

# Balco Group AB

## Second quarter

2022

**Continued net sales growth but a smaller number of loss projects negatively affect the result**

### April – June 2022

- Net sales amounted to 351 MSEK (304)
- Order intake amounted to 364 MSEK (505)
- Order backlog amounted to 1,592 MSEK (1,394)
- Operating profit amounted to 27 MSEK (34)
- Adjusted operating profit amounted to 28 MSEK (34)
- Net profit after tax amounted to 20 MSEK (26)
- Earnings per share amounted to 1.03 SEK (1.18)
- Operating cash flow amounted to 32 MSEK (-41)

### January – June 2022

- Net sales amounted to 640 MSEK (554)
- Order intake amounted to 656 MSEK (768)
- Operating profit amounted to 53 MSEK (56)
- Adjusted operating profit amounted to 54 MSEK (56)
- Net profit after tax amounted to 39 MSEK (42)
- Earnings per share amounted to 1.91 SEK (1.93)
- Operating cash flow amounted to 18 MSEK (-54)

# Interim report

2022: Q2 April - June

## Continued net sales growth but a smaller number of loss projects negatively affect the result

### Second quarter: April – June

- Net sales increased by 16 percent to 351 MSEK (304)
- Order intake amounted to 364 MSEK (505)
- Order backlog increased by 14 percent to 1,592 MSEK (1,394)
- Operating profit amounted to 27 MSEK (34)
- Adjusted operating profit amounted to 28 MSEK (34)
- Net profit after tax amounted to 20 MSEK (26)
- Earnings per share amounted to 1.03 SEK (1.18)
- Operating cash flow improved to 32 MSEK (-41)

### Half-year period: January – June

- Net sales increased by 15 percent to 640 MSEK (554)
- Order intake amounted to 656 MSEK (768)
- Operating profit amounted to 53 MSEK (56)
- Adjusted operating profit amounted to 54 MSEK (56)
- Net profit after tax amounted to 39 MSEK (42)
- Earnings per share amounted to 1.91 SEK (1.93)
- Operating cash flow amounted to 18 MSEK (-54)

	Apr-Jun		Jan-Jun		Jul-Jun	Jan-Dec
MSEK	2022	2021	2022	2021	2021/22	2021
Net sales	351.2	303.5	639.5	554.0	1,206.1	1,120.5
Order intake	364.1	505.1	655.9	768.2	1,445.9	1,558.3
Order backlog	1,591.9	1,394.4	1,591.9	1,394.4	1,591.9	1,557.0
Gross profit	76.1	81.9	149.8	145.2	300.9	296.3
Gross margin %	21.7	27.0	23.4	26.2	24.9	26.4
Operating profit	27.6	34.4	53.5	56.3	115.2	118.0
Operating profit margin (EBIT-margin), %	7.8	11.3	8.4	10.2	9.5	10.5
Adjusted operating profit (EBIT) 1)	28.4	34.4	54.5	56.3	117.7	119.5
Adjusted operating profit margin (EBIT-margin), %	8.1	11.3	8.5	10.2	9.8	10.7
Net profit for the period	20.3	25.9	39.4	42.2	87.5	90.2
Operating cash flow	31.8	-40.8	18.0	-53.6	167.6	96.0
Earnings per share, SEK 2)	1.03	1.18	1.91	1.95	4.11	4.15

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





# President and CEO

Kenneth Lundahl

After nine years as CEO and President of Balco Group, of which almost five years as Stock Exchange President, I have decided to leave Balco and focus on my own investments.

During my years at Balco, the company has grown from a turnover of 500 million SEK to a turnover of 1.2 billion SEK. During the period 2014 to the outbreak of Covid-19, Balco grew by 17 percent per year through its strategy to educate the market in the economically advantageous and sustainable Balco method instead of traditional balcony renovation.

In the autumn of 2017, Balco was listed on OMX Nasdaq Stockholm and in January 2021, Balco became a Mid Cap company. Balco is well equipped for the future with a strong group management and many talented and committed employees. Balco's low indebtedness provides good opportunities for growth opportunities through acquisitions that strengthen our offering and provide synergies for our and the acquired companies' organic growth.

Concerns about rising material prices and interest rates and above all the uncertainty about when they will peak, have meant that several business decisions have moved forward in time, which has had a negative effect on our order intake in the quarter. Customers do not want to risk making a major investment when material prices are at their highest and there is uncertainty about how much interest rates will rise.

We ourselves can already see a stabilization of our material prices for the coming quarter. As soon as there is a general stabilization of material prices and interest rates, even if it is likely to be at a higher level than before the pandemic and Russia's invasion of Ukraine, we are confident that order intake will pick up again.

The need for renovation of the balconies does not disappear and about 90 percent of Balco's sales come from the renovation segment. Potential orders for the rest of the year are at a higher level than the previous year's order intake.

Net sales for the quarter increased by 16 percent, but the result was a great disappointment. The margin deviation is linked to loss projects in Norway. The large deviations in Norway have meant that we have implemented changes in the Norwegian organization

and a continued review of the Norwegian organization is ongoing.

An important countermeasure against increased costs for materials, interest rates and energy is to save energy, which Balco offers through the concept Green Transformation of estate. We see a continued positive reception and great interest in Green Transformation in most markets where we operate.

The concept Green Transformation of estate means that when signing a cooperation agreement for balcony renovation with glazed balconies, the customer is offered a review of their energy declaration. The customer is offered complementary energy-efficient measures so the total energy savings will be more than 30 percent. The banks can then offer our customers to refinance all their loans to green loans with lower interest rates. The opportunity to be able to help customers with energy savings is becoming increasingly relevant with increased energy prices and provides both a positive economic effect and reduced environmental impact.

## **" Camilla Ekdahl will take over as Acting President and CEO on 1 September."**

When I leave the position as President and CEO of Balco Group on September 1 and Camilla Ekdahl takes over as Acting President and CEO, I do so with confidence that the company will continue to develop and grow thanks to the company's entrepreneurship, my colleagues in Group management and all the fantastic employees in the Balco Group.

Växjö 14 July 2022

Kenneth Lundahl, President and CEO

Balco Group AB

# The group's development

## Second quarter: April – June

Net sales increased by 16 percent to 351 MSEK (304). Net sales for the Renovation segment increased to 306 MSEK (267), while the net sales for New Build segment increased to 45 MSEK (36).

The order intake amounted to 364 MSEK (505). The Renovation segment accounted for 350 MSEK (476) of the order intake, while the New Build segment accounted for 14 MSEK (29).

The order backlog increased by 14 percent to 1,592 MSEK (1,394). The order backlog for the Renovation segment increased to 1,431 MSEK (1,161), while the order backlog for the New Build segment amounted to 161 MSEK (233).

Gross profit amounted to 76 MSEK (82), entailing a gross margin of 21.7 percent (27.0). The gross margin has decreased due to loss projects in Norway which together have had a negative effect on the gross margin of 14 MSEK. An item affecting comparability of 1 MSEK was taken in the quarter linked to the first step in the restructuring of the Norwegian organization.

