

Year-end report

2020: Q4 October-December

BALCONIES
FOR
GREATER
LIVING



Strong cash flow and financial position, despite Covid-19

The fourth quarter: October – December

- Net sales amounted to 269 MSEK (333).
- Order intake amounted to 230 MSEK (352).
- Order backlog amounted to 1,087 MSEK (1,522).
- Operating profit amounted to 3 MSEK (38).
- Adjusted operating profit amounted to 22 MSEK (38).¹
- Net profit after tax amounted to -5 MSEK (26).
- Earnings per share amounted to -0.23 SEK (1.21).
- Operating cash flow amounted to 71 MSEK (100).

The full year 2020: January – December

- Net sales amounted to 1,200 MSEK (1,221).
- Order intake amounted to 933 MSEK (1,349).
- Operating profit amounted to 115 MSEK (140).
- Adjusted operating profit amounted to 135 MSEK (140).¹
- Net profit after tax amounted to 78 MSEK (103).
- Earnings per share amounted to 3.58 SEK (4.79).
- Operating cash flow increased to 196 MSEK (134).

Events during the fourth quarter and after end of the quarter

- On February 10, Balco acquired Stora Fasad AB, with net sales in 2020 of 30 MSEK and an operating profit of 5 MSEK. The acquisition adds expertise in the facade area and will strengthen Balco Group's offer for turnkey contracts for both balcony and facade renovation.
- Covid-19, with a continued high spread of infection in most countries, affected order intake, net sales and earnings in the fourth quarter and will continue to do so in the coming quarters. Costs affecting comparability of 19 MSEK¹ were taken in the quarter in connection with increased risk exposure with Covid-19. No grants or other support linked to Covid-19 were received in 2020.
- The Board does not propose a dividend to the Annual General Meeting as the company has reduced occupancy during the first half of the year and laid off staff starting in January. At the same time, the Board is open for an Extraordinary General Meeting later in 2021 for a new dividend decision.

MSEK	Oct-Dec		Jan-Dec	
	2020	2019	2020	2019
Net sales	268,6	333,3	1 200,0	1 220,6
Order intake	229,7	351,7	932,7	1 349,1
Order backlog	1 086,6	1 522,4	1 086,6	1 522,4
Gross profit	49,1	80,6	289,4	300,0
Gross margin %	18,3	24,2	24,1	24,6
Operating profit	2,8	37,7	115,4	140,4
Operating profit margin (EBIT-margin), %	1,1	11,3	9,6	11,5
Adjusted operating profit (EBIT) 1)	22,3	37,7	134,8	140,4
Adjusted operating profit margin (EBIT-margin), %	8,3	11,3	11,2	11,5
Net profit for the period	-5,0	26,1	77,6	102,8
Operating cash flow	71,2	100,2	196,5	133,9
Earnings per share, SEK 2)	-0,23	1,21	3,58	4,79

1) For information on adjusted operating profit, please see note 5

2) Calculated in relation to the number of shares before dilution at the end of the reporting period



KENNETH LUNDAHL, PRESIDENT AND CEO

On February 10, Balco acquired the facade company Stora Fasad AB, which in 2020 had sales of approximately 30 MSEK and an operating profit of approximately 5 MSEK. The acquisition adds expertise to the Group in the facade area and strengthens our customer offering for turnkey contracts for both balcony and facade, which we launched in the autumn of 2020.

At the end of the year, Balco's interest-bearing net debt excluding leasing liabilities was zero, so in addition to the acquisition of Stora Fasad AB, we are equipped for further acquisitions during the year. Cash flow has been strong throughout the year and operating cash flow has been 196 MSEK and operating cash conversion 114 percent.

The continued high spread of Covid-19 in the countries where we operate and extended and new restrictions have affected order intake, sales and earnings in the fourth quarter and will also affect sales and earnings in the coming quarters. Our unique sales model where we work close to the customer throughout the process is dependent on people being able and daring to meet. New methods have been developed during the year to make sales work where the exhibitions are extended from one to three days and then the voting for the extraordinary general meeting takes place by postal voting. This method is starting to work better and better, especially in Sweden.

Occupancy in production and the project organization has been negatively affected by the lower order intake since March and from the beginning of 2021, short-term layoffs have been introduced within these parts of the organization in some of the countries where we operate. However, the sales and marketing department is working full time as the interest in our products is still strong. There is a pent-up need for balcony renovation and our assessment is that no business has been lost but only moved forward in time.

Balco continuously monitors developments in the countries in which we operate and does everything possible to fulfill

the commitments we have to our customers and to ensure the health of our employees and customers as well as our operations.

As a result of Covid-19 and the uncertainty that its spread of infection and introduced restrictions entails, projects that are estimated not to be able to be started up within 12 months due to building permit processes, rent boards or the like have been removed from the order backlog, which has thus decreased by just over 150 MSEK. In total, the increased risk exposure linked to Covid-19 in projects, order backlog, accounts receivable and inventories has meant that we have incurred costs affecting comparability, non-cash flow, during the fourth quarter of 2020 of 19 MSEK.

Sales in the quarter amounted to 269 MSEK and order intake 230 MSEK. The gross margin adjusted from items affecting comparability strengthened to 25.5 percent (24.2) in the quarter and 25.7 percent (24.6) for the full year. Both full-year sales of 1,200 MSEK and the adjusted operating margin for the full year of 11.2 percent were almost on a par with the previous year, despite the corona pandemic.

Our sustainability work has the highest priority and the work of reducing our initial negative climate footprint per balcony by 20 percent is expected to be completed during the first half of 2021 and make Balco climate positive 5-10 years earlier than today.

Balco is the market leader in the niche market for balcony renovation where the need and growth potential is great. Our strategy is to invest for further growth, primarily in the renovation segment. Even though we are affected in the short term by restrictions on Covid-19 and the lower order intake that this has entailed, the future for Balco looks positive in the long term. Large prospectus and quotation stock, strong financial position, as well as exciting development and acquisition opportunities provide continued growth opportunities in the long term.



