

Interim report January-December 2017

BALCONIES
FOR
GREATER
LIVING



“We might as well make it clear from the start: we love balconies!”

Since Balco was founded in 1987, the Company has established itself as a leader in the segment for open and glazed balcony systems. Balco's high-quality products are in demand right across Europe and its innovative solutions and elegant designs have helped to increase the quality of life for many people. Balco currently operates in several markets in Europe and has production units in Sweden, Poland and Denmark. Consolidated net sales for 2017 amounted to SEK 989 million. Balco is a growth company focusing on technical innovation, high quality and satisfied customers. The Group's headquarters are in Växjö, Sweden. Balco is listed on Nasdaq Stockholm.

Learn more about Balco at www.balcogroup.se

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Strengthened financial position and solid earnings and profit growth

Fourth quarter: October-December 2017

- **Net sales** amounted to SEK 283.7 (237.7) million, an increase of 19.3 percent or SEK 46 million. The increase was entirely organic.
- **Operating profit** (EBIT) was SEK 26.3 (15.4) million, an increase of 70.3 percent. The result in the quarter includes costs for the IPO of SEK 11.2 million. Operating profit adjusted for items affecting comparability was SEK 37.4 (32.9) million, corresponding to an adjusted operating margin of 13.2 (13.8) percent.
- **Net profit after tax** was SEK 20.0 (3.7) million.
- **Earnings per share**, before and after dilution were SEK 1.09 (0.14).
- **Operating cash flow** amounted to SEK 138.4 (38.7) million.

Full year: January-December 2017

- **Net sales** amounted to SEK 989.0 (801.6) million, an increase of 23.4 percent or SEK 187.4 million. The increase was entirely organic.
- **Operating profit** (EBIT) was SEK 92.3 (63.6) million, an increase of 45.2 percent or SEK 28.7 million, while adjusted operating profit was SEK 116.7 (82.4) million, an increase of SEK 34.3 million, corresponding to an adjusted operating margin of 11.8 (10.3) percent.
- **Net profit after tax for the year** was SEK 37.7 (12.1) million.
- **Earnings per share for the year**, before and after dilution were SEK 2.43 (0.50).
- **Operating cash flow** amounted to SEK 182.9 (73.4) million.
- **The order backlog** increased 12 percent and amounted to SEK 1,238.4 (1,107.2) million at the end of the year.
- The Board proposes that the 2018 AGM approve a dividend of SEK 1.00 per share for the 2017 financial year.

Events in the fourth quarter

- Balco was listed on Nasdaq Stockholm on 6 October 2017.
- An extraordinary general meeting decided to establish a long-term incentive program for senior executives and key employees.
- Planning permission has been granted for Balco's historically largest order (approx. SEK 160 million).
- An order has been signed for the delivery of balconies to yet another cruise ship; the order value is SEK 60.2 million.

Revenue and profit

SEK M	Oct-Dec 2017	Oct-Dec 2016	%	Jan-Dec 2017	Jan-Dec 2016	%
Net sales	283,7	237,7	19%	989,0	801,6	23%
Order intake	296,4	273,0	9%	1 113,5	1 066,3	4%
Order backlog	1 238,4	1 107,2	12%	1 238,4	1 107,2	12%
Gross profit	73,8	52,2	41%	247,8	189,9	31%
Gross profit, %	26,0	22,0		25,1	23,7	
Operating profit	26,3	15,4	70%	92,3	63,6	45%
EBIT margin, %	9,3	6,5	43%	9,3	7,9	18%
Adjusted operating profit (EBIT)	37,4	32,9	14%	116,7	82,4	42%
Adjusted operating profit margin (EBIT), %	13,2	13,8	-5%	11,8	10,3	15%
Net profit for the period	20,0	3,7	434%	37,7	12,1	212%
Operating cash flow	138,4	38,7	258%	182,9	73,4	149%

Kenneth Lundahl, President and CEO:

"Balco's strong growth has continued in 2017. The year ends with total growth in sales of 23 per cent, an order backlog grew by 12 percent, an order intake growth within the Renovation segment of 26 percent, and an operating profit which increased by 45 percent. The prospects for 2018 are good."



Balco continues to advance its positions. In connection with Balco's IPO in the autumn of 2017, a clear focus on growth in sales and profitability improvements, combined with a strong cash flow, were communicated. During the year and the fourth quarter, we have delivered on all points. Sales during the year increased by SEK 187 million or 23 percent, to SEK 989 million, which exceeds our financial target by an annual rate of growth of 10 per cent. Parallel with the strong growth in sales, the order backlog grew by 12 percent to SEK 1,238 million, entailing that we continue to see strong demand for our products.

It is especially pleasing to note that at the same time as extensive work took place on Balco's IPO, operating profit increased by SEK 29 million, or 45 percent, compared with the preceding year. The improvement in earnings meant that we reported an operating margin adjusted for IPO costs of 11.8 (10.3) percent. We are approaching our medium long-term objective of an operating margin of at least 13 percent.

The balance sheet was strengthened significantly in connection with the listing and the equity ratio is now 43.6 percent. The earnings trend, together with a continued low level of tied up capital, contributes an increase of SEK 94 million in cash flow from ongoing activities during the year.

Balco is a growth company with a strong niche position within the Renovation segment. The decision that was taken at the end of 2016 to focus even more clearly on the Renovation segment, while at the same time reducing the risk exposure within the New Build segment, has proved to be correct. By acting more selectively as regards the transactions we choose within New Build, we have significantly reduced the risk and exposure to the more business cycle-sensitive construction market, while at the same time obtaining a clearer focus internally on the more profitable renovation segment. The increase in order intake within the Renovation segment was 26 percent. The changes contributed to the growth in order backlog within the Renovation segment being as high as 20 percent during the year.

