year 2023.

Our examination and our opinion relate only to the statutory requirements.

In our opinion, the ESEF report has been prepared in a format that, in all material respects, enables uniform electronic reporting.

AUDITOR'S REPORT

Basis for opinion

We have performed the examination in accordance with FAR's recommendation RevR 18 Examination of the ESEF report. Our responsibility under this recommendation is described in more detail in the Auditor's responsibility section. We are independent of Balco Group AB (publ) in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the ESEF report in accordance with the Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), and for such internal control that the Board of Directors and the Managing Director determine is necessary to prepare the ESEF report without material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to obtain reasonable assurance whether the ESEF report is in all material respects prepared in a format that meets the requirements of Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), based on the procedures performed.

RevR 18 requires us to plan and execute procedures to achieve reasonable assurance that the ESEF report is prepared in a format that meets these requirements.

Reasonable assurance is a high level of assurance, but it is not a guarantee that an engagement carried out according to RevR 18 and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they

could reasonably be expected to influence the economic decisions of users taken on the basis of the ESEF report.

The audit firm applies International Standard on Quality Management 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

The examination involves obtaining evidence, through various procedures, that the ESEF report has been prepared in a format that enables uniform electronic reporting of the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the report, whether due to fraud or error. In carrying out this risk assessment, and in order to design procedures that are appropriate in the circumstances, the auditor considers those elements of internal control that are relevant to the preparation of the ESEF report by the Board of Directors and the Managing Director, but not for the purpose of expressing an opinion on the effectiveness of those internal controls. The examination also includes an evaluation of the appropriateness and reasonableness of the assumptions made by the Board of Directors and the Managing Director.

The procedures mainly include a validation that the ESEF report has been prepared in a valid XHTML format and a reconciliation of the ESEF report with the audited annual accounts and consolidated accounts.

Furthermore, the procedures also include an assessment of whether the consolidated statement of financial performance, financial position, changes in equity, cash flow and disclosures in the ESEF report have been tagged with iXBRL in accordance with the requirements of the ESEF Regulation.

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for ensuring that the corporate governance statement on pages 38-42, 44-45 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR's standard RevR 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6, section 6, second paragraph (2-6) of the Annual Accounts Act and chapter 7, section 31, second paragraph of the same Act are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

The auditor's opinion regarding the statutory sustainability report

The Board of Directors is responsible for the sustainability report on pages 50-62, and ensuring that it is prepared in accordance with the Annual Accounts Act.

Our examination has been conducted in accordance with FAR's standard RevR 12 The auditor's opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

A statutory sustainability report has been prepared.

KPMG AB, Box 456, 351 06, Växjö, was appointed auditor of Balco Group AB (publ) by the general meeting of the shareholders on May 9 2023. KPMG AB or auditors operating at KPMG AB have been the company's auditor since 2022.

Our auditor's report was submitted on the date indicated in our electronic signature.

KPMG AB

Michael Johansson
Authorised Public Accountant

MULTI-YEAR OVERVIEW

Multi-year overview

SEK MILLION	2023	2022	2021	2020	2019
Condensed consolidated income statement					
Net sales	1,214.9	1,333.6	1,120.5	1,200.0	1,220.6
Gross profit	245.4	287.6	296.3	289.4	300.0
Operating profit before depreciation and amortisation (EBITDA)	114.7	144.5	155.6	153.0	176.9
Operating profit (EBIT)	70.4	102.5	118.0	115.4	140.4
Profit before tax	56.0	94.6	111.6	105.7	131.7
Profit for the year (attributable to Parent company shareholders)	49.2	82.8	90.2	77.6	102.8
Condensed consolidated balance sheet					
Assets					
Goodwill	485.2	457.8	448.0	400.9	401.2
Other non-current assets	374.9	377.3	301.8	222.8	245.9
Trade receivables	138.0	174.8	153.5	175.3	135.5
Contract assets	177.1	111.9	136.7	130.3	149.2
Other current assets	92.0	174.7	205.5	293.9	174.1
Total assets	1,267.2	1,296.6	1,245.6	1,223.3	1,105.9
Condensed equity and liabilities					
Equity	748.0	731.0	692.0	598.6	514.5
Non-current liabilities	268.5	194.3	254.9	248.5	313.7
Current liabilities	250.7	371.3	298.7	376.2	277.6
Total equity and liabilities	1,267.2	1,296.6	1,245.6	1,223.3	1,105.9
Condensed consolidated statement of cash flows					
Cash flow from operating activities	-26.1	153.0	62.5	111.7	97.2
Cash flow from investing activities	-52.9	-52.5	-102.1	-14.3	-10.9
Cash flow from financing activities	29.6	167.7	-57.5	-1.4	-53.8
Cash flow for the year	-49.4	-67.3	-97.1	96.1	32.5