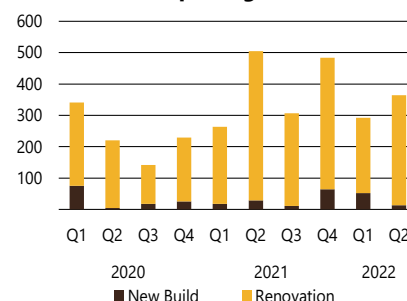
Sales costs amounted to 33 MSEK (32) and administrative costs to 16 MSEK (16). The cost increase is explained by increased travel costs and marketing activities such as mini-fairs.

Operating profit amounted to 27 MSEK (34), corresponding to an operating margin of 7.8 percent (11.3). Adjusted operating profit amounted to 28 MSEK (34), corresponding to an operating margin of 8.1 percent (11.3).

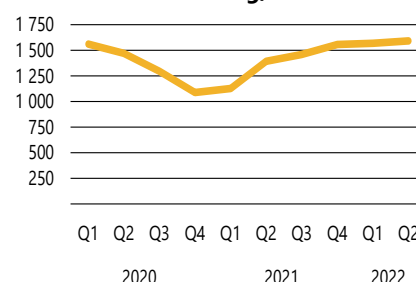
Net financial items amounted to -2.1 MSEK (-1.6), of which -0.5 MSEK (-0.4) refers to interest costs linked to right-to-use assets (leasing). The deterioration is due to higher market interest rates. Profit after tax amounted to 20 MSEK (26), corresponding to earnings per share of 1.03 SEK (1.18).

Operating cash flow amounted to 32 MSEK (-41).

Order intake per segment, MSEK



Order backlog, MSEK



## Half-year period: January – June

Net sales increased by 15 percent to 640 MSEK (554), of which 9 percent was organic growth. Net sales for the Renovation segment increased to 552 MSEK (466), while the net sales for New Build segment amounted to 87 MSEK (88).

The order intake amounted to 656 MSEK (768). The Renovation segment accounted for 590 MSEK (722) of the order intake, while the New Build segment accounted for 66 MSEK (46).

Gross profit amounted to 150 MSEK (145), entailing a gross margin of 23.4 percent (26.2). The gross margin has decreased linked to loss projects in Norway which together have had a negative effect on the gross margin of 14 MSEK. An item affecting comparability of 1 MSEK was taken in the second quarter linked to the first step in the restructuring of the Norwegian organization.

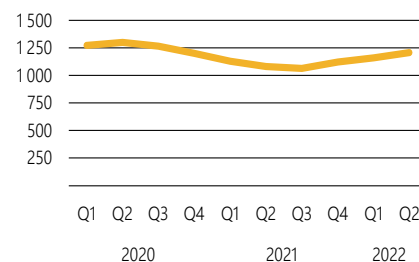
Sales costs amounted to 64 MSEK (59) and administrative costs to 33 MSEK (29). The cost increase is explained by increased travel costs and marketing activities such as mini-fairs, as well as additional costs during the first quarter from RK Teknik, as RK Teknik were consolidated for the second quarter of 2021.

Operating profit amounted to 53 MSEK (56), corresponding to an operating margin of 8.4 percent (10.2). Adjusted operating profit amounted to 54 MSEK (56), corresponding to an operating margin of 8.5 percent (10.2).

Net financial items amounted to -3.6 MSEK (-3.0), of which -0.9 MSEK (-0.8) refers to interest costs linked to right-to-use assets (leasing). The deterioration is due to higher market interest rates. Profit after tax amounted to 39 MSEK (42), corresponding to earnings per share of 1.91 SEK (1.93).

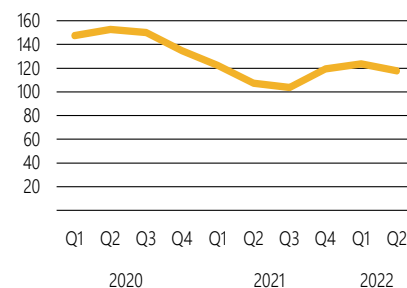
Operating cash flow amounted to 18 MSEK (-54).

Net sales, R12 MSEK



Order backlog  
Q2 2022  
**1,592**  
MSEK

Adjusted operating profit, R12 MSEK



### Net sales per customer category, MSEK

	Apr-Jun		Jan-Jun		Jul-Jun	Jan-Dec
	2022	2021	2022	2021	2021/22	2021
Tenant-owner associations	248.3	217.1	454.8	395.7	867.9	808.7
Private landlords	20.2	12.0	37.8	16.6	66.8	45.6
Publicly owned companies	19.1	6.3	31.5	13.2	49.7	31.4
Construction and manufacturing companies	63.6	68.1	115.4	128.5	221.6	234.7
Total net sales	351.2	303.5	639.5	554.0	1,206.1	1,120.5

# Development per segment

Net sales, MSEK	Apr-Jun		Jan-Jun		Jul-Jun	Jan-Dec
	2022	2021	2022	2021	2021/22	2021
Renovation	305.8	267.3	552.2	466.1	1,032.8	946.6
New Build	45.3	36.2	87.3	87.9	173.3	173.9
Group other	6.7	5.8	13.3	11.6	26.2	24.5
Elimination	-6.7	-5.8	-13.3	-11.6	-26.2	-24.5
Total Net Sales	351.2	303.5	639.5	554.0	1,206.1	1,120.5

Operating profit, MSEK	Apr-Jun		Jan-Jun		Jul-Jun	Jan-Dec
	2022	2021	2022	2021	2021/22	2021
Renovation	24.2	30.6	47.9	48.7	104.8	105.6
New Build	3.3	3.6	5.7	7.5	12.2	14.0
Group other	0.0	0.2	-0.1	0.1	-1.8	-1.7
Total EBIT	27.6	34.4	53.5	56.3	115.2	118.0

EBIT margin, %	Apr-Jun		Jan-Jun		Jul-Jun	Jan-Dec
	2022	2021	2022	2021	2021/22	2021
Renovation	7.9	11.5	8.7	10.5	10.1	11.2
New Build	7.3	10.0	6.5	8.5	7.1	8.1
Total EBIT margin	7.8	11.3	8.4	10.2	9.5	10.5

## Renovation

Net sales in the quarter increased by 14 percent to 306 MSEK (267). The segment accounted for 87 percent of Balco's total net sales. Order intake in the quarter amounted to 350 MSEK (476), which corresponds to 96 percent of the total order intake. Operating profit in the quarter amounted to 24 MSEK (31), corresponding to an operating margin of 7.9 percent (11.5). The result has decreased due to loss projects in Norway which together have had a negative effect on the result of 14 MSEK. An item affecting comparability of 1 MSEK was taken in the quarter linked to the first step in the restructuring of the Norwegian organization.

Net sales for the half-year period increased by 18 percent to 552 MSEK (466). The segment accounted for 86 percent of Balco's total net sales. Order intake for the half-year period amounted to 590 MSEK (722), which corresponds to 90 percent of the total order intake. Operating profit for the half-year period amounted to 48 MSEK (49), corresponding to an operating margin of 8.7 percent (10.5). The result has decreased due to loss projects in Norway which together have had a negative effect on the result of 14 MSEK. An item affecting comparability of 1 MSEK was taken in the second quarter linked to the first step in the restructuring of the Norwegian organization.