” Strong cash flow throughout 2020 means that Balco is equipped for further acquisitions in the coming years. The acquisition of Stora Fasad strengthens our customer offering in turnkey contracts . ”

Kenneth Lundahl, President and CEO

Växjö 18 February 2021

Kenneth Lundahl, President and CEO
Balco Group AB

THE GROUP'S DEVELOPMENT

Fourth quarter: October - December

Net sales amounted to 269 MSEK (333). Revenue for the renovation segment amounted to 246 MSEK (280), while the new build segment accounted for 23 MSEK (53). The reduction in sales for the new build segment comes mainly from maritime, where the projects have been moved forward in time, while the lower order intake during the year has affected the revenue of the renovation segment negatively. Balco's sales development is largely influenced by the time when building permits are obtained, which means that sales between quarters vary.

The order intake amounted to 230 MSEK (352). The renovation segment accounted for 204 MSEK (260) of the order intake for the quarter, while the order intake of the new build segment was 26 MSEK (92).

The order backlog amounted to 1,087 MSEK (1,522). The order backlog for the renovation segment amounted to 882 MSEK (1,339), while the order backlog for the new build segment was 204 MSEK (183). As a result of Covid-19 and the uncertainty that its spread of infection and introduced restrictions entails, projects that are estimated not to be able to be started up within 12 months due to building permit processes, rent boards or the like have been taken out of the order backlog. In total, the order backlog has decreased by just over 150 MSEK.

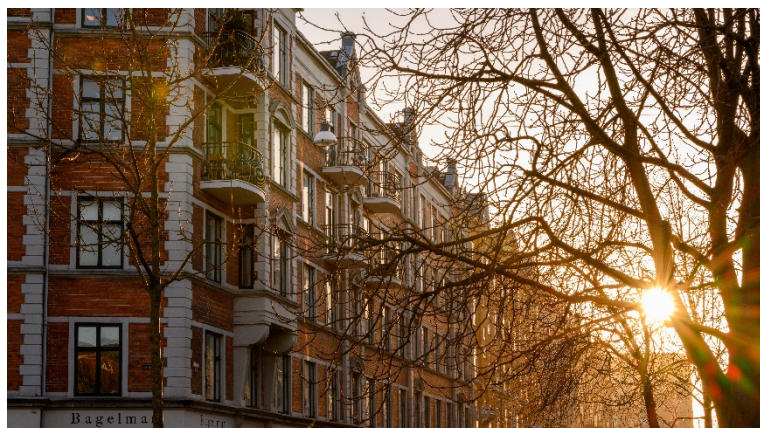
Gross profit amounted to 49 MSEK (81), entailing a gross margin of 18.3 percent (24.2). The gross margin in the quarter was affected by costs of 19 MSEK linked to increased caution in risk assessment of accounts receivable, inventories and projects depending on the Corona pandemic (see note 5). These costs are reported as items affecting comparability and have not affected the cash flow. Adjusted gross profit in the quarter amounted to 69 MSEK (81), entailing a gross margin of 25.5 percent (24.2).

Sales costs amounted to 29 MSEK (26) and administrative costs to 17 MSEK (17). The cost increase is explained by increased market initiatives with a strengthened organization. Total operating costs amounted to 46 MSEK (43).

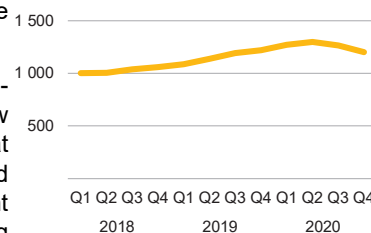
Operating profit amounted to 3 MSEK (38), corresponding to an operating margin of 1.1 percent (11.3). Adjusted operating profit amounted to 22 MSEK (38), corresponding to an adjusted operating margin of 8.3 percent (11.3).

Net financial items amounted to -3 MSEK (-4) and include a write-down of a financial fixed asset. Profit after tax amounted to -5 MSEK (26), corresponding to an earnings per share of -0.23 SEK (1.21). The high tax is due to the fact that most of the costs affecting comparability have been assessed as non-tax deductible and have been added back in the tax calculation.

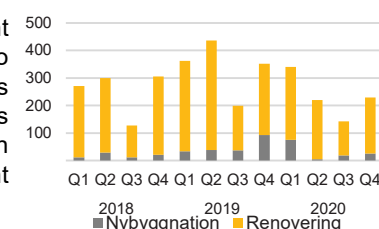
Operating cash flow amounted to 71 MSEK (100) and operating cash conversion was 225% (206). The capital tied up between the quarters is dependent on the different phases of the projects.



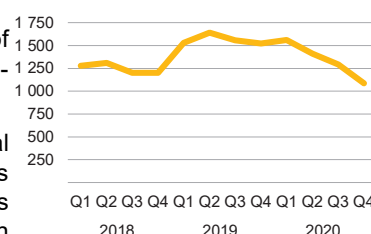
Net sales, R12 MSEK



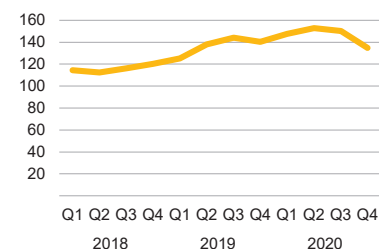
Order intake per segment, MSEK



Order backlog, MSEK



Adjusted Operating profit, R12 MSEK



The full year: January - December

Net sales amounted to 1,200 MSEK (1,221). Full-year sales were negatively affected by currency effects of 17 MSEK. Net sales for the renovation segment increased by 5 percent to 1,096 MSEK (1,044) and for the new build segment net sales amounted to 104 MSEK (176).

