

Interim report January-June 2017

BALCONIES
FOR
GREATER
LIVING



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

Since Balco was founded in 1987, the Company has established itself as a leader in the segment for open and glazed balcony systems. Balco’s high-quality products are in demand right across Europe and its innovative solutions and elegant designs have helped to increase the quality of life for many people. Balco currently operates in several markets in Europe and has production units in Sweden, Poland and Denmark. Consolidated net sales for 2016 amounted to SEK 802 million. Balco is a growth company focusing on technical innovation, high quality and satisfied customers. The Group’s headquarters are in Växjö, Sweden.

Learn more about Balco at <http://www.balco.se/>

Contact Balco Group Holding AB (publ.):
Tel: +47 (0)470-53 30 00
Head office: Älgvägen 4, SE-352 45 Växjö,
Sweden
Website: www.balco.se
Email: info@balco.se
Corporate ID: 556821-2319

A strong quarter with a good order intake

Second quarter: April-June 2017

- **Net sales** amounted to SEK 268.4 (213.7) million, an increase of 26 percent or SEK 54.7 million. The increase was entirely organic.
- **Operating profit (EBIT)** was SEK 30.8 (20.1) million, an increase of 53 percent or SEK 10.7 million. Operating profit adjusted for items affecting comparability was SEK 33.6 (20.1) million, an increase of SEK 13.5 million, corresponding to an adjusted operating margin of 12.5 (9.4) percent.
- **The period's profit after tax** was SEK 12.4 (5.7) million.
- **The period's earnings per common share**, before and after dilution, amounted to SEK 0.15 (0.06).
- **Operating cash flow** amounted to SEK 42.4 (39.5) million.

Six-month period: January-June 2017

- **Net sales** amounted to SEK 499.2 (371.8) million, an increase of 34 percent or SEK 127.4 million. The increase was entirely organic.
- **Operating profit (EBIT)** was SEK 53.9 (30.4) million, an increase of 77 percent or SEK 23.5 million, while adjusted operating profit was SEK 57.9 (30.4) million, an increase of SEK 27.5 million, corresponding to an adjusted operating margin of 11.6 (8.2) percent.
- **The period's profit after tax** was SEK 19.6 (4.4) million.
- **The period's earnings per common share**, before and after dilution, amounted to SEK 0.23 (0.02).
- **Operating cash flow** amounted to SEK 34.4 (38.1) million.
- **The order backlog** amounted to SEK 1,225 million at the end of the period.

Events in the second quarter

- The process of implementing a change in ownership of the Company is in progress. One option is to undertake an IPO of the Group.
- It has been decided to establish an additional production unit in Poland to increase the Group's delivery capacity for city balconies.

Events after the end of the quarter

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

Revenue and profit

SEK M	Apr-Jun 2017	Apr-Jun 2016	%	Jan-Jun 2017	Jan-Jun 2016	%	Jul-Jun 2016/17	Jan-Dec 2016	%
Net sales	268,4	213,7	26%	499,2	371,8	34%	929,0	801,6	16%
Order intake	394,8	233,5	69%	614,9	425,0	45%	1 256,1	1 066,3	18%
Order backlog	1 224,8	892,2	37%	1 224,8	892,2	37%	1 224,8	1 107,2	11%
Gross profit	67,5	50,1	35%	125,1	89,9	39%	225,1	189,9	19%
Gross profit, %	25,1	23,4		25,1	24,2		24,2	23,7	
Operating profit (EBIT)	30,8	20,1	53%	53,9	30,4	77%	87,0	63,6	37%
EBIT margin, %	11,5	9,4	22%	10,8	8,2	32%	9,4	7,9	18%
Adjusted operating profit (EBIT)	33,6	20,1	67%	57,9	30,4	90%	109,8	82,4	33%
Adjusted operating profit margin, %	12,5	9,4	33%	11,6	8,2	42%	11,8	10,3	15%
Net profit for the period	12,4	5,9	109%	19,7	4,9	305%	27,9	12,9	116%
Operating cash flow	42,5	39,5	8%	34,4	38,1	-10%	69,8	73,4	-5%

Kenneth Lundahl, President and CEO:

“The initiatives we have taken in sales and geographic expansion have resulted in good growth and increased profitability during the period. Together with our investments in new production capacity, this puts us in a good position to take additional market share.”



It is pleasing to see demand for our products continuing to increase during the second quarter. I see the strong increase in net sales, order intake and profitability as clear evidence that we have a well functioning business model. The fact that we can report an order intake of SEK 395 million in a quarter with sales of SEK 268 million shows that our growth initiatives have a positive outcome. Net sales for the second quarter increased by SEK 55 million, corresponding to growth of 26 percent. Cost-effectiveness and economies of scale from increased volumes are reflected in improved profitability. Adjusted operating profit for the quarter increased by SEK 14 million, an adjusted operating margin of 12.5 (9.4) percent. Net sales growth is above the Company's financial target and we are taking a big step towards meeting the medium-term profitability target of an operating margin of 13 percent.

The strong increase in the order intake for the quarter and period is largely due to our continuous efforts to expand and strengthen our organisation, particularly in production and planning (operations), but also in sales and marketing. The strategy of gradually expanding the existing organisation with more designers, project managers, structural engineers and sales personnel results in attractive new projects. The initiatives we have taken in sales and geographic expansion create a larger catchment area for our sales and

marketing activities. In simple terms, we are reaching more potential customers with our offering.