The order backlog increased by 23 percent to 1,431 MSEK (1.161), which corresponds to 90 percent of the total order backlog.

## New build

Net sales in the quarter increased by 25 percent to 45 MSEK (36). The segment accounted for 13 percent of Balco's total net sales. Order intake in the quarter amounted to 14 MSEK (29), corresponding to 4 percent of total order intake. Operating profit in the quarter amounted to 3 MSEK (4), corresponding to an operating margin of 7.3 percent (10.0). The result has decreased due to projects in the UK where the market does not accept material price indices which has resulted in negative deviations of just over 1 MSEK.

Net sales for the half-year period amounted to 87 MSEK (88). The segment accounted for 14 percent of Balco's total net sales. Order intake for the half-year period increased to 66 MSEK (46), corresponding to 10 percent of total order intake. Operating profit for the half-year period amounted to 6 MSEK (7), corresponding to an operating margin of 6.5 percent (8.5). The result has decreased due to projects in the UK where the market does not accept material price indices which has resulted in negative deviations of just over 1 MSEK.

The order backlog amounted to 161 MSEK (233), which corresponds to 10 percent of the total order backlog.

# Financial position and cash flow

## Liquidity and financial position

The Group's interest-bearing net debt at the end of the half-year period amounted to 200 MSEK (189). A new ten-year lease after the expansion of the head office in Växjö has increased the leasing debt by roughly 50 MSEK. Interest-bearing net debt in relation to adjusted EBITDA amounted to 1.3 times (1.3). Interest-bearing net debt, excluding leasing liability, in relation to adjusted EBITDA amounted to 0.7 times (1.0).

At the end of the half-year period, the Group's equity amounted to 712 MSEK (644). The Group's equity ratio was 55 percent (51).

MSEK	30-jun 2022	30-jun 2021	31-dec 2021
External non-current interest-bearing liabilities excl leasing	122.5	198.2	171.7
Leasing non-current liabilities	67.3	24.0	21.9
Current interest-bearing liabilities	0.4	10.4	0.4
Leasing current liabilities	18.7	16.8	20.5
Cash and cash equivalents	-8.4	-60.4	-117.5
<b>Interest-bearing net debt</b>	<b>200.5</b>	<b>189.1</b>	<b>97.0</b>
<i>Interest-bearing net debt excl leasing</i>	<i>114.5</i>	<i>148.3</i>	<i>54.6</i>
External interest-bearing net debt incl. leasing/EBITDA (12 months), times	1.3 x	1.3 x	0.6 x
<i>External interest-bearing net debt excl. leasing/EBITDA (12 months), times</i>	<i>0.7 x</i>	<i>1.0 x</i>	<i>0.3 x</i>
Equity/assets ratio, %	54.6	51.0	55.6

## Cash flow, investments and amortization/depreciation

For the half-year period, cash flow from operating activities amounted to -27 MSEK (-40). The capital tied up between the quarters depends on the different phases of the projects.

Cash flow from investing activities amounted to -10 MSEK (-90), of which -6 MSEK (-5) was replacement investments and -4 MSEK (0) expansion investments and 0 MSEK (-85) acquisition of shares in subsidiaries.

Cash flow from financing activities amounted to -73 MSEK (-24) and mainly refers to reduced utilization of the Group's revolving credit facility and paid dividend of -22 MSEK (0) in the second quarter..

Cash flow for the half-year period amounted to -110 MSEK (-154).

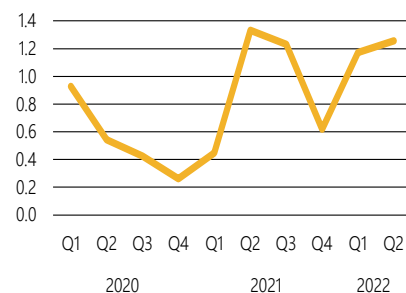
Depreciation for the half-year period amounted to 20 MSEK (16), of which 11 MSEK (8) refers to depreciation linked to right-to-use assets (leasing).

## 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 half-year period amounted to 2 MSEK (1).

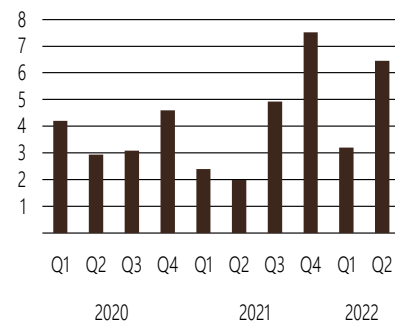
## External interest-bearing net debt relative to EBITDA



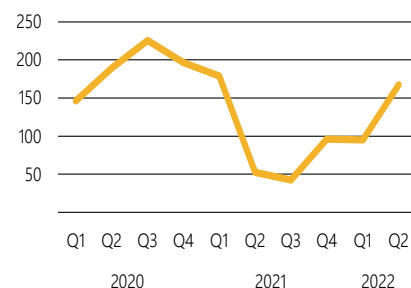
Equity ratio

**55%**

## Investments (excl. acquisitions) in MSEK per quarter



## Cash flow R12, MSEK



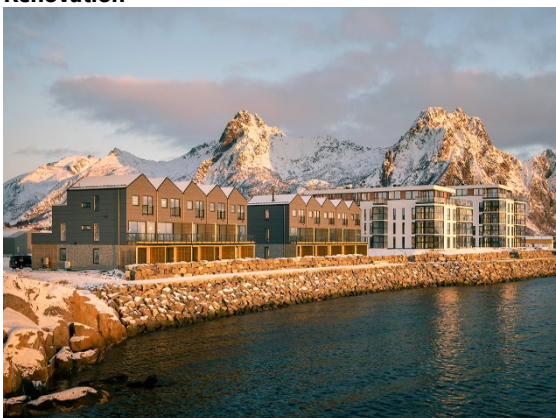
# Operations and segment description

## Operations

Balco Group is the market leader in the balcony industry, developing, manufacturing, selling and installing our own open and glazed balcony systems. The Group's customized products contribute to increased quality of life, safety and value for the residents of apartment buildings, and Balco Group's standardized glazing means lower energy consumption.

Delivering glazed balconies and other balcony solutions in accordance with the "Balco method" represents the core of what we do. The method, developed by Balco AB and applied predominantly in the renovation market, entails removing existing balconies and replacing them with new, larger glazed balconies. Balco's glazed balconies have a lifespan of more than 90 years, providing the most economical and sustainable solution in the market. Balco's glazed balconies offer energy savings of 15-30%. We assume full responsibility for the project, guiding customers through the entire process, from project planning to final inspection and service. We offer superior expertise in providing customized balcony solutions with fast delivery, regardless of size and complexity

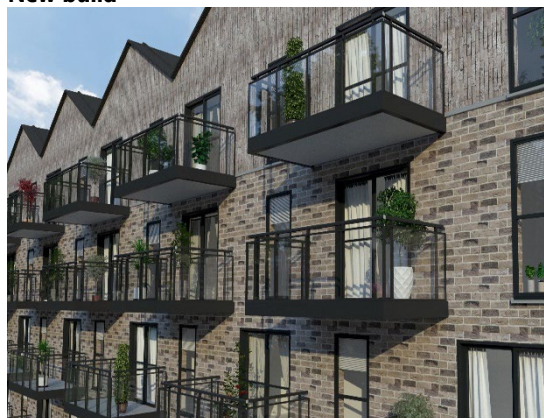
### Renovation



Sjösiden Boligpark

The segment includes replacement and extension of existing balconies, as well as installation of new balconies on apartment buildings, primarily glazed balconies. The main driving force is the pent-up need for renovation and the age profile of the properties. Our products include façade renovation in connection with balcony projects.

