

Balco Group AB

Annual Report 2021

Balconies for greater living

Balco Group in brief

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

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

Balco method at the core

Delivering glazed balconies and other balcony solutions in accordance with the "Balco method" represents the core of what we do. The method, developed by Balco AB and applied predominantly in the renovation market, entails removing existing balconies and replacing them with new, larger glazed balconies.

Lifespan exceeding 90 years

Balco's glazed balconies have a lifespan of more than 90 years, providing the most economical and sustainable solution in the market. Offering energy savings of 15-30%, each Balco balcony gives a positive climate footprint equal to that of ten growing trees.

Broad offering

We offer a wide range of balcony solutions with glazed and open balconies.

Balco assumes full responsibility for customer contact

We assume full responsibility for the project, guiding customers through the entire process, from project planning to final inspection and service. We offer superior expertise in providing customised balcony solutions with fast delivery, regardless of size and complexity.

Nine out of ten customers recommend Balco

Satisfied customers who recommend Balco are an important asset. Our goal is a customer recommendation rate of 90%. In our most recent survey (2021), as many as 92% of customers said that they would recommend Balco.

Balco's operations are divided into two operating segments:

Vision

With innovative solutions and high-quality products, Balco shall provide the best balcony solutions on the market.

Mission

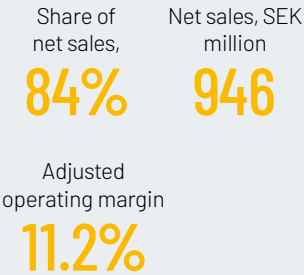
To offer balcony solutions that contribute to an enhanced quality of life.

Business concept

To develop modern, sustainable and attractive balcony solutions that give people an improved quality of life, with the customer at the centre.

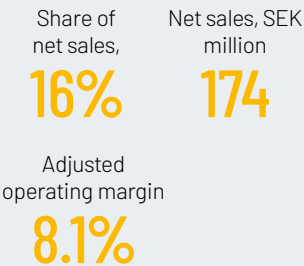
Renovation

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



New build

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



467 employees

7 markets

Net sales of SEK **1,120** million in 2021

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

With a lifespan of more than

90 years

Balco's glazed balconies are not only the best solution from an economic point of view, they are also the most climate-smart solution.

7 geographical markets

Since its inception in 1987, Balco has expanded its operations in Europe and now has sales offices in seven countries, as well as three production facilities in Sweden and two in Poland. Our head office is located in the southern Swedish town of Växjö and our key markets are Sweden, Norway and Denmark. Other markets are Finland, the UK, Germany and the Netherlands.

2021 at a glance

Sales
1.1
SEK billion

Adjusted
operating margin
10.7%

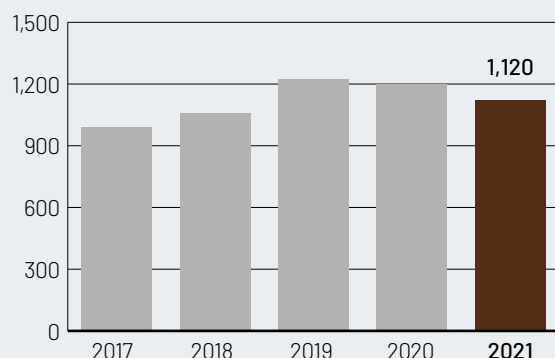
Order intake
1.6
SEK billion

- ✓ Acquisition of RK Teknik i Gusum AB. The acquisition strengthens and complements Balco's product and customer range and will introduce City Balconies to the Swedish market, a product segment that has previously only been sold in Denmark.
- ✓ Acquisition of Stora Fasad AB. This acquisition strengthens and complements Balco's product and customer range. With complete facade renovation, we can take responsibility for the turnkey contract in large projects with balcony and facade renovation.
- ✓ The easing of Covid-19 restrictions in the latter part of Q2 2021 resulted in a record quarterly order intake.
- ✓ Long-term sustainability focus gave Balco an improved ESG rating with Sustainalytics*, from 28.6 to 20.8.
- ✓ Three new partnerships and certifications focused on strengthening and making Balco's sustainability work accessible: UN Global Compact, Sweden Green Building Council and Nasdaq ESG Transparency Partner.
- ✓ On 4 January 2021, Balco Group AB (publ) (BALCO) moved from the Nasdaq Stockholm exchange's Small Cap segment up to the Mid Cap segment as a result of Nasdaq's annual review of average market capitalisation. The Mid Cap segment includes companies with a market capitalisation between EUR 150 million and EUR 1,000 million.

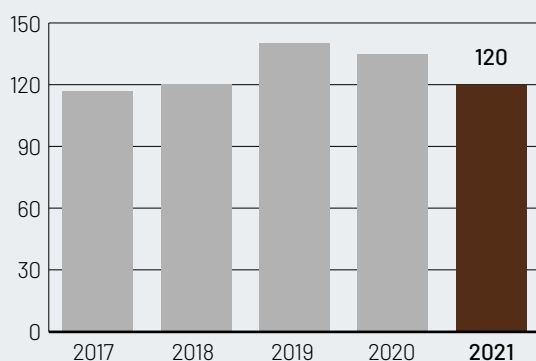
Key ratios, SEK million	2021	2020
Net sales	1,120.5	1,200.0
Order intake	1,558.3	932.7
Order backlog	1,557.0	1,086.6
Operating profit (EBIT)	118.0	115.4
Operating margin (EBIT), %	10.5	9.6
Adjusted operating profit	119.5	134.8
Adjusted operating margin, %	10.7	11.2
Profit for the year	90.2	77.6
Operating cash flow	96.0	196.5
Earnings per share, SEK	4.12	3.58

*Sustainalytics is an ESG risk rating, where the aim is the lowest risk value possible. Over 30 is high risk and under 20 is low risk.

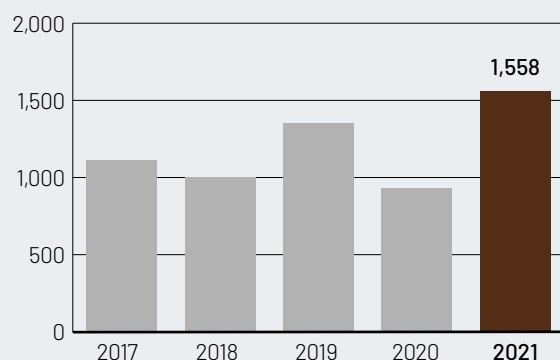
NET SALES (SEK million)



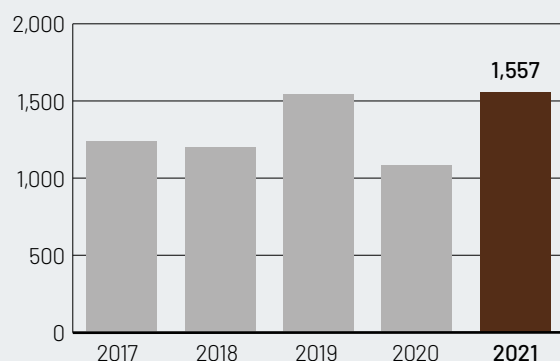
ADJUSTED OPERATING PROFIT (SEK million)



ORDER INTAKE (SEK million)



ORDER BACKLOG (SEK million)



Outline of operations

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Balco's focus on sustainability continues to meet considerable interest from customers and investors alike. Our lifecycle analysis shows that a standard glazed balcony from Balco AB has a lifespan of more than 90 years.

A message from the CEO

Green Transformation and BalcoLiving demonstrate Balco's innovative power

Balco sees a continuous and significant need for renovation of existing balconies. The drivers are a large stock of increasingly older residential properties, a desire from residents for improved quality of life, value enhancement through new balconies and - perhaps the most important driver today and in the future - the need for lower energy consumption. As a market leader with a range that benefits from such drivers, these trends represent an interesting growth potential for Balco.

Balco is continuously investing for further growth, mainly in the renovation segment. Interest in new balconies has increased during the pandemic of recent years, as many people have spent a lot of time at home. For many people, a glazed balcony has been an important opportunity to move around more freely, thereby contributing to an improved quality of life.

Energy savings provide better financing

We are constantly developing complementary products to support our customers in transforming their properties into "green properties". Balcony renovation with a glazed balcony is an excellent opportunity to start such a process, and Balco can assist all the way. Our standard glazed balconies provide a basic energy saving effect of 15 to 30%.

By reviewing the property's energy rating, Balco can propose and implement measures such as facade renovation, installation of solar panels, roof insulation and heat recovery, thereby reducing energy consumption even further. With energy savings of over 30%, customers can obtain green loans, which offer

lower interest rates and the possibility to renegotiate other financing on more favourable terms.

Of the new orders in 2021, around 53% will deliver more than 15% energy savings and 12% more than 30% energy savings. Our goal is that 30% of the Group's net sales should be in the EU taxonomy and provide at least 30% energy savings to our customers.

Our focused work on sustainability has paid off. Our ESG risk rating with Sustainalytics improved to 20.8 from 28.6 in 2021. As part of our continued focus on sustainability, Balco has chosen to become a member of the Sweden Green Building Council and the UN Global Compact.

Strong second half after restrictions eased

In the second half of 2021, we saw a clear positive impact on our order intake from the relaxation of Covid-19 restrictions. Housing associations were again given the opportunity to hold physical meetings, which made it easier for them to make decisions on investments in balcony renovation.



Kenneth Lundahl
CEO and Group CEO

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Balco's growth will primarily be organic, but acquisitions will continue to be an important part of creating profitable growth

Gross margin

26.4%

That allowed us to return to a more normal marketing approach with mini-fairs in all markets. Order intake in 2021 increased by 67% to SEK 1,558 million. Order intake for the full year was 39% higher than net sales. The order book increased by 43% to SEK 1,557 million. Net sales amounted to SEK 1,120 million. Growth through acquisitions was 10%, while organic growth was negative 17%. Operating profit amounted to SEK 118 million, corresponding to an operating margin of 10.5%.

Our decision to maintain the level of human resources and other investments so as not to hamper future growth has proven to be the right one. This had a short-term impact on our results for a few quarters, but was important for sticking to our long-term strategic plan.

Net debt/EBITDA

0.6

New product and two strategically important acquisitions

In early 2022, Balco will launch the BalcoLiving product. It will allow us to offer a customer who needs to renovate a balcony a completely new solution that increases the living space of the apartment by about 20 sqm. This is a new product that has not previously been available on the renovation market. We expect a strong demand for BalcoLiving, especially in urban areas where the product can cost-effectively provide a larger living space.

Equity ratio

56%

In 2021, despite the pandemic, we managed to make two strategically important acquisitions. During the first quarter, we acquired the facade company Stora Fasad, which in 2020 had a net sales of approximately SEK 30 million and an operating profit of approximately SEK 5 million. The acquisition adds expertise in the facade area and strengthens our customer offering in total contracting for both balconies and facades.

During the second quarter, RK Teknik became part of the Balco Group. RK Teknik's net sales in 2020 SEK 115 million with an operating profit of approximately SEK 10 million. RK Teknik's products, which strengthen and complement Balco Group's product range and customer offering, will be launched in all the Group's markets. In addition, the acquisition means that City Balconies, which have so far only been sold in Denmark, will also be introduced to the Swedish market.

Stora Fasad and RK Teknik both developed as planned in 2021 and have become well integrated into the Group.

Balco's growth will primarily be organic, but acquisitions will continue to be an important part of our efforts to create profitable growth. Our goal is to make one to three acquisitions per year that help strengthen our existing core business.

Växjö, March 2022



Kenneth Lundahl
CEO and Group CEO

Six reasons to invest in Balco Group

Balco is a growing company offering innovative, patented and energy-saving, high-quality balcony solutions. The company is the market leader in the Nordic region and operates in several markets in Northern Europe. Our customisable products contribute to increased security, better quality of life, lower energy consumption and increased value for residents in apartment buildings.

01. Mature markets with favourable growth

Balco Group is active in the Northern European balcony market, which has annual sales of just over SEK 36 billion and anticipated annual growth of about 5%. Growth is being driven by a continued strong trend, where the renovation segment is expected to experience value growth of approximately 5% annually. The market is characterised by pent-up renovation needs, ageing property stocks and efforts regarding energy efficient solutions.

02. Sustainability is a natural part of the business

Balco's products have a documented energy-saving effect of 15 to 30%. Lifecycle analyses show that our standard glazed balconies have a lifespan of more than 90 years, that they need only two minor inspections and are completely recyclable. We also offer complementary products to support customers' transition to "green buildings", not least through various energy-saving measures such as the installation of solar panels, roof insulation and heat recovery. Thanks to our focused work on sustainability, our ESG risk rating with Sustainability improved to 20.8 (28.6) in 2021.

03. Double-digit annual growth

Since 1996, Balco Group has grown from a local company with approximately 25 employees and a net sales of approximately SEK 30 million to employing 467 employees at the end of 2021 with a net sales of SEK 1,120 million.

04. A strong market position

Balco Group is the market leader in Sweden, Denmark and Norway. Thanks to the company's modern, innovative and sustainable product portfolio and continuous development work close to the customer, we have an edge over our competitors. We will reinforce and strengthen our leading market position in balcony solutions in Northern Europe through growth. Balco Group is also established in its selected geographic markets in the Netherlands, Germany, Finland and the UK, where there is good potential for growth.

05. Business model offering unique customer values

The Balco Group's balcony solutions are tailored to the customer's needs and requirements. The strong market position is largely a result of successful work with the Balco method, whereby existing, open balconies are replaced with new, larger glazed balcony systems. It extends the lifespan of balconies, enhances quality of life for residents, reduces energy consumption and increases property values.

06. Attractive financial profile

Balco Group has an attractive financial profile with strong growth, high profitability and good cash flow. The company's profitability has gradually improved through price increases, increased efficiency and volume benefits. Since the balcony solutions are customised and the payment plans follow the projects, the need for working capital is low. This enables continued investment for growth, while the company's policy is to distribute at least 30-50% of net profit to shareholders.

Vision, mission, business concept and core values

Balco Group creates value through the combination of an entrepreneurial corporate culture, high degree of innovative power, business acumen and superior skills. By communicating with the customer, we tailor a complete, modern and sustainable balcony solution that helps lower costs and energy consumption, improves quality of life and increases the property value.

Our core values – pride, entrepreneurial spirit and quality – are the foundation on which our operations and our brands are based. Balco Group's core values describe what characterises us and what we stand for.

Vision

With innovative solutions and high-quality products, Balco shall provide the best balcony solutions on the market.

Mission

To offer balcony solutions that contribute to an enhanced quality of life.

Business concept

To develop modern, sustainable and attractive balcony solutions that give people an improved quality of life, with the customer at the centre.



Pride

We are proud of our history and our success. We are proud of our community, the respect we show for each other and for our customers. We are proud that our product contributes to a better quality of life and positive sustainability effects.



Entrepreneurial spirit

Our business has been pervaded by entrepreneurial spirit from the outset, and it is just as important today as it was then. Innovation, creativity and entrepreneurship generate growth and develop products and people alike – which will always be a priority. By being responsive to our customers' needs while remaining fearless, we continue to move the industry forward.



Quality

Through high quality at all stages, we lay the foundation for what Balco is today and will be in the future – a reliable and secure partner throughout the project. A constant focus on stable processes and sustainability combined with job satisfaction means that Balco is associated with quality, both for our customers and partners, as well as for our employees.

Balco Group creates value

Customer needs and overall experience

Balco Group's business and product development is based on the customer's needs. By working closely with the customer, being responsive to ideas and suggestions, Balco becomes an important partner at an early stage in the process.

Employees looking for new solutions

Balco is characterised by an entrepreneurial corporate culture that encourages all employees to dare to find new, innovative solutions. A high level of competence and specialisation in each area of the value chain contributes to the final product. Attracting and developing qualified and motivated employees is a prerequisite for continued growth.

Innovation

Balco has a tradition of developing existing product areas as well as new products and offerings. This means that we are at the forefront of differentiating ourselves from competitors and creating the conditions for continued long-term growth and profitability. Balco's product development and patent portfolio strengthens its offering and market position.

Sustainable products and solutions

Lifecycle analyses show that the lifespan of Balco's standard glazed balconies is more than 90 years, that they need only two minor inspections and are completely recyclable. They also have a documented energy-saving effect of 15 to 30%. Balco is also working on complementary products to support customers' transition to "green buildings", not least by offering various energy-saving measures such as the installation of solar panels, roof insulation and heat recovery.

Efficient manufacturing and logistics

Balco has an efficient production platform with good access to delivery capacity. A significant amount of balcony production takes place at our own facilities in Sweden and Poland, contributing to increased quality, flexibility and cost efficiency. We also handle logistics and ensure that deliveries reach the construction site at the right time. This shortens lead times and helps to improve profitability. Other key areas contributing to our business are efficient energy consumption and sustainable transport.

Taking full responsibility brings benefits

Balco mainly works on a turnkey basis and is responsible for all parts of the process, giving competitive advantages. Installation is conducted by specialised fitters, supervised by site managers. Once the balconies are installed, final inspection, follow-up calculations and customer assessments are performed.

Our targets

Balco Group's financial and sustainability objectives are a means for the Board and management to guide the Group. They are also a tool for the financial market and other external stakeholders to follow the Group's ambitions and development in a clear way. They show how the Group will develop in the long term, regardless of the economic situation or the phase in which the Group finds itself.

Growth

Balco Group's net sales
will grow by

10%

per year

Our growth target will be achieved by focusing on the company's vision and strategies set. Growth will be organic, through acquisitions and through new partnerships or alliances. The target means that Balco Group expects to grow significantly more than the underlying market in the long term.

Profitability

Balco's earnings per share will
grow by

20%

per year

The main task of Balco Group's management is to create increased value for the company's shareholders. It will do so through organic profit growth and acquisitions. The majority of the companies Balco acquires have a lower operating margin than the Group, but add shareholder value.

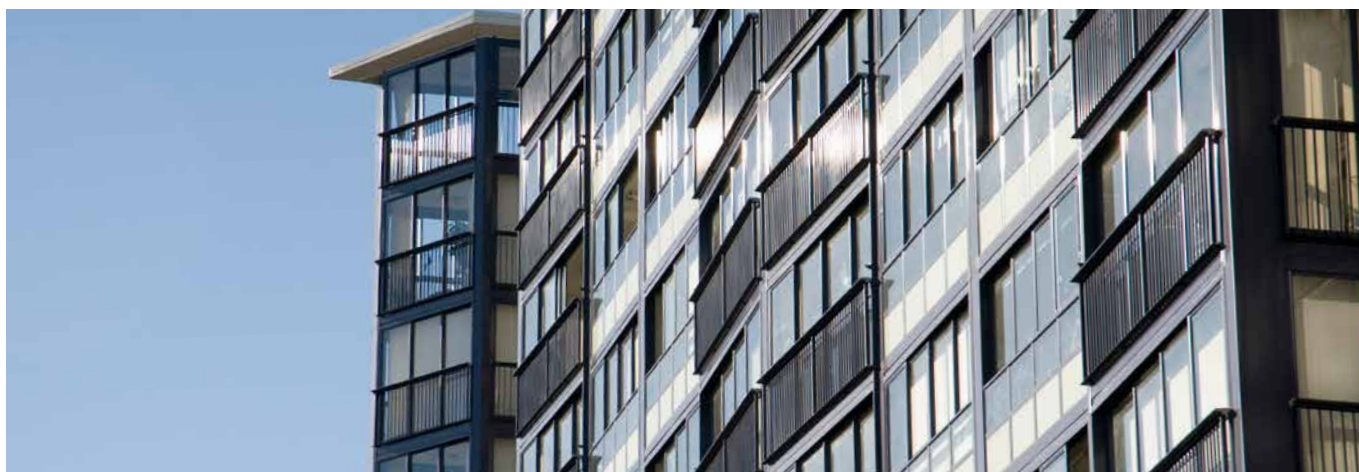
Target fulfilment 2021

-7%

Net sales amounted to SEK 1,120 million (1,200), a decrease of 7%. Organic change was -17% and acquired growth was 10%. The Corona pandemic affected earnings and sales, mainly in the first three quarters of the year.

15%

Earnings per share have increased by 15% to SEK 4.12 (3.58).



Capital structure

Net interest-bearing debt shall not exceed

2.5

times operating profit before depreciation and amortisation (EBITDA), other than temporary.

The target links leverage to earning power and should define a reasonable level of risk. It will be achieved through active investments and a clear focus on operational cash flow.

Sustainability

Total sick leave

3%

Total sickness absence to be no more than 3 percent.

Environmental impact

30%_{ogives}
30%

30% of the Group's net sales should be in the EU taxonomy and provide at least 30% energy savings to our customers.

Accident rate

0

Total accidents as at work to be reduced to 0.

0.6

The net interest-bearing debt to EBITDA ratio was 0.6 (0.3), i.e. within the target range. Periodically, the ratio may be significantly higher than the target, for example after an acquisition, when the full impact of the acquisition has not yet been felt.

3.5%

The total sickness absence rate was 3.5 (3.2 percent in 2021, with a large part of short-term sickness absence due to Covid-19.

12%

Of the order intake for the whole year, 53% will deliver more than 15% energy savings and 12% more than 30% energy savings.

13.02

In 2021, there were 13.02 (13.76) workplace accidents per 1,000,000 hours worked.

Our business model

Business concept

To develop modern, sustainable and attractive balcony solutions that give people an improved quality of life, with the customer at the centre.

Key resources

Nature



Glass



Steel



Concrete



Aluminium

Personnel



467 employees



407 men



60 women

Capital



Capital employed
SEK 811 million



5 wholly owned
production sites



Wide supplier
network



Intellectual capital,
57 patents and 5
trademarks

Balco Group

Vision

Through innovative solutions and high quality products, Balco will offer the best balcony solutions on the market

- ✓ **Holistic approach**
From idea to finished product under one roof
- ✓ **Sustainability**
Long-term and life-cycle perspective with climate-positive impacts
- ✓ **Entrepreneurial spirit**
Development in line with market needs
- ✓ **Quality**
Security through advice and professionalism
- ✓ **Pride**
Pride of being part of a whole

Created values



Customer security

A full-service partner offering turnkey contracting and attention to detail.



Green conversion of buildings

Services and products that help reduce energy consumption

- ✓ Glazed balconies
- ✓ Facade solutions
- ✓ Other products, such as solar panels, charging posts and roof insulation



Customised solutions

Services and products according to customer requirements

- ✓ Open balconies
- ✓ City balconies
- ✓ Maritime balconies
- ✓ Prefabricated balconies
- ✓ Balco Living

Glazed balconies

Balco Group's largest product category is glazed balconies, which are primarily sold in the renovation segment.



Facade solutions

Balco Group offers complete facade solutions from Stora Fasad, targeting renovation and new build, as well as turnkey contracting for the renovation segment.



Open balconies

Open balconies are a growing product category for Balco Group and are mainly supplied to new build.



City balconies

A product category with open balconies designed for inner-city environments and generally somewhat smaller in size.



Maritime balconies

Balco AB has developed a lightweight aluminium and glass structure sold to cruise ship builders.



Prefabricated balconies

Balco Group has balcony systems designed to keep manufacturing and assembly costs down, and improve safety conditions on construction sites.



Balco Living

Balco Group's new segment of balcony slab installation and insulated glazing systems to increase living space in apartment buildings.



Growth strategy

Balco Group has a strong position in balcony solutions with high quality and long durability. The opportunities for continued growth, organically through new products, complementary solutions and selective acquisitions, are considered to be very large.

A niche player with a strong position in a growing segment

Expected growth in our markets is good. Demand is driven by pent-up renovation needs, ageing property stocks and efforts regarding energy-saving solutions. Thanks to our leading position in the markets of Sweden, Norway and Denmark, combined with our modern, innovative and sustainable product portfolio, we have an edge over our competitors. We will reinforce and strengthen our leading market position in balcony solutions in Northern Europe through growth.

Potential for continued growth in existing markets

Balco's range creates opportunities to continue to take market share from local players and concrete renovators, by pursuing its strategy of expanding with more sales representatives and increased presence at mini-fairs. Every customer is unique and since Balco's products are tailored to the customer's needs, local presence is important.

To exploit the market potential in existing markets, the company will continue to increase its sales force and exposure to the renovation segment. We also see an opportunity from increased presence towards key customers such as the public sector and private property owners. The Balco method is economically attractive and gives the customer security through turnkey contracting at a fixed price.

Sustainability provides growth opportunities

Balco's standard glazed balconies have a proven energy saving effect of 15 to 30%. We can also offer complementary energy-saving measures to support customers' transition to "green buildings". By reviewing the property's energy performance, we can suggest energy-saving measures such as installing solar panels,

roof insulation and heat recovery. By achieving energy savings of over 30%, banks can offer green loans, which provide lower interest rates and allow customers to renegotiate other financing on more favourable terms. Energy savings for buildings of more than 30% make the net sales eligible for the EU taxonomy.

Opportunity for expansion

In addition to Balco Group's leading position in Sweden, Norway and Denmark, the company is established in the Netherlands, Germany, Finland and the UK, four selected countries with good market potential. In addition to the geographic potential, we see great opportunities in related offerings such as facade renovation and energy savings. There is also potential to expand the City Balconies product segment outside Denmark. City balconies are aimed at inner-city environments and buildings where balconies are not available. In new build, Balco Group offers standardized balcony models that are primarily delivered without installation.

Growth through further efficiency improvements

Balco works continuously to improve existing production and installation processes to shorten lead times and reduce costs. This in turn leads to more satisfied customers as the overall project time can be shortened.

Selective acquisition possibilities

Historically, Balco has grown organically, and the Company's primary growth strategy remains organic growth. Acquisitions have been and will continue to be an important strategic complement. They provide the opportunity to rapidly strengthen presence in an existing market, in existing or adjacent product



The growth potential in the Nordic countries is much higher than expected.

areas or in new markets or customer segments. We have a continuous dialogue with various acquisition candidates.

Complementary offers

To better meet customers' needs, Balco strengthened and supplemented its offering and, as a turnkey contractor, the Company offers facade renovation in connection with balcony projects. By taking responsibility for balcony and facade, Balco can provide amortisation for an entire project over a period of up to 70 years through its partnership with a Nordic bank, making the investment both financially and environmentally sustainable.

In many properties requiring balcony renovation, the facade also needs upgrading. Complete renovation provides significant energy savings, a healthier living environment and also has a positive impact on the appearance of the building.

Growth and expansion strategy

Balco's growth and expansion strategy is based on the fact that the growth potential in the Nordic countries is much greater than we had previously thought. Heavy investments were made to expand the sales organisation. In parallel with the proven and successful sales model, Balco meets potential customers by participating in mini fairs. Thanks to our sales model, educating customers about the alternative to traditional balcony renovation and expanding production capacity as the number of customer projects increases, we have been able to create our own market and grow significantly.

The strategic decision to focus to a greater extent on the renovation segment and to reduce our exposure to new build has contributed to increased profitability and sharper focus.

Growth activities in focus:

- ✓ Deepened and intensified sustainability work, as demanded by all customer groups.
- ✓ Broadened offering with turnkey contracts for renovation, with Balco taking care of both facade renovation and balconies.
- ✓ Offer all customers a review of their energy rating and suggest energy-saving measures such as the installation of solar panels, insulation of ceilings and heat recovery.
- ✓ Continued investment in increased organic growth by employing additional salespeople and increasing the number of mini fairs arranged under the Company's own auspices.
- ✓ Continuously assess opportunities for growth through acquisitions.
- ✓ Teach customers and public authorities about the advantages of the Balco method, its positive effects for the economy and climate, and compare these advantages with traditional balcony renovation.
- ✓ Continue the work of streamlining lead times and thereby increase net sales in the order backlog.

A sustainable business and sustainable business practices

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

We choose to consider sustainability from a commercial and an ethical perspective. Our customers, not to mention society as a whole, expect our products to meet their high expectations in terms of quality and durability. In addition, we are also required to offer solutions that can increase comfort and reduce energy consumption and climate impact in the long term, which influences our choice of materials and how we develop our products.

There continues to be growing interest among investors in companies that pursue credible and targeted sustainability with respect to the environment and society, which is also a main theme of our strategy and how we choose to manage our sustainability efforts. Our current and future employees also expect us as an employer to act responsibly and offer safe, secure and rewarding work.

The sum of all these factors represents our sustainable mindset, intended to permeate the entire Balco Group and thus guide all wholly-owned subsidiaries in their decision-making, planning, investments, production, purchasing and in matters concerning customers and employees. The framework is set out in our Code of Conduct and Sustainability Policy, which clarifies how we act in operational decisions and when evaluating and deciding on issues related to the long-term strategic development of the company. The Sustainability Policy also shows how we divide our sustainability work into the areas of Sustainable Governance, Environment and People, which also form the structure of our separate Sustainability Report.

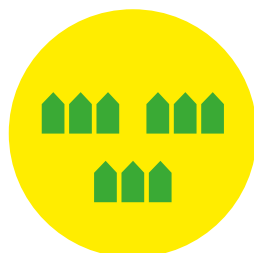
Our role in sustainable development

As a group consisting of several strong and locally anchored companies, it is natural for us to think long-term, and we see considerable value in actively contributing to the sustainable development of society by working with various sustainability issues. As it is important that the same perspective is shared across the Group, an internal project was carried out in 2021 via a digital eLearning tool to communicate the Group's sustainability strategy, policies and objectives.

Over the past year, the Group has also signed up to the UN Global Compact as a way of gathering valuable information and strengthening our own knowledge. For the same reason, we also chose to join the Swedish Green Building Council, an interest group focusing on environmental efforts in the real estate industry. We see good opportunities here for support in our work with our climate goals and to benefit from important expertise that will strengthen us and the solutions we offer to the market.

We have reviewed the requirements of the new EU Taxonomy and how this will affect our organisation and our future sustainability reporting. We believe that the solutions we offer today have good potential to contribute to our customers' ability to comply with the new framework, and although the Taxonomy does not currently affect us, we still see it as important to identify internally now which parts of the business could align with the requirements.

WE SUPPORT

SWEDEN
GREEN BUILDING
COUNCIL**Our work on the 2030 Agenda**

In 2019, the foundations were laid for how the Group chooses to relate to the UN's Sustainable Development Goals, Agenda 2030. The framework we established addresses the social, environmental and economic challenges facing the global community and makes clear that not only political leadership but also industry has an important role to play.

Balco Group takes its responsibility seriously and has therefore selected four specific global goals we believe can make the biggest positive difference and which are aligned with our overall business objectives and strategic sustainability areas – Sustainable Governance, Environment and People. In 2020, we chose to further develop our work on the 2030 Agenda and identified a number of targets that most clearly link to our environmental, social and economic impact.

Read more about our sustainability work in our separate sustainability report.

Goal 5. Gender equality

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

Goal 8. Decent work and economic growth

The Balco Group Code of Conduct requires decent employment conditions, within our own operations and with our suppliers.

Goal 9. Industry, innovation and infrastructure

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

Goal 12. Responsible consumption and production

Balco Group's balcony solutions help create a safer and more energy-efficient living environment.