In parallel to strengthening the salesforce for future growth, work on completing the new production plant in Poland continues according to plan. It is our assessment that the production unit will be completed in the third quarter 2017 and enter production phase as early as the fourth quarter.

During the quarter, we decided to also invest in a production facility for city balconies in Poland in order to cater for capacity requirements resulting from growth in city balconies and to ensure opportunities for continued expansion in this product category. Sales of city balconies in Denmark have doubled in just two years and we see potential to expand the product area to other large cities in other countries, both towards tenant-owner associations in the Renovation segment, and customers in the New Build segment. Our investments in Denmark are producing results, and we can affirm that, in addition to our previous market-leading positions in Sweden and Norway, we are well on the way in becoming the market leader in Denmark.

At the end of the half-year period our order backlog amounted to SEK 1.2 billion, providing good visibility for the operations. However, the timing of revenue recognition is affected by the timing of customer receiving their building permit. Revenue will therefore vary from this as well as from our usual seasonal variations. The outlook for the full year is good.

Balco's owners have announced that they are considering an ownership change in the Parent Company. One option being evaluated is a listing of the Company. The ongoing work in parts of the organisation has been intensive during the quarter and period. However, the process is expected to be completed shortly.

Växjö, 25 August 2017



Kenneth Lundahl, President and CEO
Balco Group Holding AB (publ.)

The Group's performance

Net sales

Net sales for the second quarter increased by 26 percent to SEK 268.4 (213.7) million, an increase of SEK 54.7 million. Net sales for the six-month period January-June increased by 34 percent to SEK 499.2 (371.8) million, corresponding to an increase of SEK 127.4 million. The increased growth for both the second quarter and the six-month period exceeds Balco's annual growth rate target of 10 percent. Growth for the quarter and the period was entirely organic.

The strong sales growth for the second quarter and the period is attributable to the order backlog that has been built up in recent years. The growth is also due to investments in an expanded sales organisation, geographic expansion and continuing development of the product portfolio. All markets performed well during the second quarter and the six-month period.

The segment Renovation accounted for SEK 229.1 million or 85.4 percent of total net sales during the second quarter, while the segment New Build accounted for SEK 39.3 million or 14.6 percent. The corresponding figures for the six-month period were SEK 426.2 million or 85 percent of the Group's net sales for segment Renovation, and SEK 73.1 million for the New Build segment, or 15 percent.

The order intake for the second quarter was SEK 394.8 (233.5) million, an increase of 69 percent compared with the same quarter the previous year. The order intake for the six-month period increased by SEK 189.9 million to SEK 614.9 (425.0) million, an increase of 45 percent. The accumulated order backlog increased to SEK 1,224.8 (892.2) million, corresponding to 37 percent growth.

Earnings

Gross profit for the second quarter increased to SEK 67.5 (50.1) million, corresponding to a gross margin of 25.1 (23.4) percent. Gross profit for the six-month period increased by SEK 35.2 million to SEK 125.1 (89.9) million, resulting in a gross margin of 25.1 (24.2) percent. The growth in gross profit for the second quarter and the six-month period is largely a result of increased sales. Sales costs in absolute figures for the quarter increased to SEK 22.4 (20.8) million, in line with Balco's strategy of continuing to invest in expanding the sales organisation. The investments in an expanded sales organisation are important for future growth. The sales costs/net sales ratio was lower than in the second quarter of the previous year at 8.3 (9.7) percent. Total operating costs for the second quarter amounted to SEK 36.7 (30.0) million, corresponding to 13.7 (14.0) percent of net sales. The lower sales costs/net sales ratio is due to the volume increase and improved cost control. Operating costs for the second quarter include non-recurring costs of SEK 2.8 million, corresponding to 1.0 percent of net sales.

Operating profit for the second quarter increased by 53 percent compared with the previous year and amounted to SEK 30.8 (20.1) million, corresponding to an operating margin of 11.5 (9.4). Operating profit for the six-month period also improved and amounted to SEK 53.9 (30.4) million, resulting in an operating margin of 10.8 (8.2) percent for the period. The improvement is largely due to increased net sales for the second quarter and period. The earnings trend is another step towards reaching the medium-term profitability target of an operating margin of at least 13 percent. Earnings for the quarter were affected by costs of SEK 2.8 (0) million relating to the potential IPO. The corresponding costs for the period amounted to SEK 4.0 (0) million. Operating profit adjusted for non-recurring items for the quarter was SEK 33.6 (20.1) million, corresponding to an adjusted operating margin of 12.5 (9.4) percent. Adjusted operating profit for the six-month period amounted to SEK 57.9 (30.4) million and the adjusted operating margin was 11.6 (8.2) percent.

Profit after tax was SEK 12.4 (5.7) million for the quarter and SEK 19.6 (4.4) million for the six-month period.