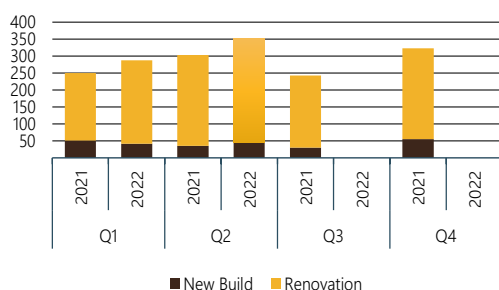
### New build



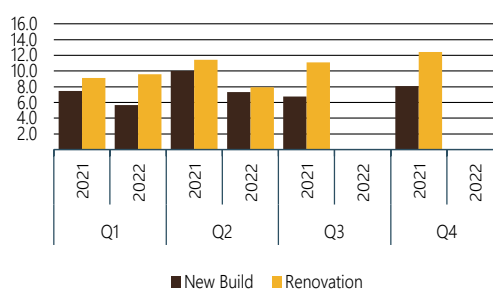
New Road Rainham

The segment includes installation of balconies in connection with building new apartment properties, as well as balcony projects in the maritime market. The largest product areas are glazed and open balconies. Balco is expanding selectively, focusing on profitability and low risk. Demand is driven by the pace of new housing building.

### Sales development per quarter, MSEK



### Operating margin per quarter, %



# Sustainability for Balco Group

Our vision is to offer energy savings through innovative solutions and high quality products in the form of balconies and facade solutions that provide improved quality of life for residents, and create a safer and more aesthetically pleasing environment. Achieving this requires sustainable business practices, which are a prerequisite for Balco Group's operations to develop, be profitable and create value over time.

WE SUPPORT



SWEDEN  
GREEN BUILDING  
COUNCIL

## Sustainability trends

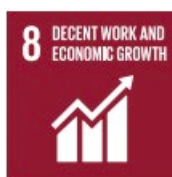
Sustainability issues are becoming increasingly important in the construction industry. They affect and place demands on all stages of the value chain and can be crucial to the success of a construction project. This is particularly true in the balcony market, where Balco Group operates. Property developers and owners are looking for economical, climate-smart, long-life balcony solutions that can be easily installed in renovation or new-build projects.

## Balco Group and Agenda 2030

UN's Sustainable Development Goals, Agenda 2030 addresses the social, environmental and economic challenges facing the global community and makes clear that not only political leadership but also industry has an important role to play. Balco Group has selected four specific global goals we believe can make the biggest positive difference and which are aligned with our overall business objectives and strategic sustainability areas - Sustainable Governance, Environment and People.



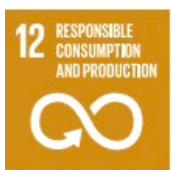
Goal 5 - Gender equality. Balco Group's goal is to achieve a more balanced gender distribution in all departments, work areas and positions. Working conditions must be suitable for all workers, regardless of gender.



Goal 8 - Decent work and economic growth. The Balco Group Code of Conduct requires decent employment conditions, within our own operations and at our suppliers.



Goal 9 - Industry, innovation and infrastructure. Balco Group will contribute to reduced environmental impact through active material choices, innovative solutions and focus on resource efficiency in development, purchasing and manufacturing processes.



Goal 12 - Responsible consumption and production. Balco Group's balcony solutions help create improved quality of life and more energy-efficient living environment.

## Sustainability - a prerequisite for long-term profitability

The vision for the Group as well as for our sustainability work is to be an innovative company, creating products that are in demand on the market and that contribute to an improved quality of life for the customer. A prerequisite for doing so is that Balco Group conducts sustainable business that lays the foundation for a business that grows, is profitable and creates value for our customers, employees, owners and other stakeholders.

### Caring for the environment

The environment and climate are constantly present in Balco Group's operations, manufacturing and product development work. As a group of manufacturing companies, we have a direct and indirect impact on our environment - an impact we are keen to take responsibility for and constantly work to improve.

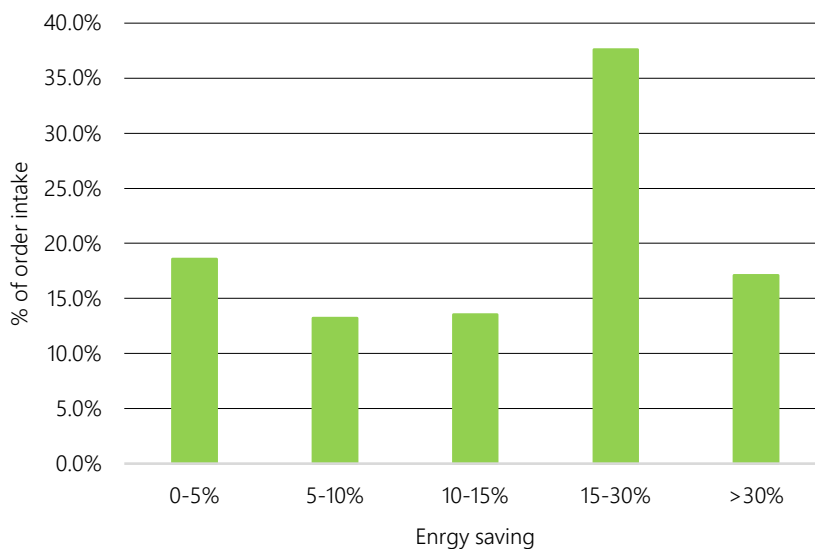
### Putting people first

The people in Balco Group are the most important resource we have. All the value we create comes from the skills, commitment, responsibility and desire of our employees to constantly develop themselves. That is why it is vital that our employees have the very best conditions to do their jobs in a stimulating, safe and secure way.

### Energy-savings in order intake

Of the order intake in the last twelve months, 38 percent will give 15 to 30 percent in energy savings and 17 percent will give more than 30 percent in energy savings.

Our goal is that more than 30 percent of the group's sales within three years shall be within the EU taxonomy and provide at least 30 percent energy savings to our customers.



# Other information

## Employees

At the end of June 2022 Balco had 506 (506) 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 workdays 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 quarter.

## Shares, share capital and shareholders

At the end of June 2022, there were 21,909,348 shares in Balco, corresponding to a share capital of 131,461,248 SEK. There were 5,453 shareholders. The five largest shareholders were The Family Hamrin, Skandrenting AB, Swedbank Robur fonder, Lannebo Fonder and Tredje AP-fonden.