SEK million	2023	2022	2021	2020	2019
Parent company					
Net sales	26.4	26.0	23.3	20.0	14.8
Operating profit	1.7	1.8	2.8	-3.0	-2.7
Profit before tax	74.9	59.1	66.0	161.6	4.3
Total assets	1,557.4	903.8	947.3	1,555.2	522.2
Equity/Assets ratio %	32.6	52.3	49.5	26.6	52.8

MULTI-YEAR OVERVIEW

Key figures

SEK millions (unless otherwise stated)	2023	2022	2021	2020	2019
Net sales, order intake and order backlog					
Net sales	1,214.9	1,333.6	1,120.5	1,200.0	1,220.6
Change in net sales (%)	-8.9	19.0	-6.6	-1.7	15.4
Order intake	977.0	1,108.6	1,558.3	932.7	1,349.1
Change in order intake (%)	-11.9	-28.9	67.1	-30.9	34.5
Order backlog	1,073.6	1,274.7	1,557.0	1,086.6	1,522.4
Change in order backlog (%)	-15.8	-18.1	43.3	-28.6	26.5
Performance measures					
Gross profit	245.4	287.6	296.3	289.4	300.0
Gross margin (%)	20.2	21.6	26.4	24.1	24.6
Operating profit before depreciation and amortisation (EBITDA)	114.7	144.5	155.6	153.0	176.9
EBITDA margin (%)	9.4	10.8	13.9	12.7	14.5
Operating profit (EBITA)	77.1	105.1	121.0	121.3	146.3
EBITA margin (%)	6.4	7.9	10.8	10.1	12.0
Adjusted EBITDA	127.4	146.6	157.1	172.4	176.9
Adjusted EBITDA margin (%)	10.5	11.0	14.0	14.4	14.5
Adjusted operating profit (EBITA)	89.8	107.2	122.6	140.8	146.3
Adjusted EBITA margin (%)	7.4	8.0	10.9	11.7	12.0
Cash flow					
Operating cash flow	3.6	200.3	96.0	196.5	133.9
Operative cash conversion (%)	2.8	136.6	61.1	114.0	75.7

Key figures, cont'd

SEK millions (unless otherwise stated)	2023	2022	2021	2020	2019
Capital structure					
Capital employed, average	911.2	811.8	716.4	660.2	655.8
Capital employed excluding goodwill, average	439.7	358.9	292.0	259.1	254.7
Equity, average	738.0	710.9	645.3	556.6	477.5
Interest-bearing net debt excl. leases	171.4	21.6	54.6	-0.7	106.2
Interest-bearing net debt excl. leases/adj. EBITDA R12(times)	1.6	0.2	0.4	0.0	0.6
Return measures					
Return on capital employed R12(%)	9.1	12.9	16.7	20.4	21.4
Return on capital employed excl. goodwill R12(%)	18.9	29.2	40.9	52.0	55.1
Return on equity R12(%)	6.3	10.7	14.0	13.9	21.5
Equity/Assets ratio (%)	58.9	56.3	55.6	48.9	46.5
Other					
Average number of shares at end of year (thousands)	21,909.3	21,909.3	21,909.3	21,909.3	21,461.2
Basic earnings per share (SEK)	2.12	3.48	4.12	3.58	4.81
Diluted earnings per share (SEK)	2.12	3.44	4.01	3.51	4.76
Full-time employees at end of year (number)	490	536	467	428	419

For definitions of alternative performance measures, see page 110.