Operations and performance by segment

Operations and market

Balco offers customised balcony solutions under its own brand to tenant-owner associations, private property owners, the public sector and construction companies primarily in Sweden, Norway and Denmark, but also in Germany, Finland, the UK and the Netherlands. Balco is currently the leader in the Swedish and Norwegian balcony markets and second-largest in Denmark. Balco holds a strong challenging position in other markets. Balco's business is divided into two operating segments: Renovation and New Build. Renovation is the larger of the two segments. The value of the North European balcony market in 2016 is estimated at about SEK 38 billion and is expected to show annual growth of about 6 percent in the period 2015-2020¹⁾. The growth is driven by continuing strong development in Balco's main markets of Sweden, Norway and Denmark, which are expected to show annual growth in value of about 13 percent in the period 2015-2020¹⁾.

Products

Balco offers a comprehensive range of products and solutions to the balcony industry under its own brand. The Company's products are proprietary, patented and tailored to customers' requirements and specific needs, and can be installed during renovation or new build. All Balco's products are modularised to minimise assembly work at the workplace. Balco's glazed balconies are the largest product category. The solutions are generally seen as a cost-effective and attractive alternative to traditional concrete renovation. They also provide customers with economic benefits through reduced heating and maintenance costs and in many cases an increase in property value. Other important product categories are climate walls, open balconies, city balconies, access balconies and prefabricated balconies.

Renovation

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

The Renovation operating segment's net sales for the second quarter increased by SEK 28 million or 14 percent to SEK 229.1 (201.1) million. Net sales for the six-month period increased by 25 percent to SEK 426.2 (340.9) million. Growth for the quarter and the period was entirely organic. The segment accounted for 85 percent of Balco's total net sales in the second quarter. The Company's product development and geographic expansion in the segment also continued to develop positively.

Operating profit for the quarter amounted to SEK 35.0 (23.6) million, which is SEK 11.4 million more than in the same period the previous year. The operating margin for the quarter was 15.3 (11.7) percent. Operating profit for the six-month period increased to SEK 57.5 (33.9) million, an increase of 69.6 percent. The margin increase for the quarter and the period was mainly due to the increase in net sales.

New Build

The New Build segment includes installation of balconies during construction of multi-dwelling buildings and balcony solutions in maritime applications. Balco offers its entire product range in the New Build segment. The largest product areas are glazed and open balconies. The New Build operating segment's net sales for the second quarter increased by SEK 26.8 million or 213 percent to SEK 39.3 (12.5) million. The segment's net sales for the six-month period increased by 137 percent to SEK 73.1 (30.9) million. The increase was entirely organic. The segment accounted for 15 percent of Balco's total net sales in the second quarter.

The New Build segment's operating profit for the quarter was SEK 2.8 (0.0) million, corresponding to an operating margin of 7.1 (0.2) percent. Operating profit for the six-month period amounted to SEK 4.6 (-0.0) million, giving an operating margin of 6.3 (-0.0) percent. The margin increase for the quarter and period is mainly due to the organisational changes made at the end of the previous year, which resulted in stricter project selection and a changed sales organisation for the segment.

¹⁾ Source: Market study, Arthur D. Little

Sales by segment

	Apr-Jun 2017	Apr-Jun 2016	%	Jan-Jun 2017	Jan-Jun 2016	%	Jul-Jun 2016/17	Jan-Dec 2016	%
SEK M									
Renovation	229,1	201,1	14%	426,2	340,9	25%	811,7	726,4	12%
New Build	39,3	12,5	213%	73,1	30,9	136%	117,3	75,2	56%
Group other	1,8	0,2	870%	3,6	0,4	870%	9,4	6,2	52%
Elimination	-1,8	-0,2	n/a	-3,6	-0,4	n/a	-9,4	-6,2	n/a
Total sales	268,4	213,7	26%	499,2	371,8	34%	929,0	801,6	16%

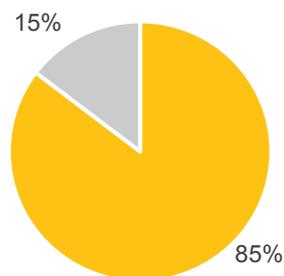
EBIT by segment

	Apr-Jun 2017	Apr-Jun 2016	%	Jan-Jun 2017	Jan-Jun 2016	%	Jul-Jun 2016/17	Jan-Dec 2016	%
SEK M									
Renovation	35,0	23,6	48%	57,5	33,9	70%	106,9	83,2	28%
New Build	2,8	0,0	n/a	4,6	0,0	n/a	-15,2	-19,8	n/a
Group other	-6,7	-3,6	n/a	-8,3	-3,4	n/a	-4,6	0,2	n/a
Elimination	-0,3	0,1	-349%	0,0	0,0	n/a	0	0,0	n/a
Total EBIT	30,8	20,1	53%	53,9	30,4	77%	87,0	63,6	37%

EBIT margins by segment

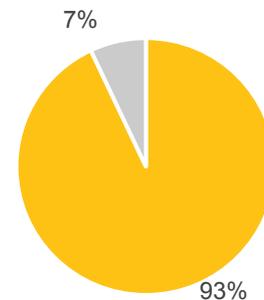
%	Apr-Jun 2017	Apr-Jun 2016	Jan-Jun 2017	Jan-Jun 2016	Jul-Jun 2016/17	Jan-Dec 2016
Renovation	15,3%	11,7%	13,5%	9,9%	13,2%	11,5%
New Build	7,1%	0,2%	6,3%	0,0%	-161,3%	-319,2%
Total EBIT margin	11,5%	9,4%	10,8%	8,2%	9,4%	7,9%