## 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 that is represented on the Board of Directors by Carl-Mikael Lindholm and Skandrenting that is represented on the Board of Directors by Johannes Nyberg. Related-party transactions take place on commercial terms. For further information, see pages 45 and 101 in the 2021 annual report.

## Incentive program

Balco Group AB has two long-term incentive programs aimed at the company's senior executives and additional key employees, a total of 25 employees. The incentive programs comprise a total of no more than 600,000 warrants, which entitles to a maximum of new subscriptions of the corresponding number of shares. Balco's total cost for the incentive programs during the term of the programs is expected to amount to approximately 4 MSEK. The programs involve a dilution corresponding to approximately 2.7 percent of the company's total number of shares. The senior executives in Balco have acquired 372,498 warrants amounting to a total value of 3,999,276 SEK. The purpose of the incentive programs is to encourage broad shareholding among Balco's employees, facilitate recruitment, retain competent employees and increase motivation to achieve or exceed the company's financial goals. For more information, see the Annual Report 2021 on pages 44, 52-53, 62 and 87-88.

## Risks and uncertainty factors

Through its operations, the Group is exposed to various types of risks. The risks can be divided into industry and market-related risks, business-related risks and financial risks. Industry and market-related risks include changes in demand because of a weaker economy or other macroeconomic changes, a changed price picture for raw materials that are central to Balco's production, and a change in competition or price pressure. Business-related risks include Balco's ability to develop and sell new innovative products and solutions, that the Group can attract and retain qualified employees and that Balco's profitability depends on the results of the individual projects, i.e. the Group's ability to anticipate, calculate and deliver projects. The financial risks are summarized under financing risk, liquidity risk, credit risk and interest rate risk. Balco's risks and uncertainties are described on pages 46-50, 63 and 79-82 in the annual report for 2021.

## Outlook

Balco is one of the few complete balcony suppliers on the market that provides customized and innovative balcony solutions on a turnkey basis. Balco is the market leader in Scandinavia and has a strong challenger position in other markets in which the Group operates.

Strong financial position means that the company is equipped for growth through further acquisitions. The timing of the building permit affects sales between quarters.

The market is fragmented and growing throughout northern Europe. The value of the balcony market in the countries where Balco is represented is estimated at just over 36 billion SEK and is expected to grow by approximately 5 percent annually over the next few years according to market research conducted by Arthur D. Little.

Uncertainty about continued material price fluctuations, higher interest rates and wage inflation may have an impact on our order intake, sales and earnings in the coming quarters

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

## Events during the quarter and since the end of the quarter

The board of directors of Balco Group AB (publ) has decided to appoint Camilla Ekdahl, currently COO and Managing Director of Balco AB, as acting President and CEO of Balco Group from 1 September 2022 until the recruitment process is completed. As previously communicated, Kenneth Lundahl has decided to leave his role as President and CEO. He will remain in service until September 1 and will then be available to the company during his notice period until mid-December.

# Financial targets

## Revenue growth

Balco shall achieve growth of 10 percent per year.

## Profitability

Earnings per share shall grow by 20 percent per year.

## Capital structure

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

## Dividend policy

Balco shall distribute 30-50 percent of profit after tax, taking into consideration needs for Balco's long-term growth and prevailing market conditions.

## Sustainability

More than 30 percent of the group's sales shall be within the EU taxonomy and provide at least 30 percent energy savings to our customers.

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 14 July 2022 at 13:00 CET.

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, 14 July 2022

Ingalill Berglund  
*Chairman of the Board*

Mikael Andersson  
*Board member*

Vibecke Hverven  
*Board member*

Carl-Mikael Lindholm  
*Board member*

Johannes Nyberg  
*Board member*

Thomas Widstrand  
*Board member*

Kenneth Lundahl  
*President and CEO*

## Telephone conference

An online telephone conference will be held on 14 July 2022 at 14:30 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 8 505 163 86; Pin code: 5286208#

UK: +44 203 198 4884; Pin code: 5286208#

USA: +1 412 317 6300; Pin code: 5286208#

## For more information, please contact:

Kenneth Lundahl, President and CEO, Tel: +46 70 630 20 57

Michael Grindborn, CFO and Head of IR, Tel: +46 70 670 18 48

## Calendar 2022/2023

Interim report Jan-Sep 2022..... 31 October 2022

Year-end report Jan-Dec 2022..... 6 February 2023

Interim report Jan-Mar 2023..... 24 April 2023



# Consolidated statement of comprehensive income

MSEK	Note	Apr-Jun		Jan-Jun		Jul-Jun	Jan-Dec
		2022	2021	2022	2021	2021/22	2021
Net sales		351.2	303.5	639.5	554.0	1,206.1	1,120.5
Production and project costs		-275.1	-221.6	-489.8	-408.8	-905.2	-824.2
<b>Gross profit</b>		<b>76.1</b>	<b>81.9</b>	<b>149.8</b>	<b>145.2</b>	<b>300.9</b>	<b>296.3</b>
Sales costs		-32.8	-31.5	-63.8	-59.4	-124.0	-119.7
Administration costs		-16.2	-16.0	-32.9	-29.4	-67.0	-63.5
Other operating income		0.4	-	0.4	-	5.4	4.9
Other operating expenses		-	-	-	-	-0.1	-0.1
<b>Operating profit</b>		<b>27.6</b>	<b>34.4</b>	<b>53.5</b>	<b>56.3</b>	<b>115.2</b>	<b>118.0</b>
Finance income		0.1	-0.0	0.1	0.0	0.2	0.2
Finance costs		-2.1	-1.6	-3.6	-3.0	-7.2	-6.5
<b>Profit before tax</b>		<b>25.5</b>	<b>32.8</b>	<b>49.9</b>	<b>53.3</b>	<b>108.2</b>	<b>111.6</b>
Income tax		-5.2	-6.9	-10.5	-11.1	-20.8	-21.4
<b>Net profit for the period</b>		<b>20.3</b>	<b>25.9</b>	<b>39.4</b>	<b>42.2</b>	<b>87.5</b>	<b>90.2</b>
<b>Other comprehensive income</b>							
Items that may be re-classified to Income Statement							
Exchange rate differences on translation of foreign operation		2.2	0.6	2.5	1.1	2.5	1.2
<b>Comprehensive income for the period</b>		<b>22.5</b>	<b>26.5</b>	<b>41.9</b>	<b>43.3</b>	<b>90.0</b>	<b>91.4</b>
Of which attributable to:							
Parent company's shareholders		22.5	26.5	41.9	43.3	90.0	91.4
Earnings per share, SEK, before dilution	4	1.03	1.18	1.91	1.93	4.11	4.12
Earnings per share, SEK, after dilution	4	1.00	1.15	1.86	1.87	4.00	4.01
Average number of shares, thousands		21,909.3	21,909.3	21,909.3	21,909.3	21,909.3	21,909.3

