Interim report

2019: Q2 April-June

BALCONIES FOR GREATER LIVING

Breakthrough regarding financing in our largest market

The second quarter: April – June

- Net sales increased 19 percent to 325.0 MSEK (273.6).
- Order intake increased 46 percent to 436.2 MSEK (299.4).
- Order backlog increased 112 MSEK to 1,640.9 MSEK (1,308.8) at the end of the quarter.
- Operating profit increased 40 percent to 44.3 MSEK (31.5).
- Net profit after tax increased 46 percent to 33.7 MSEK (23.1).
- Earnings per share increased 62 percent to 1.70 SEK (1.05) before and after dilution.
- Operating cash flow increased to 41.6 MSEK (13.3).

The half-year period: January – June

- Net sales increased 15 percent to 594.9 MSEK (516.1).
- Order intake increased 40 percent to 798.0 MSEK (570.7).
- Order backlog has increased 103 MSEK organic during the half-year period.
- Operating profit increased 33 percent to 71.3 MSEK (53.5).
- Net profit after tax increased 38 percent to 53.6 MSEK (38.7).
- Earnings per share increased 40 percent to 2.68 SEK (1.92) before and after dilution.
- Operating cash flow increased to 33.9 MSEK (-10.1).

Events during the second quarter and after end of the quarter

- After the end of the quarter, Balco has prolonged the banking agreement and the agreement is now valid until September 2022. The acquisition credit has been restored to 100 MSEK.
- Collaboration with a Nordic bank that in Sweden offers tenant-owner associations 70 years of amortization time when installing Balco's glazed balconies against previous 50 years.

	Apr-Jun		Jan-Jun		Jul-Jun	Jan-Dec
MSEK	**2019**	**2018**	**2019**	**2018**	**2018/19**	**2018**
Net sales	325,0	273,6	594,9	516,1	1 136,8	1 058,1
Order intake	436,2	299,4	798,0	570,7	1 230,4	1 003,1
Order backlog	1 640,9	1 308,8	1 640,9	1 308,8	1 640,9	1 203,5
Gross profit	87,4	71,0	152,0	131,2	274,7	253,8
Gross margin %	26,9	25,9	25,6	25,4	24,2	24,0
Operating profit	44,3	31,5	71,3	53,5	123,5	105,6
Operating profit margin (EBIT-margin), %	13,6	11,5	12,0	10,4	10,9	10,0
Adjusted operating profit (EBIT)	44,3	31,5	71,3	53,5	138,0	120,2
Adjusted operating profit margin (EBIT-margin), %	13,6	11,5	12,0	10,4	12,1	11,4
Net profit for the period	33,7	23,1	53,6	38,7	91,6	76,8
Operating cash flow	41,6	13,3	33,9	-10,1	94,0	49,9

KENNETH LUNDAHL, PRESIDENT AND CEO

The market for Balco's products remains strong, as is evident in the growth of inquiries, quotations, order intake and order backlog. The growth platform we have built works and contributes to a consistently strong start to the year.

Net sales for the quarter increased by 19 percent to 325 MSEK and the operating profit increased by 40 percent to 44 MSEK with an operating margin of 13.6 percent. This is the first quarter that we exceed our profitability goal and thus fulfilled all our financial goals for the first time.

Order intake increased by 46 percent in the quarter and amounted to 436 MSEK. The high market activity and the prevailing good market mean that I expect a substantial order intake increase in the third quarter.

Our latest acquisition TBO-Haglinds is developing very positively and has exceeded our expectations. TBO-Haglinds is run as a fully independent company within the Group but complements Balco in terms of both product and customer offerings and we have reached the synergies that were planned.

The order backlog increased by an additional 112 MSEK during the quarter and has reached a new record level of over 1.6 billion, of which 1.5 billion is in the renovation segment.

This quarter's sales and its organic growth were negatively impacted by the lower order intake we had during the middle of last year.

We have received building permit on the largest project in our order backlog. This, together with the good order intake during the last quarters, means that organic growth will return and is expected to be above 10 percent in the second half of the year.

The Renovation segment's sales for the quarter increased by 19 percent to 285 MSEK. Profitability in the segment remains very good.

The New Build segment increased its sales by 7 MSEK in the quarter to 40 MSEK. The biggest project in the New Build segment is our second maritime project, which keeps its profitability target and project plan.

Balco's sustainability focus meets great interest from customers and investors. The life cycle analysis we are working on shows that Balco's products have a lifespan of over 90 years and that we are climate positive after just over 20 years thanks to the energy savings of up to 30 percent that are documented.

Compared to traditional concrete renovation, the Balco method and Balco's products are not only the best solution from a financial point of view and from the quality of life of the residents, but also the most climate-smart solution. A glazed Balco balcony gives the same positive carbon effect as planting 10 trees.

We have entered into a collaboration with a Nordic bank which in Sweden offers tenant-owner associations 70 years of amortization time when installing Balco's glazed balconies against the previous 50 years. Longer repayment periods lead to lower monthly costs per balcony, which in turn increases our possible market.

We have prolonged our banking agreement with Danske Bank for another year and it now runs until September 2022. In connection with the extension, the acquisition credit has been restored to 100 MSEK.

We are the market leader in the niche market for balcony renovation where the need and growth potential is great. Our strategy is to invest for further growth in the renovation segment.

With many and large outstanding quotations, a record order backlog, strong financial position and exciting development opportunities, the future looks positive for us.

”Order intake increased by 46 % in the quarter and our operating margin increased to 13.6 %. I expect a substantial order intake increase in the third quarter. We met all our financial targets during the quarter.”