Share of total net sales, Q2 (%)



■ Renovation ■ New Build

Share of operating profit, Q2 (%)



■ Renovation ■ New Build

Balance sheet, financial position & cash flow

Liquidity and financial position

The Group's interest-bearing net debt at the end of the period amounted to SEK 380.1 million (SEK 345.0 million 30 June 2016, SEK 360.0 million 31 December 2016). The interest-bearing net debt includes shareholder financing of SEK 279.6 (243.2) million. External interest-bearing net debt, not including shareholder financing, amounted to SEK 100.5 (101.9) million. The external interest-bearing net debt/adjusted EBITDA ratio was 0.8 times (1.2) at the end of the period, which is within the Company's debt/equity target (not over 2.5 times). At the end of the first six-month period, the Group's equity amounted to SEK 159.3 million (SEK 131.4 million 30 June 2016, SEK 139.5 million 31 December 2016). The Group's equity/assets ratio was 19.8 (18.6) percent.

Financial position

SEK M	30 Jun 2017	30 Jun 2016	31 Dec 2016
Shareholder financing	279,6	243,2	260,1
External non-current interest-bearing liabilities	44,5	63,4	45,0
Current interest-bearing liabilities	75,6	74,7	76,6
Cash and cash equivalents	-19,6	-36,2	-21,7
Interest-bearing net debt	380,1	345,0	360,0
Less: shareholder financing	-279,6	-243,2	-260,1
External interest-bearing net debt	100,5	101,9	99,9
Equity/assets ratio, %	1979,9%	1859,8%	1953,3%
External interest-bearing net debt/EBITDA (12 months), times	0,8x	1,2x	1,0x

Cash flow

Cash flow from operating activities for the period was SEK 29.9 (41.6) million. The decline is attributable to increased sales and an increase in accrued costs in ongoing projects. The change in working capital during the period was SEK -27.8 (5.4) million. Working capital was affected by increased operating receivables due to increased sales and the fact that the stage of completion in ongoing projects has progressed compared with the same period the previous year. Cash flow from investing activities for the period amounted to SEK -29.6 million, a significant increase from the previous year's investments of SEK 6.4 million. The investments for the year are largely related to the construction of a new production building of 5,800 sq.m.in Poland. Cash flow from financing activities was SEK -2.4 (-27.1) million. The change is mainly due to the absence of loan amortisations during the period. Cash flow for the period fell to SEK -2.1 (8.1) million compared with the previous year, in a period of major expansion investments for Balco, which totalled SEK 25.8 (1.9) million.

Investments and depreciation

Investments during the period totalled SEK -29.6 (-6.4) million and were mainly related to the construction of the new production unit building in Poland. Depreciation amounted to SEK 8.4 (6.6) million. SEK 0.8 (6.7) million of the investments were financed through finance leases during the period.

Parent Company

The registered office of the Parent Company, Balco Group Holding AB (publ.), is in Växjö and the Company operates directly through 13 Swedish and foreign subsidiaries. The Parent Company's activities are mainly focused on corporate governance issues, Board work and financing. Profit/loss for the period was SEK -20.1 (-17.0) million.

Other information

Employees

The number of full-time employees at Balco at the end of June 2017 was 314 (279). The increase in employees compared with the same period the previous year is mainly due to the expanded sales and operations organisation (designers, structural engineers, project managers and assembly managers).

Seasonal variations

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

Shares, share capital and shareholders

Balco has three share classes: class B preference shares, class C preference shares and class A common shares. The number of shares per share class at the end of June 2017 was as follows: 142 class B preference shares, 325 class C preference shares and 67,716,637 class A common shares, totalling 67,717,104 shares. The shares have a par value of SEK 1 corresponding to share capital of SEK 67,717,104. The number of shareholders at the end of June 2017 was 45. The five largest shareholders of the Parent Company were Segulah IV L. P. with 77.3 percent of the common shares, Fruholmen Invest AB, 2.7 percent, Kenneth Lundahl, 2.5 percent, Fredrik Hall, 2.5 percent, and Lars Björkman, 2.3 percent.

Related party transactions

The Group's key persons consist of the Board, Group management and the CEO, partly through ownership of Balco and partly through the senior executive role. Close associates also include the Company's largest shareholder, Segulah, which is represented on the

board by Lennart Kalén (Chairman), Percy Calissendorff and Marcus Planting-Bergloo. Related party transactions are conducted at market conditions. At the end of the period, shareholder financing amounted to SEK 148.1 (148.1) million and expensed interest was SEK 131.6 (95.1) million. For further information, see page 44 of the 2016 annual report.

Risks and uncertainties

The Group is exposed to different types of risks during its operations. The risks can be classified into the following categories: sector and market-related risks, business-related risks and financial risks. Sector and market-related risks include changes in demand because of a weaker economy or other macroeconomic changes, changed prices of raw materials that are of key importance to Balco's production and changed competition or price pressure. Business-related risks include Balco's ability to develop and sell innovative new products and solutions, the Group's capacity to attract and retain qualified employees, and the dependence of Balco's profitability on individual project results, i.e. the Group's ability to predict, calculate and deliver the projects within defined financial limits. Financial risks are categorised as financing risk, liquidity risk, credit risk and interest rate risk. Balco is subject to currency risk. In the second quarter of 2017 46 percent of operating income was invoiced in foreign currencies. Balco's risks and uncertainties are described on pages 23-25 of the 2016 annual report.