In terms of operations, the fourth quarter has been productive for Balco, with the inauguration of our new plant in Poland, continued strong order backlog growth on the main markets and the start of production for several major projects. On the other hand, sales in Denmark were adversely affected by the fact that the planning permission process in the Copenhagen area has been time-consuming and resulted in delayed production starts. Towards the end of the year, the process has begun to go more quickly. We have also commenced work on increased flexibility in our Danish operational organisation and on expanding the production of open balconies in Poland. The objective is to achieve increased profitability within the product area.

It is pleasing to see that the change in strategy introduced in 2014, with significantly increased investments in sales and marketing on existing markets, is yielding results. Our increased rate of investment in new sales resources, combined with a high level of activity within the market organisation, has been extremely successful and accounts for our strong growth during the past three years. We nowadays enjoy a clear and strong position within the Renovation segment, where there is great market potential. With a growing order backlog, a strong financial position and exciting development opportunities, I look forward with confidence to 2018.

Växjö, 23 February 2018



Kenneth Lundahl, President and CEO
Balco Group AB

The Group's performance

Net sales

Net sales for the fourth quarter increased by 19.3 percent to SEK 283.7 (237.7) million, an increase of SEK 46 million. Net sales for the full year January-December increased by 23.4 percent to SEK 989 (801.6) million, corresponding to an increase of SEK 187.4 million. Growth in each period was entirely organic. The higher sales growth in the quarter compared with the previous quarter is based on the increasing order backlog, good progress in projects and the start of production in several major projects. Balco's sales growth is determined to a large extent by the date when planning permission is granted, and consequently sales between quarters vary. The increased order backlog is attributable to investments over several years in an expanded sales organisation and greater marketing activity. The main markets have developed well during the fourth quarter and the full year, and we continue to be positive as regards the newly established markets, albeit that longer lead times for planning permission in Copenhagen have adversely affected sales. The growth in sales in the fourth quarter and for the full year significantly exceeds Balco's growth target of an annual growth in sales of 10 percent.

The Renovation segment accounted for SEK 245.9 million of total net sales in the fourth quarter, while the New Build segment accounted for SEK 37.8 million. For the full year, net sales for the Renovation segment were SEK 847.5 million, and SEK 141.4 million for the New Build segment. The Renovation segment accounted for 87 percent of total sales in the fourth quarter.

During the fourth quarter, order intake amounted to SEK 296.4 (273.0) million. The breakdown of order intake between segments was unchanged compared with the corresponding period of last year. Order intake for the full year increased by SEK 47.2 million to SEK 1,113.5 (1,066.3) million, representing an increase of 4.4 percent. The growth in order intake within the Renovation segment was 26 percent. The Renovation segment accounted for 86 (71) percent of the order intake for the year, while the New Build segment – as a consequence of the decision to reduce the risk exposure and smaller transactions – had a lower order intake and accounted for 14 (29) percent. The accumulated order backlog increased to SEK 1,238.4 (1,107.2) million, representing growth of 11.8 percent.

Earnings

Gross profit for the fourth quarter increased and amounted to SEK 73.8 (52.2) million, an increase of the gross margin of 4ppt to 26.0 (22.0) percent. Gross profit in the quarter increased as a consequence of increased sales and the margin improved as a consequence of a favorable project mix and the fact that the preceding year included one-off restructuring costs and liquidated damages. Gross profit for the full year increased by SEK 57.9 million to SEK 247.8 (189.9) million, a margin of 25.1 (23.7) percent, driven by the increased sales, pricing and project mix.

Selling expenses declined in the quarter to SEK 24.3 (26.6) million, related to the changed sales organisation within the New Build segment. For the year costs were largely unchanged. Balco's strategy is to continue the expansion of the sales organisation within the Renovation segment. Total operating expenses in the fourth quarter amounted to SEK 47.5 (36.9) million, corresponding to 16.7 (15.5) percent of sales. The higher expenses in relation to sales are due to the IPO costs.

Operating profit for the fourth quarter increased compared with the preceding year and amounted to SEK 26.3 (15.4) million, corresponding to an operating margin of 9.3 (6.5) percent. Profit in the quarter was affected by the company's IPO costs in the amount of SEK 11.2 (1.3) million. Operating profit for the year improved and amounted to SEK 92.3 (63.6) million, resulting in an operating margin for the year of 9.3 (7.9) percent. The improvement in profit for the year is attributable to continued strong growth within the Renovation segment and the changes made within the New Build segment.

Adjusted operating profit for the quarter was SEK 37.4 (32.9) million, corresponding to an adjusted operating margin of 13.2 (13.8) percent. For the full year, the adjusted operating profit amounted to SEK 116.7 (82.4) million and the adjusted operating margin to 11.8 (10.3) percent. The earnings trend represents a step towards the company's profitability objective in the medium-long-term of an operating margin of at least 13 percent. Profit after tax for the quarter amounted to SEK 20.0 (3.7) million and, for year, to SEK 37.7 (12.1) million.

Operations and performance by segment

Operations and market

Balco offers customised balcony solutions under its own brand to tenant-owner associations, private property owners, the public sector and construction companies primarily in Sweden, Norway and Denmark, but also in Germany, Finland, the UK and the Netherlands. Balco is currently the leader in the Swedish and Norwegian balcony markets and second largest in Denmark. Balco holds a strong challenging position in other markets. Balco's business is divided into two operating segments: Renovation and New Build.

Products

Balco offers a comprehensive range of products and solutions to the balcony industry under its own brand. The Company's products are proprietary, patented and tailored to customers' requirements and specific needs, and can be installed during renovation or new build. Balco's glazed balconies are the largest product category. Other important product categories are climate walls, open balconies, city balconies, access balconies and prefabricated balconies.