The balcony market

The total market for balconies in the countries where Balco Group is present is valued at approximately SEK 36 billion. The largest part of the market, about SEK 25 billion, is in the renovation of balconies for apartment buildings and the remainder of the market is with new build. Essentially, our market is driven by an ageing stock of residential properties in need of renovation, residents wanting a better quality of life, an opportunity to increase the value of their property and a need to reduce energy consumption. Balco Group is active in seven countries and the balcony markets are served by the subsidiaries Balco AB, foreign sales companies, TBO-Haglinds, Balco Altaner and the company RK Teknik, acquired in 2021.

The Northern European market for balcony solutions is a niche market within the construction market. Balco's market is divided into two main market segments: renovation and new build. Renovation mainly involves the renovation or replacement of existing balconies and the installation of new balconies on existing properties. New build includes the installation of balconies for new buildings and balconies for the maritime market. The renovation segment accounted for 84% of total net sales in 2021. The total balcony market in which Balco Group operates was valued at approximately SEK 36 billion.

Sweden, Norway and Denmark are main markets

Balco Group's main markets are Sweden, Norway and Denmark. The balcony market in these countries was valued in 2021 at around SEK 6 billion, of which SEK 3.5 billion was accounted for by the renovation segment. Sweden is by far the largest single market. Norway came back strongly in 2021 after a few weaker years.

Balco Group also has operations in the emerging markets of Finland, the UK, the Netherlands and Germany. For our part, the UK has not been affected by the pandemic to the same extent as we work mainly with new build, which does not rely on physical meetings in the same way as housing associations. We see a positive trend in the UK market, mainly thanks to the new product Levitate®, which was launched in 2020 and started shipping in 2021.

Balco also sells, manufactures and installs maritime balconies to shipyards in Europe.

Balcony design is increasingly important

The technical design of a balcony has sometimes meant that the aesthetic aspect has had to take a back seat. As today's modern balconies have gradually become more innovative, increasing scope for design has emerged. A good example is Balco Group's TwinView product, which was successfully launched on the Swedish market in November 2020 and started shipping in 2021. The product minimises the aluminium profiles, meaning more glass and improving visibility from the balcony.

The importance of the balcony increases

In the 2020 and 2021 pandemics, many people spent more and more time at home, which meant the value of an apartment with a balcony was appreciated even more. Interest in balconies is growing in both renovation projects and new builds. Each country has unique needs and conditions, and we adapt our market development and product development accordingly.

In the Danish market, we continue to increase our market share, driven by the City Balconies product from Balco Altaner. The City Balcony is a smaller, open balcony designed for the inner city environment of larger cities. The typical customer for Balco Altaner is a property without balconies. The City Balcony is easily and cost-effectively installed on the outside of the facade.

The renovation segment amounted to approximately

84%
of the total net sales

SEK **36 billion**

The total value of balcony market in Balco's markets

In the UK, glazed balconies are not as common as in Nordic countries, due to separate regulations and cultural differences. Instead, there is a great need for open balconies in new build projects. To meet these needs, we have developed Levitate®, an open balcony that can be easily and cost-effectively installed on new buildings with a very limited space in an urban environment. The UK market is considered to have great potential.

Our overall sales strategy is to cover the market with our own sales force. In Germany, we have started a partnership with a company specialised in project managing renovations of housing association properties. Through this cooperation, our partner will be able to offer ready-made balcony solutions.

Fragmented market

The Northern European balcony market is fragmented with a large number of smaller local balcony installers, balcony manufacturers and concrete renovation contractors. There are only a few major players operating in more than one country. The larger players are characterised by having control over larger parts of the value chain - from product development to assembly. Balco Group is the leading player in the Nordic balcony market and is the market leader in Sweden and Norway and the second largest in Denmark in terms of net sales.

The main players in the European balcony market are Balco Group, Lumon, and Solarlux. Smaller players we compete with locally include Teknova, Alnova, Balcona, Svalson, Altan.dk, MinAltan, Balkongentrepenören and Weland Aluminium.

Transport and raw materials

Transport costs represent a very small part of Balco Group's total costs. We also have no subcontractors in Asia and are therefore not directly dependent on developments in the container market, for example.

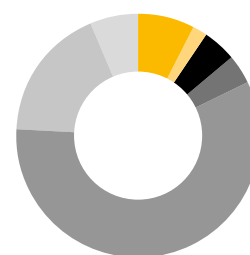
The main input material is aluminium, as aluminium profiles are the main component of most glazed balconies. The cost of aluminium profiles has increased in 2021, and we have been able to gradually increase prices to compensate for the price increase. The bulk of our sales are made through a monthly charge to the condominium owner, a charge only marginally affected by the price increases.

Complementary offers

Through the acquisition of Stora Fasad, Balco Group can also offer facade work such as bricklaying and plastering, for renovations and repairs as well as in new build, and related services such as scaffolding.

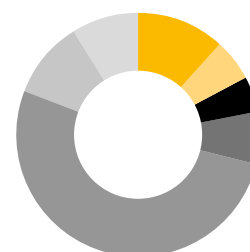
This acquisition strengthens and complements Balco's product and customer range. With complete facade renovation, Balco can take responsibility for the overall contract in large projects with balcony and facade renovation. Initially, the focus is on the Swedish market, but in the near future we are looking at expanding to other geographical markets.

The acquisition of Stora Fasad is in line with Balco's growth strategy and the company's increased focus on sustainability. The acquisition strengthens our market position, as we are able to offer turnkey contracts for projects that include balcony and facade renovation.



Total size of the renovation market, SEK 25.9 billion

Sweden	7.5%
Norway	2.2%
Denmark	4.2%
Finland	4.0%
Germany	57.9%
United Kingdom	17.8%
Netherlands	6.3%



Total size of the new build market, SEK 10.4 billion

Sweden	11.7%
Norway	5.6%
Denmark	4.9%
Finland	6.8%
Germany	51.9%
United Kingdom	10.3%
Netherlands	8.8%

Trends in the balcony market

Many environmental factors affect the balcony market, such as price trends in the housing market, the disposable income of residents, interest rate trends, economic growth and construction activity. Our sector is also affected by the three trends below.

Environmental legislation and energy savings

Taking responsibility for a sustainable society and the responsible production of products is becoming an increasingly important driver for today's consumers. The global trend towards reduced energy consumption has resulted in increasingly stringent laws and regulations to achieve higher energy efficiency, and thus reduced environmental impact. Energy and environmental issues are important for today's property owners as proper management contributes to a reduced negative impact on the environment and lower costs.

Comfort and design

Glazed balconies contribute to the well-being, comfort and sound insulation of apartments. They maintain a higher temperature than traditional balconies, making them more useful. With glazed balconies in the Nordic countries, residents' use increases from about four months to about eight months per year. Balconies enhance the exterior of a property and can help improve an entire residential area.

The penetration rate of glazed balconies

There are clear differences in the penetration rate of glazed balconies in the Nordic countries and Northern Europe. A survey showed that only 11% of all homes with balconies in Sweden had glazed balconies. That proportion is small compared to Finland, where the number of glazed balconies in relation to the total number of balconies is around 46%. Benefits such as longer life and energy savings, combined with a colder climate in the Nordic countries and Northern Europe, suggest that the number of glazed balconies will continue to increase.

Impact on Balco

Balconies with glazed balcony systems have a longer lifespan, which benefits energy and environmental impact in the long term. Furthermore, energy efficiency is increased in buildings with glazed balconies, which contributes to reduced energy consumption and lower costs.

Balco sees environmental legislation and energy savings as an opportunity. Balco's glazed balconies have a documented energy-saving effect of 15 to 30%. We have also developed a complementary product to support the transition of customers to 'green properties'. Initially, this is done through a review of the property's energy rating, which, when we also perform balcony renovation, can result in various energy-saving measures such as the installation of solar panels, roof insulation and heat recovery.

Balco's products are high quality, creating safety and security for users. With the Balco method, it is common to double the previously open balcony area, thus creating an increased user benefit.

Balco is now the market leader in glazed balconies in its main markets. The company's product development and innovations are ahead of the competition, which puts us in a good position to continue growing in this area.

How Balco meets the market

Balco's sales processes and organisation to meet the market differ depending on the country in which we operate. We adapt to market conditions and customer needs.

In Sweden, we have divided sales into two customer groups: housing associations and construction companies, private property owners and the public sector. These are groups with two different needs and require two different ways of approaching and discussing with the customer.

For housing associations, there are direct financial incentives to build balconies with Balco. The day owners sell their apartments, they usually get their investment back and more, depending on how the balconies are financed.

In Sweden, Finland and the Netherlands, and to some extent Denmark and Norway, the first step is to see if there is a need for renovation. If so, it is also easier for a property owner to understand the benefits of making an investment in new balconies rather than a shorter-term renovation.

Each district communicates with its customer group

In Sweden, Balco is organised in different geographical districts. It is important that the employees in the districts have a strong sense of ownership because they know their market and work close to the customers on a daily basis. It is the districts that make the customer-critical decisions and that carry out the final price negotiations after central dialogue, where the financial framework is set. It's important that employees are given responsibility so that they can grow - then the business can grow too.

Every year Balco participates in about 100 "mini-fairs" in Sweden, Norway and Finland. The fairs are organised together with a partner who also invites prospective customers. Our sales representatives come to a location where they set up a stand, present the company's products and what the Balco method entails. We also explain how we take care of the whole process for the customer.

In this way, Balco works in Sweden, Norway, Finland, the Netherlands, to some extent in Denmark, and has started to do so in Germany as well. In Denmark, there is considerable demand for inner-city balconies, i.e. building balconies on inner-city properties that do not have them already. In the UK, Balco works mainly with a consultant or architect, with sales mainly aimed at new builds, which requires a different approach to the market.

Premium brands with the highest quality

Balco's strategy is to be a premium brand and not to compromise on quality. Therefore, it is difficult to sell to new production unless the building owner clearly stipulates the quality that Balco offers. New production is therefore, relatively speaking, a smaller sector for us, not least in the Swedish market. In the UK we offer the new product Levitate®. In big cities like London, space is at a premium and the cost of working on site is extremely high. The Levitate® balcony system eliminates the need for scaffolding and significantly reduces the time required.

Facade renovations broaden the offer

In order to better meet the needs of our customers, we offer facade renovation for balcony projects as a turnkey contractor. By taking responsibility for balcony and facade, we can provide amortisation for an entire project over a period of up to 70 years through partnership with a Nordic bank, making the investment both financially and environmentally sustainable.

In many properties requiring balcony renovation, the facade also needs upgrading. A complete renovation provides a significant energy saving, a healthier living environment and also has a positive impact on the appearance of the building. Although the initial focus is on the Swedish market, the objective is to eventually be able to offer turnkey contracts in other markets where we operate.

We will be
THE PREMIUM BRAND
and will not
sacrifice quality.

Balco participates
each year in about
100
so-called
mini-fairs

Up to
70 years
amortisation
on an entire project

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An investment that increases the value of the house and a character that makes the living environment safer and more attractive.

Balco Group products

Glazed balconies

67%

of total net sales
relates to
glazed balconies

Up to
30%

in energy saving

Net sales 2021

754

SEK million

Balco Group's largest product category is glazed balconies from Balco AB, TBO-Haglinds and RK Teknik, primarily aimed at the renovation segment. Balco AB holds several patents for unique features such as ventilation and drainage systems. Glazing balconies is a very cost-effective and attractive alternative to traditional concrete renovation, leading to significant energy savings of up to 30%. It's an investment that increases the value and character of the building while making the living environment safer and more attractive.

Glazed balconies contribute to noise reduction and reduce corrosion of the reinforcement, which in turn reduces the risk of frost cracking. A new balcony slab for a glazed balcony breaks the cold bridge between indoors and outdoors, which contributes to energy savings. This product category also includes climate walls, which can be described as the entire facade clad with glazed balconies, forming a climate-protective shell for the property. A climate wall minimises the maintenance requirements for concrete floors as well as facades, windows and doors inside the glazing. They also create the possibility of a significantly larger balcony area compared to before renovation.

Balco AB also offers a customised glazing system for open access balconies, Access, which provides effective protection against the elements. Access balconies become non-slip and the glazing itself contributes to lower energy consumption. The products also include glazed balconies for terraced houses, which require innovative solutions to water drainage problems.

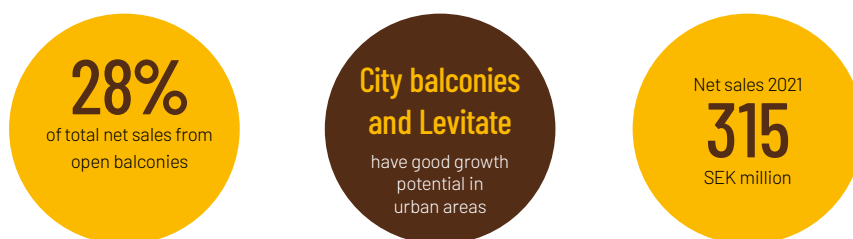


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Solutions range from standardised products for new build to smaller balcony solutions.

Balco Group products

Open balconies



Balco Group sells several types of open balconies for renovation and new build projects. Balco AB, Balco Altaner TBO-Haglinds and RK Teknik are all suppliers of open balconies that can be easily adapted to customers' needs. Solutions range from standardised products for new builds to smaller balcony solutions that are seamlessly delivered to older houses in built-up inner city areas, where our City Balconies from Balco Altaner and RK Teknik are the most viable option.

City balconies are relatively small steel structures that are designed for adaptability for inner-city environments where there are higher demands on performance. In the Danish market, more specifically in the inner city of Copenhagen, market share is increasing, with Balco Altaner driving demand. The concept has great potential and with the acquisition of RK Teknik we are now in the Swedish market. The Group is continuing to explore whether this type of balcony could be interesting to launch in other major European cities.

Balco AB has a number of prefabricated balcony solutions in its portfolio. AluOne is an example of a ready-made and customised balcony solution mainly made of aluminium, which creates good opportunities for material reuse. The product can be easily adapted to different buildings in a flexible and cost-effective way, shortening installation time and increasing safety on site. The system is primarily designed for the German market, but projects have also been delivered to the UK and in 2021 the first products were sold on the Dutch market.

The Levitate® balcony is another prefabricated solution developed and delivered in 2021 - initially designed for the UK market focusing on quick, easy and safe installation. Levitate is pre-built and delivered complete to the property, before final mounting on prepared fixings in the newly built facade.



Balco Group products

Facade development, accessories and other products

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Together with new larger and glazed balconies, new facades with additional insulation provide very good energy efficiency, which can contribute to significant energy savings for the whole building.

5%

of the total net sales
relates to
facade and other
products

**Balcony
accessories**

make every balcony
project unique

Net sales 2021

51

SEK million

Balco Group offers complete facade solutions, mainly through the newly acquired company Stora Fasad. Solutions include traditional facade renovation in the form of bricklaying and plastering, but also new build and major facade changes through the replacement of materials in the form of, for example, ventilated facades and the installation of energy-saving effects such as additional insulation.

Investing in a new facade combined with additional insulation, window replacement and integrated glazing, generally creates a better indoor climate through improved ventilation and reduced cold spots. Together with new larger balconies that are glazed in, new facades with additional insulation provide very good energy efficiency, which can contribute to significant energy savings for the whole building. What's more, our facade solutions enhance the appearance of the property, which in turn adds value for the individual resident and the association as a whole.

Balco Group also offers customers a wide range of products that enhance the balcony experience and also make the balcony user-friendly and safe. The range includes privacy screens, side and intermediate screens, glass corners, balcony doors, sun protection in the form of electric awnings and electric vertical awnings, roller blinds, flower boxes, flag brackets, solar panels and locks. In addition, TBO-Haglinds offers integrated lighting and heaters in the roof of its glazed balconies. New optional cladding panels are also available to clad the interior of the balcony, creating an even more cohesive feel between the balcony and the rest of the home.





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Balco has a strong tradition of creatively developing successful new products

Innovation and development are the foundation of Balco's success

The foundation of Balco's success is to offer innovative, attractive and customised products. This is an ongoing process, and a number of ideas result in patents of their own. We are one of the few complete balcony suppliers that can provide customised and high quality balcony solutions with short delivery times.

Balco Group has a strong tradition of creatively developing new successful products such as Balco Cleanline and Balco Twinlucka. The Group develops and produces all its products in its own factories, under its own brands and holds 57 patents in the balcony sector.

The head office in Växjö has a product development department with eight employees. The staff have different areas of expertise, but basically the same main responsibility, i.e. to be able to independently run any project and take it from the first design drawing to zero series, and to conduct a financial feasibility study to ensure the project will be profitable. The project manager is also responsible for contacts with various suppliers of, for example, aluminium profiles or other components.

The 10 steps to develop a new product



01. Our own and market-driven development

Development and innovation are based on two aspects. Firstly, it can be a proprietary product idea where an existing product is developed and then often patented. It can be a larger product such as a new window system or the development of a small detail in an existing system.

Secondly, it may be a direct need from a customer or a larger part of the market. We work in many different markets and each market has its own building tradition. What is a success in one market does not always work in another. It depends both on the perception of a product or function and on the existence of specific building codes or regulations.



02. Decision to start a project

Once an idea has been developed, whether it comes from our own organisation or from a customer, the development department starts drawing the new product. The work starts with a meeting to decide whether to start the project, a decision that can be taken by the CEO or the person in charge of the development unit.



03. The first design drawing

After that, a first design drawing is produced while a project team decides whether the project is considered feasible. If the idea comes from a market need, a customer can be part of the project team. We then continue to produce pre-design drawings until everyone in the group is satisfied.



04. Development of prototype

The process continues with the development of a prototype. A prototype can be constructed in different ways. We have 3D printers on which most designs can be printed. Toolmakers are used to produce metal prototypes. In this phase, the prototype does not have to be a full-scale model, although such models do exist.

Once the prototype is ready, a further evaluation is made internally or with the customer. We carry out static calculations to check that the product is in line with the original idea. In this phase, a preliminary calculation is also made to assess the economic feasibility of the product and to identify whether there are any patents that could interfere with the development of the product, or whether it is possible to apply for a patent on any specific part/function of the product.



05. Full-scale prototype

After the first prototype is approved, a full-scale prototype is created. The investment costs of developing the tools for production can then be calculated in detail.

Balco uses a "rig", a two-storey tower on which the products are test-assembled. They can be balcony slabs, pillar systems, glazing, etc. The balcony is subjected to static and durability tests. For example, if it's a new window, a machine is made that opens and closes the window thousands of times.



06. Full-scale test

Once the full-scale prototype is approved, the project team will decide whether to move forward with the process. We then come to the production sample stage - the real full-scale test. Once the prototype is approved, it's time to order different types of tools. These range from plastic tools, i.e. tools that make plastic caps, bushings and more, to zinc parts.



07. Longevity tests

The production samples are subjected to severe durability tests, static tests and functional tests, such as sandbag tests, or pendulum tests that subject the balcony to heavy impacts. Balco also carries out these tests in-house in Växjö.



08. Data for standard drawing

Once the full-scale prototype has been assembled, the project team has another meeting. Once the prototype is approved, work begins on producing standard drawings and programs for a configurator, ensuring that all the details are in exactly the right place.



09. First zero series

The first zero production run starts, usually a smaller series, if it turns out that everything is not working optimally. Once the zero series is finished, the product is installed on a building.



10. Production

When the zero series is approved, the product is also fully developed. Full-scale production can now begin!

A selection of our new products



Balco Living

- Renovation that increases living space

Balco Living is a completely new and unique product that can significantly increase the living space of apartments.

Many owners dream of a conservatory, but in many larger cities the majority live in smaller flats without balconies or patios. With Balco's new Balco Living insulated and openable facade system, the living space can be increased by many comfortable square metres through a favourable financing solution. The product has several existing and new patents and is an insulated and fireproof glazing system.

The system comes with heated wooden floors that provide a comfortable indoor climate all year round. The entire system is supplied complete with ceiling and built-in LED lighting. There are numerous options for customisation with colours, handrails and decorative coverings.

Balco Living can improve the standard of living and renew the character of the property. Ultimately, it can lead to increased well-being and make vulnerable areas more attractive, which can lead to major positive social impacts.



Eriksberg

- A glazing system with a unique design

Balco Group's strong tradition of developing smart balcony solutions is perhaps most evident in the product portfolio of one of our new subsidiaries - RK Teknik. The company became part of Balco Group as late as 2021 and until then had no glazing system of its own in its portfolio. In projects that required glazing, RK Teknik bought solutions from competitors instead. Eriksberg is the result of Balco Group's efforts to broaden RK Teknik's range and provide the company with its own unique glazing system. The in-house developed and manufactured solution has a unique design, is attached with steel angles and can be delivered with or without handrails. The first quotes for balconies including Eriksberg were sent in late 2021 and the zero series is planned for spring 2022.

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Balco Living comes with heated wooden floors that provide a comfortable indoor climate all year round. The entire system is supplied complete with ceiling and built-in LED lighting.



The customer journey – from concept to reality

Balco manages the entire project

Balco's customer projects usually go through a number of different phases over a long period of time. From the first meeting with the customer to completion of the project, it normally takes around 9 months. Our goal is to provide the customer with a safe and stable journey throughout the entire process - from the customer's first questions to the completed warranty inspection.

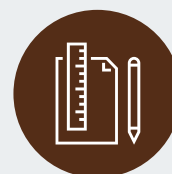
01. Advice, presentation and visualisation

Once Balco's sales team has identified the customer's needs, we develop a proposal in consultation with an architect, consulting engineer or directly in dialogue with a customer. The proposal includes the balconies' design, colour scheme and choice of materials. An initial timetable and financial calculations are presented and usually a photomontage showing the proposed balcony solution. We offer an inspection during which all residents can experience the proposed solution. When the customer is ready for a decision, we help with the building permit application. Upon approval, the project is handed over to a Balco project manager.



02. Construction and design

Careful calculations of fixings and other technical details are made to adapt to the dimensioning requirements, which vary depending on the location of the balconies. Each balcony construction is unique. Once all the necessary information has been processed and compiled, the design work starts and drawings are produced. The complete balcony with every single detail is drawn in two and three dimensions. Production is prepared and approved drawings with detailed instructions for assembly are produced.





03. Manufacturing

All production of the balconies takes place in modern facilities at Balco's factories. The production process is certified according to ISO 9001, ISO 14001 and ISO 3834-2, which makes Balco unique. This means that we maintain a high level of quality throughout production and take great care of the environment. In order to maintain the high quality and delivery reliability, we continuously invest in machinery and skills.



04. Delivery and installation

When all the components are ready, they are assembled and delivered to the property in question. Installation is carried out by specialised fitters under the supervision of an installation supervisor. We install almost all balconies from the outside. The balconies are numbered to make installation as smooth and quick as possible.



05. Final inspection and warranty

The project ends with a final inspection, which includes a five-year warranty on the delivery.



Customer project Windcastle

A new build that inspired

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Both externally and internally, the project has been a great boost for the tenant-owner association.

Vindslottet consists of 85 apartments in a central location in Sollentuna, just outside Stockholm. Since the property was converted to apartments in 2007, the tenant-owner association has made regular investments to maintain a high and pleasant standard of living. In 2021, the property was fitted with balconies and sliding glass sections from Balco's subsidiary RK Teknik, at a value of approximately SEK 12 million. But in the end, the value of the deal would turn out to be even greater.

Externally and internally, the project has been a great boost for the association. The newly constructed balconies are of the Egnahem type, with the dark-toned glass railing WinRail Canal. The balconies at the top are in turn protected by the Leckersbo ribbon roof. Instead of a traditional balcony door, the apartments have also been equipped with sliding glass doors, which give fantastic light and blur the boundary between balcony and apartment.

By the time the Vindslottet project was completed in the summer of 2021, it had inspired many of the local residents. And while construction was still underway, RK Teknik received a new request from an adjacent neighbouring association. This time, the project involved the construction of 100 balconies – a project completed in the autumn of the same year.



Customer project Cederhusen

Wood-clad balconies in unique inner-city project

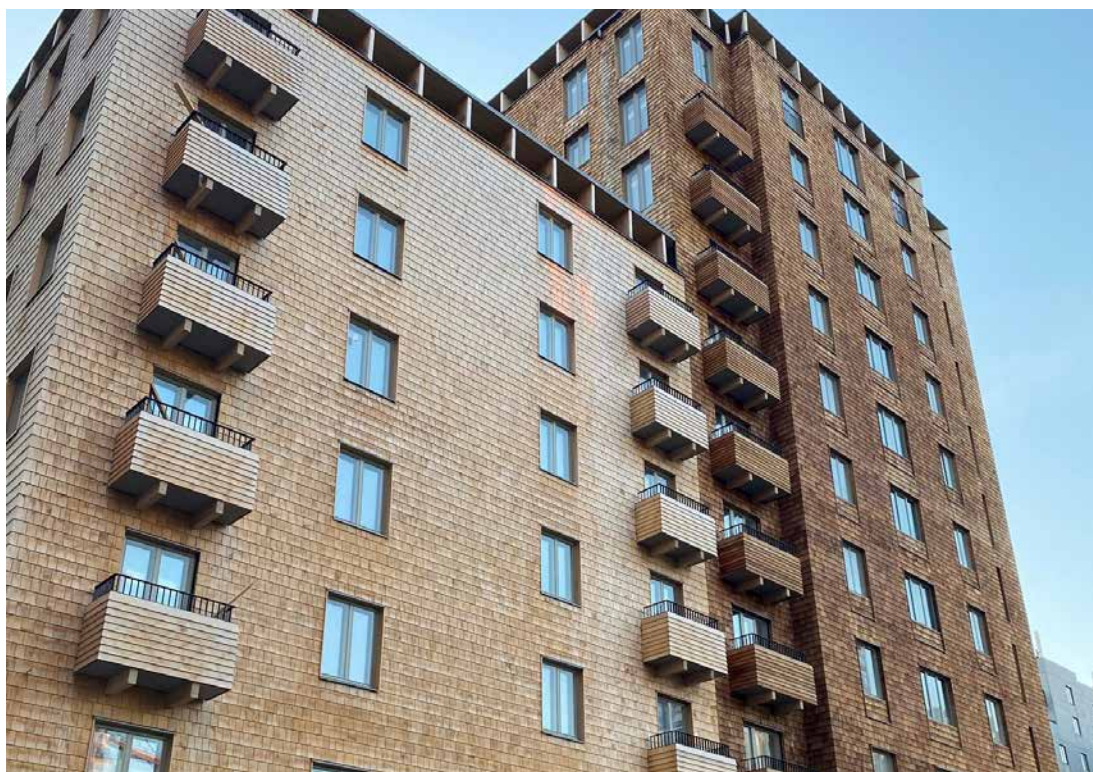
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78 open balconies in a building with security, simplicity and aesthetics in perfect balance.

Cederhusen in Stockholm will be the city's first large apartment building in solid wood and one of the world's largest wooden housing projects in an inner city environment. The project consists of four buildings on two blocks, with a total of 234 apartments and eight premises. The balconies come from Balco's subsidiary TBO-Haglinds, in a deal worth around SEK 2.5 million.

The unique project is built with a solid wood frame, with only the bottom two levels in concrete. All in all, it provides a secure and stable structure that takes into account the conditions of the site. Great emphasis is placed on creating aesthetically pleasing accommodation with materials that are positive for both health and the environment. When Cederhusen is completed in 2024, the buildings will reach as high as 13 storeys into the air, with stunning views over nearby parks.

Folkhem and Veidekke Entreprenad are building Cederhusen, and have chosen flexible balcony solutions from TBO-Haglinds to facilitate the sometimes complex construction project. In total, there are 78 open balconies of about 3.5 square metres. The structure is made of steel, which is then clad in cedar to harmonise with the characteristic architecture. Security, simplicity and aesthetics in perfect balance.



Customer project Lyshøjgård

An extensive renovation in Denmark

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The balconies will have a secure steel construction with hardwood floors complemented by a sinusoidal sheet metal railing.

The Lyshøjgård housing association in Copenhagen consists of 186 apartments and a total of 312 balconies. But ever since an inspection in 2015 revealed serious shortcomings, the balconies have been sealed off. With a long-awaited building permit in place, the renovation work will soon get underway in a deal worth around SEK 32 million.

This was not a one-off event for the association. Around Denmark, old concrete balconies have in recent years developed into safety hazards. In the most serious cases, parts have fallen down, causing damage to people and property. At government level, legal requirements for the inspection of old balconies built with a special fastening technique are being discussed, in order to avoid new accidents. In total, it is estimated that there are around 50,000 - 100,000 old balconies that have been installed using this specific fastening technique.

The extensive renovation work at Lyshøjgård is being carried out by Balco's Danish subsidiary, Balco Altaner A/S. The project has a timetable of around 18 months and is expected to last until autumn 2023. When completed, residents will once again be able to enjoy the sense of freedom that the balcony has to offer - now with a safe steel structure where the hardwood floor is complemented by a white sinusoidal metal railing.



Customer project Kägelbanan

Glazed balconies that increased usage

”

The balcony has become an extra room that can be furnished in a completely different way than a normal balcony.

When the tenant-owner association BRF Kägelbanan in Arvika was to renovate the property, Balco carried out a turnkey contract, which involved a complete solution with new glazed balconies and a repaired facade. Through close dialogue with the association, the project resulted not only in new, larger balconies, but also in an increased level of use.

"It turned out better than we imagined, I think! I am very happy with my new balcony because I can use it every day. I don't have to think about whether it's cold outside or raining, the balcony has become an extra room that can be furnished in a completely different way than a regular balcony," says Anna Johansson, treasurer of BRF Kägelbanan.

The new glazed balconies come from Balco's Twin range with sliding and folding shutters on their own rails. The association also ordered a lowered parapet, which provides larger gaps with greater views.

