

# Interim report

2020: Q3 July-September

BALCONIES  
FOR  
GREATER  
LIVING



## Strong financial position, but quarter affected by Covid-19

### The third quarter: July – September

- Net sales amounted to 258 MSEK (292).
- Order intake amounted to 142 MSEK (199).
- Order backlog amounted to 1,294 MSEK (1,557).
- Operating profit amounted to 29 MSEK (31).
- Net profit after tax amounted to 21 MSEK (23).
- Earnings per share amounted to 0.95 SEK (1.08).
- Operating cash flow increased to 35 MSEK (-1).

### The nine-month period: January – September

- Net sales increased 5 percent to 931 MSEK (887).
- Order intake amounted to 703 MSEK (997).
- Operating profit increased 10 percent to 113 MSEK (103).
- Net profit after tax increased 8 percent to 83 MSEK (77).
- Earnings per share increased 7 percent to 3.82 SEK (3.58).
- Operating cash flow increased to 125 MSEK (34).

### Events during the third quarter and after end of the quarter

- The second wave of Covid-19 with increased spread of infection in most countries and thus continued or reintroduced restrictions has postponed Balco's order intake in the third quarter.
- Balco evaluates various acquisition opportunities and in the light of this, the Board of Directors confirms its previous decision not to pay a dividend in 2020.

MSEK	Jul-Sep		Jan-Sep		Oct-Sep	Jan-Dec
	2020	2019	2020	2019	2019/20	2019
Net sales	258,5	292,4	931,4	887,3	1 264,7	1 220,6
Order intake	141,9	199,3	703,0	997,3	1 054,8	1 349,1
Order backlog	1 294,0	1 556,9	1 294,0	1 556,9	1 294,0	1 522,4
Gross profit	65,5	67,4	240,3	219,4	320,9	300,0
Gross margin %	25,3	23,1	25,8	24,7	25,4	24,6
Operating profit	28,9	31,3	112,5	102,6	150,3	140,4
Operating profit margin (EBIT-margin), %	11,2	10,7	12,1	11,6	11,9	11,5
Adjusted operating profit (EBIT)	28,9	31,3	112,5	102,6	150,3	140,4
Adjusted operating profit margin (EBIT-margin), %	11,2	10,7	12,1	11,6	11,9	11,5
Net profit for the period	20,5	23,2	82,6	76,7	108,8	102,8
Operating cash flow	34,8	-1,2	125,3	33,7	225,5	133,9
Earnings per share, SEK 1)	0,95	1,08	3,82	3,58	5,04	4,80

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



## KENNETH LUNDAHL, PRESIDENT AND CEO

The second wave of Covid-19 with increased spread of infection in most countries and thus continued or reintroduced restrictions has affected Balco's order intake in the third quarter. Our sales continue to be affected by advanced trade fairs and general meetings, as well as difficulties in getting the desired meetings. Interest, however, remains unchanged. There is a pent-up need for our products that have not disappeared.

Order intake in the quarter was 142 MSEK and the order backlog is 1.3 billion SEK. Customers have moved the final voting of projects in Q3 for a value of more than 250 MSEK. Possible orders are piling up in Q4 and Q1 2021. The weak order intake since March will negatively affect sales and earnings in the coming quarters.

Balco continuously monitors the development in the countries in which we operate and does everything possible to fulfill the commitments we have to our customers and to ensure the health of both our employees and our operations. All production units have always been and are in full operation and the projects are largely on schedule. No short-term layoffs have been carried out and we have not received any grants or other support linked to Covid-19.

Sales in the quarter amounted to 258 MSEK and the operating margin improved to 11.2 percent. The good occupancy of production and of our operations resources is the main reason for the margin improvement.

The renovation segment's sales in the quarter amounted to 242 MSEK with an operating margin of 12.0 percent. The new build segment had sales of 16 MSEK with stable profitability.

Operating cash flow was again strong at 35 MSEK in the quarter and 125 MSEK so far this year. The strong cash flow means that we are well equipped for growth through acquisitions.

Our sustainability work has a high priority and the work with priority points from our materiality analysis is ongoing. Our new sustainability goal, which means that we will reduce our initial negative climate footprint per balcony by 20 percent, we expect to be achieved during the first half of 2021.

Balco's glazed balconies have a lifespan of over 90 years and require only two minor service occasions where wear parts are replaced during this time period. The annual energy savings from a glazed balcony according to the Balco method is 15 to 30 percent. Our City Balconies have a documented lifespan of over 70 years.

Compared to traditional concrete renovation, the Balco method and Balco's products are not only the best solution from an economic point of view and based on the residents' quality of life, but also the most climate-smart solution.

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

In the short term, we will be negatively affected by the lower order intake since March. In the long term, however, the future looks positive for Balco, despite the continued spread of Corona, as apparently no business has been lost. Large quotation stock, strong financial position, as well as exciting development and acquisition opportunities provide continued growth opportunities in the long term.



” Improved operating margin and strong cash flow. The weak order intake since March will negatively affect sales and earnings in the coming quarters. ”

*Kenneth Lundahl, President and CEO*

Växjö 12 November 2020

Kenneth Lundahl, President and CEO  
Balco Group AB

# THE GROUP'S DEVELOPMENT

## Third quarter: July - September

Net sales amounted to 258 MSEK (292). Revenue for the renovation segment amounted to 242 MSEK (255), while the new build segment accounted for 16 MSEK (37). The reduction in sales comes mainly from Maritime, where the projects have been moved forward in time. Balco's sales development is largely influenced by the time when building permits are obtained, which means that sales between quarters vary.

The order intake amounted to 142 MSEK (199). The renovation segment accounted for 124 MSEK (162) of the order intake for the quarter, while the order intake of the new build segment was 18 MSEK (37).