Renovation

The Renovation segment includes replacement and expansion of existing balconies as well as installation of new balconies on multi-dwelling buildings without balconies. The majority of Balco's sales in this area consist of glazed balconies for tenant-owner associations.

The Renovation operating segment's net sales for the fourth quarter increased by 13.9 percent or SEK 30 million to SEK 245.9 (215.9) million. Net sales for the year increased by 16.7 percent to SEK 847.5 (726.4) million. The segment accounted for 86.7 percent of Balco's total sales in the fourth quarter. In addition, the company's product development as well

as geographic expansion of the segment have continued.

Operating profit in the quarter amounted to SEK 36.3 (28.9) million, corresponding to an operating margin of 14.7 (13.4) percent in the quarter. For the year, the operating profit increased to SEK 114.5 (83.2) million, an increase of 37.6 percent, corresponding to an operating margin of 13.5 (11.5) percent.

New Build

The New Build segment includes installation of balconies during construction of multi-dwelling buildings and balcony solutions in maritime applications. Balco offers its entire product range in the New Build segment.

The New Build operating segment's net sales for the fourth quarter increased by SEK 16.1 million to SEK 37.8 (21.7) million. The segment's net sales for the year increased by SEK 66.2 million to SEK 141.4 (75.2) million. The increase is largely attributable to the expansion in balcony systems for cruise ships, at the same time as the order backlog within New Build was worked off during the year. The segment accounted for 13.3 percent of Balco's total net sales in the fourth quarter.

The New Build segment's operating profit improved in the quarter and was SEK 2.5 (-18.1) million, corresponding to an operating margin of 6.7 (neg) percent. Operating profit for the year amounted to SEK 7.3 (-19.8) million, giving an operating margin of 5.2 (neg) percent. The increase in profit in the quarter and for the year is primarily due to the costs for the organisational changes and liquidated damages that were incurred to the fourth quarter of 2016 and the stricter selection of projects that is taking place through the changed sales organisation.

Sales by segment

	Oct-Dec 2017	Oct-Dec 2016	%	Jan-Dec 2017	Jan-Dec 2016	%
SEK M						
Renovation	245,9	215,9	14%	847,5	726,4	17%
New Build	37,8	21,7	74%	141,4	75,2	88%
Group other	3,2	5,7	-43%	8,6	6,2	38%
Elimination	-3,2	-5,7	n/a	-8,6	-6,2	n/a
Total sales	283,7	237,7	19%	989,0	801,6	23%

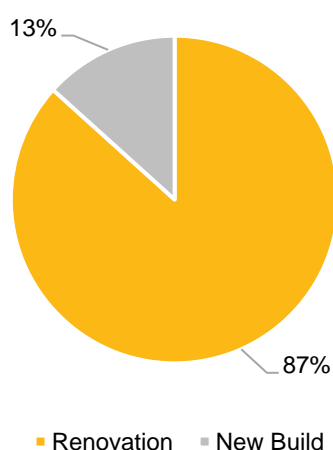
EBIT by segment

	Oct-Dec 2017	Oct-Dec 2016	%	Jan-Dec 2017	Jan-Dec 2016	%
SEK M						
Renovation	36,3	28,9	26%	114,5	83,2	38%
New Build	2,5	-18,1	n/a	7,3	-19,8	n/a
Group other	-12,5	4,7	-366%	-29,5	0,2	n/a
Elimination	0,0	0,0	n/a	0,0	0,0	n/a
Total EBIT	26,3	15,4	70%	92,3	63,6	45%

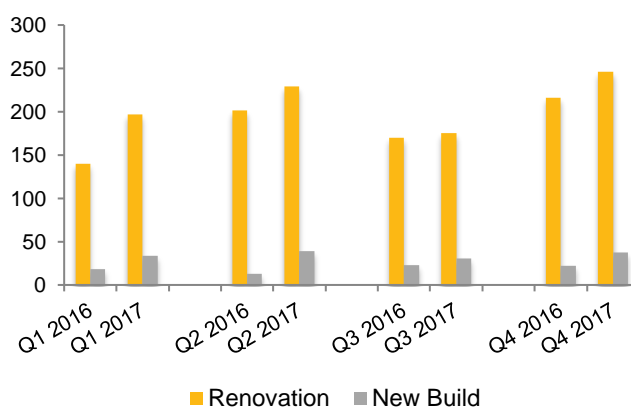
EBIT margins by segment

%	Oct-Dec 2017	Oct-Dec 2016	Jan-Dec 2017	Jan-Dec 2016
Renovation	14,7%	13,4%	13,5%	11,5%
New Build	6,7%	-83,3%	5,2%	-26,4%
Group other	n/a	n/a	n/a	n/a
Elimination	n/a	n/a	n/a	n/a
Total EBIT margin	9,3%	6,5%	9,3%	7,9%

Share of total net sales, Q4 (%)



Development of sales per quarter



Balance sheet, financial position & cash flow

Liquidity and financial position

The Group's interest-bearing net debt at the end of the year amounted to SEK 90.0 million (SEK 360.0 million on 31 December 2016). Balco's interest-bearing net debt in relation to adjusted EBITDA amounted to 0.7 (1.0) times, which is within the scope of the company's indebtedness objective (not to exceed 2.5 times). At the end of 2017, the Group's equity amounted to SEK 386.4 million (SEK 139.5 million on 31 December 2016). The Group's equity ratio was 43.6 (19.5) percent.