# Consolidated balance sheet in summary

MSEK	30-jun 2022	30-jun 2021	31-dec 2021
<b>ASSETS</b>			
<b>Non-current assets</b>			
Goodwill	448.2	450.0	448.0
Other intangible assets	109.3	111.0	109.9
Right-to-use assets	85.2	39.6	39.7
Property, plant and equipment	155.2	150.4	151.8
Financial assets	0.2	1.6	0.0
Deferred tax assets	0.0	0.2	0.4
<b>Total non-current assets</b>	<b>798.2</b>	<b>752.9</b>	<b>749.8</b>
<b>Current assets</b>			
Inventory	63.0	39.9	53.1
Accounts receivables	188.7	148.1	153.5
Contract assets	181.3	177.0	136.7
Current tax receivables	22.8	4.7	8.0
Other current receivables	41.8	79.1	26.9
Cash and cash equivalents	8.4	60.4	117.5
<b>Total current assets</b>	<b>505.9</b>	<b>509.1</b>	<b>495.8</b>
<b>TOTAL ASSETS</b>	<b>1,304.1</b>	<b>1,262.0</b>	<b>1,245.6</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	131.5	131.5	131.5
Other capital contributions	405.1	405.1	405.1
Retained earnings, incl. profit for year	175.4	107.3	155.4
<b>Total equity attributable to Parent Company's shareholders</b>	<b>712.0</b>	<b>643.9</b>	<b>692.0</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities	33.0	34.1	33.0
Interest-bearing liabilities to banks	122.5	198.2	171.7
Leasing non-current liabilities	67.3	24.0	21.9
Other non-current liabilities	28.9	31.6	28.3
<b>Total non-current liabilities</b>	<b>251.7</b>	<b>287.9</b>	<b>254.9</b>
<b>Current liabilities</b>			
Interest-bearing current liabilities to banks	0.4	10.4	0.4
Leasing current liabilities	18.7	16.8	20.5
Contract liabilities	97.0	36.4	68.1
Accounts payables	123.3	125.8	112.2
Current tax liabilities	3.7	36.0	13.8
Other current liabilities	28.6	25.1	26.6
Accrued expenses and prepaid income	68.7	79.6	57.2
<b>Total current liabilities</b>	<b>340.4</b>	<b>330.2</b>	<b>298.7</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,304.1</b>	<b>1,262.0</b>	<b>1,245.6</b>

# Consolidated changes in equity in summary

MSEK	Share Capital	Additional paid-in capital	Reserves	earnings including comprehensive income for the	Total equity
<b>Opening balance 1 Jan 2021</b>	<b>131.5</b>	<b>403.2</b>	<b>0.1</b>	<b>63.9</b>	<b>598.6</b>
<b>Comprehensive income for the period</b>					
Profit for the period	-	-	-	42.2	42.2
Other comprehensive income for the period	-	-	1.1	-	1.1
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>1.1</b>	<b>42.2</b>	<b>43.3</b>
<b>Transactions with shareholders:</b>					
Distributed dividend	-	-	-	-	-
New warrants issue		1.9	-	-	1.9
<b>Total transactions with Company owners</b>	<b>-</b>	<b>1.9</b>	<b>-</b>	<b>-</b>	<b>1.9</b>
<b>Closing balance 30 Jun 2021</b>	<b>131.5</b>	<b>405.1</b>	<b>1.3</b>	<b>106.1</b>	<b>643.9</b>
<b>Opening balance 1 Jan 2022</b>	<b>131.5</b>	<b>405.1</b>	<b>1.3</b>	<b>154.1</b>	<b>692.0</b>
<b>Comprehensive income for the period</b>					
Profit for the period	-	-	-	39.4	39.4
Other comprehensive income for the period	-	-	2.5	-	2.5
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>2.5</b>	<b>39.4</b>	<b>41.9</b>
<b>Transactions with shareholders:</b>					
Distributed dividend	-	-	-	-21.9	-21.9
New warrants issue	-	-	-	-	-
<b>Total transactions with Company owners</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-21.9</b>	<b>-21.9</b>
<b>Closing balance 30 Jun 2022</b>	<b>131.5</b>	<b>405.1</b>	<b>3.8</b>	<b>171.6</b>	<b>712.0</b>

# Cash flow statement in summary

MSEK	Apr-Jun 2022	Apr-Jun 2021	Jan-Jun 2022	2021	Jul-Jun 2021/22	Jan-Dec 2021
<b>Operating activities</b>						
Operating profit (EBIT)	27.6	34.4	53.5	56.3	115.2	118.0
Adjustment for non-cash items	4.3	8.8	8.9	17.9	19.0	28.0
Interest received	0.2	0.1	0.4	0.1	1.0	0.8
Interest paid	-1.9	-1.4	-3.4	-2.9	-6.9	-6.4
Income tax paid	-11.7	-6.5	-35.5	3.0	-72.6	-34.1
<b>Cash flow from operating activities before changes in working capital</b>	<b>18.4</b>	<b>35.3</b>	<b>23.8</b>	<b>74.4</b>	<b>55.7</b>	<b>106.2</b>
<b>Changes in working capital</b>						
Increase (-)/Decrease (+) in inventories	-7.1	-2.2	-9.6	-4.9	-22.8	-18.0
Increase (-)/Decrease (+) in operating receivables	-28.0	-30.5	-83.1	-35.9	4.3	51.4
Increase (+)/Decrease (-) in operating liabilities	31.5	-42.2	41.9	-73.7	38.5	-77.1
<b>Cash flow from operating activities</b>	<b>14.8</b>	<b>-39.5</b>	<b>-26.9</b>	<b>-40.1</b>	<b>75.6</b>	<b>62.5</b>
<b>Investing activities</b>						
Investments in intangible fixed assets	-0.1	-1.0	-0.1	-1.6	-1.7	-3.2
Investments in tangible fixed assets	-6.4	-1.0	-9.5	-2.7	-20.4	-13.6
Acquisitions of operations	-	-61.8	-	-85.3	-0.0	-85.3
<b>Cash flow from investing activities</b>	<b>-6.4</b>	<b>-63.8</b>	<b>-9.7</b>	<b>-89.7</b>	<b>-22.1</b>	<b>-102.1</b>
<b>Financing activities</b>						
Changes in bank loans	-0.1	-28.6	-50.2	-31.2	-78.4	-59.4
Changes in leasing	0.5	3.2	-1.6	3.2	-4.8	-
Changes in other non-current assets/liabilities	-0.3	1.7	0.4	1.7	-1.3	-
New warrants issue	-	1.9	-	1.9	-0.0	1.9
Distributed dividend	-21.9	-	-21.9	-	-21.9	-
<b>Cash flow from financing activities</b>	<b>-21.7</b>	<b>-21.8</b>	<b>-73.3</b>	<b>-24.4</b>	<b>-106.4</b>	<b>-57.5</b>
<b>Cash flow for the period</b>	<b>-13.4</b>	<b>-125.1</b>	<b>-109.9</b>	<b>-154.2</b>	<b>-52.8</b>	<b>-97.1</b>
Cash and cash equivalents at beginning of the period	21.0	185.7	117.5	214.1	60.4	214.1
Exchange rate differential cash and cash equivalents	0.7	-0.3	0.8	0.4	0.9	0.5
<b>Cash and cash equivalents at end of the period</b>	<b>8.4</b>	<b>60.4</b>	<b>8.4</b>	<b>60.4</b>	<b>8.4</b>	<b>117.5</b>