The order backlog amounted to 1,294 MSEK (1,557). The order backlog for the renovation segment amounted to 1,089 MSEK (1,415), while the order backlog for the new build segment was 205 MSEK (142).

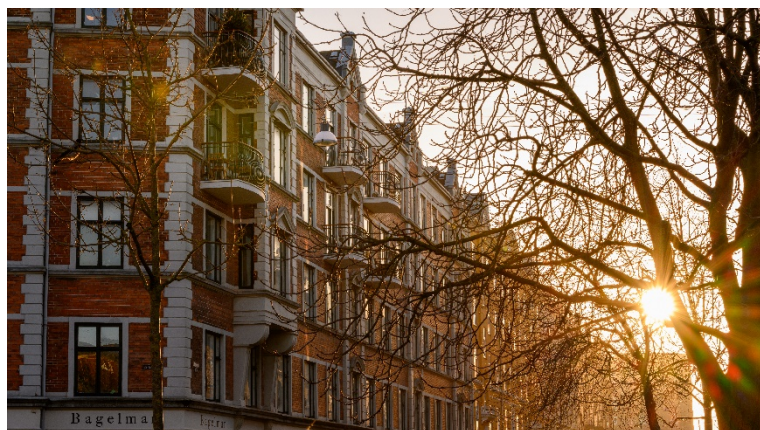
Gross profit amounted to 65 MSEK (67), entailing a gross margin of 25,3 percent (23,1). The improvement in the gross margin comes mainly from better occupancy in production and operations, which provides improved efficiency.

Sales costs amounted to 25 MSEK (20) and administrative costs to 12 MSEK (16). The cost increase is explained by increased market initiatives with a strengthened organization. Total operating costs amounted to 37 MSEK (36).

Operating profit amounted to 29 MSEK (31), corresponding to an operating margin of 11.2 percent (10,7). The improvement in operating profit margin is explained by improved gross margin and good cost control.

Net financial items amounted to -2 MSEK (-2). Profit after tax amounted to 21 MSEK (23), corresponding to an earnings per share of 0.95 SEK (1.08).

Operating cash flow improved to 35 MSEK (-1), where the increase is due to reduced working capital. The capital tied up between the quarters is dependent on the different phases of the projects.



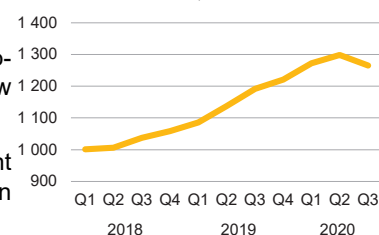
## The nine-month period: January - September

Net sales grew by 5 percent to 931 MSEK (887). Net sales for the renovation segment increased by 11 percent to 849 MSEK (764) and for the new build segment net sales amounted to 82 MSEK (123).

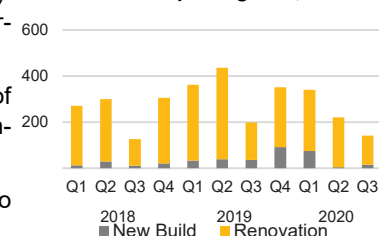
Order intake amounted to 703 MSEK (997). Order intake for the renovation segment amounted to 604 MSEK (887). Order intake for the new build segment was 99 MSEK (110).



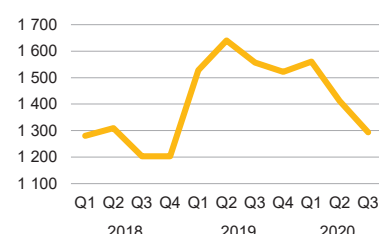
Net sales, R12 MSEK



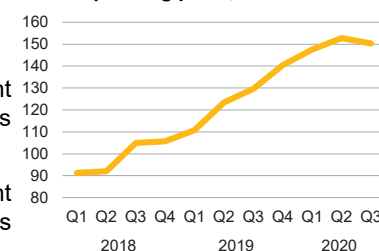
Order intake per segment, MSEK



Order backlog, MSEK



Operating profit, R12 MSEK



Gross profit increased by 21 MSEK to 240 MSEK (219), entailing a gross margin of 25.8 percent (24.7). The improvement in the gross margin comes mainly from better occupancy in production and operations, which provides improved efficiency.

Operating profit improved by 10 percent to 113 MSEK (103) corresponding to an operating margin of 12.1 percent (11.6). Increased net sales with improved gross margin explains the improvement in operating profit.

The net financial items amounted to -7 MSEK (-5). The change is due to increased market interest rates during the first half-year. Profit after tax increased by 8 percent to 83 MSEK (77), corresponding to earnings per share of 3.82 SEK (3.69).

Operating cash flow improved to 125 MSEK (34), due to improved operating profit and working capital.

