

Interim report

2018: Q3 July-September

BALCONIES
FOR
GREATER
LIVING



Strong sales and earnings growth

The third quarter: July – September

- Net sales of SEK 237.7 (206.0) million, an increase of 15.3 percent or SEK 31.7 million.
- Order intake of SEK 127.4 (202.2) million, a decrease of 37.0 percent
- Order backlog decreased by SEK 106.1 million, equivalent to 8.1 percent to SEK 1,202.7 million at the end of the quarter
- Operating profit of SEK 25.1 (12.2) million, an increase of 106 percent.
- Net profit after tax of SEK 19.1 (-2.0) million, an increase of SEK 21.1 million.
- Earnings per ordinary share of SEK 0.89 (-0.48), before and after dilution.
- Operating cash flow of SEK 30.6 (10.1) million.
- Adjustment to the new accounting standards in accordance with IFRS 15 has resulted in a reduction of sales for the quarter by SEK 1.4 million and a reduction of operating profit by SEK 0.3 million. Comparative figures have not been restated.

The nine-month period January – September

- Net sales of SEK 753.8 (705.3) million, an increase of 6.9 percent or SEK 48.5 million.
- Order intake of SEK 698.0 (817.0) million, a decrease of 14.6 percent.
- Order backlog decreased by SEK 15.5 million, equivalent to 1.3 percent.
- Operating profit of SEK 78.6 (66.0) million, an increase of 19 percent.
- Net profit after tax of SEK 57.8 (17.6) million, an increase of 228 percent.
- Earnings per ordinary share of SEK 2.81 (0.88) before and after dilution.
- Operating cash flow of SEK 20.5 (44.5) million.
- Adjustment to the new accounting standards in accordance with IFRS 15 resulted in a reduction of SEK 17.4 million in sales and with SEK 7.7 million in operating profit. Comparative figures have not been restated.

Events during the third quarter and after end of the quarter

- Balco has agreed to acquire all shares in TBO-Haglinds AB. The turnover in the acquired company amounts to approx. SEK 130 million and the contribution to earnings per share in 2019 is expected to be SEK 0.50 per share. The take-over is expected to be in December 2018.
- Balco has extended a current bank agreement on unchanged terms and the new term extends until September 2021.

Key ratios

MSEK	Q3		Jan-Sep		Oct-Sep	Jan-Dec
	2018	2017	2018	2017	2017/18	2017
Net sales	237,7	206,0	753,8	705,3	1 037,5	989,0
Order intake	127,4	202,2	698,0	817,0	994,4	1 113,5
Order backlog	1 202,7	1 218,2	1 202,7	1 218,2	1 202,7	1 238,4
Gross profit	56,2	49,0	187,3	174,0	261,1	247,8
Gross profit, %	23,6	23,8	24,8	24,7	25,2	25,1
Operating profit	25,1	12,2	78,6	66,0	104,9	92,3
EBIT margin, %	10,6	5,9	10,4	9,4	10,1	9,3
Adjusted operating profit (EBIT)	25,1	21,4	78,6	79,3	116,1	116,7
Adjusted operating profit margin (EBIT), %	10,6	10,4	10,4	11,2	11,2	11,8
Net profit for the period	19,1	-2,0	57,8	17,6	77,8	37,7
Operating cash flow	30,6	10,1	20,5	44,5	158,9	182,9



KENNETH LUNDAHL, PRESIDENT AND CEO

Balco is the market leader in Scandinavia within the attractive balcony niche market and enjoys strong challenger positions on other markets. With the acquisition of TBO-Haglinds we are further strengthening our position within the Renovation segment in Sweden. TBO complements Balco's customer offering in terms of products and customer support.

The market has remained good during the quarter and we are encountering continued strong interest from customers, which is noted in a greater number of, and larger, offers. We have not been affected by the declining market for newly produced housing since most of our transactions are connected to the Renovation segment.

We are pleased with both sales and earnings for the quarter. Sales increased by 15.3 percent and profit by 17.6 percent. The operating profit of SEK 25.4 million represents an increase of SEK 12.9 million compared with the preceding year and an increase of SEK 3.8 million compared with the adjusted operating profit for the preceding year. It is with satisfaction that I see a strengthened operating margin at the same time as investments in sales are continuing.

The order intake in the quarter amounted to SEK 127 million, which was lower than in the preceding year. At the same time, we have a greater number of active offers and customer contacts than previously, particularly within the Renovation segment, where thus far this year there has been an increase of 25 percent in the offer value. We are aware of the fact that a project-based business entails fluctuations in order intake and we are confident that our business model works and we anticipate that our high level of activity will result in an increased order intake in the coming quarters.

Our order backlog was 8 percent lower in the quarter and amounted to SEK 1,202.7 million. With the acquisition of TBO-Haglinds the order backlog increases by approx. SEK 200 million

and is thereby approx. SEK 1,400 million, which is the highest ever.

The Renovation segment in Sweden and Norway has developed well and we saw signs of a positive change in Denmark during the quarter. Sales in the quarter within the Renovation segment increased by SEK 43.4 million, corresponding to 25 percent, and amounted to SEK 218.9 million. Profitability within the segment continued to develop positively.

Sales within the New Build segment declined by SEK 11.8 million in the quarter, to SEK 18.8 million. This is entirely according to plan and our chosen strategy of being selective within this segment. This segment accounts for 8 percent of our total sales and we are continuing to be selective within the New Build segment. The segment accounted for 9 percent of order intake.