Order intake amounted to 933 MSEK (1,349). Order intake for the renovation segment amounted to 808 MSEK (1,147), while order intake for the new build segment was 124 MSEK (202).

Gross profit amounted to 289 MSEK (300), entailing a gross margin of 24.1 percent (24.6). The costs affecting comparability above have affected the full year to the same extent as the quarter, 19 MSEK and the year's adjusted gross margin amounted to 25.7 percent (24.6).

Sales costs increased to 111 MSEK (94), while administrative expenses decreased to 63 MSEK (66). The total operating expenses amounted to 174 MSEK (160). The cost increase is explained by increased market investments and strengthened sales organization.

Operating profit amounted to 115 MSEK (140) corresponding to an operating margin of 9.6 percent (11.5). Adjusted for items affecting comparability, operating profit amounted to SEK 135 M (140), corresponding to an adjusted operating margin of 11.2 (11.5) percent.

The net financial items amounted to -9 MSEK (-9), which includes a write-down of a financial fixed asset of 2 MSEK. Profit after tax amounted to 78 MSEK (103), corresponding to earnings per share of 3.58 SEK (4.79). The high tax rate is due to the fact that most of the costs affecting comparability have been assessed as non-tax deductible and have been included in the tax calculation.

Operating cash flow increased to 196 MSEK (134) and operating cash conversion improved to 114%(76), mainly due to improved working capital.

DEVELOPMENT PER SEGMENT

Net sales, MSEK	Oct-Dec		Jan-Dec	
	2020	2019	2020	2019
Renovation	246,1	280,0	1 095,7	1 044,4
New Build	22,5	53,3	104,3	176,2
Group other	5,2	4,2	21,3	16,1
Elimination	-5,2	-4,2	-21,3	-16,1
Total Net Sales	268,6	333,3	1 200,0	1 220,6

Operating profit, MSEK	Oct-Dec		Jan-Dec	
	2020	2019	2020	2019
Renovation	4,8	36,2	113,5	134,6
New Build	0,6	3,0	6,8	11,5
Group other	-2,6	-1,5	-4,9	-5,7
Elimination	-	-	-	-
Total EBIT	2,8	37,7	115,4	140,4

EBIT margin, %	Oct-Dec		Jan-Dec	
	2020	2019	2020	2019
Renovation	2,0	12,9	10,4	12,9
New Build	2,5	5,7	6,5	6,5
Group other	n/a	n/a	n/a	n/a
Elimination	n/a	n/a	n/a	n/a
Total EBIT margin	1,1	11,3	9,6	11,5

Renovation

Net sales in the quarter amounted to 246 MSEK (280). The segment accounted for 92 percent of Balco's total turnover in the quarter. The lower order intake during the year, which was strongly affected by Covid-19, had a negative effect on the segment's sales.

Order intake amounted to 204 MSEK (260), corresponding to 89 percent of the total order intake in the quarter.

Operating profit in the quarter amounted to 5 MSEK (36), corresponding to an operating margin of 2.0 percent (12.9). Items affecting comparability of 19 MSEK in the quarter. Adjusted operating profit for the quarter amounted to 24 MSEK (36), corresponding to an adjusted operating margin of 9.9 percent (12.9).

The order backlog for the segment amounted to 882 MSEK (1,339) as of last December, corresponding to 81 percent of the total order backlog.

For the full year net sales increased by 5 percent to 1.096 MSEK (1,044). The segment accounted for 91 percent of Balco's total sales in the full year.

Order intake during the full year amounted to 808 MSEK (1,147), corresponding to 87 percent of the total order intake.

Operating profit for the full year amounted to 114 MSEK (135) corresponding to an operating margin of 10.4 percent (12.9) and adjusted for items affecting comparability, the adjusted result for the full year amounted to 133 MSEK (135), corresponding to an adjusted operating margin of 12.1 percent (12.9).



Share,
renovation
Q4 2020

92%

New build

Net sales in the quarter amounted to 22 MSEK (53). The segment accounted for 8 percent of Balco's total sales in the quarter. The reduction in sales comes mainly from Maritime, where the projects have been moved forward in time as a result of the pandemic's impact on market conditions.

Order intake amounted to 26 MSEK (92), corresponding to 11 percent of the total order intake in the quarter.

Operating profit in the quarter amounted to 1 MSEK (3), corresponding to an operating margin of 2.5 percent (5.7). The low revenue in the quarter means that fixed and allocated costs have a major negative impact on the segment's operating margin.

The order backlog as of last December grew to 204 MSEK (183), corresponding to 19 percent of the total order backlog.

For the full year net sales amounted to 104 MSEK (176) corresponding to 9 percent of Balco's total turnover.

Order intake for the full year amounted to 124 MSEK (202), corresponding to 13 percent of the total order intake.

Operating profit for the full year amounted to 7 MSEK (12) corresponding to an operating margin of 6.5 percent (6.5).

Share,
new build
Q4 2020

8%

Net sales per customer category, MSEK

	Oct-Dec		Jan-Dec	
	2020	2019	2020	2019
Tenant-owner associations	206,6	267,5	931,5	851,6
Private landlords	14,7	15,7	87,8	168,2
Publicly owned companies	11,1	9,6	64,5	59,5
Construction and manufacturing companies	36,3	40,5	116,3	141,3
Total Net sales	268,6	333,3	1 200,0	1 220,6

OPERATIONS AND SEGMENT DESCRIPTION

Operations

Balco's core expertise is in delivering glazed balconies and balcony solutions under its own brands, primarily to the renovation market and tenant-owner associations. Several advantages are achieved by replacing existing balconies with new glazed balconies in accordance with the Balco method. The method, which involves demolition and rebuilding of the entire balcony, contributes for example to lower maintenance and energy costs, an enhanced quality of life and an increase in the value of the property. Balco is unique with processes that involve the Company assuming full responsibility and assisting the customer throughout the decision-making and building process, from visualisation and viewing to project planning, production and installation, with subsequent final inspection. Balco is a turnkey balcony supplier offering customised, high-quality balcony solutions irrespective of size and complexity, with short delivery times. Balco's offering is focused on tenant-owner associations, private landlords, municipal housing companies and construction companies in, primarily, Sweden, Norway and Denmark, but also in Germany, Finland, the UK and the Netherlands. Balco is the market leader in Scandinavia within the attractive niche market for balconies. On other markets, Balco enjoys a strong challenger position. Since the autumn of 2020, Balco will take on turnkey contract responsibility for renovation projects with both a balcony and a façade, and to strengthen this offer, the façade company Stora Fasad has been acquired in February 2021.