# Key ratios

MSEK	Apr-Jun		Jan-Jun		Jul-Jun	Jan-Dec
	2022	2021	2022	2021	2021/22	2021
Net sales	351.2	303.5	639.5	554.0	1,206.1	1,120.5
Order intake	364.1	505.1	655.9	768.2	1,445.9	1,558.3
Order backlog	1,591.9	1,394.4	1,591.9	1,394.4	1,591.9	1,557.0
Gross profit	76.1	81.9	149.8	145.2	300.9	296.3
EBITDA	38.0	41.6	73.5	72.1	156.9	155.6
Adjusted EBITDA	38.8	41.6	74.5	72.1	159.5	157.1
Operating profit (EBIT)	27.6	34.4	53.5	56.3	115.2	118.0
Adjusted operating profit	28.4	34.4	54.5	56.3	117.7	119.5
Gross profit margin, %	21.7	27.0	23.4	26.2	24.9	26.4
EBITDA margin, %	10.8	13.7	11.5	13.0	13.0	13.9
Adjusted EBITDA margin, %	11.1	13.7	11.6	13.0	13.2	14.0
Operating profit margin (EBIT), %	7.8	11.3	8.4	10.2	9.5	10.5
Adjusted operating profit margin (EBIT), %	8.1	11.3	8.5	10.2	9.8	10.7
Operating cash flow	31.8	-40.8	18.0	-53.6	167.6	96.0
Operating cash conversion, %	81.8	-98.1	24.2	-74.3	105.1	61.1
Capital employed, average	907.0	759.9	850.7	738.4	872.8	716.4
Capital employed, excl. goodwill, average	458.9	325.7	402.6	313.0	423.6	292.0
Equity, average	711.7	629.7	702.0	621.3	678.0	645.3
External interest-bearing net debt	200.5	189.1	200.5	189.1	200.5	97.0
External interest-bearing net debt/Adjusted EBITDA 12 months, times	1.3	1.3 x	1.3 x	1.3 x	1.3 x	0.6 x
Return on capital employed, %, (12 months)	13.0	14.1	29.8	14.5	13.5	16.7
Return on capital employed, excl. goodwill, %, (12 months)	25.7	33.0	29.2	34.3	27.8	40.9
Return on invested capital, %, (12 months)	12.3	9.2	12.5	9.3	12.9	14.0
Equity/assets ratio, %	54.6	51.0	55.1	50.0	52.8	52.3
Number of full-time employees on the closing date	506	506	506	506	506	467
Average number of shares for the period, 000s	21,909.3	21,909.3	21,909.3	21,909.3	21,909.3	21,909.3
Equity per share, SEK	32.48	28.74	32.04	28.36	30.94	29.45

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

# Parent Company, income statement in summary

MSEK	Apr-Jun 2022	2021	Jan-Jun 2022	2021	Jul-Jun 2021/22	Jan-Dec 2021
Net sales	6.5	5.5	13.0	11.0	25.3	23.3
Operating expenses	-3.9	-5.4	-9.4	-10.0	-20.0	-20.6
<b>Operating profit</b>	<b>2.6</b>	<b>0.1</b>	<b>3.5</b>	<b>1.0</b>	<b>5.3</b>	<b>2.8</b>
Interest income	0.5	0.5	0.9	0.8	1.8	1.7
Interest expenses	-1.2	-0.8	-2.1	-1.8	-4.7	-4.3
Dividend	-	0.9	-	0.9	-	0.9
<b>Profit/loss after financial items</b>	<b>1.9</b>	<b>0.7</b>	<b>2.3</b>	<b>0.9</b>	<b>2.5</b>	<b>1.0</b>
Appropriations	-	-	-	-	65.0	65.0
Tax	-0.4	0.0	-0.5	-0.0	-14.1	-13.6
<b>Net profit/loss for the period</b>	<b>1.5</b>	<b>0.7</b>	<b>1.8</b>	<b>0.9</b>	<b>53.4</b>	<b>52.4</b>

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 2022	30-jun 2021	31-dec 2021
<b>ASSETS</b>			
Non-current assets			
Financial assets	685.2	684.4	684.9
<b>Total non-current assets</b>	<b>685.2</b>	<b>684.4</b>	<b>684.9</b>
<b>Current assets</b>			
Current receivables	160.4	166.1	146.3
Cash and cash equivalents	7.3	40.6	116.1
<b>Total current assets</b>	<b>167.8</b>	<b>206.8</b>	<b>262.3</b>
<b>TOTAL ASSETS</b>	<b>853.0</b>	<b>891.2</b>	<b>947.3</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Restricted equity	131.5	131.5	131.5
Non-restricted equity	317.0	285.5	337.1
<b>Total equity</b>	<b>448.5</b>	<b>417.0</b>	<b>468.5</b>
<b>Non-current liabilities</b>	<b>130.2</b>	<b>205.7</b>	<b>179.1</b>
<b>Other current liabilities</b>	<b>274.4</b>	<b>268.5</b>	<b>299.6</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>853.0</b>	<b>891.2</b>	<b>947.3</b>

# 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 2021 annual report, which was prepared in accordance with International Financial Reporting Standards and Interpretations as adopted by the EU.

The information on pages 1–13 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 1.8 MSEK (4.1) at the end of the period while financial liabilities at fair value amounted to 0.2 MSEK (0.0).

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 categorized 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.

Jan-Jun MSEK	Renovation		New Build		Group Other		Eliminations		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Net sales – External revenue	552.2	466.1	87.3	87.9	-	-	-	-	639.5	554.0
Net sales – Internal revenue	-	-	-	-	13.3	11.6	-13.3	-11.6	-	-
<b>Total sales</b>	<b>552.2</b>	<b>466.1</b>	<b>87.3</b>	<b>87.9</b>	<b>13.3</b>	<b>11.6</b>	<b>-13.3</b>	<b>-11.6</b>	<b>639.5</b>	<b>554.0</b>
<b>Operating profit (EBIT)</b>	<b>47.9</b>	<b>48.7</b>	<b>5.7</b>	<b>7.5</b>	<b>-0.1</b>	<b>0.1</b>	-	-	<b>53.5</b>	<b>56.3</b>
Depreciation included with	17.1	13.1	2.9	2.7	-	-	-	-	20.0	15.9
Non-recurring items	0.8	-	-	-	0.2	-	-	-	1.0	-
<b>Adjusted operating profit (EBIT)</b>	<b>48.7</b>	<b>48.7</b>	<b>5.7</b>	<b>7.5</b>	<b>0.1</b>	<b>0.1</b>	-	-	<b>54.5</b>	<b>56.3</b>
Adjusted operating margin	8.8%	10.5%	6.5%	8.5%					8.5%	10.2%
Operating profit (EBIT)	47.9	48.7	5.7	7.5	-0.1	0.1	-	-	53.5	56.3
Finance income	-	-	-	-	0.1	0.0	-	-	0.1	0.0
Finance cost	-	-	-	-	-3.6	-3.0	-	-	-3.6	-3.0
<b>Profit before tax</b>	<b>47.9</b>	<b>48.7</b>	<b>5.7</b>	<b>7.5</b>	<b>-3.6</b>	<b>-2.9</b>	-	-	<b>49.9</b>	<b>53.3</b>