Figures for 2018 have not been restated in line with IFRS 16.

Quarterly overview

SEK million	2023				2022				2021			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Net sales	325.7	346.4	253.3	289.5	288.4	351.2	310.8	383.2	250.4	303.5	242.9	323.7
EBITDA	33.3	40.1	22.3	19.0	35.5	38.0	26.3	44.7	30.6	41.6	34.6	48.8
Operating profit (EBITA)	23.2	30.3	13.9	9.7	26.6	28.1	16.5	33.9	23.4	34.9	24.4	38.3
Adjusted operating profit (EBITA)	28.4	30.9	15.2	15.4	26.8	28.9	17.3	34.2	23.4	34.9	25.7	38.6

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ALTERNATIVE PERFORMANCE MEASURES

Alternative performance measures

ALTERNATIVE PERFORMANCE MEASURES	DEFINITION	PURPOSE
Return on equity	Profit for the period divided by average equity attributable to Parent company shareholders. The average is calculated as the average of the opening balance and the closing balance for each period.	The measure shows the return generated on the shareholders' capital invested in the company.
Return on capital employed	Adjusted operating profit (EBIT) divided by average capital employed. The average is calculated as the average of the opening balance and the closing balance for each period.	The measure shows the return generated on capital employed and is used by Balco to monitor the profitability of its operations as the measure relates to capital efficiency.
Return on capital employed excluding goodwill	Adjusted operating profit (EBIT) divided by average capital employed excluding goodwill. The average is calculated as the average of the opening balance and the closing balance for each period.	Balco considers that return on capital employed excluding goodwill together with return on capital employed gives an overall picture of Balco's capital efficiency.
Gross profit	Net sales less production and project costs.	Shows the efficiency of Balco's operations and, together with EBIT, provides an overall picture of current profit generation and cost structure.
Gross margin	Gross profit as a percentage of net sales.	Used to analyse efficiency and value creation.
EBITDA	Earnings before interest, taxes, depreciation and amortisation.	Balco considers EBITDA to be useful in showing earnings generated from operating activities and a good measure of cash flow from operating activities.
External interest-bearing net debt	Interest-bearing net debt. Enables a reconciliation of net debt.	Balco considers external net debt to be useful in showing the company's total external debt financing.
External interest-bearing net debt/adjusted EBITDA ratio	External interest-bearing net debt as a percentage of adjusted EBITDA.	Balco Group considers this measure to be helpful in demonstrating financial risk and useful in monitoring the company's level of debt.
Adjusted EBITDA	EBITDA adjusted for items affecting comparability. Enables a reconciliation of Adjusted EBITDA to profit for the period.	Balco considers Adjusted EBITDA to be useful in showing earnings generated from operating activities adjusted for items affecting comparability, and primarily uses the measure to calculate the company's operating cash flow and cash conversion.
Adjusted EBITDA margin	Adjusted EBITDA as a percentage of net sales	Balco considers the Adjusted EBITDA margin to be useful in showing earnings generated from operating activities.
Adjusted operating margin (EBIT)	Adjusted operating profit (EBIT) as a percentage of net sales.	Balco considers the adjusted operating margin (EBIT) to be useful in showing earnings generated from operating activities adjusted for items affecting comparability.