We have now commenced the production of city balconies at our Polish production unit. This will increase delivery capacity and flexibility in Denmark and strengthen profitability. The prospects and expansion possibilities within the product area remain good.

The adjustment to IFRS 15, entailing that reporting of sales and profit for projects takes place at a later date, has affected sales and profit in the quarter to a limited extent. So far this year, the effect has been SEK 17 million in lower sales and SEK 7.7 million in lower profit.

We are extremely pleased that TBO-Haglinds will become a part of the Balco Group. It is a well-functioning, growing and profitable balcony contractor which already has a great deal in common with Balco. The company has sales of approximately SEK 130 million and an order backlog of approximately SEK 200 million. TBO-Haglinds will continue to be run by the same management as previously and will be an entirely independent company in the Balco Group. The acquisition is expected to have a positive impact on Balco's



“ With the acquisition of TBO-Haglinds we are further strengthening our position within the Renovation segment in Sweden. TBO complements Balco's customer offering in terms of products and customer support. ”

Kenneth Lundahl, President and CEO

earnings from the very start, estimated at SEK 0.50 per share in 2019.

Balco is a growth company with a strong niche position within the Renovation segment where there is great need and growth potential. Our strategy is to continue to invest for growth within this segment. With a large number of large, outstanding offers, a good order backlog and a strong financial position as well as exciting development opportunities, I continue to view the future with confidence.

Växjö 16 November 2018

Kenneth Lundahl, President and CEO
Balco Group AB

THE GROUP'S DEVELOPMENT

Sales, order backlog and order intake

Net sales in the third quarter grew by SEK 31.6 million to SEK 237.7 (206.0) million, corresponding to 15.3 percent. The growth was entirely organic. Sales for the interim period January-September increased by 6.9 percent, to SEK 753.8 (705.3) million, representing an increase of SEK 48.5 million. Balco's long-term target is to grow by 10 percent per year. Sales for the quarter and the interim period were adversely affected in the amount of SEK 1.4 million and SEK 17.4 million respectively due to the adjustment to the new reporting standards in accordance with IFRS 15 "Revenue from Contracts with Customers". The change affects the time for reporting project expenditures, which constitute a part of the sales basis in accordance with the percentage of completion method. When adjusted for IFRS 15, the increase in sales was 16.1 percent in the quarter and 9.3 percent for the interim period.

The main markets continued to develop well during the third quarter. Market conditions on the newly established markets have remained positive. Balco's sales growth is to a large extent affected by when planning permission is granted, and consequently sales fluctuate between quarters.

The order backlog decreased by SEK 106.1 million from the preceding quarter, corresponding to 8.1 percent. Delayed decision processes among customers in Denmark had an adverse impact on order intake. The Renovation segment accounted for 86 percent of order backlog. The accumulated order backlog amounted to SEK 1,202.7 million.

The order intake during the third quarter amounted to SEK 127.4 (202.2) million, a reduction of SEK 74.8 million. Order intake for the interim period fell to SEK 698.0 (817.0) million, corresponding to a reduction of 14.6 percent. The Renovation segment accounted for 91 percent of the order intake for the quarter. This is due to the fact that we are continuing to be selective within the New Build segment and are turning down smaller projects.

Earnings

Gross profit in the third quarter increased and amounted to SEK 56.2 (49.0) million, entailing a gross margin of 23.6 percent (23.8). Gross profit for the interim period increased by SEK 13.3 million to SEK 187.3 (174.0) million, entailing a gross margin of 24.8 percent (24.7). The gross margin in the quarter was slightly lower due to a decreased margin within the New Build segment, while the gross margin for the interim period increased due to higher realized project margins. The gross profit was adversely affected by SEK 0.3 million in the quarter and SEK 7.7 million in the period due to the adjustment to IFRS 15.

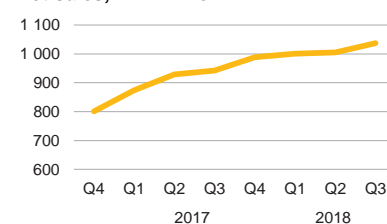
Selling expenses in the quarter increased to SEK 20.4 (18.2) million, which is primarily attributable to costs for investments in new markets and a high level of activity within sales and marketing. Balco's strategy of continuing to expand the sales organisation within the Renovation segment remains in place. Administrative expenses in the quarter amounted to SEK 10.7 (18.5) million, with the preceding year including one-off IPO costs of SEK 9.2 million. The underlying cost increase is due to a strengthened organisation. Total operating expenses in the third quarter amounted to SEK 31.0 (36.8) million, corresponding to 13.1 percent of sales. Adjusted operating expenses for the preceding year amounted to 13.4 percent of sales.

The operating profit for the third quarter was SEK 25.1 (12.2) million, corresponding to an operating margin of 10.6 percent (5.9). The adjusted operating profit for the preceding year was SEK 21.4 million, corresponding to an adjusted operating margin of 10.4 percent. The operating profit for the interim period was SEK 78.6 (66.0) million. The profit increase is attributable to increased volumes and increased costs within sales and administration. When adjusted for the effect of the adjustment to IFRS 15, operating profit would have been SEK 86.3 million for the interim period, corresponding to an operating margin of 11.2 percent (11.2) for the interim period.

