

Balco Group AB

Annual Report 2020

Balconies for greater living



Balco in brief

Balco is a growing company offering innovative, patented and energy-saving, high-quality balcony solutions. The Company's customized products contribute to increased peace of mind, quality of life and increased value for those who live in apartment buildings.

Balco was founded in 1987 in the southern Swedish town of Växjö, where the Company's head office is still located. Today, the Balco Group is a leading producer of innovative, proprietary-brand balcony solutions, with customers in Sweden, Denmark, Norway, Finland, Germany, the Netherlands and the UK. The Group is currently the market leader in the Nordic region and holds a strong position in other northern European markets. The Balco Group has two production facilities in Sweden and two in Poland. The Company has been listed on the Nasdaq Stockholm exchange since 2017 and, as of 4 January 2021, is included in the Mid Cap list.

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 percent, each Balco balcony gives a positive climate footprint equal to that of ten growing trees.

Broad offering

The Balco Group offers a wide range of balcony solutions, including glazed balconies, open balconies and City balconies.

Balco method at the core

Delivering glazed balconies and other balcony solutions in accordance with the "Balco method" represents Balco AB's core expertise. The method, applied predominantly in the renovation market, entails removing existing balconies and replacing them with new, larger glazed balconies.

Balco assumes full responsibility for customer contacts

Balco assumes full responsibility for its projects, guiding customers through the entire process, from project planning to final inspection and service. Balco offers superior expertise in providing customized balcony solutions with fast delivery, regardless of the size and complexity of the balconies.

Nine out of ten customers recommend Balco

Satisfied customers who recommend Balco are an important asset. We target a customer recommendation rate of 85 percent. In our most recent survey (2019), as many as 91 percent of customers responded 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 balconies in the market.

Mission

To offer balconies that contribute to an enhanced quality of life.

Business concept

With the customer's needs in focus, Balco develops modern, sustainable and attractive balcony solutions that improve people's quality of life.

✓ 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. In 2020, the offering was broadened with facade renovation in connection with balcony projects.

Share of sales
91% Sales, SEK million
1,096

Adjusted operating margin
12%

✓ 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.

Share of sales
9% Sales, SEK million
104

Adjusted operating margin
7%



In this Annual Report, the terms "Balco" and the "Balco Group" are used to describe the overall operations within the group of companies for which Balco Group, corporate identity number 556821-2319. Some general descriptions refer to the majority of the operations within Balco Group. It is also important to point out that when the description refers to parts of the business, the names of subsidiaries are used, for example "Balco AB", "Balco Altaner", and "TBO-Haglinds".

428 employees

7 geographical markets

Net sales of SEK **1,200** million in 2020

Total production area of **17,280** m²

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 two production facilities in Sweden and two in Poland. Our head office is located in the southern Swedish town of Våxjö and our key markets are Sweden, Norway, and Denmark. Other markets are Finland, the UK, Germany and the Netherlands.

2020 at a glance

Sales
1.2
SEK billion

- ✓ A prioritized area in Balco Group's sustainability work is to reduce the CO₂ footprint in the manufacture of a balcony by 20 percent by 2021. This entails a climate-positive effect 5-10 years earlier than today when we are climate-positive after 30-50 years and, seen over the lifetime of the balcony of at least 90 years *, this is a significant environmental benefit.

* Refers to the manufacture of a glazed standard balcony from Balco AB

Adjusted operating margin
11.2 %

- ✓ To better meet customers' needs, initially in the Swedish market, Balco AB has strengthened its offering with facade renovation for balcony projects. By taking responsibility for both the balcony and the facade, Balco can, through its partnership with a Nordic bank, provide a repayment period of up to 70 years of on a project, making the investment both financially and environmentally sustainable.

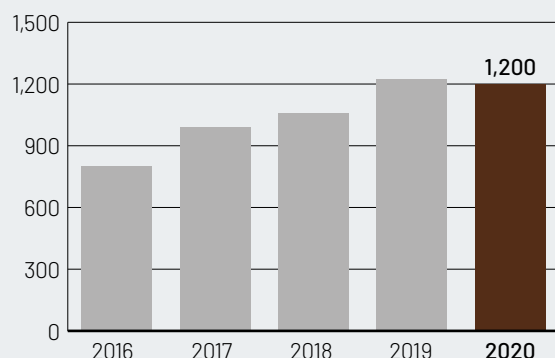
Operating cash flow
SEK
196 million

- ✓ An agreement was signed with German shipyard Meyer Werft for the production and delivery of balconies for a cruise ship for approximately SEK 70 million.
- ✓ Pioneering renovation project in the Netherlands. VvE Mozartflat in Tilburg, the Netherlands, consists of 256 apartments and the 16-storey building will be renovated with Balco's energy-saving Climate Barrier. The project is the first of its kind in the Netherlands and Balco's largest in the country with an order value of SEK 31.2 million.
- ✓ Record transaction in the UK. The assignment is worth approximately SEK 30 million and involves the renovation of 248 balconies on four properties in Poole, on the English south coast.
- ✓ The 2020 Annual General Meeting elected Vibecke Hverven as a new board member. She replaced Åsa Söderström Winberg who had declined re-election. The other members were re-elected.

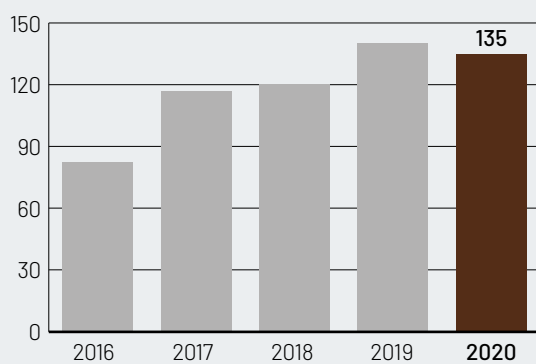
- ✓ The 2020 Annual General Meeting resolved, in accordance with the Board's proposal, not to pay a dividend for the 2019 financial year. The Board proposes to the 2021 Annual General Meeting that no dividend be paid as the Company continues to have reduced staffing in the first half of 2021, with some staff being placed on furlough starting in January 2021. At the same time, the Board is open to an Extraordinary General Meeting being held later in 2021 for a renewed decision on dividends
- ✓ An Extraordinary General Meeting in 2020 approved a private placement of a maximum of 400,000 warrants. The purpose is primarily to engender conditions for retaining and recruiting competent personnel within the Group.
- ✓ 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 capitalization. The Mid Cap segment includes companies with a market capitalization between EUR 150 million and EUR 1,000 million
- ✓ Given Segulah's increased engagement, the Chairman of the Board of Balco, Tomas Johansson, announced that he does not intend to make himself available for re-election at the next Annual General Meeting. Tomas Johansson will resign as Chairman and Board Member at the Annual General Meeting on 25 May 2021.
- ✓ Ahead of the 2021 Annual General Meeting, the Nomination Committee proposes that all of the other Board Members be re-elected and that Thomas Widstrand Be newly elected. Ingalill Berglund is proposed as the new Chairman of the Board.

Key ratios, SEK million	2020	2019
Net sales	1,200.0	1,220.6
Order intake	932.7	1,349.1
Order backlog	1,086.6	1,522.4
Operating profit (EBIT)	115.4	140.4
Operating margin (EBIT), %	9.6	11.5
Adjusted operating profit	134.8	140.4
Adjusted operating margin, %	11.2	11.5
Profit for the year	77.6	102.8
Operating cash flow	196.5	133.9

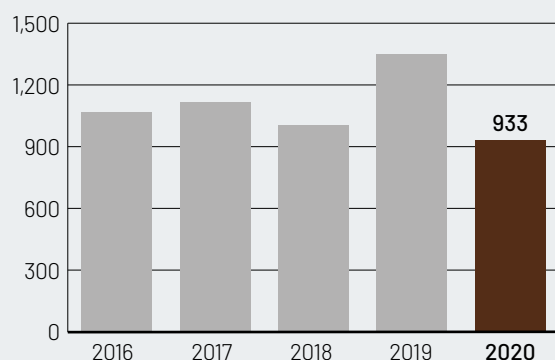
NET SALES (SEK million)



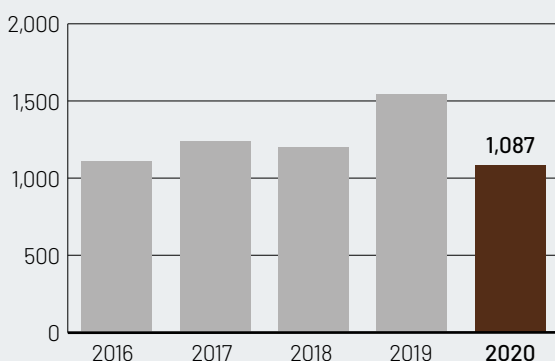
ADJUSTED OPERATING PROFIT (SEK million)



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:

The need for sustainable balcony solutions is growing

Balco Group stands strong despite the turbulence in the world around us. The fundamental preconditions of our operations still hold strong. Renovation needs are substantial in all seven of our markets. A new study shows that, at about SEK 35 billion, the total market is larger than we previously thought, that it will grow by approximately 5 percent annually and is expected to continue growing at that rate over the next five years. The survey also shows that Balco Group is continuing to strengthen its position in all markets, particularly its principal market, Sweden.

Our unique position builds on our efficient product development – we are the leader in the northern European balcony market. During the year, we also broadened our offering with facade renovation. Customers seek a player able to assume an overall responsibility, and customers started getting in touch just days after we released the news.

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 and that we are climate positive after about 30 years thanks to annual energy savings of up to 30 percent.

The Corona pandemic affected order intake

We entered 2020 with a strong order backlog of more than SEK 1.5 billion. I am satisfied with the efficiency with which we have processed the order backlog, generating both favourable sales figures and profitability under trying circumstances. The effects of the Corona pandemic have impacted opportunities for generating new business, hampering our order intake.

At the same time, demand has remained very high. Our sales people have had more meetings than ever, and activity in our calculations department and the number of quotes submitted have been record high. In 2021, we will focus on building up the order backlog to at least the same level as previously.

To reach a contract signing, we need to meet our customers and tenant-owner housing associations must arrange General Meetings to be able to make decisions. This has continued favourable, although the process needed to be modified. Presentations for residents, which were previously made during a single day, are now spread out over three days to ensure smaller groups. This has given us a closer customer relationship and made the sales process smoother. In several countries, including Sweden and Germany, postal voting was permitted at General Meetings over the year.

We have also changed our planning permission process. For most of our projects in Sweden, we applied for planning permission before 2020, which has accelerated the process. I look forward to these new behaviours and rules staying with us in the future.



Kenneth Lundahl
President and CEO



The Balco method is not only the best solution from an economic point of view and for the resident's personal quality of life, it is also a climate-smart solution.



Long-term and sustainable financing can lower expenses by 25 percent

In 2019, we commenced a partnership with a Nordic bank to offer tenant-owner housing associations in Sweden a 70-year amortization period when installing Balco AB's glazed balconies. Longer repayment periods mean that customers can reduce their monthly expenses by up to 25 percent. We broadened this successful financing concept to several other geographical markets during the year. We are the first player in the renovation market to offer a long-term financing solution in all of the Nordic countries.

Customers demand sustainability combined with long-term financing and, as a turnkey contractor, we can offer this. When we initiated our extensive sustainability work, we assumed transport to be the major carbon dioxide villain, but it turned out to be aluminium. We have therefore made major investments to identify a suitable supplier of aluminium. We are climate positive and aim to reduce carbon dioxide emissions by a further 25 percent.



New solutions to manage the effects of the Corona pandemic

In times of crisis, new ways of thinking and acting emerge and I would like to extend my admiration to all of our employees who created new solutions quickly and flexibly during the year. None of our projects stopped entirely during the year.

For long periods, Senior Management held daily meetings to be able to quickly parry the effects of the pandemic, with the objective of advancing our projects based on customers' requirements and needs. Handling seven markets with new restrictions continuously appearing, it was important to ensure that our employees did not get stuck in the wrong country.

On the logistics side, we experienced virtually no disruptions during the year. We have decided nonetheless to move all of our purchasing closer to Sweden as quickly as possible with the objective of not having any non-European suppliers – a decision based entirely on sustainability.

Product development strengthens our leading position

To a great extent, the Balco Group has achieved its leading position because of its product development. Today, we have more resources for developing new products and solutions than all of our Swedish industry colleagues combined. We have the experience, the energy and the know-how – and now we also have the financing.

In developing our products, we also develop our customers' homes, often creating a larger living space. During the year, we developed the new Twin View glazing systems, and new, patented Levitate® products in open balconies. With Twin View, we defend and strengthen our positions in the Nordic market and with Levitate®, we get good sales opportunities, primarily in the UK market, but also in other markets where there is a demand for open balconies.

We continue to invest in our existing markets

The growth in our markets underlines that a much can still be achieved in the countries where we are established. We prioritize organic growth, but also want to further strengthen our growth through acquisitions. The target is to make one or two acquisitions annually, strengthening our existing core business.

For 2021, our focus is on organically building the order backlog back up again, to our former level at least, by continuing to develop our financing offering, for example. The model is still relatively new, and we will have to fine-tune the solutions for each country. We have taken great strides in 2020 and will continue that work in 2021.

Växjö, March 2021

Kenneth Lundahl
President and CEO

Six reasons to invest in Balco Group

Balco is a growth 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. Balco's customized products contribute to increased peace of mind, quality of life and an increase in value for residents of apartment buildings.

01. Mature markets with favourable growth

Balco Group operates in the northern European balcony market, which has annual sales of just over SEK 35 billion¹⁾ and anticipated annual growth of about 5 percent¹⁾. Growth is being driven by a continued strong trend on Balco's main markets, where the Renovation segment is expected to experience value growth of approximately 6 percent annually¹⁾. The market is characterized by pent-up renovation needs, ageing property stocks and efforts regarding energy efficient solutions.

02. A strong market position

Balco Group is the market leader in Sweden, Denmark and Norway. Thanks to the Company's modern and innovative product portfolio and continuous development work close to the customer, Balco has an edge over its competitors. Through growth, Balco will reinforce and strengthen its leading market position in balcony solutions in northern Europe. 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.

03. Double-digit annual growth

Since 1996, Balco Group has grown from a local company with approximately 25 employees and a turnover of approximately SEK 30 million to employing 428 employees at the end of 2020 with a turnover of SEK 1,200 million. Since the expansion strategy with more salespeople and mini-fairs was introduced in 2014, the growth rate has averaged 13 percent annually.

04. Sustainability is a natural part of the business

Balco's products have a documented energy-saving effect of 15 to 30 percent. Lifecycle analyses show that the lifespan of standard glazed balconies from Balco AB is more than 90 years, that they need only two minor inspections and are completely recyclable. In an average glazing project, the energy savings alone contribute to a positive carbon dioxide effect corresponding to one hectare (10,000 m²) of growing forest.

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 Balco AB's 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 customized 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 half of net profit to shareholders.

¹⁾ Market survey by Arthur D. Little, December 2020

Vision, mission, business concept and core values

It is through the combination of an entrepreneurial corporate culture, high degree of innovative power, business acumen and superior skills that the Balco Group generates value. Our success is based on the expertise, commitment and enthusiasm of our employees, and their eagerness to go that little bit further to advance the Company. In dialogue with the customer, Balco tailors a complete, modern balcony solution that helps lower costs, improves quality of life, reduces energy consumption and increases the property value.

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

Vision

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

Mission

To offer balconies that contribute to an enhanced quality of life.

Business concept

With the customer’s needs in focus, Balco develops modern, sustainable and attractive balcony solutions that improve people’s quality of life.



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 not only to an increased quality of life and creates space for living – but that it also brings positive effects in terms of sustainability.



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 at Balco. By being sensitive to our customers’ needs while also being fearless, we also propel progress in the industry.



Quality

With quality as one of our guiding lights, we have laid the foundation for what Balco is today and will be in the future – a reliable and secure partner throughout the balcony 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 generates value

The customers' needs and total experience

The Balco Group's business and product development operations build on the customer's needs. By working in close proximity to the customer, being receptive to new ideas and proposals, we become an important cooperation partner at an early stage in the process.

Employees

Balco is characterized by an entrepreneurial corporate culture which encourages employees to dare to find new and innovative solutions. A high level of skills and specialization within each separate part of the value chain contribute to the end product. Attracting and developing qualified and motivated employees is a prerequisite for continued growth.

Innovation

Balco has a tradition of developing existing product areas and new products. We must be at the forefront to differentiate ourselves from competitors and create conditions for continued long-term growth and profitability. Balco's product development and patent portfolio strengthen the Company's offering and market position.

Production and logistics

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

Installation and follow-up

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





Thanks to energy savings of 15-30 percent, a glazed balcony from Balco gives, the same positive climate footprint as ten growing trees.

Our targets

Balco Group’s financial targets are a means by which the Board of Directors and management govern the Group, but they are also tools with which the financial market can objectively monitor the Group’s ambitions and development. The targets show how the Group is developing in the long term, regardless of the economic situation or the phase in which the Group finds itself. Fulfilment of certain targets may deviate from year to year.

Growth	Profitability
<p style="text-align: center;">The Balco Group shall grow by</p> <div style="text-align: center;">  <p style="font-size: 2em; margin: 0;">10%</p> </div> <p style="text-align: center;">annually, including acquisitions.</p> <p>The growth target must be achieved by focusing on our vision and established strategies. Growth will take place organically, through acquisitions and through new partnerships or alliances. The target entails the Balco Group expecting to grow significantly more than the underlying market in the long term.</p>	<p style="text-align: center;">In the longer term, the Balco Group shall achieve an operating margin (EBIT) of at least</p> <div style="text-align: center;">  <p style="font-size: 2em; margin: 0;">13%</p> </div> <p>The level has been set to allow space for the long-term development of the operations, while also paying a stable return. As a company that takes overall responsibility, the Balco Group is able to generate economies of scale in all functions, from purchasing to sales, strengthening the EBIT margin. An improved product mix and synergies from acquisitions are also expected to have a positive effect on the margin.</p>

Target fulfilment 2020

<div style="text-align: center;">  <p style="font-size: 2em; margin: 0;">-2%</p> </div> <p>Net sales amounted to SEK 1,200 million (1,221), a decline of 1.7 percent. The organic change was a negative 0.3 percent and exchange rate changes a negative 1.4 percent. The Corona pandemic affected order intake since March and earnings and sales mainly in the final quarter of the year.</p>	<div style="text-align: center;">  <p style="font-size: 2em; margin: 0;">11.2%</p> </div> <p>The adjusted operating margin was 11.2 percent (11.5). The Corona pandemic affected order intake since March and earnings and sales mainly in the final quarter of the year.</p>
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Capital structure

Interest-bearing net debt shall not exceed a multiple of



times operating profit before amortization/depreciation (EBITDA), other than temporarily.

The target links borrowing to earnings capacity and shall define a reasonable level of risk. The target shall be achieved through active investments and a clear focus on operating cash flow.

Sustainability



Total sick leave

Total sick leave shall amount to at most 3 percent.



Environmental impact

Reduce environmental impact by 20 percent by 2025.*

* in relation to 2019



Accident frequency

Zero workplace accidents (per 1,000,000 hours worked).



Interest-bearing net debt in relation to EBITDA amounted to 0.3 (0.9), which is within the target range. Periodically, this key ratio can be significantly higher than the target for a period following an acquisition, as a result of the acquisition not having yet had full impact on the calculation of the key ratio.



In 2020, total sick leave amounted to 3.2 percent.



Activities in 2021 include switching completely to aluminum produced using renewable energy (Reduxa) and introduce a more environmentally friendly concrete.



In 2020, 13.76 workplace accidents occurred per 1,000,000 hours worked.

Our business model

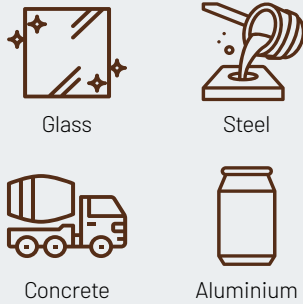
Business concept

With the customer's needs in focus, Balco develops modern, sustainable and attractive balcony solutions that improve people's quality of life

Key resources

Balco Group

Nature



Glass

Steel

Concrete

Aluminium

Personnel

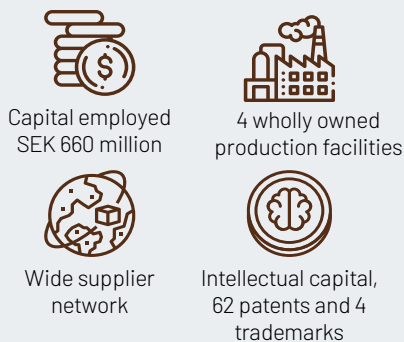


428 employees

368 men

60 women

Capital



Capital employed
SEK 660 million

4 wholly owned
production facilities

Wide supplier
network

Intellectual capital,
62 patents and 4
trademarks

Vision

With innovative solutions and high-quality products, Balco shall provide the best balconies in the market

- ✓ **Holistic thinking**
From idea to completed product, under one roof
- ✓ **Sustainability**
Taking a long-term lifecycle perspective to achieve positive effects for the climate
- ✓ **Entrepreneurial spirit**
Development in phase with the needs of the market
- ✓ **Quality**
Security with advisory services and professionalism
- ✓ **Pride**
Pride through being part of a larger group

Values generated



Customer safety

A complete partner offering turnkey contracts and focusing on the details.



Customized solutions

Services and products adapted to customer's demands

- ✓ Glazed balconies
- ✓ Open balconies
- ✓ City balconies
- ✓ Maritime balconies
- ✓ Prefabricated balconies
- ✓ Facade solutions

Glazed balconies

The Balco Group's largest product category is glazed balconies, which are primarily sold within the Renovation segment.



Open balconies

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



City balconies

This is a product category with open balconies, adapted in terms of their design to inner-city environments, and that are generally somewhat smaller in size.



Maritime balconies

Balco AB has developed a lightweight aluminium and glass design that is sold to manufacturers of cruise ships.



Prefabricated balconies

Balco Group has balcony systems that have been developed to keep manufacturing and assembly costs down.



A sustainable company with sustainable operations

The Balco Group's vision is to offer the market's best balconies through innovative solutions and high-quality products, helping our customers reduce their energy consumption, improving quality of life for residents and affording them a safer and more aesthetically pleasing local environment. To achieve this, we need to conduct a sustainable enterprise – this being a prerequisite for the Balco Group's operations to be able to develop, to be profitable and to generate value over time.

We choose to look at sustainability from both a commercial and ethical perspective. Today, there is an expectation from our customers that our products meet their high expectations for quality and longevity, imposing demands on our choices of materials and how we develop our products to last a long time. Interest continues to grow among investors in companies conducting credible and goal-oriented sustainability work regarding both the environment and society, also shaping our strategy and how we choose to manage our sustainability efforts. Our current and future employees demand that we as employers must act responsibly and offer safe, secure and challenging assignments.

Combined, this represents our sustainable mindset, which shall permeate the entire Balco Group, thus acting as a guide for all wholly owned subsidiaries in their decision making, planning, investment, production, purchasing and in matters involving customers and employees. The framework is contained in our sustainability policy, which clarifies how we act in both operational decisions and when we assess and determine matters regarding the long-term strategic development of the Company. The policy also shows

how we divide our sustainability work into the three areas of Sustainable governance, the Environment and Man, which also form the structure of our Sustainability Report.

Our work with Agenda 2030

In 2019, the foundation was laid for how we within the Group choose to relate to the UN's global goals for sustainable development, Agenda 2030. The framework addresses the social, environmental and economic challenges and clarifies that both political leadership and business play important roles in the work.

The Balco Group has selected four specific global goals where we see that we can make the biggest positive difference and that are in line with our overall business objectives, sustainability strategy, and our environmental, social and economic impact. To further develop our work with Agenda 2030, we performed a new materiality analysis in 2020, which will further clarify our contribution towards the goals. For 2021, the plan is to deepen the operations' connection to the six goals selected, and to identify relevant sub-goals for our continued work.

Goal 5. Equality



The Balco Group's objective is to achieve a more even gender balance in all departments, professional categories and positions. Working conditions must be suitable for all employees irrespective of gender.

Goal 8. Decent working conditions and economic growth



The Balco Group's Code of Conduct requires decent employment conditions, both within its own operations and among our suppliers.

Goal 9. Sustainable industry, innovations and infrastructure



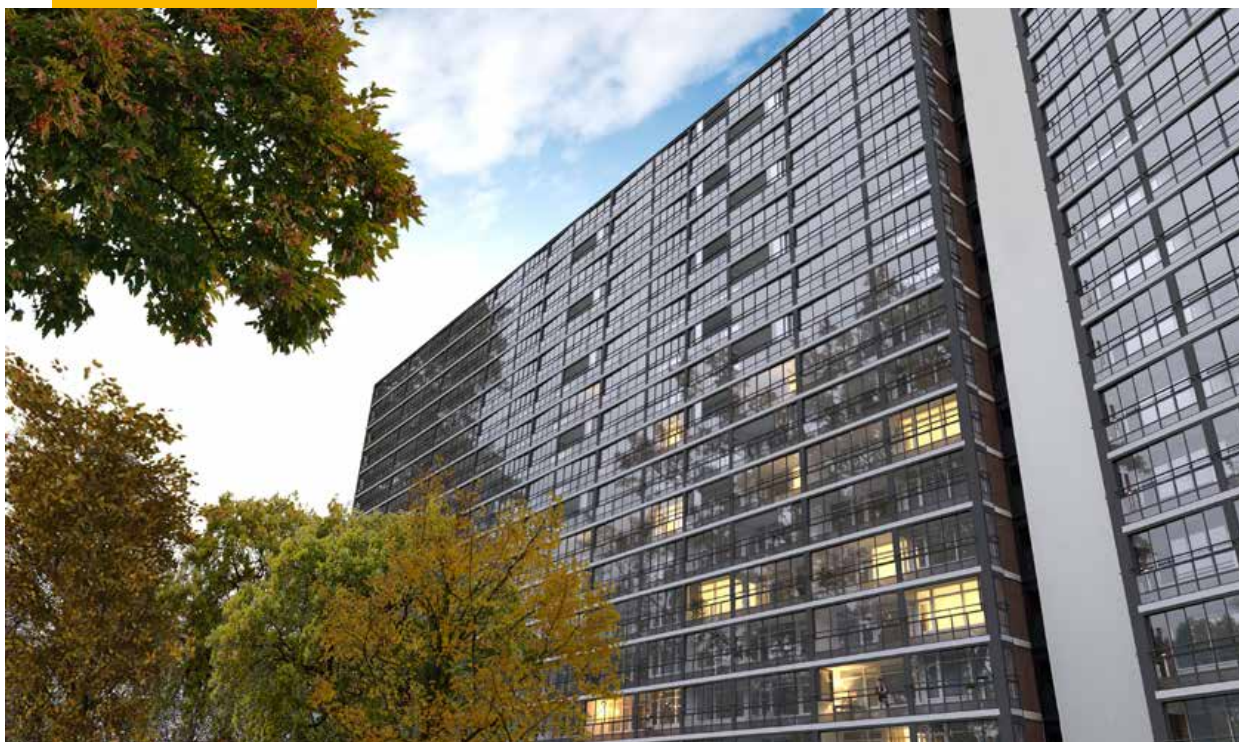
The Balco Group shall help reduce environmental impacts through active choices of materials, innovative solutions and a focus on resource efficiency in development, purchasing and manufacturing processes alike.