In connection with Balco's IPO on Nasdaq Stockholm on 6 October 2017, the company's operations were refinanced, and a new three-year bank agreement was entered into. The agreement comprises a bank loan of approximately SEK 142 million, an overdraft facility of SEK 65 million, and SEK 100 million in credit headroom for future acquisitions.

Financial position

SEK M	31 Dec 2017	31 Dec 2016
Shareholder financing	0,0	260,1
External non-current interest-bearing liabilities	187,7	45,0
Current interest-bearing liabilities	8,8	76,6
Cash and cash equivalents	-106,5	-21,7
Interest-bearing net debt	90,0	360,0
Less: shareholder financing	0,0	-260,1
External interest-bearing net debt	90,0	99,9
Equity/assets ratio, %	4363,8%	1953,3%
External interest-bearing net debt/EBITDA (12 months), times	0,7x	1,0x

Cash flow

Cash flow from operating activities for the year was SEK 155.4 (61.3) million. The increase is attributable to increased earnings and lower capital tied up. The change in working capital during the year was SEK +56.8 (-8.3) million. Working capital declined as a consequence of a lower level of tied up capital (net) in ongoing projects compared with the preceding year. To a certain extent, tied up capital varies between quarters depending on the different phases of projects.

Cash flow from investing activities for the year amounted to SEK 55.1 million, an increase from the previous year's investments of SEK 24.1 million. The investments for the year are largely related to the construction of a new production building of 5,800 sq.m. in Poland and plant for steel and aluminium processing. Cash flow from financing activities was SEK -15.5 (-43.7) million. The change is mainly attributable to new loans raised in connection with refinancing of the Group as well as the redemption of previous shareholder loans. Cash flow for the year increased to SEK 84.8 (-6.4) million compared with the previous year, in a period of major expansion investments for Balco, which totalled SEK 50.4 (11.4) million.

Investments and depreciation

Investments for the year totalled SEK -55.1 (-24.7) million and were mainly related to the construction of the new production unit building in Poland and machines. Depreciation amounted to SEK 17.1 (14.3) million. SEK 6.3 (6.9) million of the investments were financed through finance leases during the year.

Parent Company

The registered office of the Parent Company is in Växjö and the Company operates directly through 13 Swedish and foreign subsidiaries. The Parent Company's activities are mainly focused on strategy development, financial governance, corporate governance issues, Board work and financing. In connection with Balco's IPO, the company was refinanced and the Parent Company's capital structure was changed. Profit/loss for the year was SEK -26.9 (-24.9) million.

Other information

Employees

The number of full-time employees at Balco at the end of December 2017 was 346 (301). The increase in employees compared with last year is attributable to the start-up of the new production plant in Poland, together with an expanding sales and operations organisation (designers, structural engineers, project and assembly managers).

Seasonal variations

Balco's operations are marginally affected by seasonal variations. The Group is partly affected by the timing of orders, seasonal variations and the fact that the general meeting season for tenant-owner associations normally occurs in the second and fourth quarters. The second and fourth quarters are normally the Group's strongest quarters. Sales and earnings are also positively affected by months with a large number of working days and no holidays, and somewhat negatively by weather factors, with extremely cold winters bringing increased costs.

Shares, share capital and shareholders

Balco was listed on Nasdaq Stockholm on 6 October 2017. In connection with the listing, shareholder loans and preference shares were redeemed. Part of the preparations pending the listing included a reverse share split and a private placement of new shares issued in a debt for equity swap. A detailed description of changes in the share capital is available on the company's website, www.balcogroup.se under Share Information. At the end of September 2017, Balco Group AB had 11,286,574 shares, each with a quotient value of SEK 6 and, following completion of the capital structure changes, there are 21,428,773 shares, a share capital of SEK 128,577,685. At the end of December 2017, the company had 3,088 shareholders. The five largest shareholders were Segulah IV L.P., AB Skandrenting, Carl-Olof och Jenz Hamrins Stiftelse, Swedbank Robur Fonder and Danica Pension.

Related party transactions

The Group's key persons consist of the Board, Group management and the CEO, partly through ownership of Balco and partly through the senior executive role. Close associates also include the Company's largest shareholder, Segulah, which is represented on the Board by Lennart Kalén (Chairman), Percy Calissendorff and Marcus Planting-Bergloo. Related party transactions are conducted at market conditions. For information, see annual report 2016.

Incentive program

At an extraordinary general meeting held on 5 October 2017, it was decided to establish a long-term incentive program aimed at the company's senior executives and additional key employees, in total 49

employees. The incentive program covers in total not more than 1,071,432 warrants which carry an entitlement to subscribe for not more than a corresponding number of shares. Balco's total costs for the incentive program during the lifetime of the program are not expected to exceed SEK 150,000. The program entails a dilution of not more than 5 percent in the total number of shares in the company. Balco senior executives have acquired 397,964 warrants amounting in value to a total of SEK 1,405,807. In addition to the above incentive program, in September 2017 Balco's former main owner, Segulah, issued call options on shares in Balco to the company's senior executives. Each call option under the program entitles the holder to acquire one share in the company from Segulah. The exercise price for each share is 110 percent of the introduction price. In total, the program covers 1,100,000 shares in Balco, corresponding to approx. 5 percent of the total number of shares and votes in the company. The company is not expected to incur any costs related to the call option program.

2018 Annual General Meeting

Balco's 2018 annual general meeting will be held at 3pm on 17 May 2018 at Vaxjö Konserthus, Västra Esplanaden 10. Registration will commence at 2.30pm. The 2017 annual report will be published on Balco's website, www.balcogroup.se, on 13 April.

Dividend

The Board's proposal to the 2018 annual general meeting is that a dividend of SEK 1.00 per share be issued in respect of the 2017 financial year. It is proposed that the remaining profit be carried forward.