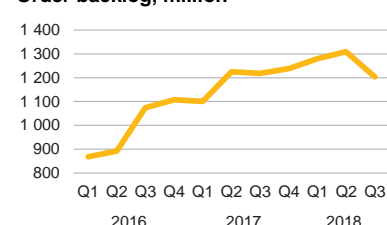
Net sales Q3 2018

15%

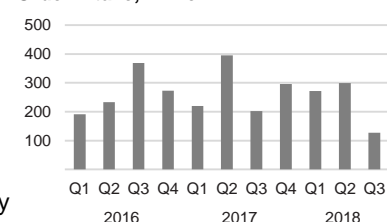
Net sales, R12 million



Order backlog, million



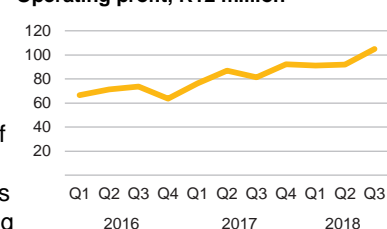
Order intake, million



Operating margin

10.6%

Operating profit, R12 million



Financial expenses during the third quarter and for the interim period fell due to the capital structure which was established in conjunction with the company's IPO. During the third quarter, interest expenses amounted to SEK 1.5 (12.0) million, a reduction of SEK 10.5 million. Interest expenses for the quarter were SEK 4.5 (34.7) million, a cost reduction of SEK 30.2 million.

Profit after tax for the quarter amounted to SEK 19.1 (-2.0), corresponding to earnings per ordinary share of SEK 0.89 (-0.48). Earnings after tax for the interim period amounted to SEK 57.8 (17.6) million, corresponding to earnings per ordinary share of SEK 2.81 (0.88).

DEVELOPMENT PER SEGMENT

	Q3		Jan-Sep		Oct-Sep	Jan-Dec
	2018	2017	2018	2017	2017/18	2017
Net sales, SEK M						
Renovation	218,9	175,5	678,0	601,6	923,9	847,5
New Build	18,8	30,6	75,8	103,7	113,5	141,4
Group other	4,0	1,8	12,0	5,4	15,2	8,6
Elimination	-4,0	-1,8	-12,0	-5,4	-15,2	-8,6
Total sales	237,7	206,0	753,8	705,3	1 037,5	989,0
	Q3		Jan-Sep		Oct-Sep	Jan-Dec
	2018	2017	2018	2017	2017/18	2017
Operating profit, SEK M						
Renovation	25,4	20,7	80,4	78,2	116,7	114,5
New Build	0,2	0,2	1,3	4,8	3,8	7,3
Group other	-0,5	-8,7	-3,1	-17,0	-15,6	-29,5
Elimination	-	-	-	-	-	-
Total EBIT	25,1	12,2	78,6	66,0	104,9	92,3
	Q3		Jan-Sep		Oct-Sep	Jan-Dec
	2018	2017	2018	2017	2017/18	2017
EBIT margin, %						
Renovation	11,6	11,8	11,9	13,0	12,6	13,5
New Build	1,1	0,6	1,6	4,6	3,3	5,2
Group other	n/a	n/a	n/a	n/a	n/a	n/a
Elimination	n/a	n/a	n/a	n/a	n/a	n/a
Total EBIT margin	10,6	5,9	10,4	9,4	10,1	9,3

Renovation

Sales within the Renovation business segment grew in the third quarter by 25.0 percent, or SEK 43.4 million, to SEK 218.9 (175.5) million. The segment accounted for 92.1 percent of Balco's total sales in the third quarter. For the nine-month period, sales increased by 12.7 percent to SEK 678.0 (601.6) million. The Company's investment for growth in the segment has continued during the quarter.

Operating profit in the quarter was SEK 25.4 (20.7) million, corresponding to an operating margin of 11.6 (11.8) percent in the quarter. Allocated Group common administrative expenses reduced the profit in the quarter, which together with the adjustment to IFRS 15 affected the segment's profitability by more than the actual decline in operating margin. Operating profit for the nine-month period was SEK 80.4 (78.2) million.

New Build

Sales within the New Build business segment decreased to SEK 18.8 (30.6) million in the third quarter. Sales for the period fell to SEK 75.8 (103.7) million. The lower sales are due to a gradually reduced order backlog within New Build as a consequence of the strategy of focusing on the Renovation segment and reducing exposure to New Build. The segment accounted for 7.9 percent of Balco's total sales in the third quarter.

Operating profit for the New Build segment was equivalent to last year at SEK 0.2 (0.2) million. Operating profit for the nine-month period was SEK 1.3 (4.8) million.

Share, Renovation
Q3 2018

92.1%



Share, New Build
Q3 2018

7.9%

Net sales per customer category, MSEK

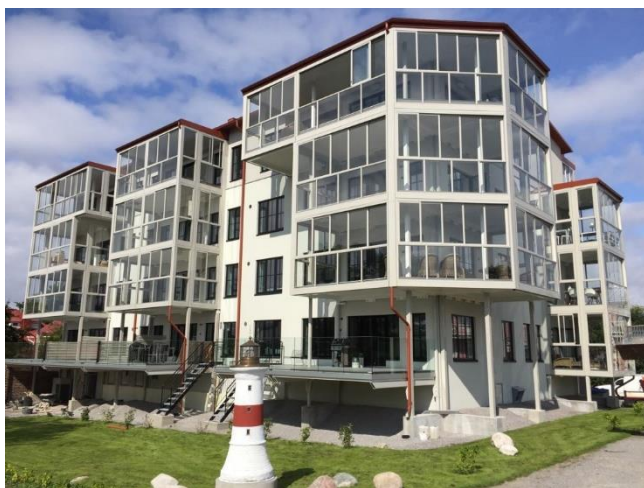
	Q3 2018	Jan-Sep 2018	Jan-Dec 2017
Tenant-owner associations	155,1	514,5	580,8
Private landlords	27,0	85,7	192,4
Publicly owned companies	38,7	87,9	93,4
Construction companies	16,9	65,7	122,3
Total Net sales	237,7	753,8	989,0