ALTERNATIVE PERFORMANCE MEASURES	DEFINITION	PURPOSE
Adjusted operating profit (EBIT)	EBIT adjusted for items affecting comparability. Enables a reconciliation of adjusted operating profit (EBIT) to profit for the period.	Balco therefore considers adjusted operating profit (EBIT) to be useful in showing earnings generated from operating activities, and primarily uses the measure to calculate return on capital employed (see above).
Items affecting comparability	Items that affect comparability, such as restructuring costs, impairment, disposals and acquisition costs, are specific material items that are disclosed separately because of their size or frequency.	Balco considers that adjusting for items affecting comparability improves comparability over time by excluding items that are irregular in frequency or size. The aim is to gain a more accurate picture of the underlying operating profit.
Operating cash conversion	Operating cash flow divided by adjusted EBITDA.	Balco considers this to be a good measure for comparing cash flow with operating profit.
Operating cash flow	Adjusted EBITDA increased/decreased by changes in working capital and decreased by investments, excluding expansion investments.	Balco uses operating cash flow to monitor the performance of its business.
Organic growth	Net sales excluding acquired growth for the current period divided by net sales for the corresponding period in the previous year.	Organic growth excludes the effects of changes in the structure of the Group, which allows a comparison of net sales over time.
Interest-bearing net debt	Total non-current and current interest-bearing liabilities. Enables a reconciliation of net debt.	Balco considers net debt to be a useful measure in showing the Group's total debt financing.
Working capital	Current assets, excluding cash and cash equivalents and current tax receivables, less current non-interest-bearing liabilities, excluding current tax liabilities.	The measure shows how much working capital is tied up in the business, and can be related to net sales to understand how efficiently tied-up working capital is used.
Operating margin (EBIT)	Operating profit (EBIT) as a percentage of net sales.	Balco considers the operating margin, together with sales growth and adjusted working capital, to be a useful measure in tracking value creation in the business.
Operating profit (EBIT)	Profit before interest and tax.	Balco considers operating profit (EBIT) to be a useful measure in showing the earnings generated from operating activities.
Equity/Assets ratio	Equity divided by total assets.	Balco considers the equity/assets ratio to be a useful measure of the company's ability to continue as a going concern.
Capital employed	Equity plus interest-bearing net debt (external interest-bearing net debt).	Capital employed is used by Balco as a measure of the Group's overall capital efficiency.
Capital employed excluding goodwill	Capital employed minus goodwill.	Capital employed excluding goodwill is used together with capital employed by Balco as a measure of the company's capital efficiency.

RECONCILIATION AGAINST FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS

Reconciliation against financial statements in accordance with IFRS

Amounts in SEK million	2023	2022
Adjusted operating profit		
Operating profit	70.4	102.5
Costs of acquisition	1.9	0.5
Restructuring costs	10.7	12.3
Adjustment of contingent consideration	-	-10.7
Adjusted operating profit	83.0	104.6
Adjusted EBITDA		
Adjusted operating profit	70.4	104.6
Depreciation/amortisation	44.3	42.0
Adjusted EBITDA	114.7	146.6
Operating cash flow		
Adjusted EBITDA	127.4	146.6
Change in working capital	-117.4	65.7
Investments, excl. expansion investments	-6.4	-12.0
Operating cash flow	3.6	200.3
Interest-bearing net debt		
Non-current interest-bearing liabilities	225.4	135.9
Current interest-bearing liabilities	19.0	20.7
Cash and cash equivalents	-2.8	-51.9
Interest-bearing net debt	241.6	104.8

Amounts in SEK million	2023	2022
Adjusted EBITDA	127.4	146.6
Interest-bearing net debt/EBITDA, times	1.9x	0.7x
Return on capital employed, %		
Equity	746.1	729.8
Interest-bearing net debt	241.6	104.8
Average capital employed	911.2	811.8
Adjusted operating profit (EBIT)	83.0	104.6
Return on capital employed, %	9.1	12.9
Equity/Assets ratio		
Equity attributable to shareholders	746.1	729.8
Total assets	1,267.2	1,296.6
Equity/Assets ratio %	58.9	56.3

THE SHARE AND SHAREHOLDERS

The share and shareholders

2023 was a turbulent year on the stock market. Toward the end of the year, the broad index of the Stockholm stock exchange, OMXSPI, rose sharply, closing the year having increased 15.5 percent.