## DEVELOPMENT PER SEGMENT

	Jul-Sep		Jan-Sep		Oct-Sep	Jan-Dec
	2020	2019	2020	2019	2019/20	2019
<b>Net sales, MSEK</b>						
Renovation	242,5	254,8	849,6	764,4	1 129,6	1 044,4
New Build	16,0	37,6	81,8	122,9	135,1	176,2
Group other	7,0	3,9	16,1	11,9	20,3	16,1
Elimination	-7,0	-3,9	-16,1	-11,9	-20,3	-16,1
<b>Total Net Sales</b>	<b>258,5</b>	<b>292,4</b>	<b>931,4</b>	<b>887,3</b>	<b>1 264,7</b>	<b>1 220,6</b>
	Jul-Sep		Jan-Sep		Oct-Sep	Jan-Dec
	2020	2019	2020	2019	2019/20	2019
<b>Operating profit, MSEK</b>						
Renovation	29,2	31,5	108,7	98,4	144,8	134,6
New Build	0,7	1,6	6,2	8,5	9,2	11,5
Group other	-1,0	-1,8	-2,3	-4,3	-3,8	-5,7
Elimination	-	-	-	-	-	-
<b>Total EBIT</b>	<b>28,9</b>	<b>31,3</b>	<b>112,5</b>	<b>102,6</b>	<b>150,3</b>	<b>140,4</b>
	Jul-Sep		Jan-Sep		Oct-Sep	Jan-Dec
	2020	2019	2020	2019	2019/20	2019
<b>EBIT margin, %</b>						
Renovation	12,0	12,3	12,8	12,9	12,8	12,9
New Build	4,1	4,3	7,6	6,9	6,8	6,5
Group other	n/a	n/a	n/a	n/a	n/a	n/a
Elimination	n/a	n/a	n/a	n/a	n/a	n/a
<b>Total EBIT margin</b>	<b>11,2</b>	<b>10,7</b>	<b>12,1</b>	<b>11,6</b>	<b>11,9</b>	<b>11,5</b>



## Renovation

Net sales in the quarter amounted to 242 MSEK (255). The segment accounted for 94 percent of Balco's total turnover in the quarter.

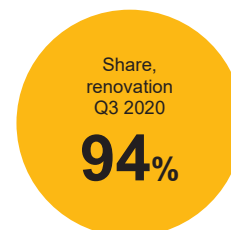
Order intake amounted to 124 MSEK (162), corresponding to 87 percent of the total order intake in the quarter.

Operating profit in the quarter amounted to 29 MSEK (31), corresponding to an improved operating margin of 12.0 percent (12.3).

For the nine-month period net sales increased by 11 percent to 850 MSEK (764). Operating profit for the period improved by 10 percent to 109 MSEK (98) corresponding to an operating margin of 12.8 percent (12.9). The segment accounted for 91 percent of Balco's total sales in the nine-month period.

Order intake during the period amounted to 604 MSEK (887), corresponding to 86 percent of the total order intake.

The order backlog for the segment amounted to 1,089 MSEK (1,415) as of last September, corresponding to 84 percent of the total order backlog.



## New build

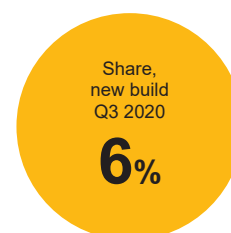
Net sales in the quarter amounted to 16 MSEK (37). The segment accounted for 6 percent of Balco's total sales in the quarter. The reduction in sales comes mainly from Maritime, where the projects have been moved forward in time

Order intake amounted to 18 MSEK (37), corresponding to 13 percent of the total order intake in the quarter.

Operating profit in the quarter amounted to 1 MSEK (2), corresponding to an operating margin of 4.1 percent (4.3).

For the nine-month period net sales amounted to 82 MSEK (123) corresponding to 9 percent of Balco's total turnover. Operating profit for the period amounted to 6 MSEK (9) corresponding to an operating margin of 7.6 percent (6.9).

Order intake for the nine-month period amounted to 99 MSEK (110), corresponding to 14 percent of the total order intake in the period and the order backlog as of last September grew to 205 MSEK (142), corresponding to 16 percent of the total order backlog.



## Net sales per customer category, MSEK

	Jul-Sep		Jan-Sep		Oct-Sep	Jan-Dec
	2020	2019	2020	2019	2019/20	2019
Tenant-owner associations	204,3	192,7	724,9	584,1	992,4	851,6
Private landlords	19,9	78,4	73,1	152,5	88,8	168,2
Publicly owned companies	17,3	15,5	53,4	50,0	63,0	59,5
Construction and manufacturing companies	16,9	5,8	80,0	100,7	120,5	141,3
<b>Total Net sales</b>	<b>258,5</b>	<b>292,4</b>	<b>931,4</b>	<b>887,3</b>	<b>1 264,7</b>	<b>1 220,6</b>

## OPERATIONS AND SEGMENT DESCRIPTION

### Operations

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

### Renovation



Project Purkholmen, Svolvær, Norge

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

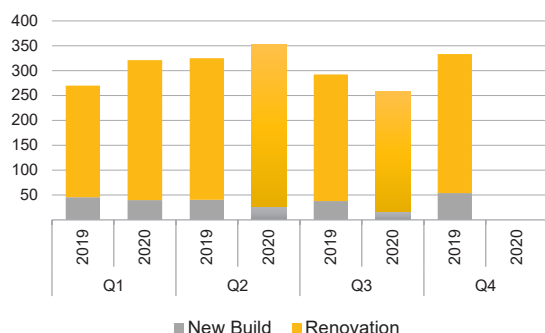
### New build



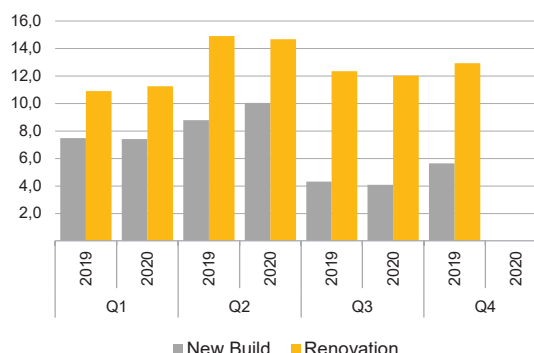
Cruise ship, Papenburg, Germany

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

### Sales growth per quarter, MSEK



### Operating margin per quarter, %



## FINANCIAL POSITION AND CASH FLOW

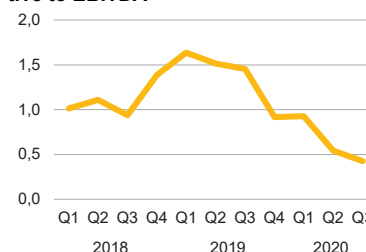
### Liquidity and financial position

The Group's interest-bearing net debt at the end of the period amounted to 80 MSEK (255). Interest-bearing net debt relative to adjusted EBITDA was 0.4 times (1.5), which is within the scope of the Company's indebtedness target (not to exceed 2.5 times). The Group's interest-bearing net debt, excluding debt related to leasing, relative to adjusted EBITDA was 0.1 times (1.1).