Kenneth Lundahl, President and CEO

Växjö 27 August 2019

Kenneth Lundahl, President and CEO
Balco Group AB

THE GROUP'S DEVELOPMENT

Second quarter: April - June

Net sales in the second quarter grew by 51.4 MSEK to 325.0 MSEK (273.6) corresponding to 18.8 percent. The new acquired TBO-Haglinds AB has contributed with a growth of 22 percent, while the organic growth was negative also in the second quarter by 3.4 percent. This is essentially due to the weaker order intake in the middle of 2018. The Renovation segment accounted for 284.9 MSEK (204.3) of the net sales, corresponding to a growth by 18.5 percent while the New Build segment grew to 40.1 MSEK (33.2).

The development on Balco's main markets is still positive and also on the other markets the market conditions are good. Balco's sales development is to a large extent affected by when building permission is granted, and consequently sales fluctuate between quarters.

Order intake during the second quarter amounted to 436.2 MSEK (299.4), an increase of 45.7 percent or 136.8 MSEK, of which 38.8 percent was organic growth. The Renovation segment accounted for 397.5 MSEK (269.9) of the order intake for the quarter, corresponding to 91 percent of the total order intake and an increase of 47 percent compared to last year while the New Build segment increased to 38.7 MSEK (29.7).

The order backlog had a strong development during the quarter, with an increase of 112.2 MSEK. Total outgoing backlog amounted to 1,640.9 MSEK (1,308.8) an increase of 332.1 MSEK or 25.4 percent, of which 6.3 percent was organic increase. The order backlog for the Renovation segment amounted to 1,499.3 MSEK (1,134.7) corresponding to 91 percent of the total order backlog. The order backlog for the New Build segment amounted to 141.6 MSEK (174.1).

Gross profit in the second quarter increased to 87.4 MSEK (71.0), entailing a gross margin of 26.9 percent (25.9). The gross margin in the quarter had a positive development both within the Renovation segment and the New Build segment.

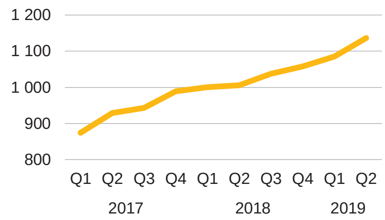
Selling costs in the quarter increased by 1.4 MSEK to 25.9 MSEK (24.5), mainly due to the acquisition of TBO-Haglinds.
Administrative expenses in the quarter amounted to 17.2 MSEK (14.9). The underlying cost increase of 2.3 MSEK in the quarter is due to a strengthened organisation and the acquisition of TBO-Haglinds.
Total operating expenses in the second quarter amounted to 43.1 MSEK (39.5), corresponding to 13.3 percent (14.4) of net sales.

Operating profit for the second quarter improved with 40.5 percent or 12.8 MSEK and amounted to 44.3 MSEK (31.5), corresponding to an operating margin of 13.6 percent (11.5). The improvement in earnings is a result of increased sales with improved gross margin and decreased share of total operating expenses.

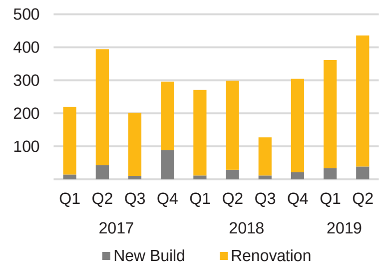
The net financial items for the second quarter amounted to -1.5 MSEK (-1.3). Profit after tax for the quarter improved by 45.8 percent or 10.6 MSEK and amounted to 33.7 MSEK (23.1), corresponding to earnings per share of 1.70 SEK (1.05).

Operating cash flow improved to MSEK 41.6 (13.3), due to improved operating profit, increased depreciation and less increase in working capital than last year.

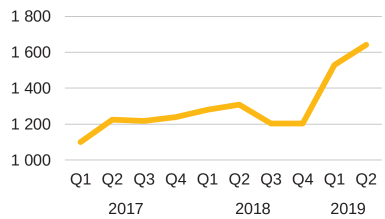
Net sales, R12 MSEK



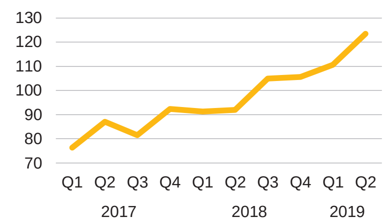
Order intake per segment, MSEK



Order backlog, MSEK



Operating profit, R12 MSEK



The half-year period: January - June

For the half-year period net sales grew by 15.2 percent to 594.9 MSEK (516.1), corresponding to an increase of 78.8 MSEK. Acquired growth accounted for 20 percent, while organic growth was negative with 5 percent. Balco's long-term goal is to grow by 10 percent per year. Net sales for the segment Renovation amounted to 509.6 MSEK (459.2) an increase of 11.0 percent and for the segment New Build the net sales grew to 85.2 MSEK (57.0).

Order intake during the first half-year grew to 798.0 MSEK (570.7), an increase of 39.8 percent or 227.3 MSEK, of which 17.1 percent organic growth. Order intake for the Renovation segment amounted to 725.2 MSEK (528.9) an increase of 37 percent and 91 percent of the total order intake for the period. Order intake for the New Build segment grew to 72.9 MSEK (41.9).

For the half-year period gross profit increased by 20.8 MSEK to 152.0 MSEK (131.2), entailing a gross margin of 25.6 percent (25.4). The gross margin for the period shows stable margins for the projects within both business segments.

Operating profit for the half-year period improved by 17.8 MSEK or 33.4 percent and amounted to 71.3 MSEK (53.5) corresponding to an operating margin of 12.0 percent (10.4). Increased net sales with stable gross margin and marginal increase of operating expenses explains the improvement in operating profit.

The net financial items for the first half-year amounted to -3.3 MSEK (-3.0). The increase is due to increased borrowing in connection with the acquisition of TBO-Haglinds as well as implementation of IFRS 16.

For the half-year period profit after tax increased by 14.9 MSEK or 38.4 percent and amounted to 53.6 MSEK (38.7), corresponding to earnings per share of 2.68 SEK (1.92).