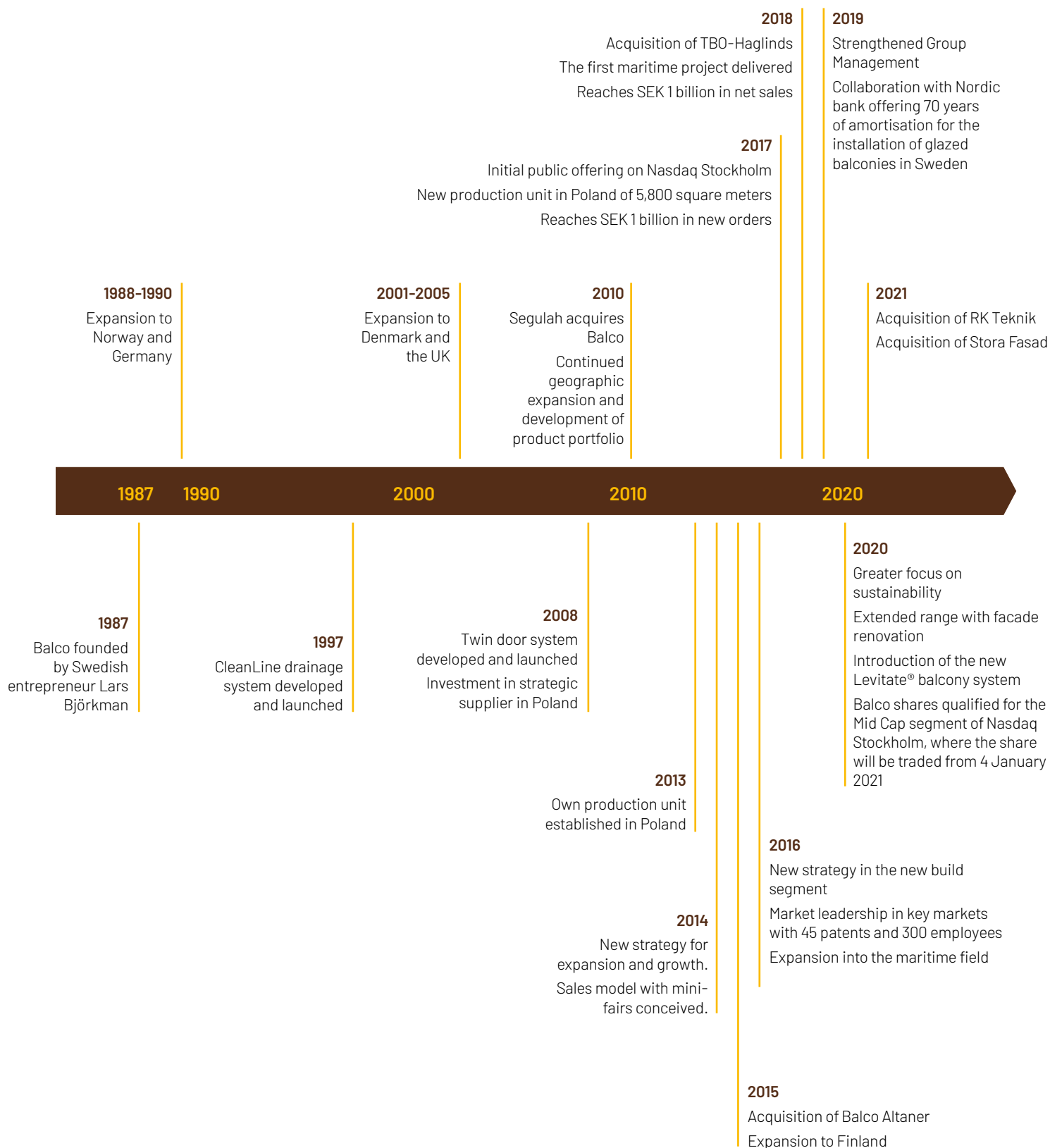
Members also had the opportunity to influence the design and choose between frosted or transparent glass on the lower part of the balcony. The entire renovation was easily financed through Balco's financing solution in cooperation with Danske Bank.

The residents of BRF Kägelbanan can look forward to using the balconies for many years to come. The durability of the products supplied by Balco is an important element and based on life cycle analyses and our experience, the residents of the property will be able to use the balconies for at least 90 years to come.





The Balco Group's journey of development



Administration report

The Board of Directors and the CEO of Balco Group AB, company registration number 556821-2319, hereby present the annual report and consolidated financial statements for the financial year 2021.

THE BUSINESS

Balco offers customised and innovative balcony solutions under own brands to housing associations, private property owners, public utilities and construction companies. The Group is currently the market leader in the Nordic region and holds a strong position in other Northern European markets. Since Balco was founded in 1987 in Växjö, Sweden, it has evolved from a local product-oriented supplier of balconies to a leading market-oriented supplier of customised balcony solutions. The parent company operates directly and through Swedish and foreign subsidiaries. In addition, the Group has a branch in Norway, Balco NUF (984997353).

Balco has expanded significantly in recent years in existing markets and by establishing itself in new countries, and now has sales offices in seven countries. The company has five wholly-owned production facilities in Sweden and Poland. Unique products, good delivery capacity and skilled employees are the core of Balco. The company has made significant investments and has the capacity for further growth. Balco offers a comprehensive range of products and solutions for the balcony market under its own brands with patented technical designs. The products are tailored to customers' specific needs and can be installed in both renovation and new build.

MARKET

Balco is active in the Northern European market for balcony solutions, with a strong focus on glazing, which is a niche market within the broader construction market. The balcony market includes mainly the renovation of existing balconies and the installation of new balconies on existing properties, but also the installation of balconies on new buildings. Balco's main markets are Sweden, Norway and Denmark.

In addition to its main markets, Balco is also active in Germany, the United Kingdom, the Netherlands and Finland, and has also made individual deals in Iceland, the Faroe Islands and Switzerland.

In a number of selective projects, Balco also develops, sells, manufactures and installs balconies for maritime applications on cruise ships. Balco has identified the maritime area as a market with a need for more suppliers, where Balco has knowledge that is applicable and has developed a patent on the floor construction.

The balcony market is divided into two market segments: renovation and new build, with the renovation segment accounting for 84 (91)% of Balco's net sales.

NET SALES AND OPERATING PROFIT

Group

Net sales in 2021 amounted to SEK 1,120 million (1,200). Growth through acquisitions was 10%, while organic growth was negative 17%. The timing of revenue generation is explained by the stage of the project cycle.

Gross profit for the year amounted to SEK 296 million (289), corresponding to a gross margin of 26.4% (24.1). In 2020, items affecting comparability of SEK 19 million were taken, so the adjusted gross margin was 25.7% in the previous year. The gross margin has strengthened despite lower occupancy in the production and project organisation. This is due to the fact that a large part of the net sales comes from high-margin markets. Cost of sales increased during the year to SEK 120 million (111), while administrative costs amounted to SEK 63 million (63). Total operating costs amounted to SEK 178 million (174). The increase in operating costs is explained by acquired companies and increased marketing activities and a Items affecting comparability of SEK 2 million among administrative expenses for acquisition costs.

Operating profit for the year amounted to SEK 118 million (115), corresponding to an operating margin of 10.5% (9.6). Adjusted for items affecting comparability, operating profit amounted to SEK 120 (135) million, corresponding to an adjusted operating margin of 10.7% (11.2).

Renovation

The renovation segment includes the replacement and extension of existing balconies and the installation of new balconies on apartment buildings without balconies. The majority of Balco's net sales in the area consists of glazed balconies for housing associations.

Net sales decreased by 14% during the year to SEK 946 million (1,096). The segment accounted for 84% of Balco's total net sales.

Operating profit amounted to SEK 106 million (114), corresponding to an operating margin of 11.2% (10.4).

New build

The new build segment includes the installation of balconies in the construction of new apartment buildings and balcony solutions in maritime applications. In the new build segment, Balco offers its entire product range. The largest product areas are glazing and open balconies.

Net sales amounted to SEK 174 million (104). The segment accounted for 16% of Balco's total net sales.

Operating profit improved to SEK 14 million (7), corresponding to an operating margin of 8.1% (6.5).

ACQUISITIONS

Balco is a growth company in the balcony sector. The aim is for the company to grow primarily organically through its own efforts, but acquisitions are also interesting if they help to strengthen Balco's competitiveness or can accelerate the pace of establishment in a market. During the year, Stora Fasad AB and RK Teknik i Gusum AB were acquired. Stora Fasad brings expertise in the facade area and will strengthen the group's activities in turnkey contracting for balcony and facade renovation. RK Teknik strengthens and complements Balco Group's product range and customer offerings, including City Balconies which will be introduced on the Swedish market, a product segment that has so far only been sold in Denmark.

RESEARCH AND DEVELOPMENT

Balco has a tradition of proprietary products and continuously invests in product development, which is one of Balco's key strategic advantages. The company has a proven ability to develop new innovative and technical solutions. The product development department is constantly working to improve existing products and to develop new ones. The department is also involved in the development of customised balcony solutions and has the capacity to develop products for new segments where Balco sees great potential. Examples of new products that Balco has launched in recent years are maritime balconies, Twin View, Alu-One and Levitate. Balco had eight full-time employees in its product development department at the end of the financial year and product development costs amounted to SEK 10 million (10). The company had 57 product patents (62) as of 31 December 2021.

DEPRECIATION AND EBITDA

Depreciation in 2021 amounted to SEK 38 million (38), of which SEK 19 million (19) is depreciation from leasing. Earnings before interest, taxes, depreciation and amortisation, EBITDA, amounted to SEK 156 million (153), corresponding to an EBITDA margin of 13.9% (12.7). Adjusted for items affecting comparability, EBITDA amounted to SEK 157 (172) million, corresponding to an adjusted EBITDA margin of 14.0 (14.4)%.

FINANCIAL COSTS

The Group's financial expenses amounted to SEK 7 million (10), of which SEK 1.5 million (1.7) are interest expenses from leasing.

TAX, PROFIT FOR THE YEAR AND EARNINGS PER SHARE

The tax charge amounted to SEK 21 million (28), corresponding to an effective tax rate of 19.2% (26.6). Profit after tax for the year amounted to SEK 90 million (78), corresponding to earnings per share of SEK 4.12 (3.58).

CURRENCY FLUCTUATIONS

Balco's Group reporting currency is Swedish kronor (SEK), but the Group's income and expenses are usually reported in the local currencies of the countries where Balco operates. As a result, Balco's results and financial position are exposed to foreign exchange risks that affect the Group's income statement and

balance sheet. Currency exposure includes both transactional and translational exposure. Balco is mainly exposed to movements in NOK, EUR, DKK, PLN and GBP against SEK. Currency fluctuations have a minor impact on the company's net sales and profitability as Balco reduces currency exposures in transactions and currency hedges its ongoing transaction exposure in projects to the extent that currency balance cannot otherwise be achieved.

SEASONAL VARIATIONS

Balco's net sales and results are partly influenced by the timing of ordering, seasonal variations and the fact that the season for meetings in housing associations normally falls in the second and fourth quarters. Furthermore, the Group is positively affected by months with many working days and a lack of holidays, and somewhat negatively by weather factors where winters with significant snowfall mean increased costs. The Group's strongest quarter is normally the second quarter.

BALANCE SHEET AND FINANCIAL POSITION

Balco's balance sheet total increased by 2% in 2021 to SEK 1,246 million (1,223). The increase is mainly explained by the acquisitions of the companies Stora Fasad and RK Teknik.

During the year, the banking agreement with Danske Bank was extended until 12 October 2024. The agreement includes an extended sustainability-linked revolving credit facility (RCF) of SEK 510 million and an overdraft facility of SEK 75 million.

Fixed assets

The Group's fixed assets, consisting of intangible assets, tangible fixed assets and financial fixed assets, increased during the year and amounted to SEK 750 million (624). The largest fixed asset item, 60%, is goodwill of SEK 448 million (401).

Current assets

Of the current assets, trade receivables and contract assets are the single largest items. During the year, trade receivables decreased by 12% to SEK 154 million (175), while contract assets increased by 5% to SEK 137 million (130). Cash and cash equivalents amounted to SEK 117 million (214).

Investments

Balco's investments consist of investments in tangible fixed assets in the form of machinery, equipment and other technical facilities. Investments in intangible assets relate primarily to goodwill, trademarks and licences. The Group's total investments in 2021 amounted to SEK 102 million (14), of which SEK 10 million (14) were replacement investments, SEK 7 million (0) were expansion investments and SEK 85 million (0) were acquisitions of shares in subsidiaries.

Equity and liabilities

At the end of December 2021, equity amounted to SEK 692 million (599). Balco's net interest-bearing debt at year-end amounted to SEK 97 million (45). Net debt to adjusted EBITDA was 0.6 (0.3), which is within the Group's target of not exceeding 2.5 times adjusted operating profit before depreciation and amortisation (adjusted EBITDA), other than temporarily.

NUMBER OF SHARES

The number of shares amounts to 21,909,348 and each share has a quota value of SEK 6.0002. Balco has one class of shares and each share has the same voting value and entitlement to dividends. The issued shares are freely transferable without any restrictions imposed by law or by Balco's articles of association. Balco is not aware of any agreements between shareholders that may result in restrictions on the right to transfer shares in the company.

The Annual General Meeting of Balco on 25 May 2021 resolved to authorise the Board of Directors to decide on an issue, with or without preferential rights for the shareholders, to be paid in cash, in kind or by set-off, of shares or warrants or convertibles in respect of such shares, entailing an increase or potential increase in the company's share capital by a maximum of ten (10)% or a maximum of 2,190,934 shares. The Annual General Meeting of Balco further resolved to authorise the Board of Directors to resolve to acquire so many of the company's own shares that the company's holding at any time does not exceed one tenth of all shares in the company, and to authorise the Board of Directors to resolve to transfer own shares.

TRADING AND MARKET CAPITALISATION

The Balco share has been traded on Nasdaq Stockholm's Mid Cap list since 4 January 2021. In 2021, a total of more than 10.5 million shares were traded at a value of SEK 1,154 million. The average daily turnover in 2021 was SEK 4.6 million. All trading in the shares took place on Nasdaq Stockholm. Market capitalisation at the end of the year was SEK 3.0 billion.

SHARE PERFORMANCE IN 2021

In 2021, share value increased by 44% to close the year at a share price of SEK 137.60. This year's highest bid price was recorded on 24 September at SEK 144.80 and the lowest price was 77.10 on 26 February.

CASH FLOW

The Group's cash flow from operating activities amounted to SEK 63 million (112), with the deterioration coming mainly from increased working capital.

Changes in working capital

Working capital increased during the year by SEK 44 million, mainly due to increased inventories and capital tied up in ongoing projects.

At the end of the year, the net capital commitment in ongoing projects amounted to SEK 69 million (48).

Cash flow from investing activities

Cash flow from investing activities amounted to SEK -102 million (-14), of which SEK -10 million (-14) were replacement investments, SEK -7 million (0) expansion investments and SEK -85 million (0) acquisitions of shares in subsidiaries.

Cash flow from financing activities

Cash flow from financing activities amounted to SEK -58 million (-2) and relates mainly to repayment of loans.

EMPLOYEES

As of 31 December 2021, Balco had 467 (428) full-time employees, an increase of 9% compared to the previous year. The increase in personnel is mainly due to the acquisitions of Stora Fasad and RK Teknik.

Gender equality is part of diversity work

Balco's long-term goal is to achieve a more equal gender distribution among its employees. In 2021, the breakdown was 13% (14) women and 87% (86) men. The sickness absence rate was 3.5% (3.2) in 2021 due to increased short-term sickness absence linked to Covid-19. Balco also strives for low staff turnover. The short-term objective is to keep staff turnover below 6%. In 2021, the staff turnover rate was 8.3% (5.8).

GUIDELINES FOR REMUNERATION TO SENIOR EXECUTIVES

For a detailed description of the current guidelines on remuneration and other terms of employment for the CEO and other senior executives, please refer to the section on the share, to the Corporate Governance Report and to note 8.

LONG-TERM INCENTIVE PLANS

At an Extraordinary General Meeting held on 24 November 2020, it was decided to introduce a new three-year incentive programme aimed at the company's senior executives and other key employees, totalling 25 employees. The incentive programme comprises a maximum of 400,000 share warrants, entitling the holder to subscribe for a maximum of the corresponding number of shares. Balco's total cost for the incentive programme over its full term is expected to be approximately SEK 4 million. The programme involves a dilution corresponding to approximately 1.8% of the company's total number of shares. The senior executives of Balco have acquired 236,000 share warrants with a total value of SEK 2,673,880.

At the Annual General Meeting held on 25 May 2021, it was resolved to introduce a three-year incentive programme aimed at the company's senior executives and other key employees, totalling 11 employees. The incentive programme comprises a maximum of 200,000 share warrants, entitling the holder to subscribe for a maximum of the corresponding number of shares. Balco's total cost for the incentive programme over its full term is expected to be approximately SEK 2 million. The programme involves a dilution corresponding to approximately 0.9% of the company's total number of shares. The senior executives of Balco have acquired 136,498 share warrants with a total value of SEK 1,325,396.

The purpose of the incentive programme is to encourage broad share ownership among the company's key employees, facilitate recruitment, retain skilled and talented employees, increase the alignment of interest between key employees and the company's objectives, and increase motivation to achieve or exceed the company's financial targets.

GROUP TRANSACTIONS WITH RELATED PARTIES

The Group's key personnel consists of the Board of Directors, the CEO and Group Management, partly through their ownership of Balco and partly through their role as senior executives. Related

parties also include the company's largest shareholders, the Hamrin family, represented on the Board by Carl-Mikael Lindholm, and Skandrenting, represented on the Board by Johannes Nyberg. Transactions with related parties are conducted on an arm's length basis. For further information, see note 38.

ENVIRONMENT, SUSTAINABILITY AND SOCIAL RESPONSIBILITY

Balco does not conduct any activities requiring a permit under the Environmental Code (1998:808). However, there is a notification requirement for some of the activities. The notification requirement is based on powder coating, workshop area and casting of concrete slabs. The obligation to notify is thus only related to the Group's production activities, which represent approximately 30% of Balco's total net sales.

Balco's environmental work is an integral part of the company and permeates the entire operation. Balco has implemented initiatives to minimise the company's environmental impact and is consistently working to reduce it. Balco believes it is at the forefront of the development of balconies that are both environmentally friendly and energy efficient, with products that reduce energy consumption. In addition, Balco manufactures all balconies in modules to minimise unnecessary transport. Balco is environmentally certified in accordance with ISO 14001 and quality certified in accordance with ISO 9001, and is actively working to reduce waste and energy consumption by streamlining production in the company's production units and increasing the recycling of materials and production waste that cannot be reduced or avoided. Balco also trains and informs its employees about environmental, health and safety issues and involves them in the continuous improvement process. Balco's purchasing organisation strives to ensure that suppliers comply with the company's Code of Conduct and accept their environmental responsibilities. Balco requires all suppliers to comply with the environmental laws and regulations applicable in each country.

Sustainability issues are important to Balco. This is reflected in Balco's active pursuit of safe and reliable products, a healthy working environment and ethical behaviour both internally and through its business partners. Balco's sustainability work is also expressed through the company's Code of Conduct, which sets out the company's social, ethical and environmental rules. The Code of Conduct also includes rules on human rights, non-discrimination and health and safety. The content of the Code of Conduct is included as a presentation and discussion point during the induction of each new employee. For further information, please refer to Balco's Sustainability Report available on the Balco Group website <https://balcogroup.se>.

PARENT COMPANY

The parent company is based in Växjö and operates directly and indirectly through 15 Swedish and foreign subsidiaries. The activities of the parent company are mainly focused on strategic development, financial management, corporate governance issues, board work and banking relations. The Group's CEO, CFO and Business Development Manager are employed by the parent company. Operating profit for the year was SEK 3 million (-3). The parent company's equity ratio was 49% (27).

EVENTS AFTER THE BALANCE SHEET DATE

Balco Group presented its new financial targets on 10 January 2022.

On 9 February 2022, Balco launched a unique new product segment to solve the problem of overcrowding - "Balco Living".

PROSPECTS FOR THE COMING YEAR

Balco does not provide any financial projections for its future performance. The Group's financial targets are set out on pages 12-13. Balco has a strong position in a fragmented and attractive growing European balcony market. According to a market study by Arthur D. Little, the value of the total Northern European balcony market is estimated to be worth around SEK 36 billion in 2021. Balco is one of the few complete balcony suppliers on the market that has the ability to provide customised balcony solutions.

DIVIDEND

The Board of Directors has adopted a dividend policy whereby 30-50% of profit after tax is distributed. For the financial year 2021, the Board of Directors has proposed a dividend of SEK 2.00 per share (0), divided into two payments, 1.00 SEK per share in May 2022 and 1.00 SEK per share in November 2022 corresponding to approximately 49% (0) of the Group's profit after tax. Based on 21,909,348 shares, the dividend amounts to SEK 43.8 million (0). Calculated on the last paid price on 30 December 2021, SEK 137.60, the dividend proposal implies a dividend yield of 1.5% (0).

APPROPRIATION OF PROFIT

The Board of Directors proposes that the parent company's and the Group's income statements and balance sheets be submitted to the Annual General Meeting on 24 May 2022 for adoption. The Board of Directors proposes to the Annual General Meeting that a dividend of SEK 2.00 per share be declared for the financial year 2021 divided into two payments, 1.00 SEK per share in May 2022 and 1.00 SEK per share in November 2022.

The Board considers that the proposal is in line with the precautionary rule in Chapter 17 Section 3 of the Companies Act as follows: The Board of Directors is of the opinion that the appropriation of profits is justified in view of the nature, scope and risk of the business, the size of the company's and the Group's equity capital and the company's and the Group's consolidation requirements, liquidity and status in general.

At the disposal of the Annual General Meeting, SEK:

Retained earnings	284,679,204
Profit for the year	52,398,521
Total	337,077,726

The Board of Directors proposes that profits be distributed as follows:

To shareholders in the form of a dividend, SEK 2/ share	43,818,696
Profits to be balanced in new account	293,259,029
Total	337,077,726

Risks and risk management

Exposure to and management of risk is a natural part of doing business. The focus is on identifying risks, preventing risks from occurring and preparing action plans to mitigate any damage these risks may cause. The risks can be divided into industry and market risks, operational risks, financial risks and regulatory risks. Risks, even if prevented, may have a negative impact on operations.

RISKS

A risk is defined as the uncertainty that an event will occur that may affect the company's ability to achieve its objectives. Risks are a natural part of any business and must be managed effectively. Risk management aims to prevent, mitigate and limit risks from adversely affecting the business.

Balco carries out an annual overall risk assessment in which Balco identifies and assesses risks that threaten the achievement of Balco's objectives. Balco defines a risk as a possible future event that threatens the organisation's ability to achieve its objectives.

Identified risks are assessed based on the following two criteria:

- ✓ The probability that the risk will occur
- ✓ Consequences for Balco if the risk were to occur

RISK MANAGEMENT

Balco's management has identified possible events that could have an impact on the company's operations. The events have been evaluated and reduced to a net list of what are considered to be the most relevant risks. The risks have been graded according to low, medium and high probability of occurrence and subsequent impact if the risk were to occur. In order to manage and counteract identified risks, a number of control activities (risk mitigation measures) have been defined. For each identified risk, there are activities to counter, limit, control and manage the risk.

An evaluation of the effectiveness of the control activities shall be carried out annually. Balco has a Group-wide monitoring process where the effectiveness of controls is evaluated and reported to the CFO of Balco. The CFO is responsible for presenting the results of the evaluation to the Audit Committee and the Board.

OVERALL RISK AREAS

The Group's activities expose it to various types of risk. The risks can be grouped into four different risk categories:

- ✓ Industry and market-related risks
- ✓ Operational risks
- ✓ Financial risks
- ✓ Regulatory risks

INDUSTRY AND MARKET-RELATED RISKS

Industry and market-related risks refer to external factors, events and changes in the markets in which Balco operates that may have an impact on the ability to achieve the company's stated objectives.

Industry and market-related risks include changes in demand due to a weaker economy or other macroeconomic changes, a change in the price of raw materials that are central to Balco's production, and a change in competition or pricing pressure.

Risks

Cyclical effects and other macroeconomic factors

Balco's activities are affected by the general financial and political situation in the world, as well as by other serious changes in the world due to natural disasters, epidemics/pandemics, wars, migration, etc.. The company is mainly affected by events affecting the Nordic markets and other countries where the Group operates. A downturn in the economy, political changes and other serious changes in the world may create unrest in the markets in which the company operates and thus affect demand for its products.

Risk management: Balco is active in the market for balcony solutions, which is a niche market within the construction market. Balco is mainly active in the renovation segment, which is driven more by the existing need to renovate than the more cyclical new build segment. Balco operates on a project basis. Every year, we handle a wide range of projects of different sizes and in different markets. The dependence on a single customer is therefore small.

Commodity prices

Balco's profitability is affected by the development of raw material prices for aluminium, steel, glass and concrete. Changes in commodity prices may affect the performance of individual projects.

Risk management: Balco hedges material costs on an ongoing and annual basis based on future needs. The company's project activity means that each project is an individual price negotiation. Long lead times and the fact that each project is unique mean that indexed price adjustments, to deal with changing commodity prices, may be required.

Competition and price pressure

The competitive landscape varies across geographic markets and product segments. Balco's main competitors are concrete renovators and other balcony suppliers. Increased competition may have a negative impact on operations and results.

Risk management: Balco competes mainly with concrete renovators that are not niche players in the balcony renovation market. Balco's local presence and the company's business model of helping the customer throughout the process means that Balco contributes significantly to the creation of its own market. Balco currently has a niche portfolio of products that are at the forefront of innovation and technology, which creates a competitive advantage.

Industry and market-related risks

	Risk level	
	Probability	Consequence
Cyclical and other macroeconomic factors		
Changes in the economy and other macroeconomic factors affecting Balco's operations	Medium	Medium
Serious global changes such as natural disasters, epidemics, pandemics, wars and migration can lead to injuries, business interruption and increased costs.	High	High
Commodity prices		
Impact of changing commodity prices	High	Low
Competition and price pressure		
A change in the competitive situation and thus a change in the price picture on the market	Low	Medium

Operational risks

	Risk level	
	Probability	Consequence
Suppliers and subcontractors		
Risk of changes in the situation of suppliers and subcontractors affecting Balco	Medium	Medium
Project activities		
Balco's risk of individual projects developing unfavourably	High	Low
New markets		
Risk that unique requirements and new market conditions will lead to higher costs than estimated	Low	Low
Disruptions		
Risk that operations may be affected by disruptions such as fire, IT, sabotage or machine breakdown	Medium	Medium
Recruitment		
Risk that Balco fails to attract, recruit and retain competent employees	Low	Medium
Product development and production capacity		
Risk in the company's ability to continue to develop quality products and secure future production capacity	Low	Medium

OPERATIONAL RISKS

Business-related risks relate to the day-to-day operations, and the ability to meet commitments to customers. Risks can often be managed through internal control activities such as preventive and/or monitoring controls.

Examples of business-related risks include Balco's ability to develop and sell new innovative products and solutions, the Group's ability to attract and retain qualified employees, and Balco's profitability being dependent on the performance of individual projects, i.e. the Group's ability to predict, calculate and deliver projects within set financial calculations.

Risks

Suppliers and subcontractors

Balco depends on its suppliers and subcontractors to produce, design and deliver a final product. The company has most of its production in-house and its products consist of components and raw materials from a variety of suppliers.

Risk management: Balco has identified its strategic suppliers and subcontractors and ensured that alternatives are available.

Project activities

Balco's profitability depends on the performance of individual projects. The calculations and plans produced at the start of projects, and updated on an ongoing basis, are the basis for the timing of net sales and results.

Risk management: Balco has a well-proven profit earning model and there is a clear process and routine for how projects are costed and monitored.

New markets

Balco is exposed to the risk that project activities in new markets become too costly and resource-intensive. New markets entail different legal requirements, not least with regard to health and safety at work, building requirements and fire safety.

Risk management: Balco draws on local expertise in new markets to ensure that local regulations and requirements are met.

Disruptions

Balco's operations consist of many processes where a disruption such as fire, sabotage, machine breakdown and IT system failure can have an impact on the company's ability to meet its commitments to customers and thus negatively affect profitability.

Risk management: Balco has identified and secured IT capacity for existing production capacity. A review of mission-critical systems is conducted annually.

Recruitment

For Balco, as a growth company, it is of great importance to be able to attract and retain qualified employees and key personnel.

Risk management: The Group strives to be an attractive employer offering a competitive package in terms of compensation and benefits, but also by creating a culture that our employees want to progress in and be part of. Balco is active in the market to attract staff and pursues an active human resources policy.

Product development and production capacity

Balco's earnings and competitiveness depend on its ability to develop and sell new innovative products and solutions. The company is investing significant resources in further developing its existing product portfolio. As the company's products are manufactured in its own production units, Balco is dependent on good planning. To ensure future growth in a satisfactory manner, Balco needs to be 6 to 12 months ahead in planning production capacity.

Risk management: Balco operates on a project basis, which means that it has good foresight and visibility in terms of production and delivery needs. The company continuously monitors all projects, deliveries and production orders. As the lead times within the company's projects are relatively long, good forward planning is possible. Balco also owns land that will allow further expansion.

FINANCIAL RISKS

The Group's activities expose it to financial risks such as funding risk, liquidity risk, credit risk, interest rate risk and currency risk. The Group's financial policy provides a framework of guidelines and rules as well as risk mandates and limits. Responsibility for the Group's financial operations and risks is managed by the CFO in consultation with the CEO and the Board. The aim is to ensure cost-effective financing and to minimise negative effects on the Group's results due to market changes.

Risks

Currency risks

Balco is affected by currency risks which can be divided into transactional and translational exposures. Transaction exposure arises when a sale or purchase price is quoted in a foreign currency. Balco is mainly exposed to movements in EUR, NOK, DKK, PLN and GBP against SEK. The translation exposure arises when subsidiaries' balance sheets and income statements are translated from local currency into SEK.

Financial risks

	Risk level	
	Probability	Consequence
Currency risks		
Risks that changes in exchange rates may adversely affect the Group's financial performance	Medium	Low
Financing and liquidity risks		
The risk that Balco will not be able to finance the Group's activities	Low	Medium
Interest rate risks		
Refers to the risks of negative impact on the Group's cash flow and results due to changes in market interest rates	Medium	Low
Credit risks		
Estimated losses on trade receivables	Low	Low

Risk management: Transaction exposure is managed mainly through natural hedges, which means that payments are made in the same currency as cash flows from receipts. Balco also manages risks through currency hedging in accordance with its financial policy.

Funding and liquidity risks

There is a risk that the company's financing options may become more difficult or costly. Although the company's financial position is currently good, it may need access to additional financing. Balco is engaged in project activities in which net sales, results and liquidity are affected by building permits within the projects.

Risk management: The Group has a good forward planning of its projects, which provides relatively good visibility and enables planning. The company strives to have good liquidity, which is regulated by the company's financial policy with established liquidity targets.

Interest rate risks

Balco is exposed to interest rate fluctuations in its debt financing. The company has a relatively low level of debt.

Risk management: The risk is managed through future leverage targets. Existing loan structure implies low exposure.

Credit risks

Balco's credit risk is limited. The cases where credit risks may arise are in the event of insolvency or default of the company's customers.

Risk management: Balco's customers consist largely of housing associations, property owners and construction companies. A review of the customers' finances is carried out before the start of a project to ensure the financial stability of the counterparty. The projects have a forward payment plan, supplemented in specific cases by credit insurance.

REGULATORY RISKS

Regulatory risks relate to the ability of the business to manage the impact of new legislation and regulation, as well as to manage unforeseen litigation or other legal or contractual uncertainties.

Risks**Intellectual property rights**

Balco invests significant resources in product development and in protecting its innovations through patents. If Balco fails to protect and maintain its intellectual property rights, there would be a risk that others could copy its products, which could have a negative impact on its business, net sales and results.

Risk management: A significant part of Balco's products and their functions are protected by patents. As products are developed, the company's patents are renewed and strengthened.

Political decisions, legislation and regulation

Political decisions can affect the demand for Balco's products both positively and negatively. Policy decisions include changes in legislation, enforcement of existing laws and regulations, and future subsidies and taxation in housing and housing construction.