At the end of the quarter the Group's equity amounted to 595 MSEK (482). The Group's equity ratio was 49 percent (45).

MSEK	30-sep 2020	30-sep 2019	31-dec 2019
External non-current interest-bearing liabilities excl leasing	198,1	225,6	215,2
Leasing non-current liabilities	36,1	38,7	35,1
Current interest-bearing liabilities	10,4	-	10,4
Leasing current liabilities	16,4	19,2	20,7
Cash and cash equivalents	-180,5	-28,6	-119,4
<b>Interest-bearing net debt</b>	<b>80,4</b>	<b>254,9</b>	<b>161,9</b>
<i>Interest-bearing net debt excl leasing</i>	<i>27,9</i>	<i>197,0</i>	<i>106,2</i>
External interest-bearing net debt/EBITDA (12 months), times	0,4 x	1,5 x	0,9 x
External interest-bearing net debt excl. leasing/EBITDA (12 months), times	0,1 x	1,1 x	0,6 x
Equity/assets ratio, %	49,4	45,0	46,5

External interest-bearing net debt relative to EBITDA



Equity ratio

**49%**

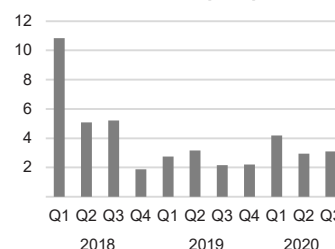
### Cash flow, investments and amortisation/depreciation

Cash flow from ongoing activities for the nine-month period amounted to 77 MSEK (5). Improved operating profit and working capital are the main reasons for the improvement.

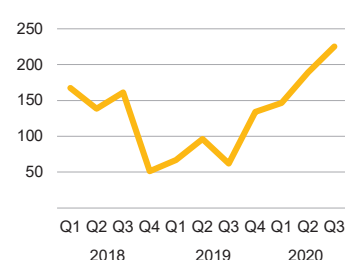
The cash flow from investing activities during the nine-month period amounted to -10 MSEK (-8), of which 10 MSEK (7) was replacement investments and 0 MSEK (1) expansion investments. Cash flow from financing activities amounted to -5 MSEK (-55), of which paid dividends constitute 0 MSEK (-43). Cash flow for the nine-month period improved by 120 MSEK compared to last year and amounted to 62 MSEK (-58).

Amortisation/depreciation in the nine-month period amounted to 28 MSEK (26).

Investments in MSEK per quarter



Cash flow R12, MSEK



### The Parent Company

The Parent Company has its registered office in Växjö and conducts operations directly as well as through Swedish and foreign subsidiaries. The Parent Company's operations are focused primarily on strategic development, financial control, corporate governance issues, board work and relations with banks. The operating result for the nine-month period amounted to -1 MSEK (-2).



## OTHER INFORMATION

### Employees

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

### Seasonal variations

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

### Shares, share capital and shareholders

At the end of September 2020, there were 21,623,311 shares in Balco, corresponding to a share capital of 129,745,274 SEK. At the end of September 2020, there were 5,683 shareholders. The five largest shareholders were The Family Hamrin, Swedbank Robur fonder, Skandrenting AB, Lannebo Fonder and Segulah.

### Related-party transactions

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

### Incentive program

Balco Group AB's incentive program aimed at the company's senior executives and additional key employees, a total of 39 employees, expired on October 5 and led to 286,037 shares being subscribed for, corresponding to a dilution of 1.3%.

### Risks and uncertainty factors

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

credit risk and interest rate risk. Balco's risks and uncertainty factors are described on pages 54-57, 64 and 80-82 in the 2019 annual report.

### Outlook

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

Reduced order intake and order backlog will have a negative impact on sales and earnings in the coming quarters.

Strong financial position means that the company is equipped for growth through acquisitions.

Sales are affected by the time when building permission is granted. The market is fragmented and growing throughout northern Europe. The value of the balcony market in those countries in which Balco is represented is estimated at more than 30 billion SEK and it is expected to grow by approximately 3 percent annually in the coming years.

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

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

The second wave of Covid-19 with increased spread of infection in most countries and thus continued or reintroduced restrictions has affected Balco's order intake in the third quarter. Our sales continue to be affected by advanced trade fairs and general meetings, as well as difficulties in getting the desired meetings.

Balco continuously monitors developments in the countries in which we operate and does everything possible to fulfill the commitments we have to our customers and to ensure both the health of our employees and our operations. Action plans have been followed and updated to deal with different levels of change. All production units have always been and are in full operation and the projects are largely running according to plan. To limit the spread of infection, a number of measures have been taken through physical distancing in the workplace, guidelines for lunch rooms and conference rooms, digital meetings instead of physical meetings and clear information to employees to limit the spread of infection in and outside the workplace.

No short-term layoffs have been carried out and we have not received any grants or other support linked to Covid-19.

The clear increase in the number of infections in Europe at the beginning of October shows that there is still an uncertain situation and adjustments to working methods and strategies are ongoing according to the respective market and business situation.



# FINANCIAL GOALS

## Revenue growth

Balco shall achieve growth of 10 percent per year.