Outlook

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

Financial targets

Growth

- Balco shall achieve growth of 10% per year.

Profitability

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

Capital structure

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

Dividend policy

- Balco shall distribute at least half of profit after tax, provided this does not endanger the Company's long-term development.

This interim report has been reviewed by the Company's auditors in accordance with ISRE 2410.

This information is information that Balco Group Holding AB (publ.) is obliged to publish in accordance with the EU Market Abuse Regulation and the Swedish Securities Market Act. The information was provided by the contact person below for publication on 25 August 2017 at 08.00 CET.

The Board of Directors and CEO confirm that the interim six-month report provides a true and fair overview of the operations, financial position and performance of the Parent Company and Group, and describes the material risks and uncertainties faced by the Parent Company and Group companies.

Växjö, 25 August 2017

Lennart Kalén
Chairman of the Board

Håkan Bergqvist
Board member

Tomas Johansson
Board member

Åsa Söderström Jerring
Board member

Ingalill Berglund
Board member

Percy Calissendorff
Board member

Marcus Planting-Bergloo
Board member

Kenneth Lundahl
President and CEO

For more information, please contact:

Kenneth Lundahl, President and CEO
Tel: +47 (0)70-630 20 57
Fredrik Hall, CFO
Tel: +47 (0)70-392 77 30
Cecilia Lannebo, Head of IR
Tel: +47 (0)722-208,277

Calendar 2017/2018

Interim report Jan-Sep 2017	16 Nov 2017
Year-end report	23 Feb 2018

Consolidated income statement

SEK M	Note	Apr-Jun 2017	Apr-Jun 2016	Jan-Jun 2017	Jan-Jun 2016	Jul-Jun 2016/17	Jan-Dec 2016
Net sales		268,4	213,7	499,2	371,8	929,0	801,6
Production and project costs		-200,9	-163,6	-374,2	-282,0	-703,9	-611,7
Gross profit		67,5	50,1	125,1	89,9	225,1	189,9
Sales costs		-22,4	-20,8	-45,1	-42,3	-91,9	-89,1
Administration costs		-14,5	-9,8	-26,3	-18,2	-46,9	-38,8
Share of profit or loss of associates		0,3	0,1	0,2	0,1	0,6	0,6
Other operating income		2,1	0,9	3,8	2,0	12,3	10,4
Other operating expenses		-2,1	-0,5	-3,8	-1,1	-12,1	-9,4
Operating costs		-36,7	-30,0	-71,2	-59,4	-138,1	-126,3
Operating profit		30,8	20,1	53,9	30,4	87,0	63,6
Finance income		0,0	0,1	0,0	0,1	0,0	-
Finance costs		-11,7	-10,6	-22,7	-20,2	-43,4	-40,9
Profit before tax		19,1	9,5	31,1	10,3	43,6	22,7
Income tax		-6,7	-3,9	-11,5	-5,9	-13,6	-10,7
Net profit for the period		12,4	5,7	19,6	4,4	27,3	12,1
Other comprehensive income							
Items that have been/can be reclassified to profit/loss							
Exchange rate differences on translation of foreign operation		0,0	0,3	0,1	0,5	0,6	0,9
Comprehensive income for the period		12,4	5,9	19,7	4,9	27,9	12,9
Of which attributable to:							
Owners of the parent company		12,4	5,9	19,7	4,9	27,9	12,9
Earnings per common share, SEK, before dilution	4	0,15	0,06	0,23	0,02	0,30	0,08
Earnings per common share, SEK, after dilution	4	0,15	0,06	0,23	0,02	0,30	0,08
Average number of common shares, thousands		67 717	67 717	67 717	67 717	67 717	67 717

Consolidated balance sheet in summary

SEK M	30 Jun 2017	30 Jun 2016	31 Dec 2016
Assets			
Non-current assets			
Goodwill	371,4	371,2	371,4
Other intangible assets	11,1	10,0	11,2
Property, plant and equipment	107,7	73,3	85,1
Financial assets	4,3	4,3	3,9
Deferred tax assets	0,7	2,9	1,0
Total non-current assets	495,0	461,7	472,5
Current assets			
Inventory	19,5	18,9	16,7
Trade receivables	124,6	87,0	94,5
Gross amount due from customers	125,1	91,8	96,3
Current tax receivables	0,9	0,0	1,3
Other current receivables	19,7	11,2	11,2
Cash and cash equivalents	19,6	36,2	21,7
Total current assets	309,4	245,1	241,8
TOTAL ASSETS	804,4	706,8	714,3
Equity and liabilities			
Equity			
Share capital	67,7	67,7	67,7
Additional paid-in capital	177,3	177,3	177,3
Retained earnings, incl. profit for year	-85,8	-113,6	-105,5
Equity attributable to owners of the parent company	159,3	131,4	139,5
Non-current liabilities			
Deferred tax liabilities	1,2	0,1	0,3
Shareholder financing	279,6	243,2	260,1
Interest-bearing liabilities	44,5	63,4	45,0
Total non-current liabilities	325,3	306,7	305,4
Current liabilities			
Interest-bearing liabilities	75,6	74,7	76,6
Gross amount due to customers	39,4	48,2	38,2
Trade payables	117,6	91,1	89,0
Current tax liabilities	11,7	0,0	2,5
Other liabilities	18,2	21,4	10,4
Other accrued expenses and prepaid income	57,3	33,2	52,6
Total current liabilities	319,8	268,7	269,3
TOTAL EQUITY AND LIABILITIES	804,4	706,8	714,3