Operating cash flow improved to SEK 33.9 million (-10.1), due to improved operating profit, increased depreciation and less increase in working capital than last year.

DEVELOPMENT PER SEGMENT

	Apr-Jun		Jan-Jun		Jul-Jun	Jan-Dec
Net sales, MSEK	**2019**	**2018**	**2019**	**2018**	**2018/19**	**2018**
Renovation	284,9	240,3	509,6	459,2	998,1	947,7
New Build	40,1	33,2	85,2	57,0	138,6	110,4
Group other	4,1	4,0	8,0	8,0	16,1	16,1
Elimination	-4,1	-4,0	-8,0	-8,0	-16,1	-16,1
Total net sales	**325,0**	**273,6**	**594,8**	**516,1**	**1 136,8**	**1 058,1**

	Q2		Jan-Jun		Jul-Jun	Jan-Dec
Operating profit, MSEK	**2019**	**2018**	**2019**	**2018**	**2018/19**	**2018**
Renovation	42,4	31,6	66,9	55,1	129,1	117,2
New Build	3,5	0,4	6,9	1,0	-4,8	-10,6
Group other	-1,7	-0,5	-2,5	-2,6	-0,8	-1,0
Elimination	-	-	-	-	-	-
Total EBIT	**44,3**	**31,5**	**71,3**	**53,5**	**123,5**	**105,6**

	Q2		Jan-Jun		Jul-Jun	Jan-Dec
EBIT margin, %	**2019**	**2018**	**2019**	**2018**	**2018/19**	**2018**
Renovation	14,9	13,1	13,1	12,0	12,9	12,4
New Build	8,8	1,2	8,1	1,8	-3,5	-9,6
Group other	n/a	n/a	n/a	n/a	n/a	n/a
Elimination	n/a	n/a	n/a	n/a	n/a	n/a
Total EBIT margin	**13,6**	**11,5**	**12,0**	**10,4**	**10,9**	**10,0**

Renovation

Sales within the business segment grew in the second quarter by 18.5 percent or 44.6 MSEK to 284.9 MSEK (240.3). The segment accounted for 87.7 percent of Balco's total sales in the second quarter.

Share, renovation
Q2 2019
87,7%

Order intake within the segment increased by 47.3 percent to 397.5 MSEK (269.9), corresponding to 91 percent of the total order intake in the quarter.

Operating profit for the segment in the quarter amounted to 42.4 MSEK (31.6), corresponding to an operating margin of 14.9 percent (13.1).

For the half-year period sales increased by 11.0 percent to 509.6 MSEK (459.2). Operating profit for the period amounted to 66.9 MSEK (55.1) corresponding to an operating margin of 13.1 percent (12.0). The segment accounted for 85.7 percent of Balco's total sales in the half-year period.

Order intake during the first half-year increased by 37.2 percent to 725.2 MSEK (528.9), corresponding to 91 percent of the total order intake.

The order backlog for the segment amounted to 1,499.3 MSEK (1,134.7) as of last June corresponding to 91 percent of the total order backlog.

The company's focus on growth within the segment has continued during the quarter.

Share, new build
Q2 2019
12,3%

New build

Sales within the business segment increased in the second quarter to 40.1 MSEK (33.2). The increase is due to our second maritime project. The segment accounted for 12.3 percent of Balco's total sales in the second quarter.

Order intake within the segment increased to 38.7 MSEK (29.7).

Operating profit for the segment in the quarter improved to 3.5 MSEK (0.4), corresponding to an operating margin of 8.8 percent (1.2).

For the half-year period sales increased to 85.2 MSEK (57.0) corresponding to 14.3 percent of Balco's total sales. Operating profit for the first half-year amounted to 6.9 MSEK (1.0) corresponding to an operating margin of 8.1 percent (1.8).

Order intake for the half-year period increased to 72.9 MSEK (41.9) and the order backlog as of last June amounted to 141.6 MSEK (174.1).

Net sales per customer category, MSEK

	Q2		Jan-Jun		Jul-Jun	Jan-Dec
	2019	2018	2019	2018	2018/19	2018
Tenant-owner associations	211,7	187,4	391,4	359,4	759,7	727,7
Private landlords	47,7	27,4	74,1	58,8	126,7	111,4
Publicly owned companies	16,4	30,5	34,4	49,2	99,3	114,0
Construction and manufacturing companies	49,1	28,2	95,0	48,8	151,1	104,9
Total Net sales	325,0	273,6	594,9	516,1	1 136,8	1 058,1

OPERATIONS AND SEGMENT DESCRIPTION

Operations

Balco's core expertise is in delivering glazed balconies and balcony solutions under its own brand, primarily to the renovation market and tenant-owner associations. Several advantages are achieved by replacing existing balconies with new glazed balconies in accordance with the Balco method. The method, which involves demolition and rebuilding of the entire balcony, contributes for example to lower energy costs, an enhanced quality of life and an increase in the value of the property. Balco is unique with processes that involve the Company assuming full responsibility and assisting the customer throughout the decision-making and building process, from visualisation and viewing to project planning, production and installation, with subsequent final inspection. Balco is a turnkey balcony supplier offering customised, high-quality balcony solutions irrespective of size and complexity, with short delivery times. Balco's offering is focused on tenant-owner associations, private landlords, municipal housing companies and construction companies in, primarily, Sweden, Norway and Denmark, but also in Germany, Finland, the UK and the Netherlands. Balco is the market leader in Scandinavia within the attractive niche market for balconies. On other markets, Balco enjoys a strong challenger position. TBO-Haglinds acquired in December 2018 is an independent company which is active in the renovation segment in Sweden.