Risks and uncertainties

The Group is exposed to different types of risks during its operations. The risks can be classified into the following categories: sector and market-related risks, business-related risks and financial risks. Sector and market-related risks include changes in demand because of 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 capacity 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 categorised as financing risk, liquidity risk, credit risk and interest rate risk. Balco is subject to currency risk. In the fourth quarter of 2017 44 percent of operating income was invoiced in foreign currencies.

Balco's risks and uncertainties are described on pages 23-27 of the 2016 annual report.

Outlook

Balco does not provide any financial forecasts of its future development. The Group's long-term targets are presented below. Balco has a strong position in a fragmented and attractive growing European balcony market. The value of the North European balcony market in 2016 is estimated at about SEK 38 billion and is expected to show annual growth of about 6 percent in the period 2015-2020. Balco is one of the few complete balcony suppliers in the market able to provide unique, customised balcony solutions.

Events after the end of the quarter

There are no significant events to report after the end of the quarter.

Financial targets

Growth

- Balco shall achieve growth of 10% 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 half of profit after tax, taking into consideration needs for Balco's long-term growth and prevailing market conditions.

The interim report has not been the subject of a general review by the company's auditors in accordance with ISRE 2410.

Växjö, 23 February 2018

Kenneth Lundahl

President and CEO

This information is information that Balco Group AB is obliged to publish in accordance with the EU Market Abuse Regulation. The information was provided by the contact person below for publication on 23 February 2018 at 08.00 CET.

Telephone conference

A web telephone conference will be held today, 23 February at 09:00 am (CET), at which the President and CEO Kenneth Lundahl and CFO Fredrik Hall will present the report and answer questions. To participate, kindly call:

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Calendar 2018

Annual report 2017	13 Apr 2018
Interim report Jan-Mar	17 May 2018
AGM	17 May 2018
Interim report Jan-Jun	24 Aug 2018
Interim report Jan-Sep	16 Nov 2018
Interim report Jan-Dec	22 Feb 2019

Consolidated income statement

SEK M	Note	Oct-Dec 2017	Oct-Dec 2016	Jan-Dec 2017	Jan-Dec 2016
Net sales		283,7	237,7	989,0	801,6
Production and project costs		-209,9	-185,4	-741,1	-611,7
Gross profit		73,8	52,2	247,8	189,9
Sales costs		-24,3	-26,6	-87,6	-89,1
Administration costs		-23,6	-10,6	-68,4	-38,8
Share of profit or loss of associates		0,0	0,3	0,1	0,6
Other operating income		1,8	7,0	6,8	10,4
Other operating expenses		-1,5	-7,0	-6,5	-9,4
Operating costs		-47,5	-36,8	-155,5	-126,3
Operating profit		26,3	15,4	92,3	63,6
Finance income		0,0	-0,2	0,0	0,0
Finance costs		-2,4	-10,4	-37,1	-40,9
Profit before tax		23,9	4,9	55,3	22,7
Income tax		-3,9	-1,2	-17,6	-10,7
Net profit for the period		20,0	3,7	37,7	12,1
Other comprehensive income					
Items that have been/can be reclassified to profit/loss					
Exchange rate differences on translation of foreign operation		3,5	-0,4	2,0	0,9
Comprehensive income for the period		23,5	3,4	39,7	12,9
Of which attributable to:					
Owners of the parent company		23,5	3,4	39,7	12,9
Earnings per common share, SEK, before dilution	4	1,09	0,14	2,43	0,50
Earnings per common share, SEK, after dilution	4	1,09	0,14	2,43	0,50
Average number of common shares, thousands		21 429	11 287	13 704	11 287

Consolidated balance sheet in summary

SEK M	31 Dec 2017	31 Dec 2016
ASSETS		
Non-current assets		
Goodwill	372,0	371,4
Other intangible assets	11,4	11,2
Property, plant and equipment	130,3	85,1
Financial assets	4,1	4,3
Deferred tax assets	0,9	0,5
Total non-current assets	518,9	472,5
Current assets		
Inventory	21,1	16,7
Trade receivables	119,1	94,5
Gross amount due from customers	100,1	96,3
Current tax receivables	1,6	1,3
Other current receivables	18,1	11,2
Cash and cash equivalents	106,5	21,7
Total current assets	366,5	241,8
TOTAL ASSETS	885,4	714,3
EQUITY AND LIABILITIES		
Equity		
Share capital	128,6	67,7
Additional paid-in capital	381,8	177,3
Retained earnings, incl. profit for year	-124,0	-105,5
Equity attributable to owners of the parent company	386,4	139,5
Non-current liabilities		
Deferred tax liabilities	4,8	0,3
Shareholder financing	0,0	260,1
Interest-bearing liabilities	187,7	45,0
Total non-current liabilities	192,5	305,4
Current liabilities		
Interest-bearing liabilities	8,8	76,6
Gross amount due to customers	106,2	38,2
Trade payables	101,2	89,0
Current tax liabilities	14,3	2,5
Other liabilities	22,1	10,4
Other accrued expenses and prepaid income	54,1	52,6
Total current liabilities	306,5	269,3
TOTAL EQUITY AND LIABILITIES	885,4	714,3