Balco Group's share price grew somewhat less during the year, but closed at a price of SEK 46.10, up 5.3 percent. Meeting with the various operators on the market, we continue to emphasise Balco Group's unique position in the fragmented niche market for balcony solutions, the sustainability work we carry out on every level, and the positive sustainability effects of our products.

Trading and market capitalisation

The Balco share is traded on Nasdaq Stockholm's Small Cap list. During the year, a total of around 3.4 million shares were traded at a total value of SEK 149.3 million. The average daily turnover during the year was SEK 594,640. All trading in the share took place on Nasdaq Stockholm. Market capitalisation at the end of the year was SEK 1.0 billion.

Share performance during the year

The share price was relatively stable throughout the year: the share traded in an interval between SEK 36.20 and 50.60. At the close of the year, the share was traded at SEK 46.10, an increase of 5.3 percent on the previous year. This year's highest bid price was recorded on 5 June at SEK 50.60, and the lowest price was SEK 36.20 on 1 November, which is an all time low.

Share capital

At 31 December 2023, the number of shares in Balco amounted to 21,909,348. Balco has one class of shares and each share has the same voting value and entitlement to dividends. One share has a quotient

value of SEK 6.0002. The share capital thus amounts to SEK 131,461,248.

Ownership structure

At the end of the year, the number of shareholders in Balco Group was 5,521, an increase of 121 owners during the year. 93.6 percent of the shares were held in Sweden. The total foreign shareholdings of 6.4 percent were distributed as follows: shareholders in France 2.4 percent, Switzerland 1.5 percent, the UK 1.1 percent and Luxembourg 0.5 percent. Swedish ownership was dominated by Swedish legal entities, with 44.6 percent of the capital, financial companies, with 25.6 percent, Swedish natural persons, with 11.9 percent, and Swedish social insurance funds, with 8.3 percent. Balco's ten largest shareholders owned 77.9 percent of the company. Members of the Balco Board held a total of 88,900 shares in Balco, while the executive management held 46,280 shares. In total, the Board and executive management held 0.6 percent of all shares outstanding. The main owner is the Hamrin family, with a holding of 27.7 percent.



CLOSING PRICE
31/12 2023

SEK **46.10**

MARKET CAP
31/12 2023

SEK **1.0** billion

NUMBER OF SHAREHOLDERS
31/12 2023

5,521

THE SHARE AND SHAREHOLDERS

Dividend and dividend policy

Balco's dividend policy states that the Company shall pay 30–50 percent of post-tax profits in dividends, provided this does not jeopardise Balco's future development. The Board has proposed that the AGM decide to cancel dividends for the 2023 financial year in order to facilitate the Group's financing of its acquisitions of Riikku Group Oy and Suomen ohutlevyasennus Oy.

Share-based incentive programmes

At an Extraordinary General Meeting on 24 November 2020, it was decided to introduce a new three-year incentive programme aimed at the company's senior executives and other key employees, totalling 25 employees. The incentive programme comprises a total maximum of 400,000 warrants, entitling the holders to subscribe for a maximum of the corresponding number of shares. Balco's total cost for the incentive programme over its full term is expected to be approximately SEK 3 million. The programme involves a dilution corresponding to approximately 1.8 percent of the company's total number of shares. The senior executives of Balco have acquired 104,000 warrants with a total value of SEK 1,178,320.

At the Annual General Meeting of 25 May 2021, it was resolved to introduce a three-year incentive programme aimed at the company's senior executives and other key employees, totalling 11 employees. The incentive programme comprises a total maximum of 200,000 warrants, entitling the holders to subscribe for a maximum of the corresponding number of shares. Balco's total cost for the incentive programme over its full term is expected to be approximately SEK 1.4 million. The programme involves a dilution corresponding to approximately 0.9 percent of the company's total number of shares. The senior executives of Balco have acquired 74,332 warrants with a total value of SEK 721,764.