Risk management: Balco continuously follows and monitors the discussions and changes in terms of political decisions, changing legislation and regulation. The company's business model is set up so that the process takes into account the laws and regulations specific to each market.

Disputes and legal proceedings

Balco may from time to time become involved in disputes and be subject to claims relating to contractual issues, delays, alleged defects, environmental issues, etc.

Risk management: Balco mainly has written contracts with its customers and its subcontractors. Any disagreements will be resolved as far as possible and commercially justifiable by mutual agreement during the course of the project.

Changed accounting rules

Balco is affected by accounting rules that change and evolve from time to time. The company's accounting, financial reporting and internal control may be affected by, and need to be adapted to, changes in regulations in the future.

Risk management: Balco's employees receive ongoing training, keep up to date and develop their skills with regard to current regulations and new developments in the field. Cooperation takes place with the company's auditors.

Regulatory risks

	Risk level	
	Probability	Consequence
Intellectual property rights		
The risk that Balco fails to protect and maintain its intellectual property rights and thus its product innovation	Low	Medium
Political decisions, legislation and regulation		
Changes in political decisions, legislation and regulation that may affect the demand for Balco's products.	High	High
Disputes and legal proceedings		
The risk that Balco may be affected by legal disputes and litigation	Low	Low
Changed accounting rules		
The risk that Balco's accounting and thus its financial position and results may be adversely affected by changes in accounting rules	Low	Low



Share and shareholders

The stock market has been positive during the year, with the Stockholm Stock Exchange index rising by 35%. Balco's share price performed even stronger, rising by 44% during the year, with a 2021 closing price of 137.60. In meetings with the various market players, we continue to highlight Balco's unique position in the fragmented niche market for balcony solutions, our sustainability work at all levels and the positive sustainability impacts of our products.

Trading and market capitalisation

The Balco share has been traded on Nasdaq Stockholm's Mid Cap list since 4 January 2021. During the year, 10.5 million shares were traded with a total value of SEK 1,154 million. The average daily turnover during the year was SEK 4.6 million. All trading in the shares took place on Nasdaq Stockholm. Market capitalisation at the end of the year was SEK 3.0 billion.

Share performance in 2021

During the year, the share price has been volatile, closing the year at a share price of SEK 137.60, 44% higher than the previous year. This year's highest paid price was recorded on 24 September at SEK 144.80 and the lowest at SEK 77.10 on 26 February.

Share capital

As of 31 December 2021, the number of shares in Balco amounted to 21,909,348. Balco has one class of shares and each share has the same voting value and entitlement to dividends. One share has a quotient value of SEK 6.0002 and the share capital thus amounts to SEK 131,461,248.

Ownership structure

The number of shareholders in Balco at the end of the year was 5,101, a decrease of 422 during the year. Shareholding in Sweden amounted to 89.3%. Of the total foreign shareholding of 10.7%, shareholders in the UK accounted for 4.2%, shareholders in Luxembourg

for 2.8% and France for 2.7%. Swedish ownership was dominated by financial companies with 30.8% of the capital, while Swedish companies owned 43.8% and Swedish social security funds owned 5.9%. Balco's ten largest shareholders owned 75.0% of the company. Members of the Board of Directors of Balco held a total of 73,900 shares in Balco, while the company's management held 261,950 shares. In total, the holdings of the Board of Directors and management represented 1.5% of the number of outstanding shares. The main owner is the Hamrin family with 27.7% ownership.

Dividend and dividend policy

Balco's dividend policy states that the company should distribute 30-50% of its profit after tax, provided that it does not jeopardise Balco's long-term development. The Board of Directors has proposed to the Annual General Meeting a dividend for the financial year 2021 of SEK 2.00 per share divided into two payments, 1.00 SEK per share in May 2022 and 1.00 SEK per share in November 2022 corresponding to approximately 49% of the net profit for the year.

Share-related incentive schemes

At an Extraordinary General Meeting held on 24 November 2020, it was decided to introduce a new three-year incentive programme aimed at the company's senior executives and other key employees, totalling 25 employees. The incentive programme comprises a maximum of 400,000 share warrants,

Closing price 30/12 2021

137.60
SEKMarket capitalisation
31/12 2021**3.0**
billionNumber of shareholders
31/12 2021**5,101**

entitling the holder to subscribe for a maximum of the corresponding number of shares. Balco's total cost for the incentive programme over its full term is expected to be approximately SEK 4 million. The programme involves a dilution corresponding to approximately 1.8% of the company's total number of shares. The senior executives of Balco have acquired 236,000 share warrants with a total value of SEK 2,673,880.

At the Annual General Meeting held on 25 May 2021, it was resolved to introduce a three-year incentive programme aimed at the company's senior executives and other key employees, totalling 11 employees. The incentive programme comprises a maximum of 200,000 share warrants, entitling the holder to subscribe for a maximum of the corresponding number of shares. Balco's total cost for the incentive programme over its full term is expected to be approximately SEK 2 million. The programme involves a dilution corresponding to approximately 0.9% of the company's total number of shares. The senior executives of Balco have acquired 136,498 share warrants with a total value of SEK 1,325,396.

The purpose of the incentive programme is to encourage broad share ownership among the company's key employees, facilitate recruitment, retain skilled and talented employees, increase the alignment of interest between key employees and the company's objectives, and increase motivation to achieve or exceed the company's financial targets.

SHARE PRICE MOVEMENT 2021



SHAREHOLDER STRUCTURE AS AT 31 DECEMBER 2021

Number of shares	Number of shareholders	% of shareholders	Number shares	% of shares
1-500	4,428	86.8	429,250	2.0
501-1,000	324	6.4	262,943	1.2
1,001-5,000	246	4.8	537,252	2.5
5,001-10,000	34	0.7	249,562	1.1
10,001-15,000	10	0.2	120,368	0.5
15,001-20,000	4	0.1	72,701	0.3
20,001-	55	1.1	20,237,272	92.4
Total	5,101	100.00	21,909,348	100.00

THE TEN LARGEST SHAREHOLDERS AT 31 DECEMBER 2021

Shareholder	Number of shares	% of shares
The Hamrin family	6,062,027	27.7
Skandrenting, AB	2,300,000	10.5
Swedbank Robur Fonder	2,000,000	9.1
Lannebo Fonder	1,701,519	7.8
Third AP Fund	1,295,000	5.9
Länsförsäkringar Fondförvaltning AB	1,050,168	4.8
Tuna Holding AB	742,344	3.4
Bfcm P/C Bfcm Sweden Retail Lt	460,000	2.1
Pension, Futur	418,231	1.9
Clearstream Banking S.a., W8IMY	400,710	1.8
Total	16,429,999	75.0

Multi-year overview

Amount in SEK million	2021	2020	2019	2018
Condensed consolidated income statement				
Net sales	1,120.5	1,200.0	1,220.6	1,058.1
Gross profit	296.3	289.4	300.0	253.8
Operating profit before depreciation and amortisation (EBITDA)	155.6	153.0	176.9	125.9
Operating profit (EBIT)	118.0	115.4	140.4	105.6
Profit before tax	111.6	105.7	131.7	99.5
Profit for the year (attributable to equity holders of the parent)	90.2	77.6	102.8	76.8
Consolidated balance sheet, summary				
Assets				
Goodwill	448.0	400.9	401.2	401.1
Other fixed assets	301.8	222.8	245.9	248.7
Trade receivables	153.5	175.3	135.5	161.6
Contract assets	136.7	130.3	149.2	116.9
Other current assets	205.5	293.9	174.1	134.9
Total assets	1,245.6	1,223.3	1,105.9	1,063.2
Equity and liabilities in summary				
Equity	692.0	598.6	514.5	440.5
Non-current liabilities	254.9	248.5	313.7	319.1
Current liabilities	298.7	376.2	277.6	303.6
Total equity and liabilities	1,245.6	1,223.3	1,105.9	1,063.2
Group cash flow summary				
Cash flow from operating activities	62.5	111.7	97.2	28.0
Cash flow from investing activities	-102.1	-14.3	-10.9	-93.6
Cash flow from financing activities	-57.5	-1.4	-53.8	46.1
Cash flow for the year	-97.1	96.1	32.5	-19.5

Conversion of previous years (2018) for IFRS 16 has not been made.

Amount in SEK million	2021	2020	2019	2018
Parent company				
Net sales	23.3	20.0	14.8	15.2
Operating profit	2.8	-3.0	-2.7	3.7
Profit before tax	66.0	161.6	4.3	1.0
Total assets	947.3	1,555.2	522.2	466.7
Equity ratio %	49.5	26.6	52.8	64.8

Key figures

1 January – 31 December

Amount in SEK million (unless otherwise stated)	2021	2020	2019	2018
Net sales, order intake and order backlog				
Net sales	1,120.5	1,200.0	1,220.6	1,058.1
Change in net sales(%)	-6.6	-1.7	15.4	7.0
Order intake	1,558.3	932.7	1,349.1	1,003.1
Change in new orders(%)	67.1	-30.9	34.5	-9.9
Order backlog	1,557.0	1,086.6	1,522.4	1,203.5
Change in order backlog(%)	43.3	-28.6	26.5	-2.8
Performance measures				
Gross profit	296.3	289.4	300.0	253.8
Gross margin(%)	26.4	24.1	24.6	24.0
Operating profit before depreciation and amortisation (EBITDA)	155.6	153.0	176.9	125.9
EBITDA margin(%)	13.9	12.7	14.5	11.9
Operating profit	118.0	115.4	140.4	105.6
Operating margin(%)	10.5	9.6	11.5	10.0
Adjusted EBITDA	157.1	172.4	176.9	140.4
Adjusted EBITDA margin(%)	14.0	14.4	14.5	13.3
Adjusted operating profit	119.5	134.8	140.4	120.2
Adjusted operating margin(%)	10.7	11.2	11.5	11.4
Cash flow				
Operating cash flow	96.0	196.5	133.9	49.9
Operative cash conversion (%)	61.1	114.0	75.7	35.6
Capital structure				
Capital employed, average	716.4	660.2	655.8	555.8
Capital employed excluding goodwill, average	292.0	259.1	254.7	169.2
Equity, average	645.3	556.6	477.5	413.4
Net interest-bearing debt	97.0	45.2	161.9	194.7
Net interest-bearing debt / adjusted EBITDA R12 (ave.)	0.6	0.3	0.9	1.4
Return measurement				
Return on capital employed R12(%)	16.7	20.4	21.4	21.6
Return on capital employed excl. goodwill R12(%)	40.9	52.0	55.1	71.0
Return on equity R12(%)	14.0	13.9	21.5	19.0
Equity ratio(%)	55.6	48.9	46.5	41.4
Other				
Average number of shares at year-end, thousands	21,909.3	21,909.3	21,461.2	21,428.8
Earnings per share before dilution	4.12	3.58	4.81	3.67
Diluted earnings per share	4.01	3.51	4.76	3.67
Full-time employees at the end of the year	467	428	419	385

For definition of alternative ratios see page 106.

Conversion of previous years (2018) for IFRS 16 has not been made.

QUARTERLY REVIEW

Amount in SEK million	2021				2020				2019			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Net sales	250.4	303.5	242.9	323.7	321.2	351.7	258.5	268.6	269.9	325.0	292.4	333.3
EBITDA	30.6	41.6	34.6	48.8	43.6	58.9	38.2	12.3	35.5	52.7	40.1	48.5
Operating profit (EBIT)	21.9	34.4	23.9	37.8	34.2	49.4	28.9	2.8	27.0	44.3	31.3	37.7
Adjusted operating profit (EBIT)	21.9	34.4	25.2	38.1	34.2	49.4	28.9	22.3	27.0	44.3	31.3	37.7

A message from the Chairman

Focus on profitability and sustainability

I would like to start by saying that I am delighted and proud to be entrusted with the task of leading the work of the Balco Group Board. There are several reasons why this is so stimulating. Above all, it's amazing what a balcony can do to improve quality of life and well-being - with many opportunities for the future as well. In addition, Balco is a good choice for investors looking for sustainable investments. A solid focus on energy-saving and sustainable solutions has resulted in Balco now receiving good ratings in several sustainability rankings. Sustainability is an important strategic issue and both the Board and management are deeply committed to this work.

The work of the Board of Directors 2021

The 2021 financial year was marked by the impact of the pandemic and the restrictions imposed to limit the spread of infection. For Balco, order intake in 2020 was negatively impacted as physical meetings could not be held to the same extent as in a normal year. A hard-hit travel industry led to cancellations of cruise ship orders, which affected the maritime segment. This in turn has resulted in lower net sales for 2021, as the lead time between order intake and net sales is more than one year.

Overall, the Board's work during the year has been characterised by fluctuating between accelerator and brake. We have balanced opportunities against risks, opportunities through acquisitions and expanded sales forces to meet underlying demand against the need for resources linked to the existing order book. On balance, I think Balco has done very well. During the year, we acquired RK Teknik and Stora Fasad, two companies that have further broadened the Group's total customer offering, and Balco can now also offer total contracting for facade renovations. We have also been pleased to see a strong increase in order intake during the second half of the year.

Uncertainty about the impact of the pandemic on cash flow at the beginning of the year was high. Combined with the importance of a strong balance sheet to be able to make strategic acquisitions, the Board decided to propose to the AGM not to pay a dividend for 2020. It is therefore particularly satisfying that the share price rose by 44% in 2021, reaching new highs, and that the liquidity of the stock is very good.

Balco is well positioned for continued growth in the coming years and to deliver even better results. Therefore, during the year we have evaluated and revised the financial targets for 2022 and beyond. The growth target remains unchanged at 10% per year, but the profitability target is now set at 20% per annum growth in earnings per share. It's a challenging, but entirely realistic goal. Meanwhile, the dividend target has been adjusted to 30-50% of net profit to allow for additional value-creating acquisitions.

Board of Directors

Balco has a dedicated and efficient board of six people, which has been an advantage over the past two years when the majority of board meetings have been held digitally. The competence and experience reflect Balco's business well, the decision-making processes are fast and efficient. It was also a challenging year, as new members were unable to make attend in person to get to know the company in more detail due to restrictions. In spring 2022, we will conduct an extended governance review to capture all perspectives on how governance can be further developed to stay at the forefront, not least by harnessing the opportunities of an even more digitised world.

Växjö, March 2022

Ingalill Berglund
Chairman of the Board of Balco Group



Corporate governance report

Balco Group is a Swedish public limited company listed on Nasdaq Stockholm, Mid Cap. Balco Group applies the Swedish Code of Corporate Governance and hereby submits the 2021 Corporate Governance Report. The auditor's review was conducted in accordance with FAR Statement RevU 16 Auditor's Review of the Corporate Governance Report.

MODEL

Balco Group AB, company registration number 556821-2319, (Balco) is a Swedish public limited liability company listed on Nasdaq Stockholm and is included in the Mid Cap segment since 4 January 2021. The company is headquartered in Växjö. The corporate governance report is part of the company's director's report.

Balco's corporate governance, which can be divided into external and internal governance instruments, complies with Swedish law, Nasdaq Stockholm's regulations for issuers, the Swedish Corporate Governance Code (the Code) and internal rules and regulations.

External control instruments

The external governance instruments provide the framework for corporate governance in Balco. They include the Swedish Companies Act, the Annual Accounts Act, Nasdaq Stockholm's regulations for issuers and the Swedish Corporate Governance Code. Balco deviates for the financial year 2021 from the Code regarding one point:

Deviation from Code rule 2:4

The Code stipulates that the Chairman of the Board or any other member of the Board shall not be the Chairman of the Nomination Committee. Board member Carl-Mikael Lindholm, representing Balco's largest shareholder, the Hamrin family, is also chairman of the Nomination Committee.

Explanation

In derogation from the Swedish Corporate Governance Code, Balco's largest owner in terms of votes has so far also held the position of chairman of the Nomination Committee. Balco's strategic direction and business governance model is also based on a strong commitment from the company's main owners. The Board of Directors and the Nomination Committee consider that the majority are independent of the company and its management and that at least three of the members are also independent of the company's major shareholders.

Internal governance tools

The internal governance instruments include the Articles of Association adopted by the General Meeting, internal instructions and guidelines. Examples of internal instructions and guidelines are the Board's rules of procedure, instructions for committees and the CEO's instructions. In addition, the Board has adopted a number of policies, including the Finance Policy and the Sustainability Policy, which provide guidance on how to manage and control internal work. In addition, the Balco Financial Handbook regulates the financial reporting in the Group.

1. SHAREHOLDER

Balco Group AB has been listed on Nasdaq Stockholm since 6 October 2017. The number of shares outstanding at the end of 2021 was 21,909,348. All shares have equal voting rights and equal entitlement to the company's profits and capital. The quotient value of the shares is SEK 6.0002, which means that the registered share capital at the end of December 2021 amounted to SEK 131,461,248.

As of 31 December 2021, Balco had 5,101 shareholders. According to ownership data from Euroclear Sweden AB, the ten largest shareholders in Balco owned 75.0% of the votes and shares in the company. Swedish shareholders accounted for 89.3% of ownership. Balco's largest shareholder as of 31 December 2021 was the Hamrin family, whose holding at year-end 2021 consisted of 6,062,027 shares corresponding to 27.7% of the votes and capital.

2. ANNUAL GENERAL MEETING

The Annual General Meeting is Balco's highest decision-making body. The Annual General Meeting is held annually within six months of the end of the financial year. At the Annual General Meeting, the balance sheet, income statement, the consolidated balance sheet and profit and loss account are presented and decisions are taken on appropriation of the company's profits, the election and remuneration of the members of the Board of Directors and the auditor, and other matters that are the responsibility of the Annual General Meeting by law. All shareholders entered in the share register

who have notified their attendance in due time in accordance with the instructions contained in the notice of meeting are entitled to attend the General Meeting and exercise their voting rights. A shareholder wishing to have a particular matter dealt with at the meeting must request it in good time before the meeting from the Board of Directors at the address communicated on the company's website. In addition to the Annual General Meeting, the Board of Directors may convene an Extraordinary General Meeting.

Annual General Meeting 2022

Balco's Annual General Meeting for 2022 will be held on 24 May 2022 at 3pm at Elite Stadshotellet, Kungsgatan 6 in Växjö. Registration starts at 2.30pm.

Shareholders who are registered in the share register maintained by Euroclear Sweden AB no later than 16 May 2022 and who have notified their intention to attend the meeting no later than 4pm on the same day are entitled to attend the meeting.

Key dates for the 2022 AGM are:

16 May – record date for the 2022 Annual General Meeting
 16 May – last day to register to attend the meeting
 16 May – last day for postal voting
 24 May – last day for trading in Balco shares with dividend rights
 24 May – 2.30pm admission to the meeting begins
 24 May – 3pm Annual General Meeting begins
 26 May – record date for dividend
 31 May – payment of dividends
 24 November – record date for dividend
 29 November – payment of dividend

Proposal for resolution at the Annual General Meeting 2022

The Board of Directors of Balco proposes that the Annual General Meeting approves a dividend for the Group for the financial year 2021 of SEK 2.00 per share, corresponding to SEK 43.8 million or 49% of the year's profit, divided into two payments, 1.00 SEK per share in May 2022 and 1.00 SEK per share in November 2022.

3. NOMINATION COMMITTEE

The role of the Nomination Committee is to ensure that the members of the Balco Board collectively have the knowledge and experience relevant to contribute to the best possible development of Balco over time. Based on the annual Board evaluation, the requirements of the Code, Balco's needs and feedback from other shareholders, the Nomination Committee reviews the work of the Board. The Nomination Committee then submits a proposal to the Annual General Meeting on the number of Board members, the composition of the Board and a proposal on the remuneration of the Board, including remuneration for committee work. The Nomination Committee shall also make a proposal for the chairman of the Board of Directors and the chairman of the Annual General Meeting, as well as for the auditors and their remuneration. The Nomination Committee's proposals are presented in the notice of

Resolutions at the 2021 AGM included:

- ✓ not to declare a dividend for the financial year 2020
- ✓ to grant discharge to the members of the Board of Directors and the CEO for the financial year 2020
- ✓ re-election of Board members Ingalill Berglund (new Chairman), Carl-Mikael Lindholm, Johannes Nyberg, Mikael Andersson and Vibecke Hverven and re-election of Thomas Widstrand
- ✓ that the total annual remuneration of the Board of Directors shall be SEK 1,750,000
- ✓ to elect Öhrlings PricewaterhouseCoopers AB as audit firm with Martin Odqvist as Authorised Auditor in Charge
- ✓ authorisation for the Board of Directors to decide on an issue, with or without preferential rights for the shareholders, to be paid in cash, in kind or by set-off, of shares or warrants or convertibles in respect of such shares, entailing an increase or potential increase in the company's share capital be a maximum of ten (10)% or a maximum of 2,190,934 shares
- ✓ authorisation for the Board of Directors to decide on the acquisition of so many of the company's own shares that the company's holding does not at any time exceed one tenth of all shares in the company
- ✓ authorisation for the Board of Directors to decide on the transfer of own shares

the Annual General Meeting and a justification of the Nomination Committee's proposals is published on Balco's website at the same time as the notice is sent out.

In accordance with the rules of the Code, Balco adopted a Nomination Committee Instruction at the Extraordinary General Meeting on 11 September 2017. It stipulates that the Nomination Committee shall consist of four members. The members shall be appointed by convening a meeting of the four largest shareholders of the company in terms of voting rights, as recorded in the share register kept by Euroclear as at 31 August of the year preceding the annual general meeting, and giving them the opportunity to appoint one member each. The member representing the largest shareholder in terms of votes is appointed as chairman of the Nomination Committee. The Chairman of the Board shall not be the Chairman of the Nomination Committee. The members of the Nomination Committee for the 2022 Annual General Meeting were presented in a press release on 4 October 2021. The members of the Nomination Committee do not receive any remuneration for their work in the Nomination Committee.

Members of the Nomination Committee for the 2022 Annual General Meeting:

- ✓ Carl-Mikael Lindholm, nominated by the Hamrin family.
(Chairman of the Nomination Committee)
- ✓ Lennart Francke, appointed by Swedbank Robur Fonder
- ✓ Lennart Björkman, appointed by Skandrenting AB
- ✓ Claes Murander, appointed by Lannebo Fonder
- ✓ Ingalill Berglund, Chairman of the Board of Balco

4. BOARD OF DIRECTORS

The Board of Directors is Balco's second highest decision-making body after the Annual General Meeting. The Board of Directors has overall responsibility for creating long-term value for shareholders and other stakeholders. The Board of Directors, together with the management, is responsible for the overall strategy of the company and ensures that the company has good risk management and internal control.

Board members

According to the Articles of Association, the Board of Directors of Balco shall consist of a minimum of four members and a maximum of eight members. The members of the Board of Directors shall bring skills and experience conducive to the development of Balco. Currently, the Balco Board consists of six full members, two women and four men. Five members were re-elected and one member was newly elected by the Annual General Meeting on 25 May 2021 for the period until the 2022 Annual General Meeting. CEO and Group CEO Kenneth Lundahl and Balco's CFO Michael Grindborn are present at all Board meetings.

Michael Grindborn acts as secretary of the board. Other senior executives participate as rapporteurs on specific issues. All board members are independent of the company and its management. Four of the board members are also independent of the company's major shareholders. Balco thus meets the requirements of Nasdaq Stockholm and the Code regarding the independence of board members. For a summary and presentation of the board members, see pages 64–65.

Diversity policy in the Board

The Board of Directors of Balco as a whole must have the appropriate collective skills, experience and background for the activities it carries out and for identifying and understanding the risks involved in its activities. The objective is for the Board to be composed of members of varying ages, represented by both men and women, with diverse geographical and ethnic backgrounds,

complementary in terms of experience, educational and professional backgrounds, who together contribute to the independence and critical questioning of the Board. Balco's Board of Directors has adopted a diversity policy which the Nomination Committee takes into account when preparing its proposal to the AGM. The Nomination Committee is also based on the letter in the Swedish Code of Corporate Governance section 4.1, which deals with the diversity of the Board.

The duties and evaluation of the Board

The responsibilities and duties of the Board of Directors are governed by the Companies Act, Balco's Articles of Association and the Board's Rules of Procedure, which are reviewed annually and adopted at the Board's inaugural meeting each year. The rules of procedure govern the functions of the Board and the distribution of work between the members of the Board and the Managing Director. The Board also establishes instructions for the Board Committees and the CEO.

The tasks of the Board of Directors are to continuously monitor the strategic direction, financial performance, methods, processes and controls of the company in order to maintain a well-functioning business. The Board shall also contribute to the quality of financial reporting, internal control and the evaluation of the company in accordance with the financial targets and the guidelines set for senior management. The Board's duties also include the ongoing evaluation of the company's CEO and participation in the annual audit conducted by Öhrlings PricewaterhouseCoopers AB with Martin Odqvist and Frida Wengbrand as lead auditors. The Chairman of the Board, who is elected by the Annual General Meeting, has particular responsibility for the management of the Board's work and for ensuring that the Board's work is well organised and carried out efficiently. Board meetings are planned by the Chairman of the Board together with the CEO of the company.

The Board meets according to an annual schedule. In addition to these Board meetings, further Board meetings may be convened to deal with specific issues. In addition to Board meetings, the Chairman of the Board and the CEO have an ongoing dialogue regarding the management of the company. In 2021, the Board held thirteen meetings, eight of which were held online/telephone and two per capsulam. The regular Board meetings usually include reports from the CEO and any committee meetings as well as a review of results. The Board has reviewed the interim reports at its meetings in February, May, August and November.

The Chairperson of the Board is responsible for the annual evaluation of the work of the Board members. Evaluation also includes the work of the Audit and Remuneration Committee, covers the Board's working process, the composition of the Board and the skills of the Board. The work is presented to the Nomination Committee.

Remuneration of the Board of Directors

Fees and other remuneration to the members of the Board of Directors are determined by the Annual General Meeting. At the Annual General Meeting on 25 May 2021, it was resolved that the remuneration of the members of the Board of Directors shall be as follows:

The fee to the Chairman of the Board Ingalill Berglund shall amount to SEK 500,000. The remuneration of the five ordinary members of the Board shall amount to SEK 200,000 each.

The fee for the work of the Audit Committee shall amount to SEK 80,000 for the Chairman of the Audit Committee, Johannes Nyberg. The other members of the Audit Committee, Mikael Andersson and Vibecke Hverven, shall each receive SEK 40,000.

The fee for work in the Remuneration Committee shall amount to SEK 40,000 for the chairperson of the Remuneration Committee, Ingalill Berglund. The other members of the Remuneration Committee, Carl-Mikael Lindholm and Thomas Widstrand, shall each receive SEK 25,000.

Total remuneration for board and committee work in 2021-2022 amounts to SEK 1,750,000.

5. AUDIT COMMITTEE

The main task of the Audit Committee is to support the Board in fulfilling its responsibilities in financial reporting, including sustainability reporting, accounting, auditing, internal control, internal audit and risk management. The Audit Committee is also in regular contact with Balco's auditors, reviews and monitors the management of market and credit risks, and keeps itself informed on matters relating to the audit of the company's annual accounts and ongoing internal control. The Committee is also responsible for reviewing and evaluating the impartiality and independence of the auditor. The Audit Committee works according to instructions set by the Board.

Members of the Audit Committee 2021-2022

Johannes Nyberg (Chairman)
Mikael Andersson (member)
Vibecke Hverven (member)

Johannes Nyberg has the accounting expertise required by the Swedish Companies Act. All of the members of the Committee are independent of the company and two of the members of the Committee are independent of Balco's largest shareholders. The Audit Committee held four minuted meetings in 2021. Martin Odqvist, the company's Auditor-in-charge, attended three of those meetings. All meetings of the Committee have been reported to the Board.

6. REMUNERATION COMMITTEE

The main task of the Remuneration Committee is to make proposals to the Board regarding the remuneration of the CEO, remuneration principles and other terms of employment for management, and to monitor and evaluate ongoing variable remuneration and long-term incentive programmes. The Remuneration Committee works in accordance with the rules of procedure laid down by the Board.

Members of the Remuneration Committee 2021-2022

Ingalill Berglund (Chair)
Carl-Mikael Lindholm (member)
Thomas Widstrand (member)

All members of the Committee are independent of the company and two of the members are independent of Balco's largest shareholders. The Remuneration Committee held two meetings in 2021, which were reported to the Board.

Compensation and attendance

	Ingalill Berglund	Mikael Andersson	Vibecke Hverven	Carl-Mikael Lindholm	Johannes Nyberg	Thomas Widstrand	Tomas Johansson
Board fees (AGM year)	500,000	200,000	200,000	200,000	200,000	200,000	-
Reimbursement for committee work	40,000	40,000	40,000	25,000	80,000	25,000	-
Independence from the company and its management	yes	yes	yes	yes	yes	yes	yes
Independence to the main owner	yes	yes	yes	no	no	yes	yes
Attendance at board meetings, 13	13	13	13	13	11	7	6
Attendance at audit committee meetings, 4	2	4	2	-	3	-	-
Attendance at remuneration committee meetings, 2	1	-	1	2	-	1	1

7. AUDITOR

The auditor shall audit Balco's annual report and accounts and review management of the company. After each financial year the auditor submits an auditor's report and an auditor's report for the Group to the Annual General Meeting. The external audit of Balco's accounts and those of all subsidiaries required to submit accounts is conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Balco's auditor is appointed by the Annual General Meeting following a proposal from the Nomination Committee. The 2021 Annual General Meeting resolved to appoint Öhrlings PricewaterhouseCoopers AB as the company's auditor, with Martin Odqvist as auditor-in-charge, for the period until the 2022 Annual General Meeting. Martin Odqvist is an authorised public accountant and a member of FAR. On January 28, 2022, Öhrlings PriceWaterhouseCoopers AB changed the auditor-in-charge to Frida Wengbrand. Öhrlings PricewaterhouseCoopers AB can be responsible for the audit up to and including 2037 before a new accounting firm must be elected in accordance with applicable rules. Authorised public accountant Frida Wengbrand may serve as auditor-in-charge for the audit up to and including the 2028 Annual General Meeting, before he is required to rotate the engagement in accordance with regulations. Of the 2021 remuneration of the auditors, the following has been paid to the audit firm Öhrlings PricewaterhouseCoopers AB: Audit assignment SEK 1,641 thousand (1,749), other statutory assignments SEK 48 thousand (0), tax consultancy SEK 474 thousand (652) and other services SEK 0 thousand (0).

8. MANAGEMENT

The management of Balco consists of the CEO and Group CEO and five other managers. Five members of the management team are men and one is a woman.

The members of the management have the following functions:

Kenneth Lundahl, President and CEO
Camilla Ekdahl, COO and Managing Director Balco AB
Johan Fäloth, Director of Marketing and Sustainability
Michael Grindborn, CFO, Head of IR and Head of IT
Jesper Magnusson, Head of Human Resources
Roger Andersson, Sales Manager Balco AB for Sweden and Norway

Remuneration of management

The following guidelines for remuneration of senior executives were adopted at the Annual General Meeting on 25 May 2021:

Senior executives refer to the CEO and the Executive Committee, which consists of six persons. The purpose of the guidelines is to ensure that Balco can attract, motivate and retain senior executives.