Renovation

Project Storden Stavanger, Norway

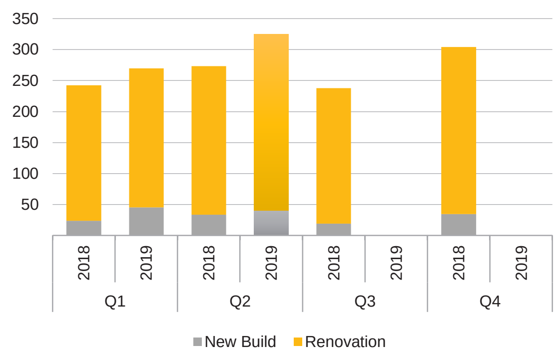
Within renovation, Balco provides solutions for replacing and expanding existing balconies and the installation of new balconies on apartment buildings without balconies. Most of Balco's sales within the area comprise glazed balconies for tenant-owner associations. Sweden is the Company's largest market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

New build

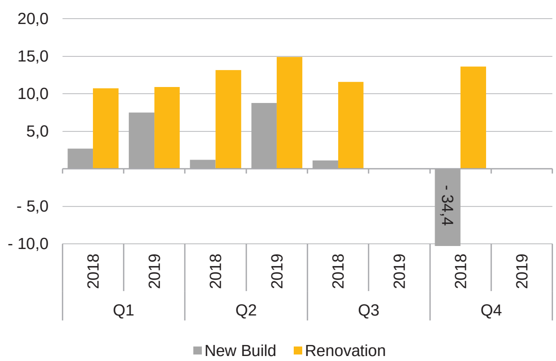
Project cruise ship, Papenburg, Germany

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 production of new housing and growth within the maritime segment.

Sales growth per quarter, MSEK



Operating margin per quarter, %



FINANCIAL POSITION AND CASH FLOW

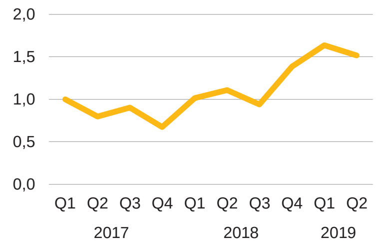
Liquidity and financial position

The Group's interest-bearing net debt at the end of the period amounted to 250.5 MSEK (145.0). Balco's interest-bearing net debt relative to adjusted EBITDA was 1.5 times (1.1), which is within the scope of the Company's indebtedness target (not to exceed 2.5 times). The increase in net debt is related to the acquisition of TBO-Haglinds and the implementation of IFRS 16, which has increased the financial lease liabilities with 11.8 MSEK. The Group's interest-bearing net debt, excluding debt related to financial leasing, relative to adjusted EBITDA was 1.1 times (0.7).

At the end of the quarter the Group's equity amounted to 454.9 MSEK (403.0). The Group's equity ratio was 42.1 percent (45.1). The decrease is due to the increased balance sheet total as a result of the acquisition of TBO-Haglinds AB and the implementation of IFRS 16, which has increased the balance sheet total by 13.0 MSEK.

MSEK	30-jun 2019	30-jun 2018	31-dec 2018
External non-current interest-bearing liabilities excl leasing	226,3	134,0	228,1
Finanial leasing non-current liabilities	41,3	53,3	43,2
Current interest-bearing liabilities	-	8,8	0,7
Finanial leasing current liabilities	19,8	0,7	9,7
Cash and cash equivalents	-36,9	-51,7	-87,0
Interest-bearing net debt	**250,5**	**145,0**	**194,7**
Interest-bearing net debt excl leasing	*189,4*	*91,0*	*141,8*
External interest-bearing net debt/EBITDA (12 months), times	1,5 x	1,1 x	1,4 x
External interest-bearing net debt excl. leasing/EBITDA (12 months), times	1,1 x	0,7 x	1,0 x
Equity/assets ratio, %	42,1	45,1	41,4

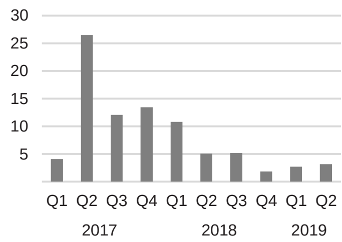
External interest-bearing net debt relative to EBITDA



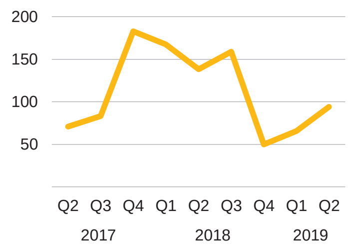
Equity ratio

42,1%

Investments in MSEK per quarter



Cash flow R12, MSEK



Cash flow, investments and amortisation/depreciation

Cash flow from ongoing activities for the half-year period amounted to 10.8 MSEK (-10.5). Improved operating profit and increased amortisation/depreciation made a positive contribution, while increased tax paid had a negative impact.

The cash flow from investing activities during the half-year period amounted to -5.9 MSEK (-15.9), of which 5.0 MSEK was replacement investments and 0.9 MSEK expansion investments. Cash flow from financing activities amounted to -54.8 MSEK (-28.2), of which paid dividends constitute 42.9 MSEK (21.4). Cash flow for the half-year period improved by 4.8 MSEK compared to last year despite doubled dividend paid and amounted to -49.9 (-54.7).

Amortisation/depreciation in the half-year period amounted to 16.9 MSEK (9.7).

The Parent Company

The Parent Company has its registered office in Växjö and conducts operations directly as well as through Swedish and foreign subsidiaries. The Parent Company's operations are focused primarily on strategic development, financial control, corporate governance issues, board work and relations with banks. The result for the half-year period amounted to -1.1 MSEK (1.6). The change in profit is due to increased operating expenses coming from strengthened organization.

OTHER INFORMATION

Employees

At the end of June 2019 Balco had 411 (367) full-time employees. The increase in personnel is mainly due to the acquisition of TBO-Haglinds.

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 quarters are normally the second and fourth quarters.