OPERATIONS AND SEGMENT DESCRIPTION

Operations

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

Renovation



Project Majakka, Finland

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

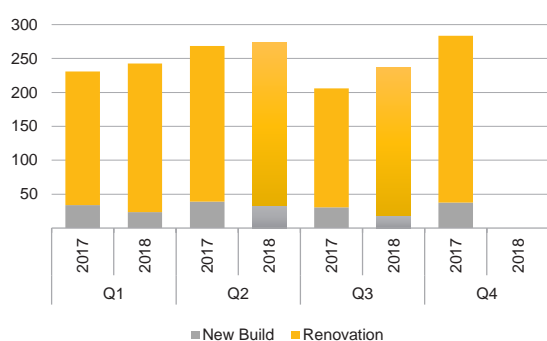
New Build



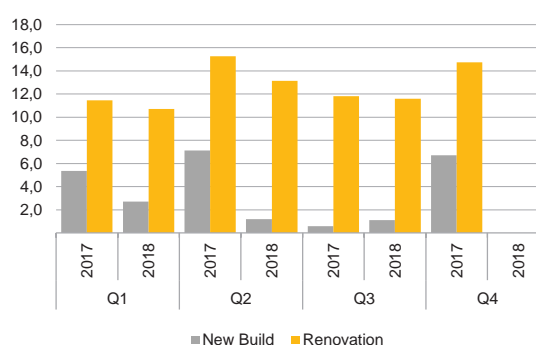
Project luxury cruise ship, Papenburg, Germany

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 expanding selectively in the segment, based on a focus on profitability and low risk. Demand is driven by the rate of production of new housing and growth within the maritime segment.

Sales growth per quarter SEK m



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 SEK 127.2 million (SEK 405.1 million on 30 September 2017) and SEK 90.0 million at the end of December 2017). Balco's interest-bearing net debt relative to adjusted EBITDA was 0.9 times, which is within the scope of the Company's indebtedness target (not to exceed 2.5 times). At the end of September 2018 the Group's equity amounted to SEK 422.2 million (SEK 155.7 million on 30 September 2017) and SEK 386.4 million at the end of December 2017. The Group's equity ratio was 46.4 (18.4) percent.

SEK M	30-sep 2018	30-sep 2017	31-dec 2017
Shareholder financing	-	289,4	-
External non-current interest-bearing liabilities	188,2	43,2	187,7
Current interest-bearing liabilities	9,2	97,1	8,8
Cash and cash equivalents	-70,2	-24,5	-106,5
Interest-bearing net debt	127,2	405,1	90,0
Less: shareholder financing	-	-289,4	-
External interest-bearing net debt	127,2	115,7	90,0
Equity/assets ratio, %	46,4	18,4	43,6
External interest-bearing net debt/EBITDA (12 months), times	0,9 x	0,9 x	0,7 x

Cash flow, investments and amortisation/depreciation

Cash flow from ongoing activities for the quarter amounted to SEK 27.5 (-2.3) million. The increase was primarily attributable to increased profit but also partly due to lowered working capital. Cash flow from operating activities for the interim period amounted to SEK 17.0 (27.6) million, with the reduction being due to more capital being tied up in ongoing projects compared with the preceding year. To a certain extent, tied up capital varies between quarters depending on the various phases of projects.

Cash flow from investing activities during the period amounted to SEK -21.1 million, a decrease from the corresponding quarter of last year when investments amounted to SEK -41.7 million. The investments for the period related primarily to machinery and equipment as well as premises adjustments for the manufacture of city balconies in Poland. Investments for the interim period financed through financial leasing amounted to SEK 10.7 (7.1) million. Cash flow from financing activities amounted to SEK -32.2 (16.9) million of which paid dividend amounted to SEK 21.4 million. Cash flow for the interim period declined as a consequence of an increase in tied up working capital and dividend payment compared with the corresponding period of the preceding year, to SEK -36.3 (2.8) million. Of total investments, expansion investments accounted for SEK 13.7 (37.9) million

Depreciation amounted to SEK 14.9 (12.5) million

The Parent Company

The Parent Company has its registered office in Växjö and conducts operations directly as well as through 13 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. Profit for the interim period amounted to SEK 0.6 (-35.2) million. The improvement in profit is due to increased debiting of shared group costs and lower interest expenses.

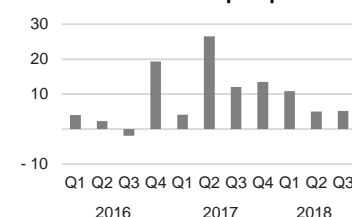
External interest-bearing net debt relative to EBITDA



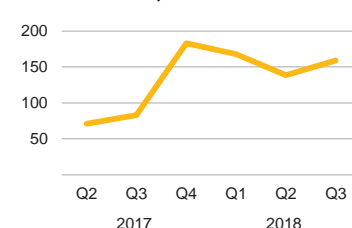
Equity ratio

46.4%

Investments in SEK m per quarter



Cash flow R12, SEK m



OTHER INFORMATION

Employees

At the end of September 2018 Balco had 375 (322) full-time employees, compared with 346 at the end of December 2017. The increase in personnel is due to the start-up of the new production unit in Poland as well as an expansion of the sales and operating organisation (designers, structural engineers, project managers and assembly managers).