The objective of the company's remuneration is to be competitive and at the same time in line with shareholders' interests. Remuneration of the management consists of fixed and variable salary, the possibility to participate in a long-term incentive scheme and pension benefits. The company's remuneration schemes combine to create well-balanced remuneration that reflects individual skills, responsibilities and performance, in the short and long term, as well as the company's overall performance.

Fixed and variable salary

Fixed annual salary for an executive shall be competitive and based on the skills, responsibilities and performance of the person.

In addition to the fixed annual salary, executives shall be entitled to variable remuneration. Such variable remuneration shall not exceed 50% of the fixed annual salary. Variable remuneration shall be based on the achievement of predetermined and documented financial and individual targets.

Other benefits and pension

The Group provides other benefits to senior executives in accordance with local practice. Such benefits may include, for example, a company car and occupational health care. For a limited period, official accommodation may also be offered where appropriate. Senior executives shall be entitled to pension benefits based on the practice in the country where they are employed. Pension commitments are secured through premium payments to insurance companies.

Deviations from the guidelines

If there are special reasons justifying it, the Board of Directors may deviate from the above guidelines, such as, for example, additional variable remuneration for exceptional performance. In such a case, the Board of Directors shall explain the reason for the deviation at the next Annual General Meeting.

Termination and severance pay

The CEO is subject to a notice period of twelve months in case of termination by Balco and a notice period of six months in case of resignation by the CEO. The CEO is bound by a non-competition clause which applies for two years from the end of his/her employment. For other senior executives, a mutual notice period of three to twelve months applies.

THE BOARD OF DIRECTORS' PROPOSAL FOR NEW GUIDELINES FOR REMUNERATION OF THE MANAGEMENT

No changes to the principles for remuneration of senior executives are proposed for the 2022 AGM.

Internal control of financial reporting

The objective of internal control is to assess which risks are significant in Balco and should therefore be managed through continuous monitoring and control. Through risk analysis, work can be concentrated on the areas that are most important for reducing the overall risk exposure of the company.

According to the Swedish Companies Act and the Swedish Code of Corporate Governance, the Board of Directors is ultimately responsible for ensuring that the company's organisation is designed in such a way that the financial reporting, management and operations are monitored and controlled in a satisfactory manner. The report on internal control prepared in accordance with the Annual Accounts Act and the Code. The description has been limited to internal control over financial reporting in accordance with the Swedish Code of Corporate Governance, paragraph 7.4.

Balco's CFO is responsible for ensuring that formal internal control procedures are implemented and maintained in accordance with the decisions taken by the Board of Directors. Balco's finance department, headed by the CFO, leads the Group's internal control work on financial reporting. The work is continuously monitored and followed up by the Board. For Balco, internal governance and control is a process that is continuously integrated into the company's operational management.

The internal control structure built for the listing of Balco in 2017 is based on the framework of the established model COSO, Committee of Sponsoring Organisations of the Treadway Commission. The components of the model are used to evaluate and work with an organisation's internal governance and control linked to objectives, reporting and compliance with laws and regulations.

CONTROL ENVIRONMENT

The control environment constitutes the basis for the internal control regarding financial reporting. It is important that the company's decision paths, powers and responsibilities be clearly defined and communicated between different levels in the organisation. To create a framework for how the work is to be conducted, Balco has implemented a number of governing documents in the form of internal policies and guidelines. The Board of Directors of Balco has established a work process and Rules of Procedure for its own work and that of its committees. In addition, the Board has a number of basic policies and guidelines, such as the Board's rules of procedure, instructions to the CEO, Finance Policy, Sustainability Policy, Insider Policy and Communication Policy. Governance documents for accounting and financial reporting are particularly important areas for ensuring complete reporting and disclosure of information. Balco has an accounting handbook which is intended to achieve internal governance and control of the financial reporting. In addition to the Financial Handbook, Balco has prepared a report package for the ongoing financial follow-up.

RISK ASSESSMENT

Financial risk management is part of the ongoing financial reporting process. Balco strives to continuously analyse the risks that may lead to errors in financial reporting. A process for analysing and following up on financial reporting errors on an annual basis has been established. Risks are addressed, assessed and reported in Balco's central corporate functions.

CONTROL ACTIVITIES

Balco monitors the risks that the Board considers to be of importance for the internal control. The Group's CFO is responsible for safeguarding the overall control of the financial reporting. In addition to the central control with clear decision-making processes and decision routines as regards major investments, results analysis and reporting, a structure is in place comprising guidelines and role descriptions with mandate descriptions as to how the work is conducted and monitored in the organisation. Guidelines and instructions are aimed at discovering and preventing the risks of errors in the reporting. The Group does not have a separate internal audit function, as this is handled through extended controlling by the Group's controllers.

INFORMATION AND COMMUNICATION

Governance documents in the form of policies, guidelines and manuals, inasmuch as they relate to the financial reporting, are communicated primarily in the Group's accounting handbook and via the company's intranet. The information is expanded and updated as needed. Communication takes place primarily on an ongoing basis in the organisation, since the work group within the accounts function is essentially concentrated to one location. In addition, regular meetings are held when closing the accounts. Guidelines as to how communication with internal and external parties is to take place are described in Balco's Communication Policy. The Policy is aimed at ensuring compliance with all disclosure obligations. Information to external stakeholders is provided on a regular basis via Balco's financial website. Internal communications are largely conducted via the company's intranet, in staff meetings and by e-mail. Internal communications are important in ensuring that all employees feel a sense of belonging and participation, and for all to strive towards the same goal.

FOLLOW-UP

The Balco Group's finance functions work in accordance with shared instructions and guidelines. Balco's Board of Directors and Senior Management receive information about the Group's earnings, financial position and how the operations are developing on a monthly basis. As the internal control work proceeds, the Board may select specific areas in which additional review may be needed.

Board of Directors

Ingaliil Berglund

Chairman of the Board. Born 1964.

Board member
2016, Chairman of the Remuneration Committee.

Education
Higher economic specialisation course at Frans Schartaus Handelsinstitut.

Other ongoing appointments
Board member of Scandic Group AB, Axfast AB, Bonnier Fastigheter AB, Juni Strategi & Analys AB, Stenvalvet Fastighets AB and the Danvik Hospital Foundation. CEO Lövsta Stuteri AB.

Previous appointments and work experience
CEO and CFO of Atrium Ljungberg AB. CFO of Skolfastigheter i Stockholm AB. CEO of Axfast AB.

Own and related parties' holdings
25,000 shares

Independence from Balco and its management, or Balco's major shareholders.



Mikael Andersson

Board member. Born 1955.

Board member
2019, member of the Audit Committee.

Education
Master of Science in Chemical Engineering, LTH.

Other ongoing appointments
–

Previous appointments and work experience
CEO and Group CEO PMC Group, CEO BU Trelleborg Waterproofing (Trelleborg AB), Divisional CEO Saint-Gobain Ecophon.

Own and related parties' holdings
–

Independence from Balco and its management, or Balco's major shareholders.



Carl-Mikael Lindholm

Board member. Born 1971.

Board member
2018, member of the Remuneration Committee.

Education
Medical degree, Karolinska Institutet and specialist degree in general medicine and oncology.

Other ongoing appointments
Chairman of the Board of Hamhus AB and its subsidiaries. Board member of Herenco Holding. Board member and trustee of the Carl-Olof and Jenz Hamrin Foundation.

Previous appointments and work experience
Doctor at Radiumhemmet at Karolinska Hospital, Oncologist at Linköping University Hospital, Oncologist at Ryhov County Hospital and the head of Bankeryd Healthcare Centre.

Own and related parties' holdings
6,062,027 of which 35,000 private shares.

Independence from the company and its management but not to major shareholders in the company.





Johannes Nyberg

Board member. Born 1971.

Board member

2018, Chairman of the Audit Committee.

Education

Master of Business Administration, International Business Program at Uppsala University; Commerce program School of Business at Queens University and studies in Economics at Humboldt University.

Other ongoing appointments

CEO of Skandrenting AB. Chairman of the Board of Cryonite AB and member of the Board of Raiffeisen Leasing Nordic AB and Skandrenting AB.

Previous appointments and work experience

Several senior positions in banking & finance and construction & real estate, both nationally and internationally. Board member of Collector Bank AB and Chairman of the Board of Oscar Properties AB.

Own and related parties' holdings

-

Independent of the company and its management but not to major shareholders of the company.



Vibecke Hverven

Board member. Born 1963.

Board member

2020, member of the Audit Committee.

Education

MSc in Engineering, Norwegian Institute of Technology.

Other ongoing appointments

Partner Considium Consulting Group AS. Chairman of the Board of NGI, Asker og Bærum Vannverk IKS, Regionale Forskningsfond Oslo, Ungt Entreprenørskap Viken. Board member of Insenti AS, Brekke & Strand Akustikk AS, Varig Technology AS, USBL, Prevent Systems AS, and Henie Onstad Kunstsenter.

Previous appointments and work experience

CEO OBOS Prosjekt AS, VP DNV GL Energy Advisory, Man. Dir. SWECO Norge AS and Head of Department Statkraft Grøner AS.

Own and related parties' holdings

3,900 shares

Independence from Balco and its management, or Balco's major shareholders.



Thomas Widstrand

Board member. Born 1957.

Board member

2021, member of the Remuneration Committee.

Education

Master of Business Administration from Gothenburg School of Economics.

Other ongoing appointments

CEO and Group CEO of Troax AB. Board member of ProfilGruppen AB.

Previous appointments and work experience

Long career in the ESAB Group, Cardo Pump AB, Borås Wärfveri AB and Troax AB.

Own and related parties' holdings

10,000 shares

Independence from Balco and its management, or Balco's major shareholders.

Management

Kenneth Lundahl

Group CEO and CEO. Born 1967.

Employed since
2013.

Education
MSc in Engineering from Chalmers University of Technology.

Other ongoing appointments
Chairman of the Board of Lundahl & Hall AB. Chairman of the Board of Anderstorps Hotellfastigheter AB.

Previous appointments and work experience
Co-founder Lundahl & Hall AB, Vd Isaberg Rapid AB and Business Area Manager of Thule AB.

Own and related parties' holdings
215,770 shares.

Warrants
170,000 options.



Camilla Ekdahl

COO and CEO Balco AB. Born 1967.

Employed since
2019.

Education
MSc in Engineering from Chalmers University of Technology.

Other ongoing appointments
-

Previous appointments and work experience
COO Pelly Group AB, Operation manager/VD Isaberg Rapid AB, Site Manager Rapid Granulator AB, Logistics Manager Thule Sweden AB.

Own and related parties' holdings
11,100 shares.

Warrants
65,000 options.



Johan Fälth

Marketing Director, Sustainability Manager.
Born 1975.

Employed since
2010.

Education
Master's degree in Business Administration from Linnaeus University.

Other ongoing appointments
-

Previous appointments and work experience
HR Manager at Tenneco Automotive Sverige AB, Linnaeus University and consultant at Adecco AB.

Own and related parties' holdings
16,040 shares.

Warrants
24,166 options.





Michael Grindborn

CFO, Head of IR and Head of IT. Born 1968.

Employed since
2019.

Education
Degree in Business Administration from Linnaeus University, M.B.A from S.D.A Bocconi School of Management.

Other ongoing appointments
–

Previous appointments and work experience
CFO Lammhults Design Group AB. Financial Director Gislaved Gummi AB/Hexpol Engineered Products. CFO Nordic & Baltic Recticel AB. CFO Animex AB, CEO Forshedaverken, CFO Dolomite AB, CFO IST Group.

Own and related parties' holdings
11,040 shares.

Warrants
65,000 options.



Jesper Magnusson

Personnel Director. Born 1986.

Employed since
2014.

Education
Bachelor of Philosophy with specialisation in Human Resources and Working Life, Linnaeus University in Växjö.

Other ongoing appointments
–

Previous appointments and work experience
Office Manager, Consulting Manager and Recruitment Manager at Adecco AB.

Own and related parties' holdings
8,000 shares.

Warrants
24,166 options.



Roger Andersson

Sales Manager Balco AB for Sweden and Norway. Born 1967.

Employed since
2005.

Education
High school diploma, mechanical engineer from Hässleholm Technical School.

Other ongoing appointments
–

Previous appointments and work experience
District Manager and Product Manager at Colly Components AB, Product Engineer at Autoliv AB and Design Engineer at Levahn Industrier AS.

Own and related parties' holdings
3,000 shares.

Warrants
24,166 options.

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Consolidated income statements

Amount in SEK thousand	Note	2021	2020
Netsales	6	1,120,483	1,200,004
Production and project costs	8, 9, 13	-824,210	-910,579
Gross profit		296,273	289,425
Selling costs	8, 9	-119,673	-111,010
Administrative costs	7, 8, 9	-63,468	-63,037
Other operating income	10	4,918	-
Other operating expenses	10	-61	-
Operating profit	6	117,990	115,378
Financial income	11	165	172
Financial expenses	11	-6,531	-9,824
Financial items - net		-6,366	-9,651
Profit before tax	6	111,623	105,727
Income tax	12, 19	-21,384	-28,083
Net profit	6	90,239	77,644
Other comprehensive income			
Items that may be re-classified to the Income Statement			
Exchange differences on translation of foreign operations, net of tax		1,187	-4,979
Other comprehensive income, net of tax		1,187	-4,979
Total comprehensive income		91,426	72,664
Of which attributable to Parent company's shareholders		91,426	72,664

	Note	2021	2020
Earnings per share (SEK)			
Earnings per share, before dilution	36	4.12	3.58
Earnings per share, after dilution	36	4.01	3.51
Average number of shares, thousands	36	21,909	21,695

Consolidated balance sheet

Amount in SEK thousand	Note	31 Dec 2021	31 Dec 2020
ASSETS			
Non-current assets			
Intangible assets			
Goodwill	16	447,977	400,928
Trademark	16	103,262	43,670
Other intangible assets	16	6,597	4,822
Total intangible assets	6	557,836	449,420
Property, plant and equipment			
Right-of-use assets	17	39,657	42,520
Buildings and land	18	104,307	84,685
Plant and machinery	18	27,666	25,515
Equipment, tools, fixtures and fittings	18	18,865	12,587
Fixed assets under construction	18	1,003	7,008
Total property, plant and equipment	6	191,497	172,315
Financial assets			
Derivative instruments	21	-	1,373
Other long-term receivables	21	31	69
Total financial assets		31	1,442
Deferred tax assets	19	443	598
Total non-current assets		749,806	623,775
Current assets			
Inventories	20	53,104	25,626
Accounts receivables	21, 22	153,548	175,330
Contract assets	23	136,729	130,290
Current tax receivables		7,952	18,995
Derivative instruments	21	1,192	7,918
Other current receivables	24	15,179	12,430
Prepaid expenses and accrued income	25	10,576	14,835
Cash and cash equivalents	21, 26	117,497	214,129
Total current assets		495,778	599,553
TOTAL ASSETS		1,245,584	1,223,328

Consolidated balance sheet, contd.

Amount in SEK thousand	Note	31 Dec 2021	31 Dec 2020
EQUITY			
Share capital		131,461	131,461
Other capital contributions		405,111	403,169
Reserves		1,330	143
Retained earnings, incl. profit for year		154,100	63,861
Total equity attributable to Parent Company's shareholders		692,002	598,634
LIABILITIES			
Non-current liabilities			
Interest-bearing non-current liabilities to banks	21, 28, 32	171,727	203,042
Leasing non-current liabilities	17, 21, 28, 32	21,883	26,555
Deferred tax liabilities	19	32,960	18,875
Other non-current liabilities	21	28,331	-
Total non-current liabilities		254,901	248,472
Current liabilities			
Interest-bearing current liabilities to banks	21, 28, 32	380	10,380
Leasing current liabilities	17, 21, 28, 32	20,509	19,376
Accounts payables	21	112,159	112,186
Current tax liabilities		13,804	35,223
Derivative instruments	21	427	174
Other current liabilities	29	26,126	34,588
Contract liabilities	23	68,106	82,159
Accrued expenses and deferred income	30	57,169	82,136
Total current liabilities		298,680	376,223
TOTAL EQUITY AND LIABILITIES		1,245,584	1,223,328

Consolidated Changes in Shareholders' Equity

Amount in SEK thousand	Share capital	Other added capital	Reserves	Balanced result including total comprehensive income for the year	Total equity
Opening balance at 1 January 2020	129,745	393,465	5,122	-13,784	514,548
Profit for the year	-	-	-	77,644	77,644
Other comprehensive income					
Translation differences net of tax	-	-	-4,979	-	-4,979
Total comprehensive income			-4,979	77,644	72,665
Transactions with shareholders:					
New share issue	1,716	-	-	-	1,716
New warrants issue	-	9,704	-	-	9,704
Total attributable to shareholders	1,716	9,704	-	-	11,420
Closing balance at 31 December 2020	131,461	403,169	143	63,861	598,634
Opening balance at 1 January 2021	131,461	403,169	143	63,861	598,634
Profit for the year	-	-	-	90,239	90,239
Other comprehensive income					
Translation differences net of tax	-	-	1,187	-	1,187
Total comprehensive income	-	-	1,187	90,239	91,426
Transactions with shareholders:					
New share issue	-	-	-	-	-
New warrants issue	-	1,942	-	-	1,942
Total attributable to shareholders	-	1,942	-	-	1,942
Closing balance at 31 December 2021	131,461	405,111	1,330	154,100	692,002

Consolidated Cash Flow Statements

Amount in SEK thousand	Note	2021	2020
Cash flow from operating activities	34		
Operating profit		117,990	115,378
Adjustment for non-cash items:			
-Depreciation		37,593	37,587
-Other non-cash items		-9,640	972
Interest received	11	808	172
Interest paid	11,28	-6,415	-9,824
Income taxes paid		-34,094	-35,698
Cash flow from operating activities before changes in working capital		106,242	108,587
Cash flow from changes in working capital			
Increase/decrease in inventories		-18,039	371
Increase/decrease in operating receivables		51,414	-43,249
Increase/decrease in operating liabilities		-77,101	46,032
Total change in working capital		-43,726	3,154
Cash flow from operating activities		62,517	111,741
Cash flow from investing activities			
Investments in tangible fixed assets	18	-13,571	-13,715
Investments in intangible fixed assets	16	-3,250	-1,096
Acquisitions of operations	31	-85,290	-
Purchase of financial fixed assets		-	-2,274
Divestment of non-financial fixed assets		-	2,818
Cash flow from investing activities		-102,111	-14,267
Cash flow from financing activities			
Loans raised	28	148,344	-
Amortization of loans	28	-206,129	-12,814
Increase/decrease in other non-current liabilities	28	-1,649	-
New warrants issue	8	1,942	9,704
New share issue		-	1,716
Cash flow from financing activities		-57,492	-1,394
Cash flow for the year		-97,086	96,080
Cash and cash equivalents at the beginning of the year	26	214,129	119,426
Exchange rate difference in cash and cash equivalents		454	-1,377
Cash and cash equivalents at the end of the year	26	117,497	214,129

Parent company income statement

Amount in SEK thousand	Note	2021	2020
Netsales	38	23,333	20,000
Gross profit		23,333	20,000
Administrative costs	7,8,35	-20,560	-23,022
Operating profit		2,773	-3,022
Dividend	11	888	-
Interest income	11	1,690	595
Interest expenses	11	-4,317	-3,895
Result after financial items		1,035	-6,321
Appropriations	14	65,000	167,932
Profit before tax		66,035	161,610
Tax	12	-13,636	-34,567
Profit for the year		52,399	127,043

In the parent company there are no items recognised as other comprehensive income and therefore the total comprehensive income is consistent with the profit for the year.

Parent company balance sheet

Amount in SEK thousand	Note	31/12/2021	31/12/2020
ASSETS			
Non-current assets			
Financial assets			
Shares in group companies	15	683,197	1,081,197
Other long-term receivables		1,738	356
Total non-current assets		684,935	1,081,553
Current assets			
Receivables from group companies		145,472	259,864
Other current receivables		-	353
Prepaid expenses and accrued income	25	798	391
Cash and cash equivalents	26	116,056	212,994
Total current assets		262,325	473,602
TOTAL ASSETS		947,260	1,555,155
SHAREHOLDERS' EQUITY AND LIABILITIES			
Restricted shareholders' equity			
Share capital	27	131,461	131,461
Total restricted shareholders' equity		131,461	131,461
Non-restricted shareholders' equity			
Share premium reserve	40	405,111	403,169
Balanced result		-120,429	-247,473
Profit for the year		52,399	127,043
Total non-restricted shareholders' equity		337,081	282,739
Total shareholders' equity		468,542	414,200
Non-current liabilities			
Interest-bearing non-current liabilities to banks	28	150,000	180,000
Other non-current liabilities		29,116	-
Total non-current liabilities		179,116	180,000
Current liabilities			
Interest-bearing current liabilities to banks	28	-	10,000
Accounts payables		1,787	1,573
Liabilities to group companies		278,759	910,029
Current tax liabilities		11,020	33,487
Other current liabilities	29	1,096	572
Accrued expenses and prepaid revenues	30	6,941	5,293
Total current liabilities		299,603	960,955
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		947,260	1,555,155

Parent company statement of changes in equity

Amount in SEK thousand	Restricted equity	Non-restricted equity		Total equity
	Share capital	Share premium reserve	Balance sheet result including net profit	
Opening balance at 1 Jan 2020	129,745	393,465	-247,472	275,737
Total comprehensive income				
Profit for the year	-	-	127,043	127,043
Total comprehensive income	-	-	127,043	127,043
Transactions with shareholders :				
New share issue	1,716	-	-	1,716
New warrants issue	-	9,704	-	9,704
Total attributable to shareholders	1,716	9,704	-	11,420
Closing balance at 31 Dec 2020	131,461	403,169	-120,429	414,200
Opening balance at 1 Jan 2021	131,461	403,169	-120,429	414,200
Total comprehensive income				
Profit for the year	-	-	52,399	52,399
Total comprehensive income	-	-	52,399	52,399
Transactions with shareholders :				
New share issue	-	-	-	-
New warrants issue	-	1,942	-	1,942
Total attributable to shareholders	-	1,942	-	1,942
Closing balance at 31 Dec 2021	131,461	405,111	-68,030	468,542

Parent company statement of cash flows

Amount in SEK thousand	Note	2021	2020
Cash flow from operating activities			
Operating profit		2,773	-3,022
Adjustment for non-cash items.			
Interest received	11	1,690	595
Interest paid	11	-4,318	-3,895
Income taxes paid		-36,103	-1,048
Cash flow from operating activities before changes in working capital		-35,958	-7,370
<i>Changes in working capital</i>			
Change in operating receivables		179,338	-77,850
Change in operating liabilities		-114,818	98,849
Cash flow from operating activities		28,562	13,629
<i>Investment activities</i>			
Acquisitions of operations		-86,171	-
Disposal of subsidiaries		111	-
Change in non-current receivables		-1,382	267
Cash flow from investing activities		-87,442	267
<i>Financing activities</i>			
Loans raised	28	150,000	80,000
Amortization of loans	28	-190,000	-10,000
New warrants issue		1,942	9,704
New share issue		-	1,716
Cash flow from financing activities		-38,058	81,420
Cash flow for the year		-96,938	95,316
Cash and cash equivalents at the beginning of the year	26	212,994	117,678
Cash and cash equivalents at the end of the year	26	116,056	212,994

NOTES

NOTE 1 GENERAL INFORMATION

The Group (Balco) is active in the development, manufacture and sale of complete balcony systems, mainly for apartment buildings. The systems are marketed primarily in Sweden, Norway, Denmark, Finland, Germany, the UK and the Netherlands. The parent company is a Swedish public limited company, listed on Nasdaq Stockholm and has its registered office in Växjö. The address of the head office is Älgvägen 4, 352 45, Växjö. The Group consists of the parent company Balco Group AB, org.nr. 556821-2319, with the following subsidiaries: Nordiska Balco AB, Balco AB, Balco Balkonkonstruktionen GmbH, Balco Balcony Systems Ltd, Balco AS, Balco Balkonsystemen B.V., Balco Spolka z o.o., Balco Oy, Balco Altaner A/S, Kronhjorten & Lodjuret Holding AB, TBO-Haglinds AB, Stora Fasad AB, RK Teknik i Gusum AB, Montage Partner Sverige AB and Fastigheter i Gusum AB. Balco Invest AB and Balco Holding AB have been divested during the year. All amounts are presented in thousands of SEK (tkr) unless otherwise stated.

NOTE 2 SIGNIFICANT CHANGES DURING THE REPORTING PERIOD

Impact of Covid 19

Covid-19 with continued high contagion in spring 2021 negatively impacted Balco's order intake from March 2020 to April 2021. During this period, our sales were affected by postponed fairs and meetings and difficulties in holding requested meetings.

The easing of the covid-19 restrictions from May 2021 has seen a sharp increase in orders since then.

Balco continuously monitors developments in the countries in which we operate and makes every effort to fulfil the commitments we have to our customers and to safeguard the health of our employees and our business. Action plans have been followed and updated to deal with different levels of change. All production units have been and are fully operational at all times and projects have been largely on schedule. To limit the spread of infection, a number of measures have been taken through physical distance 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.

Short-term permits have been issued during the first half of 2021 and we have received grants from Tillväxtverket linked to covid-19 of approximately SEK 2.7 million.

Reduced order intake in the period March 2020 to April 2021 has had a negative impact on sales and earnings throughout 2021. The strong order intake since May 2021 means that we expect increased sales and improved earnings in 2022.

Restructuring

Through a restructuring, the parent company Balco Group AB has divested its subsidiaries Balco Invest AB and Balco Holding AB. The restructuring has not had a significant impact on the Group, but only on the parent company's share in subsidiaries.

Balco Group AB has also acquired all shares in Stora Fasad AB and RK Teknik i Gusum AB with the subsidiaries Montage Partner i Sverige AB and Fastigheter i Gusum AB, further information is provided in note 31.

NOTE 3 SUMMARY OF KEY ACCOUNTING PRINCIPLES

The foremost accounting principles applied in preparing these consolidated financial statements are stated below. Unless otherwise stated, these principles have been applied consistently for all years presented.

Basis for preparation of the statements

The consolidated financial statements for Balco Group AB have been prepared in accordance with IFRS (International Financial Reporting Standards) as adopted by the EU, RFR 1 Supplementary accounting rules for groups, and the Swedish Annual Accounts Act.

The consolidated financial statements have been prepared in accordance with the cost method, except for financial assets and liabilities (derivative instruments) valued at fair value via the income statement. The preparation of financial statements in compliance with IFRS requires the use of a number of important estimates for accounting purposes. In addition, Senior Management is required to make certain assessments when applying the Group's accounting principles; see Note 5.

New standards, amendments and interpretations applied by the Group

A number of new standards and interpretations are effective for financial years beginning after 1 January 2022 and have not been applied in preparing this financial report. These new standards and interpretations are not expected to have a material impact on the Group's financial statements in the current or future periods, nor on future transactions.

Consolidated financial statements

Subsidiaries

Subsidiaries are all companies (including structured companies) over which the Group has a controlling influence. The Group controls a company when it is exposed to, or is entitled to receive, varying return from its holdings in the company and has the possibility to affect the return through its influence over the company. Subsidiaries are included in the consolidated financial statements from the date on which the controlling influence transferred to the Group. They are excluded from the consolidated financial statements from the date on which the controlling influence ceased.

The acquisition method is used to report the Group's business acquisitions. The purchase price for the acquisition of a subsidiary comprises fair value of transferred assets, liabilities and the shares issued by the Group. The purchase price also includes the fair value of all liabilities or assets as a consequence of an agreement regarding any conditional purchase price.

Acquisition-related expenses are expensed as they are incurred. Identifiable acquired assets and assumed liabilities in a business acquisition are initially valued at fair value on the acquisition date.

The amount by which the purchase consideration exceeds the fair value of identifiable acquired net assets is reported as goodwill. If the amount is less than the fair value of the acquired subsidiary's assets, in the event of a "bargain purchase", the difference is reported directly in the statement of comprehensive income.

Intra-Group transactions and balance sheet items, as well as unrealised gains and losses on transactions between Group companies are eliminated. Where appropriate, the accounting principles of subsidiaries have been changed to guarantee consistent application of the Group's principles.

Translation of foreign currency

Functional currency and reporting currency

The different entities in the Group have their local currency as the functional currency, whereupon the local currency has been defined as the currency used in the primary economic environment in which each entity primarily operates. In the consolidated financial statements, Swedish kronor (SEK) are used as the parent company's functional currency and the Group's reporting currency.

Transactions and balance sheet items

Transactions in foreign currency are translated to the functional currency at the currency rates applicable on the transaction date. Exchange rate gains and losses arising in conjunction with payments of such transactions and upon translation of monetary assets and liabilities in foreign currency to the closing day rate, are reported in operating profit in the income statement.

Translation of foreign Group companies

The earnings and financial position of all Group companies that have a different functional currency to the reporting currency are translated to the Group's reporting currency. Assets and liabilities for each of the balance sheets are translated from the functional currency of the foreign operations to the Group's reporting currency, Swedish kronor, at the exchange rate prevailing on the balance sheet date. Revenues and expenses for each of the income statements are translated into Swedish kronor at the average exchange rate that existed at each transaction date. Translation differences which arise in conjunction with currency translation of foreign operations are reported in other comprehensive income.

Government grants

Government grants are recognised at fair value when there is reasonable assurance that the grants will be received and the Group will comply with the conditions attached to the grants. The Group's accounting for government grants is presented as production and project costs in note 9.

Intangible assets

Goodwill

Goodwill arising on business combinations is initially measured at the amount by which the total purchase consideration, plus the fair value of any non-controlling interest, exceeds the fair value of the identifiable assets acquired and liabilities assumed.

To test impairment, goodwill acquired in a business combination is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from synergies from the acquisition. Each unit or group of units to which goodwill has been allocated corresponds to the lowest level in the Group on which the goodwill item in question is monitored in the internal governance. The Group's operations are divided into two different segments: Renovation and New Build. Goodwill is tested for impairment each year or more frequently if events or changes in circumstances indicate a possible decrease in value. The carrying amount of goodwill is compared with the recovery value, which is the higher of the value in use and the fair value minus selling expenses. Any impairment is immediately reported as an expense and is not reversed.

Trademarks, Acquired order intake, Patents and Licences

Separately acquired trademarks, backlogs, patents and licences are stated at cost less accumulated amortisation and any impairment losses. They are recognised at fair value at the acquisition date and amortised on a straight-line basis over their estimated useful lives. Depreciation is based on the estimated useful life as set out below and corresponds to the estimated time they are expected to generate cash flow. The Group's trademarks have been assessed as having an indeterminable useful life. Useful life is considered indeterminable for trademarks that are well-established in the market. The Group intends to retain and develop such trademarks. The item is tested annually to identify any impairment and is reported at cost less any impairment; see also Impairment of non-financial non-current assets.