Shares, share capital and shareholders

At the end of June 2019, there were 21,428,773 shares in Balco, corresponding to a share capital of 128,577,685 SEK. At the end of June 2019, there were 3,800 shareholders. The five largest shareholders were The Family Hamrin, Segulah IV L.P., Skandrenting AB, Länsförsäkringar fondförvaltning AB and Swedbank Robur fonder.

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 shareholders: The Family Hamrin which is represented on the Board of Directors by Carl-Mikael Lindholm, Segulah which is represented on the Board of Directors by Board Chairman Tomas Johansson and Skandrenting which is represented on the Board of Directors by Johannes Nyberg. Related-party transactions take place on commercial terms. For further information, see the 2018 annual report.

Incentive program

Balco Group AB has a long-term incentive program aimed at the Company's senior executives and additional key employees, in total 41 employees. The aim of the incentive program is to encourage broad share ownership among Balco's employees, to facilitate the recruitment and retention of skilled employees, and to enhance motivation to achieve or exceed the Company's financial goals. In addition to the above incentive program, Segulah has issued call options on Balco shares to the Company's senior executives. The call option program is not expected to result in any costs for the Company. For further information, see page 46 in the 2018 annual report.

Risks and uncertainty factors

The Group is exposed to different types of risks through its operations. The risks can be divided into the following categories: industry and market-related risks, business-related risks and financial risks. Industry and market-related risks include changes in demand due to a weaker economy or other macroeconomic changes, changed prices of raw materials that are of key importance to Balco's production and changed competition or price pressure. Business-related risks include Balco's ability to develop and sell innovative new products and solutions, the Group's ability to attract and retain qualified employees, and the dependence of Balco's profitability on individual project results, i.e. the Group's ability to predict, calculate and deliver the projects within defined financial limits Financial risks are summarised under financing risk, liquidity risk, credit risk and interest rate risk. Balco's risks and uncertainty factors are described on pages 52-55 and 81-83 of the 2018 annual report. TBO-Haglinds' operations are similar Balco's and thus carry corresponding risks.

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.

In the third quarter we expect a substantial increase of the order intake due to a high level of market activity and buoyant demand. We anticipate that the organic rate of growth during the second half of the year will be 10 percent, since sales are affected by the time when building permission is granted. We will continue to be selective within New Build.

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 SEK 30 billion and it is expected to grow by approximately 3 percent annually in the coming years.

The Group's long-term goals are set out on the following page.

Events during the quarter and since the end of the quarter

After the end of the quarter, Balco has prolonged the banking agreement and the agreement is now valid until September 2022. The acquisition credit has been restored to 100 MSEK.

We have entered into a collaboration with a Nordic bank that in Sweden offers tenant-owner associations 70 years of amortization time when installing Balco's glazed balconies against previous 50 years.

FINANCIAL GOALS

Revenue growth
Balco shall achieve growth of 10 percent per year.

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

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

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

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

This information comprises such information as Balco Group AB is obliged to publish in accordance with the EU Market Abuse Regulation and the Securities Market Act. The information was provided by the contact persons below for publication on 27 August 2019 at 08:00 CET.

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

SE: +46 8 505 583 50
UK: +44 333 300 92 68
USA: +1 833 526 83 80

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

Växjö, 27 August 2019

Tomas Johansson
Chairman of the Board

Mikael Andersson
Board member

Ingalill Berglund
Board member

Carl-Mikael Lindholm
Board member

Johannes Nyberg
Board member

Åsa Söderström Winberg
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President and CEO

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Calendar 2019

Interim report Jan-Sep 2019	14 November 2019
Interim report Jan-Dec 2019	20 February 2020

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

MSEK	Note	Apr-Jun 2019	Apr-Jun 2018	Jan-Jun 2019	Jan-Jun 2018	Jul-Jun 2018/19	Jan-Dec 2018
Net sales		325,0	273,6	594,9	516,1	1 136,8	1 058,1
Production and project costs		-237,6	-202,6	-442,8	-385,0	-862,1	-804,3
Gross profit		**87,4**	**71,0**	**152,0**	**131,2**	**274,7**	**253,8**
Sales costs		-25,9	-24,5	-48,5	-49,4	-93,2	-94,1
Administration costs		-17,2	-14,9	-32,6	-28,3	-58,2	-53,9
Share of profit or loss of associates		0,0	-0,1	-	0,0	0,0	0,0
Other operating income		0,1	0,3	0,9	0,6	1,1	0,7
Other operating expenses		-0,2	-0,3	-0,6	-0,6	-0,9	-0,9
Operating costs		**-43,1**	**-39,5**	**-80,7**	**-77,7**	**-151,2**	**-148,2**
Operating profit		**44,3**	**31,5**	**71,3**	**53,5**	**123,5**	**105,6**
Finance income		0,6	0,0	0,7	0,0	0,8	0,1
Finance costs		-2,1	-1,3	-4,0	-3,0	-7,3	-6,2
Profit before tax		**42,8**	**30,2**	**68,0**	**50,5**	**117,0**	**99,5**
Income tax		-9,1	-7,1	-14,4	-11,8	-25,3	-22,8
Net profit for the period		**33,7**	**23,1**	**53,6**	**38,7**	**91,6**	**76,8**
Other comprehensive income							
Items that have been/can be reclassified to profit/loss							
Exchange rate differences on translation of foreign operation		2,6	-0,7	3,8	2,5	3,3	1,9
Comprehensive income for the period		**36,3**	**22,5**	**57,4**	**41,1**	**94,9**	**78,6**
Of which attributable to:							
Owners of the parent company		36,3	22,5	57,4	41,1	94,9	78,6
Earnings per common share, SEK, before dilution	4	1,70	1,05	2,68	1,92	4,43	3,67
Earnings per common share, SEK, after dilution	4	1,70	1,05	2,68	1,92	4,43	3,67
Average number of common shares, thousands		21 428,8	21 428,8	21 428,8	21 428,8	21 428,8	21 428,8