Goal 12. Responsible consumption and production



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

Customer projects



Pioneering renovation project in the Netherlands

In the Dutch city of Tilburg, half of the 256 apartments in the Mozartflat building are tenant-owned and half are public housing rental apartments. The 16-storey building will now be renovated with Balco's energy-saving Climate Barrier. The project is the first of its kind in the Netherlands and Balco's largest in the country with an order value of slightly more than SEK 31 million.

This turnkey project valued at EUR 8 million is partly subsidized by the municipality and entails, among other measures, the building being disconnected from the natural gas network. The remaining expense is being financed with loans from Nationaal Warmtefonds, which provides low-interest financing for energy saving modifications and sustainability upgrades to private individuals and private tenant-owner housing associations. The energy savings provided by Balco's products qualify property owners for these advantageous loans.

An important part of the Netherlands' sustainability and energy policy is to reduce the use of natural gas as an energy source and to invest in CO₂-neutral buildings. The renovation of the Mozartflat building, in

which Balco's Climate Barrier is an integral component, includes it being disconnected from the natural gas network. As a result, the project has been recognized as an innovative test site for future renovations and natural gas-free buildings in the Netherlands.

The Mozartflat order is the latest groundbreaking contract for Balco in the Netherlands. The Balco method, which is well known in the core Scandinavian markets, has attracted a great deal of attention in the Netherlands, where tenant-owner housing associations have understood the method's benefits. Mozartflat is the first of a number of exciting projects in the Netherlands.

The Mozartflat renovation project is scheduled both to commence and to be completed during 2021.

Markets and trends

The total market for the countries in which the Balco Group operates is valued at approximately SEK 35 billion and predominantly involves renovation of balconies in apartment buildings and a smaller share of new build projects. Balco's market is mainly driven by an ageing residential property portfolio that is in need of renovation and because residents seek an enhanced quality of life and an opportunity for an increase in the value of the property. The Balco Group is active in seven countries, with the markets being processed through Balco AB, its foreign sales companies and the sister companies TBO-Haglinds and Balco Altaner.

The northern European market for balcony solutions is a niche market within the building market. Balco's market is divided into two principal market segments: renovation and new build. Renovation mainly includes the renovation or replacement of existing balconies and the installation of new balconies in existing properties. New build includes the installation of balconies where new properties are being built and balconies for the maritime market. In 2020, the Renovation segment accounted for approximately 91 percent of total sales. The total balcony market in which Balco operates is valued at approximately SEK 35 billion according to an updated market study by Arthur D. Little in the autumn of 2020.

Sweden, Norway and Denmark are principal markets

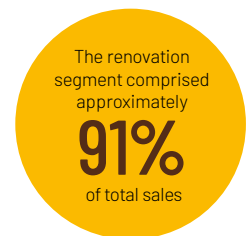
The Balco Group's principal markets are Sweden, Norway and Denmark. The balcony market in these countries was valued at approximately SEK 6 billion in 2020, of which SEK 3.5 billion comprises the Renovation segment. Balco also has operations in the emerging markets of Finland, the UK, the Netherlands and Germany. Balco has also previously conducted projects in Iceland and Switzerland. The total value of the balcony market in Balco's markets amounted to approximately SEK 35 billion in 2020, of which approximately SEK 25 billion was in the Renovation segment. Balco AB also sells, manufactures and installs maritime balconies for shipyards in Europe.

The technical structure of a balcony has historically entailed the aesthetic aspect sometimes being neglected. As today's balconies have become increasingly modern, with more innovative solutions, widening scope for design has emerged. A good example is the TwinView product, which was launched in the Swedish market in November 2020. The product minimizes the aluminium profiles and opens up for glass and improved visibility from the balcony. Balco works intensively to minimize its profile systems and at the same time maximize the comfort aspect of its products.

Balconies increasing in importance

The pandemic in 2020 entailed many people spending more and more time at home and the value of having a balcony has therefore never been greater. Time can be spent there most of the year, at the border between the outdoors and the indoors, and interest in balconies is growing, among both renovation projects and new build projects. All countries have unique needs and conditions and the Balco Group adapts both its marketing and product development accordingly.

In the UK, glazed balconies are not an established concept in the same way as they are in Sweden, for example, due to regulations and cultural differences, for example.





In the UK, there is a great need for open balconies for new build projects, and for this Balco has developed Levitate®, an open balcony that is easily and cost-efficiently installed when building new properties with extremely limited space in a metropolitan environment. Balco adapts its market processing by analyzing the conditions and acting on the basis of each market's wishes. The UK market is considered to have great potential.

In the Finnish market, TBO-Haglinds has delivered its first balcony project. Balco AB's Finnish salesperson has been the Balco Group's representative in that country, bringing in the entire Group's product flora to be able to offer solutions sought by customers. In the Netherlands, a major breakthrough occurred during the year when Balco sold a project with the delivery and installation of a climate wall on a larger apartment building requiring renovation.

Interesting collaboration in Germany

Although the Balco Group's overall sales strategy is to process the market through its own salespeople, in Germany Balco has initiated a partnership with a company specializing in project management renovations of tenant-owner housing associations' properties. Through this partnership, Balco's partners will be able to offer ready-made balcony solutions. This type of partnership is new to Balco and a way to further penetrate the German market.

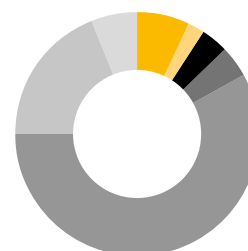
In Denmark, market shares are increasing and City balconies from sister company Balco Altaner are what are driving demand. Balco Altaner delivers a smaller

and open balcony adapted to Copenhagen's inner-city environment. The typical customer for Balco Altaner is a property previously lacking balconies. The City balcony is mounted on the outside of the facade in a simple and cost-efficient manner. Balco perceives potential in the concept and is considering whether it could be interesting to launch this in other major European cities in the future.

Fragmented market

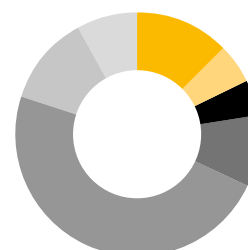
The northern European balcony market is fragmented and the Balco Group competes with a few major players operating in several countries, as well as a large number of smaller, local balcony installers, balcony manufacturers and concrete renovation contractors. The major players are characterized by their control of major portions of the value chain – from product development to assembly. The 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 sales.

In 2020, Balco's total market share in Sweden amounted to 22 percent, corresponding to 35 percent in the Renovation segment and 5 percent in the new build segment. In Norway, Balco's market share was 16 percent and in Denmark it was 14 percent. The largest players in the Nordic balcony market are Balco Group (Balco AB and TBO-Haglinds and Balco Altaner), Lumon, Sunparadise and Solarlux. Smaller players that Balco competes with locally include Teknova, Alnova, Balcona, Svalson, Altan.dk, MinAltan, RK Teknik, Balkongentreprenören and Weland Aluminium.



Total scope of the renovation market, SEK 24.2 billion

- Sweden 7.2%
- Norway 2.2%
- Denmark 3.6%
- Finland 4.0%
- Germany 58.1%
- UK 18.8%
- Netherlands 6.1%



Total scope of the new build market, SEK 10 billion

- Sweden 12.6%
- Norway 5.3%
- Denmark 4.8%
- Finland 9.5%
- Germany 47.8%
- UK 12.2%
- Netherlands 7.8%

Trends in the balcony market

Many factors affect the balcony market, including price fluctuations in the housing market, disposable income, interest rate fluctuations, economic growth and the business cycle in the building industry. Balco's industry is also affected by four distinctive trends:

Transfer of ownership to tenant-owner housing associations

Tenant-owner housing associations are the most common form of home ownership in Sweden and the share represented by associations increased by 12 percent between 2014–2018. This is a development that is also expected to remain strong in the future. The increase in tenant-owner housing associations is driven primarily by the sale and conversion of public and privately owned properties into tenant-owner housing associations.

Comfort and design

Glazed balconies contribute to increased enjoyment, comfort and sound insulation of apartments. They retain a higher temperature than traditional balconies, thereby increasing usability. In the Nordic region, having glazed balconies increases residents' use of their balconies from about four months of the year to eight. The balconies improve the property's exterior and can help lift an entire residential area.

Environmental legislation and energy savings

Taking responsibility for a sustainable society and for products being manufactured responsibly is becoming an increasingly important driving force for today's consumers. The global trend of striving to reduce energy consumption has resulted in increasingly stringent laws and regulations to achieve higher energy efficiency and therefore reduced environmental impact. For property owners today, issues of energy and the environment are important because handling these issues helps mitigate detrimental impacts on the environment, while also lowering expenses.

Penetration rate for glazed balconies

There are clear differences in the degree of penetration of glazed balconies in the Nordic countries and Northern Europe. An earlier survey showed that, in Sweden, only 11 percent of all residential balconies were glazed. The percentage is small compared with Finland, where glazing accounts for approximately 46 percent of the total number of balconies. The advantages, such as longer lifespan and energy savings, combined with the fact that the climate is cooler in the Nordic region and northern Europe, suggest that the percentage of glazed balconies will continue to increase.

Impact on Balco

Today, tenant-owner housing associations are Balco's most important customer group with 78 percent of consolidated sales and the group most inclined to make value-adding investments. Balco has a well-functioning model and an attractive solution, meeting the needs of tenant-owner housing associations.

Balco's high-quality products bring a sense of security and safety to their users. With the Balco method, it is common to double the area of the previously open balcony, thereby generating increased user benefit.

Balconies with glazed balcony systems have a longer service life, benefiting their energy profile and environmental impact in the long term. In addition, energy efficiency improves in properties with glazed balconies, helping reduce energy consumption and lower costs.

Today, Balco is a market leader in glazed balconies in its principal markets. The Company's product development and innovations are a step ahead of the competition, affording Balco a favourable starting position from which to continue expanding in its field.

Customer projects



Record transaction in the UK

In 2020, Balco secured its largest transaction to date in the UK. The assignment, valued at about SEK 30 million, involves renovating 248 balconies in four properties in Poole, on the UK south coast.

The four high-rise Admiral blocks – Drake Court, Grenville Court, Nelson Court and Rodney Court – were built between 1962 and 1969, and 215 of the apartments are owned by the public housing company. Balco has previously conducted a similar project in Poole, which served as a reference and was an important factor in securing the assignment.

Balco has been subcontracted by turnkey contractor United Living, which is carrying out the renovation for Poole House Partnership Ltd. The Admiral project aims to enable Bournemouth, Christchurch and Poole Council to continue to offering good quality apartments with a long service life. In addition to a better living environment, the work also brings a boost for Pool Old Town.

The buildings will be equipped with Balco's patented glazing system, allowing residents to choose, among other things, between an open or closed balcony. All of the work is being performed externally, with minimal impact on residents.

This is a fantastic gain for residents of the Admiral blocks. Not only will they benefit from having a larger balcony that can be used year-round, they will also enjoy the unique functions of the Twin® Air system, which reduces noise, provides passive ventilation and increases energy savings.

Work on the Admiral project commenced in the autumn of 2020.

This is how Balco meets the market

Balco's sales processes and organization to meet the market differ depending on the country of operation. Balco adapts to the market and customer needs.

In Sweden, Balco has divided sales into two customer groups, partly tenant-owner housing associations and partly the group comprising construction companies, private property owners and public housing companies. These are groups with two different needs and requiring two different ways of approaching and negotiating with the customer.

For the tenant-owner housing associations, there are direct financial incentives to build balconies with Balco. On the day the owners sell their shares in the association, 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 there is, it is also easier for a property owner to understand the benefits of making an investment in new balconies rather than conducting a short-term renovation.

Customer contacts and awareness lies with the districts

In Sweden, Balco is organized into different geographical districts. It is important that the employees in the districts are afforded considerable personal responsibility because they know their market and work closely with customers on a daily basis. The districts make the customer-critical decisions and conduct the final price negotiations, following a dialogue centrally where the financial framework is set. It is important that employees are given responsibilities so that they can grow – that allows the operations to grow too.

Each year, Balco participates, under its own auspices, in some 80 "mini-fairs" in Sweden, Norway and Finland. The fairs are arranged together with a partner who also invites prospective customers. Balco's sales arrive at a venue where they set up a stand, present the Company's products and explain what the Balco method entails. We also explain here that Balco oversees the entire process for the customer.

This is how Balco operates in Sweden, Norway, Finland, the Netherlands, and to some extent in

Denmark, and we have begun to work this way in Germany too. In Denmark, there is a great need for inner-city balconies, which involves building balconies on inner-city properties that previously did not have any. In the UK, Balco works mainly with a consultant or architect, with most sales being made to the new build segment, which requires a different way of behaving towards the market.

Premium brand with the highest quality

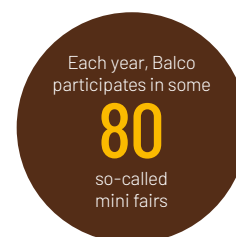
Balco's strategy is to offer premium brands and to not compromise on quality. This makes it difficult to sell to the new build segment unless the owner of the building clearly demands the quality that Balco offers. New production is therefore a, relatively speaking, smaller business for Balco, not least in the Swedish market.

In the UK, Balco offers the new product Levitate® (see page 27). In major cities like London, there is a shortage of space and the cost of working on site is extremely high. The Levitate® balcony system eliminates the need for scaffolding and significantly reduces crane time.

Facade renovation broadens the offering

In 2020, to better meet customers' needs, Balco strengthened and supplemented its offering and now, as a turnkey contractor, the Company offers facade renovation in connection with balcony projects. By taking responsibility for both the balcony and the facade, Balco can, through its partnership with a Nordic bank, provide amortization for an entire project over a period of up to 70 years, 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 Balco operates.





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The Balco Group has a strong tradition of creatively developing successful new products, such as the Balco Cleanline drainage system and Balco Twinlucka.

Innovation and development form the basis for Balco's success

The basis for Balco's success is to offer innovative, attractive and customized products. This work takes place continuously every day and several of the ideas result in our own patents. Balco is one of the few complete balcony suppliers that can provide customized and high-quality balcony solutions with a short delivery time.

The Balco Group has a strong tradition of creatively developing successful new products, such as Balco Cleanline and Balco Twinlucka. The Group develops and manufactures all of its products at proprietary factories and under its own brands, and it holds 62 (57) patents in the balcony area.

In Växjö, Balco has a development department with eight employees. The employees have leading-edge expertise in different areas, but basically have the same principal responsibility – that is, to be able to run any project independently, taking it from the initial designs to the first production run, and also performing a financial follow-up to ensure that the project can be profitable. The project manager is also responsible for contacts with various suppliers of, for example, aluminium profiles or other components.

Ten steps towards a new product

01. In-house and market-driven development

Development and innovation are conducted on the basis of two aspects. Firstly, it could be a proprietary product concept in which an existing product is further developed and which Balco often then patents. It could be a larger product, such as a new window system or the development of a small detail in an existing system. Secondly, it could be a concept responding to the direct needs of a customer or larger section of the market. Balco works in many different markets, each of which has its own building traditions. What is a success in one market will not always work in another. It depends both on what perception you have about a product or function and whether any specific building standards or regulations apply.

02. Decision to start a project

Once a concept has been developed, whether originating in Balco's own organization or from a customer, the development department starts sketching out the new product. The work begins with a meeting where a decision is made on whether the project should start, a decision that can be made by the CEO or the individual responsible for the development unit.

03. Initial design drawings

An initial design drawing is then produced while, at the same time, a project group determines whether the concept is to be considered a potential project. If the concept derives from a market need, a customer can be included in the project group. After that, Balco continues producing preliminary design drawings until all members of the group are satisfied.

04. Prototype development

The process then proceeds by producing a prototype. The prototype can be constructed in different ways. Balco has 3D printers with which most designs can be printed. Tool makers are used to produce prototypes of metal. In this phase, the prototype does not have to be a full-scale model, although such models do occur.

When the prototype is ready, another assessment is conducted internally or with the customer. Balco performs static calculations to check that the product is in line with the original concept. At this phase, preliminary calculations are also made to assess the product's financial conditions and a study is conducted to determine whether patents exist that could interfere with the development of the product, or whether it is possible to apply for a patent for any specific part/function of the product.

05. Full-scale prototype of Balco's "rig"

Following approval of the first prototype, a full-scale prototype is created. This makes it possible to calculate in detail the scale of the investment required to develop the production tools.

Balco maintains a "rig", a two-storey tower on which the products are test mounted. These can be concrete slabs, column systems, glazing, etc. The balcony is subjected to static tests and service life tests. If the product is a new window, for example, a machine is manufactured that opens and closes the window thousands of times.

06. Full-scale test

Once the full-scale prototype has been approved, the project team determines whether the process should proceed. Real full-scale testing then ensues. Once the prototype has been approved, it is time to order different types of tools, everything from plastic tools (that is, tools to make plastic covers, bushings, etc.) to zinc parts, etc.

07. Service life tests

Full-scale testing includes testing under real-life conditions of service life, static tests and function tests, such as sandbag tests, or "pendulum tests" in which the balcony must withstand heavy shocks. Balco also conducts these tests under its own auspices in Växjö.

08. Basis for standard drawing

When the full-scale prototype has been fully assembled, the project group reconvenes. Once the prototype has been approved, work begins on producing standardized drawings and programmes for a configurator that is used to ensure that all of the details end up in precisely the right place.

09. First production run

The first production run takes place, usually a smaller series, in case everything does not work optimally. When the first production run has been completed, the product is mounted at a construction site.

10. Production!

When the first production run has been approved, the product is fully developed and production can begin.

Some of our new products



TwinView

– meeting both government requirements and customers’ need for comfort

Balco is a holistic partner and supports our customers in the process of initiating and implementing their balcony projects. This process includes identifying the appropriate balcony system for the customer and, at the same time, complying with laws and regulations. For some time now, we have seen a trend for customers, architects and authorities to demand a narrower pane/sliding window than our current bestseller, Twin. At the same time, as a resident, you do not want to sacrifice the comfort our Twin door affords you.

To meet both regulatory requirements and our customers’ wishes, Balco has developed a completely new pane/sliding window, Balco TwinView, for our balconies. The pane meets architectural and regulatory requirements while also meeting the customer’s expectations with regard to usability and comfort. The new door also fits in well with Balco Group’s profiling towards a more sustainable company as we reduce our need for aluminium.

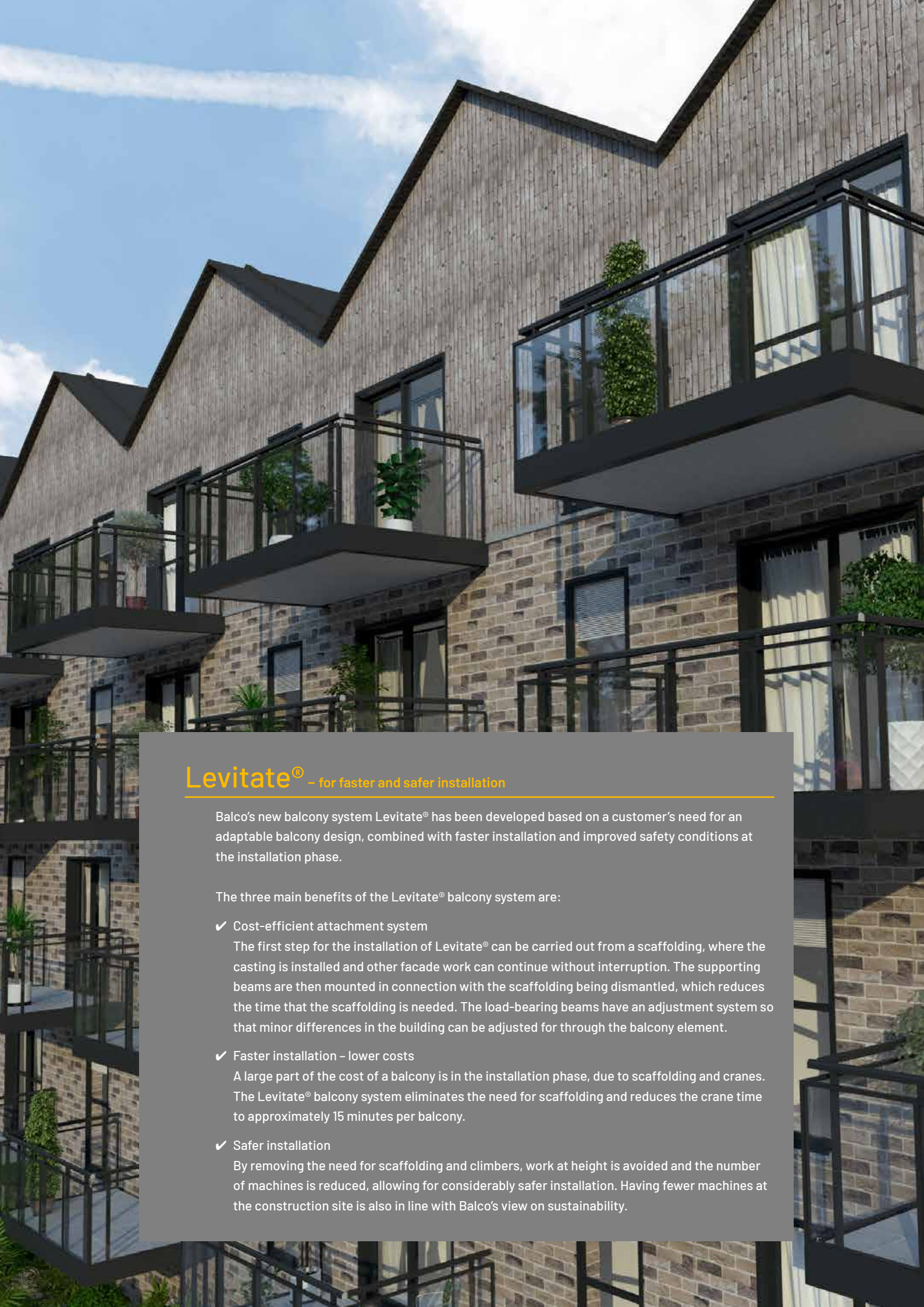


AluTwo

– aluminium balcony with a high finish

AluTwo is developed from the standardized balcony solution AluOne. AluTwo can be mounted with a bracket and tie rod. Both balcony types are made of aluminium, which is easy to handle, and optimized in the design to reduce production and assembly time. Aluminium is also an excellent choice of material to meet the customer’s high demands on finish.

The products were originally developed for the German market, but there is also considerable interest from the UK and Netherlands markets. AluOne is primarily aimed at Germany’s equivalent of the Swedish “million homes programme”, while the principal customer group for AluTwo is in the new build segment for climate-smart, wooden, apartment buildings. Balco has signed a framework agreement to supply balconies to the Austrian company B-Solutions, part of the wood group Binderholz, which offers turnkey, climate-smart, wooden apartment buildings. The first balconies are planned for delivery in 2021.



Levitate® – for faster and safer installation

Balco's new balcony system Levitate® has been developed based on a customer's need for an adaptable balcony design, combined with faster installation and improved safety conditions at the installation phase.

The three main benefits of the Levitate® balcony system are:

✓ Cost-efficient attachment system

The first step for the installation of Levitate® can be carried out from a scaffolding, where the casting is installed and other facade work can continue without interruption. The supporting beams are then mounted in connection with the scaffolding being dismantled, which reduces the time that the scaffolding is needed. The load-bearing beams have an adjustment system so that minor differences in the building can be adjusted for through the balcony element.

✓ Faster installation – lower costs

A large part of the cost of a balcony is in the installation phase, due to scaffolding and cranes. The Levitate® balcony system eliminates the need for scaffolding and reduces the crane time to approximately 15 minutes per balcony.

✓ Safer installation

By removing the need for scaffolding and climbers, work at height is avoided and the number of machines is reduced, allowing for considerably safer installation. Having fewer machines at the construction site is also in line with Balco's view on sustainability.

Growth strategy

The Balco Group holds a strong position in high-quality and highly durable balcony solutions. The possibilities for continued growth, both organic and through selective acquisitions, are considered to be very good.

A niche player with a strong position on a growing segment

Favourable growth is anticipated in Balco's markets. Demand is being driven by pent-up renovation needs, ageing property stocks and efforts to establish energy efficient solutions. Thanks to Balco's leading position in the markets in Sweden, Norway and Denmark, combined with its modern and innovative product portfolio, Balco has an edge over its competitors. Through growth, Balco will reinforce and strengthen its leading market position in balcony solutions in northern Europe.

Potential to continue growing in existing markets

Balco has considerable potential to continue its strategy of expanding with increased sales staff and by increasing its presence at trade fairs. Each customer is unique and, since Balco's products are tailored to the customer's needs, maintaining a local presence close to customers is important. Balco's offering with a long service life, low cost for the apartment owner and a balcony that can be used most of the year, has the potential to continue capturing market share from local players and concrete renovators. To benefit fully from the market potential in its existing markets, the Company will continue to increase its sales force and its exposure to the Renovation segment. Balco also perceives potential in an increased presence vis-à-vis important customers, such as public housing companies and private property owners. The Balco method is economically attractive and provides the customer with the peace of mind of a fixed-price turnkey project. To a great extent, Balco generates its own growth in the market by teaching potential customers the advantages of the Balco method.

Possibilities for expansion

In addition to Balco's leading position in Sweden, Norway and Denmark, we are established in the Netherlands, Germany, Finland and the UK – select countries with strong market potential. In addition to the geographical potential, Balco sees opportunities in the maritime segment, where the Company has developed balcony solutions for cruise ships. There is also potential in expanding the City balcony product segment to markets other than Denmark. City balconies address inner-city environments and buildings that did not previously have balconies. In new production, the Balco Group offers standardized balcony models and delivers these preferably without assembly.

Growth through additional capacity and efficiency improvements

Balco is constantly endeavouring to improve existing production and installation processes to cut lead times and expenses, while producing satisfied customers since the total project time can be shortened.

Selective acquisition possibilities

Historically, Balco has grown organically, and the Company's primary growth strategy remains organic growth. Corporate acquisitions are to be regarded as an opportunity for reinforcing an existing market presence, in existing or adjacent product areas or in new customer segments. Possible acquisitions may also be assessed as a means of facilitating a more rapid expansion in a new market.