Patent.....	10 years
Licences.....	4 years
Order backlog.....	2 years

Property, plant and equipment

Tangible fixed assets are reported at cost less depreciation. Cost includes expenses that can be directly attributed to the acquisition of the asset. Any additional charges are added to the carrying amount of the asset or reported as a separate asset, depending on what is appropriate, only if it is likely that the future economic benefits associated with the asset will benefit the Group and the cost of the asset can be reliably measured. The carrying amount of a replaced part is removed from the balance sheet. All other forms of repairs and maintenance are recognised as expenses in the income statement during the period in which they arise. Each part of a tangible fixed asset with an acquisition value that is significant in relation to the asset's total cost is depreciated separately. Land and projects in progress are not depreciated. Depreciation on other assets is calculated on a straight-line basis as follows:

Rights of use.....	1-10 years
Buildings.....	10-25 years
Land improvements.....	25 years
Specialised complex installations.....	10 years
Plant and machinery.....	5-10 years
Equipment, tools, fixtures and fittings.....	5 years

The residual value of the assets and the useful life are tested at the end of each reporting period and adjusted as needed. The carrying amount of an asset is immediately written down to its recoverable amount if the carrying amount of the asset exceeds its estimated recoverable amount. Gains and losses on the sale of a tangible fixed asset are determined through a comparison between sales revenue and the carrying amount and are reported in other operating income and other operating expenses in the income statement.

Impairment of non-financial fixed assets

Assets with an indeterminable useful life, goodwill and trademarks, are not amortised but, rather, tested each year for any impairment. Assets which are amortised are assessed with respect to a decline in value when any events or changes in circumstances indicate that the carrying amount is perhaps not recoverable. Impairment is recognised in the amount by which the carrying amount of the asset exceeds its recovery value. The recovery value is the higher of the asset's fair value less selling expenses and its value in use. When assessing any impairment, assets are grouped on the lowest levels on which there are separately identifiable cash flows (cash-generating units). Impairment of goodwill and trademarks is recognised by operating segment.

Financial instruments

Classification

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. Purchases and sales of financial assets and liabilities are recognised on the trade date, the date on which the Group commits to purchase or sell the asset.

Financial assets – classification and valuation

The Group classifies its financial assets in the following valuation categories:

- measured at amortised cost, or
- measured at fair value through profit or loss

The classification depends on the Group's business model for managing financial assets and the contractual terms of the assets' cash flows. The Group reclassifies debt instruments only when the Group's business model for the instruments changes.

At initial recognition, the Group recognises a financial asset at fair value plus, where the asset is not measured at fair value through profit or loss, transaction costs directly attributable to the acquisition of the financial asset. Transaction costs for financial assets carried at fair value through profit or loss are expensed in the income statement. Subsequent measurement of investments in debt instruments is dependent on the Group's business model for managing the asset and the asset's typical cash flows.

Financial assets at amortised cost

Assets held for the purpose of collecting contractual cash flows, where those cash flows consist solely of principal and interest, are carried at amortised cost. Interest income on such financial assets is recognised as financial income using the effective interest method. Gains and losses arising on derecognition are recognised directly in profit or loss within other gains and losses, together with foreign exchange gains and losses.

The Group's financial assets measured at amortised cost consist of the items other long-term receivables, trade receivables, contract assets and cash and cash equivalents.

Financial assets at fair value through profit or loss

Assets that do not qualify for recognition at amortised cost are measured at fair value through profit or loss. A gain or loss on a debt instrument carried at fair value through profit or loss that is not part of a hedging relationship is recognised net in the income statement in the period in which the gain or loss arises.

The Group's financial assets designated at fair value through profit or loss consist of derivative instruments (held for trading).

Derecognition of financial assets

Purchases and sales of financial assets are recognised on the trade date, which is the date on which the Group commits to purchase or sell the asset. Financial assets are removed from the statement of financial position when the right to receive cash flows from the instrument has expired or has been transferred and the Group has transferred substantially all the risks and rewards of ownership. Gains and losses arising on derecognition from the statement of financial position are recognised directly in the income statement.

Impairment of financial assets carried at amortised cost

The Group measures the future expected credit losses related to investments in debt instruments carried at amortised cost based on forward-looking information. The Group applies the simplified method for calculating expected credit losses. The methodology uses the reserve for expected losses over the life of the receivable as the starting point for trade receivables and contract assets.

Financial liabilities – Classification and measurement

The Group classifies and measures its financial liabilities in the categories:

- financial liabilities carried at amortised cost or
- financial liabilities at fair value through profit or loss

Financial liabilities measured at amortised cost

At initial recognition, the Group measures a financial liability at fair value plus transaction costs that are directly attributable to the financial liability. The Group's financial liabilities are measured after initial recognition at amortised cost using the effective interest method.

The Group's financial liabilities measured at amortised cost consist of amounts due to credit institutions, trade payables and other liabilities.

Financial liabilities at fair value through profit or loss

At initial recognition, the Group measures a financial liability at fair value. Transaction costs for financial liabilities measured at fair value are expensed in the consolidated income statement.

Financial liabilities at fair value through profit or loss are also recognised in subsequent periods at fair value with the change in value recognised in the statement of comprehensive income.

Financial liabilities at fair value through profit or loss are classified as current liabilities if they fall due within 12 months of the balance sheet date. If these fall due later than 12 months from the balance sheet date, they are classified as non-current liabilities.

The Group's financial liabilities at fair value through profit or loss consist of derivative instruments (held for foreign exchange trading) and contingent consideration. For more information on the Group's additional purchase consideration, see note 31.

Offsetting of financial instruments

Financial assets and liabilities are offset and presented net in the statement of financial position only when there is a legal right to offset the recognised amounts and an intention to settle them net or to realise the asset and settle the liability simultaneously.

Other long-term securities holdings

Investments in securities acquired with the intention of being held on a long-term basis are stated at their acquisition cost. At each balance sheet date, an assessment is made of the need for impairment.

Accounts receivables

Accounts receivables are generally due within 30 days and all accounts receivables are therefore classified as current assets. Accounts receivables are initially recognised at transaction price. The Group holds the accounts receivables for the purpose of collecting contractual cash flows and therefore measures them at subsequent reporting dates at amortised cost using the effective interest method.

Derivative instruments

Derivative instruments are held for economic hedging purposes only and not for speculative purposes. The Group does not apply hedge accounting. Derivative instruments are classified as held for trading and are measured at fair value through the income statement under production and project costs.

Derivative instruments are recognised in the balance sheet on the trade date and are measured at fair value, both initially and on subsequent revaluation. The fair value of a derivative instrument is classified as a non-current asset or non-current liability when the remaining maturity of the hedged item is more than 12 months and as a current asset or current liability when the remaining maturity of the hedged item is less than 12 months.

Cash and cash equivalents

Cash and cash equivalents in the cash flow statement consist entirely of bank deposits.

Accounts payables

Accounts payables refer to obligations to pay for goods and services acquired in the ordinary course of business from suppliers. Accounts payables are classified as current liabilities if they fall due within one year. If not, they are recognised as long-term liabilities. Accounts payables are recognised at nominal value. The carrying amount of accounts payables is assumed to be equal to its fair value, as this item is short-term in nature.

Borrowing

Liabilities to credit institutions are initially recognised at fair value, net of transaction costs. Borrowings are subsequently recognised at amortised cost and any difference between the amount received (net of transaction costs) and the amount to be repaid is recognised in the income statement over the period of the borrowing, using the effective interest rate method.

Borrowings are derecognised when the liabilities have been settled, cancelled or otherwise terminated. The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including non-cash assets transferred or liabilities incurred, is recognised in profit or loss.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer payment of the liability for at least 12 months after the end of the reporting period.

Current assets

Inventories

Inventories are recognised at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The risk of intrusion has been taken into account.

Contract assets

In connection with construction contracts (see section Revenue recognition), the Group incurs items in the balance sheet related to the status of the relationship between work performed and consideration received from the customer. In the balance sheet, the Group presents the position of each contract net, as either an asset or a liability. A contract is an asset when contract costs and recognised profits (net of recognised losses) exceed invoiced amounts and are recognised in the balance sheet under Contract assets. The Group recognises a liability when the opposite relationship exists and is presented in the balance sheet under Contract liabilities.

Current and non-current liabilities

Provisions

Provisions for legal claims are recognised when the Group has a legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. No provision is made for future operating losses.

Provisions are measured at the present value of the amount expected to be required to settle the obligation.

Current and deferred tax

The tax charge for the period comprises current and deferred tax. The current tax charge is calculated on the basis of the tax rules enacted or substantively enacted at the balance sheet date in the countries in which the Group operates and generates taxable income.

Current tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Deferred tax is recognised, using the balance sheet method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is calculated using tax rates enacted or substantively enacted at the balance sheet date that are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets on tax losses are recognised to the extent that it is probable that future taxable profits will be available against which the losses can be utilised.

Deferred tax assets and liabilities are offset when there is a legal right of set-off for current tax assets and liabilities, the deferred tax assets and liabilities relate to taxes levied by the same tax authority and relate to either the same taxable entity or different taxable entities and there is an intention to settle the balances through net payments.

Leasing agreements

The Group's leases relate mainly to premises, plant and machinery, vehicles and other inventories.

Leases are recognised as assets for use and a corresponding liability, on the date that the leased asset is available for use by the Group. Each lease payment is allocated between debt repayment and finance charges. The finance charge is allocated over the lease term so that each accounting period is charged with an amount equal to a fixed rate of interest on the liability recognised in that period.

Leasehold assets are depreciated on a straight-line basis over the shorter of the useful life of the asset and the lease term. Assets and liabilities arising from leases are initially recognised at their present value.

Lease liabilities include the present value of the following lease payments:

- Fixed fees
- Variable lease payments depending on an index
- Amounts expected to be paid in respect of residual value guarantees
- The exercise price of an option to buy if the Group is reasonably certain to exercise such an option

Lease payments are discounted using the implicit interest rate of the lease or the marginal lending rate if the implicit interest rate is not known. The marginal lending rate is the interest rate that the individual lessee would have to pay to borrow to purchase an asset of similar value to the right of use in a similar economic environment with similar terms and collateral.

Assets with right of use are valued at cost and include:

- The initial measurement of the lease liability and
- Payments made on or before the date on which the leased asset is made available to the lessee.

Lease payments relating to short-term leases and leases where the underlying asset has a low value are recognised as an expense on a straight-line basis over the lease term. Short-term leases are contracts with a lease term of 12 months or less and are mainly for scaffolding rental for assembly on construction sites. These are recognised as production and project costs. Leases for which the underlying asset has a low value relate mainly to IT equipment and office machines which are recognised as administrative expenses.

Options to extend and terminate contracts

Some contracts include options to extend or terminate contracts early. The conditions are used to maximise flexibility in the management of the contracts. Options to extend or terminate contracts are included in the asset and liability when it is reasonably certain that they will be exercised.

Employee benefits

Short-term remuneration

Short-term remuneration in the Group consists of salary, social security contributions, paid vacation, paid sick leave, medical care and variable salary. Short-term remuneration is recognised as an expense and a liability when there is a legal or constructive obligation to pay benefits. The cost is recognised as the services are performed by the employees. The liability is recognised as employee benefits in the balance sheet.

Pension obligations

The Group has only defined contribution pension plans, see note 37. A defined contribution plan is a pension plan under which the Group pays fixed contributions to a separate legal entity. The Group has no legal or constructive obligation to pay additional contributions if this legal entity does not have sufficient assets to pay all employee benefits related to the employees' service in the current or prior periods.

For defined contribution pension plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis.

The Group has no further payment obligations once the contributions have been paid. The fees are recognised as personnel costs when they fall due. Prepaid fees. Recognised as an asset to the extent that the cash repayment or reduction in future payments can benefit the Group. See further note 37.

Remuneration in the event of dismissal

Remuneration in the event of dismissal is paid when an employee's employment is terminated by the Group before the normal retirement date or when an employee accepts voluntary redundancy in exchange for such benefits.

The Group recognises remuneration in the event of dismissal when it is demonstrably committed to terminating employees under a detailed formal plan without possibility of withdrawal. Where the Group has made an offer to encourage voluntary redundancy, the redundancy payment is calculated based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

Warrants to employees

The Group has issued warrants to employees. The employees have paid the fair value of the warrants, this warrants premium is recognised as other contributed equity.

The programme has been classified as equity regulated as the holder can only receive shares upon redemption. Upon exercise of the warrants, the exercise price will be recognised in equity. For more information see note 8.

Income statement

The Group's policy for recognising revenue from contracts with customers is set out below.

New build and renovation

The Group's revenues mainly relate to revenues from the execution of construction contracts for the erection of balconies in connection with new build or renovation.

Typically, construction contracts are a performance commitment as the elements of the contract are not separable from each other but form an overall commitment for both new build and renovation.

Construction contracts include a guarantee for the work carried out. Guarantees are not considered to be a separate performance commitment given that they are statutory guarantees issued in accordance with industry practice of normally 5 years. There are no extended warranty commitments.

Determination of transaction price

The customer contracts are essentially fixed-price contracts. The Group considers whether there may be other commitments that constitute separate performance obligations to which the transaction price should be allocated.

Revenue from contracts with customers is measured at the contractual transaction price that reflects the consideration the Group expects to receive. Under the fixed price contracts, the customer pays the contractual transaction price at agreed payment dates (see section Contractual Assets on the relationship between work performed and remuneration received from the customer). The Group generally has no impact of variable remuneration affecting the transaction amount.

Timing of revenue recognition

Revenue is recognised over time when there is no alternative use for the products, as the products are specifically tailored to the customer, and the Group is entitled to payment. The assembly part is also accounted for over time, after which the customer obtains control over the service performed.

When applying the progressive recognition of income and profit, the result is presented as the project is completed. The basic condition for the application of progressive profit offsetting is that the total project income and cost at completion can be reliably calculated. When revenue and cost can be measured reliably and it is probable that the contract will be profitable, revenue is recognised over the term of the contract based on the stage of completion. The completion rate is defined as the expenditure incurred on work performed up to the end of the reporting period as a percentage of the estimated total expenditure for each contract. Expenditure is recognised on an ongoing basis for the activities included in the contract. When it is probable that total expenditure will exceed total income, the expected loss is recognised immediately as an expense. When the outcome of a contract cannot be measured reliably, revenue is recognised only to the extent of the expenditure incurred that is probable of being reimbursed by the customer.

The Group acts as principal in all contracts in view of the fact that the Group is responsible for fulfilling the commitment to the customer, sets the transaction price and retains control of the products until control is transferred to the customer.

Contract costs

Some of the indirect project expenses, such as pre-project design and costing, incurred by the Group are treated as completion costs and are capitalised and amortised over the life of the project.

The Group incurs sales commission expenses in order to obtain certain customer contracts. The Group applies the practical expedient of recognising the incremental costs of obtaining a contract as an expense as incurred based on the expected amortisation period of the asset that the Group would otherwise recognise being one year or less. Sales commission expenses are included in the consolidated income statement under production and project costs.

Financial components

The Group does not expect to have any contracts where the time between delivery of the products to the customer and payment from the customer exceeds one year. As a result, the Group does not adjust the transaction price for the effects of a significant financing component.

Cash flow statement

The cash flow statement is prepared using the indirect method. This involves adjusting the operating result for transactions not involving cash receipts or payments during the period and for any income and expenses related to cash flows from investing or financing activities.

Share capital

Ordinary shares are classified as equity.

Segment reporting

Operating segments are reported in a manner which corresponds to the internal reporting provided to the Board of Directors (see Note 6).

Earnings per share

Earnings per share before dilution

Basic earnings per share are calculated by dividing:

- profit attributable to equity holders of the parent
- with a weighted average number of ordinary shares outstanding during the period, adjusted for the bonus issue element of ordinary shares issued during the year and excluding repurchased shares held as treasury shares by the parent company.

Earnings per share after dilution

For the calculation of diluted earnings per share, the amounts used for the calculation of basic earnings per share are adjusted by taking into account:

- The after-tax effect of dividends and interest expense on potential ordinary shares; and
- the weighted average of the additional ordinary shares that would have been outstanding upon conversion of all potential ordinary shares.

Accounting policies of the parent company

The parent company complies with the Annual Accounts Act (ÅRL) and the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities. RFR 2 requires the parent company to apply International Financial Reporting Standards (IFRS) endorsed by the EU in its financial statements as far as possible within the framework of the ÅRL and taking into account the relationship between accounting and taxation.

The same accounting policies are applied in the parent company as in the group, except as indicated below.

No change in accounting policy during the financial year or previous year in respect of the parent company.

Layout

The profit and loss account and balance sheet follow the format of the ÅRL. The statement of changes in equity also follows the Group's presentation format but must contain the columns specified in the ÅRL. Furthermore, it implies a difference in designations, compared to the consolidated financial statements, mainly with regard to financial income and expenses and equity.

Shares in subsidiaries

Investments in subsidiaries are stated at cost less any impairment losses. The acquisition cost includes acquisition-related costs and any additional purchase consideration.

When there is an indication that the value of investments in subsidiaries has decreased, a calculation of the recoverable amount is made. If this is less than the carrying amount, an impairment loss is recognised. Impairment losses are recorded in the "Result from investments in group companies" caption.

Financial instruments

In calculating the net realisable value of receivables, the principles of impairment testing and loss provisioning in IFRS 9 shall be applied. For a receivable carried at amortised cost at Group level, this means that the loss reserve recognised in the Group in accordance with IFRS 9 shall also be recognised in the parent entity.

NOTE 4 FINANCIAL RISK MANAGEMENT

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management policy focuses on the unpredictability of the financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative instruments to hedge certain risk exposures. Hedge accounting was not applied in 2020 or 2021.

Risk management is handled by a central finance department according to policies set by the Board of Directors. The Finance Department identifies, evaluates and hedges financial risks in close cooperation with the Group's operational units. The Board of Directors establishes written policies both for overall risk management and for specific areas, such as currency risk, interest rate risk, credit risk, use of derivative and non-derivative financial instruments and investment of excess liquidity.

Market risk

(i) Currency risk

The Group operates internationally and is exposed to currency risks arising from various currency exposures, mainly in Norwegian Kroner (NOK), Euro (EUR) and Danish Kroner (DKK) and to a lesser extent in British Pounds (GBP) and Polish Zloty (PLN). Currency risk arises from future business transactions, recognised assets and liabilities and net investments in foreign operations.

The Board of Directors has implemented a policy whereby the foreign exchange risk arising from future business transactions and recognised assets and liabilities is managed through the use of forward contracts by Group companies. Currency risk arises when future business transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.

The Group's risk management policy is to hedge 50-75% (±20%) of expected cash flows (mainly construction contracts and purchases of goods and services) in each major currency for the following twelve months.

If the Swedish krona had weakened/strengthened by 5 öre (5%) against the Norwegian krone with all other variables held constant, the net result for the financial year would have been SEK 616 thousand (2020: SEK 1,371 thousand) higher/lower, mainly due to gains/losses on translation of trade receivables and payables in NOK, financial assets and liabilities at fair value through profit or loss.

If the Swedish krona had weakened/strengthened by 50 öre (5%) against the euro, with all other variables held constant, the net result for the financial year would have been SEK 613 thousand (2020: 1,409 thousand) lower/higher, mainly as a result of gains/losses on the translation of trade receivables and payables in EUR, financial assets and liabilities at fair value through profit or loss.

If the Swedish krona had weakened/strengthened by 5 öre (4%) against the Danish krone with all other variables held constant, net profit for the financial year would have been SEK 404 thousand (2020: SEK -23 thousand) higher/lower, mainly as a result of gains/losses on translation of trade receivables and trade payables in DKK, financial assets and liabilities at fair value through profit or loss.

Operating leases

In the parent company, where they exist, all leases are accounted for in accordance with the rules on operating leases, see note 35.

Group contributions

Group contributions received and paid are recognised as an asset in the financial statements.

Dividends

Dividends paid to the parent company's shareholders are recognised as a liability in the consolidated financial statements in the period in which the dividend is approved by the parent company's shareholders.

(ii) Interest rate risk on cash flows and fair values

The Group's interest rate risk arises from long-term borrowings. Borrowings made at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash at variable rates. At the end of 2021, the Group's borrowings consisted of loans in Swedish kronor and Polish zloty, which bear interest at variable rates.

If interest rates on borrowings in Swedish kronor as at 31 December 2021 had been 100 basis points (1.0%) higher/lower with all other variables held constant, the net result for the financial year would have been SEK -164 thousand (2020: SEK 0 thousand) lower/higher, mainly as an effect of higher/lower interest costs for variable rate borrowings.

(iii) External risk

Pandemics such as covid-19 have an impact on the markets in which Balco operates, partly through regulatory decisions but also through changes in people's behaviour. During the covid-19 pandemic, we have seen that it will first have an impact on order intake and order backlog and, if it is long-lasting, also affect net sales and profit. However, the need for renovation of older balconies does not disappear; the market remains.

Credit risk

The Group has established guidelines to ensure that sales are made to customers with an appropriate credit history. A credit risk assessment of the customer is carried out before each project. The customer's financial position, historical finances and other factors are taken into account. Credit risk is managed by each company in accordance with the Group's credit instructions. Credit risk arises mainly from trade receivables and contract assets. Historically, the Group's credit losses are small. Payments are made according to a predetermined payment schedule. The credit period is generally 30 days. A policy exists to insure certain categories of customers.

Liquidity risk

Cash flow forecasts are prepared by the Group's operating companies and aggregated by the finance department. The Group closely monitors rolling cash reserve forecasts to ensure that it has sufficient cash resources to meet the needs of its ongoing operations while maintaining sufficient headroom on undrawn committed credit facilities (note 28) so that the Group does not breach borrowing limits or loan covenants (where applicable) on any of the Group's borrowing facilities.

The following table analyses the Group's non-derivative financial liabilities and net derivative financial liabilities by the period remaining to the contractual maturity date at the balance sheet date. Derivative instruments that are financial liabilities are included in the analysis if their contractual maturity dates are material to understanding the timing of future cash flows. The amounts shown in the table are the contractual undiscounted cash flows.

At 31 December 2021	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Borrowings (excl. lease liabilities)	-	380	-	171,727 ²⁾	-
Lease liabilities	-	20,509	10,632	11,251	-
Other non-current liabilities	-	-	28,331	-	-
Derivative instruments	-	427	-	-	-
Accounts and other payables	112,159	-	-	-	-
Total	112,159	21,316	38,963	182,978	-

2) Maturing on 12/10/2024

At 31 December 2020	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Borrowings (excl. lease liabilities)	2,500	7,880	203,042 ¹⁾	-	-
Lease liabilities	-	19,376	11,858	14,697	-
Derivative instruments	-	174	-	-	-
Accounts and other payables	112,186	-	-	-	-
Total	114,686	27,429	214,900	14,697	-

1) Maturing on 14/09/2022

Management of capital

The Group assesses capital on the basis of operating profit excluding depreciation and amortisation (EBITDA), with capital restricted to external financing, Net debt to EBITDA. This ratio is calculated as EBITDA in relation to the Group's external debt. External borrowings are defined as short-term borrowings and long-term borrowings net of cash and cash equivalents and excluding lease liabilities. Net interest-bearing debt must not exceed 2.5 times operating profit before depreciation and amortisation (EBITDA), other than temporarily.

	31/12/2021	31/12/2020
Total borrowings (note 28)	214,499	259,353
Of which due to credit institutions	172,107	213,422
Of which lease liabilities	42,392	45,931
Less: cash and cash equivalents (note 26)	-117,497	-214,129
Less: leasing liabilities	-42,392	-45,931
External loan debt	54,610	-707
EBITDA	155,583	152,965
External debt/EBITDA	0.35	-

Calculation of fair value

The table below shows financial instruments measured at fair value, based on the classification in the fair value hierarchy. The different levels are defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- Observable data for the asset or liability other than quoted prices included at level 1, either directly (i.e. as price quotations) or indirectly (i.e. derived from price quotations) (level 2).
- Data for the asset or liability not based on observable market data (i.e. unobservable data) (level 3)

The following table shows the Group's assets and liabilities measured at fair value as at 31 December 2021

	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit or loss				
Derivative instruments held for trading				
- Currency derivatives	-	1,192	-	1,192
Total assets	-	1,192	-	1,192
Liabilities				
Financial liabilities at fair value through profit or loss				
Other non-current liabilities	-	-	28,331	28,331
Derivative instruments held for trading				
- Currency derivatives	-	427	-	427
Total liabilities	-	427	28,331	28,758

The following table shows the Group's assets and liabilities measured at fair value as at 31 December 2020

	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit or loss				
Derivative instruments held for trading				
- Currency derivatives	-	9,291	-	9,291
Total assets	-	9,291	-	9,291
Liabilities				
Financial liabilities at fair value through profit or loss				
Derivative instruments held for trading				
- Currency derivatives	-	174	-	174
Total liabilities	-	174	-	174

There have been no transfers between valuation model level 1 and valuation model level 2 in any of the years.

Level 1 financial instruments

The fair value of financial instruments traded in an active market is based on quoted market prices at the balance sheet date. A market is considered active if quoted prices from an exchange, broker, industry group, pricing service or surveillance authority are readily and regularly available and these prices represent actual and regularly occurring market transactions at arm's length. The Group does not hold any financial instruments classified at level 1.

Level 2 financial instruments

The fair value of financial instruments that are not traded in an active market (e.g. OTC derivatives) is determined using valuation techniques. Market information is used as much as possible where available, while company-specific information is used as little as possible. If all significant inputs required for the fair value measurement of an instrument are observable, the instrument is classified at level 2.

Where one or more significant inputs are not based on observable market information, the instrument concerned is classified at level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or broker quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted to present value.
- Other techniques, such as discounted cash flow calculations, are used to determine the fair value of the remaining financial instruments.
-

NOTE 5 IMPORTANT ESTIMATES AND ASSESSMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and judgements

The Group makes estimates and assumptions about the future. The resulting estimates for accounting purposes will, by definition, rarely correspond to actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

Impairment testing of goodwill and trademarks

The Group assesses annually whether there is any impairment of goodwill and trademarks, in accordance with the accounting policy described in note 3. The recoverable amounts of cash-generating units have been determined by calculating the value in use. These calculations require certain estimates to be made (note 16).

Income statement

The Group applies the percentage-of-completion method of accounting for construction contracts, which is a well-proven and long-established model for the Group and requires the Group to make estimates of the proportion of services already performed at the balance sheet date to the total services to be performed. Balco's revenue and profit are determined by the timing of the actual costs incurred during the implementation of the project. The model is not linear but based on costs within the two different phases of the project, manufacturing and assembly. Most of the costs are generated during project phase 1 (manufacturing phase), which includes all of Balco's processing. The phase includes costs such as materials, product development, project management, transport, construction, statics, preparation and patents. In

project phase 2 (construction/assembly), the second and smaller part of the costs of a project is generated. The costs include assembly management and assembly of the final product. The progress of each individual project is monitored on a monthly basis throughout the life of the project. Deviations from initial calculations are adjusted and updated forecasts are managed on an ongoing basis. In accordance with IAS 37, the entire expected loss on a project is recognised when the forecast is for a negative project outcome. If the ratio between services performed and total services to be performed were to differ by 1%, the revenue recognised for the year would change by SEK 12 million (2020: SEK 12 million).

Trade receivables and contract assets

The loss reserve for financial assets is based on assumptions about the risk of default (e.g. due to financial difficulties of customers such as bankruptcy, or financial reorganisation) and expected loss levels. The Group makes its own judgements for assumptions and choice of inputs to the impairment calculation. These are based on historical data, known market conditions and forward-looking estimates at the end of each reporting period.

Leasing

Some contracts include options to extend or terminate contracts early. The conditions are used to maximise flexibility in the management of the contracts. Options to extend or terminate contracts are included in the asset and liability when it is reasonably certain that they will be exercised.

Warranty reserves

The Group continually tests the value of the reserves set aside in relation to estimated needs. Reservations are made on the basis of historical statistics on defective products and work performed.

The guarantee reserve amounted to 0.5% of net sales as of 31 December 2021 (2020: 0.5%) and are reported under Contract assets, see note 23.

NOTE 6 SEGMENT REPORTING

The Group's operations are divided into two different segments: Renovation and New Build. Renovation is the part of the business that includes both the replacement and expansion of existing balconies and the installation of new balconies on existing buildings without balconies. The majority of Balco's net sales in the Renovation segment consists of glazed balconies for housing associations. The New Build segment includes the installation of balconies in new build of apartment buildings and balcony solutions in maritime applications. In the new build segment, Balco offers its entire product range. The basis for segment reporting is based on the classification of each individual project.

Financial expenses, financial income and income tax are mainly managed at Group level and are not allocated to the segments. The Group does not operationally monitor fixed assets by segment.

2021	Renovation	New build	Group other	Eliminations	Total
Net sales- External income	946,569	173,914	-	-	1,120,483
Net sales- Internal revenue	-	-	24,525	-24,525	-
Total net sales	946,569	173,914	24,525	-24,525	1,120,483
Operating profit (EBIT)	105,626	14,016	-1,652	-	117,990
Depreciation is included in EBIT at	30,162	7,432	-	-	37,594
Operating profit (EBIT)	105,626	14,016	-1,652	-	117,990
Financial income	-	-	-	-	165
Financial expenses	-	-	-	-	-6,531
Result after financial items	-	-	-	-	111,624
Tax	-	-	-	-	-21,384
Profit for the year	-	-	-	-	90,240

2020	Renovation	New build	Group other	Eliminations	Total
Net sales- External income	1,095,721	104,283	-	-	1,200,004
Net sales- Internal revenue	-	-	21,339	-21,339	-
Total net sales	1,095,721	104,283	21,339	-21,339	1,200,004
Operating profit (EBIT)	113,487	6,794	-4,903	-	115,378
Depreciation is included in EBIT at	33,782	3,806	-	-	37,588
Operating profit (EBIT)	113,487	6,794	-4,903	-	115,378
Financial income	-	-	-	-	172
Financial expenses	-	-	-	-	-9 823
Result after financial items	-	-	-	-	105,727
Tax	-	-	-	-	-28,083
Profit for the year	-	-	-	-	77,644

Intangible assets and property, plant and equipment by geographical market

	31/12/2021	31/12/2020
Sweden	663,161	533,190
Norway	3,000	2,573
Denmark	19,207	20,954
Finland	2,006	1,663
Germany	2,065	1,388
The Netherlands	329	1,085
United Kingdom	1,665	1,845
Poland	57,901	59,036
Total	749,332	621,735

NOTE 7 REMUNERATION OF THE AUDITORS

Group	2021	2020
PwC		
Audit assignment	-1,641	-1,749
Auditing activities in addition to the audit engagement	-48	-
Tax advice	-474	-652
Total	-2,163	-2,401
Audit assignments:		
Alpha Revision AS	-39	-46
Herman Slater	-33	-31
BDO Statsautoriseret Revision A/S	-225	-128
Kancelaria Biegłych Rewidentów "CDP" Sp. z o.o.	-90	-73
Total	-387	-278
Total	-2,550	-2,679

An audit assignment means an examination of the annual accounts and financial statements and of the management of the Board of Directors and the CEO, other tasks to be performed by the company's auditor and advice or other assistance resulting from observations made during such examination or performance of such other tasks. Everything else comes other assignments.