Consolidated statement of changes in equity in summary

SEK M	Share Capital	Additional paid-in capital	Reserves	Retained earnings	Total equity
Opening balance, 1 January 2016	67,7	177,3	0,1	-118,6	126,6
Comprehensive income for the period					
Profit for the period	-	-	-	12,1	12,1
Other comprehensive income for the period	-	-	0,9	-	0,9
Total comprehensive income for the period	-	-	0,9	12,1	12,9
Closing balance, 31 December 2016	67,7	177,3	1,0	-106,6	139,5
Opening balance, 1 January 2017	67,7	177,3	1,0	-106,6	139,5
Comprehensive income for the period					
Profit for the period	-	-	-	37,7	37,7
Other comprehensive income for the period	-	-	2,0	-	2,0
Total comprehensive income for the period	-	-	2,0	37,7	39,7
Transactions with shareholders in their status as Company owners					
Cancellation of ordinary and preference shares	- 56,4	-	-	10,5	-45,9
Bonus issues and debt for equity swaps	117,3	204,8	-	- 56,4	265,7
Repayment of conditional shareholders' contributions	-	- 3,4	-	- 12,2	-15,6
Proceeds, Warrants	-	3,0	-	-	3,0
Total transactions with Company owners	60,9	204,4	-	-58,1	207,1
Closing balance, 31 December 2017	128,6	381,8	3,1	-127,1	386,4

Consolidated statement of cash flows in summary

SEK M	Oct-Dec 2017	Oct-Dec 2016	Jan-Dec 2017	Jan-Dec 2016
Operating activities				
Operating profit (EBIT)	26,3	15,4	92,3	63,6
Adjustment for non-cash items	6,9	-6,6	19,7	16,0
Interest received	0,0	-0,2	0,0	0,0
Interest paid	-1,8	-1,9	-7,2	-7,0
Income tax paid	-3,9	6,7	-6,2	-3,0
Cash flow from operating activities before changes in working capital	27,4	13,5	98,6	69,6
Changes in working capital				
Increase (-)/Decrease (+) in inventories	3,6	2,1	-4,4	-2,9
Increase (-)/Decrease (+) in operating receivables	57,9	31,0	-32,1	-35,2
Increase (+)/Decrease (-) in operating liabilities	38,8	-17,1	93,3	29,8
Cash flow from operating activities	127,8	29,6	155,4	61,3
Investing activities				
Purchase/sale of intangible assets	0,0	-1,0	-0,2	-1,0
Purchase/sale of property, plant and equipment	-13,4	-19,7	-54,8	-24,1
Purchase/sale of property, plant and equipment	0,0	1,3	-	1,26
Purchase/sale of subsidiaries	0,0	0,0	-0,5	0,0
Change in other financial assets	0,1	0,0	0,4	-0,3
Cash flow from investing activities	114,4	10,2	100,3	37,3
Financing activities				
Amortisation of loans	-50,9	-8,2	-50,9	-24,0
Proceeds from loans	142,6	-	143,6	-
Changes in financial leasing	-1,2	0,1	-8,3	-10,2
Changes in current financial liabilities	-64,5	-1,1	-41,4	-9,5
Warrants	3,0	0,0	3,0	0,0
Redemption, preference shares	-45,9	0,0	-45,9	0,0
Repayment, shareholders' contributions	-15,6	0,0	-15,6	0,0
Cash flow from investing activities	-32,5	-9,2	-15,5	-43,7
Cash flow for the period	81,9	1,0	84,8	-6,4
Cash and cash equivalents at beginning of the period	24,5	20,7	21,7	28,2
Cash and cash equivalents at end of the period	106,5	21,7	106,5	21,7

The cash flow statement for the 2016 financial year has been adjusted by SEK 33.9 million for interest paid, and proceeds from borrowings have also been adjusted correspondingly. The adjustment was made because these are non-cash items and therefore not to be reflected in the cash flow.

Key ratios

	Oct-Dec 2017	Oct-Dec 2016	Jan-Dec 2017	Jan-Dec 2016
Net sales, SEK M	283,7	237,7	989,0	801,6
Order intake, SEK M	296,4	273,0	1 113,5	1 066,3
Order backlog, SEK M	1 238,4	1 107,2	1 238,4	1 107,2
Gross profit, SEK M	73,8	52,2	247,8	189,9
EBITDA, SEK M	30,9	19,4	109,4	77,9
Adjusted EBITDA, SEK M	42,0	36,8	133,8	96,6
Operating profit, SEK M	26,3	15,4	92,3	63,6
Adjusted operating profit, SEK M	37,4	32,9	116,7	82,4
Gross profit margin, %	26,0	22,0	25,1	23,7
EBITDA margin, %	10,9	8,2	11,1	9,7
Adjusted EBITDA margin, %	14,8	15,5	13,5	12,1
Operating profit margin (EBIT), %	9,3	6,5	9,3	7,9
Adjusted operating profit margin (EBIT), %	13,2	13,8	11,8	10,3
Operating cash flow, SEK M	138,4	38,7	182,9	73,4
Operating cash conversion, %	329,4	105,1	136,7	76,0
Capital employed, average	518,6	503,0	488,0	491,3
Capital employed, excl. goodwill, average	146,6	131,6	116,3	120,1
Equity, average	271,0	137,8	262,9	133,0
External interest-bearing net debt, SEK M	90,0	99,9	90,0	99,9
External interest-bearing net debt/Adjusted EBITDA 12 months, times	0,7x	1,0x	0,7x	1,0x
Return on capital employed, %, (12 months)	22,5	24,7	23,9	16,8
Return on capital employed, excl. goodwill, %, (12 months)	79,6	94,4	100,4	68,6
Return on invested capital, %, (12 months)	14,6	23,4	15,1	9,7
Equity/assets ratio, %	43,6	19,5	43,6	19,5
Number of full-time employees on the closing date	346	301	346	301
Average number of common shares for the period, 000s	21 429	11 287	13 704	11 287
Equity per common share, SEK	12,65	12,21	19,19	11,79

Parent company
Income statement in summary

SEK M	Jan-Dec 2017	Jan-Dec 2016
Net sales	4,0	-
Operating expenses	-17,3	-
Operating profit	-13,3	-
Interest income	0,2	-
Interest expenses	-30,7	-33,9
Profit/loss after financial items	-43,7	-33,9
Group contribution	17,0	10,0
Tax	-0,1	-1,0
Net profit/loss for the period	-26,9	-24,9

Total comprehensive income does not agree with profit for the period since no items in the Parent Company are recognised as other comprehensive income.