## Profitability

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

## Capital structure

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

## Dividend policy

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

The interim report has been subject to a review of ISRE 2410 by the company's auditors.

**Växjö, 12 November 2020**

**Kenneth Lundahl**

*President and CEO*

This information comprises such information as Balco Group AB is obliged to publish in accordance with the EU Market Abuse Regulation. The information was provided by the contact person below for publication on 12 November 2020 at 07.30 CET.

## Telephone conference

An online telephone conference will be held on 12 November 2020 at 09:00 CET at which President and CEO Kenneth Lundahl and CFO Michael Grindborn will present the report and answer questions. To participate, please call:

SE: +46 8 566 427 04

UK: +44 333 300 90 34

USA: +1 833 823 05 87

## 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 2020/2021

<b>Year-end report 2020</b>	18 February 2021
<b>Interim report Jan-Mar 2021</b>	19 May 2021
<b>Annual General Meeting 2021</b>	19 May 2021
<b>Interim report Jan-Jun 2021</b>	26 August 2021
<b>Interim report Jan-Sep 2021</b>	18 November 2021

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

MSEK	Note	Jul-Sep		Jan-Sep		Oct-Sep	Jan-Dec
		2020	2019	2020	2019	2019/20	2019
<b>Net sales</b>		258,5	292,4	931,4	887,3	1 264,7	1 220,6
Production and project costs		-193,0	-225,0	-691,1	-667,8	-943,8	-920,6
<b>Gross profit</b>		<b>65,5</b>	<b>67,4</b>	<b>240,3</b>	<b>219,4</b>	<b>320,9</b>	<b>300,0</b>
Sales costs		-25,0	-19,7	-82,2	-68,1	-108,2	-94,2
Administration costs		-11,6	-16,3	-45,6	-48,9	-62,8	-66,1
Other operating income		-	0,0	-	1,0	0,6	1,6
Other operating expenses		-	-0,1	-	-0,7	-0,2	-0,9
<b>Operating costs</b>		<b>-36,6</b>	<b>-36,1</b>	<b>-127,8</b>	<b>-116,8</b>	<b>-170,6</b>	<b>-159,6</b>
<b>Operating profit</b>		<b>28,9</b>	<b>31,3</b>	<b>112,5</b>	<b>102,6</b>	<b>150,3</b>	<b>140,4</b>
Finance income		0,1	0,1	0,1	0,8	0,2	0,8
Finance costs		-1,8	-1,9	-6,7	-5,9	-10,2	-9,5
<b>Profit before tax</b>		<b>27,1</b>	<b>29,5</b>	<b>106,0</b>	<b>97,4</b>	<b>140,2</b>	<b>131,7</b>
Income tax		-6,6	-6,3	-23,3	-20,7	-31,5	-28,8
<b>Net profit for the period</b>		<b>20,5</b>	<b>23,2</b>	<b>82,6</b>	<b>76,7</b>	<b>108,8</b>	<b>102,8</b>
<b>Other comprehensive income</b>							
<b>Items that have been/can be reclassified to profit/loss</b>							
Exchange rate differences on translation of foreign operation		-0,2	-0,2	-2,0	2,4	-4,3	0,2
<b>Comprehensive income for the period</b>		<b>20,4</b>	<b>23,0</b>	<b>80,6</b>	<b>79,2</b>	<b>104,5</b>	<b>103,0</b>
<b>Of which attributable to:</b>							
Owners of the parent company		20,4	23,0	80,6	79,2	104,5	103,0
Earnings per common share, SEK, before dilution	4	0,95	1,08	3,82	3,58	5,03	4,80
Earnings per common share, SEK, after dilution	4	0,94	1,08	3,77	3,58	4,97	4,76
Average number of common shares, thousands		21 623,3	21 428,8	21 623,3	21 428,8	21 607,1	21 461,2

# CONSOLIDATED BALANCE SHEET IN SUMMARY

MSEK	30-sep 2020	30-sep 2019	31-dec 2019
<b>ASSETS</b>			
<b>Non-current assets</b>			
Goodwill	401,2	401,4	401,2
Other intangible assets	50,0	52,3	52,9
Concessions	43,3	54,2	54,1
Property, plant and equipment	133,3	138,9	134,1
Financial assets	3,5	4,3	3,1
Deferred tax assets	3,8	1,8	1,8
<b>Total non-current assets</b>	<b>635,1</b>	<b>652,9</b>	<b>647,1</b>
<b>Current assets</b>			
Inventory	30,7	27,5	26,0
Trade receivables	182,7	165,8	135,5
Contract assets	144,3	167,2	149,2
Current tax receivables	3,7	5,7	3,8
Other current receivables	26,8	22,2	24,7
Cash and cash equivalents	180,5	28,6	119,4
<b>Total current assets</b>	<b>568,7</b>	<b>417,0</b>	<b>458,8</b>
<b>TOTAL ASSETS</b>	<b>1 203,9</b>	<b>1 069,9</b>	<b>1 105,9</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	129,7	128,6	129,7
Additional paid-in capital	393,5	385,9	393,5
Retained earnings, incl. profit for year	71,9	-32,5	-8,7
<b>Equity attributable to owners of the parent company</b>	<b>595,2</b>	<b>481,9</b>	<b>514,5</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities	32,9	27,2	33,6
Interest-bearing liabilities to banks	198,1	225,6	215,2
Leasing non-current liabilities	36,1	38,7	35,1
Other non-current liabilities	24,2	20,3	19,4
<b>Total non-current liabilities</b>	<b>291,3</b>	<b>311,8</b>	<b>303,3</b>
<b>Current liabilities</b>			
Interest-bearing liabilities to banks	10,4	-	10,4
Leasing current liabilities	16,4	19,2	20,7
Contract liabilities	57,2	52,4	41,4
Trade payables	133,3	106,7	122,6
Current tax liabilities	5,5	20,0	15,5
Other liabilities	35,3	26,1	23,1
Other accrued expenses and prepaid income	59,4	51,7	54,3
<b>Total current liabilities</b>	<b>317,4</b>	<b>276,1</b>	<b>288,0</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1 203,9</b>	<b>1 069,9</b>	<b>1 105,9</b>