Consolidated statement of cash flows in summary

SEK M	Apr-Jun 2017	Apr-Jun 2016	Jan-Jun 2017	Jan-Jun 2016	Jul-Jun 2016/17	Jan-Dec 2016
Operating activities						
Operating profit (EBIT)	30,8	20,1	53,9	30,4	87,0	63,6
Adjustment for non-cash items	5,2	10,4	9,0	15,1	9,9	16,0
Interest received	0,0	0,1	0,0	0,1	-0,1	0,0
Interest paid	-2,0	-2,1	-3,2	-3,2	-7,0	-7,0
Income tax paid	-1,9	-6,3	-2,0	-6,2	1,2	-3,0
Cash flow from operating activities before changes in working capital	32,1	22,1	57,6	36,2	91,1	69,6
Changes in working capital						
Increase (-)/Decrease (+) in inventories	-1,7	-2,3	-2,8	-5,1	-0,6	-2,9
Increase (-)/Decrease (+) in operating receivables	-5,3	9,2	-67,3	-23,8	-78,7	-35,2
Increase (+)/Decrease (-) in operating liabilities	12,6	11,9	42,3	34,3	37,8	29,8
Cash flow from operating activities	37,7	40,9	29,9	41,6	49,7	61,3
Investing activities						
Purchase/sale of intangible assets	-0,1	-	-0,1	-	-1,1	-1,0
Purchase/sale of property, plant and equipment	-26,4	-4,7	-29,9	-6,3	-47,6	-24,1
Purchase/sale of property, plant and equipment	0,0	0,0	-	-	1,3	1,3
Change in other financial assets	0,0	-0,1	0,3	0,0	0,1	-0,3
Cash flow from investing activities	11,2	36,1	0,2	35,2	-47,3	-24,1
Financing activities						
Amortisation of loans	-	-15,1	-	-16,1	-7,9	-24,0
Proceeds from loans	0,3	-	0,7	-	0,7	-
Changes in financial leasing	-1,8	-1,6	-4,5	-5,0	-9,7	-10,2
Changes in current financial liabilities	-8,0	-4,6	1,5	-6,1	-2,0	-9,5
Cash flow from investing activities	-9,4	-21,3	-2,4	-27,1	-18,9	-43,7
Cash flow for the period	1,8	14,8	-2,1	8,1	-16,6	-6,4
Cash and cash equivalents at beginning of the period	17,8	21,4	21,7	28,2	36,2	28,2
Cash and cash equivalents at end of the period	19,6	36,2	19,6	36,2	19,6	21,7

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

**Consolidated statement of changes in equity in summary**

SEK M	Share Capital	Additional paid-in capital	Translation reserve	Retained earnings	Total equity
Opening balance, 1 January 2016	67,7	177,3	0,1	-118,6	126,6
Comprehensive income for the period					
Profit for the period	-	-	-	4,4	4,4
Other comprehensive income for the period	-	-	0,5	-	0,5
Total comprehensive income for the period	-	-	0,5	4,4	4,9
Closing balance, 30 June 2016	67,7	177,3	0,6	-114,2	131,4
Opening balance, 1 January 2017	67,7	177,3	1,0	-106,6	139,5
Comprehensive income for the period					
Profit for the period	-	-	-	19,6	19,6
Other comprehensive income for the period	-	-	0,1	-	0,1
Total comprehensive income for the period	-	-	0,1	19,6	19,7
Closing balance, 30 June 2017	67,7	177,3	1,1	-86,9	159,3