CONSOLIDATED BALANCE SHEET IN SUMMARY

MSEK	30-jun 2019	30-jun 2018	31-dec 2018
ASSETS			
Non-current assets			
Goodwill	401,3	372,4	401,1
Other intangible assets	52,6	12,5	51,8
Concessions	57,2	-	-
Property, plant and equipment	141,3	142,3	189,9
Financial assets	4,4	4,2	5,4
Deferred tax assets	2,0	1,9	1,7
Total non-current assets	**658,9**	**533,3**	**649,8**
Current assets			
Inventory	27,9	21,4	26,4
Trade receivables	177,9	131,6	161,6
Contract assets	154,7	137,9	116,9
Current tax receivables	4,1	2,7	1,6
Other current receivables	19,6	14,0	19,8
Cash and cash equivalents	36,9	51,7	87,0
Total current assets	**421,1**	**359,4**	**413,4**
TOTAL ASSETS	**1 080,0**	**892,7**	**1 063,2**
EQUITY AND LIABILITIES			
Equity			
Share capital	128,6	128,6	128,6
Additional paid-in capital	381,8	381,8	381,8
Retained earnings, incl. profit for year	-55,5	-107,3	-69,8
Equity attributable to owners of the parent company	**454,9**	**403,0**	**440,5**
Non-current liabilities			
Deferred tax liabilities	27,5	4,8	27,7
Interest-bearing liabilities to banks	226,3	134,0	228,1
Financial lease non-current liabilities	41,3	53,3	43,2
Other non-current liabilities	19,8	4,2	20,1
Total non-current liabilities	**314,9**	**196,2**	**319,1**
Current liabilities			
Interest-bearing liabilities to banks	-	8,8	0,7
Financial lease current liabilities	19,8	0,7	9,7
Contract liabilities	58,7	58,7	45,7
Trade payables	117,7	120,3	138,5
Current tax liabilities	16,4	22,5	24,9
Other liabilities	38,1	26,5	27,7
Other accrued expenses and prepaid income	59,6	56,1	56,4
Total current liabilities	**310,3**	**293,5**	**303,6**
TOTAL EQUITY AND LIABILITIES	**1 080,0**	**892,7**	**1 063,2**

As from 2019, all assets attributable to leases have been reported as Concessions The leasing agreements that were previously recognized as assets were recognized in the line of Property, plant and equipment.

CONSOLIDATED CHANGES IN EQUITY IN SUMMARY

MSEK	Share Capital	Additional paid-in capital	Reserves	Retained earnings	Total equity
Opening balance 1 Jan 2018	**128,6**	**381,8**	**3,1**	**-127,1**	**386,4**
Impact from implementation of IFRS 15	-	-	-	-3,1	-3,1
Comprehensive income for the period					
Profit for the period	-	-	-	38,7	38,7
Other comprehensive income for the period	-	-	2,5	-	2,5
Total comprehensive income for the period	**-**	**-**	**2,5**	**38,7**	**41,1**
Closing balance 30 Jun 2018	**128,6**	**381,8**	**5,5**	**-112,9**	**403,0**
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	-	-	-	53,6	53,6
Other comprehensive income for the period		-	2,6	-	2,6
Total comprehensive income for the period	**-**	**-**	**2,6**	**53,6**	**56,2**
Closing balance 30 Jun 2019	**128,6**	**381,8**	**7,6**	**-63,1**	**454,9**

CASH FLOW STATEMENT IN SUMMARY

	Apr-Jun		Jan-Jun		Jul-Jun	Jan-Dec
MSEK	**2019**	**2018**	**2019**	**2018**	**2018/19**	**2018**
Operating activities						
Operating profit (EBIT)	44,3	31,5	71,3	53,5	123,5	105,6
Adjustment for non-cash items	9,4	5,7	17,9	10,3	28,6	21,0
Interest received	0,6	0,0	0,7	0,0	0,8	0,1
Interest paid	-2,0	-1,5	-3,9	-3,1	-7,0	-6,2
Income tax paid	-3,6	-1,6	-25,6	-4,7	-30,5	-9,6
Cash flow from operating activities before changes in working capital	**48,8**	**34,2**	**60,4**	**56,0**	**115,3**	**110,8**
Changes in working capital						
Increase (-)/Decrease (+) in inventories	-1,1	0,1	-1,4	-0,2	0,0	1,2
Increase (-)/Decrease (+) in operating receivables	-23,4	-20,9	-51,2	-47,0	-8,5	-4,4
Increase (+)/Decrease (-) in operating liabilities	15,8	4,8	3,0	-19,2	-57,6	-79,7
Cash flow from operating activities	**39,9**	**18,1**	**10,8**	**-10,5**	**49,3**	**28,0**
Investing activities						
Purchase/sale of intangible assets	-0,1	-0,7	-0,3	-1,0	-1,2	-1,9
Purchase/sale of property, plant and equipment	-3,1	-4,3	-5,6	-14,9	-11,8	-21,1
Purchase/sale of subsidiaries	-	-	-	-	-70,6	-70,6
Cash flow from investing activities	**-3,2**	**-5,1**	**-5,9**	**-15,9**	**-83,6**	**-93,6**
Financing activities						
Changes in bank loans	-4,4	-	4,4	-	84,4	80,0
Changes in financial leasing	-0,6	-3,5	-18,5	-6,4	-24,6	-12,5
Changes in current financial liabilities	1,1	0,4	2,1	-0,4	2,6	-
Distributed dividend	-42,9	-21,4	-42,9	-21,4	-42,9	-21,4
Cash flow from financing activities	**-46,7**	**-24,5**	**-54,8**	**-28,2**	**19,5**	**46,1**
Cash flow for the period	**-9,9**	**-11,5**	**-49,9**	**-54,7**	**-14,8**	**-19,5**
Cash and cash equivalents at beginning of the period	47,0	63,1	87,0	63,1	51,7	106,5
Exchange rate differential cash and cash equivalents	-0,2	0,1	-0,2	-0,1	-0,1	0,1
Cash and cash equivalents at end of the period	**36,9**	**51,7**	**36,9**	**63,1**	**36,9**	**87,0**