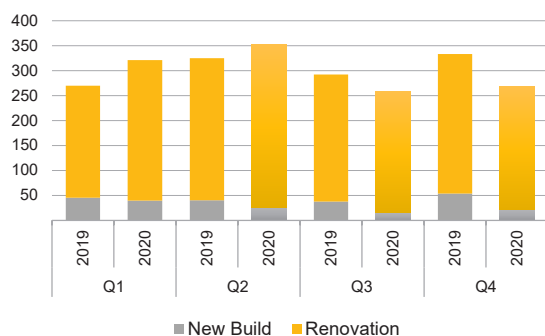
Renovation



Project Purkholmen, Svolvær, Norge

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

Sales growth per quarter, MSEK



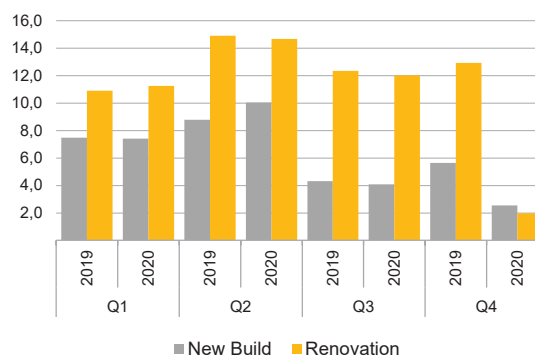
New build



Cruise ship, Papenburg, Germany

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

Operating margin per quarter, %



FINANCIAL POSITION AND CASH FLOW

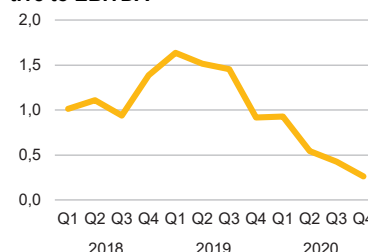
Liquidity and financial position

The Group's interest-bearing net debt at the end of the year amounted to 45 MSEK (162). Interest-bearing net debt relative to adjusted EBITDA was 0.3 times (0.9). The Group's interest-bearing net debt, excluding debt related to leasing, relative to adjusted EBITDA was -0.0 times (0.6).

At the end of the year the Group's equity amounted to 599 MSEK (515). The Group's equity ratio was 49 percent (47).

MSEK	31-dec 2020	31-dec 2019
External non-current interest-bearing liabilities excl leasing	203,0	215,2
Leasing non-current liabilities	26,6	35,1
Current interest-bearing liabilities	10,4	10,4
Leasing current liabilities	19,4	20,7
Cash and cash equivalents	-214,1	-119,4
Interest-bearing net debt	45,2	161,9
<i>Interest-bearing net debt excl leasing</i>	<i>-0,7</i>	<i>106,2</i>
External interest-bearing net debt/EBITDA (12 months), times	0,3 x	0,9 x
External interest-bearing net debt excl. leasing/EBITDA (12 months), times	-0,0 x	0,6 x
Equity/assets ratio, %	48,9	46,5

External interest-bearing net debt relative to EBITDA



Equity ratio

49%

Cash flow, investments and amortisation/depreciation

Cash flow from operating activities for the full year amounted to 112 MSEK (97). Improved working capital are the main reasons for the improvement.

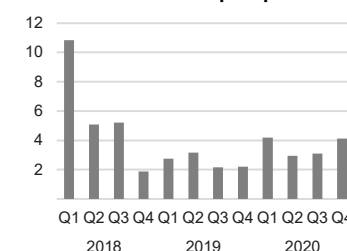
The cash flow from investing activities during the full year amounted to -14 MSEK (-11), of which -14 MSEK (-6) was replacement investments and 0 MSEK (-5) expansion investments.

Cash flow from financing activities amounted to -2 MSEK (-54), of which paid dividends constitute 0 MSEK (-43).

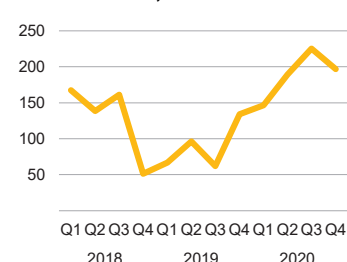
Cash flow for the full year improved by 63 MSEK compared to last year and amounted to 96 MSEK (33).

Amortisation/depreciation in the full year amounted to 38 MSEK (37).

Investments in MSEK per quarter



Cash flow R12, MSEK



The Parent Company

The Parent Company has its registered office in Växjö and conducts operations directly as well as through Swedish and foreign subsidiaries. The Parent Company's operations are focused primarily on strategic development, financial control, corporate governance issues, board work and relations with banks. The operating result for the full year amounted to -3 MSEK (-3).



OTHER INFORMATION

Employees

At the end of December 2020 Balco had 428 (419) full-time employees.

Seasonal variations

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

Shares, share capital and shareholders

At the end of December 2020, there were 21,909,348 shares in Balco, corresponding to a share capital of 131,461,248 SEK. There were 5,523 shareholders. The five largest shareholders were The Family Hamrin, Swedbank Robur fonder, Lannebo Fonder, Skandrenting AB and Segulah.