Balance sheet in summary

SEK M	31 Dec 2017	31 Dec 2016
ASSETS		
Non-current assets	390,0	403,8
Current assets	125,9	-
TOTAL ASSETS	515,9	403,8
EQUITY AND LIABILITIES		
Restricted equity	128,6	67,7
Unrestricted equity	194,4	75,0
Total equity	322,9	142,7
Non-current liabilities	120,0	260,1
Other current liabilities	72,9	1,0
TOTAL EQUITY AND LIABILITIES	515,9	403,8

Notes

Note 1 Accounting policies

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 2016 annual report, which was prepared in accordance with International Financial Reporting Standards and Interpretations as adopted by the EU. There have not been any changes to the Group's accounting policies.

IFRS 15 Revenue from contracts with customers

IFRS 15 results in new requirements regarding recognition of revenue and replaces IAS 18 Revenue, IAS 11 Construction Contracts, as well as several related interpretations. The new standard provides more detailed guidance within many areas that were previously not addressed by IFRS, including the way to report contracts involving several performance obligations, variable pricing, the time when revenues are to be recognised, etc. The standard has been adopted by the EU. The standard will be applied as from the 2018 financial year. During 2017, a project has been carried out to identify and analyse potential differences between current accounting principles and IFRS 15 based on the standard's 5 step model.

The significant conclusions from this project are that the Group has established that revenues can continue to be recognised over time (percentage of completion method), when it has been established that there is an entitlement to payment and there is no alternative use for the products, since the products are specifically adapted for the customer. The installation element is also reported over time since the customer receives the performed service on a regular basis.

The difference that has been identified compared with current accounting principles relates to what can be identified as project expenditures when applying the percentage of completion method. Some of the expenditures that the Group incurs and which, under present rules, have been treated as project expenditures under IAS 11, will in future be treated as performance costs when applying the percentage of completion method and will be capitalised and depreciated over the period of the project. IFRS prescribes that these costs may not be included as a project expenditure. Thus, they will no longer be included when calculating the work-up rate of the project. Consequently, there will be a time lag with respect to when revenue can be recognised, compared with current principles. Since the Group has chosen to apply the modified transition method in which only forward-looking adjustments are made, the application of IFRS 15 will affect shareholders' equity as of 1 January 2018. The effect amount to SEK 3.9 million excluding tax, which affects shareholders' equity.

IFRS 9 Financial instruments

IFRS 9 addresses the classification, valuation and reporting of financial assets and liabilities and introduces new rules regarding hedge accounting. The complete version of IFRS 9 was issued in July 2014. It replaces the parts of IAS 39 that address classification and valuation of financial instruments and introduces a new write-down model. The standard has been adopted by the EU.

IFRS 9 will be applied by the Group commencing the financial year beginning 1 January 2018. In accordance with the standard's transition rules, the Group will not recalculate comparison figures for the 2017 financial year. During 2017, an investigation was carried out concerning classification and valuation of the Group's financial instruments. It has been established that the new classification and valuation rules will not affect the Group's financial position on the transition date, since the rules will not entail any change with respect to valuation of the financial instruments included on the consolidated balance sheet at that time. IFRS 9 introduces a new write-down model which is based on anticipated credit losses and which takes into account forward-looking information. Historically, the Group has incurred very small credit losses and the customer base comprises stable customers and, also from a forward-looking perspective, the assessment is that the likelihood of default by our customers is low. Thus, the conclusion is that no additional write-downs of accounts receivable or contract assets are necessary.

The amended rules concerning hedge accounting do not affect the Group since hedge accounting is not applied. Thus, IFRS 9 will have no impact on the Group's financial position upon its application on 1 January 2018.

The interim information on pages 2-9 is 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 SEK 3.6 million at the end of the year, while financial liabilities at fair value were SEK 4.4 million. At 31 December 2016, financial assets at fair value amounted to SEK 1.0 million and financial liabilities at fair value were SEK 0.7 million.

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

Note 3 Operating segments

Balco reports in the following segments:

- **Renovation:** includes replacement and expansion of existing balconies and installation of new balconies on multi-dwelling buildings without balconies. The segment's main market driver is the age profile of the residential property portfolio.
- **New Build:** includes installation of balconies during construction of multi-dwelling buildings and balcony solutions in the maritime area. The segment is mainly driven by the rate of construction for new housing. 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 unit cost than glazed balconies.

SEK M	Renovation		New Build		Group other		Eliminations		Total	
	Jan-Dec 2017	Jan-Dec 2016	Jan-Dec 2017	Jan-Dec 2016	Jan-Dec 2017	Jan-Dec 2016	Jan-Dec 2017	Jan-Dec 2016	Jan-Dec 2017	Jan-Dec 2016
Net sales – External revenue	847,5	726,4	141,4	75,2	-	-	-	-	989,0	801,6
Net sales – Internal revenue	-	-	-	-	8,6	6,2	-8,6	-6,2	-	-
Total sales	847,5	726,4	141,4	75,2	8,6	6,2	-8,6	-6,2	989,0	801,6
Operating profit (EBIT)	114,5	83,2	7,3	-19,8	-29,5	0,2	-	-	92,3	63,6
Depreciation included with	14,8	12,6	2,3	1,7	-	-	-	-	17,1	14,3
Restructuring costs and liquidated damages	-	7,1	-	9,1	0,0	-	-	-	0,0	16,1
IPO costs	-	2,4	-	0,2	24,4	-	-	-	24,4	2,6
Adjusted operating profit (EBIT)	114,5	92,7	7,3	- 10,5	-5,1	0,2	-	-	116,7	82,4
Operating profit (EBIT)	114,5	83,2	7,3	- 19,8	-29,5	0,2	-	-	92,3	63,6
Finance income	-	-	-	-	0,0	-	-	-	0,0	0,0
Finance cost	-	-	-	-	-37,1	- 40,9	-	-	-37,1	-40,9
Profit before tax	-	-	-	-	-66,5	- 40,7	-	-	55,3	22,7