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



By taking responsibility for both the balcony and the facade, Balco can, through its partnership with a Nordic bank, provide amortization for an entire project over a period of up to 70 years, making the investment both financially and environmentally sustainable.

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In 2014, Balco implemented a completely new growth and expansion strategy. The starting shot for the strategy was a market study showing growth potential in the Nordic countries to be significantly greater than previously thought. Heavy investments were made to expand the sales organization. In parallel with the now well-proven and successful sales model, they began to meet potential customers by participating in focused sales fairs, so-called mini-fairs. Thanks to the new sales model and by educating customers about the alternative to traditional balcony renovation and by expanding production capacity as the number of customer projects increases, Balco has been able to create its own market and continue growing strongly.

Since 2014, the sales organization has increased from 38 to more than 60 people and the number of trade fairs in which Balco has participated has increased fivefold. 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.
- ✓ Continued investment in increased organic growth by employing additional salespeople and increasing the number of trade fairs arranged under the Company's own auspices.
- ✓ Continuously assess opportunities for growth through acquisitions.
- ✓ Increased resources to hasten the pace of establishment in the Netherlands, where there is a very large pent-up need for balcony renovations.
- ✓ Completing the ongoing life-cycle analysis that, together with our previous results regarding CO₂, will show that the Balco method is the most sustainable renovation method both for the environment and economically, irrespective of time horizon.
- ✓ 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 turnover in the order backlog.

Balco takes full responsibility from sketch to completed delivery

From concept to reality

Balco’s customer projects generally progress through several phases over an extended period of time. From the first meeting between the sales representative and the customer, it normally takes about nine months until the project has been completed and Balco has delivered a completed balcony solution.

It is Balco’s objective that the customer experience a safe and stable journey throughout the building process – from the customer’s first questions to the completed warranty inspection, when the balconies are handed over to the customer.

01. Advice, presentation and visualization

Once Balco’s sales staff has identified the customer’s needs, we produce 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 approximate timetable and economic calculation are usually presented together with a photo-montage showing the envisaged balcony solution. Balco invites all residents to a viewing at which they can experience the proposed solution, with a larger glazed balcony, to be able to compare this with a solution in which the concrete of the existing balconies is renovated. When the customer is ready for a decision, Balco assists with the application for planning permission. Upon approval, the project is assigned to a project manager at Balco.



02. Structure and design

Careful calculations regarding fixing systems and other technical details are conducted to adapt to the dimensioning requirements, which vary depending on the placement of the balconies. Each balcony design is unique. When all the necessary data have been processed and compiled, the building process commences and drawings are produced. The complete balcony, with each individual detail, is drawn both two and three-dimensionally. Preparations are made for production and approved drawings with detailed installation instructions are compiled.





03. Production

All balcony production takes place in modern premises at Balco's plants. The production processes are certified in accordance with ISO 9001, ISO 14001 and ISO 3834-2, making Balco unique. This means that we maintain a high level of quality throughout the production process, taking the environment into account to a very great extent. To safeguard our superior quality and reliability of delivery, we invest continuously in equipment and skills.



04. Delivery and installation

When all of the components are ready, they are assembled and delivered to the property in question. Assembly is performed by specialized fitters under the guidance of an assembly manager. Balco basically mounts all balconies from the outside. The balconies are numbered enabling the assembly to progress as smoothly and quickly as possible.



05. Final inspection and warranty

The project concludes with a final inspection, entailing, for example, that Balco provides a five-year guarantee on delivery.



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Thanks to energy savings of 15–30 percent, a glazed balcony from Balco gives, the same positive climate footprint as ten growing trees.

Outline of operations

Glazed balconies

Balco's largest product category comprises glazed balconies from Balco AB and TBO-Haglinds, which are primarily aimed at the Renovation segment.



Glazing of balconies is a very cost-effective and attractive alternative to a traditional concrete renovation, affording the customer financial benefits through reduced energy and maintenance costs. The investment enhances the value and character of the building while making the living environment both safer and more attractive. Glazing of balconies also helps reduce noise and corrosion of the rebar, in turn reducing the risk of frost damage.

Climate walls

When an entire facade is covered with glazed balconies, a “climate barrier” is created, a shell protecting the property from the climate, bringing significant energy savings. Climate walls also reduce the need for renovation of concrete floors as well as facades, windows and doors inside the glazed space. A climate barrier also facilitates considerably larger balcony areas compared with before the renovation.

Access balconies

Balco AB applies a specially adapted glazing system for open corridors, called access or entrance balconies. A glazed access balcony provides effective protection against weather and wind. The access balconies thus become non-slip and in themselves also help lower energy consumption.

Etage

Glazed etage balconies are sold to stepped apartment buildings with challenging needs requiring innovative solutions to address water run-off issues. Balco AB's floor balconies have been developed with efficient drainage systems.



GLAZED BALCONIES

The glazing is tailored to the customers' needs and you can choose from a large assortment of, for example, window sections, roofs, outer cladding, attachments and concrete slabs. Balco AB holds several patents on unique functions such as ventilation and drainage systems, which make the glazed solutions extremely competitive. The product category also includes climate walls, glazed access balconies, and etage balconies.

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City balconies and the new Levitate type of balcony have been identified as two attractive segments judged to offer favourable growth potential in future metropolitan environments.

Outline of operations

Open balconies

The Balco Group sells several different types of open balconies for both renovation and new build projects. This product category accounted for 26 percent of net sales in 2020 and comprises steel and aluminium balconies, City balconies, maritime balconies and prefabricated balconies.



Both Balco AB and TBO-Haglinds offer open balconies that can easily be varied in shape and design to adapt to the needs and wishes of the customers. Customers have opportunities to choose between different designs for flooring, cladding, balcony rail and handrails. Balco Altaner develops, markets and sells open balconies adapted to inner-city environments with specific design requirements. Balco AB has also developed a balcony solution in aluminium and glass, designed specifically for the maritime industry.

The Balco Group also provides parts such as balcony rails, floor, roof and fixing systems which can be installed on existing balconies or bought by building companies in the case of new build projects.

City balconies

In terms of design, City balconies are adapted for inner-city environments, where other requirements prevail as regards execution. These are generally smaller than Balco's other open balconies and have a steel structure that is often fitted with a wooden floor. In addition to the choice of materials, the attachment principles for City balconies also differ from other balcony types. City balconies are sold and delivered by Balco Altaner and are, for the time being, a product for the Danish market.

Maritime balconies

In the production of vessels for the cruise industry, there is a trend towards replacing steel components with light-weight structures of aluminium and glass. Balco AB has developed a solution specifically for maritime balconies that is now marketed and delivered to shipyards in Europe.

Levitate®

The Levitate® balcony was initially developed for the UK market with a focus on fast and simple installation. Levitate® is ideal for installation at hard-to-reach construction sites, such as in central London. Levitate® balconies are built in advance and delivered complete to the property to finally be mounted on prepared attachments in the newly built facade.



PREFABRICATED BALCONIES

AluOne

AluOne is a prefabricated and specially adapted balcony solution, mainly produced in aluminium in twelve different sizes, which can be easily adapted to different buildings, thereby making the system flexible and cost-effective, and cutting the installation time. The system is primarily developed for the German market, but in 2020 projects have also been delivered to the UK.

PGS

The PGS balcony is a clearly standardized balcony developed for the Swedish market. This is a simpler balcony in steel and concrete and work is now underway to design a model adapted to the Finnish market.

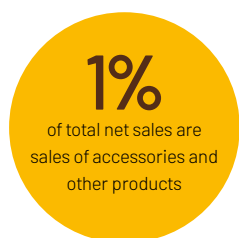


The most common accessories are solar protection products, such as roller blinds, pleated blinds and vertical awnings.

Outline of operations

Accessories and other products

The Balco Group sells a variety of accessories for the Group’s balcony solutions. Accessories corresponded to 1 percent of net sales in 2020.



Balco Group offers its customers a wide range of products that not only enhance the balcony experience, but that also make the balcony user friendly and safe. The accessories include privacy screens, side-screens and divider screens, glass corners, balcony doors, solar protection in the form of powered awnings, powered vertical awnings, roller blinds, window boxes, flag holders, solar panels and locks.

In addition, TBO-Haglinds offers integrated lighting and ceiling-mounted heating for its glazed balconies. Optional new facade panels are offered for cladding the inside of the balcony, creating an even more cohesive feel between the balcony and the rest of the home.



ACCESSORIES AND OTHER PRODUCTS

Balco offers a large selection of products that make balconies more pleasant, user-friendly and safe. The most common accessories are solar protection products in the form of roller blinds, pleated blinds or vertical awnings.

Customer project Annalanharju

New balconies increased well-being among residents

The balconies of the Annalanharju housing company were in need of renovation and Balco made sure that the residents got the balconies of their dreams.

“The whole experience has been high-class. All collaborations with companies should be this smooth,” says Jari Kaara, chairman of the Annalanharju tenant-owner housing association .

The Annalanharju tenant-owner housing association is located in Tampere, Finland. The building contains 42 apartments, each with its own balcony. The facade was 40 years old and in need of renovation – above all the balconies needed repairing. All of the old balcony structures were dismantled and replaced with new balconies.

Although some apartments already had glazed balconies, the building gained a uniform appearance when the facade was renovated. The balconies now have airtight, framed glazing, which retains heat better than regular glazing. As a result of the renovation, the residents gained larger balconies and a significantly longer balcony season.

Exceptionally flexible contract

As it was found that renovating the concrete would be insufficient, Balco AB was chosen as the general

contractor for the project and was commissioned to replace the balconies in accordance with the Balco method and carry out other facade work.”

“Balco took care of everything as promised and sometimes more. As I understand it, this was an exceptional contract compared to renovations in many other housing companies,” says Jari Kaara who was satisfied with the decision.

A pleasant balcony

In connection with the renovation, the Annalanharju facade gained a discreet, bright look, while the size of the balconies was also increased by almost a third. The dense glazing and carpeting enhances well-being and improves the building's energy efficiency. The residents of Annalanharju are satisfied with the end result, with the large balconies having brought particular joy to residents.

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Wonderfully spacious and pleasant! As soon as I opened the balcony door, I was struck by the spaciousness of the balcony. Kirsti Mäkinen, resident of the Annalanharju housing association



Customer project Helsingborgshus 10

Improved quality of life and increased property value

Four years ago, glazed balconies from Balco were installed at tenant-owner housing association Helsingborgshus nr 10. The building was originally constructed in 1961 and the concrete and rebar in the old balconies were in great need of replacement. The best solution was to replace the original balconies with new ones. During a five-month building period, the old balconies were dismantled and new ones were assembled for the association's 204 apartments.

"The buildings have gained a completely different status and the price of the apartments has increased by a couple of hundred thousand kronor at least. But, most of all, we residents, now find this to be a much more pleasant environment to live in. We now use the balcony as an extra room," says Roland Härstedt, Chairman of the tenant-owner housing association.

"Many of us are in a risk category regarding the new virus. Being able to use our balconies, even on cooler days with poor weather, has brought a great deal of relief," Roland Härstedt concludes.

Appreciated by those at risk

The tenant-owner housing association is located in a former fishing community right on the Sound, to the south of central Helsingborg. Several residents have lived here since the buildings were constructed and the average age is above 70. During the restrictions caused by the Corona pandemic over the past six months, many people have particularly appreciated the opportunity to be outdoors, without having to leave home.

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Most of all, we residents, now find this to be a much more pleasant environment to live in. We now use the balcony as an extra room. Roland Härstedt, Chairman of tenant-owner association Helsingborgshus nr 10



”

Now we can finally use the balconies in a completely new way, and throughout the year!

Mona Anita Waleur, Chairman of the Board, Greåkersdalen Borettslag

Customer project Greåkersdalen Borettslag

Better quality housing with new balconies from Balco

In the autumn and winter of 2018, Balco built 110 new glazed balconies at Greåkerdalen Borettslag in Norway. Balco was chosen largely for its technical solutions and the Company's superior expertise.

“The investment has significantly raised the quality of the housing,” says the Chairman of the Board of the association, Mona Anita Waleur, enjoying the sun on her 21 m² glazed balcony. “The biggest difference is that we can now use our balconies in a completely different way – and we can also use them all year.

Another advantage of glazing the balconies was that it greatly reduced the noise from passing traffic.”

Balco was commissioned to upgrade the wide balconies on both sides of the house. Mona Anita explains that the Board first contacted Balco back in the spring of 2017, signing a cooperation agreement in the autumn due to Balco's technical solutions and high level of expertise.

Covered the entire facade

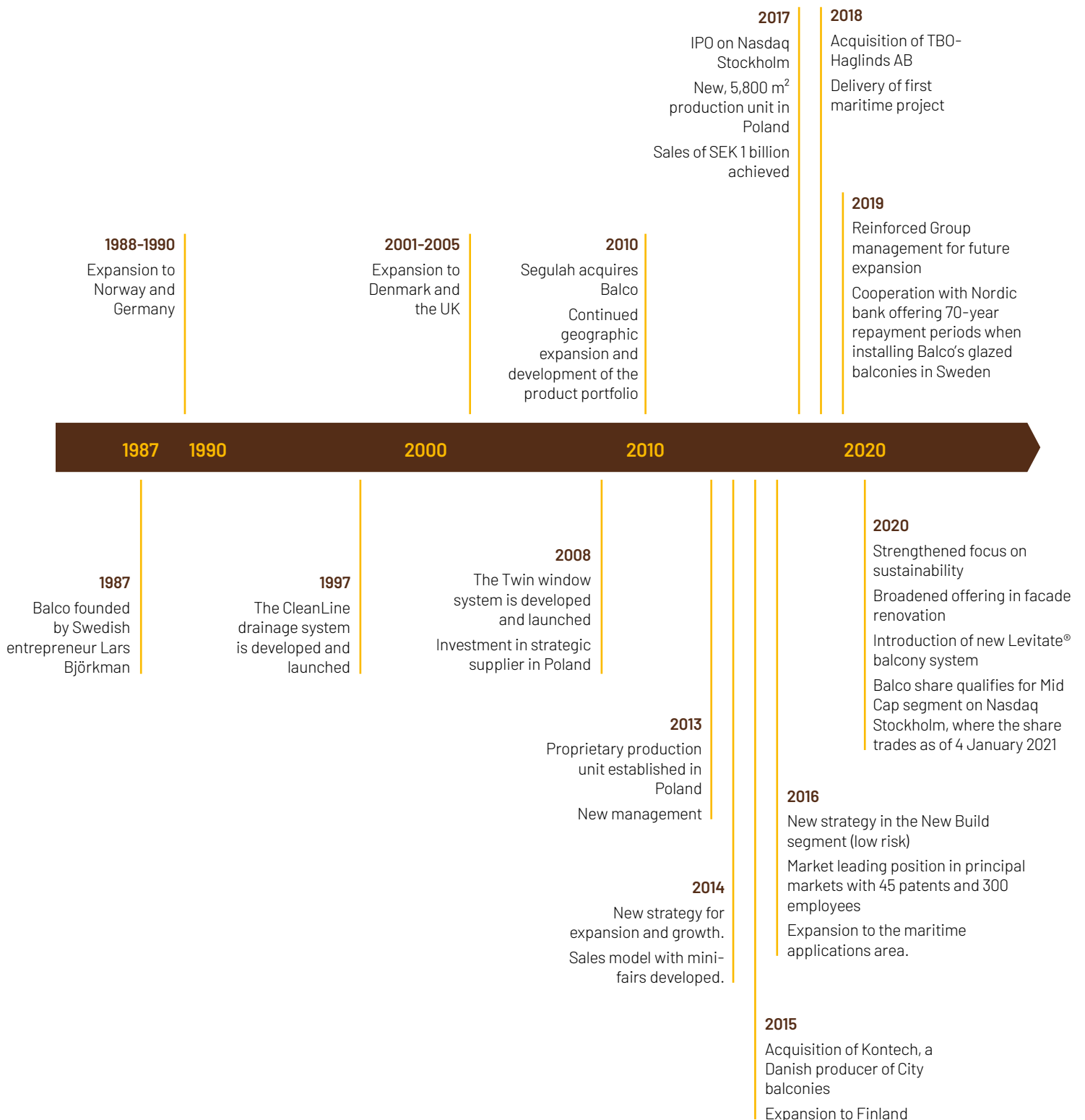
“The glazing systems that Balco presented provided many more benefits. We chose to cover the entire facade with Balco's glazing system, which protected the facade, windows and balcony doors and also gave lower heating costs.” For those who prefer a fully open balcony, the glass sections can be folded away completely.

“I participated in all of the project meetings, and everything progressed as planned. I received good answers to all of my silly questions. It was important for me to be able to inform the residents during the project.”

“At the end of 2018, the new balconies were inaugurated and the feedback from the residents has been very positive,” says Mona Anita Waleur. Those with apartments facing the road are particularly pleased that traffic noise has decreased significantly.”



The Balco Group's journey of development



Administration report

The Board of Directors and CEO of Balco Group AB, company registration number 556821-2319, hereby present the Annual Report and consolidated financial statements for the 2020 financial year.

OPERATIONS

Balco offers customized and innovative balcony solutions under its own trademarks to tenant-owner housing associations, private landlords, public housing companies and building companies. Balco is currently the market leader in the Nordic region and enjoys a strong challenger position in other northern European markets. Since its inception in the southern Swedish town of Växjö in 1987, Balco has developed from being a local, product-oriented supplier of balconies to being a leading market-oriented supplier of glazed balcony solutions. The Parent Company conducts its operations directly and through Swedish and foreign subsidiaries. In addition, the Group maintains a branch office in Norway, Balco NUF (984997353).

In recent years, Balco has expanded substantially, both in existing markets and by establishing operations in new countries, and today has sales offices in seven countries. The company has four wholly-owned production facilities in Sweden and Poland, and is a part-owner of a Polish subcontractor. Unique products, favourable delivery capacity and skilled employees form Balco's core. Having made sizable investments, the Company and has capacity for continued growth. Balco offers an extensive range of products and solutions to the balcony market under its own brands with patented technical designs. The products are tailored to the customers' specific needs and can be installed in conjunction with both renovations and new build projects.

MARKET

Balco operates on the northern European market for balcony solutions, with a major focus on glazing, which is a niche market within the broader building market. The balcony market primarily involves renovation of existing balconies and installation of new balconies on existing properties, as well as the installation of balconies in the building of new properties. Balco's principal markets are Sweden, Norway and Denmark.

Beyond its principal markets, Balco also operates in Germany, the UK, the Netherlands and Finland, and has also conducted individual assignments in Iceland and Switzerland.

In a number of carefully selected projects, Balco also develops, sells, manufactures, and installs balconies for maritime applications on cruise ships. Balco has identified the maritime area as a growing market in need of more suppliers, where Balco possesses applicable know-how and has developed a floor structure patent.

The balcony market is divided into two market segments: Renovation and New Build, with the Renovation segment accounting for approximately 91 (86) percent of Balco's sales.

SALES AND OPERATING PROFIT

Group

Net sales amounted to SEK 1,200 million (1,221) for 2020. When sales are recognized is attributable to which phase of the project cycle individual projects have reached.

Gross profit for the year amounted to SEK 289 million (300), corresponding to a gross margin of 24.1 percent (24.6). The gross margin for the year was impacted by expenses of SEK 19 million associated with increased risk exposure in projects, accounts receivable and inventories due to the Corona pandemic. These expenses are reported as items affecting comparability and have not affected cash flow. The adjusted gross margin was 25.7 percent. Selling expenses increased over the year to SEK 111 million (94), while administrative expenses decreased to SEK 63 million (66). Operating expenses totalled SEK 174 million (160). The increased expense is explained by increased market investments and a strengthened sales organization.

Operating profit for the year amounted to SEK 115 million (140), corresponding to an operating margin of 9.6 percent (11.5). Adjusted for items affecting comparability, operating profit amounted to SEK 135 million (140), corresponding to an adjusted operating margin of 11.2 (11.5) percent

Renovation

The Renovation Segment includes both replacement and extension of existing balconies, as well as the installation of new balconies on apartment buildings previously lacking balconies. Most of Balco's sales in this area comprise glazed balconies for tenant-owner housing associations.

Sales in the Renovation operating segment rose by 5 percent over the year to SEK 1,096 million (1,044). The segment accounted for 91 percent of Balco's total sales.

Operating profit for the Renovation segment amounted to SEK 114 million (135), corresponding to an operating margin of 10.4 percent (12.9) and, adjusted for items affecting comparability, the adjusted profit for the full year amounted to SEK 133 million (135), corresponding to an adjusted operating margin of 12.1 percent (12.9).

New Build

The New Build segment covers installation of balconies in conjunction with the building of new apartment properties, as well as maritime applications. Balco offers its entire product range within the New Build segment. The largest product areas comprise glazed and open balconies.

Sales in the New Build operating segment amounted to SEK 104 million (176). The decline in sales occurred mainly in Maritime, where projects have been postponed. The segment accounted for 9 percent of Balco's total sales.

Operating profit for the New Build segment amounted to SEK 7 million (12), corresponding to an operating margin of 6.5 percent (6.5).

ACQUISITIONS

Balco is a growth company within the balcony industry. Primarily, the objective is for the Company to grow organically under its own power, although acquisitions may also be of interest where they could help strengthen Balco's competitiveness or could accelerate the pace at which operations are established in a particular market.

RESEARCH AND DEVELOPMENT

Balco has a tradition of developing products in-house and regularly invests in product development, which is one of its key strategic advantages. The Company has a proven track record of developing new, innovative and technical solutions. The Product Development Department works constantly to improve existing products and develop new ones. The department also participates in the production of customized balcony solutions and has the capacity to develop products for new segments in which Balco perceives substantial potential. Examples of new products that Balco has launched in recent years include maritime balconies, as well as Twin View, AluOne, and Levitate®. At the end of the financial year, Balco employed eight people full-time in its Product Development Department, with annual expenditure on product development of SEK 10 million (10). As of 31 December 2020, the Company had 62 (57) product patents.

AMORTIZATION/DEPRECIATION AND EBITDA

Amortization/depreciation amounted to SEK 38 million (37) in 2020. Profit before amortization/depreciation and impairment (EBITDA) amounted to SEK 153 million (177), corresponding to an EBITDA margin of 12.7 percent (14.5). Adjusted for items affecting comparability, EBITDA amounted to SEK 172 million (177), corresponding to an adjusted EBITDA margin of 14.4 (14.5) percent.

FINANCIAL EXPENSES

Consolidated financial expenses amounted to SEK 10 million (10).

TAX, PROFIT FOR THE YEAR AND EARNINGS PER SHARE

The tax expense was SEK 28 million (29), corresponding to an effective tax rate of 26.6 percent (21.9). The high tax rate is due to most of the expense items affecting comparability having been assessed as non-tax deductible and therefore included in the tax calculation. Profit for the year after tax was SEK 78 million (103), corresponding to earnings per share of SEK 3.85 (4.79).

CURRENCY FLUCTUATIONS

Balco's Group currency is Swedish kronor (SEK), while the Group's revenues and expenses are normally stated in the local currencies of the countries in which Balco operates. As a result, Balco's earnings and financial position are exposed to exchange rate risks affecting the Group's income statement and balance sheet. Currency exposure includes both transaction and translation exposure. Balco is primarily exposed to fluctuations in EUR, NOK, DKK, PLN and GBP relative to SEK. Currency fluctuations have a minor impact on the Company's sales and profitability since Balco

reduces currency exposures in transactions and hedges its ongoing transaction exposure in projects where the balance in foreign currencies cannot otherwise be achieved.

SEASONAL VARIATIONS

Balco's sales and profit are partially affected by the time at which orders are placed, seasonal variations and the fact that the General Meetings of tenant-owner housing associations are normally held in the second or fourth quarter of the year. In addition, the Group is positively affected by months with a large number of work days and lack of leave, and somewhat adversely affected by weather factors when winters with large volumes of snow result in increased expenses. The Group's strongest quarter is normally the second quarter.

BALANCE SHEET AND FINANCIAL POSITION

In 2020, Balco's balance sheet total increased by 11 percent to SEK 1,223 million (1,106), compared with 2019. The increase is mainly explained by increased cash and cash equivalents with no dividends being paid in 2020.

In connection with Balco's listing on Nasdaq Stockholm on 6 October 2017, the Group was refinanced, with a new bank agreement being signed. The agreement, which runs until 14 September 2022 after having been extended, covers bank loans of approximately SEK 225 million, an overdraft facility of SEK 65 million, and a further credit facility of SEK 100 million intended for future acquisitions.

Non-current assets

The Group's non-current assets, comprising intangible assets, property, plant and equipment and financial fixed assets, decreased over the year to SEK 624 million (647). The largest non-current item, 64 percent, comprises goodwill of SEK 401 million (401).

Current assets

Accounts receivable and contractual receivables comprise the largest individual items among current assets. Accounts receivable rose by 29 percent over the year to SEK 175 million (136), while contractual receivables decreased by 13 percent to SEK 130 million (149). Cash and cash equivalents increased by SEK 95 million over the year to SEK 214 million (119).

Investments

Balco's investments comprise investments in property, plant and equipment in the form of machinery, equipment and other technology. Investments in intangible non-current assets relate primarily to goodwill, trademarks and licenses. The Group's total investments in 2020 amounted to SEK 14 million (11).

Equity and liabilities

As of 31 December 2020, equity amounted to SEK 599 million (515). Balco's interest-bearing net debt at year-end was SEK 45 million (162). Net debt relative to adjusted EBITDA was 0.3 (0.9), which is within the parameters for the Group's objective that net debt should not exceed 2.5 x operating profit before amortization/depreciation (EBITDA), other than temporarily.

NUMBER OF SHARES

The share capital comprises 21,909,348 shares with each share having a quota value of SEK 6.0002. Balco has only one share class, with each share conveying equal voting rights and entitlement to dividends. The shares issued are freely transferable without any limitation by law or pursuant to Balco's Articles of Association. Balco is not aware of any agreements between shareholders that could entail restrictions on the right to transfer shares in the Company.

The Annual General Meeting of Balco on 17 June 2020 resolved to authorize the Board of Directors to determine new issues of shares, warrants or convertible instruments linked to such shares, with or without preferential rights for existing shareholders, to be paid for in cash, in kind or through set-offs, entailing an increase or potential increase in the Company's share capital by at most 10 percent or 2,162,331 shares. The Annual General Meeting of Balco further resolved to authorize the Board of Directors to decide to acquire a number of the Company's own shares such that the Company's holding does not, at any given time, exceed one tenth of the total number of shares in the Company and to authorize the Board to make decisions regarding transfers of treasury shares.