## Note 4 Earnings per share

MSEK	Apr-Jun 2022	Apr-Jun 2021	Jan-Jun 2022	Jan-Jun 2021	Jul-Jun 2021/22	Jan-Dec 2021
<b>company</b>	<b>22.5</b>	<b>25.9</b>	<b>41.9</b>	<b>42.2</b>	<b>90.0</b>	<b>90.2</b>
Average number of shares, '000'	21,909.3	21,909.3	21,909.3	21,909.3	21,909.3	21,909.3
Earnings per share, SEK, before dilution	1.03	1.18	1.91	1.93	4.11	4.12
Earnings per share, SEK, after dilution	1.00	1.15	1.86	1.87	4.00	4.01

## 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	Apr-Jun 2022	Apr-Jun 2021	Jan-Jun 2022	Jan-Jun 2021	Jul-Jun 2021/22	Jan-Dec 2021
<b>Adjusted operating profit</b>						
Operating profit	27.6	34.4	53.5	56.3	115.2	118.0
Re-structuring costs	0.8	-	0.8	-	0.8	-
Acquisition costs	-	-	0.2	-	1.8	1.5
<b>Adjusted operating profit</b>	<b>28.4</b>	<b>34.4</b>	<b>54.5</b>	<b>56.3</b>	<b>117.7</b>	<b>119.5</b>
<b>Adjusted EBITDA</b>						
Adjusted operating profit	28.4	34.4	54.5	56.3	117.7	119.5
Depreciation	10.4	7.2	20.0	15.9	41.8	37.6
<b>Adjusted EBITDA</b>	<b>38.8</b>	<b>41.6</b>	<b>74.5</b>	<b>72.1</b>	<b>159.5</b>	<b>157.1</b>
<b>Operating cash flow</b>						
Adjusted EBITDA	38.8	41.6	74.5	72.1	159.5	157.1
Changes in working capital	-3.5	-81.0	-50.7	-121.9	20.0	-51.2
Investments in other non-current assets, net	-3.5	-1.4	-5.8	-3.8	-12.0	-10.0
<b>Operating cash flow</b>	<b>31.8</b>	<b>-40.8</b>	<b>18.0</b>	<b>-53.6</b>	<b>167.6</b>	<b>96.0</b>

MSEK	30-jun 2022	30-jun 2021	31-dec 2021
<b>External interest-bearing net deb</b>			
External non-current interest-bearing liabilities	189.8	222.3	193.6
External current interest-bearing liabilities	19.1	27.2	20.9
Cash and cash equivalents	-8.4	-60.4	-117.5
<b>Interest-bearing net debt</b>	<b>200.5</b>	<b>189.1</b>	<b>97.0</b>
Adjusted EBITDA (12 months)	159.5	142.0	157.1
<b>Interest-bearing net debt/EBITDA 12 months, times</b>	<b>1.3</b>	<b>1.3</b>	<b>0.6</b>
<b>Return on capital employed</b>			
Equity	712.0	643.9	692.0
External interest-bearing net debt	200.5	189.1	97.0
Average capital employed	872.8	755.9	716.4
Adjusted operating profit (EBIT), (12 months)	117.7	107.4	119.5
<b>Return on capital employed, %</b>	<b>13.5</b>	<b>14.2</b>	<b>16.7</b>
<b>Equity/assets ratio</b>			
Equity attributable to owners of the parent company	712.0	643.9	692.0
Total assets	1,304.1	1,262.0	1,245.6
<b>Equity/assets ratio, %</b>	<b>54.6</b>	<b>51.0</b>	<b>55.6</b>

# 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 analyze 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
<b>Return on equity</b>	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.
<b>Return on capital employed</b>	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.	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.
<b>Return on capital employed excluding goodwill</b>	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.
<b>Gross income</b>	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.
<b>Gross margin</b>	Gross income as a percentage of net sales.	Ratio is used for analysis of the company's effectiveness and profitability.
<b>EBITDA</b>	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.
<b>External interest-bearing net debt relative to adjusted EBITDA</b>	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.
<b>Adjusted EBITDA</b>	EBITDA as adjusted for items affecting comparability. For a reconciliation of adjusted EBITDA to income for the period.	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.
<b>Adjusted EBITDA margin</b>	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.
<b>Adjusted EBIT margin</b>	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.
<b>Adjusted EBIT</b>	EBIT adjusted for items affecting comparability. For a reconciliation of adjusted EBIT to income for the period.	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.

Alternative performance measures	Definition	Reason for use
<b>Items affecting comparability</b>	Items affecting comparability are significant items reported separately due to their size or frequency, e.g. restructuring costs, write-downs, divestments and acquisition costs.	Balco believes that adjustment for items affecting comparability improves the possibility of comparison over time by excluding items with irregularity in frequency or size. This is to give a more accurate picture of the underlying operating profit.
<b>Operating cash conversion</b>	Operating cash flow divided by adjusted EBITDA.	Balco believes this is a good measure for comparing cash flow with operating profit.
<b>Operating cash flow</b>	Adjusted EBITDA increased/decreased with changes in net working capital less investments, excluding expansion investments.	Operating cash flow is used by Balco to monitor business performance.
<b>Organic growth</b>	Net sales excluding acquired growth current period divided by net sales during the corresponding period last year.	Organic growth excludes the effects of changes in the Group's structure, which enables a comparison of net sales over time.
<b>Interest-bearing net debt</b>	The sum of non-current interest-bearing liabilities and current interest-bearing liabilities.	Balco believes interest-bearing net debt is a useful measure to show the company's total debt financing.
<b>Net working capital</b>	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.
<b>EBIT margin</b>	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.
<b>EBIT</b>	Earnings before interest and tax.	Balco believes that EBIT shows the profit generated by the operating activities.
<b>Equity/asset ratio</b>	Equity divided on total assets.	Balco believes that equity to asset ratio is a useful measure for the company's survival.
<b>Capital employed</b>	Equity plus interest-bearing net debt.	Capital employed is used by Balco to indicate the general capital efficiency of the company.
<b>Capital employed excluding goodwill</b>	Capital employed minus goodwill.	Capital employed excluding goodwill is used together with capital employed by Balco as a measure of the company's capital efficiency.

## Balco Group in brief

Balco Group is the market leader in the balcony industry, developing, manufacturing, selling and installing our own open and glazed balcony systems. The Group's customized products contribute to increased quality of life, safety and value for the residents of apartment buildings, and Balco Group's standardized glazing means lower energy consumption.

**506** employees

**7** markets

Net sales of **1,206** MSEK, LTM

Total production area of **27,000** sqm

Balco Group was established in its current form in 2015 and is a group of 16 companies in total, including production and sales companies, as well as consulting and holding companies. The Group's five brands belong to Balco AB, Balco Altaner AS, TBO-Haglinds AB, Stora Fasad AB and RK Teknik i Gusum AB. The Group is the market leader in the Nordic region and operates in a number of markets in Northern Europe. The head office is located in Växjö and the Group employs approximately 500 people. A general and distinctive feature of the companies in the Group is that they control their entire value chain - from sales to the installed balcony.