Seasonal variations

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

Shares, share capital and shareholders

At the end of September 2018 Balco Group AB's share capital comprised 21,428,773, corresponding to a share capital of SEK 128,557,685. At the end of September 2018 there were 3,076 shareholders. The five largest shareholders were Segulah IV L.P., Carl-Olof och Jenz Hamrins Stiftelse, Skandrenting AB, Swedbank Robur Fonder and Danica Pension.

Related-party transactions

Related-party circuit 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, Segulah, which is represented on the Board of Directors by Board Chairman Lennart Kalén, and Percy Calissendorff. Related-party transactions take place on commercial terms. For further information, see the 2017 annual report.

Incentive program

Balco Group AB has a long-term incentive program aimed at the Company's senior executives and additional key employees, in total 49 employees. The aim of the incentive program is to encourage broad share ownership among Balco's employees, to facilitate the recruitment and retention of skilled employees, and to enhance motivation to achieve or exceed the Company's financial targets. In addition to the above incentive program, Segulah has issued call options on Balco shares to the Company's senior executives. The call option program is not expected to result in any costs for the Company. For further information, see pages 49-50 in the 2017 annual report.

Risks and uncertainty factors

The Group is exposed to different types of risks through its operations. The risks can be divided into the following categories: industry and market-related risks, business-

related risks and financial risks. Industry and market-related risks include changes in demand due to a weaker economy or other macroeconomic changes, changed prices of raw materials that are of key importance to Balco's production and changed competition or price pressure. Business-related risks include Balco's ability to develop and sell innovative new products and solutions, the Group's ability to attract and retain qualified employees, and the dependence of Balco's profitability on individual project results, i.e. the Group's ability to predict, calculate and deliver the projects within defined financial limits. Financial risks are summarised under financing risk, liquidity risk, credit risk and interest rate risk. Balco's risks and uncertainty factors are described on pages 28 – 41 and page 70 of the 2017 annual report.

Outlook

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

The market is fragmented and is growing throughout Northern Europe. The value of the balcony market in those countries in which Balco is represented is estimated to exceed SEK 30 billion and is expected to grow by approximately 3 percent annually in the coming years.

The Group's long-term targets are presented on the next page.

Events during the quarter and since the end of the quarter

During the third quarter Balco extended its bank agreement with Danske Bank, which now runs until September 2021.

Balco has agreed to acquire all shares in TBO-Haglinds AB. The turnover in the acquired company amounts to approx. SEK 130 million and the contribution to earnings per share in 2019 is expected to be SEK 0.50 per share. The take-over is expected to be in December 2018.

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, 16 November 2018

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 16 November 2018 at 08.00 CET.

Telephone conference

An online telephone conference will be held on 16 November at 09.00 CET at which President and CEO Kenneth Lundahl and CFO Fredrik Hall will present the report and answer questions. To participate, please call:

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For more information, please contact:

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Calendar 2018/2019

Year-end report 2018	22 February 2019
Interim report Jan-Mar 2019	21 May 2019
AGM 2019	21 May 2019
Interim report Jan-Jul 2019	27 August 2018

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SEK M	Note	Q3		Jan-Sep		Oct-Sep	Jan-Dec
		2018	2017	2018	2017	2017/18	2017
Net sales		237,7	206,0	753,8	705,3	1 037,5	989,0
Production and project costs		-181,5	-157,1	-566,5	-531,2	-776,4	-741,1
Gross profit		56,2	49,0	187,3	174,0	261,1	247,8
Sales costs		-20,4	-18,2	-69,7	-63,3	-94,0	-87,6
Administration costs		-10,7	-18,5	-39,0	-44,8	-62,5	-68,4
Share of profit or loss of associates		0,1	-0,1	0,1	0,1	0,1	0,1
Other operating income		0,1	1,3	0,7	5,1	2,4	6,8
Other operating expenses		-0,1	-1,3	-0,7	-5,1	-2,2	-6,5
Operating costs		-31,0	-36,8	-108,7	-108,0	-156,2	-155,5
Operating profit		25,1	12,2	78,6	66,0	104,9	92,3
Finance income		0,0	0,0	0,1	0,0	0,1	0,0
Finance costs		-1,6	-12,0	-4,5	-34,7	-6,9	-37,1
Profit before tax		23,6	0,2	74,1	31,4	98,1	55,3
Income tax		-4,5	-2,2	-16,4	-13,7	-20,3	-17,6
Net profit for the period		19,1	-2,0	57,8	17,6	77,8	37,7
Other comprehensive income							
Items that have been/can be reclassified to profit/loss							
Exchange rate differences on translation of foreign operation		0,1	-1,5	2,5	-1,4	6,0	2,0
Comprehensive income for the period		19,2	-3,5	60,3	16,2	83,8	39,7
Of which attributable to:							
Owners of the parent company		19,2	-3,5	60,3	16,2	83,8	39,7
Earnings per common share, SEK, before dilution	4	0,89	-0,48	2,81	0,88	3,93	2,43
Earnings per common share, SEK, after dilution	4	0,89	-0,48	2,81	0,88	3,93	2,43
Average number of common shares, thousands		21 428,8	11 286,6	21 428,8	11 286,6	21 289,8	13 703,7