Of the remuneration for 2021, the following has been paid to the auditing firm Öhrlings PricewaterhouseCoopers AB for services to the Group's Swedish companies: audit assignment SEK 1,641 thousand (2020: SEK 1,749 thousand), other statutory tasks SEK 48 thousand (2020: SEK 0 thousand), tax consultancy SEK 474 thousand (2020: SEK 652 thousand) and other services SEK 0 thousand (2020: SEK 0 thousand).

NOTE 8 EMPLOYEE BENEFITS, ETC.

Group	2021	2020
Salaries and remuneration	-201,860	-169,562
Social security costs	-51,308	-46,673
Pension costs	-21,616	-18,583
Total	-274,784	-234,818

Parent company	2021	2020
Salaries and remuneration	-9,452	-7,890
Social security costs	-3,739	-4,108
Pension costs	-1,792	-2,429
Total	-14,983	-14,428

Remuneration and other benefits 2021	Basic salary/ Board fees	Social security contributions/ Special payroll tax	Variable remuneration	Other benefits	Pension costs	Total
Tomas Johansson, Chairman of the Board until 25/05/2021	-270	-85	-	-	-	-355
Ingall Berglund, Chairman of the Board from 25/05/2021	-400	-126	-	-	-	-526
Carl-Mikael Lindholm Board member	-220	-69	-	-	-	-289
Johannes Nyberg Board member	-255	-80	-	-	-	-335
Vibecke Hverven, Board member	-228	-71	-	-	-	-299
Thomas Widstrand, Board member from 25/05/21	-113	-35	-	-	-	-148
Mikael Andersson, Board member	-235	-24	-	-	-	-259
Kenneth Lundahl, CEO	-2,904	-973	-244	-159	-962	-5,242
Other senior executives (5 persons)	-7,407	-2,632	-1,233	-405	-1,941	-13,618
Total	-12,032	-4,095	-1,477	-564	-2,903	-21,071

Remuneration and other benefits 2020	Basic salary/ Board fees	Social security contributions/ Special payroll tax	Variable remuneration	Other benefits	Pension costs	Total
Tomas Johansson, Chairman of the Board	-540	-170	-	-	-	-710
Carl-Mikael Lindholm Board member	-215	-68	-	-	-	-283
Johannes Nyberg Board member	-230	-72	-	-	-	-302
Åsa Söderström Winberg, Board member until 17/06/2020	-107	-34	-	-	-	-141
Vibecke Hverven, Board member from 17/06/2020	-107	-34	-	-	-	-141
Ingalill Berglund, Board member	-260	-82	-	-	-	-342
Mikael Andersson, Board member	-230	-72	-	-	-	-302
Kenneth Lundahl, CEO	-2,818	-1,434	-799	-149	-1,031	-6,231
Other senior executives (5 persons)	-6,796	-3,147	-1,090	-364	-2,288	-13,685
Total	-11,303	-5,113	-1,889	-513	-3,319	-22,137

Warrants

Year	Number warrants	Number exercised warrants	Number due warrants	Total	Exercise price	Subscription period
2020/2023	400,000	-	-	400,000	99.20	16/12/2023-15/01/2024
2021/2024	200,000	-	-	200,000	107.70	25/05/2024-24/06/2024
	600,000	-	-	600,000		

Terms and conditions for the CEO

If the CEO is dismissed, 12 months' notice. If the CEO resigns, 6 months' notice. During the period of notice, the CEO is entitled to retain his/her fixed salary, but not other benefits. The Group sets aside 30% of gross salary and 25% of variable remuneration (2020: 30% of gross salary and 25% of variable remuneration), to a pension insurance, according to the CEO's choice of insurance company. Outstanding pension obligations to the CEO exist in the form of a direct pension solution totalling SEK 304 thousand (2020: SEK 0 thousand).

Gender distribution in the Group (including subsidiaries) for Board members and CEO.

Group	2021		2020	
	Number on balance sheet days	Of which women	Number on balance sheet days	Of which women
Board members	16	4	15	4
CEO	5	1	3	1
Total	21	5	18	5

Parent company	2021		2020	
	Number on balance sheet days	Of which women	Number on balance sheet days	Of which women
Board members	6	2	6	2
CEO	1	-	1	-
Total	7	2	7	2

Group	2021		2020	
	Number of employees	Of which women	Number of employees	Of which women
Average number of employees with geographical breakdown by country				
Sweden	291	35	230	34
Norway	7	-	7	-
Denmark	57	4	70	5
United Kingdom	9	-	8	-
The Netherlands	4	1	3	-
Poland	82	17	93	19
Finland	3	-	4	-
Germany	14	3	13	2
Total	467	60	428	60

Parent company	2021		2020	
	Number of employees	Of which women	Number of employees	Of which women
Average number of employees with geographical breakdown by country				
Sweden	3	-	3	-
Total	3	-	3	-

The Board of Directors proposes that the Annual General Meeting resolves on the following guidelines for remuneration to the company's senior executives.

Senior executives refers to the CEO and Group Management. These guidelines shall apply to remuneration agreed and changes made to remuneration already agreed after the guidelines were adopted by the Annual General Meeting. Remuneration decided by the shareholders at the general meeting falls outside these guidelines. Accordingly, share-based incentive schemes for senior executives or remuneration to directors for board service are not covered by these guidelines.

Contribution of the guidelines to the company's business strategy, long-term interests and sustainability

In short, the company's business strategy aims to strengthen its market-leading position as a supplier of high-quality balcony solutions tailored to the specific needs and requirements of its customers. For more information on the company's business strategy, see the company's website www.balcogroup.se. Successful implementation of the company's business strategy and safeguarding of its long-term interests, including its sustainability, is that the company is able to recruit and retain senior executives. The objective of the company's remuneration is to be competitive and at the same time in line with shareholders' interests. The company's remuneration schemes should combine to create well-balanced remuneration that reflects individual skills, responsibilities and performance, in the short and long term, as well as the company's overall performance.

Decision-making process

The Board has established a Remuneration Committee whose tasks include preparing remuneration-related issues and proposals to the Board regarding senior executives and possible decisions on deviations from the guidelines. The Board shall prepare a proposal for new guidelines when the need for substantial change arises, but at least every four years, and submit the proposal for decision at the Annual General Meeting. The guidelines shall remain in force until new guidelines are adopted by the Annual General Meeting. The Remuneration Committee shall also monitor and evaluate ongoing and variable remuneration programmes concluded during the year for senior executives, the application of the guidelines for remuneration of senior executives and the current remuneration structures and remuneration levels in Balco. Senior executives do not participate in the Board's consideration of and decisions on remuneration-related matters when they are affected by such matters.

The forms of remuneration

Remuneration to senior executives may consist of fixed and variable salary, pension and other benefits. In addition, the General Meeting may, independently of these guidelines, decide on share-based or other forms of remuneration.

Fixed and variable salary

Fixed annual salary for an executive shall be competitive and based on the skills, responsibilities and performance of the person.

In addition to the fixed annual salary, executives shall be entitled to variable remuneration. Such variable remuneration shall be based on predetermined and measurable criteria, which may be financial or non-financial. Variable remuneration may be linked directly or indirectly to the achievement of the financial targets set by the Balco Board of Directors, which include the Group's operating result. Non-financial criteria can be linked to sustainability. Variable salary is normally paid based on performance over twelve months (calendar year) and on the most recent financial information published by the company. Variable cash remuneration is thus linked to the company's business strategy, long-term interests and sustainability.

The criteria shall be established, monitored and evaluated annually by the Board of Directors. For each senior executive, the variable remuneration may not exceed 50% of their fixed annual salary.

Other benefits and pension

The Group provides other benefits to senior executives in accordance with local practice. Such benefits may include, for example, a company car and occupational health care. For a limited period, official accommodation may also be offered where appropriate.

Senior executives shall be entitled to pension benefits based on the practice in the country where they are employed. Pension contributions shall be defined contribution and secured by payments of premiums to insurance companies, except where the individual concerned is covered by a defined benefit pension in accordance with the relevant collective agreement provisions. Variable remuneration can only form the basis for pension benefits if provided for in the applicable collective agreement provisions. For each senior executive, pensions may not exceed 30% of their fixed annual salary, unless a higher provision is made under the applicable collectively agreed pension plan.

In the case of employment contracts governed by rules other than those of Swedish law, appropriate adjustments may be made to pension and other benefits in order to comply with such mandatory rules or local practice, the overall purpose of these guidelines being to meet those needs.

Salary and employment conditions for employees

In preparing the Board's proposal for remuneration guidelines, the remuneration and employment conditions of the company's employees have been taken into account by providing information on the total remuneration of the employees, the components of the remuneration and the increase and rate of increase of the remuneration over time as part of the decision-making basis of the Remuneration Committee and the Board when evaluating the appropriateness of the guidelines and the limitations resulting from them.

Termination and severance pay

Employment contracts concluded between the company and senior executives shall, as a general rule, be for an indefinite period. If the company terminates the employment of a senior executive, the notice period may not exceed twelve months. Severance pay shall only be paid in the event of termination by the company and shall not exceed an amount equal to the fixed annual salary during the period of notice. In the event of termination by the executive, the period of notice shall not exceed six months and no severance pay shall be payable in the event of the executive's own termination.

Deviations from the guidelines

The Board of Directors shall have the right to deviate temporarily from these guidelines, in whole or in part, if in a particular case when there are specific reasons for doing so and a deviation is necessary to meet the long-term interests of the company, including sustainability, or to ensure the financial viability of the company. As stated above, the Remuneration Committee's tasks include preparing the Board's decisions on remuneration issues, including decisions on deviations from the guidelines.

NOTE 9 EXPENSES BROKEN DOWN BY TYPE

Group	2021	2020
Raw materials, consumables and installation services	-639,415	-767,838
Employee benefit expenses (note 8)	-274,784	-234,818
Depreciation and amortisation (notes 16, 17, 18)	-37,593	-37,587
Transport costs	-17,940	-18,501
Marketing costs	-23,257	-24,757
Other costs	-14,361	-1,125
Total production, project, sales and administration costs	-1,007,351	-1,084,626

NOTE 10 OTHER OPERATING INCOME AND OTHER OPERATING EXPENSES

Group	2021	2020
Other operating income		
Personnel related	3,446	-
Gain on disposal of tangible assets	1,472	-
Total other operating income	4,918	-
Other operating expenses		
Loss on disposal of tangible assets	-61	-
Total other operating expenses	-61	-

NOTE 11 FINANCIAL INCOME AND EXPENSES/INTEREST INCOME AND SIMILAR ITEMS AND INTEREST EXPENSE AND SIMILAR ITEMS

Group	2021	2020
Financial income/Interest income and similar items		
Interest income on bank deposits	165	172
Financial income	165	172
Financial expenses/Interest expenses and similar items		
Interest expense on liabilities to credit institutions	-4,578	-5,668
Result from investments in associates	-	-617
Impairment of financial fixed assets	-	-2,013
Other financial expenses	-1,953	-1,526
Financial expenses	-6,531	-9,824
Total financial items - net	-6,366	-9,651

Parent company	2021	2020
Financial income/Interest income and similar items		
Dividend	888	-
Interest income on bank deposits	1,690	595
Financial income	2,578	595
Financial expenses/Interest expenses and similar items		
Interest costs	-2,597	-2,546
Other financial expenses	-1,720	-1,349
Financial expenses	-4,317	-3,895
Total financial items - net	-1,739	-3,299

Intercompany interest recognised in the parent company amounts to SEK 1,525 thousand (2020: SEK 545 thousand). The corresponding cost interest rate is SEK 22 thousand (2020: SEK 46 thousand).

NOTE 12 INCOME TAX

The income tax on profits differs from the theoretical amount that would have resulted from using the weighted average tax rate for the results of the consolidated companies as follows:

Group	2021	2020
Current tax:		
Current tax on profit for the year	-22,901	-39,822
Adjustments relating to previous years	117	-409
Total current tax	-22,784	-40,231
Deferred tax (see note 19):		
Deferred tax pertaining to temporary differences	1,400	12,148
Total deferred tax	1,400	12,148
Income tax	-21,384	-28,083

Group	2021	2020
Profit before tax	111,624	105,728
Income tax calculated at the current tax rate of the parent company, 20.6% (2020: 21.4%)	-22,994	-22,626
Tax effects of:		
-Tax rate foreign	-18	39
-Non-taxable income	2,813	142
-Non-deductible expenses	-1,303	-5,229
-Adjustments relating to previous years	117	-409
Tax cost	-21,384	-28,083
Effective tax rate, %	19.2	26.6

The income tax on profits differs from the theoretical amount that would have resulted from the use of the weighted average tax rate for the results of the parent company as follows:

Parent company	2021	2020
Current tax:		
Current tax on profit for the year	-13,611	-34,567
Adjustments relating to previous years	-25	-
Total current tax	-13,636	-34,567
Deferred tax:		
Deferred tax pertaining to temporary differences	-	-
Total deferred tax	-	-
Income tax	-13,636	-34,567

Parent company	2021	2020
Profit before tax	66,035	161,610
Income tax calculated at the current tax rate for the parent company, 20.6% (2020: 21.4%)	-13,603	-34,585
Tax effects of:		
-Non-taxable income	-	26
-Non-deductible expenses	-8	-8
-Adjustments relating to previous years	-25	-
Tax cost	-13,636	-34,567
Effective tax rate, %	20.6	21.4

NOTE 13 EXCHANGE RATE DIFFERENCES

Exchange differences have been recognised in the income statement as follows:

Group	2021	2020
Production and project costs	11,113	8,006
Total exchange differences in the income statement	11,113	8,006

The Group strives to balance currency flows by matching sales and purchases in the respective currencies wherever possible. For currency flows that cannot be balanced, the Group uses currency hedges to reduce the ongoing currency risks of its operations. The currency hedges are based on the currency flows of the Group's ongoing projects and other operating activities, with the portion that is not currency hedged recognised as exchange rate differences related to Production and project costs.

NOTE 14 PROVISIONS FOR THE FINANCIAL STATEMENTS

Parent company	2021	2020
Group contribution received	65,000	167,932
Total year-end dispositions	65,000	167,932

NOTE 15 INVESTMENTS IN GROUP COMPANIES

Parent company	31/12/2021	31/12/2020
Opening cost	1,081,197	389,067
Acquisitions	115,287	692,130
Sales	-110	-
Depreciation	-513,177	-
Closing carrying amount	683,197	1,081,197

Name	Company registration number	Registered office	Share of equity, %	Number of shares	2021-12-31	2020-12-31
					Carrying amount	
Balco Invest AB	556821-2301	Växjö	100	-	-	389,067
Balco Holding AB	556627-4964	Växjö	100	-	-	515,744
Nordiska Balco AB	556325-3847	Växjö	100	1,548,176	567,910	176,386
-Balco AB	556299-4482	Växjö	100			
-Balco AS	979458398	Norge	100			
-Balco Ltd	5280899	Storbritannien	100			
-Balco Balkonkonstruktionen GmbH	HRB9039	Tyskland	100			
-Balco Balkonsystemen B.V	57577978	Nederländerna	100			
-Balco Altaner A/S	59222401	Danmark	100			
-Balco Spolka. z o.o	5961747062	Polen	100			
-Balco Oy	2706308-7	Finland	100			
-Kronhjorten och Lodjuret Holding AB	559018-7489	Växjö	100			
-TBO-Haglinds AB	556363-9631	Arboga	100			
Stora Fasad AB	556376-2185	Västerås	100	1,000	33,070	-
RK Teknik i Gusum AB	556414-3955	Gusum	100	1,000	82,218	-
-Fastigheter i Gusum AB	556857-5236	Gusum	100			
-Montage Partner i Sverige AB	559112-2170	Gusum	100			
Total				1,550,176	683,197	1,081,197

NOTE 16 INTANGIBLE ASSETS

Group	Goodwill	Trademarks	Acquired order backlog	Patents	Licences	Ongoing	Total
Financial year 2020							
Opening balance	401,217	44,018	3,756	450	1,352	3,285	454,078
Acquisitions	-	-	-	-	-	1,096	1,096
Reclassification	-	-	-	-	2,799	-2,799	-
Exchange rate differences acquisition values	-289	-348	-	-	-78	-85	-800
Amortization/depreciation	-	-	-3,756	-50	-1,224	-	-5,030
Exchange rate difference amortization/depreciation	-	-	-	-	76	-	76
Closing balance	400,928	43,670	-	400	2,924	1,497	449,420
At 31 December 2020							
Acquisition values	400,928	43,670	5,640	500	9,990	1,497	462,225
Accumulated amortization/depreciation	-	-	-5,640	-100	-7,066	-	-12,805
Closing balance	400,928	43,670	-	400	2,924	1,497	449,420
Financial year 2021							
Opening balance	400,928	43,670	-	400	2,924	1,497	449,420
Acquisitions	-	-	-	-	1,151	2,099	3,250
Increase through business acquisitions	46,881	59,402	2,962	-	-	-	109,244
Reclassification	-	-	-	-	1,858	-1,858	-
Disposals	-	-	-	-500	-537	-	-1,037
Exchange rate differences acquisition values	168	190	-	-	55	-	413
Amortization/depreciation	-	-	-2,109	-46	-1,404	-	-3,559
Amortization/depreciation disposals	-	-	-	146	-	-	146
Exchange rate difference amortization/depreciation	-	-	-	-	-42	-	-42
Closing balance	447,977	103,262	853	-	4,005	1,738	557,835
At 31 December 2021							
Acquisition values	447,977	103,262	8,602	-	13,737	1,738	575,316
Accumulated amortization/depreciation	-	-	-7,749	-	-9,732	-	-17,481
Closing balance	447,977	103,262	853	-	4,005	1,738	557,835

Depreciation costs of SEK -3,209 thousand (2020; SEK -5,030 thousand) are included in production and project costs, SEK -7 thousand (2020; SEK 0 thousand) in selling expenses and SEK -343 thousand (2020; SEK 0 thousand) in administrative expenses.

Impairment testing of goodwill and trademarks

Management assesses business performance based on activities. Renovation and New Build have been identified as the main activities. Goodwill and trademarks are monitored by management at operating segment level since 2016. Below is a summary of goodwill by operating segment and a summary of trademarks by operating segment.

Goodwill

2020	Renovation	New build	Group
Opening balance	400,943	274	401,217
Exchange rate differences acquisition values	-277	-12	-289
Closing balance	400,666	262	400,928

2021	Renovation	New build	Group
Opening balance	400,666	262	400,928
Exchange rate differences acquisition values	165	3	168
Acquisitions	39,858	7,023	46,881
Closing balance	440,689	7,288	447,977

Trademarks

2020	Renovation	New build	Group
Opening balance	43,508	510	44,018
Exchange rate differences acquisition values	-332	-16	-348
Closing balance	43,176	494	43,670

2021	Renovation	New build	Group
Opening balance	43,176	494	43,670
Exchange rate differences acquisition values	181	10	190
Acquisitions	51,491	7,910	59,402
Closing balance	94,848	8,414	103,262

The recoverable amount of a cash-generating unit (CGU) has been determined based on value-in-use calculations. These calculations are based on estimated future pre-tax cash flows based on financial budgets approved by management and covering a five-year period. Cash flows beyond the five-year period are extrapolated using estimated growth rates as indicated below. The growth rate does not exceed the long-term growth rate of the balcony market in which the CGU concerned operates.

2020	Renovation	New build
EBITDA margin ¹⁾	14.60%	5.90%
Annual growth rate ²⁾	4.70%	4.70%
Discount rate ³⁾		
- after tax	9.38%	9.38%
- before tax	10.40%	10.40%
Long-term growth rate ⁴⁾	2.00%	2.00%

1) Budgeted EBITDA margin

2) Average growth rate over the five-year forecast; based on historical performance and management's assessment of market trends.

3) The after-tax discount rate is used in the present value calculation of estimated future cash flows.

4) Weighted average growth rate used for extrapolation of cash flows beyond the budget period.

The recoverable amount of a cash-generating unit (CGU) has been determined based on value-in-use calculations. These calculations are based on estimated future pre-tax cash flows based on financial budgets approved by management and covering a five-year period. Cash flows beyond the five-year period are extrapolated using estimated growth rates as indicated below. The growth rate does not exceed the long-term growth rate of the balcony market in which the CGU concerned operates. Significant assumptions used in the value-in-use calculations:

Sensitivity analysis Goodwill

The recoverable amount exceeds the carrying amount of goodwill by a good margin. This also applies to adoption individually, if:

- the after-tax discount rate would have been 2 percentage points higher
- the estimated growth rate for extrapolating cash flows beyond the five-year period has been 0%.

The most significant assumptions are sales growth, profitability development and the discount rate.

A change of 2 percentage points in each of these two assumptions would not lead to a depreciation.

No impairment of goodwill and/or trademarks has been identified for any of the years.

2021	Renovation	New build
EBITDA margin ¹⁾	13.80%	5.10%
Annual growth rate ²⁾	11.80%	11.80%
Discount rate ³⁾		
- after tax	9.07%	9.07%
- before tax	10.06%	10.06%
Long-term growth rate ⁴⁾	3.00%	3.00%

1) Budgeted EBITDA margin

2) Average growth rate over the five-year forecast; based on historical performance and management's assessment of market trends.

3) The after-tax discount rate is used in the present value calculation of estimated future cash flows.

4) Weighted average growth rate used for extrapolation of cash flows beyond the budget period.

NOTE 17 RIGHT-OF-USE ASSETS

Group	Premises	Plant and machinery	Vehicles and other equipment	Total
Financial year 2020				
Opening balance	34,869	4,746	14,468	54,083
New contracts	3,707	-	7,647	11,354
Exchange rate differences acquisition values	-582	-4	-657	-1,243
Completed contracts	-198	-1,039	-1,586	-2,823
Amortization/depreciation	-9,500	-1,794	-8,148	-19,442
Exchange rate difference amortization/depreciation	289	2	300	591
Closing balance	28,585	1,911	12,024	42,520

Financial year 2021				
Opening balance	28,585	1,911	12,024	42,520
New contracts	5,619	2,132	10,968	18,719
Exchange rate differences acquisition values	441	-	517	958
Completed contracts	-141	-778	-1,580	-2,499
Amortization/depreciation	-10,045	-1,236	-8,191	-19,472
Exchange rate difference amortization/depreciation	-249	-	-320	-569
Closing balance	24,210	2,029	13,418	39,657

Depreciation costs of SEK -11,276 thousand (2020; SEK -12,689 thousand) are included in production and project costs, SEK -7,366 thousand (2020; SEK -5,738 thousand) in sales costs and SEK -830 thousand (2020; SEK -1,015 thousand) in administrative expenses.

Leasing liabilities	31/12/2021	31/12/2020
Short-term	20,509	19,376
Long-term	21,883	26,555
Total	42,391	45,930

See note 4 Financial risk management for further information on the maturity structure of lease liabilities.

The Group has the following leases which have not yet commenced at 31 December 2021 but which the Group is bound to: Renegotiation of lease agreement for property at Älgvägen 4, Växjö, effective Q1 2022 and running until Q4 2032. The contract also includes a minor part regarding rent adjustments which will be valid from Q1 2022 to Q3 2025. In total, the new leases amount to about SEK 95 million.

Cash flow	2021	2020
Interest expense on leases is included in financial expenses at	-1,457	-1,687
Expenditure related to short-term leasing contracts	-14,463	-18,981
Expenditure related to leases for which the underlying asset is of low value and which are not short-term	-399	-948
Total	-16,319	-21,616

NOTE 18 PROPERTY, PLANT AND EQUIPMENT

Group	Buildings and land	Machinery and other plant	Equipment, tools, fixtures and fittings	Constructions in progress	Total
Financial year 2020					
Opening balance	91,146	29,639	11,833	1,466	134,084
Exchange rate differences acquisition values	-4,810	-1,121	-341	-59	-6,330
Acquisitions	623	523	4,071	8,498	13,715
Sales and disposals	-	-328	-1,750	-	-2,078
Reclassifications	-	1,431	1,466	-2,897	-
Depreciation, reversal on sale	-	253	1,342	-	1,595
Exchange rate difference depreciation	332	1010	581	-	1,925
Amortization/depreciation	-2,607	-5,892	-4,616	-	-13,115
Closing balance	84,685	25,515	12,587	7,008	129,795
At 31 December 2020					
Acquisition values	91,263	78,415	33,446	7,008	210,132
Accumulated amortization/depreciation	-6,578	-52,900	-20,859	-	-80,337
Closing balance	84,685	25,515	12,587	7,008	129,795

Group	Buildings and land	Machinery and other plant	Equipment, tools, fixtures and fittings	Constructions in progress	Total
Financial year 2021					
Opening balance	84,685	25,515	12,587	7,008	129,795
Exchange rate differences acquisition values	248	241	157	-3	643
Acquisitions	931	43	8,804	3,793	13,571
Increase through business acquisitions	22,251	8,852	2,602	-	33,705
Sales and disposals	-	-4,223	-366	-	-4,589
Reclassifications	1,701	7,175	919	-9,795	-
Depreciation, reversal on sale	-	2,750	328	-	3,078
Exchange rate difference depreciation	-21	-380	-111	-	-512
Depreciation, through business acquisitions	-2,249	-5,973	-1,067	-	-9,289
Amortization/depreciation	-3,240	-6,334	-4,988	-	-14,562
Closing balance	104,306	27,666	18,865	1,003	151,840
At 31 December 2021					
Acquisition values	116,393	90,503	45,562	1,003	253,461
Accumulated amortization/depreciation	-12,087	-62,837	-26,697	-	-101,621
Closing balance	104,306	27,666	18,865	1,003	151,840

Depreciation costs of SEK -12,095 thousand (2020; SEK -10,761 thousand) are included in production and project costs, SEK -491 thousand (2020; SEK -531 thousand) in sales costs and SEK -1,976 thousand (2020; SEK -1,823 thousand) in administrative expenses.

NOTE 19 DEFERRED TAX

Changes in deferred tax assets and liabilities during the year, which have been recognised in the income statement, without taking into account offsets made within the same tax jurisdiction, are shown below:

Deferred tax assets are recognised for tax loss carry-forwards to the extent that it is probable that they can be utilised against future taxable profits.

Tax losses do not expire at any given time.

Changes in tax rates compared to the previous period amount to SEK 91 thousand (2020: SEK 0 thousand)

Group	31/12/2021	31/12/2020
Deferred tax expense relating to temporary differences	1,452	-4,564
Deferred tax income relating to temporary differences	-52	16,712
Total deferred tax in the income statement	1,400	12,148

Deferred tax liabilities	Buildings	Trademarks/ Order backlog	Untaxed reserves	Derivatives	Other	Total
As of 1 January 2020	-5,683	-7,720	-19,158	-	-1,045	-33,606
Reported in the income statement	-1,524	671	15,756	-1,793	243	13,355
Through acquisition of subsidiaries	-	-	1,376	-	-	1,376
At 31 December 2020	-7,207	-7,049	-2,026	-1,793	-802	-18,875
As of 1 January 2021	-7,207	-7,049	-2,026	-1,793	-802	-18,875
Reported in the income statement	24	720	-514	1,721	-499	1,452
Through acquisition of subsidiaries	-15,272	-	-266	-	-	-15,537
At 31 December 2021	-22,454	-6,329	-2,805	-72	-1,301	-32,960

Deferred tax assets	Loss relief	Leasing etc.	Total
As of 1 January 2020	1,398	407	1,805
Reported in the income statement	-1,247	40	-1,207
At 31 December 2020	151	447	598
As of 1 January 2021	151	447	598
Reported in the income statement	-12	-41	-52
Reported via equity	-68	-35	-103
At 31 December 2021	71	372	442

NOTE 20 INVENTORIES

The item production and project costs includes expenditure on inventories amounting to SEK 38,365 thousand (2020: SEK 40,629 thousand). Other items in the profit and loss account include expenses for inventories amounting to SEK 0 thousand (2020: SEK 0 thousand). Inventories in the Group have been written down by SEK 914 thousand during the period (2020: SEK 2,882 thousand).

Group	31/12/2021	31/12/2020
Raw materials and supplies	53,104	25,626
Total	53,104	25,626

NOTE 21 FINANCIAL INSTRUMENTS BY CATEGORY

Assets in the balance sheet	Fair value via profit or loss	Accrued acquisition cost	Total
31 December 2021			
Other non-current receivables	-	31	31
Accounts receivables	-	153,548	153,548
Derivative instruments	1,192	-	1,192
Cash and cash equivalents	-	117,497	117,497
Total	1,192	271,076	272,268

Assets in the balance sheet	Fair value via profit or loss	Accrued acquisition cost	Total
31 December 2020			
Other non-current receivables	-	69	69
Accounts receivables	-	175,330	175,330
Derivative instruments	9,291	-	9,291
Cash and cash equivalents	-	214,129	214,129
Total	9,291	389,529	398,820

Liabilities in the balance sheet	Fair value via profit or loss	Amortised cost	Total
31 December 2021			
Liabilities to credit institutions	-	214,499	214,499
Other non-current liabilities	28,331	-	28,331
Accounts payables	-	112,159	112,159
Derivative instruments	427	-	427
Total	28,758	326,658	355,416

Liabilities in the balance sheet	Fair value via profit or loss	Amortised cost	Total
31 December 2020			
Liabilities to credit institutions	-	259,353	259,353
Accounts payables	-	112,186	112,186
Derivative instruments	174	-	174
31 December 2020	174	371,539	371,713

Derivative instruments are classified as non-current assets or non-current liabilities when their maturity exceeds 12 months. Where the maturity is less than 12 months, they are classified as current assets or current liabilities.

Foreign exchange forward contract

The nominal amount of outstanding forward exchange contracts at 31 December 2021 was SEK 23,638 thousand (2020: SEK 115,313 thousand). Forward exchange contracts that are not matched by the current currency exposure of projects and other activities are recognised as foreign exchange gains or losses under Production and project costs.

Hedge accounting is not applied, see note 4.

NOTE 22 ACCOUNTS RECEIVABLES

As of 31 December 2021, accounts receivables in full amounted to SEK 153,548 thousand (2020: SEK 175,330 thousand).

As at 31 December 2021, accounts receivables amounted to SEK 35,833 thousand (2020: SEK 55,069 thousand) were past due but no impairment was considered necessary other than for bad debts.

Past due accounts receivables include both accounts receivables related to ongoing and completed projects. Delayed payments may be related to the implementation of the project, which means that overdue accounts receivables vary over time. The Group also works with credit insurance and various forms of collateral from clients, to reduce the risk in accounts receivables.