TRADING AND MARKET CAPITALIZATION

Since 4 January 2021, the Balco share has traded on Nasdaq Stockholm's Mid Cap list. In 2020, a total of slightly more than 10.2 million shares were traded for a total value of SEK 955 million. Average daily turnover in 2020 was SEK 3.8 million. All trading in the share took place on the Nasdaq Stockholm exchange. The market capitalization at year-end was SEK 2.1 billion.

SHARE PERFORMANCE IN 2020

In 2020, the share price increased by 2 percent and ended the year at SEK 95.60. The highest price paid during the year was SEK 117.20 on 13 October, while the lowest price paid was SEK 65.00 on 19 March.

CASH FLOW

The Group's cash flow from operating activities increased by SEK 15 million to SEK 112 million (97), with the improvement being derived from improved working capital.

Changes in working capital

Working capital decreased by SEK 3 million (increase 38) over the year, attributable primarily to less capital being tied up in ongoing projects.

At the end of the year, net capital tied up in ongoing projects amounted to SEK 48 million (108).

Cash flow from investing activities

Cash flow from investing activities amounted to an outflow of SEK 14 million (11), with SEK 14 million (6) representing replacement investments and SEK 0 million (5) representing expansion investments.

Cash flow from financing activities

Cash flow from financing activities amounted to an outflow of SEK 1 million (54). Cash flow for the year increased to SEK 96 million

(33) compared with the preceding year, due to improved cash flow from operating activities and no dividends being paid.

EMPLOYEES

As of 31 December 2020, Balco had 428 (419) full-time employees, which was an increase of 2 percent compared with the preceding year. Most Balco employees worked in Production, 35 percent (35), and in Operations, 32 percent (32).

Gender equality is part of our diversity work.

Balco's long-term goal is to achieve a more even gender distribution among the Company's employees. In 2020, the distribution was 14 percent (16) women and 86 percent (84) men. Sick leave rose to 3.2 percent (2.4) in 2020. Balco also strives to keep staff turnover low. The short-term goal is for staff turnover not to exceed 6 percent. In 2020, staff turnover amounted to 5.8 percent (5.9).

GUIDELINES FOR REMUNERATION TO SENIOR EXECUTIVES

For a detailed description of applicable guidelines for remuneration and other employment conditions for the CEO and other senior executives, see the Share and shareholders section, the Corporate Governance Report and Note 8.

LONG-TERM INCENTIVE PROGRAMME

Balco Group AB's incentive programme 2017/2020 expired on 5 October 2020, with 286,037 shares having been subscribed for, corresponding to a dilution of 1.3 percent.

At an Extraordinary General Meeting held on 24 November 2020, it was decided to introduce a long-term incentive programme for the Company's senior executives and other key employees, in total 25 individuals. In total, the incentive programme encompasses at most 400,000 warrants, entitling holders to subscribe for at most the same number of shares. Balco's total expenses for the incentive programme during its term are not expected to exceed SEK 4 million. The programme entails a dilution corresponding to approximately 1.8 percent of the Company's total number of shares. Balco's senior executives have acquired 236,000 warrants with a total value of SEK 2,673,880.

The purpose of the incentive programme is to encourage a broad ownership of shares among the Company's key employees, to facilitate recruitment, to retain competent and talented employees, to increase the interests shared between key employees and the Company, and to increase the motivation to achieve or exceed the Company's financial targets.

THE GROUP'S RELATED-PARTY TRANSACTIONS

Key individuals in the Group comprise the Board of Directors, the CEO and Group Management, through their ownership stakes in Balco and through their roles as senior executives. The circle of related parties also includes the Company's largest shareholders, the Hamrin family, represented on the Board of Directors by Carl-Mikael Lindholm, and Skandrenting, represented on the Board by Johannes Nyberg. Transactions with related parties are conducted on market grounds. For further information, see Note 37.

ENVIRONMENT, SUSTAINABILITY AND SOCIAL RESPONSIBILITY

Balco conducts no operations requiring a license in accordance with the Environmental Code (1998:808). Some of the operations are, however, subject to reporting operations. The reporting obligation applies to powder coating operations, production area and moulding of concrete slabs. Accordingly, the reporting obligation pertains solely to the Group's production operations, corresponding to approximately 30 percent of Balco's total sales.

Balco's environmental work forms an integral part of the Company's activities and permeates the entire operations. Balco has initiated activities to minimize the Company's environmental footprint and is working constantly towards this goal. Balco considers itself to be at the forefront in the development of balconies that are both environmentally friendly and energy efficient, with products that not merely reduce energy consumption but are also manufactured using environmentally friendly materials. Balco also manufactures all of its balconies in modules to minimize unnecessary transport. Balco is environmentally certified in accordance with ISO 14000 and quality certified in accordance with ISO 9000 and is working actively to reduce waste and energy consumption through efficient production at the Company's production plants, as well as increased recycling of material and production waste that cannot be reduced or avoided. Balco also trains and informs its employees on the environment, health and safety and involves them in the continuous improvement process. Balco's purchasing organization strives for suppliers to live up to the Company's Code of Conduct and to take their environmental responsibility. Balco demands that all suppliers comply with the environmental legislation and provisions applicable in each country.

Sustainability issues are important for Balco. This is reflected by, for example, Balco actively striving to produce safe and reliable products, to offer a healthy work environment and to act ethically both internally and through its business partners. Balco's sustainability work is also expressed through the Company's Code of Conduct, in which the Company's social, ethical and environmental regulations are outlined. The Code of Conduct also includes regulations regarding human rights, non-discrimination and the working environment. The contents of the Code of Conduct are included as a presentation and discussion point in the introduction that each new employee undergoes. For further information, see Balco's Sustainability Report which is available on the Balco Group's website www.balcogroup.se.

PARENT COMPANY

The Parent Company is headquartered in Växjö and conducts operations directly and through 13 Swedish and foreign subsidiaries. The operations of the Parent Company focus primarily on strategic development, financial control, corporate governance issues, the work of the Board of Directors and bank relations. The Group's CEO, CFO and Head of Business Development are employed by the Parent Company. In connection with Balco's listing, the Company was refinanced and the Parent Company's capital structure was changed. The operating loss for the year amounted to SEK 3 million (3). The Parent Company's equity ratio was 27 percent (53).

EVENTS SINCE THE CLOSING DAY

On 10 February 2021, Balco acquired Stora Fasad AB, with sales of SEK 30 million in 2020 and an operating profit of SEK 5 million. The acquisition adds expertise in the facade area and will strengthen the Group's offering in turnkey contracts for both balcony and facade renovation.

On 8 April 2021, Balco acquired RK Teknik AB with subsidiaries, with sales of SEK 115 million in 2020 and an operating profit of SEK 10 million. The acquisition will broaden the Balco Group's product range and customer offering.

OUTLOOK FOR THE COMING FINANCIAL YEAR.

Balco does not provide financial forecasts for its future development. The Group's financial targets are set out on pages 12-13. Balco holds a strong position in a fragmented and attractively growing European balcony market. According to a study by Arthur D. Little⁹, the total northern European balcony market was estimated to be worth approximately SEK 35 billion in 2020. Balco is one of the few complete balcony suppliers in the market capable of providing customized balcony solutions.

DIVIDEND

The Board of Directors has established a Dividend Policy whereby at least 50 percent of profit after tax shall be distributed to the shareholders. The Board proposes to the 2021 Annual General Meeting that no dividend be paid as the Company continues to have reduced staffing in the first half of 2021, with some staff being placed on furlough starting in January 2021. At the same time, the Board is open to an Extraordinary General Meeting being held later in 2021 for a renewed decision on dividends.

APPROPRIATION OF PROFIT

The Board of Directors proposes that the Group's income statements and balance sheets be presented to the Annual General Meeting on 25 June 2021 for adoption. The Board proposes to the Annual General Meeting that no dividend be paid as the Company continues to have reduced staffing in the first half of 2021, with some staff being placed on furlough starting in January 2021. At the same time, the Board is open to an Extraordinary General Meeting being held later in 2021 for a renewed decision on dividends.

At the disposal of the Annual General Meeting (SEK):

Share premium reserve	403,169,000
Retained earnings	-247,472,876
Profit for the year	127,042,778
Total	282,738,902

The Board of Directors proposes that the profit be appropriated as follows:

Carried forward	282,738,902
Total	282,738,902

Risks and risk management

Exposure and risk management are a natural part of operations. The focus is on identifying risks, preventing risks from arising and preparing action plans that make it possible to limit any damage that these risks may cause. The risks can be divided into industry and market-related risks, operational risks, financial risks and regulatory risks. Even if prevented, risks can have an adverse impact on the operations.

RISKS

A risk is defined as an uncertainty prior to the occurrence of an event that may affect the Company's ability to achieve set goals. Risks are a natural element in all operations and they must be managed efficiently. Risk management aims to avoid, prevent and limit risks from impacting the operations negatively.

Balco conducts an annual risk assessment in which it identifies and assesses risks threatening its target fulfilment. Balco defines a risk as a future possible event threatening the organization's ability to achieve its targets.

The identified risks are assessed based on the following two criteria:

- ✓ Likelihood of the risk occurring
- ✓ Consequences for Balco if the risk occurs

RISK MANAGEMENT

Balco's management has identified conceivable events which might impact on the Company's operations. The events have been analyzed and reduced to a net list which is deemed to comprise the most relevant risks. The risks have been graded according to whether the likelihood of such events occurring is low, medium or high, and the severity of the possible consequences. A number of control activities (risk-mitigation activities) have been adopted to manage and counter identified risks. For each identified risk, contingencies to counteract, limit, control and manage the risk are defined.

The efficacy of the control activities shall be assessed annually. Balco applies a Group-wide monitoring process in which the efficacy of the controls is analyzed and reported to Balco's CFO. The CFO is responsible for presenting the results of the analysis to the Audit Committee and the Board of Directors.

GENERAL RISK AREAS

The Group is exposed to different types of risks through its operations. The risks can be grouped into four different categories:

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

INDUSTRY-RELATED AND MARKET-RELATED RISKS

Industry and market-related risks refer to external factors, events and changes in the markets in which Balco operates and that may have an impact on opportunities to achieve the Company's set targets.

Industry and market-related risks include changes in demand as a result of a weaker economy or other macroeconomic changes, a changed price scenario for raw materials that are key to Balco's production, and a change in competition or price pressure.

Risks

Impact of economic climate and other macroeconomic factors

Balco's operations are affected by the general financial and political situation in the world, as well as by other serious changes in the outside world as a result of natural disasters, epidemics/pandemics, war, migration, etc.. The Company is mainly affected by events that affect the Nordic markets and other countries where the Group has operations. A weaker economic climate, political changes and other serious external changes can cause unease in the markets in which the Company operates, thereby impacting demand for the Company's products.

Risk management: Balco operates in the market for balcony solutions – a niche market within the building market. Balco is mainly active in the Renovation segment, which is governed more by existing renovation needs rather than the more cyclically sensitive New Build segment. Balco conducts project operations. Every year, many different projects are handled, of different sizes and in different markets. Accordingly, dependence on any individual customer is limited.

Raw material prices

Balco's profitability is affected by changes in the prices of raw materials – aluminium, steel, glass and concrete. Changed raw material prices can affect earnings in individual projects.

Risk management: Balco regularly and yearly hedges raw material costs to an extent based on anticipated need. The Company's project operations mean that each product is the subject of separate price negotiations. Long lead times and the fact that each project is unique mean that indexed price adjustments may be relevant to address changed raw material prices.

Competition and price pressure

Competition varies between different geographic markets and within different product segments. Balco's foremost competitors are concrete renovators and other balcony suppliers. Increased competition may adversely affect operations and earnings.

Risk management: Balco competes primarily with concrete renovation firms, which are not niched within the balcony renovation market. Balco's local presence and the Company's business model whereby Balco assists customers throughout the entire process mean that, to a large extent, Balco contributes to creating its own market. Balco currently has a niche portfolio of cutting-edge products in terms of innovation and technology, which creates a competitive advantage.

Industry-related and market-related risks

	Risk level	
	Likelihood	Consequence
Impact of economic climate and other macroeconomic factors		
Effect on Balco's earnings of changes in economic climate and other macroeconomic factors	Medium	Medium
Serious changes in the external environment as a result of natural disasters, epidemics/pandemics, war, migration, etc., which can lead to personal injuries, operational disruptions and increased expenses		
Serious changes in the external environment as a result of natural disasters, epidemics/pandemics, war, migration, etc., which can lead to personal injuries, operational disruptions and increased expenses	Medium	High
Raw material prices		
Impact of changed raw material prices	Medium	Low
Competition and price pressure		
Changed competition and thereby a changed price structure in the market	Low	Medium

Operational risks

	Risk level	
	Likelihood	Consequence
Suppliers and subcontractors		
Risk of changed circumstances at suppliers and subcontractors affecting Balco	Low	Medium
Project operations		
Balco's risk of initial projects developing unfavourably	High	Low
New markets		
Risk that unique requirements and conditions on new markets will result in higher than expected expenses	Low	Low
Operational disruptions		
Risk that the operations might be affected by operational disruptions such as fire, sabotage or machinery breakdown	Medium	Medium
Recruitment		
Risk that Balco fails to attract, recruit and retain skilled employees	Low	Medium
Product development and production capacity		
Risk as regards the Company's ability to continue to develop quality products and secure future production capacity	Low	Medium

OPERATIONAL RISKS

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

Examples of business-related risks are Balco's ability to develop and sell new innovative products and solutions, the Group's ability to attract and retain qualified employees and the dependency of Balco's profitability on the results of individual projects, that is, the Group's ability to anticipate, calculate and deliver projects within set financial calculations.

Risks

Suppliers and subcontractors

Balco is dependent on its suppliers and subcontractors to be able to produce, design and deliver an end product. Most of the Company's production is conducted under its own auspices and its products consist of components and raw materials from a number of different suppliers.

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

Project operations

Balco's profitability depends on the results of the individual projects. The calculations and plans produced at the start of the project, and which are regularly updated, constitute the basis for the time for reporting sales and profit.

Risk management: Balco has a well-proven profit calculation model and there is a clear process and routine as to how projects are calculated and monitored.

New markets

Balco is exposed to the risk that project operations in new markets will become excessively expensive and demanding in terms of resources. New markets involve changed legislative requirements, not least with respect to the working environment, building requirements and fire safety.

Risk management: Balco retains assistance of local expertise in new markets to ensure compliance with local rules and requirements.

Operational disruptions

Balco's operations comprise a large number of processes in which an operational disruption such as fire, sabotage, machinery breakdown, disruption and IT systems can have consequences for the Company's ability to meet its obligations to customers, and can thereby adversely affect profitability.

Risk management: Balco has identified and secured IT capacity for its existing production capacity. A review of systems critical for the operations is carried out yearly.

Recruitment

As a growth company, it is of great importance for Balco to be able to attract and retain skilled employees and key personnel.

Risk management: The Group endeavours to be an attractive employer with a competitive offering in terms of both remuneration and benefits, and also by creating a culture in which employees wish to develop, and in which they are eager to participate. Balco is active in the market for attracting personnel and conducts an active HR policy.

Product development and production capacity

Balco's earnings and competitiveness depend on the Company's ability to develop and sell new innovative products and solutions. The Company is investing significant resources in further developing its existing product portfolio. With its products being manufactured at proprietary plants, Balco depends on good forward planning. To satisfactorily ensure future growth, Balco needs to be between 6 to 12 months ahead in the planning of production capacity.

Risk management: Balco conducts project operations, requiring it to have good forward planning and visibility in terms of production and delivery needs. The company continuously monitors all projects, deliveries and production orders. With lead times in the Company's projects being relatively long, good forward planning is fostered. Balco also owns land, allowing for continued expansion.

FINANCIAL RISKS

Through its operations, the Group is exposed to financial risks such as financing risk, liquidity risk, credit risk, interest rate risk and currency risk. The Group's Finance Policy forms a framework of guidelines and rules, as well as risk mandates and limits. Responsibility for the Group's financial transactions and risks is managed by the CFO in consultation with the CEO and the Board of Directors. The objective is to ensure cost-efficient financing and to minimize adverse effects on the Group's earnings as a consequence of market changes.

Risks

Currency risks

Balco is affected by currency risks, which can be divided into transaction exposure and translation exposure. Transaction exposure arises when a selling price or purchase price is stated in foreign currency. Balco is primarily exposed to fluctuations in EUR, NOK, DKK, PLN and GBP relative to SEK. Translation exposure arises when the balance sheets and income statements of subsidiaries are translated from local currency to SEK.

Financial risks

	Risk level	
	Likelihood	Consequence
Currency risks		
The risk that exchange rate changes will adversely impact the Group's financial outcome	Medium	Low
Financing and liquidity risks		
The risk that Balco is unable to finance the Group's operations	Low	Medium
Interest rate risks		
The risk of adverse impacts on the Group's cash flow and earnings from changes in market rates	Medium	Low
Credit risks		
Anticipated losses on accounts receivable	Low	Low

Risk management: Transaction exposure is managed primarily through natural hedging, entailing that purchases take place in the same currency as cash flows from revenues. Beyond this, Balco mitigates risks through currency hedging, in accordance with its Finance Policy.

Financing and liquidity risks

There is a risk that the Company's financing possibilities might be rendered more difficult or become costlier. Although the Company's financial position is currently strong, the Company may need access to additional financing. Balco conducts project operations within which sales, profit and liquidity are affected by the status of building permission within the projects.

Risk management: The Group has sound forward planning in its projects, generating relatively good visibility and planning opportunities. The Company endeavours to maintain good liquidity, which is regulated through its Finance Policy with established liquidity targets.

Interest rate risks

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

Risk management: The risk is managed through the target for future debt/equity ratio. The existing loan structure entails low exposure.

Credit risks

Balco's credit risk is limited. Any credit risks which may arise are due to insolvency or unwillingness to pay on the part of the Company's customers.

Risk management: Balco's customers largely consist of tenant owner associations and building companies. A review of the customers' economic circumstances is carried out prior to the start of a project to ensure the financial stability of the counterparty. Projects have forward-heavy payment plans, which in certain cases are supplemented with credit insurance.

REGULATORY RISKS

Regulatory risks are related to the operations' ability to manage the effects of new legislation and regulation, as well as to manage unforeseen disputes or other legal or contractual uncertainty factors.

Risks**Intellectual property**

Balco invest significant resources in product development and in protecting the Company's innovations through patents. In the event Balco fails to protect and maintain its intellectual property rights, there is a risk that other parties might copy the Company's products, which might have an adverse impact on the operations, sales and earnings.

Risk management: A significant portion of Balco's products and their functions are protected through patents. As the products are developed, the Company's patents are renewed and strengthened.

Political decisions, legislation and regulation

Political decisions can affect demand for Balco's products, both positively and negatively. Political decisions include changes in legislation, the application of existing laws and regulations, as well as future subsidies and taxation within housing and the building of housing.

Risk management: Balco follows and regularly monitors discussions and changes regarding political decisions, changed legislation and regulation. The Company's business model is structured to take 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 the subject of claims regarding contractual issues, delays, alleged defects, environmental issues, etc.

Risk management: Balco has written agreements with essentially all of its customers and subcontractors. As far as possible and commercially justifiable, any differences of opinion are resolved amicably by mutual agreement during the course of the project.

Amended accounting principles

Balco is affected by accounting regulations that change and develop from time to time. In the future, the Company's accounting, financial reporting and internal control may be affected by, and need to be adapted to, amended regulations.

Risk management: Balco's employees receive continuous training, keep themselves up-to-date and develop their skills in terms of current regulations and innovations in the area. Cooperation is pursued with the Company's auditors.

Regulatory risks

	Risk level	
	Likelihood	Consequence
Intellectual property		
The risk that Balco will fail to protect and maintain its intellectual property rights and thereby the Company's product innovation	Low	Medium
Political decisions, legislation and regulation		
Changes to political decisions, legislation and regulation which may affect demand for Balco's products.	Medium	High
Disputes and legal proceedings		
The risk that Balco may be affected by legal disputes and proceedings	Low	Low
Amended accounting principles		
The risk that Balco's accounting and thus its financial position and earnings may be adversely affected by amended accounting principles	Low	Low



Share and shareholders

The stock market was highly turbulent and dramatic during the year, the Nasdaq Stockholm index fell 35 percent last spring but rose again and closed the year 13 percent up. Balco's share price was also volatile over the year, with a lowest price in March of SEK 65.00 and a highest price in October of SEK 117.20. The 2020 closing price of SEK 95.60 was 2 percent higher than the closing price for 2019. When we meet with the various players in the market, we continue to emphasize Balco's unique position in the fragmented niche market for balcony solutions and the positive sustainability effects that our products generate.

Trading and market capitalization

Since 4 January 2021, the Balco share has traded on Nasdaq Stockholm's Mid Cap list. In 2020, the Balco share was traded on Nasdaq Stockholm Small Cap. During the year, 10.2 million shares were traded for a total value of SEK 955 million. The average daily turnover during the year was SEK 3.8 million. All trading in the share took place on the Nasdaq Stockholm exchange. The market capitalization at year-end was SEK 2.1 billion.

Share performance in 2020

The share price was very volatile over the year, but closed the year 2 percent up on the preceding year at SEK 95.60. The highest price paid during the year was SEK 117.20 on 13 October, while the lowest price paid was SEK 65.00 on 19 March.

Share capital

As of 31 December 2020, the number of shares in Balco totalled 21,909,348. Balco has only one share class, with each share conveying equal voting rights and entitlement to dividends. Each share has a quota value of SEK 6.0002 with the share capital thus amounting to SEK 131,461,248.

Ownership structure

At the end of the year, Balco had 5,523 shareholders, an increase of 1,010 over the year. Shareholdings in Sweden amounted to 86.6 percent of the total. Of the total foreign shareholding of 13.4 percent, shareholders in Jersey accounted for 4.8 percent, shareholders in Luxembourg for 4.4 percent, shareholders in the UK for 2.2 percent, and shareholders in France for 1.1 percent. Swedish ownership is dominated by financial institutions with 34.5 percent of equity, while Swedish companies held 24.8 percent and Swedish special interest groups held 14.4 percent. Combined, Balco's ten largest shareholders had a 74.5 percent shareholding in the Company. Balco's Board Members held a total 71,738 shares in Balco, while the Company's management held 264,950 shares. In total, holdings among Board Members and Senior Management accounted for 1.5 percent of the total number of shares outstanding. The principal shareholder is the Hamrin Family with a 23.6 percent holding.

Dividend and Dividend Policy

Balco's Dividend Policy establishes that the Company shall distribute at least one-half of profit after tax, provided that doing so does not jeopardize Balco's long-term development. The Board proposes to the 2021 Annual General Meeting that no dividend be paid as the Company continues to have reduced staffing in the first half of 2021, with some staff being placed on furlough

Closing price,
31 Dec 2020
SEK
95.60

Market capitalization,
31 Dec 2020
2.1
SEK billion

Number of shareholders,
31 Dec 2020
5,523

starting in January 2021. At the same time, the Board is open to an Extraordinary General Meeting being held later in 2021 for a renewed decision on dividends.

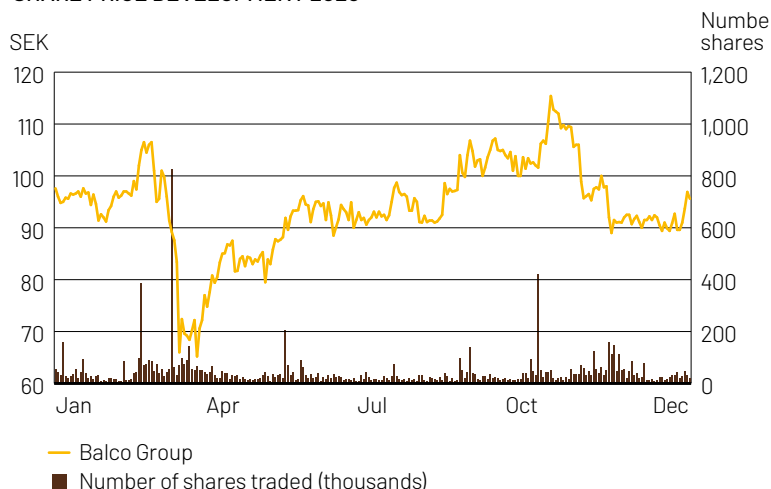
Share-related incentive programme

Balco Group AB's incentive programme 2017/2020 expired on 5 October 2020, with 286,037 shares having been subscribed for, corresponding to a dilution of 1.3 percent.

At an Extraordinary General Meeting held on 24 November 2020, it was decided to introduce a long-term incentive programme for the Company's senior executives and other key employees, in total 25 individuals. In total, the incentive programme encompasses at most 400,000 warrants, entitling holders to subscribe for at most the same number of shares. Balco's total expenses for the incentive programme during its term are not expected to exceed SEK 4 million. The programme entails a dilution corresponding to approximately 1.8 percent of the Company's total number of shares. Balco's senior executives have acquired 236,000 warrants with a total value of SEK 2,673,880.

The purpose of the incentive programme is to encourage a broad ownership of shares among the Company's key employees, to facilitate recruitment, to retain competent and talented employees, to increase the interests shared between key employees and the Company, and to increase the motivation to achieve or exceed the Company's financial targets.

SHARE PRICE DEVELOPMENT 2020



SHAREHOLDER STRUCTURE, 31 DECEMBER 2020

Number of shares	Number of shareholders	% of shareholders	Number of shares	% of shares
1-500	4,715	85.37	505,888	2.31
501-1,000	379	6.86	302,753	1.38
1,001-5,000	312	5.65	714,238	3.26
5,001-10,000	39	0.71	293,269	1.34
10,001-15,000	15	0.27	180,262	0.82
15,001-20,000	6	0.11	106,738	0.49
20,001-	57	1.03	19,806,200	90.40
Total	5,523	100.00	21,909,348	100.00

THE TEN LARGEST SHAREHOLDERS AS OF 31 DECEMBER 2020

Shareholders	Number of shares	% of shares
Hamrin Family	5,172,030	23.61
Swedbank Robur Fonder	2,603,714	11.88
Lannebo Fonder	2,330,920	10.64
Skandrenting, AB	2,300,000	10.50
Segulah IV, L.P	1,049,373	4.79
Länsförsäkringar Fondförvaltning AB	773,142	3.53
Danica Pension	575,565	2.63
Unionen	561,386	2.56
Avanza Pension (insurance company)	489,657	2.23
Clearstream Banking S.A., W8IMY	456,816	2.09
Total	16,312,603	74.45

Multi-year overview

SEK million	2020	2019	2018	2017
Consolidated income statement in brief				
Netsales	1200.0	1,220.6	1,058.1	989.0
Gross profit	289.4	300.0	253.8	247.8
Operating profit before amortization/depreciation and write-downs (EBITDA)	153.0	176.9	125.9	109.4
Operating profit (EBIT)	115.4	140.4	105.6	92.3
Profit before tax	105.7	131.7	99.5	55.3
Profit for the year (attributable to Parent Company shareholders)	77.6	102.8	76.8	37.7
Consolidated balance sheet in brief				
ASSETS				
Goodwill	400.9	401.2	401.1	372.0
Other non-current assets	222.8	245.9	248.7	146.7
Accounts receivable	175.3	135.5	161.6	119.1
Contractual assets	130.3	149.2	116.9	100.1
Other current assets	293.9	174.1	134.9	147.3
Total assets	1223.3	1,105.9	1,063.2	885.4
Equity and liabilities in brief				
Equity	598.6	514.5	440.5	386.4
Non-current liabilities	248.5	313.7	319.1	192.5
Current liabilities	376.2	277.6	303.6	306.5
Total equity and liabilities	1223.3	1,105.9	1,063.2	885.4
Consolidated cash flow in brief				
Cash flow from operating activities	111.7	97.2	28.0	155.4
Cash flow from investing activities	-14.3	-10.9	-93.6	-55.1
Cash flow from financing activities	-1.4	-53.8	46.1	-15.5
Cash flow for the year	96.1	32.5	-19.5	84.8

No recalculation of previous years (2018 and 2017) has been conducted for IFRS 16.