CONSOLIDATED BALANCE SHEET IN SUMMARY

SEK M	30-sep 2018	30-sep 2017	31-dec 2017
ASSETS			
Non-current assets			
Goodwill	372,4	371,9	372,0
Other intangible assets	12,6	11,2	11,4
Property, plant and equipment	146,1	114,6	130,3
Financial assets	4,2	4,0	4,1
Deferred tax assets	4,7	0,7	0,9
Total non-current assets	540,0	502,4	518,9
Current assets			
Inventory	20,9	24,7	21,1
Trade receivables	138,8	151,2	119,1
Gross amount due from customers	126,8	120,6	100,1
Current tax receivables	1,1	2,1	1,6
Other current receivables	12,5	20,3	18,1
Cash and cash equivalents	70,2	24,5	106,5
Total current assets	370,2	343,5	366,5
TOTAL ASSETS	910,2	845,9	885,4
EQUITY AND LIABILITIES			
Equity			
Share capital	128,6	67,7	128,6
Additional paid-in capital	381,8	177,3	381,8
Retained earnings, incl. profit for year	-88,2	-89,3	-124,0
Equity attributable to owners of the parent company	422,2	155,7	386,4
Non-current liabilities			
Deferred tax liabilities	4,8	1,1	4,8
Shareholder financing	-	289,4	-
Interest-bearing liabilities	188,2	43,2	187,7
Other non-current liabilities	2,5	-	-
Total non-current liabilities	195,5	333,6	192,5
Current liabilities			
Interest-bearing liabilities	9,2	97,1	8,8
Gross amount due to customers	62,9	55,2	106,2
Trade payables	111,0	109,1	101,2
Current tax liabilities	25,0	14,7	14,3
Other liabilities	32,9	25,2	22,1
Other accrued expenses and prepaid income	51,5	55,0	54,1
Total current liabilities	292,6	356,5	306,5
TOTAL EQUITY AND LIABILITIES	910,2	845,9	885,4

CONSOLIDATED CHANGES IN EQUITY IN SUMMARY

SEK M	Share Capital	Additional paid-in capital	Reserves	Retained earnings	Total equity
Opening balance 1 Jan 2017	67,7	177,3	1,0	-106,6	139,5
Comprehensive income for the period					
Profit for the period				17,6	17,6
Other comprehensive income for the period			-1,4		-1,4
Total comprehensive income for the period			-1,4	17,6	16,2
Closing balance 30 Sep 2017	67,7	177,3	-0,4	-88,9	155,7
Opening balance 1 Jan 2018	128,6	381,8	3,1	-127,1	386,4
Impact from implementation of IFRS 15				-3,1	-3,1
Comprehensive income for the period					
Profit for the period				57,8	57,8
Other comprehensive income for the period			2,5		2,5
Total comprehensive income for the period		-	2,5	57,8	60,3
Transactions with shareholders in their status as Company owners:					
Distributed dividend				-21,4	-21,4
Total transactions with Company owners	-	-	-	-21,4	-21,4
Closing balance 30 Sep 2018	128,6	381,8	5,6	-93,8	422,2

CASH FLOW STATEMENT IN SUMMARY

SEK M	Q3		Jan-Sep		Oct-Sep	Jan-Dec
	2018	2017	2018	2017	2017/18	2017
Operating activities						
Operating profit (EBIT)	25,1	12,2	78,6	66,0	104,9	92,3
Adjustment for non-cash items	3,1	3,9	13,4	12,9	20,2	19,7
Interest received	0,0	0,0	0,1	0,0	0,1	0,0
Interest paid	-1,4	-2,2	-4,5	-5,4	-6,3	-7,2
Income tax paid	-0,4	-0,3	-5,1	-2,3	-9,0	-6,2
Cash flow from operating activities before changes in working capital	26,5	13,6	82,4	71,2	109,9	98,6
Changes in working capital						
Increase (-)/Decrease (+) in inventories	0,5	-5,2	0,2	-8,0	3,9	-4,4
Increase (-)/Decrease (+) in operating receivables	5,2	-22,8	-41,9	-90,1	16,0	-32,1
Increase (+)/Decrease (-) in operating liabilities	-4,6	12,1	-23,8	54,5	15,0	93,3
Cash flow from operating activities	27,5	-2,3	17,0	27,6	144,8	155,4
Investing activities						
Purchase/sale of intangible assets	-0,4	-0,1	-1,4	-0,2	-1,4	-0,2
Purchase/sale of property, plant and equipment	-4,8	-11,5	-19,7	-41,4	-33,2	-54,8
Purchase/sale of subsidiaries	-	-0,5	-	-0,5	-	-0,5
Change in other financial assets	-	-	-	0,3	0,1	0,4
Cash flow from investing activities	-5,2	-12,1	-21,1	-41,7	-34,5	-55,1
Financing activities						
Amortisation of loans	-	-	-	-	-50,9	-50,9
Proceeds from loans	-0,4	0,3	-0,4	1,0	142,2	143,6
Changes in financial leasing	-4,3	-2,6	-10,7	-7,1	-11,9	-8,3
Changes in current financial liabilities	0,7	21,6	0,3	23,0	-64,2	-41,4
Warrants	-	-	-	-	3,0	3,0
Redemption, preference shares	-	-	-	-	-45,9	-45,9
Repayment, shareholders' contributions	-	-	-	-	-15,6	-15,6
Distributed dividend	-	-	-21,4	-	-21,4	-
Cash flow from financing activities	-3,9	19,3	-32,2	16,9	-64,6	-15,5
Cash flow for the period	18,4	5,0	-36,3	2,8	45,7	84,8
Cash and cash equivalents at beginning of the period	51,7	19,6	106,5	21,7	24,5	21,7
Exchange rate differential cash and cash equivalents	0,1	0,0	0,0	0,0	0,0	0,0
Cash and cash equivalents at end of the period	70,2	24,5	70,2	24,5	70,2	106,5