KEY RATIOS

MSEK	Apr-Jun 2019	Apr-Jun 2018	Jan-Jun 2019	Jan-Jun 2018	Jul-Jun 2018/19	Jan-Dec 2018
Net sales	325,0	273,6	594,9	516,1	1 136,8	1 058,1
Order intake	436,2	299,4	798,0	570,7	1 230,4	1 003,1
Order backlog	1 640,9	1 308,8	1 640,9	1 280,0	1 640,9	1 203,5
Gross profit	87,4	71,0	152,0	131,2	274,7	253,8
EBITDA	52,7	36,5	88,3	63,2	150,9	125,9
Adjusted EBITDA	52,7	36,5	88,3	63,2	165,5	140,4
Operating profit (EBIT)	44,3	31,5	71,3	53,5	123,5	105,6
Adjusted operating profit	44,3	31,5	71,3	53,5	138,0	120,2
Gross profit margin, %	26,9	25,9	25,6	25,4	24,2	24,0
EBITDA margin, %	16,2	13,3	14,8	12,2	13,3	11,9
Adjusted EBITDA margin, %	16,2	13,3	14,8	12,2	14,6	13,3
Operating profit margin (EBIT), %	13,6	11,5	12,0	10,4	10,9	10,0
Adjusted operating profit margin (EBIT), %	13,6	11,5	12,0	10,4	12,1	11,4
Operating cash flow	41,6	13,3	33,9	-10,1	94,0	49,9
Operating cash conversion, %	78,9	35,3	38,4	-16,0	56,8	35,6
Capital employed, average	706,0	541,8	670,3	512,2	626,7	555,8
Capital employed, excl. goodwill, average	304,8	169,4	269,1	139,9	239,8	169,2
Equity, average	458,7	402,5	447,7	44,4	428,9	413,4
External interest-bearing net debt	250,5	145,0	250,5	145,0	250,5	194,7
External interest-bearing net debt/Adjusted EBITDA 12 months, times	1,5 x	1,1 x	1,5 x	1,1 x	1,5 x	1,4 x
Return on capital employed, %, (12 months)	19,5	20,7	20,6	21,9	22,0	21,6
Return on capital employed, excl. goodwill, %, (12 months)	45,3	66,3	51,3	80,3	57,5	71,0
Return on invested capital, %, (12 months)	20,0	15,2	20,5	14,4	21,4	18,6
Equity/assets ratio, %	42,1	45,1	42,7	45,4	44,1	43,4
Number of full-time employees on the closing date	411	367	411	354	411	385
Average number of common shares for the period, 000s	21 428,8	21 428,8	21 428,8	21 428,8	21 428,8	21 428,8
Equity per common share, SEK	21,41	18,78	20,89	2,07	20,02	19,29

The key ratios for 2018 have not been recalculated according to IFRS 16

PARENT COMPANY, INCOME STATEMENT IN SUMMARY

MSEK	Apr-Jun 2019	2018	Jan-Jun 2019	2018	Jul-Jun 2018/19	Jan-Dec 2018
Net sales	3,7	3,8	7,4	7,6	15,0	15,2
Operating expenses	-4,5	-3,5	-8,5	-6,0	-14,0	-11,5
Operating profit	**-0,8**	**0,3**	**-1,1**	**1,6**	**1,0**	**3,7**
Interest income	0,3	0,1	0,5	0,1	0,9	0,5
Interest expenses	-0,7	-0,8	-1,5	-1,6	-3,1	-3,2
Profit/loss after financial items	**-1,3**	**-0,4**	**-2,1**	**0,2**	**-1,2**	**1,0**
Group contribution	-	-	-	-	-	-
Tax	0,3	0,1	0,5	-0,0	0,3	-0,2
Net profit/loss for the period	**-1,0**	**-0,3**	**-1,7**	**0,1**	**-1,0**	**0,8**

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

PARENT COMPANY, BALANCE SHEET IN SUMMARY

MSEK	30-jun 2019	30-jun 2018	31-dec 2018
ASSETS			
Non-current assets			
Financial assets	389,8	390,0	389,8
Total non-current assets	**389,8**	**390,0**	**389,8**
Current assets			
Current receivables	11,1	69,0	76,1
Cash and cash equivalents	35,5	31,5	23,4
Total current assets	**46,5**	**100,6**	**99,5**
TOTAL ASSETS	**436,4**	**490,5**	**489,3**
EQUITY AND LIABILITIES			
Equity			
Restricted equity	128,6	128,6	128,6
Unrestricted equity	129,2	173,1	173,8
Total equity	**257,8**	**301,6**	**302,3**
Non-current liabilities	**120,0**	**120,0**	**120,0**
Other current liabilities	**58,5**	**68,9**	**67,0**
TOTAL EQUITY AND LIABILITIES	**436,4**	**490,5**	**489,3**

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 2018 annual report, which was prepared in accordance with International Financial Reporting Standards and Interpretations as adopted by the EU with the exception of changes specified below.

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

IFRS 16 Leasing

IFRS 16 “Leases” was published by the IASB in January 2016. The standard has been adopted by the EU and replaces IAS 17 Leases and related interpretations IFRIC 4, SIC-15 and SIC-27. IFRS 16 requires that all assets and liabilities related to all leases be reported in the balance sheet (with the exception of short leases or leases involving low value assets). This reporting is based on the view that the lessee has a right to use an asset during a specific period and, at the same time, an obligation to pay for that right. Consequently, more of the Group’s leases are reported in the balance sheet as from 2019.