Share price development in 2023 (SEK)



At the Annual General Meeting of 24 May 2022, it was resolved to introduce a three-year incentive programme aimed at the company's senior executives and other key employees, totalling 41 employees.

The incentive programme comprises a maximum of 220,000 warrants, entitling the holder to subscribe for a maximum of the corresponding number of shares. Balco's total cost for the incentive programme over its full term is expected to be approximately SEK 1.6 million. The programme involves a maximum dilution corresponding to approximately 1.0 percent of the company's total number of shares. The senior executives of Balco have acquired 55,000 warrants with a total value of SEK 280,700.

The purpose of the incentive programme is to encourage broad share ownership among the company's key employees, facilitate recruitment, retain skilled and talented employees, ensure that the interests of key employees and the company's objectives are in-

creasingly aligned, and increase motivation to achieve or exceed the company's financial targets.

In order to encourage participation in the programme, it was decided to subsidise participation in the form of a gross salary supplement. The level of salary supplement cannot exceed the gross amount invested by the participant. In the event that the Board of Directors decides on such a subsidy to the participants, it will be paid in connection with exercising the warrants and will, among other things, require that the participant at that time still remains employed by the company or other equivalent employment within the Balco Group, and holds his/her warrants. The subsidy for each participant shall amount to a maximum of the premium paid for the participant's warrants held at the time of payment.

Ownership structure, 31 December 2023

No. of shares	No. of shareholders	% of shareholders	No. of shares	% of shares
1-500	4,659	84.4%	500,285	2.1%
501-1,000	404	7.3%	316,912	1.2%
1,001-5,000	342	6.2%	756,162	2.8%
5,001-10,000	43	0.8%	321,803	1.3%
10,001-15,000	16	0.3%	196,361	0.8%
15,001-20,000	10	0.2%	175,272	0.4%
20,001	47	0.8%	19,642,553	91.5%
Total	5,521	100.0%	21,909,348	100.0%

Ten largest shareholders, 31 December 2023

Shareholders	No. of shares	% of shares
Hamrin family	6,062,027	27.7%
Skandrenting AB	2,337,000	10.7%
Swedbank Robur Fonder	1,953,921	8.9%
Lannebo Fonder	1,900,237	8.7%
Tredje AP-fonden	1,855,000	8.6%
AB Tuna Holding	1,201,876	5.5%
Avanza pension	536,150	2.5%
BFCM P/C BFCM Sweden Retail LT	500,000	2.3%
FE Småbolag Sverige	350,961	1.6%
IBKR Financial Services AG, W8IMY	312,363	1.4%
Total	17,009,535	77.9%

SHAREHOLDER INFORMATION

Shareholder information

General Meeting of Shareholders

Balco Group's 2024 Annual General Meeting will be held on Wednesday 14 May 2024 at 3pm at Kök 11, Honnörsgatan 15 in Växjö. Registration starts at 2:30pm.

Registration

Shareholders wishing to participate at the Annual General Meeting shall:

- be registered as a shareholder in the share register maintained by Euroclear Sweden AB on Friday 3 May 2024; or, if the shares are nominee-registered, the request that the nominee re-register the voting rights of such shares by Wednesday 8 May 2024, and
- register their participation, no later than Wednesday 8 May 2024, by phone on +46470-53 30 00, on the website <https://balcogroup.se/bolagsstyrning/bolagsstamma/>, or by mail to: Balco Group AB, Annual General Meeting 2024, Älgvägen 4, 352 45 Växjö, Sweden, and submit postal votes in accordance with the instructions below.

When registering, specify name/company name, personal or corporate registration number, address, phone number, shareholding and, as applicable, any advisors (no more than two).