KEY RATIOS

SEK M	Q1			Apr-Mar	Jan-Dec
	2018	2017	%	2017/18	2017
Net sales, SEK M	242,6	230,8	5%	1 000,7	989,0
Order intake, SEK M	271,2	220,1	23%	1 164,6	1 113,5
Order backlog, SEK M	1 280,0	1 100,6	16%	1 280,0	1 238,4
Gross profit, SEK M	60,2	57,6	4%	250,4	247,8
EBITDA, SEK M	26,7	27,3	-2%	108,9	109,4
Adjusted EBITDA, SEK M	26,7	28,5	-6%	132,0	133,8
Operating profit, SEK M	22,0	23,1	-5%	91,2	92,3
Adjusted operating profit, SEK M	22,0	24,3	-10%	114,4	116,7
Gross profit margin, %	24,8	25,0		25,0	25,1
EBITDA margin, %	11,0	11,8		10,9	11,1
Adjusted EBITDA margin, %	11,0	12,3		13,2	13,5
Operating profit margin (EBIT), %	9,1	10,0		9,1	9,3
Adjusted operating profit margin (EBIT), %	9,1	10,5		11,4	11,8
Operating cash flow, SEK M	-23,4	-8,2	187%	167,6	182,9
Operating cash conversion, %	-87,5	-28,6		126,9	136,7
Capital employed, average	506,0	513,9	-2%	532,0	488,0
Capital employed, excl. goodwill, average	133,8	142,6	-6%	160,2	116,3
Equity, average	394,2	143,2	175%	274,4	262,9
External interest-bearing net debt, SEK M	133,7	111,5	20%	133,7	90,0
External interest-bearing net debt/Adjusted EBITDA 12 months, times	1,0	1,0	1%	1,0	0,7
Return on capital employed, %, (12 months)	22,6	18,7	21%	21,5	23,9
Return on capital employed, excl. goodwill, %, (12 months)	85,5	67,6	26%	71,4	100,4
Return on invested capital, %, (12 months)	12,9	14,4	-10%	18,6	15,1
Equity/assets ratio, %	45,7	19,0	141%	45,7	43,6
Number of full-time employees on the closing date	354,0	302,0	17%	354,0	346,0
Average number of common shares for the period, 000s	21 428,8	11 286,6	90%	16 204,6	13 703,7
Equity per common share, SEK	18,39	12,69		16,94	19,19

PARENT COMPANY, INCOME STATEMENT IN SUMMARY

SEK M	Q3		Jan-Sep		Oct-Sep	Jan-Dec
	2018	2017	2018	2017	2017/18	2017
Net sales	3,8	-	11,4	-	15,4	4,0
Operating expenses	-2,5	-6,9	-8,5	-7,6	-18,2	-17,3
Operating profit	1,3	-6,9	2,9	-7,6	-2,8	-13,3
Interest income	0,2	-	0,3	-	0,5	0,2
Interest expenses	-0,8	-9,8	-2,4	-29,3	-3,8	-30,7
Profit/loss after financial items	0,6	-16,7	0,8	-36,9	-6,1	-43,7
Group contribution	-	-	-	-	17,0	17,0
Change in untaxed reserves	-	-	-	-	-	-
Tax	-0,1	1,5	-0,2	1,7	-2,0	-0,1
Net profit/loss for the period	0,5	-15,1	0,6	-35,2	8,9	-26,9

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

SEK M	30-sep 2018	30-sep 2017	31-dec 2017
ASSETS			
Non-current assets	390,3	389,1	390,0
Current assets	74,4	14,7	125,9
TOTAL ASSETS	464,7	403,8	515,9
EQUITY AND LIABILITIES			
Restricted equity	128,6	67,7	128,6
Unrestricted equity	173,5	39,7	194,4
Total equity	302,1	107,5	322,9
Non-current liabilities	158,7	289,4	120,0
Other current liabilities	3,9	7,0	72,9
TOTAL EQUITY AND LIABILITIES	464,7	403,8	515,9

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 2017 annual report, which was prepared in accordance with International Financial Reporting Standards and Interpretations as adopted by the EU with the exception of changes specified below.

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

IFRS 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.

The difference that has been identified compared with previous accounting principles relates to what can be identified as project expenditures when applying the percentage of completion method. Certain of the expenditures incurred by the Group, which under current rules are treated as project expenditures under IAS 11 when applying the percentage of completion method, will be treated as completion costs and capitalized as well as written off over the project period. 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, amounting to SEK 3.9 million excluding tax.

IFRS 9 Financial instruments

IFRS 9 addresses the classification, valuation and reporting of financial assets and liabilities and introduces new rules regarding hedge accounting. 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.

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.

IFRS 16 Leasing

IFRS 16 Leases was published in January 2016 by IASB. The standard has been adopted by the EU and will replace IAS 17 Leases and related interpretations IFRIC 4, SIC-15 and SIC 17. IFRS 6 requires that assets and liabilities related to all leases, with the exception of short leases or agreements regarding assets of low value, be reported in the balance sheet. This reporting is based on the view that the lessee is entitled to use an asset during a specific period of time, and at the same time has an obligation to pay for such entitlement. Consequently, most of the Group's leases will be reported in the balance sheet as from 2019.