Note 4 Earnings per share

SEK M	Oct-Dec 2017	Oct-Dec 2016	Jan-Dec 2017	Jan-Dec 2016
Net profit for the period attributable to the owners of the parent company	23,5	3,4	39,7	12,9
Less return on preference shares	-0,1	-1,8	-6,4	-7,3
Profit for the period after return on preference shares	23,3	1,5	33,3	5,6
Average number of common shares, 000'	21 429	11 287	13 704	11 287
Earnings per common share, SEK, before dilution	1,09	0,14	2,43	0,50
Earnings per common share, SEK, after dilution	1,09	0,14	2,43	0,50

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, 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.

	Oct-Dec 2017	Oct-Dec 2016	Jan-Dec 2017	Jan-Dec 2016
Adjusted operating profit				
Operating profit	26,3	15,4	92,3	63,6
IPO costs	11,2	1,3	24,4	2,6
Other non-recurring items	0,0	16,1	0,0	16,1
Adjusted operating profit	37,4	32,9	116,7	82,4
Adjusted EBITDA				
Operating profit	26,3	15,4	92,3	63,6
Depreciation	4,6	4,0	17,1	14,3
IPO costs	11,2	1,3	24,4	2,6
Other non-recurring items	0,0	16,1	0,0	16,1
Adjusted EBITDA	42,0	36,8	133,8	96,6
Operating cash flow, SEK M				
Adjusted EBITDA	42,0	36,8	133,8	96,6
Changes in working capital	97,3	16,0	53,6	-8,3
Investments in other non-current assets, net	-0,9	-14,2	-4,6	-14,9
Operating cash flow, SEK M	138,4	38,7	182,9	73,4
			31 Dec 2017	31 Dec 2016
External interest-bearing net debt, SEK M				
External non-current interest-bearing liabilities			187,7	45,0
Current interest-bearing liabilities			8,8	76,6
Cash and cash equivalents			-106,5	-21,7
Interest-bearing net debt			90,0	99,9
Adjusted EBITDA (12 months)			133,8	96,6
Interest-bearing net debt/EBITDA 12 months, times			0,7x	1,0x
Return on capital employed, %				
Equity			386,4	139,5
External interest-bearing net debt			90,0	99,9
Shareholder financing			0,0	260,1
Average capital employed			488,0	491,3
Adjusted operating profit (EBIT), (12 months)			116,7	82,4
Return on capital employed, %			23,9	16,8
Equity/assets ratio, %				
Equity attributable to owners of the parent company			386,4	139,5
Total assets			885,4	714,3
Equity/assets ratio, %			43,6	19,5

Alternative performance measures

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

Alternative performance measures	Definition	Reason for use
Return on equity	Income for the period divided by the average shareholder equity for the period. Average calculated as the average of the opening balance and the closing balance for the period.	Return on equity shows the return that is generated on the shareholders' capital that is invested in the Company.
Return on capital employed	Adjusted EBIT as a percentage of average capital employed for the period. Average calculated as the average of the opening balance and the closing balance for the period, see note 5.	Return on capital employed shows the return that is generated on capital employed by the Company, and is used by Balco to monitor profitability as it relates to the capital efficiency of the Company
Return on capital employed	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 revenue.	Ratio is used for analysis of the Company's effectiveness and profitability.
EBITDA	Earnings before interest, tax, depreciation and amortisation.	Balco believes that EBITDA shows the profit generated by the operating activities and is a good measure of cash flow from operations.
External interest-bearing net debt	Interest-bearing net Debt excluding the Shareholder Loan. For a reconciliation of Net Debt for the periods, see note 5.	Balco believes that external interest-bearing net debt is a useful measure for showing the Company's total external debt financing.
External interest-bearing net debt 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.
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.
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 conversion	Operating cash flow divided by adjusted EBITDA	Cash conversion is used by Balco to indicate how effectively allocated net working capital is used.
Interest-bearing net debt	The sum of shareholder loan, non-current interest-bearing liabilities and current interest-bearing liabilities. For a reconciliation of net debt for the periods, see note 5.	Balco believes interest-bearing net debt is a useful measure to show the Company's total debt financing.

Net working capital	Current assets excluding cash and cash equivalents and current tax assets less non-interest-bearing liabilities excluding current tax liabilities	This measure shows how much net working capital that is tied up in the operations and can be put in relation to sales to understand how effectively net working capital tied up in the operations is used.
EBIT margin	EBIT as a percentage of net sales	Balco believes EBIT margin is a useful measure together with net sales growth and net working capital to monitor value creation.
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 shows the Company's long-term survival rate
Capital employed	Equity plus interest-bearing net debt (external net debt plus shareholder loan)	Capital employed is used by Balco to indicate the general capital efficiency of the Company
Capital employed excluding goodwill	Capital employed less goodwill.	Capital employed excluding goodwill together with capital employed is used by Balco to indicate the capital efficiency of the Company