Related-party transactions

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

Incentive program

Balco Group AB's incentive program 2017/2020 expired on October 5 and led to 286,037 shares being subscribed for, corresponding to a dilution of 1.3%.

At an Extraordinary General Meeting held on November 24, 2020, it was decided to introduce a new three-year incentive program aimed at the company's senior executives and additional key employees, a total of 25 employees. The incentive program comprises a total of a maximum of 400,000 warrants, which entitles to a maximum of new subscriptions of the corresponding number of shares. Balco's total cost for the incentive program during the program's duration is expected to amount to approximately 4 MSEK. The program entails a dilution corresponding to approximately 1.8 percent of the company's total number of shares. The senior executives in Balco have acquired 236,000 warrants amounting to a total value of SEK 2,673,880.

The purpose of the incentive program is to encourage broad shareholding among the company's key employees, facilitate recruitment, retain competent and talented employees, increase the community of interest between the

key employees' and the company's objectives and increase the motivation to achieve or exceed the company's financial goals.

Risks and uncertainty factors

The Group is exposed to different types of risks through its operations. The risks can be divided into the following categories: industry and market-related risks, business-related risks and financial risks. Industry and market-related risks include changes in demand due to a weaker economy or other macroeconomic changes, changed prices of raw materials that are of key importance to Balco's production and changed competition or price pressure. Business-related risks include Balco's ability to develop and sell innovative new products and solutions, the Group's ability to attract and retain qualified employees, and the dependence of Balco's profitability on individual project results, i.e. the Group's ability to predict, calculate and deliver the projects within defined financial limits. Financial risks are summarised under financing risk, liquidity risk, credit risk and interest rate risk. Balco's risks and uncertainty factors are described on pages 54-57, 64 and 80-82 in the 2019 annual report. In addition, risks associated with the Covid-19 pandemic have been added, see below under events during the quarter and after the end of the quarter.

Outlook

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

Reduced order intake and order backlog will have a negative impact on sales and earnings in the coming quarters. Strong financial position means that the company is equipped for growth through acquisitions. Sales are affected by the time when building permission is granted.

The market is fragmented and growing throughout northern Europe. The value of the balcony market in those countries in which Balco is represented is estimated at more than 35 billion SEK and it is expected to grow by approximately 5 percent annually in the coming years. The Group's long-term goals are set out on the following page.

Events during the quarter and since the end of the quarter

On February 10, Balco acquired Stora Fasad AB. The acquisition adds expertise in the façade area and will strengthen the Group's offer for turnkey repentance for both balcony and façade renovation.

Covid-19, with a continued high spread of infection in most countries, affected order intake, net sales and earnings in the fourth quarter and will continue to do so in the coming quarters. Costs affecting comparability of 19 MSEK1 were taken in the quarter in connection with increased risk exposure with Covid-19. No grants or other support linked to Covid-19 were received in 2020.

FINANCIAL GOALS

Revenue growth

Balco shall achieve growth of 10 percent per year.

Profitability

Balco shall achieve an operating profit margin (EBIT) of at least 13 percent.

Capital structure

Interest-bearing net debt shall not exceed 2.5 times operating profit before depreciation and amortisation (EBITDA), other than temporarily.

Dividend policy

Balco shall distribute at least one-half of profit after tax, taking into consideration needs for Balco's long-term growth and prevailing market conditions.

The interim report has not been subject to a review of ISRE 2410 by the company's auditors.

Växjö, 18 February 2021

Kenneth Lundahl

President and CEO

This information comprises such information as Balco Group AB is obliged to publish in accordance with the EU Market Abuse Regulation. The information was provided by the contact person below for publication on 18 February 2021 at 07.30 CET.

Telephone conference

An online telephone conference will be held on 18 February 2021 at 09:00 CET at which President and CEO Kenneth Lundahl and CFO Michael Grindborn will present the report and answer questions. To participate, please call:

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Calendar 2021/2022

Interim report Jan-Mar 2021	20 May 2021
Annual General Meeting 2021	25 May 2021
Interim report Jan-Jun 2021	18 August 2021
Interim report Jan-Sep 2021	18 November 2021
Year-end report 2021	17 February 2022

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

MSEK	Note	Oct-Dec		Jan-Dec	
		2020	2019	2020	2019
Net sales		268,6	333,3	1 200,0	1 220,6
Production and project costs		-219,5	-252,8	-910,6	-920,6
Gross profit		49,1	80,6	289,4	300,0
Sales costs		-28,8	-26,0	-111,0	-94,2
Administration costs		-17,5	-17,2	-63,0	-66,1
Other operating income		-	0,6	-	1,6
Other operating expenses		-	-0,2	-	-0,9
Operating costs		-46,3	-42,8	-174,0	-159,6
Operating profit		2,8	37,7	115,4	140,4
Finance income		0,0	0,1	0,2	0,8
Finance costs		-3,1	-3,6	-9,8	-9,5
Profit before tax		-0,3	34,2	105,7	131,7
Income tax		-4,7	-8,1	-28,1	-28,8
Net profit for the period		-5,0	26,1	77,6	102,8
Other comprehensive income					
Items that have been/can be reclassified to profit/loss					
Exchange rate differences on translation of foreign operation		-3,0	-2,3	-5,0	0,2
Comprehensive income for the period		-8,0	23,8	72,7	103,0
Of which attributable to:					
Owners of the parent company		-8,0	23,8	72,7	103,0
Earnings per share, SEK, before dilution	4	-0,23	1,21	3,58	4,79
Earnings per share, SEK, after dilution	4	-0,22	1,19	3,51	4,69
Average number of shares, thousands		21 909,3	21 623,3	21 694,8	21 477,4