SEK million	2020	2019	2018	2017
Parent Company				
Netsales	20.0	14.8	15.2	4.0
Operating profit	-3.0	-2.7	3.7	-13.3
Profit before tax	161.6	4.3	1.0	-26.7
Total assets	1555.2	522.2	466.7	515.9
Equity ratio, %	26.6	52.8	64.8	62.6

Key ratios	1 January – 31 December			
	2020	2019	2018	2017
SEK million (unless otherwise stated)				
Net sales, order intake and order backlog				
Nets sales	1,200.0	1,220.6	1,058.1	989.0
Change in net sales(%)	-1.7	15.4	7.0	23.4
Order intake	932.7	1,349.1	1,003.1	1,113.5
Change in order intake(%)	-30.9	34.5	-9.9	4.4
Order backlog	1,086.6	1,522.4	1,203.5	1,238.4
Change in order backlog(%)	-28.6	26.5	-2.8	11.8
Profit measurements				
Gross profit	289.4	300.0	253.8	247.8
Gross margin(%)	24.1	24.6	24.0	25.1
Operating profit before amortization/depreciation and write-downs (EBITDA)	153.0	176.9	125.9	109.4
EBITDA margin(%)	12.7	14.5	11.9	11.1
Operating profit	115.4	140.4	105.6	92.3
Operating margin(%)	9.6	11.5	10.0	9.3
Adjusted EBITDA	172.4	176.9	140.4	133.8
Adjusted EBITDA margin(%)	14.4	14.5	13.3	13.5
Adjusted operating profit	134.8	140.4	120.2	116.7
Adjusted operating margin(%)	11.2	11.5	11.4	11.8
Cash flows				
Operating cash flow	196.5	133.9	49.9	182.9
Operating cash conversion(%)	114	75.7	35.6	136.7
Capital structure				
Capital employed, average	660.2	655.8	555.8	488.0
Capital employed excluding goodwill, average	259.1	254.7	169.2	116.3
Equity, average	556.6	477.5	413.4	262.9
Interest-bearing net debt	45.2	161.9	194.7	90.0
Interest-bearing net debt/adjusted EBITDA R12 (multiple)	0.3	0.9	1.4	0.7
Return measurements				
Return on capital employed R12(%)	20.4	21.4	21.6	23.9
Return on capital employed excl. goodwill R12(%)	52.0	55.1	71.0	100.4
Return on equity R12(%)	13.9	21.5	19.0	15.1
Equity ratio(%)	48.9	46.5	41.4	43.6
Other				
Number of shares at year-end, thousand	21,909.3	21,461.2	21,428.8	13,704
Earnings per share before dilution	3.58	4.81	3.67	2.43
Earnings per share after dilution	3.51	4.76	3.67	2.43
Full-time employees at year-end	428	419	385	346

For definitions of alternative key ratios, see page 104.

No recalculation of previous years (2018 and 2017) has been conducted for IFRS 16.

QUARTERLY OVERVIEW

SEK million	2020				2019				2018			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Nets sales	321.2	351.7	258.5	268.6	269.9	325.0	292.4	333.3	242.6	273.6	237.7	304.2
EBITDA	43.6	58.9	38.2	12.3	35.5	52.7	40.1	48.5	26.7	36.5	30.3	32.4
Operating profit (EBIT)	34.2	49.4	28.9	2.8	27.0	44.3	31.3	37.7	22.0	31.5	25.1	27.0
Adjusted operating profit (EBIT)	34.2	49.4	28.9	22.3	27.0	44.3	31.3	37.7	22.0	31.5	25.1	41.6

Corporate governance report

Corporate governance at Balco is aimed at generating value for shareholders through active risk control and a sound corporate culture. Ongoing efforts to achieve well-functioning governance, control and monitoring have been a priority since Balco's IPO in 2017.

GOVERNANCE MODEL

Balco Group AB, company registration number 556821-2319 (Balco), is a Swedish limited company listed, since 4 January 2021, in the Mid Cap segment on the Nasdaq Stockholm exchange. The Company's head office is located in Växjö. The corporate governance report is part of the Company's administration report.

Corporate governance at Balco, which can be divided into external and internal governance instruments, complies with Swedish law, Nasdaq Stockholm's Rule Book for Issuers, the Swedish Corporate Governance Code (the "Code"), as well as internal rules and regulations.

External governance instruments

The external governance instruments constitute the framework for corporate governance in Balco. The external instruments include the Swedish Companies Act, the Swedish Annual Accounts Act, Nasdaq Stockholm's Rule Book for Issuers and the Swedish Corporate Governance Code. With respect to the 2020 financial year, Balco deviates from the Code as regards one rule:

Deviation from rule 2:4 of the Code

The Code stipulates that the Chairman of the Board or another Board Member shall not be the Chairman of the Nomination Committee. Board Member Carl-Mikael Lindholm, representative of Balco's largest owner, the Hamrin family, is also the Chairman of the Nomination Committee.

Explanation

In deviation from the Swedish Corporate Governance Code, it has been the case to date in Balco that the largest shareholder in terms of number of votes also held the chairmanship of the Nomination Committee. Balco's strategic focus and business governance model is also based on a strong commitment from the Company's principal shareholder. The assessment of the Board of Directors and the Nomination Committee is that the majority of their members are independent in relation to the Company and its management, and that at least three of their members are also independent in relation to the Company's largest shareholder.

Internal governance instruments

The internal governance instruments include the Articles of Association adopted at the General Meeting, internal rules and guidelines. Examples of internal rules and guidelines include the Board's rules of procedure, instructions to committees and the instructions to the CEO. Additionally, the Board has adopted a number of policies, including a Financial Policy and a Sustainability Policy, which guide the way for how internal processes are to be managed and controlled. Beyond that, Balco's Financial Handbook regulates the Group's financial reporting.

1. SHAREHOLDERS

Balco Group AB has been listed on the Nasdaq Stockholm exchange since 6 October 2017. At the end of 2020, there were 21,909,348 shares outstanding. All shares carry equal voting rights and equal entitlement to the Company's profit and equity. The quota value of each share is SEK 6.0002, meaning that the registered share capital amounted to SEK 131,461,248 as of 30 December 2020. As of 31 December 2020, Balco had 5,523 shareholders. According to shareholder data from Euroclear Sweden AB, the ten largest shareholders in Balco held 61.9 percent of the votes and shares in the Company. Swedish shareholders accounted for 86.6 percent of total shareholdings. Balco's largest shareholder as of 31 December 2020 was the Hamrin Family, whose holdings at the end of 2020 comprised a total 5,172,030 shares, corresponding to 23.6 percent of the votes and capital. Swedbank Robur Fonder (11.9 percent), Lannebo Fonder (10.6 percent) and Skandrenting (10.5 percent) also have a direct or indirect holding of more than 10 percent of the total number of votes in the Company.

2. GENERAL MEETING

The General Meeting is Balco's highest decision-making body. The Annual General Meeting is held each year within six months of the expiry of the financial year. The balance sheet and income statement, as well as the consolidated balance sheet and consolidated income statement, are presented at the Annual General Meeting and resolutions are adopted regarding, among other things, appropriation of the Company's profit, election of Board Members and auditors and their fees, as well as other business incumbent on the Annual General Meeting according

to law. All shareholders entered in the share register who have given timely notice of their intention to participate in accordance with the rules set forth in the notice to attend are entitled to participate at the General Meeting and exercise their voting rights. Shareholders seeking to have a particular matter addressed at the General Meeting must request this of the Board of Directors in due time prior to the General Meeting, at the address listed on the Company website. In addition to the Annual General Meeting, the Board of Directors may convene Extraordinary General Meetings.

Annual General Meeting 2021

Balco's 2021 Annual General Meeting will be held on 25 May 2021. Due to the Corona virus (Covid-19) and the restrictions introduced to counteract the spread of the virus, the Board has decided that the Annual General Meeting will be held without shareholders, proxies or outsiders attending in person and that shareholders shall have the opportunity to exercise their voting rights by post. Details of this procedure will be included in the notice convening the meeting, which is intended to be made available on the Company's website on around 20 April 2021. Shareholders will have the opportunity to ask questions in writing prior to the Annual General Meeting. The questions and responses will be published on the Company's website no later than five days prior to the Annual General Meeting

Important dates for the 2021 Annual General Meeting are:

17 May – record date for the 2021 Annual General Meeting
24 May – final date for registration and postal voting, closing at 4.00 p.m.

Proposed resolution at the 2021 Annual General Meeting

The Board proposes to the Annual General Meeting that no dividend be paid as the Company continues to have reduced staffing in the first half of 2021, with some staff being placed on furlough starting in January 2021. At the same time, the Board is open to an Extraordinary General Meeting being held later in 2021 for a renewed decision on dividends.

3. NOMINATION COMMITTEE

The duties of the Nomination Committee are to ensure that Balco's Board Members together possess relevant knowledge and experience to be able to contribute optimally to Balco's development over time. The Nomination Committee reviews the Board's work based on an annual assessment, on the requirements set out in the Code, on Balco's needs, and on comments received from shareholders. The Nomination Committee presents proposals to the Annual General Meeting regarding the number of Board Members, the composition of the Board, and proposals regarding fees for committee work. The Nomination Committee shall also submit proposals regarding Chairman of the Board and Chairman of the Annual General Meeting, respectively, and regarding the auditors and their remuneration. The Nomination Committee's

Resolutions adopted at the 2020 Annual General Meeting included:

- ✓ not to pay a dividend for the 2019 financial year
- ✓ to discharge the Board Members and CEO from liability for the 2019 financial year
- ✓ to re-elect Board Members Tomas Johansson, Carl-Mikael Lindholm, Ingalill Berglund, Johannes Nyberg, and Mikael Andersson, and to newly elect Åsa Söderström Winberg
- ✓ that the fee paid to the Board of Directors shall total SEK 1,690,000 on an annual basis
- ✓ to elect Öhrlings PricewaterhouseCoopers AB as auditor, with Martin Odqvist as auditor-in-charge
- ✓ to authorize the Board of Directors to determine new issues of shares, warrants or convertible instruments linked to such shares, with or without preferential rights for existing shareholders, to be paid for in cash, in kind or through set-offs, entailing an increase or potential increase in the Company's share capital by at most 10 percent or 2,162,331 shares
- ✓ to authorize the Board to decide on buybacks of such numbers of shares that the number of treasury shares from time to time does not exceed one-tenth of all shares in the Company
- ✓ to authorize the Board to determine transfers of treasury shares

Members of the Nomination Committee for the 2021 Annual General Meeting:

- ✓ Carl-Mikael Lindholm, appointed by the Hamrin Family. (Chairman of the Nomination Committee)
- ✓ Marianne Flink, appointed by Swedbank Robur Fonder
- ✓ Lennart Björkman, appointed by Skandrenting AB
- ✓ Claes Murander, appointed by Lannebo Fonder
- ✓ Tomas Johansson, Chairman of the Board at Balco

proposal is presented in the notice convening the Annual General Meeting and a motivation for the Nomination Committee's proposal is published on Balco's website in connection with the notice expiring.

In accordance with the regulations of the Code, Balco adopted instructions to the Nomination Committee at the Extraordinary General Meeting held on 11 September 2017. The instructions stipulate that the Nomination Committee shall comprise four members. The members shall be appointed by the Company's four largest shareholders in terms of votes in accordance with the share register maintained by Euroclear on 31 August of the year prior to the Annual General Meeting, who shall be convened by the Chairman of the Board and afforded an opportunity to select one member each. The member representing the largest shareholder in terms of votes shall be elected Chairman of the Nomination Committee. The Chairman of the Board shall not serve as Chairman of the Nomination Committee. The members of the Nomination Committee for the 2021 Annual General Meeting were presented through a press release on 10 September 2020. The members of the Nomination Committee do not receive any remuneration for their committee work.

4. BOARD OF DIRECTORS

The Board of Directors is the second-highest decision-making body after the General Meeting. The Board of Directors bears the overall responsibility for generating long-term value for shareholders and other stakeholders. Alongside Senior Management, the Board of Directors is responsible, for the Company's overall strategy and endeavours to ensure that the Company applies sound risk management and internal control.

Board Members

According to the Articles of Association, Balco's Board shall comprise at least four and not more than eight members. Board members shall contribute skills and experience benefiting Balco's development. Balco's Board currently comprises six ordinary members – two women and four men. At the Annual General Meeting

on 17 June 2020, five existing members were re-elected and one new member was elected for the period until the end of the 2021 Annual General Meeting. President and CEO Kenneth Lundahl and Balco's CFO Michael Grindborn attend all Board meetings.

Michael Grindborn serves as the secretary of the Board of Directors.

Other senior executives participate as presenters on specific issues. All Board Members are independent in relation to the Company and its management. Four of the Board Members are also independent in relation to the Company's major shareholders. Accordingly, Balco meets Nasdaq Stockholm's requirements and the provisions in the Code regarding the independence of Board Members. The Board Members are presented on pages 62–63.

Diversity Policy for the Board of Directors

Combined, Balco's Board of Directors shall possess the requisite skills, experience and background for the operations conducted and for identifying and understanding the risks to which the business is exposed. The objective is that the Board shall comprise members of varying ages, including men and women alike, with varied geographic and ethnic backgrounds that complement one another in terms of experience, educational and professional background and who together contribute to the Board's independence and critical, questioning approach. Balco's Board has adopted a Diversity Policy that the Nomination Committee takes into account when producing its proposals for the Annual General Meeting. The Nomination Committee also applies rule 4.1 of the Swedish Corporate Governance Code, which addresses board diversity.

The Board's work and assessment of the Board

The Board's responsibilities and tasks are regulated in the Swedish Companies Act, in Balco's Articles of Association and in the Board's Rules of Procedure, which are revised annually and adopted at the statutory Board meeting every year. Among other things, the Rules of Procedure regulate the functions of the Board and the distribution of work between the Board Members and the CEO. The Board also adopts instructions for its committees and for the CEO.

The duties of the Board are to regularly monitor the Company's strategic focus and economic development, as well as its methods, processes and controls for maintaining well-functioning operations. The Board must also contribute to good quality of the financial reporting, internal control and must assess the Company based on the financial targets set and the guidelines established for senior executives. The Board's duties also include regularly assessing the Company's CEO and participating in the annual audit conducted by Öhrlings PricewaterhouseCoopers AB with Martin Odqvist as auditor-in-charge. The Chairman of the Board, who

is elected by the Annual General Meeting, bears a specific responsibility for heading the work of the Board and for ensuring that this is well organized and conducted efficiently. The Chairman of the Board, plans the Board meetings together with the Company's CEO,.

The Board meets according to an annually established meeting schedule. In addition to these meetings, additional Board meetings may be convened to address specific issues. In addition to Board meetings, the Chairman of the Board and CEO maintain a regular dialogue on the management of the Company. In 2020, ten Board meetings were held, three of them by telephone. The regular Board meetings usually address reports from the CEO and any committee meetings, as well as an earnings review. In connection with the meetings in February, May, August and November, the Board reviewed the interim reports.

The Chairman of the Board is responsible for the Board Members evaluating their work each year. The assessment also includes the work of the Audit and Remuneration Committees, covers the Board's work processes, and the Board's composition and skills. The work is presented to the Nomination Committee.

Board remuneration

Fees and other remuneration to Board Members are established by the Annual General Meeting. At the meeting on 17 June 2020, it was determined that fees should be paid to the Board Members as follows:

fees to the Chairman of the Board, Tomas Johansson, shall amount to SEK 500,000. The fees for the five ordinary Board Members shall amount to SEK 190,000 each.

Fees for work on the Audit Committee shall amount to SEK 70,000 for the Chairman of the Audit Committee, Ingaliil Berglund. The other members of the Audit Committee, Johannes Nyberg and Mikael Andersson, will each receive SEK 40,000.

Fees for work on the Remuneration Committee shall amount to SEK 40,000 for the Chairman of the Remuneration Commit-

tee, Tomas Johansson. The other members of the Remuneration Committee, Carl-Mikael Lindholm and Vibecke Hverven, will each receive SEK 25,000.

Total remuneration for Board and committee work in 2020-2021 amounted to SEK 1,690,000.

5. AUDIT COMMITTEE

The main duties of the Audit Committee are to support the Board in the work of fulfilling its responsibilities within financial reporting, including sustainability reporting, accounts, auditing, internal control, internal audit and risk management. The Audit Committee also maintains regular contact with Balco's auditors, reviews and monitors the management of market and credit risks, and keeps itself informed on questions concerning the audit of the Company's Annual Report and regular internal control. The Committee is also responsible for reviewing and assessing the auditors' impartiality and independence. The Audit Committee works in accordance with instructions adopted by the Board.

Members of the Audit Committee 2020 – 2021

Ingaliil Berglund (Chairman)
Mikael Andersson (member)
Johannes Nyberg (member)

Ingaliil Berglund and Johannes Nyberg possess the accounting skills required by the Companies Act. All members of the Committee are independent of the Company and two members of the Committee are independent in relation to Balco's largest shareholder. In 2020, the Audit Committee held four meetings at which minutes were taken. Martin Odqvist, the Company's elected auditor, participated at two of these meetings. All meetings of the Committee have been reported to the Board.

6. REMUNERATION COMMITTEE

The main duties of the Remuneration Committee are to present proposals to the Board as regards remuneration for the CEO,

Remuneration and attendance

	Tomas Johansson	Ingaliil Berglund	Carl-Mikael Lindholm	Johannes Nyberg	Mikael Andersson	Vibecke Hverven	Åsa Söderström Winberg
Board fee (AGM year)	500,000	190,000	190,000	190,000	190,000	190,000	-
Remuneration for committee work	40,000	70,000	25,000	40,000	40,000	25,000	-
Independent in relation to the Company and its management	yes	yes	yes	yes	yes	yes	yes
Independent in relation to principal owners	yes	yes	no	no	yes	yes	yes
Attendance at Board meetings, 9 in total	9	8	9	8	8	6	3
Attendance at Audit Committee meetings, 4 in total		4		4	4		
Attendance at Remuneration Committee meetings, 2 in total	2		2			1	1

remuneration principles and other employment terms for Senior Management, and to monitor and assess ongoing variable remuneration and long-term incentive programmes. The Remuneration Committee works in accordance with instructions adopted by the Board.

Members of the Remuneration Committee 2020 – 2021

Tomas Johansson (Chairman)
Carl-Mikael Lindholm (member)
Vibecke Hverven (member)

All members of the Committee are independent of the Company and two members are independent in relation to Balco's largest shareholder. In 2020, the Remuneration Committee held two meetings, which have been reported to the Board.

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 2020 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 2021 Annual General Meeting. Martin Odqvist is an authorized public accountant and a member of FAR. 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. Authorized public accountant Martin Odqvist may serve as auditor-in-charge for the audit up to and including the 2024 Annual General Meeting, before he is required to rotate the engagement in accordance with regulations. Of the remuneration to the auditors in 2020, the following amounts were paid to the auditing company Öhrlings PricewaterhouseCoopers AB: audit assignment SEK 1,749 thousand (1,339), other statutory assignments SEK 0 thousand (0), Tax advice SEK 652 thousand (43) and Other services SEK 0 thousand (0).

8. SENIOR MANAGEMENT

Balco's Senior Management comprises the President and CEO as well as a further five senior executives. Senior Management comprises five men and one woman.

Senior Management is responsible for the following functions:

Kenneth Lundahl, President and CEO
Roger Andersson, Head of Sales, Sweden and Norway
Camilla Ekdahl, COO and Managing Director, Balco AB
Johan Fäloth, Head of Marketing and Export
Michael Grindborn, CFO, Head of IR & IT
Jesper Magnusson, Head of Personnel

Remuneration to Senior Management

The following guidelines for remuneration to senior executives were adopted at the Annual General Meeting on 17 June 2020:

Senior executives refer to the CEO and Senior Management, comprising six individuals. The aim of the guidelines is to ensure that Balco is able to attract, incentivize and retain senior executives.

The objective of the remuneration is that it shall be competitive, while being in line with the shareholders' interests. Remuneration to Senior Management shall comprise fixed and variable salary, an opportunity to participate in a long-term incentive programme and pension compensation. Together, these components shall provide well-balanced remuneration reflecting individual skills, responsibilities and performance, in both the short and long-term, as well as the Company's overall performance.

Fixed and variable salary

The executives' fixed salary shall be competitive and based on the individual executive's skills, responsibilities and performance.

In addition to fixed salary, executives shall be able to receive variable remuneration. Such variable remuneration shall not exceed 50 percent of fixed salary. The variable remuneration shall be based on the outcome of predetermined and documented financial and individual objectives.

Other benefits and pension

The Group offers senior executives other benefits in accordance with local practices. Such other benefits may include, for example, company cars and occupational health care. For a limited period, company accommodation can also be offered, where relevant. The senior executives shall be entitled to pension benefits based on what is customary in the country where they are employed. Pension commitments are secured through premium payments to insurance companies.

Deviations from the guidelines

Where justifiable for specific reasons, the Board may deviate from the above guidelines, such as, for example, paying additional variable remuneration for exceptional performance. In such instances, the Board shall explain the reason for the deviation at the next Annual General Meeting.

Termination and severance compensation

For the CEO, a notice period of 12 months applies in the event of termination by Balco and a notice period of six months in the event of resignation by the CEO. The CEO is bound by a competition-limiting undertaking applicable for two years from the termination of employment. Regarding the other senior executives, a mutual notice period of 3-12 months applies.

BOARD PROPOSALS FOR NEW GUIDELINES FOR REMUNERATION TO SENIOR MANAGEMENT

No changes to the principles for the remuneration of senior executives are proposed to the 2021 Annual General Meeting.

Internal control of financial reporting

The objective of internal control is to assess which risks are significant for Balco and should thus be managed through ongoing follow-up and control. Through a risk analysis, the work can be concentrated in the areas of most importance in mitigating the Company's overall risk exposure.

According to the Companies Act and the Swedish Corporate Governance Code, the Board of Directors is ultimately responsible for ensuring that the Company's organization is structured in such a manner that financial reporting, management and operations are monitored and controlled satisfactorily. The internal control report is structured in accordance with the Annual Accounts Act and the Code. The description has been limited to addressing internal control with regard to financial reporting in accordance with the Swedish Code of Corporate Governance, section 7.4.

Balco's CFO is responsible for implementing and maintaining formal routines regarding internal control in accordance with the decisions made by the Board. Balco's Finance Department, headed by the CFO, leads the Group's internal control work with respect to financial reporting. The work is checked regularly and monitored by the Board. For Balco, internal management and control are processes continuously being integrated into the Company's operational governance.

The internal control structure, which was built up prior to Balco's listing in 2017, is based on the framework in the established COSO model, Committee of Sponsoring Organizations of the Treadway Commission. The model's components are used to assess and develop an organization's internal governance and control linked to goals, 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 organization. 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 constitutes a part of the ongoing financial reporting work. Balco endeavours to regularly analyze the risks that may lead to errors in the financial reporting. A process has been established as to how errors in the financial reporting are to be analyzed and monitored on a yearly basis. Risks are addressed, assessed and reported in Balco's central Group 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 organization. Guidelines and instructions are aimed at discovering and preventing the risks of errors in the reporting. No internal audit was performed in 2020 due to Covid-19. Although the Group has no internal audit function, the internal audit is managed through increased checks 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 organization, 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.

MONITORING

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

Tomas Johansson

Position and year elected

Born 1958. Chairman of the Board since 2019.
Chairman of the Remuneration Committee.
Board Member since 2013.

Education

Degree in market economy from IHM Business School.

Other current assignments

Industrial Advisor, Segulah; Chairman of the Board, Franks Kylindustri AB; and Board Member, Pelly Group AB.

Previous positions and professional experience

CEO, Dahl Sverige AB; CEO, Bevego Byggplåt & Ventilation AB; Marketing Manager, AB Gustavsberg; as well as Division Manager, Strålburken (part of NCC Group AB).

Total shareholding (own holdings, holdings of closely related parties, holdings through companies, and holdings through endowment insurance policies)

36,738 shares

Independent in relation to the Company and its management, as well as to major shareholders in the Company.



Mikael Andersson

Position and year elected

Born 1955. Board Member since 2019.
Member of the Audit Committee.

Education

MSc Chemical Engineering, Lund University

Other current assignments

-

Previous positions and professional experience

President and CEO, PMC Group; President, BU Trelleborg Waterproofing (Trelleborg AB); Division Manager, Saint-Gobain Ecophon.

Total shareholding (own holdings, holdings of closely related parties, holdings through companies, and holdings through endowment insurance policies)

-

Independent in relation to the Company and its management, as well as to major shareholders in the Company.



Ingalill Berglund

Position and year elected

Born 1964. Board Member since 2016.
Chairman of the Audit Committee.

Education

Higher-level specialized course in economics at Frans Schartaus Handelsinstitut.

Other current assignments

Board Member, Scandic Group AB, Veidekke AS, Axfast AB, Kungsleden AB, Bonnier Fastigheter AB, Juni Strategi & Analys AB, Stenvalvet Fastighets AB and Stiftelsen Danviks Hospital.

Previous positions and professional experience

President and CFO, Atrium Ljungberg AB; CFO, Skolfastigheter i Stockholm AB.
CEO, Axfast AB.

Total shareholding (own holdings, holdings of closely related parties, holdings through companies, and holdings through endowment insurance policies)

25,000 shares

Independent in relation to the Company and its management, as well as to major shareholders in the Company.





Carl-Mikael Lindholm

Position and year elected

Born 1971. Board Member since 2018.
Member of the Remuneration Committee.