Most of the Group’s important leases were already reported as financial leases. In connection with the transition to IFRS 16, a number of additional leases have been included in the consolidated balance sheet as right of use assets and financial liabilities. In respect of leases, depreciation on the leased asset is reported in the income statement, as are interest expenses attributable to the leasing liability. The leased asset is depreciated on a straight-line basis over the useful life of the asset and the length of the lease. The Group has chosen the standard’s C5b alternative with partially retroactive application, without recalculation of comparison figures in conjunction with implementation. The Group’s balance sheet total has increased by 13 MSEK as a consequence of the implementation of IFRS 16. In accordance with the standard, Balco does not report leases where the underlying asset is for a term of less than one year or has a low value as a right of use asset and leasing liability.

The effects in conjunction with the transition to IFRS 16 are shown below.

Adjustment, 1 January 2019	**MSEK**
Property, plant and equipment / Concessions	13.0
Financial leasing liability	-11.8
Effect on net assets before tax	**1.2**
Deferred tax asset	-0.2
Effect on equity	**1.0**

The implementation of IFRS 16 has had a marginal impact on the income statement. Operating profit improved marginally, while pre-tax profit marginally.

Note 2 Financial instruments

The financial instruments measured at fair value are forward exchange contracts. Financial assets at fair value amounted to 0.6 MSEK (0.4) at the end of the period while financial liabilities at fair value amounted to 8.0 MSEK (11.6).

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

Note 3 Business segments

Balco reports the following segments:

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

Jan-Jun	Renovation		New Build		Group Other		Eliminations		Total	
MSEK	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Net sales – External revenue	509,6	459,2	85,2	57,0	-	-	-	-	594,8	516,1
Net sales – Internal revenue	-	-	-	-	8,0	8,0	-8,0	-8,0	-	-
Total sales	**509,6**	**459,2**	**85,2**	**57,0**	**8,0**	**8,0**	**-8,0**	**-8,0**	**594,8**	**515,1**
Operating profit (EBIT)	**66,9**	**55,1**	**6,9**	**1,0**	**-2,5**	**-2,6**	**-**	**-**	**71,3**	**53,5**
Depreciation included with	14,8	8,8	2,2	0,9	-	-	-	-	16,9	9,7
Operating profit (EBIT)	**66,9**	**55,1**	**6,9**	**1,0**	**-2,5**	**-2,6**	**-**	**-**	**71,3**	**53,5**
Finance income	-	-	-	-	0,7	0,0	-	-	0,7	0,0
Finance cost	-	-	-	-	-4,0	-3,0	-	-	-4,0	-3,0
Profit before tax	**66,9**	**-**	**6,9**	**-**	**-5,8**	**-5,6**	**-**	**-**	**68,0**	**50,5**

The figures for 2018 have not been recalculated according to IFRS 16

Note 4 Earnings per share

	Apr-Jun		Jan-Jun		Jul-Jun	Jan-Dec
MSEK	2019	2018	2019	2018	2018/19	2018
Net profit for the period attributable to the owners of the parent company	**36,3**	**22,5**	**57,4**	**41,1**	**94,9**	**78,6**
Average number of common shares, 000'	21 428,8	21 428,8	21 428,8	21 428,8	21 428,8	21 428,8
Earnings per common share, SEK, before dilution	1,70	1,05	2,68	1,92	4,43	3,67
Earnings per common share, SEK, after dilution	1,70	1,05	2,68	1,92	4,43	3,67

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.

	Apr-Jun		Jan-Jun		Jul-Jun	Jan-Dec
MSEK	**2019**	**2018**	**2019**	**2018**	**2018/19**	**2018**
Adjusted operating profit						
Operating profit	44,3	31,5	71,3	53,5	123,5	105,6
Forcing cost Maritime	-	-	-	-	13,3	13,3
Other non-recurring items	-	-	-	-	1,2	1,2
Adjusted operating profit	**44,3**	**31,5**	**71,3**	**53,5**	**138,0**	**120,2**
Adjusted EBITDA						
Operating profit	44,3	31,5	71,3	53,5	123,5	105,6
Depreciation	8,5	5,0	16,9	9,7	27,5	20,2
Forcing costs Maritime	-	-	-	-	13,3	13,3
Other non-recurring items	-	-	-	-	1,2	1,2
Adjusted EBITDA	**52,7**	**36,5**	**88,3**	**63,2**	**165,5**	**140,4**
Operating cash flow, SEK M						
Adjusted EBITDA	52,7	36,5	88,3	63,2	165,5	140,4
Changes in working capital	-8,3	-20,2	-49,6	-68,5	-63,9	-82,7
Investments in other non-current assets, net	-2,8	-3,0	-4,7	-4,9	-7,6	-7,7
Operating cash flow, SEK M	**41,6**	**13,3**	**33,9**	**-10,1**	**94,0**	**49,9**

	30-jun	30-jun	31-dec
MSEK	**2019**	**2018**	**2018**
External interest-bearing net debt, SEK M			
External non-current interest-bearing liabilities	267,6	187,2	272,0
Current interest-bearing liabilities	19,8	9,5	9,7
Cash and cash equivalents	-36,9	-51,7	-87,0
Interest-bearing net debt	**250,5**	**145,0**	**194,7**
Adjusted EBITDA (12 months)	**165,5**	**130,7**	**140,4**
Interest-bearing net debt/EBITDA 12 months, times	**1,5 x**	**1,1 x**	**1,4 x**
Return on capital employed, %			
Equity	454,9	403,0	440,5
External interest-bearing net debt	250,5	145,0	194,7
Average capital employed	626,7	512,2	555,8
Adjusted operating profit (EBIT), (12 months)	138,0	112,3	120,2
Return on capital employed, %	**22,0**	**21,9**	**21,6**
Equity/assets ratio, %			
Equity attributable to owners of the parent company	454,9	403,0	440,5
Total assets	1 080,0	892,7	1 063,2
Equity/assets ratio, %	**42,1**	**45,1**	**41,4**

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.
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.

Alternative performance measures	Definition	Reason for use
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.
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