## CONSOLIDATED CHANGES IN EQUITY IN SUMMARY

MSEK	Share Capital	Additional paid-in capital	Reserves	Retained earnings	Total equity
<b>Opening balance 1 Jan 2019</b>	<b>128,6</b>	<b>381,8</b>	<b>5,0</b>	<b>-74,8</b>	<b>440,5</b>
Impact from implementation of IFRS 16	-	-	-	1,0	1,0
<b>Comprehensive income for the period</b>					
Profit for the period	-	-	-	76,7	76,7
Other comprehensive income for the period	-	-	2,4	-	2,4
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>2,4</b>	<b>76,7</b>	<b>79,2</b>
<b>Transactions with shareholders in their status as Company owners:</b>					
Distributed dividend	-	-	-	-42,9	-42,9
Proceeds, Warrants	-	4,1	-	-	4,1
<b>Total transactions with Company owners</b>		<b>4,1</b>	<b>-</b>	<b>-42,9</b>	<b>-38,8</b>
<b>Closing balance 30 Sep 2019</b>	<b>128,6</b>	<b>385,9</b>	<b>7,4</b>	<b>-39,9</b>	<b>481,9</b>
<b>Opening balance 1 Jan 2020</b>	<b>129,7</b>	<b>393,5</b>	<b>5,1</b>	<b>-13,8</b>	<b>514,5</b>
<b>Comprehensive income for the period</b>					
Profit for the period	-	-	-	82,6	82,6
Other comprehensive income for the period	-	-	-2,0	-	-2,0
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-2,0</b>	<b>82,6</b>	<b>80,6</b>
<b>Transactions with shareholders in their status as Company owners:</b>					
Distributed dividend	-	-	-	-	-
Proceeds, Warrants	-	-	-	-	-
<b>Total transactions with Company owners</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Closing balance 30 Sep 2020</b>	<b>129,7</b>	<b>393,5</b>	<b>3,1</b>	<b>68,9</b>	<b>595,2</b>



## CASH FLOW STATEMENT IN SUMMARY

MSEK	Jul-Sep		Jan-Sep		Oct-Sep	Jan-Dec
	2020	2019	2020	2019	2019/20	2019
<b>Operating activities</b>						
Operating profit (EBIT)	28,9	31,3	112,5	102,6	150,3	140,4
Adjustment for non-cash items	3,4	9,2	9,6	27,1	19,5	36,9
Interest received	0,1	0,1	0,4	0,8	0,4	0,8
Interest paid	-1,5	-1,8	-6,1	-5,7	-8,9	-8,6
Income tax paid	-7,5	-4,5	-33,9	-30,1	-38,4	-34,5
<b>Cash flow from operating activities before changes in working capital</b>	<b>23,4</b>	<b>34,3</b>	<b>82,5</b>	<b>94,7</b>	<b>122,9</b>	<b>135,1</b>
<b>Changes in working capital</b>						
Increase (-)/Decrease (+) in inventories	-2,7	0,4	-4,7	-1,1	-3,2	0,4
Increase (-)/Decrease (+) in operating receivables	25,3	-2,4	-44,6	-53,5	-0,1	-9,0
Increase (+)/Decrease (-) in operating liabilities	-22,0	-37,7	43,9	-34,7	49,2	-29,4
<b>Cash flow from operating activities</b>	<b>23,9</b>	<b>-5,4</b>	<b>77,0</b>	<b>5,4</b>	<b>168,7</b>	<b>97,1</b>
<b>Investing activities</b>						
Purchase/sale of intangible assets	-0,1	-0,2	-0,8	-0,6	-2,4	-2,1
Purchase/sale of property, plant and equipment	-2,9	-1,9	-9,4	-7,5	-10,0	-8,2
Purchase/sale of subsidiaries	-	-	-	-	-	-
Change in other financial assets	-	-	-	-	-0,6	-0,6
<b>Cash flow from investing activities</b>	<b>-3,1</b>	<b>-2,2</b>	<b>-10,2</b>	<b>-8,1</b>	<b>-13,0</b>	<b>-10,9</b>
<b>Financing activities</b>						
Changes in bank loans	-2,0	-3,8	-10,4	0,5	-11,8	-0,9
Changes in leasing	1,8	-1,4	10,1	-19,9	6,9	-23,1
Changes in other non-current liabilities	-1,3	0,5	-4,7	2,6	-6,7	0,6
Warrants	-	4,1	-	4,1	7,3	11,4
Rights issue	-	-	-	-	1,2	1,2
Distributed dividend	-	-	-	-42,9	-	-42,9
<b>Cash flow from financing activities</b>	<b>-1,6</b>	<b>-0,7</b>	<b>-5,0</b>	<b>-55,5</b>	<b>-3,2</b>	<b>-53,7</b>
<b>Cash flow for the period</b>	<b>19,2</b>	<b>-8,3</b>	<b>61,9</b>	<b>-58,2</b>	<b>152,6</b>	<b>32,5</b>
Cash and cash equivalents at beginning of the period	161,6	36,9	119,4	87,0	28,6	87,0
Exchange rate differential cash and cash equivalents	-0,3	0,0	-0,8	-0,2	-0,7	-0,2
<b>Cash and cash equivalents at end of the period</b>	<b>180,5</b>	<b>28,6</b>	<b>180,5</b>	<b>28,6</b>	<b>180,5</b>	<b>119,4</b>