Power of attorney

If a shareholder intends to be represented by an agent on site at the Annual General Meeting, they shall send a power of attorney and other documents confirming the agent to Balco Group AB, Annual General Meeting 2024, Älgvägen 4, 352 45 Växjö, in connection with their registration to the Annual General Meeting. If the shareholder wishes to

vote by mail through an agent, a written and dated power of attorney signed by the shareholder shall be attached to the postal voting form. If the shareholder is a legal entity, a registration certificate or corresponding document shall be attached to the form. A representation form can be found on the Company's website: <https://balcogroup.se/bolagsstyrning/bolagsstamma/>

Nominee-registered shares

In order to participate at the Annual General Meeting, holders of nominee-registered shares must temporarily re-register their shares under their own name with Euroclear Sweden AB (also referred to as voting rights registration). Shareholders wishing to register in this way should notify their nominee in good time before Friday 3 May 2024. Registration of voting rights that was requested by the shareholder in such time that the nominee was able to register this by Wednesday 8 May 2024, will be taken into account when the share register is prepared.

Nomination Committee

The Nomination Committee is tasked by the shareholders with providing proposals for Chairman of the Annual General Meeting, members of the Board, Chairman of the Board, Deputy Chairman of the Board, auditor, Board fees (divided into fees to the Chairman, Deputy Chairman and other members, and any fees for committee work), remuneration of the Company's auditor and any changes to the instructions for the Nomination Committee. For the 2024 AGM, the Nomination Committee has consisted of Carl-Mikael Lindholm (Hamrin family), Annica Nordin (Skandrenting AB), Magnus Sjöqvist (Swedbank Robur Fonder), Claes Murander (Lannebo Fonder), Ingalill Berglund (Chairman of

the Balco Group). Carl-Mikael Lindholm is Chairman of the Nomination Committee.

IR activities

The purpose of Balco Group's IR function is continuously provide the capital market with information about the Group's activities and development. By holding regular meetings with Swedish and international institutional investors and analysts, dialogue can be maintained and information continuously provided. Presentations will be held during conferences and meetings, and always in connection with the publication of interim reports or year-end reports.

Topics that particularly interested investors and analysts in 2023 related to how the Group's various operations had developed and managed the changed market dynamic in the face of high inflation and high interest rates.

Balco Group is also in continuous dialogue with non-institutional investors. Presentations are, inter alia, held during events arranged by Sveriges Aktiesparares Riksförbund (Aktiespararna), an independent organisation for individuals investing in shares, funds, and other types of share-related securities. During the year, Balco Group participated in the event Stora Aktiedagen, organised by Aktiespararna.