Key ratios

	Apr-Jun 2017	Apr-Jun 2016	Jan-Jun 2017	Jan-Jun 2016	Jul-Jun 2016/17	Jan-Dec 2016
Net sales, SEK M	268,4	213,7	499,2	371,8	929,0	929,0
Order intake, SEK M	394,8	233,5	614,9	425,0	1 256,1	1 066,3
Order backlog, SEK M	1 224,8	892,2	1 224,8	892,2	1 224,8	1 107,2
Gross profit, SEK M	67,5	50,1	125,1	89,9	225,1	189,9
EBITDA, SEK M	35,0	23,4	62,3	37,0	103,1	77,9
Adjusted EBITDA, SEK M	37,8	23,4	66,3	37,0	125,9	96,6
Operating profit, SEK M	30,8	20,1	53,9	30,4	87,0	63,6
Adjusted operating profit, SEK M	33,6	20,1	57,9	30,4	109,8	82,4
Gross profit margin, %	25,1	23,4	25,1	24,2	24,2	23,7
EBITDA margin, %	13,0	11,0	12,5	10,0	11,1	9,7
Adjusted EBITDA margin, %	14,1	11,0	13,3	10,0	13,6	12,1
Operating profit margin (EBIT), %	11,5	9,4	10,8	8,2	9,4	7,9
Adjusted operating profit margin (EBIT), %	12,5	9,4	11,6	8,2	11,8	10,3
Operating cash flow, SEK M	42,5	39,5	34,4	38,1	69,8	73,4
Operating cash conversion, %	112,6	168,7	51,9	102,7	55,4	76,0
Capital employed, average	533,8	485,2	519,5	479,8	507,9	491,3
Capital employed, excl. goodwill, average	162,5	114,0	148,1	108,6	136,6	120,1
Equity, average	153,1	128,5	149,4	129,0	145,4	133,0
External interest-bearing net debt, SEK M	100,5	101,9	100,5	101,9	100,5	99,9
External interest-bearing net debt/Adjusted EBITDA 12 months, times	0,8x	1,2x	0,8x	1,2x	0,8x	1,0x
Return on capital employed, %, (12 months)	20,6	14,9	21,1	15,1	21,6	16,8
Return on capital employed, excl. goodwill, %, (12 months)	67,6	63,4	74,2	66,5	80,4	68,6
Return on invested capital, %, (12 months)	18,2	18,9	18,7	18,8	19,2	9,7
Equity/assets ratio, %	19,8	18,6	19,8	18,6	19,8	19,5
Number of full-time employees on the closing date	314	279	314	279	314	301
Average number of common shares for the period, 000s	67 717	67 717	67 717	67 717	67 717	67 717
Equity per common share, SEK	2,26	1,90	2,21	1,91	2,15	1,96

Parent company
Income statement in summary

SEK M	Jan-Jun 2017	Jan-Jun 2015	Jul-Jun 2016/17	Jan-Dec 2016
Net sales	-	-	-	-
Operating expenses	-0,7	-	-0,7	-
Operating profit	-0,7	-	-0,7	-
Group contribution	-	-	10,0	10,0
Interest income	-	-	-	-
Interest expenses	-19,5	-17,0	-36,5	-33,9
Profit/loss after financial items	-20,2	-17,0	-27,2	-23,9
Change in untaxed reserves	-	-	-	-
Tax	0,2	-	-0,8	-1,0
Net profit/loss for the period	-20,1	-17,0	-28,0	-24,9

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

Balance sheet in summary

SEK M	30 Jun 2017	30 Jun 2016	31 Dec 2016
ASSETS			
Non-current assets	389,1	389,1	403,8
Current assets	14,9	4,7	-
TOTAL ASSETS	403,9	393,8	403,8
EQUITY AND LIABILITIES			
Restricted equity	67,7	67,7	67,7
Unrestricted equity	54,9	82,9	75,0
Total equity	122,6	150,6	142,7
Non-current liabilities	279,6	243,1	260,1
Other current liabilities	1,7	-	1,0
TOTAL EQUITY AND LIABILITIES	403,9	393,8	403,8

Notes

Note 1 Accounting policies

This interim report for the Group has been prepared in accordance with IAS 34 Interim Financial Reporting and relevant provisions of the Swedish Annual Accounts Act. The interim report for the Parent Company has been prepared in accordance with RFR 2 and Chapter 9, Interim Reports, of the Swedish Annual Accounts Act. For the Group, the same accounting policies and computation methods have been applied as in the 2016 annual report, which was prepared in accordance with International Financial Reporting Standards and Interpretations as adopted by the EU. There have not been any changes to the Group's accounting policies.

The interim information on pages 2-8 is an integral part of this financial report.

Note 2 Financial instruments

The financial instruments measured at fair value are forward exchange contracts. Financial assets at fair value amounted to SEK 4.0 million at the end of the period, while financial liabilities at fair value were SEK 1.6 million. At 31 December 2016, financial assets at fair value amounted to SEK 1.0 million and financial liabilities at fair value were SEK 0.7 million.

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

Note 3 Operating segments

Balco reports in the following segments:

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

SEK M	Renovation		New Build		Group other		Eliminations		Total	
	Jan-Jun 2017	Jan-Jun 2016								
Net sales – External revenue	426,2	340,9	73,1	30,9	-	-	-	-	499,2	371,8
Net sales – Internal revenue	-	-	-	-	3,6	0,4	-3,6	-0,4	-	-
Total sales	426,2	340,9	73,1	30,9	3,6	0,4	-3,6	-0,4	499,2	371,8
Operating profit (EBIT)	57,5	33,9	4,6	0,0	-8,3	-3,4	-	-	53,9	30,4
Depreciation included with	7,1	6,1	1,3	0,5	-	-	-	-	8,4	6,6
IPO costs	-	-	-	-	4,0	-	-	-	4,0	-
Adjusted operating profit (EBIT)	57,5	33,9	4,6	-0,0	-4,2	-3,4	-	-	57,9	30,4
Operating profit (EBIT)	57,5	33,9	4,6	-0,0	-8,3	-3,4	-	-	53,9	30,4
Finance income	-	-	-	-	0,0	0,1	-	-	0,0	0,1
Finance cost	-	-	-	-	-22,7	-20,2	-	-	-22,7	-20,2
Profit before tax	-	-	-	-	-31,0	-23,5	-	-	31,1	10,3