## KEY RATIOS

MSEK	Jul-Sep		Jan-Sep		Oct-Sep	Jan-Dec
	2020	2019	2020	2019	2019/20	2019
Net sales	258,5	292,4	931,4	887,3	1 264,7	1 220,6
Order intake*	141,9	199,3	703,0	997,3	1 054,8	1 349,1
Order backlog	1 294,0	1 556,9	1 294,0	1 528,7	1 294,0	1 522,4
Gross profit	65,5	67,4	240,3	219,4	320,9	300,0
EBITDA	38,2	40,1	140,7	128,3	189,2	176,9
Adjusted EBITDA	38,2	40,1	140,7	128,3	189,2	176,9
Operating profit (EBIT)	28,9	31,3	112,5	102,6	150,3	140,4
Adjusted operating profit	28,9	31,3	112,5	102,6	150,3	140,4
Gross profit margin, %	25,3	23,1	25,8	24,7	25,4	24,6
EBITDA margin, %	14,8	13,7	15,1	14,5	15,0	14,5
Adjusted EBITDA margin, %	14,8	13,7	15,1	14,5	15,0	14,5
Operating profit margin (EBIT), %	11,2	10,7	12,1	11,6	11,9	11,5
Adjusted operating profit margin (EBIT), %	11,2	10,7	12,1	11,6	11,9	11,5
Operating cash flow	34,8	-1,2	125,3	33,7	225,5	133,9
Operating cash conversion, %	91,1	-3,1	89,0	26,2	119,1	75,7
Capital employed, average	677,2	721,1	676,0	670,3	706,2	655,8
Capital employed, excl. goodwill, average	276,0	319,7	274,8	269,1	304,9	254,7
Equity, average	585,0	468,4	554,9	447,7	538,6	477,5
External interest-bearing net debt	80,4	254,9	80,4	254,9	80,4	161,9
External interest-bearing net debt/Adjusted EBITDA 12 months, times	0,4 x	1,5 x	0,4 x	1,5 x	0,4 x	0,9 x
Return on capital employed, %, (12 months)	22,2	20,0	22,2	21,5	21,3	21,4
Return on capital employed, excl. goodwill, %, (12 months)	54,5	45,1	54,7	53,6	49,3	55,1
Return on invested capital, %, (12 months)	18,6	20,4	19,6	21,4	20,2	21,5
Equity/assets ratio, %	49,4	45,0	48,0	41,8	47,4	44,0
Number of full-time employees on the closing date	419	419	419	419	419	419
Average number of common shares for the period, 000s	21 623,3	21 428,8	21 623,3	21 428,8	21 607,1	21 461,2
Equity per common share, SEK	27,05	21,86	25,66	20,89	24,92	22,25

\* The order intake 2020 YTD has been revised with an order that we received earlier in the year but which the customer canceled in Q3.

## PARENT COMPANY, INCOME STATEMENT IN SUMMARY

MSEK	Jul-Sep		Jan-Sep		Oct-Sep	Jan-Dec
	2020	2019	2020	2019	2019/20	2019
Net sales	5,0	3,7	15,0	11,1	18,7	14,8
Operating expenses	-4,8	-4,7	-15,6	-13,2	-19,9	-17,5
<b>Operating profit</b>	<b>0,2</b>	<b>-1,0</b>	<b>-0,6</b>	<b>-2,1</b>	<b>-1,2</b>	<b>-2,7</b>
Interest income	0,1	0,5	0,5	1,0	0,8	1,3
Interest expenses	-1,0	-0,8	-2,9	-2,3	-3,9	-3,3
<b>Profit/loss after financial items</b>	<b>-0,7</b>	<b>-1,3</b>	<b>-3,0</b>	<b>-3,4</b>	<b>-4,3</b>	<b>-4,7</b>
Dividend	-	-	-	-	-	-
Change in untaxed reserves	-	9,0	-	9,0	-	9,0
Tax	0,1	0,3	0,6	0,7	-1,0	-0,9
<b>Net profit/loss for the period</b>	<b>-0,5</b>	<b>8,0</b>	<b>-2,3</b>	<b>6,4</b>	<b>-5,3</b>	<b>3,4</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-sep 2020	30-sep 2019	31-dec 2019
<b>ASSETS</b>			
<b>Non-current assets</b>			
Financial assets	389,7	390,2	389,7
<b>Total non-current assets</b>	<b>389,7</b>	<b>390,2</b>	<b>389,7</b>
<b>Current assets</b>			
Current receivables	89,6	17,6	14,9
Cash and cash equivalents	179,4	27,0	117,7
<b>Total current assets</b>	<b>269,0</b>	<b>44,6</b>	<b>132,5</b>
<b>TOTAL ASSETS</b>	<b>658,7</b>	<b>434,8</b>	<b>522,2</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Restricted equity	129,7	128,6	129,7
Unrestricted equity	143,7	141,3	146,0
<b>Total equity</b>	<b>273,4</b>	<b>269,9</b>	<b>275,7</b>
<b>Non-current liabilities</b>	<b>187,5</b>	<b>120,0</b>	<b>110,0</b>
<b>Other current liabilities</b>	<b>197,8</b>	<b>44,9</b>	<b>136,5</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>658,7</b>	<b>434,8</b>	<b>522,2</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 2019 annual report, which was prepared in accordance with International Financial Reporting Standards and Interpretations as adopted by the EU.

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

## Note 2 Financial instruments

The financial instruments measured at fair value are forward exchange contracts. Financial assets at fair value amounted to 6.3 MSEK (0.7) at the end of the period while financial liabilities at fair value amounted to 0.7 MSEK (7.7).