Education

Doctor of Medicine, Karolinska Institutet and specialist degrees in general medicine and oncology.

Other current assignments

Chairman of the Board, Hamhus AB and its subsidiary. Board Member, Herenco Holding AB. Board Member and Asset manager, Carl-Olof and Jenz Hamrin's Foundation.

Previous positions and professional experience

Physician at the Radiumhemmet radiotherapy centre at Karolinska Hospital, Oncologist at Linköping University Hospital, Oncologist at Ryhov County Hospital and Operations Manager at Bankeryd Health Centre.

Total shareholding (own holdings, holdings of closely related parties, holdings through companies, and holdings through endowment insurance policies)

5,182,030 of which 10,000 shares held privately.

Independent in relation to the Company and its management but not to major shareholders in the Company.



Johannes Nyberg

Position and year elected

Born 1971. Board Member since 2018.
Member of the Audit Committee.

Education

MBA in International Economics, Uppsala University; Commerce programme School of Business, Queens University and studies in economics at Humboldt University.

Other current assignments

CEO, Skandrenting AB; Chairman of the Board, Cryonite AB and Board Member, Raiffeisen Leasing Nordic AB and Skandrenting AB.

Previous positions and professional experience

Several senior positions within banking and finance as well as building and properties, both nationally and internationally. Board Member, Collector Bank AB and Chairman of the Board, Oscar Properties AB.

Total shareholding (own holdings, holdings of closely related parties, holdings through companies, and holdings through endowment insurance policies)

-

Independent in relation to the Company and its management but not to major shareholders in the Company.



Vibecke Hverven

Position and year elected

Born 1963. Board Member since 2020.
Member of the Remuneration Committee.

Education

Civil engineering degree from the Norwegian Institute of Technology

Other current assignments

CEO, Base Rådgivning AS. Chairman of the Board, NGI, DR. Techn. Olav Olsen AS and Varig Technology AS. Chairman of the Board, Insenti AS, USBL and Prevent Systems AS.

Previous positions and professional experience

CEO, OBOS Prosjekt AS, SVP DNV GL Energy Advisory, Adm. Dir. SWECO Norge AS and Dep. Head Statkraft Grøner AS.

Total shareholding (own holdings, holdings of closely related parties, holdings through companies, and holdings through endowment insurance policies)

-

Independent in relation to the Company and its management, as well as to major shareholders in the Company.

Management

Kenneth Lundahl

Position and year elected
 Born 1967. CEO and President since 2013.

Education
 Civil engineering degree from Chalmers Technical University.

Other significant appointments
 Chairman of the Board, Lundahl & Hall AB; Chairman of the Board, Anderstorps Hotellfastigheter AB.

Previous positions and professional experience
 Co-founder of Lundahl & Hall; CEO, Isaberg Rapid AB and head of business area, Thule AB.

Total shareholding (own holdings, holdings of closely related parties, holdings through companies, and holdings through endowment insurance policies)
 215,770

Warrants
 120,000



Roger Andersson

Position and year elected
 Born 1967. Head of Sales, Sweden and Norway. Employed since 2005.

Education
 Secondary school diploma, mechanical engineering, from Häsleholm Technical School.

Other significant appointments
 -

Previous positions and professional experience
 Product manager and district manager at Colly Components AB; product technician at Autoliv AB and designer at Levahn Industrier AS.

Total shareholding (own holdings, holdings of closely related parties, holdings through companies, and holdings through endowment insurance policies)
 3,000

Warrants
 12,000



Jesper Magnusson

Position and year elected
 Born 1986. Head of Human Resources. Employed since 2014.

Education
 PhD with focus on Human Resource Management from Linnaeus University, Växjö.

Other significant appointments
 -

Previous positions and professional experience
 Office manager, head of consulting and recruiting at Adecco HR AB.

Total shareholding (own holdings, holdings of closely related parties, holdings through companies, and holdings through endowment insurance policies)
 8,000

Warrants
 12,000





Johan Fälth

Position and year elected

Born 1975. Head of Marketing and Export.
Employed since 2010.

Education

Masters Degree in corporate finance from Linnaeus University.

Other significant appointments

-

Previous positions and professional experience

Head of HR at Tenneco Automotive Sverige AB, at Linnaeus University and consultant Adecco AB.

Total shareholding (own holdings, holdings of closely related parties, holdings through companies, and holdings through endowment insurance policies)

16,040

Warrants

12,000



Camilla Ekdahl

Position and year elected

Born 1967. President of Balco AB och COO.
Employed since 2019

Education

Civil engineering degree from Chalmers Technical University.

Other significant appointments

-

Previous positions and professional experience

COO, Pelly Group AB; Operations Manager/Managing Director, Isaberg Rapid AB; Site Manager, Rapid Granulator AB; Logistics Manager, Thule Sweden AB.

Total shareholding (own holdings, holdings of closely related parties, holdings through companies, and holdings through endowment insurance policies)

11,100

Warrants

40,000



Michael Grindborn

Position and year elected

Born 1968. CFO, Head of IR and IT.
Employed since 2019

Education

MBA from Linnaeus University, M.B.A from S.D.A Bocconi School of Management.

Other significant appointments

-

Previous positions and professional experience

CFO, Lammhults Design Group AB; Finance Director, Gislaved Gummi AB/Hexpol Engineered Products; CFO Norden & Baltikum Recticel AB; CFO Animex AB, CEO Forshedaverken, CFO Dolomite AB, CFO IST Group.

Total shareholding (own holdings, holdings of closely related parties, holdings through companies, and holdings through endowment insurance policies)

11,040

Warrants

40,000

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Consolidated statement of comprehensive income

Amounts in SEK thousands	Note	2020	2019
Netsales	6	1,200,004	1,220,605
Production and project expenses	7, 8, 9, 14	-910,579	-920,602
Gross profit		289,425	300,003
Selling expenses	7, 8, 9	-111,010	-94,186
Administrative expenses	7, 8, 9	-63,037	-66,091
Other operating income	10	-	1,565
Other operating expenses	10	-	-933
Operating profit	6	115,378	140,358
Financial revenue	11	172	828
Financial expenses	11, 12	-9,824	-9,511
Net financial items		-9,651	-8,683
Profit before tax	6	105,727	131,675
Income tax	13, 20	-28,083	-28,849
Profit for the year	6	77,644	102,826
Other comprehensive income			
Items which can subsequently be restored to the income statement			
Exchange rate differences on translation of foreign operations, net after tax		-4,979	170
Other comprehensive income for the year, net after tax		-4,979	170
Total comprehensive income for the year		72,664	102,996
Of which attributable to: Parent Company shareholders		72,664	102,996

Amounts in SEK thousands	Note	2020	2019
Earnings per ordinary share, calculated as earnings attributable to Parent Company shareholders for the year (expressed in SEK per share)			
Earnings per share, SEK, before dilution	35	3.58	4.81
Earnings per share, SEK, after dilution	35	3.51	4.76
Average number of ordinary shares, thousands		21,695	21,461

Consolidated balance sheet

Amounts in SEK thousands	Note	31 Dec 2020	31 Dec 2019
ASSETS			
Non-current assets			
Intangible assets			
Goodwill	17	400,928	401,217
Trademarks	17	43,670	44,018
Acquired order backlog	17	-	3,756
Patents	17	400	450
Licences	17	2,924	1,352
Advances, intangible assets	17	1,497	3,285
Total intangible assets		449,420	454,078
Property, plant and equipment			
Rights of use	18	42,520	54,083
Buildings and land	19	84,685	91,146
Machinery and other plant	19	25,515	29,639
Equipment, tools, fixtures and fittings	19	12,587	11,833
Building in progress	19	7,008	1,466
Total property, plant and equipment		172,315	188,167
Financial assets			
Holdings in associated companies	12	-	2,818
Derivative instruments	22	1,373	219
Other non-current receivables	22	69	-
Other investments held as fixed assets	22	-	20
Total financial assets		1,442	3,057
Deferred tax assets	20	598	1,805
Total non-current assets		623,775	647,107
Current assets			
<i>Inventories</i>			
Raw materials and consumables	21	25,626	25,997
<i>Current receivables</i>			
Accounts receivable	22,23	175,330	135,536
Contractual assets	24	130,290	149,235
Current tax assets		18,995	3,833
Derivative instruments	22	7,918	3,203
Other receivables	25	12,430	10,002
Prepaid expenses and accrued income	26	14,835	11,541
Cash and cash equivalents	22,27	214,129	119,426
Total current assets		599,553	458,774
TOTAL ASSETS		1,223,328	1,105,880

Consolidated balance sheet, cont.

Amounts in SEK thousands	Note	31 Dec 2020	31 Dec 2019
EQUITY			
Equity attributable to Parent Company shareholders			
Share capital		131,461	129,745
Other contributed capital		403,169	393,465
Provisions		143	5,122
Retained earnings, including comprehensive income for the year		63,861	-13,784
Total equity attributable to Parent Company shareholders		598,634	514,548
LIABILITIES			
Non-current liabilities			
Liabilities to credit, institutions	22, 29, 32	203,042	215,216
Leasing liability	18, 22, 29, 32,	26,555	35,077
Derivative instruments	22	-	640
Other financial liabilities	22	-	18,800
Deferred tax liabilities	20	18,875	33,606
Total non-current liabilities		248,472	303,339
Current liabilities			
Liabilities to credit, institutions	22, 29, 32	10,380	10,380
Lease liabilities	18, 22, 29, 32,	19,376	20,673
Accounts payable	22	112,186	122,625
Current tax liabilities		35,223	15,529
Derivative instruments	22	174	2,382
Other liabilities	30	34,588	20,685
Contractual liabilities	24	82,159	41,410
Accrued expenses and deferred income	31	82,136	54,309
Total current liabilities		376,223	287,993
TOTAL EQUITY AND LIABILITIES		1,223,328	1,105,880

Consolidated statement of changes in equity

Amounts in SEK thousands	Share capital	Other contributed capital	Provisions	Retained earnings, including comprehensive income for the year	Total equity
Opening balance, 1 January 2019	128,578	381,764	4,952	-74,795	440,498
Amended accounting principle, IFRS16	-	-	-	1,043	1,043
Adjusted equity, 1 January 2019	128,578	381,764	4,952	-73,752	441,541
Profit for the year	-	-	-	102,826	102,826
Other comprehensive income					
Translation differences, net after tax	-	-	170	-	170
Total comprehensive income	-	-	170	102,826	102,996
Transactions with shareholders in their capacity as owners:					
Dividend	-	-	-	-42,858	-42,858
New share issue	1,167	-	-	-	1,167
Proceeds, warrants	-	11,701	-	-	11,701
Total attributable to shareholders	1,167	11,701	-	-42,858	-29,990
Closing balance, 31 December 2019	129,745	393,465	5,122	-13,784	514,548
Opening balance, 1 January 2020	129,745	393,465	5,122	-13,784	514,548
Profit for the year	-	-	-	77,644	77,644
Translation differences, net after tax	-	-	-4,979	-	-4,979
Total comprehensive income	-	-	-4,979	77,644	72,665
Transactions with shareholders in their capacity as owners:					
New share issue	1,716	-	-	-	1,716
Proceeds, warrants	-	9,704	-	-	9,704
Total attributable to shareholders	1,716	9,704	-	-	11,420
Closing balance, 31 December 2020	131,461	403,169	143	63,861	598,634

Consolidated statement of cash flows

Amounts in SEK thousands	Note	2020	2019
Cash flow from operating activities			
Profit before financial items		115,378	140,358
Adjustments for non-cash items:			
-Amortization/depreciation		37,587	34,666
-Other non-cash items		972	2,251
Interest received	11	172	828
Interest paid	11,29	-9,824	-8,587
Income taxes paid		-35,698	-34,461
Cash flow from operating activities before changes in working capital		108,587	135,055
Cash flow from changes in working capital			
Increase/decrease, inventories		371	423
Increase/decrease, current receivables		-43,249	-9,029
Increase/decrease, current liabilities		46,032	-29,353
Total change in working capital		3,154	-37,959
Cash flow from operating activities		111,741	97,096
Cash flow from investing activities			
Purchases of property, plant and equipment	19	-13,715	-8,716
Purchases of intangible assets	17	-1,096	-2,093
Sold property, plant and equipment		-	542
Change, non-current financial receivables		544	-591
Cash flow from investing activities		-14,267	-10,858
Cash flow from financing activities			
Loan repayments	29	-12,814	-873
Changes in other non-current financial liabilities	29	-	640
Change in lease liabilities	29	-	-23,133
Warrants		9,704	11,363
New share issue		1,716	1,167
Paid dividend		-	-42,858
Cash flow from financing activities		-1,394	-53,693
Reduction/increase in cash and cash equivalents			
Cash and cash equivalents at beginning of year	27	119,426	87,034
Exchange rate difference in cash and cash equivalents		-1,377	-153
Cash and cash equivalents at year-end	27	214,129	119,426

Consolidated statement of cash flows, cont.

Change in indebtedness					Non-cash transactions		31 Dec 2020
	1 Jan 2020	Cash flow	Acquisitions	Accumulated interest	Currency effect	New leases	
Current liabilities to credit institutions	10,380	-	-	-	-	-	10,380
Non-current liabilities to credit institutions	215,856	-10,133	-	-	-2,681	-	203,042
Other financial liabilities	18,800	-18,800	-	-	-	-	-
Lease liabilities	55,750	12,482	-	-	-	-22,301	45,931
Total liabilities attributable to financing activities	300,786	-16,451	-	-	-2,681	-22,301	259,353

Change in indebtedness					Non-cash transactions		31 Dec 2019
	1 Jan 2019	Cash flow	Acquisitions	Accumulated interest	Currency effect	New leasing	
Current liabilities to credit institutions	740	9,640	-	-	-	-	10,380
Non-current liabilities to credit institutions	228,074	-10,133	-	-	-2,345	-	215,856
Other financial liabilities	18,320	840	-	-	-	-	18,800
Lease liabilities	52,918	-23,133	-	-	-	25,965	55,750
Total liabilities attributable to financing activities	300,052	-22,786	-	-	-2,345	25,965	300,786

Parent Company balance sheet

Amounts in SEK thousands	Note	2020	2019
Netsales	37	20,000	14,812
Gross profit		20,000	14,812
Administrative expenses	8	-23,022	-17,467
Operating profit		-3,022	-2,655
Interest income and similar profit/loss items	11	595	1,325
Interest expenses and similar profit/loss items	11	-3,895	-3,345
Profit after financial items		-6,321	-4,675
Appropriations, Group contributions received	15	167,932	9,000
Profit before tax		161,610	4,325
Tax on profit for the year	13	-34,567	-928
Profit for the year		127,043	3,397

The Parent Company has no items which are reported as other comprehensive income and thus total comprehensive income corresponds to profit for the year.

Parent Company balance sheet

Amounts in SEK thousands	Note	31 Dec 2020	31 Dec 2019
ASSETS			
Non-current assets			
Financial assets			
Participations in Group companies	16	1,081,197	389,067
Other non-current receivables		356	624
Total non-current assets		1,081,553	389,691
Current assets			
Receivables from Group companies		259,864	13,821
Other receivables		353	353
Tax asset		-	32
Prepaid expenses and accrued income	26	391	652
Cash and cash equivalents	27	212,994	117,678
Total current assets		473,602	132,536
TOTAL ASSETS		1,555,155	522,227
EQUITY			
Restricted equity			
Share capital	28	131,461	129,745
Total restricted equity		131,461	129,745
Non-restricted equity			
Share premium reserve	39	403,169	393,465
Retained earnings		-247,473	-250,869
Profit for the year		127,043	3,397
Total non-restricted equity		282,739	145,993
Total equity		414,200	275,738
LIABILITIES			
Non-current liabilities			
Liabilities to credit, institutions	29	180,000	110,000
Total non-current liabilities		180,000	110,000
Current liabilities			
Liabilities to credit, institutions	29	10,000	10,000
Accounts payable		1,573	322
Liabilities to Group companies		910,029	121,611
Tax liability		33,487	-
Other liabilities	30	572	845
Accrued expenses and deferred income	31	5,293	3,711
Total current liabilities		960,955	136,489
TOTAL EQUITY AND LIABILITIES		1,555,155	522,227

The Parent Company's statement of changes in equity

Amounts in SEK thousands	Restricted equity	Non-restricted equity		Total equity
	Share capital	Share premium reserve	Retained earnings incl. profit for the year	
Opening balance, 1 Jan 2019	128,578	381,764	-208,011	302,331
Comprehensive income				
Comprehensive income for the year	-	-	3,396	3,396
Total comprehensive income	-	-	3,396	3,396
Transactions with shareholders in their capacity as owners:				
Dividend	-	-	-42,858	-42,858
New share issue	1,167	-	-	1,167
Proceeds, warrants	-	11,701	-	11,701
Total attributable to shareholders	1,167	11,701	-42,858	-29,990
Closing balance, 31 Dec 2019	129,745	393,465	-247,472	275,737
Opening balance, 1 Jan 2020	129,745	393,465	-247,472	275,737
Comprehensive income				
Comprehensive income for the year	-	-	127,043	127,043
Total comprehensive income	-	-	127,043	127,043
Transactions with shareholders in their capacity as owners:				
New share issue	1,716	-	-	1,716
Proceeds, warrants	-	9,704	-	9,704
Total attributable to shareholders	1,716	9,704	-	11,420
Closing balance, 31 Dec 2020	131,461	403,169	-120,429	414,200

Parent Company statement of cash flows

Amounts in SEK thousands	Note	2020	2019
Operating activities			
Operating profit		-3,022	-2,655
Adjustments for non-cash items, etc.			
Interest received	11	595	1,325
Interest paid	11	-3,895	-3,345
Income taxes paid		-1,048	-829
Cash flow from operating activities before changes in working capital		-7,370	-5,504
<i>Changes in working capital</i>			
Changes in operating receivables		-77,850	70,699
Changes in operating liabilities		98,849	123,148
Cash flow from operating activities		13,629	188,343
<i>Investing activities</i>			
Change in non-current receivables		267	115
Cash flow from investing activities		267	115
<i>Financing activities</i>			
Borrowings	29	80,000	-
Loan repayments	29	-10,000	-41,055
Warrants		9,704	11,700
New share issue		1,716	1,167
Paid dividend		-	-42,858
Cash flow from financing activities		81,420	-71,046
Cash flow for the year		95,316	117,412
Cash and cash equivalents at beginning of year	27	117,678	266
Cash and cash equivalents at year-end	27	212,994	117,678

Change in indebtedness

	1 Jan 2020	Cash flow	31 Dec 2020
Liabilities to credit, institutions	120,000	70,000	190,000
Total liabilities attributable to financing activities	120,000	70,000	190,000

Change in indebtedness

	1 Jan 2019	Cash flow	31 Dec 2019
Liabilities to credit, institutions	161,055	-41,055	120,000
Total liabilities attributable to financing activities	161,055	-41,055	120,000

NOTES

NOTE 1 GENERAL INFORMATION

The Group engages in the development, production and sale of complete balcony systems, primarily for apartment buildings. The systems are primarily marketed in Sweden, Norway, Denmark, Finland, Germany, the UK and the Netherlands. The Parent Company is a Swedish public limited company, listed on the Nasdaq Stockholm exchange, and with its registered office in Växjö, Sweden. The address of the head office is Älqvägen 4, SE-352 45 Växjö, Sweden. The Group comprises the Parent Company, Balco Group AB, company registration number 556821-2319, with the following subsidiaries: Balco Invest AB, Balco Holding AB, 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, as well as the associated company MIB-Polska Spolka z o.o. Balustrade AB was divested during the year. Unless otherwise stated, all amounts are stated in thousands of Swedish kronor (SEK thousands).

NOTE 2 SIGNIFICANT CHANGES DURING THE REPORTING PERIOD

Impact of Covid-19

The first and then ensuing second wave of Covid-19 with increased contagion in most countries and thus continued or reintroduced restrictions have had negative effects on Balco's order intake since March 2020. Our sales continue to suffer from trade fairs and meetings being postponed, as well as difficulties in arranging the desired meetings.

At Balco, we monitor developments in the countries where we operate on an ongoing basis and do all we can to meet our undertakings to customers, while safeguarding our employees' health and securing our operations. Action plans have been followed and updated to handle different levels of change. All production units have always been and are in full operation and projects have largely progressed according to plan. To limit the spread of infection, a number of measures have been implemented in terms of physical distancing in the workplace, guidelines for lunch and conference rooms, online meetings rather than physical meetings and clear information to employees on limiting contagion in and outside the workplace.

No short-term layoffs have been effectuated and we have not received any grants from the Swedish Agency for Economic and Regional Growth or other support linked to Covid-19.

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

Reduced order intake and order backlog had a negative impact on sales and earnings, partly in the third and particularly the fourth quarter of 2020. Sales and earnings will also be affected during the first half of 2021.

Restructuring

Through a restructuring programme, the Parent Company Balco Group AB has acquired the subsidiaries Balco Holding AB and Nordiska Balco AB. The restructuring programme has not affected the Group as a whole but only the Parent Company's participations in subsidiaries.

Nordiska Balco AB also divested the subsidiary Balustrade AB during the year.

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

Standards, amendments and interpretations which entered into force in the financial year commencing 1 January 2020 have been assessed as having no significant impact on the consolidated financial statements.

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 unrealized 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.

Associated companies

Associated companies are all companies in which the Group has a significant, but not controlling, influence; this usually involves a holding of between 20 and 50 percent of the votes. Holdings in associated companies are reported in accordance with the equity method. When applying the equity method, the investment is initially valued at cost and the carrying amount is subsequently increased or decreased to take into account the Group's participation in profit or loss since the acquisition date.

The Group's share of earnings which arises after the acquisition is reported in the income statement and its share of changes in other comprehensive income after the acquisition is reported in other comprehensive income with a corresponding change in the reported value of the holding. When the Group's participation in an associated company's losses amounts to or exceeds its holdings, including any unsecured receivables, the Group does not report further losses, unless the Group has assumed legal or informal obligations or made payments on behalf of the associated company. The Group reports a participation in the results of associated companies as financial income/expense since the holding is a financial fixed asset.

At the end of each reporting period, the Group assesses whether there is objective evidence that there is a need for impairment of the investment in associated companies. If this is the case, the Group calculates the impairment amount as the difference between the associated company's recoverable amount and the carrying amount and reports the amount under financial expenses in the income statement.

Gains and losses from "upstream" and "downstream transactions" between the Group and its associated companies are reported in the Group's financial statements only to the extent that they correspond to unrelated companies' holdings in associated companies. Where appropriate, accounting principles applied in associated companies have been changed to guarantee a consistent application of the Group's principles.

Changes in ownership in a subsidiary without a change in controlling influence

Transactions with non-controlling interests that do not lead to loss of control are reported as equity transactions, that is, as transactions with shareholders in their role as owners. A change in ownership interest is reported through an adjustment of the reported values of the holdings with and without a controlling influence so that they reflect the changes in their relative holdings in the subsidiary. In the case of acquisitions from non-controlling interests, the difference between the fair value of the consideration paid and the actual acquired share of the carrying amount of the subsidiary's net assets is reported in equity. Gains and losses on disposals to non-controlling interests are also reported in equity.

When the Group no longer has a controlling influence, each remaining holding is valued at fair value at the time when it loses the controlling influence. The change in carrying amount is reported in the income statement. The fair value is used as the first carrying amount and forms the basis for the continued reporting of the remaining holding as an associated company, joint venture or financial asset. All amounts relating to the divested unit that were previously reported in other comprehensive income are reported as if the Group had directly divested the attributable assets or liabilities.

This may mean that amounts previously reported in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a joint venture or associated company is reduced but joint control (JV) or significant influence (associated company) remains, only a proportionate amount of the profit or loss previously reported in other comprehensive income is reclassified to profit or loss.

Segment reporting

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

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.

Intangible assets

Goodwill

Goodwill arises in conjunction with acquisitions of subsidiaries and relates to the amount whereby the purchase price exceeds Balco's share of the fair value of identifiable assets, liabilities and contingent liabilities in the acquired company, as well as the fair value of non-controlling interests in the acquired company.

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 control. 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 Licenses

Assets with a determinable useful life are valued at cost less accumulated amortization and impairment. Any additional charges for an intangible asset 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. Other expenses are expensed as they are incurred. 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. The order backlog acquired through the acquisition of TBO-Haglinds AB is being amortized over the useful life – the new assessment reducing this from three years to two years. The impact on earnings is SEK 1,880 thousand.

Patents are amortized on a straight-line basis over their useful lives, normally assessed at ten years. Licenses are amortized on a straight-line basis over their useful lives, normally assessed at four 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 reported 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. Other assets are depreciated on a straight-line basis as follows:

Rights of use	1-10 years
Buildings	10-25 years
Land improvements.....	25 years.
Permanent equipment.....	10 years
Machinery and other plant.....	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 amortized but, rather, tested each year for any impairment. Assets which are amortized 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 recognized 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 recognized by operating segment.

Financial instruments

Classification

Commencing 1 January 2018, the Group classifies its financial assets and liabilities within the following categories:

- Financial assets and liabilities that are reported at fair value through the income statement; and
- Financial assets and liabilities that are reported at amortized cost,

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

Reporting and removal from the balance sheet

Purchases and sales of financial instruments are reported on the transaction date, i.e. the date on which the Group undertakes to buy or sell the asset. Financial assets are removed from the balance sheet when the right to receive cash flows from the instrument has expired or been transferred and the Group has largely transferred all assets and benefits associated with title.

Financial liabilities are removed from the statement of financial position when the obligations have been settled, cancelled or otherwise ceased. The difference between the carrying amount of a financial liability that has been eliminated or transferred to another party and the consideration paid, including transferred assets that are not cash or assumed liabilities, is reported in the statement of comprehensive income.

When the terms of a financial liability are renegotiated, and are not derecognised from the statement of financial position, a gain or loss is reported in the statement of comprehensive income. The profit or loss is calculated as the difference between the original contractual cash flows and the modified cash flows, discounted to the original effective rate of interest.

Valuation

Financial assets are initially valued at fair value plus, in cases where the asset is not reported at fair value via the income statement, transaction expenses directly attributable to the purchase. Transaction expenses directly attributable to financial assets that are reported at fair value via the income statement are expensed directly in the income statement.

Investments in debt instruments (accounts receivable and other non-current receivables)

Subsequent valuation depends on the Group's business model for managing the asset and the type of cash flows to which the asset gives rise. The Group classifies its investments in debt instruments as in the amortized cost valuation category.

- Amortized cost: Assets which are held to collect contractual cash flows where such cash flows solely comprise principal and interest, are reported at amortized cost. Interest income from such financial assets is reported as financial income applying the effective rate method. Gains and losses arising on derecognition from the balance sheet are reported directly under other gains and losses in profit or loss together with the exchange rate outcome.