Balco Group's website

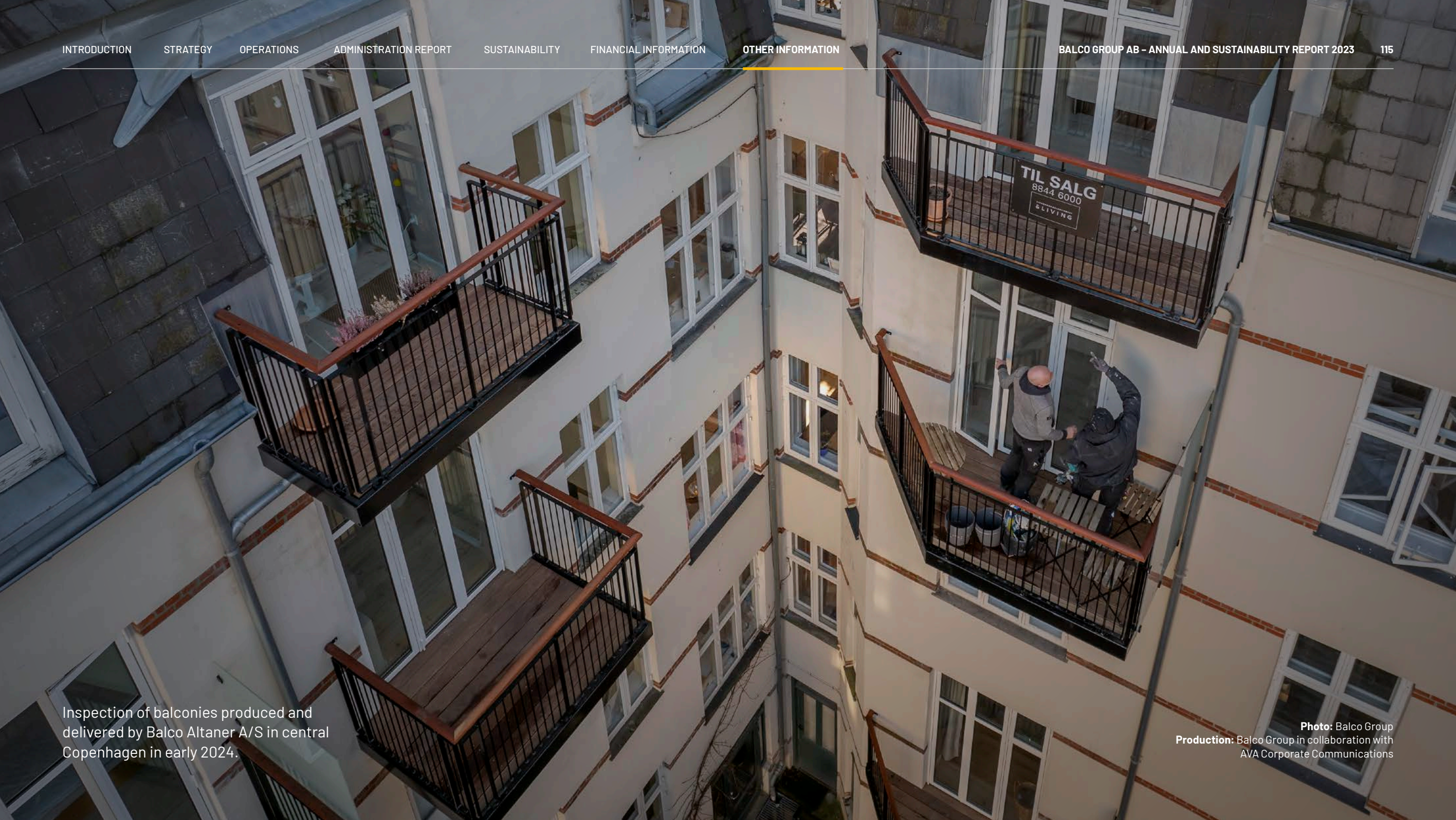
Balco Group's website (www.balcogroup.se) provides information for the capital market and the Company's other stakeholders. The website provides current and historical information about the Group's activities, vision, purpose, business concept and strategy, corporate governance and sustainability work. Information is also provided about the share's development over time. Press releases, presentations, and financial reports are published on the website.

Analysts monitoring Balco Group

Carnegie.....Sofia Sörling

Financial calendar

29 April Interim report January-March 2024
 14 May Annual General Meeting 2024
 12 July Interim report January-June 2024
 28 October Interim report January-September 2024



Inspection of balconies produced and delivered by Balco Altaner A/S in central Copenhagen in early 2024.

Photo: Balco Group
Production: Balco Group in collaboration with AVA Corporate Communications

Largest provider of glazed and open balconies in Northern Europe

Balco Group is a leader in the balcony industry with a focus on offering innovative, patented, and energy-efficient solutions for apartment buildings. The Group's adapted products contribute to an increased quality of living, security, and property value. Thanks to a decentralised and effective sales process, Balco Group has full control over its value chain, from production to delivery. Founded in 1987 in Växjö, the Company employs around 500 people and is a market leader in Scandinavia, with operations in several markets in northern Europe.

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BALCO
GROUP