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

## Note 3 Business segments

Balco reports the following segments:

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

MSEK	Jan-Sep		Renovation		New Build		Group Other		Eliminations		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Net sales – External revenue	849,6	764,4	81,8	122,9	-	-	-	-	-	-	931,4	887,3
Net sales – Internal revenue	-	-	-	-	16,1	11,9	-16,1	-11,9	-	-	-	-
<b>Total sales</b>	<b>849,6</b>	<b>764,4</b>	<b>81,8</b>	<b>122,9</b>	<b>16,1</b>	<b>11,9</b>	<b>-16,1</b>	<b>-11,9</b>	<b>-</b>	<b>-</b>	<b>931,4</b>	<b>887,3</b>
<b>Operating profit (EBIT)</b>	<b>108,7</b>	<b>98,4</b>	<b>6,2</b>	<b>8,5</b>	<b>-2,3</b>	<b>-4,3</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>112,5</b>	<b>102,6</b>
Depreciation included with	25,3	22,3	2,9	3,5	-	-	-	-	-	-	28,2	25,7
Finance income	-	-	-	-	0,1	0,8	-	-	-	-	0,1	0,8
Finance cost	-	-	-	-	-6,7	-5,9	-	-	-	-	-6,7	-5,9
<b>Profit before tax</b>	<b>108,7</b>	<b>98,4</b>	<b>6,2</b>	<b>8,5</b>	<b>-8,9</b>	<b>-9,5</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>106,0</b>	<b>97,4</b>

## Note 4 Earnings per share

MSEK	Jul-Sep		Jan-Sep		Oct-Sep	Jan-Dec
	2020	2019	2020	2019	2019/20	2019
<b>Net profit for the period attributable to the owners of the parent company</b>	<b>20,5</b>	<b>23,2</b>	<b>82,6</b>	<b>76,7</b>	<b>108,8</b>	<b>102,8</b>
Average number of common shares, 000'	21 623,3	21 428,8	21 623,3	21 428,8	21 607,1	21 461,2
Earnings per common share, SEK, before dilution	0,95	1,08	3,82	3,58	5,03	4,80
Earnings per common share, SEK, after dilution	0,94	1,08	3,77	3,58	4,97	4,76



## 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	Jul-Sep		Jan-Sep		Oct-Sep	Jan-Dec
	2020	2019	2020	2019	2019/20	2019
<b>Adjusted operating profit</b>						
Operating profit	28,9	31,3	112,5	102,6	150,3	140,4
Non-recurring items	-	-	-	-	-	-
<b>Adjusted operating profit</b>	<b>28,9</b>	<b>31,3</b>	<b>112,5</b>	<b>102,6</b>	<b>150,3</b>	<b>140,4</b>
<b>Adjusted EBITDA</b>						
Operating profit	28,9	31,3	112,5	102,6	150,3	140,4
Depreciation	9,3	8,8	28,2	25,7	39,0	36,5
Non-recurring items	-	-	-	-	-	-
<b>Adjusted EBITDA</b>	<b>38,2</b>	<b>40,1</b>	<b>140,7</b>	<b>128,3</b>	<b>189,2</b>	<b>176,9</b>
<b>Operating cash flow</b>						
Adjusted EBITDA	38,2	40,1	140,7	128,3	189,2	176,9
Changes in working capital	-0,3	-39,8	-5,2	-89,4	46,4	-37,7
Investments in other non-current assets, net	-3,1	-1,6	-10,2	-5,3	-10,2	-5,3
<b>Operating cash flow</b>	<b>34,8</b>	<b>-1,2</b>	<b>125,3</b>	<b>33,7</b>	<b>225,5</b>	<b>133,9</b>
<b>MSEK</b>			<b>30-sep</b>	<b>30-sep</b>	<b>31-dec</b>	
			<b>2020</b>	<b>2019</b>	<b>2019</b>	
<b>External interest-bearing net deb</b>						
External non-current interest-bearing liabilities			234,2	264,3	250,3	
Current interest-bearing liabilities			26,8	19,2	31,1	
Cash and cash equivalents			-180,5	-28,6	-119,4	
<b>Interest-bearing net debt</b>			<b>80,4</b>	<b>254,9</b>	<b>161,9</b>	
<b>Adjusted EBITDA (12 months)</b>			<b>189,2</b>	<b>175,2</b>	<b>176,9</b>	
<b>Interest-bearing net debt/EBITDA 12 months, times</b>			<b>0,4 x</b>	<b>1,5 x</b>	<b>0,9 x</b>	
<b>Return on capital employed</b>						
Equity			595,2	481,9	514,5	
External interest-bearing net debt			80,4	254,9	161,9	
Average capital employed			706,2	643,1	655,8	
Adjusted operating profit (EBIT), (12 months)			150,3	144,2	140,4	
<b>Return on capital employed, %</b>			<b>21,3</b>	<b>22,4</b>	<b>21,4</b>	
<b>Equity/assets ratio</b>						
Equity attributable to owners of the parent company			595,2	481,9	514,5	
Total assets			1 203,9	1 069,9	1 105,9	
<b>Equity/assets ratio, %</b>			<b>49,4</b>	<b>45,0</b>	<b>46,5</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 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
<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, 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
<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</b>	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.
<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, 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.
<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, 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.
<b>Operating cash flow</b>	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.
<b>Interest-bearing net debt</b>	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.
<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.

Alternative performance measures	Definition	Reason for use
<b>Equity/asset ratio</b>	Equity divided on total assets, see note 5.	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 (external net debt plus shareholder loan).	Capital employed is used by Balco to indicate the general capital efficiency of the company



BALCONIES  
FOR  
GREATER  
LIVING