The Group is in the process of completing the work on analysing the effect that IFRS 16 will have on the Group's financial statements. The Group has reviewed all leases, with information being compiled and presented as a basis for calculations and quantification in connection with the transition to IFRS 16. Most of the Group's significant leases are already reported as financial leases. In connection with the transition to IFRS 16, (additional leases in accordance of the review and analysis currently underway), will be included in the consolidated balance sheet as a right of use asset and financial liability.

The Group has decided on a partially retroactive application (entailing that comparison figures need not be recalculated).

Note 2 Financial instruments

The financial instruments measured at fair value are forward exchange contracts. Financial assets at fair value amounted to SEK 1.1 (2.3) million at the end of the period, while financial liabilities at fair value amounted to SEK 11.4 (1.9) 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 Business segments

Balco reports the following segments:

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

Jan-Sep SEK M	Renovation		New Build		Group Other		Eliminations		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Net sales – External revenue	678,0	601,6	75,8	103,7	-	-	-	-	753,8	705,3
Net sales – Internal revenue	-	-	-	-	12,0	5,4	-12,0	-5,4	-	-
Total sales	678,0	601,6	75,8	103,7	12,0	5,4	-12,0	-5,4	753,8	705,3
Operating profit (EBIT)	80,4	78,2	1,3	4,8	-3,1	-17,0	-	-	78,6	66,0
Depreciation included with	13,6	10,7	1,3	1,8	-	-	-	-	14,9	12,5
IPO costs	-	-	-	-	-	13,2	-	-	-	13,2
Adjusted operating profit (EBIT)	80,4	78,2	1,3	4,8	-3,1	-3,7	-	-	78,6	79,3
Operating profit (EBIT)	80,4	78,2	1,3	4,8	-3,1	-17,0	-	-	78,6	66,0
Finance income	-	-	-	-	0,1	0,0	-	-	0,1	0,0
Finance cost	-	-	-	-	-4,5	-34,7	-	-	-4,5	-34,7
Profit before tax	-	-	-	-	-7,6	-51,7	-	-	74,1	31,4

Note 4 Earnings per share

SEK M	Q3		Jan-Sep		Oct-Sep	Jan-Dec
	2018	2017	2018	2017	2017/18	2017
Net profit for the period attributable to the owners of the parent co	19,2	-3,3	60,3	16,2	83,8	39,7
Less return on preference shares	-	-2,1	-	-6,3	-0,1	-6,4
Profit for the period after return on preference shares	19,2	-5,4	60,3	9,9	83,6	33,3
Average number of common shares, 000'	21 428,8	11 286,6	21 428,8	11 286,6	21 289,8	13 703,7
Earnings per common share, SEK, before dilution	0,89	-0,48	2,81	0,88	3,93	2,43
Earnings per common share, SEK, after dilution	0,89	-0,48	2,81	0,88	3,93	2,43

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.

SEK M	Q3		Jan-Sep		Oct-Sep	Jan-Dec
	2018	2017	2018	2017	2017/18	2017
Adjusted operating profit						
Operating profit	25,1	12,2	78,6	66,0	104,9	92,3
IPO costs	-	9,2	-	13,2	11,2	24,4
Other non-recurring items	-	-	-	-	-	-
Adjusted operating profit	25,1	21,4	78,6	79,3	116,1	116,7
Adjusted EBITDA						
Operating profit	25,1	12,2	78,6	66,0	104,9	92,3
Depreciation	5,2	4,1	14,9	12,5	19,5	17,1
IPO costs	-	9,2	-	13,2	11,2	24,4
Other non-recurring items	-	-	-	-	-	-
Adjusted EBITDA	30,3	25,5	93,5	91,8	135,5	133,8
Operating cash flow, SEK M						
Adjusted EBITDA	30,3	25,5	93,5	91,8	135,5	133,8
Changes in working capital	2,8	-15,9	-65,7	-43,6	31,6	53,6
Investments in other non-current assets, net	-2,5	0,5	-7,8	-3,7	-8,7	-4,6
Operating cash flow, SEK M	30,6	10,1	20,1	44,5	158,5	182,9

SEK M	30-sep 2018	30-sep 2017	31-dec 2017
External interest-bearing net debt, SEK M			
External non-current interest-bearing liabilities	188,2	43,2	187,7
Current interest-bearing liabilities	9,2	97,1	8,8
Cash and cash equivalents	-70,2	-24,5	-106,5
Interest-bearing net debt	127,2	115,7	90,0
Adjusted EBITDA (12 months)	135,5	128,6	133,8
Interest-bearing net debt/EBITDA 12 months, times	0,9 x	0,9 x	0,7 x
Return on capital employed, %			
Equity	422,2	155,7	386,4
External interest-bearing net debt	127,2	115,7	90,0
Shareholder financing	-	289,4	-
Average capital employed	512,9	530,2	488,0
Adjusted operating profit (EBIT), (12 months)	116,1	112,1	116,7
Return on capital employed, %	22,6	21,2	23,9
Equity/assets ratio, %			
Equity attributable to owners of the parent company	422,2	155,7	386,4
Total assets	910,2	845,9	885,4
Equity/assets ratio, %	46,4	18,4	43,6

ALTERNATIVE PERFORMANCE MEASURES

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

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

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



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