CONSOLIDATED BALANCE SHEET IN SUMMARY

MSEK	31-dec 2020	31-dec 2019
ASSETS		
Non-current assets		
Goodwill	400,9	401,2
Other intangible assets	48,5	52,9
Concessions	42,5	54,1
Property, plant and equipment	129,8	134,1
Financial assets	1,4	3,1
Deferred tax assets	0,6	1,8
Total non-current assets	623,8	647,1
Current assets		
Inventory	25,6	26,0
Trade receivables	175,3	135,5
Contract assets	130,3	149,2
Current tax receivables	19,0	3,8
Other current receivables	35,2	24,7
Cash and cash equivalents	214,1	119,4
Total current assets	599,6	458,8
TOTAL ASSETS	1 223,3	1 105,9
EQUITY AND LIABILITIES		
Equity		
Share capital	131,5	129,7
Additional paid-in capital	403,2	393,5
Retained earnings, incl. profit for year	64,0	-8,7
Equity attributable to owners of the parent company	598,6	514,5
Non-current liabilities		
Deferred tax liabilities	18,9	33,6
Interest-bearing liabilities to banks	203,0	215,2
Leasing non-current liabilities	26,6	35,1
Other non-current liabilities	-	19,4
Total non-current liabilities	248,5	303,3
Current liabilities		
Interest-bearing liabilities to banks	10,4	10,4
Leasing current liabilities	19,4	20,7
Contract liabilities	82,2	41,4
Trade payables	112,2	122,6
Current tax liabilities	35,2	15,5
Other liabilities	34,8	23,1
Other accrued expenses and prepaid income	82,1	54,3
Total current liabilities	376,2	288,0
TOTAL EQUITY AND LIABILITIES	1 223,3	1 105,9

CONSOLIDATED CHANGES IN EQUITY IN SUMMARY

MSEK	Share Capital	Additional paid-in capital	Reserves	Retained earnings	Total equity
Opening balance 1 Jan 2019	128,6	381,8	5,0	-74,8	440,5
Impact from implementation of IFRS 16	-	-	-	1,0	1,0
Comprehensive income for the period					
Profit for the period	-	-	-	102,8	102,8
Other comprehensive income for the period	-	-	0,2	-	0,2
Total comprehensive income for the period	-	-	0,2	102,8	103,0
Transactions with shareholders in their status as Company owners:					
Distributed dividend	-	-	-	-42,9	-42,9
Warrants to shares	1,2	-	-	-	1,2
Proceeds, Warrants	-	11,7	-	-	11,7
Total transactions with Company owners	1,2	11,7	-	-42,9	-30,0
Closing balance 31 Dec 2019	129,7	393,5	5,1	-13,8	514,5
Opening balance 1 Jan 2020	129,7	393,5	5,1	-13,8	514,5
Comprehensive income for the period					
Profit for the period	-	-	-	77,6	77,6
Other comprehensive income for the period	-	-	-5,0	-	-5,0
Total comprehensive income for the period	-	-	-5,0	77,6	72,7
Transactions with shareholders in their status as Company owners:					
Distributed dividend	-	-	-	-	-
Warrants to shares	1,7	-	-	-	1,7
Proceeds, Warrants	-	9,7	-	-	9,7
Total transactions with Company owners	1,7	9,7	-	-	11,4
Closing balance 31 Dec 2020	131,5	403,2	0,1	63,9	598,6

CASH FLOW STATEMENT IN SUMMARY

MSEK	Oct-Dec		Jan-Dec	
	2020	2019	2020	2019
Operating activities				
Operating profit (EBIT)	2,8	37,7	115,4	140,4
Adjustment for non-cash items	28,9	9,8	38,6	36,9
Interest received	-0,2	0,1	0,2	0,8
Interest paid	-3,8	-2,9	-9,8	-8,6
Income tax paid	-1,8	-4,4	-35,7	-34,5
Cash flow from operating activities before changes in working capital	26,1	40,3	108,6	135,1
Changes in working capital				
Increase (-)/Decrease (+) in inventories	5,1	1,5	0,4	0,4
Increase (-)/Decrease (+) in operating receivables	1,4	44,5	-43,2	-9,0
Increase (+)/Decrease (-) in operating liabilities	2,2	5,4	46,0	-29,4
Cash flow from operating activities	34,7	91,7	111,7	97,1
Investing activities				
Purchase/sale of intangible assets	-0,3	-1,5	-1,1	-2,1
Purchase/sale of property, plant and equipment	-4,3	-0,7	-13,7	-8,2
Purchase/sale of subsidiaries	0,5	-	0,5	-
Change in other financial assets	-	-0,6	-	-0,6
Cash flow from investing activities	-4,1	-2,8	-14,3	-10,9
Financing activities				
Changes in bank loans	-2,4	-1,4	-12,8	-0,9
Changes in leasing	-10,1	-3,2	-	-23,1
Changes in other non-current liabilities	4,7	-2,0	-	0,6
Warrants	9,7	7,3	9,7	11,4
Rights issue	1,7	1,2	1,7	1,2
Distributed dividend	-	-	-	-42,9
Cash flow from financing activities	3,6	1,8	-1,4	-53,7
Cash flow for the period	34,2	90,7	96,1	32,5
Cash and cash equivalents at beginning of the period	180,5	28,6	119,4	87,0
Exchange rate differential cash and cash equivalents	-0,6	0,1	-1,4	-0,2
Cash and cash equivalents at end of the period	214,1	119,4	214,1	119,4