Derivative instruments

- Fair value via the income statement: Assets which do not satisfy requirements for being reported at amortized cost or fair value via other comprehensive income are valued at fair value via the income statement. A profit or loss in respect of a debt instrument which is reported at fair value via the income statement and which is not included in a hedging relationship is reported net in the income statement in the period in which the profit or loss arises.

Impairment

The Group assesses future expected credit losses related to investments in debt instruments reported at accrued acquisition value or fair value with changes via other comprehensive income based on forward-looking information. The Group applies the simplified method when calculating expected credit losses. The method entails that throughout the term of the claim, the reserve for anticipated losses is used as the starting point for accounts receivable and contractual assets.

Set-off of financial instruments

Financial assets and liabilities are set off and reported in a net amount in the balance sheet only when there is a legal right to set off the reported amounts and there is an intention to settle them in a net amount or to simultaneously realize the asset and the settle the liability.

Accounts receivable

Accounts receivable generally fall due for payment within 30 days and all accounts receivable are therefore classified as current assets. Accounts receivable are initially reported at the transaction price. The Group holds the accounts receivable with the aim of receiving contractual cash flows and it therefore values them on subsequent reporting dates at the amortized cost, applying the effective rate of interest method

Derivative instruments

Derivative instruments are held solely for financial hedging of risks and not for speculative purposes. The Group does not apply hedge accounting. Derivative instruments are classified as held for trade and are valued at fair value through profit or loss.

Derivative instruments are reported in the balance sheet on the transaction date and are valued at fair value, both initially and in subsequent revaluations. The fair value of a derivative instrument is classified as a non-current asset or non-current liability when the remaining term of the hedge item exceeds 12 months, and as a current asset or current liability when the outstanding term of the hedge item is less than 12 months.

Cash and cash equivalents

Cash and cash equivalents in the statement of cash flows consist entirely of bank balances.

Accounts payable

Accounts payable are financial instruments and relate to obligations to pay for goods and services acquired from suppliers in the operating activities. Accounts payable are reported as current liabilities if they fall due within one year. If not, they are reported as non-current liabilities. Accounts payable are reported at nominal value. The reported value of accounts payable is assumed to correspond to their fair value since this item is current in nature.

Borrowing

Liabilities to credit institutions are initially reported at fair value, net of transaction expenses. Borrowing is then reported at amortized cost and any difference between the amount received (net after transaction expenses) and the repayment amount is reported in the income statement distributed over the loan period, applying the effective interest method.

Borrowing is removed from the balance sheet when the obligations have been settled, cancelled or otherwise terminated. The difference between the carrying amount of a financial liability (or part of a financial liability) that has been extinguished or transferred to another party and the consideration paid, including transferred assets that are not cash or assumed liabilities, is reported in the income statement.

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

Current assets

Inventories

Inventories are reported at the lower of cost and net realizable value. The cost is determined using the first in, first out (FIFO) method. The risk of obsolescence has been taken into account.

Contractual assets

The Group's revenues relate to contracting agreements for the building of balconies in connection with new build projects or renovation.

Revenue recognition takes place over time when there is no alternative use for the products, since the products are specifically adapted for the customer, and the Group is entitled to payment. The installation element is also reported over time, after which the customer obtains control over the performed service. Customer agreements involved in all essential respects fixed-price agreements.

When applying gradual recognition of revenue and profit, the result emerges in pace with the completion of the project. As a basic condition for the application of successive profit recognition, it must be possible to reliably calculate total project revenue and expenses upon completion.

When income and expenses can be calculated reliably and it is probable that the agreement will be profitable, the income is reported over the term of the agreement based on the degree of completion.

The degree of completion is determined as incurred expenditures for performed work calculated to the end of the reporting period as a percentage of estimated total expenses for each contract.

Expenditures are reported regularly with respect to the activities included according to the agreement. When it is likely that the total expenditures will exceed the total revenue, the anticipated loss is immediately reported as an expense. When the outcome of an agreement cannot be calculated in a reliable manner, revenue is only reported in an amount that corresponds to the expenses incurred that are likely to be reimbursed by the customer.

Certain indirect project expenses, such as pre-engineering and calculation, incurred by the Group, are treated as completion expenses and are capitalized and depreciated over the term of the projects.

In the balance sheet, the Group reports the position for each agreement net, as either an asset or a liability. A contract constitutes an asset when project expenditures or reported profits (after deduction for reported losses) exceed the invoiced amount, and a debt when the opposite circumstance.

Non-current and current liabilities

Provisions

Provisions for legal claims are reported when the Group has a legal or informal obligation as a result of previous events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably calculated. No provisions are made for future operating losses.

Provisions are valued at the present amount expected to be required to settle the obligation.

Current and deferred tax

The tax expense for the period comprises current and deferred tax. The current tax expense is calculated on the basis of the tax rules that are decided on the balance sheet date or in practice decided in the countries where the Group operates and generates taxable income.

Deferred tax is reported, according to the balance sheet method, on all temporary differences that arise between the tax value of assets and liabilities and their carrying amounts in the consolidated accounts. Deferred income tax is calculated applying tax rates that have been determined or announced as of the balance sheet date and that are expected to apply when the relevant deferred tax asset is realized or the deferred tax liability is settled.

Deferred tax assets on loss carryforwards are reported to the extent that it is probable that future taxable surpluses will be available, against which the deficits can be utilized.

Deferred tax assets and liabilities are offset when there is a legal right of set-off for current tax assets and tax liabilities, the deferred tax assets and liabilities relate to taxes debited by one and the same tax authority and refer to either the same tax subject or different tax subjects and there is an intention to settle balances by net amounts.

Leases

The Group's leases relate in all essential respects to premises, machinery and technical plant, as well as vehicles and other equipment.

Leases are reported as right of use assets with a corresponding liability commencing the day on which the leased asset is available for use by the Group. Each lease payment is divided between an amortization of the liability and a financial expense. The financial expense is allocated over the lease term so that each reporting period carries an amount corresponding to a fixed rate of interest for the liability reported during the period.

Rights of use are depreciated on a straight-line basis over the shorter of the asset's useful life and the length of the lease. The leasing agreements are normally signed for a fixed period with an option to extend. Assets and liabilities arising from leasing agreements are initially reported at present value.

Leasing liabilities include the present value of the following leasing payments:

- Fixed fees
- Variable leasing fees that depend on an index
- Amounts expected to be paid in respect of residual value guarantees
- The exercise price for an option to buy if the Group is reasonably certain to exercise such an opportunity.

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

The right of use assets are valued at cost and include:

- The initial valuation of the lease liability and
- Payments made at or before the time when the leased asset is made available to the lessee.

Lease charges related to short-term leases and leases where the underlying asset has a low value are reported as a cost on a straight-line basis over the lease term. Short-term leases are leases for a term of 12 months or less and relate primarily to the lease of scaffolding in conjunction with assembly at building sites. Leases where the underlying asset is of low value relate in all material regards to IT equipment and office machinery.

Options for extension and termination of contracts

Some leases include options to extend or terminate the contract prematurely. The terms are used to maximize flexibility in the management of leases. Options to extend or terminate the lease are included in the asset and the liability when it is reasonably certain that they will be exercised.

Employee remuneration

Current remuneration

Current remuneration in the Group comprises salary, social security contributions, paid holiday, paid sick leave, healthcare and variable salary. Current remuneration is reported as an expense and a liability when there is a legal or informal obligation to pay remuneration. The cost is reported as the services are performed by the employees. The liability is reported as a liability regarding remuneration to employees in the balance sheet.

Pension obligations

The Group only has defined contribution pension plans; see Note 36. A defined contribution pension plan is a pension plan pursuant to which the Group pays fixed fees to a separate legal entity. The Group has no legal or informal obligations to pay additional fees if this legal entity does not have sufficient assets to pay all employee benefits related to the employees' service during the current or previous 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 additional payment obligations once the fees have been paid. Fees are reported as personnel expenses on falling due for payment. Prepaid fees are reported as an asset insofar as cash repayment or a reduction in future payments may benefit the Group. See also Note 36.

Benefits on termination

Termination benefits are paid when an employee's employment is terminated by the Group before the normal retirement date or when an employee accepts voluntary resignation in exchange for such benefits.

The Group reports compensation in the event of termination when it is demonstrably obliged to dismiss employees in accordance with a detailed formal plan without the possibility of revocation. In cases where the Group has made an offer to encourage voluntary severance, severance compensation is calculated based on the number of employees having accepted the offer. Benefits which fall due more than 12 months after the end of the reporting period are discounted to present value.

Employee warrants

The Group has issued warrants to employees. The employees have paid the fair value of the options, this option premium is reported against other equity contributions.

The programme has been classified as equity-regulated as the holder can only receive shares upon redemption. Upon redemption of the options, the exercise price will be reported against equity.

Revenue recognition

The Group's revenues refer to contracting agreements, see section Contract assets.

Income from activities outside the Group's primary operations, such as insurance compensation and material sales to subcontractors, has been reported as other operating income. Interest income is reported as income allocated over the term applying the effective rate method.

Cash flow statement

The cash flow statement is prepared in accordance with the indirect method. This entails that operating profit is adjusted for transactions that do not result in payments being received or made during the period and for any revenues and expenses attributable to cash flows from the investing or financing operations.

Share capital

Ordinary shares and preference shares are classified as equity.

Segment reporting

Operating segments are reported in a manner which corresponds to the internal reporting provided to the highest executive decision-maker (see Note 6).

Earnings per share

Earnings per share before dilution

Earnings per share before dilution are calculated by dividing:

- earnings related to Parent Company shareholders
- by a weighted average number of outstanding ordinary shares during the period, adjusted for the bonus issue element of ordinary shares issued during the year and excluding shares repurchased by the Parent Company to be held as treasury shares.

Earnings per share after dilution

To calculate earnings per share after dilution, amounts used for calculating earnings per share before dilution are adjusted taking into account:

- the effect, after tax, of dividends and tax expenses on potential ordinary shares; and
- the weighted average number of additional ordinary shares which would have been outstanding on conversion of all potential ordinary shares.

Parent Company accounting principles

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 means that the Parent Company in its financial reports shall apply International Financial Reporting Standards (IFRS) which have been approved by the EU as far as this is possible within the framework of the Annual Accounts Act and taking into account the connection between accounting and taxation.

The same accounting and valuation principles are applied in the Parent Company as the Group, except in the cases listed below.

No changes in accounting principles during the financial year or previous year regarding the Parent Company.

Presentation

The income statement and balance sheet are presented in the manner required by the Annual Accounts Act. The statement of changes in equity also complies with the Group's presentation, but contains the columns stated in the Annual Accounts Act. In addition, this entails differences in designations compared with the consolidated financial statements, primarily with respect to financial revenues and expenses as well as equity.

Participations in subsidiaries

Participations in subsidiaries are reported at cost less any impairment. The cost includes acquisition-related expenses and any contingent purchase consideration.

When there is an indication that participations in subsidiaries have fallen in value, a calculation of the recovery value is made. If this is lower than the carrying amount, impairment is recognized. Impairment is reported in the items "Profit from participations in Group companies".

Operational leasing

In the Parent Company, all leases are reported in accordance with the rules regarding operational leasing; see Note 34.

Group contributions

Group contributions received and paid are reported as an appropriation.

Dividends

Dividends to the Parent Company's shareholders are reported as a liability in the consolidated financial statements in the period in which the dividend is approved by the Parent Company's shareholders.

NOTE 4 FINANCIAL RISK MANAGEMENT

Financial risk factors

Through its operations, the Group is exposed to a number of different financial risks: market risk (including currency risk, interest rate risk in fair value, interest rate risk in cash flow and price risk), credit risk and liquidity risk. The Group's overarching Risk Management Policy focuses on the unpredictability of the financial markets and endeavours to minimize potentially adverse effects on the Group's financial results. The Group uses derivative instruments to hedge certain risk exposures. Hedge accounting is not applied for 2019 or 2020.

Risk management is handled by a central finance department in accordance with policies established by the Board. The accounts department identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units. The Board draws up written policies with respect to overarching risk management and for specific areas, such as currency risk, interest rate risk, credit risk, use of derivative instruments and financial instruments which are not derivatives, as well as investment of surplus liquidity.

Market risks

(i) Currency risk

The Group operates internationally and is exposed to currency risks arising from various currency exposures, primarily with respect to the Norwegian krona (NOK), the euro (EUR), the Polish zloty (PLN) and the Danish krona (DKK) but also to a certain extent the British pound (GBP). Currency risks arise through future commercial transactions, reported assets and liabilities and net investments in foreign operations.

The Board has introduced a policy whereby the currency risk which arises from future commercial transactions and reported assets and liabilities is managed through the use of futures contract by Group companies. Currency risks arise when future business transactions or reported assets or liabilities are expressed in a currency that is not the unit's functional currency.

The Group's risk management policy is to hedge 50-75 percent (\pm 20 percent) of expected cash flows (mainly building contracts and purchases of goods and services) in each major currency for the following 12 months.

If the Swedish krona had weakened/strengthened by SEK 0.05 (5 percent) in relation to the Norwegian krone with all other variables constant, the profit for the year for the financial year would have been SEK 1,371 thousand (2019: SEK 535 thousand) higher/lower, for the most part as a result of gains/losses on the translation of trade receivables and accounts payable in NOK, financial assets and liabilities valued at fair value via the income statement.

If the Swedish krona had weakened/strengthened by SEK 0.05 (5 percent) in relation to the Euro, with all other variables constant, the profit for the year for the financial year would have been SEK 1,409 thousand (2019: SEK 1,752 thousand) lower/higher, for the most part as a result of gains/losses on the translation of accounts receivable and accounts payable in EUR, financial assets and liabilities valued at fair value via the income statement.

If the Swedish krona had weakened/strengthened by SEK 0.05 (4 percent) in relation to the Danish krone with all other variables constant, the loss for the financial year would have been SEK 23 thousand (2019: SEK 221 thousand) higher/lower, for the most part as a result of gains/losses on translation of trade receivables and accounts payable in DKK, financial assets and liabilities valued at fair value via the income statement.

(ii) Interest rate risks regarding cash flows and fair values

The Group's interest rate risk arises through long-term borrowing. Borrowing at variable interest rates exposes the Group to an interest rate risk with respect to cash flows, which is partially neutralized by cash funds carrying a variable rate of interest. At the end of 2020, the Group's borrowing comprised loans in Swedish kronor and Polish zloty, at a variable interest rate.

All else being equal, had interest rates on borrowing in SEK been 100 basis points (1 percent) higher/lower on 31 December 2020, profit for the financial year would have been (unchanged) 0 SEK (2018: 0) lower/higher, primarily as a result of higher/lower interest expenses on borrowing at variable rates.

(iii) External risk

Balco has operations, both sales and project organization, in the UK and can thus be affected by how Brexit will take place. The Group has performed an analysis and initiated activities to limit and minimize any consequences.

Pandemics like Covid-19 have an impact on the markets in which Balco operates, partly through government decisions but also through changes in human behaviour. During the Covid-19 pandemic, we have seen that it first had an impact on order intake and order backlog, but when prolonged, it also affects sales and earnings. However, the need for renovation of older balconies does not disappear and the market remains.

Credit risk

The Group has adopted guidelines for ensuring that sales take place to customers with a suitable credit background. Prior to each project, a credit risk assessment of the customer is performed. The customer's financial position, financial history 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 through accounts receivable and contractual assets. Historically, the Group's credit losses have been small. Payments take place in accordance with a predetermined payment plan. The credit period is generally up to 30 days. A policy has been established to insure the credit extended to certain customer categories.

Liquidity risk

Cash flow forecasts are prepared by the Group's operating companies and aggregated by the accounts department. The Group complies carefully with rolling forecasts as regards the liquidity reserve to ensure that sufficient cash funds are available to meet needs in the ongoing operations, while regularly maintaining sufficient headroom on undrawn agreed credit facilities (Note 29), so that the Group does not violate loan limits or loan terms (where appropriate) on any of the Group's loan facilities.

The table below analysis the Group's non-derivative financial liabilities and net-settled derivative instruments which comprise financial liabilities, broken down by the outstanding period on the closing date until the contractual maturity date. Derivative instruments comprising financial liabilities are included in the analysis in the event their contractual due dates are important for understanding dates for future cash flows. The amounts stated in the table are the contractual, non-discounted cash flows.

Per 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
Borrowing (excl. lease liabilities)	2,500	7,880	203,042 ¹⁾	-	-
Lease liabilities	-	19,376	11,858	14,697	-
Derivative instruments	-	174	-	-	-
Accounts payable and other liabilities	112,186	-	-	-	-
Total	114,686	27,429	214,900	14,697	-

¹⁾ Falls due on 14 September 2022

Per 31 December 2019	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Borrowing (excl. lease liabilities)	2,500	7,880	20,000	195,216 ¹⁾	-
Lease liabilities	-	20,673	13,098	18,522	3,457
Derivative instruments	-	2,382	640	-	-
Accounts payable and other liabilities	122,625	-	18,800	-	-
Total	125,125	30,935	52,538	213,738	3,457

¹⁾ Falls due on 14 September 2022

Management of capital

The Group assesses capital on the basis of operating profit excluding amortization/depreciation (EBITDA), with capital limited to external financing, Net debt in relation to EBITDA. This key ratio is calculated as EBITDA in relation to the Group's external borrowing. External borrowing is defined as current borrowing and non-current borrowing less cash and cash equivalents and excluding lease liabilities. Interest-bearing net debt shall not exceed 2.5 times operating profit before amortization/depreciation (EBITDA), other than temporarily.

	31 Dec 2020	31 Dec 2019
Total borrowing (Note 29)	259,353	281,346
Of which liabilities to credit institutions	213,422	225,596
Of which financial leasing	45,931	55,750
Less: cash and cash equivalents (Note 27)	-214,129	-119,426
Less: lease liabilities	-45,931	-55,750
External borrowing	-707	106,170
EBITDA	152,966	176,880
External borrowing/EBITDA	-	0.60

Calculation of fair value

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

- Listed prices (unadjusted) on active markets for identical assets or liabilities (level 1)
- Other observable data for assets or liabilities other than listed prices included in level 1, either directly (i.e. as price listings) or indirectly (i.e. derived from price listings) (level 2).
- Data for assets and liabilities which is not based on observable market data (i.e. non-observable data) (level 3)

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

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

The following table shows the Group's assets and liabilities valued at fair value on 31 December 2019

	Level 1	Level 2	Level 3	Total
Assets				
Financial assets valued at fair value via profit/loss				
Derivative instruments held for trading				
-Currency derivatives	-	3,422	-	3,422
Total assets	-	3,422	-	3,422
Liabilities				
Financial liabilities valued at fair value via profit/loss				
Derivative instruments held for trading				
-Currency derivatives	-	3,022	-	3,022
Total liabilities	-	3,022	-	3,022

No transfers between valuation model level 1 and valuation model level 2 have taken place during any of the years.

Financial instruments in level 1

Fair value of financial instruments traded on an active market based on listed market prices on the closing date. A market is regarded as active if listed prices from an exchange, broker, industrial group, pricing service or supervisory authority are easily and regularly available and such prices represent actual and regularly occurring market transactions at arm's length. The Group holds no financial instruments classified in level 1.

Financial instruments in level 2

Fair value of financial instruments not traded on an active market (e.g. OTC derivatives) is established using valuation techniques. In this context, use is made as far as possible of market information where such is available, while company-specific information is used as little as possible. If all material input data which is required for a fair valuation of an instrument is observable, the instrument is in level 2.

In cases where one or more significant inputs are not based on observable market information, the relevant instrument is classified at level 3.

Specific valuation techniques used to value financial instruments include:

- Listed market prices or broker quotations for similar instruments.
- Fair value for interest rate swaps calculated as present value of assess future cash flows based on observable yield curves.
- Fair value for currency futures contracts determined through use of prices for currency futures on the closing date, where the resulting value is discounted to present value.
- Other techniques, such as calculation of discounted cash flows, are used to determine fair value for remaining financial instruments.

NOTE 5 IMPORTANT ESTIMATES AND ASSESSMENTS

Estimates and assessments are evaluated regularly and based on historical experience and other factors, including expectations of future events which might be deemed reasonable under prevailing conditions.

Important estimates and assessments for accounting purposes

The Group makes estimates and assumptions regarding the future. The resulting estimates for accounting purposes will, by definition, seldom correspond to the actual result. The estimates and assumptions which entail a significant risk of material adjustments to carrying amounts for assets and liabilities during the next financial year are essentially addressed below.

Test for impairment of goodwill and trademarks

The Group tests each year whether there is any need for impairment of goodwill and trademarks, in accordance with the accounting principle described in Note 3. Recovery values for cash-generating units have been determined by calculating value in use. For these calculations, certain estimates must be made (Note 17).

Revenue recognition

The Group applies the percentage of completion method when reporting building contracts in accordance with a proven method long applied by the Group whereby the Group must make estimates as to the percentage of the total services to be performed represented by the services performed on the closing date. Balco's revenue and profit are determined by when expenses are actually incurred during the performance of the project. The model is not linear but, rather, is based on expenses within the project's two phases: manufacture and installation. Most of the expenses are generated during project phase 1 (the manufacturing phase), which includes Balco's entire processing. The phase includes expenses such as materials, product development, project management, transport, design, statics, preparation and patents. In project phase 2 (building/installation), the second and smaller part of the expenses in a project are generated. The expenses include installation management and installation of the end product. Project 2 always takes place with a building mark-up which is lower than in phase 1. The development of each individual project is monitored regularly on a monthly basis throughout the life of the project. Deviations compared with initial calculations are adjusted and the updated forecasts are addressed regularly. In accordance with IAS 37, the entire anticipated loss on the project is booked when the forecast entails a negative project result. If the proportion between performed services and total services to be performed had deviated by 1 percent, reported revenue for the year would have changed by SEK 12 million (2019: SEK 12 million).

Accounts receivable and contractual assets

The loss reserve in respect of financial assets is based on assumptions of risk of default (e.g. due to financial difficulties of customers such as bankruptcy or financial reorganization) and anticipated loss levels. The Group makes its own assessments as regards assumptions and the choice of input data for the calculation of the impairment. These are based on historic, known market conditions and forward-looking calculations at the end of each reporting period.

Leases

Some leases include options to extend or terminate the contract prematurely. The terms are used to maximize flexibility in the management of leases. Options to extend or terminate the lease are included in the asset and the liability when it is reasonably certain that they will be exercised.

Warranty reserves

The Group continuously tests the value of allocated reserves in relation to estimated needs. Reservations are made based on historical statistics on faulty products and performed contracts.

On 31 December 2020, the warranty reserve comprised 0.5 percent of net sales (2019: 0.5 percent) and is reported under accrued expenses, see Note 31.

NOTE 6 SEGMENT REPORTING

The Group's operations are divided into two different segments: Renovation and New Build. Renovation is the part of the operations which covers both replacement and expansion of existing balconies as well as installation of new balconies on existing buildings that lack of balconies. The majority of Balco's sales in the Renovation segment comprise glazed balconies for tenant-owner housing associations. The New Build segment covers installation of balconies in conjunction with the building of new apartment properties as well as maritime applications. Balco offers its entire product range within the New Build segment. The basis for allocation in respect of segment reporting is based on a classification of each individual project.

Financial expenses, financial income and income tax are essentially addressed on a Group level and are not allocated per segment. The Group does not allocate operating non-current assets per segment.

2020	Renovation	New Build	Group, other	Eliminations	Total
Netsales - external revenue	1,095,721	104,283	-	-	1,200,004
Netsales - internal revenue	-	-	21,339	-21,339	-
Total netsales	1,095,721	104,283	21,339	-21,339	1,200,004
Operating profit (EBIT)	113,487	6,794	-4,903	-	115,378
Amortization/depreciation are included in EBITA in the amount of	33,782	3,806	-	-	37,588
Operating profit (EBIT)	113,487	6,794	-4,903	-	115,378
Financial revenue	-	-	-	-	172
Financial expenses	-	-	-	-	-9,823
Profit after financial items	-	-	-	-	105,727
Tax	-	-	-	-	-28,083
Profit for the year	-	-	-	-	77,644

2019	Renovation	New Build	Group, other	Eliminations	Total
Netsales - external revenue	1,044,418	176,187	-	-	1,220,605
Netsales - internal revenue	-	-	16,090	-16,090	-
Total netsales	1,044,418	176,187	16,090	-16,090	1,220,605
Operating profit (EBIT)	134,558	11,535	-5,735	-	140,358
Amortization/depreciation are included in EBITA in the amount of	32,055	4,466	-	-	36,521
Operating profit (EBIT)	134,558	11,535	-5,735	-	140,358
Financial revenue	-	-	-	-	828
Financial expenses	-	-	-	-	-9,511
Profit after financial items	-	-	-	-	131,675
Tax	-	-	-	-	-28,849
Profit for the year	-	-	-	-	102,826

Net sales by geographic market

	2020	2019
Sweden	699,576	671,434
Germany	81,918	118,352
Norway	138,484	172,178
Denmark	235,752	198,469
UK	24,526	29,417
Netherlands	4,840	3,279
Finland	14,907	21,455
Switzerland	-	6,022
Total	1,200,004	1,220,605

No single customer accounts for more than 10 percent of sales in either 2019 or 2020.

Property, plant and equipment by geographic market

By geographic market	31 Dec 2020	31 Dec 2019
Sweden	533,190	549,836
Norway	2,573	2,909
Denmark	20,954	16,617
Finland	1,663	1,243
Germany	1,388	1,194
Netherlands	1,085	1,571
UK	1,845	1,983
Poland	59,036	66,892
Total	621,735	642,245

Net sales by customer category

	2020	2019
Tenant-owner housing associations	931,477	851,645
Private property owners	87,796	168,170
Public housing companies	64,458	59,520
Building companies	116,273	141,270
Total net sales	1,200,004	1,220,605

NOTE 7 REMUNERATION TO THE AUDITORS

Group	2020	2019
PwC		
Audit engagement	-1,749	-1,339
Tax advice	-652	-43
Total	-2,401	-1,382
Audit engagement:		
Alpha Revision AS	-46	-46
Herman Slater	-31	-31
BDO Statsautoriseret Revision A/S	-128	-142
Kancelaria Biegłych Rewidentów "CDP" Sp. z o.o.	-73	-38
KPMGOyAb	-	-14
Total	-278	-271
Total	-2,679	-1,653

Audit engagement' means auditing of the Annual Report and the accounts as well as management by the Board of Directors and the CEO, other work duties incumbent on the Company's auditor as well as advice and other assistance resulting from observations in conjunction with the audit or the performance of such other work duties. Everything else comprises other services.