Note 4 Earnings per share

	Apr-Jun 2017	Apr-Jun 2016	Jan-Jun 2017	Jan-Jun 2016	Jul-Jun 2016/17	Jan-Dec 2016
SEK M						
Net profit for the period attributable to the owners of the parent company	12,4	5,9	19,7	4,9	27,9	12,9
Less return on preference shares	-2,1	-1,8	-4,2	-3,6	-7,8	-7,3
Profit for the period after return on preference shares	10,3	4,1	15,6	1,2	20,0	5,6
Average number of common shares, 000'	67 717	67 717	67 717	67 717	67 717	67 717
Earnings per common share, SEK, before dilution	0,15	0,06	0,23	0,02	0,30	0,08
Earnings per common share, SEK, after dilution	0,15	0,06	0,23	0,02	0,30	0,08

Note 5 Reconciliation with IFRS financial statements

Balco's financial statements include alternative performance measures, which complement the measures that are defined or specified in applicable rules for financial reporting. Alternative performance measures are presented, as in their context they provide clearer or more in-depth information than the measures defined in applicable rules for financial reporting. The alternative performance measures are derived from the Company's consolidated financial reporting and are not measured in accordance with IFRS.

	Apr-Jun 2017	Apr-Jun 2016	Jan-Jun 2017	Jan-Jun 2016	Jul-Jun 2016/17	Jan-Dec 2016
Adjusted operating profit						
Operating profit	30,8	20,1	53,9	30,4	87,0	63,6
IPO costs	2,8	0,0	4,0	0,0	6,7	2,6
Other non-recurring items	0,0	0,0	0,0	0,0	16,1	16,1
Adjusted operating profit	33,6	20,1	57,9	30,4	109,8	82,4
Adjusted EBITDA						
Operating profit	30,8	20,1	53,9	30,4	87,0	63,6
Depreciation	4,2	3,4	8,4	6,6	16,1	14,3
IPO costs	2,8	0,0	4,0	0,0	6,7	2,6
Other non-recurring items	0,0	0,0	0,0	0,0	16,1	16,1
Adjusted EBITDA	37,8	23,4	66,3	37,0	125,9	96,6
Operating cash flow, SEK M						
Adjusted EBITDA	37,8	23,4	66,3	37,0	125,9	96,6
Changes in working capital	5,6	18,8	-27,8	5,4	-41,4	-8,3
Investments in other non-current assets, net	-0,8	-2,7	-4,2	-4,4	-14,7	-14,9
Operating cash flow, SEK M	42,5	39,5	34,4	38,1	69,8	73,4
			30 Jun 2017	30 Jun 2016	31 Dec 2016	
External interest-bearing net debt, SEK M						
External non-current interest-bearing liabilities			44,5	63,4	45,0	
Current interest-bearing liabilities			75,6	74,7	76,6	
Cash and cash equivalents			-19,6	-36,2	-21,7	
Interest-bearing net debt			100,5	101,9	99,9	
Adjusted EBITDA (12 months)			125,9	88,4	96,6	
Interest-bearing net debt/EBITDA 12 months, times			0,8x	1,2x	1,0x	
Return on capital employed, %						
Equity			159,3	131,4	139,5	
External interest-bearing net debt			100,5	101,9	99,9	
Shareholder financing			279,6	243,2	260,1	
Average capital employed			519,5	476,1	491,3	
Adjusted operating profit (EBIT), (12 months)			109,8	88,4	96,6	
Return on capital employed, %			21,1	18,6	19,7	
Equity/assets ratio, %						
Equity attributable to owners of the parent company			159,3	131,4	139,5	
Total assets			804,4	706,8	714,3	
Equity/assets ratio, %			19,8	18,6	19,5	

Alternative performance measures

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

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

Net working capital	Current assets excluding cash and cash equivalents and current tax assets less non-interest-bearing liabilities excluding current tax liabilities	This measure shows how much net working capital that is tied up in the operations and can be put in relation to sales to understand how effectively net working capital tied up in the operations is used.
EBIT margin	EBIT as a percentage of net sales	Balco believes EBIT margin is a useful measure together with net sales growth and net working capital to monitor value creation.
EBIT	Earnings before interest and tax.	Balco believes that EBIT shows the profit generated by the operating activities.
Equity/asset ratio	Equity divided on total assets, see note 5.	Balco believes that equity to asset ratio shows the Company's long-term survival rate
Capital employed	Equity plus interest-bearing net debt (external net debt plus shareholder loan)	Capital employed is used by Balco to indicate the general capital efficiency of the Company
Capital employed excluding goodwill	Capital employed less goodwill.	Capital employed excluding goodwill together with capital employed is used by Balco to indicate the capital efficiency of the Company

Auditor's report

Balco Group Holding AB (publ.). reg. no. 556821-2319

Introduction

We have reviewed the condensed interim financial information (interim report) of Balco Group Holding AB (publ.) as of 30 June 2017 and the six-month period then ended. The board of directors and the CEO are responsible for the preparation and presentation of the interim financial information in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, *Review of Interim Report Performed by the Independent Auditor of the Entity*. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, ISA, and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act, regarding the Group, and with the Swedish Annual Accounts Act, regarding the Parent Company.

Växjö, August 25 2017

Öhrlings PricewaterhouseCoopers AB

Magnus Svensson Henryson
Authorized Public Accountant