KEY RATIOS

MSEK	Oct-Dec		Jan-Dec	
	2020	2019	2020	2019
Net sales	268,6	333,3	1 200,0	1 220,6
Order intake	229,7	351,7	932,7	1 349,1
Order backlog	1 086,6	1 522,4	1 086,6	1 522,4
Gross profit	49,1	80,6	289,4	300,0
EBITDA	12,3	48,5	153,0	176,9
Adjusted EBITDA	31,7	48,5	172,4	176,9
Operating profit (EBIT)	2,8	37,7	115,4	140,4
Adjusted operating profit	22,3	37,7	134,8	140,4
Gross profit margin, %	18,3	24,2	24,1	24,6
EBITDA margin, %	4,6	14,6	12,7	14,5
Adjusted EBITDA margin, %	11,8	14,6	14,4	14,5
Operating profit margin (EBIT), %	1,1	11,3	9,6	11,5
Adjusted operating profit margin (EBIT), %	8,3	11,3	11,2	11,5
Operating cash flow	71,2	100,2	196,5	133,9
Operating cash conversion, %	224,8	206,4	114,0	75,7
Capital employed, average	659,7	706,6	660,2	655,8
Capital employed, excl. goodwill, average	258,7	305,3	259,1	254,7
Equity, average	596,9	498,2	556,6	477,5
External interest-bearing net debt	45,2	161,9	45,2	161,9
External interest-bearing net debt/Adjusted EBITDA 12 months, times	0,3	0,9	0,3	0,9
Return on capital employed, %, (12 months)	20,4	19,9	20,4	21,4
Return on capital employed, excl. goodwill, %, (12 months)	52,1	46,0	52,0	55,1
Return on invested capital, %, (12 months)	13,0	20,6	13,9	21,5
Equity/assets ratio, %	48,9	46,5	47,8	44,0
Number of full-time employees on the closing date	428	419	428	419
Average number of common shares for the period, 000s	21 909,3	21 623,3	21 694,8	21 477,4
Equity per common share, SEK	27,24	23,04	25,66	22,23

1) For information on adjusted operating profit, please see note 5

PARENT COMPANY, INCOME STATEMENT IN SUMMARY

MSEK	Oct-Dec		Jan-Dec	
	2020	2019	2020	2019
Net sales	5,0	3,7	20,0	14,8
Operating expenses	-7,4	-4,3	-23,0	-17,5
Operating profit	-2,4	-0,6	-3,0	-2,7
Interest income	0,1	0,3	0,6	1,3
Interest expenses	-1,0	-1,1	-3,9	-3,3
Profit/loss after financial items	-3,3	-1,3	-6,3	-4,7
Change in untaxed reserves	167,9	-	167,9	9,0
Tax	-35,2	-1,7	-34,6	-0,9
Net profit/loss for the period	129,4	-3,0	127,0	3,4

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

PARENT COMPANY, BALANCE SHEET IN SUMMARY

MSEK	31-dec 2020	31-dec 2019
ASSETS		
Non-current assets		
Financial assets	1 081,6	389,7
Total non-current assets	1 081,6	389,7
Current assets		
Current receivables	260,6	14,9
Cash and cash equivalents	213,0	117,7
Total current assets	473,6	132,5
TOTAL ASSETS	1 555,2	522,2
EQUITY AND LIABILITIES		
Equity		
Restricted equity	131,5	129,7
Unrestricted equity	282,7	146,0
Total equity	414,2	275,7
Non-current liabilities	180,0	110,0
Other current liabilities	961,0	136,5
TOTAL EQUITY AND LIABILITIES	1 555,2	522,2

NOTES

Note 1 Accounting principles

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

The information on pages 1–9 relating to the part of the year covered by this interim report constitutes an integral part of this financial report.

Note 2 Financial instruments

The financial instruments measured at fair value are forward exchange contracts. Financial assets at fair value amounted to 9.3 MSEK (0.6) at the end of the period while financial liabilities at fair value amounted to 0.2 MSEK (8.0).

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

Note 3 Business segments

Balco reports the following segments:

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

MSEK	Jan-Dec		Renovation		New Build		Group Other		Eliminations		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Net sales – External revenue	1 095,7	1 044,4	104,3	176,2	-	-	-	-	-	-	1 200,0	1 220,6
Net sales – Internal revenue	-	-	-	-	21,3	16,1	-21,3	-16,1	-	-	-	-
Total sales	1 095,7	1 044,4	104,3	176,2	21,3	16,1	-21,3	-16,1	-	-	1 200,0	1 220,6
Operating profit (EBIT)	113,5	134,6	6,8	11,5	-4,9	-5,7	-	-	-	-	115,4	140,4
Depreciation included with	33,8	32,1	3,8	4,5	-	-	-	-	-	-	37,6	36,5
Non-recurring items	19,4	-	-	-	-	-	-	-	-	-	19,4	-
Adjusted operating profit (EBIT)	132,9	134,6	6,8	11,5	-4,9	-5,7	-	-	-	-	134,8	140,4
Adjusted operating margin	12,1%	12,9%	6,5%	6,5%	-	-	-	-	-	-	11,2%	11,5%
Operating profit (EBIT)	113,5	134,6	6,8	11,5	-4,9	-5,7	-	-	-	-	115,4	140,4
Finance income	-	-	-	-	0,2	0,8	-	-	-	-	0,2	0,8
Finance cost	-	-	-	-	-9,8	-9,5	-	-	-	-	-9,8	-9,5
Profit before tax	113,5	134,6	6,8	11,5	-14,6	-14,4	-	-	-	-	105,7	131,7

Note 4 Earnings per share

MSEK	Oct-Dec		Jan-Dec	
	2020	2019	2020	2019
Net profit for the period attributable to the owners of the parent company	-5,0	26,1	77,6	102,8
Average number of common shares, 000'	21 909,3	21 623,3	21 694,8	21 477,4
Earnings per common share, SEK, before dilution	-0,23	1,21	3,58	4,79
Earnings per common share, SEK, after dilution	-0,22	1,19	3,51	4,69

Note 5 Reconciliation with IFRS financial statements

Balco's financial statements include alternative performance measures, which complement the measures that are defined or specified in applicable rules for financial reporting. Alternative performance measures are presented since, as in their context, they provide clearer or more in-depth information than the measures defined in applicable rules for financial reporting. The alternative performance measures are derived from the Company's consolidated financial reporting and are not measured in accordance with IFRS.