Provisions for and reversals of provisions for doubtful receivables are included in production and project costs in the income statement

Group	31/12/2021	31/12/2020
Accounts receivables	156,340	178,778
Minus: expected credit losses	-2,792	-3,448
Accounts receivables - net	153,548	175,330

The ageing analysis of these accounts receivables is shown below:

	31/12/2021	31/12/2020
1-30 days	28,762	31,596
31-60 days	1,203	17,021
>60 days	5,868	6,452
Total accounts receivables due	35,833	55,069

Changes in the allowance for bad accounts are as follows:

	31/12/2021	31/12/2020
As of 1 January	-3,448	-862
Provision for bad debts	-1,705	-3,448
Receivables written off during the year as irrecoverable	69	48
Recovered unused amounts	2,293	814
At 31 December	-2,791	-3,448

NOTE 23 CONTRACT ASSETS AND CONTRACT LIABILITIES

Group	Accumulated engagement expenses	Less invoiced amounts	Completion expenses	Net amount in the balance sheet for ongoing engagements
As of 1 January 2020	1,464,231	-1,378,119	21,713	107,825
New contracts this year	723,218	-767,363	15,896	-28,249
Contracts concluded this year	-627,496	620,330	-24,279	-31,445
As of 1 December 2020	1,559,953	-1,525,152	13,330	48,131
As of 1 January 2021	1,559,953	-1,525,152	13,330	48,131
New contracts this year	564,215	-544,135	24,316	44,396
Contracts concluded this year	-591,856	587,187	-19,235	-23,904
As of 1 December 2021	1,532,312	-1,482,100	18,411	68,623

Outstanding order backlog as of 31 December 2021 was SEK 1,557 million. The average project time from customer receipt of building permit is 3-12 months. The time until the customer receives planning permission varies for each project.

Contract assets amount to SEK 136,729 thousand (2020: SEK 130,290 thousand) and contractual liabilities amount to SEK 68,106 thousand (2020: SEK 82,159 thousand), giving a net amount of SEK 68,623 thousand (2020: SEK 48,131 thousand).

Amounts withheld by the client amounted to SEK 0 thousand (2020: SEK 0 thousand).

NOTE 24 OTHER RECEIVABLES

Group	31/12/2021	31/12/2020
VAT receivable	4,099	-286
VAT deposits	4,457	2,234
Other	6,624	10,483
Total	15,179	12,430

NOTE 25 DEFERRED CHARGES AND ACCRUED INCOME

Group	31/12/2021	31/12/2020
Prepaid invoices	8,515	4,225
Deposit for premises	769	653
Other	1,292	9,956
Total	10,576	14,835

Parent company	31/12/2021	31/12/2020
Prepaid invoices	798	391
Total	798	391

NOTE 26 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist entirely of bank deposits.

The Group applies a cash pool solution to primarily manage variations in cash flows within the Group. The parent company is the sole contracting party with the bank.

NOTE 27 SHARE CAPITAL

The share capital consists of 21,909,348 (2020: 21,909,348) shares.

The shares have a voting value of 1 vote/share. The quotient value is 6.0002. All shares issued by Balco Group AB are fully paid up.

NOTE 28 INTEREST-BEARING LIABILITIES

Liabilities to credit institutions

The Group's borrowings are in SEK and PLN and consist of a revolving credit facility from Danske Bank totalling SEK 510 million. The maturity date of the loan is 12 October 2024 with an option to extend for one plus one year. The interest rate on the loans is set according to the margin applied, with an impact on the evolution of the market interest rate with a three-month fixed rate, in accordance with the banking agreement in force.

The fair value of borrowings corresponds to their carrying amount, as the discounting effect is not material.

Creditors

Overdraft facilities are available in Swedish kronor.

Unused overdraft facilities amount to SEK 75,000 thousand (2020: SEK 65,000 thousand).

Leasing liabilities

Leasing liabilities are effectively secured because the rights to the leased asset revert to the lessor in the event of non-payment.

Covenants

In 2021, the Group will meet all its commitments under the covenants in force with the bank. There are two covenants, which are measured and reported on a quarterly basis:

- Interest coverage ratio (Adjusted EBITDA in relation to interest paid)
- Net debt to adjusted EBITDA

Group	31/12/2021	31/12/2020
Non-current liabilities		
Liabilities to credit institutions	171,727	203,042
Lease liabilities	21,883	26,555
Total non-current liabilities	193,610	229,597
Current liabilities		
Liabilities to credit institutions	380	10,380
Lease liabilities	20,509	19,376
Total current liabilities	20,889	29,756
Total interest-bearing liabilities	214,499	259,353

Parent company	31/12/2021	31/12/2020
Non-current liabilities		
Liabilities to credit institutions	150,000	180,000
Total non-current liabilities	150,000	180,000
Current liabilities		
Liabilities to credit institutions	-	10,000
Total current liabilities	-	10,000
Total interest-bearing liabilities	150,000	190,000

Interest-bearing liabilities from credit institutions	Carrying amount 31/12/2021	Maturity date
Danske bank	170,622	12/10/2024
AGCO Finance	1,485	30/06/2027
Total interest-bearing liabilities from credit institutions	172,107	

The fair value of borrowings corresponds to their carrying amount, as the discounting effect is not material.

NOTE 29 OTHER LIABILITIES

Group	31/12/2021	31/12/2020
Personal taxes	6,940	6,225
VAT liability	13,417	24,652
Other	5,769	3,711
Total	26,126	34,588

Parent company	31/12/2021	31/12/2020
Personal taxes	231	200
VAT liability	865	372
Total	1,096	572

NOTE 30 ACCRUED EXPENSES AND DEFERRED INCOME

Group	31/12/2021	31/12/2020
Personnel liabilities	49,691	46,666
Other	7,478	35,470
Total	57,169	82,136

Parent company	31/12/2021	31/12/2020
Personnel liabilities	5,231	3,806
Accrued interest	394	455
Other	1,317	1,032
Total	6,941	5,293

NOTE 31 ACQUISITIONS

Transaction costs for the acquisitions of Stora Fasad and RK Teknik amounted to SEK 1,254 thousand for financial and legal advice, which is reported as an item affecting comparability.

Stora Fasad AB

On 10 February 2021, Balco entered into an agreement to acquire 100% of the shares in Stora Fasad AB, a Västerås-based company active in facade work in Sweden and focused on both the new build and renovation segments. The acquisition is expected to make a positive contribution to earnings per share in 2021.

Stora Fasad had 16 employees and sales of approximately SEK 30 million in 2020 with an operating profit of approximately SEK 5 million. Balco paid SEK 23.5 million in cash for the shares. An additional SEK 10 million may be added in additional purchase price, which is based on Stora Fasad's cumulative profit development during the period 2021-2023 and will be paid in 2024. The acquisition has been financed with existing cash and cash equivalents.

The acquisition strengthens and complements Balco's product and customer offering. With the addition of facade renovation, Balco can take responsibility for the total contract in large projects with both balcony and facade renovation. Initially, the focus is on the Swedish market, but in the near future we are looking at expanding to other countries where Balco operates.

For more information, see the press release of 10 February 2021.

The acquisition was completed on 10 February and Stora Fasad will be consolidated as of 1 January 2021.

The acquisition cost estimate presented in the annual report is confirmed.

The purchase price consists of the following components (SEK million)

Cash payment	23.5
Conditional purchase price	9.6
Net assets acquired	-17.5
Goodwill	15.6

The following assets and liabilities included in the acquisition (SEK million)

Cash and cash equivalents	7.7
Property, plant and equipment	0.2
Intangible assets	15.0
Receivables	7.5
Liabilities	-9.8
Deferred tax liabilities	-3.1
Net assets acquired	17.5

RK Teknik i Gusum AB

On 8 April 2021, Balco entered into an agreement to acquire 100% of the shares in RK Teknik i Gusum AB, a company in Gusum operating in the balcony market in Sweden and focusing primarily on the renovation segment, but also to some extent on new build. The acquisition is expected to make a positive contribution to earnings per share in 2021.

RK Teknik and its subsidiaries had 58 employees and sales of approximately SEK 115 million in 2020 with an operating profit of approximately SEK 10 million. Balco paid SEK 61.9 million in cash for the shares. An additional SEK 20 million may be added in additional consideration, which is based on RK Teknik's cumulative profit development during the period 2021-2023 and will be paid in 2024. The acquisition has been financed with existing cash and cash equivalents.

Identified synergies are mainly found in purchasing and marketing, where cost savings can be achieved through coordination of purchases and where further growth can be further enhanced through access to the Balco Group's operational capabilities. In addition, there are synergies on the market side through the broader range of products that can be offered to customers through the acquisition.

For more information, see the press release of 8 April 2021.

The acquisition was completed on 22 April and RK Teknik will be consolidated as of 1 April 2021.

The acquisition cost estimate presented in the annual report is confirmed.

The purchase price consists of the following components (SEK million)

Cash payment	61.9
Conditional purchase price	18.8
Net assets acquired	-49.4
Goodwill	31.3

The following assets and liabilities included in the acquisition (SEK million)

Cash and cash equivalents	7.7
Property, plant and equipment	26.2
Intangible assets	47.4
Inventories	9.4
Receivables	17.0
Liabilities	-46.0
Deferred tax liabilities	-12.4
Net assets acquired	49.4

NOTE 32 PLEDGED ASSETS

Group	31/12/2021	31/12/2020
For liabilities and provisions of own and group companies		
Real estate mortgages	-	9,085
Corporate bonds	-	15,700
Assets with retention of title	702	380
For own pension commitment	1,649	-
Total	2,351	25,165
Parent company	31/12/2021	31/12/2020
For own liabilities and provisions		
For own pension commitment	773	-
Total	773	-

NOTE 33 CONTINGENT LIABILITIES

In the Group, guarantees are provided for lease commitments in Balco Sp.Zo.o. In connection with construction contracts, security is often provided in the form of guarantees from banks, insurance companies or parent companies for performance. For Balco Group AB, SEK 201 million (2020: 226 million) various guarantees for construction commitments entered into by subsidiaries.

NOTE 34 CASH FLOW STATEMENT

Group

				Non-cash transactions		
	01/01/2021	Cash flow	Acquisitions	Currency effect	New leasing contracts	31/12/2021
Current liabilities to credit institutions	10,380	-10,000	-	-	-	380
Non-current liabilities to credit institutions	203,042	-57,785	26,583	-113	-	171,727
Other non-current liabilities	-	-	28,331	-	-	28,331
Leasing liabilities	45,931	5,811	-	-	-9,350	42,392
Total liabilities related to financing activities	259,353	-61,974	54,914	-113	-9,350	242,830

				Non-cash transactions		
	01/01/2020	Cash flow	Acquisitions	Currency effect	New leasing contracts	31/12/2020
Current liabilities to credit institutions	10,380	-	-	-	-	10,380
Non-current liabilities to credit institutions	215,856	-10,133	-	-2,681	-	203,042
Other non-current liabilities	18,800	-18,800	-	-	-	-
Leasing liabilities	55,750	12,482	-	-	-22,301	45,931
Total liabilities related to financing activities	300,786	-16,451	-	-2,681	-22,301	259,353

Parent company

	01/01/2021	Cash flow	31/12/2021
Liabilities to credit institutions	190,000	-40,000	150,000
Total liabilities related to financing activities	190,000	-40,000	150,000

	01/01/2020	Cash flow	31/12/2020
Liabilities to credit institutions	120,000	70,000	190,000
Total liabilities related to financing activities	120,000	70,000	190,000

NOTE 35 LEASE AGREEMENTS

Operating leases

Future minimum lease payments under non-cancellable operating leases, current at the end of the reporting period, are due as follows:

Operating lease expenses in the parent company during the financial year amounted to SEK 306 thousand (2020: SEK 496 thousand).

Parent company	31/12/2021	31/12/2020
Within a year	192	346
Later than one but within five years	-	192
Total	192	539

NOTE 36 EARNINGS PER SHARE

Earnings per share are calculated by dividing the profit attributable to equity holders of the parent company by a weighted average number of ordinary shares outstanding during the period.

Outstanding warrants amount to 600,000, which gives a maximum dilution of the number of shares by 600,000 shares.

	2021	2020
Profit for the period attributable to Parent Company shareholders	91,426	72,664
Result for the period	91,426	72,664
Weighted average number of ordinary shares outstanding (thousands)	21,909	21,695
Earnings per ordinary share, SEK, before dilution	4.12	3.58
Earnings per ordinary share, SEK, after dilution	4.01	3.51

NOTE 37 COMPENSATION OF EMPLOYEES AFTER TERMINATION OF EMPLOYMENT

For salaried personnel in Sweden, the ITP 2 plan's defined benefit pension obligations for old age and family pension are secured by an insurance policy with Alecta. According to a statement by the Financial Reporting Council, UFR 10 Accounting for the ITP 2 pension plan funded by insurance in Alecta, this is a multi-employer defined benefit plan. For the financial years 2020 and 2021, the company did not have the information to account for its proportionate share of the plan's obligations, plan assets and expenses, which meant that the plan could not be accounted for as a defined benefit plan. The ITP 2 pension plan, which is covered by an insurance policy with Alecta, is therefore accounted for as a defined contribution plan. The premium for the defined benefit old-age and family pension is calculated on an individual basis and depends, among other things, on salary, previously earned pension and expected remaining period of service. Expected fees for the next reporting period for ITP 2 insurance policies underwritten by Alecta amount to SEK 15,041 thousand (2020: SEK 14,443 thousand).

The collective consolidation level is the market value of Alecta's assets as a percentage of the insurance liabilities calculated according to Alecta's actuarial methods and assumptions, which do not comply with IAS 19. The collective consolidation level should normally be allowed to vary between 125 and 155%. If Alecta's collective consolidation level falls below 125% or exceeds 155%, measures must be taken to create the conditions for the consolidation level to return to the normal range. In case of low consolidation, one measure could be to increase the contractual price for new subscriptions and extensions of existing benefits. In case of high consolidation, one measure could be to introduce premium reductions. At the end of 2021, Alecta's surplus in terms of the collective consolidation level amounted to 172 (2020: 148%).

In addition to the above-mentioned pension plan, the Group has only defined contribution pension plans.

The amounts recognised in the profit and loss account are as follows:

Group	2021	2020
Recognition in the income statement of:		
Costs of defined contribution pension plans	15,917	15,284
Income statement	15,917	15,284

NOTE 38 TRANSACTIONS WITH RELATED PARTIES

Related parties are all subsidiaries of the Group, associated companies and senior executives of the Group and their related parties.

The following transactions have taken place with related parties:

Sale of goods and services	2021	2020
- Associated company		
MIB-Polska Spolka Zo.o.	-	100
Total	-	100

Purchase of goods and services	2021	2020
Purchase of services:		
- MIB-Polska Spolka Zo.o.	-	366
- Other related parties (goods and services)	58	77
Total	58	443

Parent company	2021	2020
The purchases and sales for the year to other companies within the Group are as follows		
Sales	23,200	20,000
Purchasing	-	-
Total	23,200	20,000

NOTE 39 EVENTS SINCE THE CLOSING DATE

How large an impact Russia's invasion of Ukraine will have on our business is impossible to assess at present. What we have seen in the short term are increased material prices and electricity prices, as well some labor shortages in Poland as Ukrainian guest workers have returned to Ukraine to defend their country. Continued material price fluctuations, possible wage inflation and general uncertainty can have a negative impact on our order intake, sales and earnings.

NOTE 40 APPROPRIATION OF PROFIT AND SIGNATURES

The Board of Directors proposes that the Group's income statement and balance sheet be submitted to the Annual General Meeting on 24 May 2022 for adoption.

At the disposal of the Annual General Meeting, SEK:

Retained earnings	284,679,204
Profit for the year	52,398,521
Total unrestricted funds	337,077,726

The Board of Directors proposes that profits be distributed as follows:

To shareholders in the form of a dividend, SEK 2/share	43,818,696
Profits to be carried forward	293,259,029
Total	337,077,726

The Board of Directors and the CEO declare that the consolidated financial statements and the annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and with generally accepted accounting principles and give a true and fair view of the position and performance of the Group and the parent company, and that the Directors' Report gives a true and fair view of the activities, position and performance of the Group and the parent company, and of the principal risks and uncertainties that the parent company and its group companies face.

Växjö

Signature according to the date indicated by our electronic signature

Ingalill Berglund
Chairman

Thomas Widstrand
Board member

Carl-Mikael Lindholm
Board member

Mikael Andersson
Board member

Vibecke Hverven
Board member

Johannes Nyberg
Board member

Kenneth Lundahl
CEO

Our audit report has been submitted on the date indicated by our electronic signature

Öhrlings PricewaterhouseCoopers AB

Frida Wengbrand
Authorised auditor
Auditor in charge

Ulf Carlström
Authorised auditor

Auditor's report

*To the Annual General Meeting of Balco Group AB, corporate registration number 556821-2319
Report on the annual accounts and consolidated accounts*

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

OPINIONS

We have audited the annual accounts and consolidated accounts of Balco Group AB for the year 2021 except for the corporate governance statement on pages 58-67. The annual accounts and consolidated accounts of the company are included on pages 42-102 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of parent company and the group as of 31 December 2021 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2021 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 58-67. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company, as well as the consolidated statement of comprehensive income and the consolidated balance sheet.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

BASIS FOR OPINIONS

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited

company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

OUR AUDIT APPROACH

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the group operates.

Balco Group has 15 subsidiaries located in 8 countries in Europe. Most of the Group's operations are conducted in Sweden and Denmark, while operations in units in other countries are less extensive. We have focused our audit work on the countries with the largest operations, while operations in other countries have, for the purpose of the Group Audit, been reviewed to a lesser extent than a full audit.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

KEY AUDIT MATTERS

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Key Audit Matters

How our audit addressed this key audit matter

Net turnover and gradual recognition of profits

On page 81 of the annual report and under the heading Revenue recognition, Balco Group describes the accounting policies that the Group applies to its revenue recognition. This accounting policy means that the expected result from each project is recognised on an ongoing basis, based on the current calculation and the rate of realisation, i.e. progressive profit recognition. Of the Group's Net Sales in 2021, totalling SEK 1,120 million, the absolute majority has been recognised under the principle of gradual profit recognition.

Balco Group describes this in note 5 and under Revenue recognition on page 81.

The accounting policy requires that the reported revenue and profit margin are based in part on judgements and estimates about future outcomes that are inherently uncertain.

We have tested a selection of the controls Balco has in place in the revenue recognition process to assess the design of the controls and, in some cases, their effectiveness.

We have verified that the company has applied its accounting policies consistently with previous years and that the policies are consistent with IFRS.

We examined expenditure incurred and recognised in a sample of projects to ensure that it is correctly included as project expenditure in accordance with the company's policies.

On the basis of the calculations made for each project, which were then regularly updated based on actual outcomes, we assessed, for a sample of ongoing projects, whether the company had used its best estimate of the final profit margin as the basis for the profit allocation.

For a sample of ongoing projects, we compared forecasted total expenditure with contracted revenue to identify whether there were any so-called loss-making projects that should be reserved. During this audit, we also checked the outcome of projects completed during the year to assess the reliability of the company's own processes.

Finally, we have verified that the information given in this annual report is consistent with our understanding obtained during the audit.

Acquisition analysis of the RK Teknik Group and Stora Fasad AB

In 2021, Balco Group acquired RK Teknik and its subsidiaries as well as Stora Fasad AB. The acquisitions are described in detail in note 31. As can be seen from the aforementioned note, the total agreed purchase price amounts to SEK 115.4 million.

Reported equity in the RK Teknik Group and Stora Fasad at the time of the acquisition totalled SEK 7.1 million, which meant that management and the Board of Directors would distribute an excess value of SEK 108.3 million. This allocation was to be made at the fair value of the assets and liabilities of the respective companies at the date of acquisition.

Preparing such a distribution, an acquisition analysis, involves a number of estimates and judgements, each of which may have a significant effect on the reported assets and liabilities.

Both the size of the amounts and complexity of the estimates required have meant we consider the prepared acquisition analyses to be of particular importance for the audit.

Initially, we verified that the opening balances were prepared in accordance with Balco Group's accounting policies.

Subsequently, together with our valuation specialists, we verified that the acquisition analyses have been prepared in accordance with standard principles and models.

In examining the acquisition analyses, we found that Balco Group, in addition to those reported, had identified the additional assets and liabilities we expected based on previous acquisitions made by the Group, but also based on our general experience from other acquisitions.

We then verified that the factors used to quantify the fair value of the assets, such as future cash flows, discount rates, and assumed useful lives, were in line with accepted practice and what we expected. We also found that the assumptions were consistent with previous years' judgements for previous acquisitions.

Finally, we also examined the disclosures made by Balco Group in note 31.

OTHER INFORMATION THAN THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-41 and 108-112. The other information also consists of the remuneration report, which we expect to have access to after the date of this audit report. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTOR

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intend to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

AUDITOR'S RESPONSIBILITY

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

THE AUDITOR'S EXAMINATION OF THE ADMINISTRATION OF THE COMPANY AND THE PROPOSED APPROPRIATIONS OF THE COMPANY'S PROFIT OR LOSS

OPINIONS

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Director's and the Managing Director of Balco Group AB for the year 2021 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Director's and the Managing Director be discharged from liability for the financial year.

BASIS FOR OPINIONS

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTOR

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group' equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of

Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

AUDITOR'S RESPONSIBILITY

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibility for the audit of the administration is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

THE AUDITOR'S EXAMINATION OF THE ESEF REPORT

OPINION

In addition to our audit of the annual accounts and consolidated accounts, we have also examined that the Board of Directors and the Managing Director have prepared the annual accounts and consolidated accounts in a format that enables uniform electronic reporting (the Esef report) pursuant to Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528) for Balco Group AB for the financial year 2021.

Our examination and our opinion relate only to the statutory requirements.

In our opinion, the Esef report #[checksum] has been prepared in a format that, in all material respects, enables uniform electronic reporting.

BASIS FOR OPINIONS

We have performed the examination in accordance with FAR's recommendation RevR 18 Examination of the Esef report. Our responsibility under this recommendation is described in more detail in the Auditors' responsibility section. We are independent of Balco Group AB in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in

accordance with these requirements.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTOR

The Board of Directors and the Managing Director are responsible for ensuring that the Esef report has been prepared in accordance with the Chapter 16, Section 4 a of the Swedish Securities Market Act (2007:528), and for such internal control that the Board of Directors and the Managing Director determine is necessary to prepare the Esef report without material misstatements, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to form an opinion with reasonable assurance whether the Esef report is in all material respects prepared in a format that meets the requirements of Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), based on the procedures performed.

RevR 18 requires us to plan and execute procedures to achieve reasonable assurance that the Esef report is prepared in a format that meets these requirements.

Reasonable assurance is a high level of assurance, but it is not a guarantee that an engagement carried out according to RevR 18 and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the ESEF report.

The audit firm applies ISQC 1 Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Services Engagements and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with professional ethical requirements, professional standards and legal and regulatory requirements.

The reasonable assurance engagement involves obtaining evidence, through various procedures, that the Esef report has been prepared in a format that enables uniform electronic reporting of the annual accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the report, whether due to fraud or error. In carrying out this risk assessment, and in order to design procedures that are appropriate in the circumstances, the auditor considers those elements of internal control that are relevant to the preparation of the Esef report by the Board of Directors and the Managing Director, but not for the purpose of expressing an opinion on the effectiveness of those internal controls. The reasonable assurance engagement also includes an evaluation of the appropriateness and reasonableness of assumptions made by the Board of Directors and the Managing Director.

The procedures mainly include a technical validation of the Esef report, i.e. if the file containing the Esef report meets the technical

specification set out in the Commission's Delegated Regulation (EU) 2019/815 and a reconciliation of the Esef report with the audited annual accounts and consolidated accounts.

Furthermore, the procedures also include an assessment of whether the Esef report has been marked with iXBRL which enables a fair and complete machine-readable version of the consolidated statement of financial performance, statement of financial position, statement of changes in equity and the statement of cash flow.

THE AUDITOR'S EXAMINATION OF THE CORPORATE GOVERNANCE STATEMENT

The Board of Directors is responsible for that the corporate governance statement on pages 58-67 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR's auditing standard RevR 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act/ the Annual Accounts Act for Credit Institutions and Securities Companies/ the Annual Accounts Act for Insurance Companies.

Öhrlings PricewaterhouseCoopers AB, Torsgatan 21, 113 97 Stockholm, was appointed auditor of Balco Group AB by the general meeting of the shareholders on the 25 May 2021 and has been the company's auditor since the 25 October 2010.

Our auditor's report was presented on the day stated in our electronic signature

Öhrlings PricewaterhouseCoopers AB

Frida Wengbrand
*Authorized Public Accountant
Partner in charge*

Ulf Carlström
Authorized Public Accountant

Alternative key ratios

ALTERNATIVE KEY RATIOS	DEFINITION	PURPOSE
Return on equity	Profit for the period divided by average equity attributable to equity holders of the parent. The average is calculated as the average of the opening balance and the closing balance for each period.	The measure shows the return generated on the shareholders' capital invested in the company.
Return on capital employed	Adjusted operating profit (EBIT) divided by average capital employed. The average is calculated as the average of the opening balance and the closing balance for each period.	The measure shows the return generated on capital employed and is used by Balco to monitor the profitability of its operations as the measure relates to capital efficiency.
Return on capital employed excluding goodwill	Adjusted operating profit (EBIT) divided by average capital employed excluding goodwill. The average is calculated as the average of the opening balance and the closing balance for each period.	Balco considers that return on capital employed excluding goodwill together with return on capital employed gives an overall picture of Balco's capital efficiency.
Gross profit	Net sales less production and project costs.	Shows the efficiency of Balco's operations and, together with EBIT, provides an overall picture of current profit generation and cost structure.
Gross margin	Gross profit as a percentage of net sales.	Key performance indicators are used to analyse efficiency and value creation.
EBITDA	Earnings before interest, tax, depreciation and amortisation.	Balco believes that EBITDA is a useful measure to show the results generated in its operating activities and a good measure of cash flow from operating activities.
Net external interest-bearing debt	Net interest-bearing debt. For a reconciliation of net debt.	Balco believes that net external debt is a useful measure to show the company's total external debt financing.
Net external interest-bearing debt as a percentage of adjusted EBITDA	Net interest-bearing external debt as a percentage of adjusted EBITDA.	Balco believes that this measure is helpful in demonstrating financial risk and that it is a useful measure for monitoring the company's level of debt.
Adjusted EBITDA	EBITDA adjusted for items affecting comparability. For a reconciliation of Adjusted EBITDA to profit for the period.	Balco believes that Adjusted EBITDA is a useful measure to show the results generated by operating activities adjusted for non-recurring items and primarily uses Adjusted EBITDA in calculating the company's operating cash flow and cash generation.
Adjusted EBITDA margin	Adjusted EBITDA as a percentage of net sales	Balco believes that Adjusted EBITDA margin is a useful measure to show the profit generated in its operating activities.
Adjusted operating margin (EBIT)	Adjusted operating profit (EBIT) as a percentage of net sales.	Balco believes that adjusted operating margin (EBIT) is a useful measure to show the result generated in the operating business after adjusting for non-recurring items.
Adjusted operating profit (EBIT)	Operating profit (EBIT) adjusted for items affecting comparability. For a reconciliation of adjusted operating profit (EBIT) to profit for the period.	Balco therefore considers that adjusted operating profit (EBIT) is a useful measure to show the profit generated in its operating activities and uses the measure primarily to calculate return on capital employed (see above).
Items affecting comparability	Items affecting comparability are specific material items that are disclosed separately because of their size or frequency, such as restructuring costs, impairments, disposals and acquisition costs.	Balco considers that the adjustment for items affecting comparability improves the possibility of comparison over time by excluding records with irregularity in frequency or size. This is to give a more accurate picture of the underlying operating result.
Operating cash conversion	Operating cash flow divided by adjusted EBITDA.	Balco believes it is a good measure to compare cash flow with operating profit.
Operating cash flow	Adjusted EBITDA increased/decreased by changes in working capital and decreased by investments, excluding expansion investments.	Balco uses operating cash flow to monitor the performance of its business.
Organic growth	Net sales excluding acquired growth current period divided by net sales in the corresponding period of the previous year.	Organic growth excludes the effects of changes in the structure of the Group, which allows a comparison of net sales over time.
Net interest-bearing debt	Total long-term and short-term interest-bearing liabilities. For a reconciliation of net debt.	Balco believes that net debt is a useful measure to show the Group's total debt financing.
Working capital	Current assets, excluding cash and cash equivalents and current tax receivables, less current non-interest-bearing liabilities, excluding current tax liabilities.	This measure shows how much working capital is tied up in the business and can be related to net sales to understand how efficiently tied-up working capital is used.
Operating margin (EBIT)	Operating profit (EBIT) as a percentage of net sales.	Balco believes that operating margin, together with sales growth and adjusted working capital, is a useful measure for tracking value creation in the business.
Operating profit (EBIT)	Profit before interest and tax.	Balco believes that operating profit (EBIT) is a useful measure to show the result generated in its operating activities.
Equity ratio	Equity divided by total assets.	Balco believes that the solvency ratio is a useful measure for the company's survival.
Capital employed	Equity increased by net interest-bearing debt (net external interest-bearing debt.)	Capital employed is used by Balco as a measure of the Group's overall capital efficiency.
Capital employed excluding goodwill	Capital employed minus goodwill.	Capital employed excluding goodwill is used together with capital employed by Balco as a measure of the company's capital efficiency.

Reconciliation against financial statements in accordance with IFRS

Amounts in SEK million	2021	2020
Adjusted operating profit		
Operating profit	118.0	115.4
Acquisition costs	1.5	-
Impairment and risk provisioning of projects	-	15.2
Impairment of other current assets	-	4.2
Adjusted operating profit	119.5	134.8
Adjusted EBITDA		
Adjusted operating profit	119.5	134.8
Depreciation	37.6	37.6
Adjusted EBITDA	157.1	172.4
Operating cash flow		
Adjusted EBITDA	157.1	172.4
Change in working capital	-51.2	38.9
Investments, excluding expansion investments	-10.0	-14.8
Operating cash flow	96.0	196.5
Net interest-bearing debt		
Non-current interest-bearing liabilities	193.6	229.6
Current interest-bearing liabilities	20.9	29.8
Cash and cash equivalents	-117.5	-214.1
Net interest-bearing debt	97.0	45.2
Adjusted EBITDA, (R12)	119.5	134.8
Net interest-bearing debt/EBITDA 12 months, ave.	0.6x	0.3x
Return on capital employed, %		
Equity	692.0	598.6
Net external interest-bearing debt	97.0	45.2
Average capital employed	716.4	660.2
Adjusted operating profit (EBIT)	119.5	134.8
Return on capital employed, % (R12)	16.7	20.4
Equity ratio		
Equity attributable to shareholders	692.0	598.6
Total assets	1,245.6	1,223.3
Equity ratio %	55.6	48.9





Largest in Northern Europe on glazed and open balconies

Balco is the market leader in the industry, developing, manufacturing, selling and installing our own open and glazed balcony systems. Our balcony systems are used in new build, renovation and balcony extensions. Our broad customer segment includes housing associations, municipal housing companies, private property owners, architects and developers. Head office with its own production unit is located in Växjö in Småland and we have subsidiaries in Norway, Denmark, Finland, UK, Germany, Poland and the Netherlands.

Balco Group AB
Älgvägen 4
352 45 Växjö
balco.se