MSEK	Oct-Dec		Jan-Dec	
	2020	2019	2020	2019
Adjusted operating profit				
Operating profit	2,8	37,7	115,4	140,4
Write-down and risk allocation concerning projects	15,2	-	15,2	-
Write-down of other current assets	4,2	-	4,2	-
Other non-recurring items	-	-	-	-
Adjusted operating profit	22,3	37,7	134,8	140,4
Adjusted EBITDA				
Operating profit	2,8	37,7	115,4	140,4
Depreciation	9,4	10,8	37,6	36,5
Write-down and risk allocation concerning projects	15,2	-	15,2	-
Write-down of other current assets	4,2	-	4,2	-
Adjusted EBITDA	31,7	48,5	172,4	176,9
Operating cash flow				
Adjusted EBITDA	31,7	48,5	172,4	176,9
Changes in working capital	44,1	51,6	38,9	-37,7
Investments in other non-current assets, net	-4,6	-	-14,8	-5,3
Operating cash flow	71,2	100,2	196,5	133,9
MSEK			31-dec 2020	31-dec 2019
External interest-bearing net deb				
External non-current interest-bearing liabilities			236,0	250,3
Current interest-bearing liabilities			23,4	31,1
Cash and cash equivalents			-214,1	-119,4
Interest-bearing net debt			45,2	161,9
Adjusted EBITDA (12 months)			172,4	176,9
Interest-bearing net debt/EBITDA 12 months, times			0,3 x	0,9 x
Return on capital employed				
Equity			598,6	514,5
External interest-bearing net debt			45,2	161,9
Average capital employed			660,2	655,8
Adjusted operating profit (EBIT), (12 months)			134,8	140,4
Return on capital employed, %			20,4	21,4
Equity/assets ratio				
Equity attributable to owners of the parent company			598,6	514,5
Total assets			1 223,3	1 105,9
Equity/assets ratio, %			48,9	46,5

ALTERNATIVE PERFORMANCE MEASURES

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

Alternative performance measures	Definition	Reason for use
Return on equity	Income for the period divided by the average shareholder equity for the period. Average calculated as the average of the opening balance and the closing balance for the period.	Return on equity shows the return that is generated on the shareholders' capital that is invested in the company.
Return on capital employed	Adjusted EBIT as a percentage of average capital employed for the period. Average calculated as the average of the opening balance and the closing balance for the period, see note 5.	Return on capital employed shows the return that is generated on capital employed by the company, and is used by Balco to monitor profitability as it relates to the capital efficiency of the company
Return on capital employed excluding goodwill	Adjusted EBIT as a percentage of average capital employed for the period excluding goodwill. Average calculated as the average of the opening balance and the closing balance for the period.	Balco believes that return on capital employed excluding goodwill together with return on capital employed shows a complete picture of Balco's capital efficiency
Gross income	Revenue less production and project costs.	Shows the effectiveness of Balco's operations and together with EBIT, provides a complete picture of the operating profit generation and expenses.
Gross margin	Gross income as a percentage of net sales.	Ratio is used for analysis of the company's effectiveness and profitability.
EBITDA	Earnings before interest, tax, depreciation and amortization.	Balco believes that EBITDA shows the profit generated by the operating activities and is a good measure of cash flow from operations.
External interest-bearing net debt	Interest-bearing net debt excluding the shareholder loan. For a reconciliation of net debt for the periods, see note 5.	Balco believes that external interest-bearing net debt is a useful measure for showing the company's total external debt financing.
External interest-bearing net debt relative to adjusted EBITDA	Interest-bearing external net debt divided by adjusted EBITDA.	Balco believes this ratio helps to show financial risk and is a useful measure for Balco to monitor the level of the company's indebtedness.
Adjusted EBITDA	EBITDA as adjusted for items affecting comparability. For a reconciliation of adjusted EBITDA to income for the period, see note 5.	Balco believes that adjusted EBITDA is a useful measure for showing the company's profit generated by the operating activities after adjusting for non-recurring items, and primarily uses adjusted EBITDA for purposes of calculating the company's operating cash flow and cash conversion.
Adjusted EBITDA margin	Adjusted EBITDA as a percentage of net sales.	Balco believes that adjusted EBITDA margin is a useful measure for showing the company's profit generated by the operating activities after non-recurring items.
Adjusted EBIT margin	Adjusted EBIT as a percentage of net sales.	Balco believes that adjusted EBIT margin is a useful measure for showing the company's profit generated by the operating activities.
Adjusted EBIT	EBIT adjusted for items affecting comparability. For a reconciliation of adjusted EBIT to income for the period, see note 5.	Balco believes that adjusted EBIT is a useful measure for showing the company's profit generated by the operating activities, and primarily uses adjusted EBIT for calculating the company's return on capital employed, which is used by Balco to monitor profitability as it relates to the capital efficiency of the company.
Items affecting comparability	Items affecting comparability are significant items reported separately due to their size or frequency	Balco believes that adjustment for items affecting comparability improves the possibility of comparison over time by excluding items with irregularity in frequency or size.
Operating cash flow	Adjusted EBITDA increased/decreased with changes in net working capital less investments, excluding expansion investments, see note 5.	Operating cash flow is used by Balco to monitor business performance.
Interest-bearing net debt	The sum of shareholder loan, non-current interest-bearing liabilities and current interest-bearing liabilities. For a reconciliation of net debt for the periods, see note 5.	Balco believes interest-bearing net debt is a useful measure to show the company's total debt financing.
Net working capital	Current assets excluding cash and cash equivalents and current tax assets less non-interest-bearing liabilities excluding current tax liabilities.	This measure shows how much net working capital that is tied up in the operations and can be put in relation to sales to understand how effectively net working capital tied up in the operations is used.
EBIT margin	EBIT as a percentage of net sales.	Balco believes EBIT margin is a useful measure together with net sales growth and net working capital to monitor value creation.

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



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