In 2020, remuneration paid to the accounting firm Öhrlings PricewaterhouseCoopers AB in respect of services to the Group's Swedish companies was as follows: audit engagement SEK 1,749 thousand (2019: SEK 1,339 thousand), other statutory engagements 0 SEK (2019: SEK 0 thousand), tax advice SEK 652 thousand (2019: SEK 43 thousand) and other services SEK 0 thousand (2019: SEK 0 thousand).

NOTE 8 REMUNERATION TO EMPLOYEES, ETC.

Group	2020	2019
Salary and other remuneration	-169,562	-151,906
Social security contributions	-46,673	-48,983
Pension expenses – defined contribution plans	-18,583	-16,250
Total	-234,818	-217,139

Parent Company	2020	2019
Salary and other remuneration	-7,890	-8,106
Social security contributions	-4,108	-3,187
Pension expenses – defined contribution plans	-2,429	-2,036
Total	-14,428	-13,329

Remuneration and other benefits 2020	Basic salary/ Board fee	Social security charges/special employer's contribution	Variable remuneration	Other benefits	Pension expenses	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 June 2020	-107	-34	-	-	-	-141
Vibecke Hverven, Board Member from 17 June 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 individuals)	-6,796	-3,147	-1,090	-364	-2,288	-13,685
Total	-11,303	-5,043	-1,889	-513	-3,319	-22,137

Remuneration and other benefits 2019	Basic salary/Board fee	Social security charges/special employer's contribution	Variable remuneration	Other benefits	Pension expenses	Total
Lennart Kalén, Chairman of the Board until 21 May 2019	-220	-33	-	-	-	-253
Tomas Johansson, Chairman of the Board from 22 May 2019	-373	-107	-	-	-	-480
Carl-Mikael Lindholm, Board Member	-210	-58	-	-	-	-268
Percy Calissendorff, Board Member until 21 May 2019	-90	-28	-	-	-	-118
Johannes Nyberg, Board Member	-225	-58	-	-	-	-283
Åsa Söderström Winberg, Board Member	-210	-58	-	-	-	-268
Ingalill Berglund, Board Member	-255	-58	-	-	-	-313
Mikael Andersson, Board Member from 22 May 2019	-115	-36	-	-	-	-151
Kenneth Lundahl, CEO	-2,708	-1,255	-444	-150	-895	-5,452
Other senior executives (7 individuals)	-6,468	-2,991	-1,038	-473	-1,997	-12,967
Total	-10,874	-4,682	-1,482	-623	-2,892	-20,553

Warrants

Year	Number of warrants	Number of warrants redeemed	Number of warrants forfeited	Total	Exercise price	Subscription period
2017/2020	-	286,037	420,210	706,247	69.70	5 Sep 2020 – 5 Oct 2020
2020/2023	400,000	-	-	400,000	99.20	16 Dec 2023 – 15 Jan 2024
	400,000	286,037	420,210	1,106,247		

Warrants

Balco Group's incentive programme 2017/2020 expired on October 5 and led to 286,037 shares being subscribed for, corresponding to a dilution of 1.3 percent. At an Extraordinary General Meeting held on 24 November 2020, it was decided to introduce a long-term incentive programme for the Company's senior executives and other key employees, in total 25 individuals. In total, the incentive programme encompasses at most 400,000 warrants, entitling holders to subscribe for at most the same number of shares. Balco's total expenses for the incentive programme during its term are not expected to exceed SEK 4 million. The programme entails a dilution corresponding to approximately 1.8 percent of the Company's total number of shares. Balco's senior executives have acquired 236,000 warrants with a total value of SEK 2,673,880. The purpose of the incentive programme is to encourage a broad ownership of shares among the Company's key employees, to facilitate recruitment, to retain competent and talented employees, to increase the interests shared between key employees and the Company, and to increase the motivation to achieve or exceed the Company's financial targets.

Terms and conditions of the CEO

On dismissal of the CEO by the Company, a 12-month notice period applies. On resignation by the CEO, a six-month notice period applies. During the termination period, the CEO is entitled to retain his fixed salary, but no other benefits. The Group allocates 30 percent of gross salary as well as 25 percent of variable remuneration (2019: 30 percent of gross salary and 25 percent of variable remuneration) to a pension policy with an insurance company chosen by the CEO. The Group has no other outstanding pension obligations to the Board of Directors or the CEO.

Gender breakdown in the Group (incl. subsidiaries) as regards Board Members and the CEO.

Group	2020		2019	
	Number on closing date	Of whom women	Number on closing date	Of whom women
Board Members	15	4	15	4
CEO	3	1	3	1
Total	18	5	18	5

Parent Company	2020		2019	
	Number on closing date	Of whom women	Number on closing date	Of whom women
Board Members	6	2	6	2
CEO	1	-	1	-
Total	7	2	7	2

Group	2020		2019	
	Average number of employees per country	Of whom women	Average number of employees	Of whom women
Sweden	230	34	229	36
Norway	7	-	6	-
Denmark	70	5	60	7
UK	8	-	7	-
Netherlands	3	-	2	-
Poland	93	19	95	17
Finland	4	-	4	-
Germany	13	2	16	2
Total	428	60	419	62

Parent Company	2020		2019	
	Average number of employees per country	Of whom women	Average number of employees	Of whom women
Sweden	3	-	3	-
Total	3	-	3	-

The Board proposes to the Annual General Meeting the adoption of the following guidelines for remuneration to the Company's senior executives.

"Senior executive" means the CEO and members of the Senior Management team. These guidelines shall apply to contractual remuneration and changes made to already agreed remuneration after adoption of the guidelines by the 2020 Annual General Meeting. Remunerations approved by shareholders at General Meetings falls beyond the scope of these guidelines. Thus, share-related incentive programmes for senior executives or remuneration to Board Members for Board work are not covered by these guidelines.

The guidelines' contribution to the Group's business strategy, long-term interests and sustainability

Put briefly, the Company's business strategy is aimed at strengthening the Company's leading market position as a supplier of high-quality balcony solutions tailored to the customer's specific needs and demands. For more information about the Company's business strategy, see the Company's website, www.balco.se. Successful implementation of the Company's business strategy and realization of its long-term interests, including its sustainability, are conditional on the Company being able to attract, incentivize and retain senior executives. The objective with the Company's remuneration is that it shall be competitive, while being in line with the shareholders' interests. The types of remuneration provided by the Company shall, together, create well-balanced remuneration which reflects individual skills, responsibility and performance, in both the short-term and long-term, as well as the Company's overall performance.

Decision-making process

The Board has established a Remuneration Committee, whose duties include preparing remuneration-related issues and proposals for the Board with respect to senior executives, as well as any decisions regarding deviations from the guidelines. The Board shall prepare a proposal for new guidelines when the need for significant amendment arises (although at least once every four years) and shall present its proposal for adoption by the Annual General Meeting. The guidelines shall apply until such time as new guidelines have been adopted by the Annual General Meeting. The Remuneration Committee shall also monitor and assess current and concluded programmes for variable remuneration to senior executives, the application of the guidelines for remuneration to senior executives, as well as applicable remuneration structures and remuneration levels in Balco. Senior executives do not participate in the Board's discussions and decisions on matters of remuneration insofar as these pertain to the senior executive.

Types of remuneration

Remunerations for senior executives may comprise fixed and variable salary as well as pension and other benefits. In addition, notwithstanding these guidelines the General Meeting may, among other things, decide on share-related remuneration.

Fixed and variable salary

The executives' fixed annual salary shall be competitive and based on the individual executive's skills, responsibilities and performance. In addition to fixed annual salary, the executive shall be able to receive variable remuneration.

In addition to fixed annual salary, executives shall be able to receive variable remuneration. Such variable remuneration shall be based on predetermined and measurable criteria which may be financial and non-financial. The variable salary may be linked directly or indirectly to the achievement of the financial targets set by Balco's Board of Directors, which among other things relate to the Group's operating profit. The non-financial criteria may be linked to sustainability. The variable salary is normally paid out based on performance during 12 months (the calendar year) and is based on the Company's most recently published financial information. The variable cash remuneration is thus linked to the Company's business strategy, long-term interests and sustainability.

The criteria must be established, followed up and evaluated annually by the board. For each senior executive, the variable remuneration may not exceed 50 percent of the fixed annual salary.

Other benefits and pension

The Group offers senior executives other benefits in accordance with local practices. Such other benefits may include, for example, company cars and occupational health care. For a limited period, company accommodation can also be offered, where relevant.

The senior executives shall be entitled to pension benefits based on what is customary in the country where they are employed. Pension obligations shall be premium-defined and secured through payment of premiums to an insurance company, except where the individual in question is covered by a defined benefit pension in accordance with the provisions of an applicable collective agreement. Variable remuneration shall only constitute the basis for pension benefits if it is in accordance with the provisions of an applicable collective agreement. For each senior executive, pensions may not exceed 30 percent of the fixed annual salary to the extent that a higher provision does not follow from the applicable collectively agreed pension plan.

With regard to employment conditions that are subject to rules other than Swedish ones, with regard to pension benefits and other benefits, appropriate adjustments may be made to comply with mandatory such rules or local practices, whereby the overall purpose of these guidelines shall be met.

Salary and employment terms for employees

When preparing the Board's proposal for guidelines for remuneration, salary and employment terms for the Company's employees have been taken into consideration in as much as information regarding the total remuneration paid to employees, the components of the remuneration and the increase and rate of increase of the remuneration over time have constituted an element in the information on which the decisions of the Remuneration Committee and the Board of Directors are taken when assessing the reasonableness of the guidelines and the limitations which follow from them.

Termination and severance compensation

Employment agreements entered into between the Company and senior executives generally apply until further notice. If the Company terminates the employment of a senior executive, the termination period may not exceed 12 months. Severance compensation is payable only upon termination by the Company and shall not exceed an amount corresponding to the fixed annual salary during the termination period. In the event of termination by the senior executive, the termination period may not exceed six months and severance compensation shall not be paid in the event of termination by the senior executive.

Deviations from the guidelines

The Board is entitled to deviate from these guidelines, wholly or in part, where special reasons so justify and a deviation is necessary to meet the Company's long-term interests, including sustainability, or to ensure the Company's financial viability. As stated above, the duties of the Remuneration Committee in preparing decisions for the Board on the issue of remuneration includes the taking of decisions regarding deviations from the guidelines.

NOTE 9 EXPENSES BROKEN DOWN BY TYPE

Group	2020	2019
Raw materials, consumables and installation services	-767,838	-780,000
Employee remuneration expenses (Note 8)	-234,818	-217,139
Amortization/depreciation and impairment (Notes 17, 18 and 19)	-37,587	-36,524
Transport expenses	-18,501	-20,889
Marketing expenses	-24,757	-13,341
Other expenses	-1,125	-12,986
Total cost for production, projects, sales and administration	-1,084,626	-1,080,879

NOTE 10 OTHER OPERATING INCOME AND OTHER OPERATING EXPENSES

Group	2020	2019
Other operating income		
Sale of raw material to subcontractors	-	1,565
Total other operating income	-	1,565
Other operating expenses		
Purchase of raw material for onward invoicing	-	-933
Total other operating expenses	-	-933

NOTE 11 FINANCIAL INCOME AND EXPENSES/INTEREST INCOME AND SIMILAR PROFIT/LOSS ITEMS AS WELL AS INTEREST EXPENSES AND SIMILAR PROFIT/ LOSS ITEM

Group	2020	2019
Financial revenue/Interest income and similar profit/loss items		
Interest income on bank balances	172	828
Financial revenue	172	828
Financial expenses/Interest expenses and similar profit/loss items		
Interest expenses and liabilities to credit institutions	-5,668	-6,653
Result from participations in associated companies	-617	-1,452
Impairment of financial fixed asset	-2,013	-1,452
Other financial expenses	-1,526	-1,406
Financial expenses	-9,824	-9,511
Total net financial items	-9,651	-8,683

Parent Company	2020	2019
Financial revenue/Interest income and similar profit/loss items		
Interest income on bank balances	595	1,325
Financial revenue	595	1,325
Financial expenses/Interest expenses and similar profit/loss items		
Interest expenses	-2,546	-1,939
Other financial expenses	-1,349	-1,406
Financial expenses	-3,895	-3,345
Total net financial items	-3,299	-2,020

Intra-Group interest income reported in the Parent Company amounts to SEK 545 thousand (2019: SEK 1,166 thousand). Corresponding interest expenses amount to SEK 46 thousand (2019: SEK 186 thousand).

NOTE 12 PARTICIPATIONS IN ASSOCIATED COMPANIES

The Group's participation in the earnings of the associated company and the Group's participation in its assets and liabilities are as follows:

Group	2020	2019
Opening cost	2,013	1,422
Purchases	-	591
Impairment	-2,013	-
Closing amortized cost	-	2,013
Opening changes in share of equity	806	2,171
Impairment of share of equity in associated companies	-617	-1,452
Exchange rate differences	-190	86
Closing changes in share of equity	-	806
Closing carrying amount	-	2,818

NOTE 13 INCOME TAX

Income tax on profit differs from the theoretical amount which would have been reached when using a weighted average tax rate for profit in the consolidated companies as follows:

Group	2020	2019
Current tax:		
Current tax on profit for the year	-39,822	-23,070
Adjustments for previous years	-409	442
Total current tax	-40,231	-22,628
Deferred tax (see Note 20):		
Occurrence and reversal of temporary differences	12,148	-6,221
Total deferred tax	12,148	-6,221
Income tax	-28,083	-28,849

Parent Company	2020	2019
Current tax:		
Current tax on profit for the year	-34,567	-928
Total current tax	-34,567	-928
Deferred tax (see Note 20):		
Income tax	-34,567	-928

Income tax on profit differs from the theoretical amount which would have been reached when using a weighted average tax rate for profit in the consolidated companies as follows:

Group	2020	2019
Profit before tax	105,728	131,675
Income tax calculated in accordance with the Parent Company's current tax rate, 21.4 percent (2019: 21.4%)	-22,626	-28,178
Tax effects of:		
-Foreign tax rates	39	36
-Non-taxable income	142	311
-Non-deductible expenses	-5,229	-1,334
-Effect of changed tax rates	-	-126
-Adjustments for previous years	-409	442
Tax expense	-28,083	-28,849
Effective tax rate, %	26.6	21.9

Parent Company	2020	2019
Profit before tax	161,610	4,325
Income tax calculated in accordance with the Parent Company's current tax rate, 21.4 percent (2019: 21.4%)	-34,585	-925
Tax effects of:		
-Non-taxable income	26	-
-Non-deductible expenses	-8	-3
Tax expense	-34,567	-928
Effective tax rate, %	21.4%	21.5%

NOTE 14 EXCHANGE RATE DIFFERENCES

Exchange rate differences are reported in the income statement as follows:

Group	2020	2019
Production and project expenses	8,006	-9,872
Total exchange rate differences in the income statement	8,006	-9,872

Where possible, the Group endeavours to achieve a balance in cash flows by matching sales and purchases in a specific currency. For cash flows that cannot be balanced, the Group engages in currency hedging with the aim of mitigating the ongoing currency risks in the operations. Currency hedging is based on currency flows in the Group's ongoing projects and other operating activities in which the non-hedged portion is reported as the exchange rate difference attributable to Production and project expenses.

NOTE 15 APPROPRIATIONS

Parent Company	2020	2019
Group contributions received	167,932	9,000
Total appropriations	167,932	9,000

NOTE 16 PARTICIPATIONS IN GROUP COMPANIES

Parent Company	31 Dec 2020	31 Dec 2019
Opening cost	389,067	389,067
Acquisitions	692,130	-
Closing carrying amount	1,081,197	389,067

Name	Company registration number	Registered office	Share of equity, %	Number of shares	31 Dec 2020	31 Dec 2019
					Carrying amount	
Balco Invest AB	556821-2301	Växjö	100	63,000,467	389,067	389,067
Balco Holding AB	556627-4964	Växjö	100	1,560,365	515,744	-
Nordiska Balco AB	556325-3847	Växjö	100	1,548,176	176,386	-
-Balco AB	556299-4482	Växjö	100			
-Balco AS	979,458,398	Norway	100			
-Balco Ltd	5,280,899	UK	100			
-Balco Balkonkonstruktionen GmbH	HRB9039	Germany	100			
-Balco Balkonsystemen B.V	57,577,978	Netherlands	100			
-Balco Altaner AS	59,222,401	Denmark	100			
-Balco Spolka. z.o.o	5,961,747,062	Poland	100			
-Kronhjorten och Lodjuret Holding AB	559018-7489	Växjö	100			
-TBO-Haglinds AB	556363-9631	Arboga	100			
-Balco Oy	2706308-7	Finland	100			
Total				66,109,008	1,081,197	389,067

NOTE 17 INTANGIBLE ASSETS

Group	Goodwill	Trademarks	Acquired order backlog	Patents	Licences	Ongoing	Total
2019 financial year							
Opening carrying amount	401,101	43,866	5,640	500	1,765	1,566	454,437
Acquisitions	-	-	-	-	21	2,072	2,093
Reclassification	-	-	-	-	349	-349	-
Exchange rate difference, cost	116	152	-	-	33	-3	298
Amortization/depreciation	-	-	-1,884	-50	-784	-	-2,718
Exchange rate difference, depreciation	-	-	-	-	-32	-	-32
Closing carrying amount	401,217	44,018	3,756	450	1,352	3,285	454,078
Per 31 December 2019							
Cost	401,217	44,018	5,640	500	7,269	3,285	461,929
Accumulated depreciation	-	-	-1,884	-50	-5,917	-	-7,851
Carrying amount	401,217	44,018	3,756	450	1,352	3,285	454,078
2020 financial year							
Opening carrying amount	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 difference, cost	-289	-348	-	-	-78	-85	-800
Amortization/depreciation	-	-	-3,756	-50	-1,224	-	-5,030
Exchange rate difference, depreciation	-	-	-	-	76	-	76
Closing carrying amount	400,928	43,670	-	400	2,924	1,497	449,420
Per 31 December 2020							
Cost	400,928	43,670	5,640	500	9,990	1,497	462,225
Accumulated depreciation	-	-	-5,640	-100	-7,066	-	-12,805
Carrying amount	400,928	43,670	-	400	2,924	1,497	449,420

Amortization expenses of SEK 5,030 thousand (2019: SEK 2,718 thousand) are included in production and project expenses.

Test for impairment of goodwill and trademarks

Senior Management assesses performance by area of operations. Renovation and New Build have been identified as the main areas of operations. Goodwill and trademarks have been monitored by Senior Management at the operating segment level since 2016. Presented below is a summary of goodwill broken down by operating segment as well as a presentation of trademarks broken down by each operating segment.

Goodwill

2019	Renovation	New Build	Group
Opening carrying amount	400,832	269	401,101
Exchange rate difference, cost	111	5	116
Closing carrying amount	400,943	274	401,217
2020	Renovation	New Build	Group
Opening carrying amount	400,943	274	401,217
Exchange rate difference, cost	-277	-12	-289
Closing carrying amount	400,666	262	400,928

Trademarks

2019	Renovation	New Build	Group
Opening carrying amount	43,363	503	43,866
Exchange rate difference, cost	145	7	152
Closing carrying amount	43,508	510	44,018
2020	Renovation	New Build	Group
Opening carrying amount	43,508	510	44,018
Exchange rate difference, cost	-332	-16	-348
Closing carrying amount	43,176	494	43,670

Recoverable amounts for a cash-generating unit (CGU) have been determined based on calculations of value in use. These calculations are based on estimated future cash flows before tax, based on financial budgets approved by Company Management and cover a five year period. Cash flows beyond the five-year period are extrapolated using an assessed rate of growth in accordance with the information below. The growth rate does not exceed the long-term growth rate in the balcony market in which the relevant CGU operates.

2019	Renovation	New Build
EBITDA margin ¹⁾	16.30%	6.90%
Annual growth rate ²⁾	7.80%	7.80%
Discount rate ³⁾		
- after tax	8.06%	8.06%
- before tax	8.57%	8.57%
Long-term growth rate ⁴⁾	2.00%	2.00%

1) Budgeted EBITDA-marginal

2) Average growth rate over the five-year forecast; based on historical results and Senior Management's assessment of market development.

3) Discount rate after tax is used when calculating the present value of estimated future cash flows.

4) Weighted average growth rate is used for extrapolating cash flows beyond the budget period.

Recoverable amounts for a cash-generating unit (CGU) have been determined based on calculations of value in use. These calculations are based on estimated future cash flows before tax, based on financial budgets approved by Company Management and cover a five year period. Cash flows beyond the five-year period are extrapolated using an assessed rate of growth in accordance with the information below. The growth rate does not exceed the long-term growth rate in the balcony market in which the relevant CGU operates. Significant assumptions used for calculation of value in use:

Sensitivity analysis Goodwill and Brands

The recovery value exceeds the reported values for goodwill by a wide margin. This also applies for assumptions that each entail:

- the discount rate after tax having been 2 percentage points higher
- the estimated growth rate for extrapolating cash flows beyond the five-year period having been 0 percent.

The most significant assumptions are profitability, sales growth and profitability development. A change in these two assumptions, individually, by 2 percentage points would not result in any impairment.

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

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-marginal

2) Average growth rate over the five-year forecast; based on historical results and Senior Management's assessment of market development.

3) Discount rate after tax is used when calculating the present value of estimated future cash flows.

4) Weighted average growth rate is used for extrapolating cash flows beyond the budget period.

NOTE 18 RIGHTS OF USE

Group	Premises	Plant and machinery	Vehicles and other equipment	Total
2019 financial year				
Effect of change in accounting principles	39,156	7,350	16,883	63,389
New contracts	5,793	-	6,165	11,958
Exchange rate difference, cost	-109	-	-125	-234
Amortization/depreciation	-10,012	-2,604	-8,501	-21,117
Exchange rate difference, depreciation	41	-	46	87
Closing carrying amount	34,869	4,746	14,468	54,083
2020 financial year				
Opening carrying amount	34,869	4,746	14,468	54,083
New contracts	3,707	-	7,647	11,354
Exchange rate difference, cost	-582	-4	-657	-1,243
Concluded contracts	-1,749	-4,302	-3,215	-9,266
Amortization/depreciation	-9,500	-1,794	-8,148	-19,442
Exchange rate difference, depreciation	289	2	300	591
Concluded contracts	1,551	3,263	1,629	6,443
Closing carrying amount	28,585	1,911	12,024	42,520

Amortization expenses of SEK 12,689 thousand (2019: SEK 14,393 thousand) are included in production and project expenses; SEK 5,738 thousand (2019: SEK 6,042 thousand) in selling expenses; and SEK 1,015 thousand (2019: SEK 682 thousand) in administration expenses.

Lease liabilities	31 Dec 2020	31 Dec 2019
Current	19,376	20,673
Non-current	26,555	35,077
Total	45,931	55,750

	2020	2019
Interest expenses with respect to leasing are included in financial expenses in the amount of	-1,687	-2,006
Expenditures attributable to short-term leases	-18,981	-16,508
Expenditures attributable to leases which are not short-term leases, where the underlying asset is of minor value	-948	-858

NOTE 19 PROPERTY, PLANT AND EQUIPMENT

Group	Buildings and land	Machinery and other plant	Equipment, tools, fixtures and fittings	Building in progress	Total
2019 financial year					
Opening carrying amount	116,004	28,200	31,510	12,577	188,291
Adjustment for amended accounting principles	-27,198	-5,194	-17,737	-	-50,130
Adjusted opening carrying amount	88,806	23,006	13,773	12,577	138,161
Exchange rate difference, cost	1,130	643	252	13	2,038
Acquisitions	3,843	530	1,509	2,834	8,716
Sales and disposals	-	-6,107	-664	-	-6,771
Reclassifications	-	12,780	978	-13,958	-200
Depreciation, reversal on sale	-	5,187	41	-	5,228
Exchange rate difference, depreciation	-28	-296	-79	-	-403
Amortization/depreciation	-2,605	-6,102	-3,977	-	-12,686
Closing carrying amount	91,146	29,639	11,833	1,466	134,084
Per 31 December 2019					
Cost	95,449	77,910	30,000	1,466	204,825
Accumulated depreciation	-4,303	-48,271	-18,167	-	-70,741
Carrying amount	91,146	29,639	11,833	1,466	134,084

Group	Buildings and land	Machinery and other plant	Equipment, tools, fixtures and fittings	Building in progress	Total
2020 financial year					
Opening carrying amount	91,146	29,639	11,833	1,466	134,084
Exchange rate difference, cost	-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	1,010	581	-	1,925
Amortization/depreciation	-2,607	-5,892	-4,616	-	-13,115
Closing carrying amount	84,685	25,515	12,587	7,008	129,795
Per 31 December 2020					
Cost	91,263	78,415	33,446	7,008	210,132
Accumulated depreciation	-6,578	-52,900	-20,859	-	-80,337
Carrying amount	84,685	25,515	12,587	7,008	129,795

Amortization expenses of SEK 10,761 thousand (2019: SEK 10,015 thousand) are included in production and project expenses; SEK 531 thousand (2019: SEK 123 thousand) in selling expenses; and SEK 1,823 thousand (2019: SEK 2,548 thousand) in administrative expenses.

NOTE 20 DEFERRED TAX

Changes in deferred tax assets and liabilities during the year, as reported in the income statement without taking into account set-offs made within the same tax law jurisdiction, are presented below:

Deferred tax assets are reported as tax-loss carryforwards to the extent it is likely they may be utilized through future taxable profits. Loss carryforwards do not lapse on any given date.

Group	31 Dec 2020	31 Dec 2019
Deferred tax expense regarding temporary differences	-4,564	-7,209
Deferred tax income regarding temporary differences	16,712	988
Total deferred tax in the income statement	12,148	-6,221

Deferred tax liabilities	Building	Trademarks/ Order backlog	Untaxed reserves	Derivative instruments	Other	Total
Per 1 January 2019	6,180	8,125	12,659	-	702	27,666
Reported in income statement	-497	-405	6,499	-	118	5,715
Through acquisition of subsidiaries	-	-	-	-	225	225
Per 31 December 2019	5,683	7,720	19,158	-	1,045	33,606
Per 1 January 2020	5,683	7,720	19,158	-	1,045	-33,606
Reported in income statement	1,524	-671	-15,756	1,793	-243	13,355
Through acquisition of subsidiaries	-	-	-1,376	-	-	-1,376
Per 31 December 2020	7,207	7,049	2,025	1,793	802	18,875

Deferred tax assets	Loss carryforwards	Derivative instruments	Leasing, etc	Total
Per 1 January 2019	1,358	307	-	1,665
Reported in income statement	-285	-307	86	-506
Reported via equity	325	-	321	646
Per 31 December 2019	1,398	-	407	1,805
Per 1 January 2020	1,398	-	407	1,805
Reported in income statement	-1,247	-	40	-1,207
Per 31 December 2020	151	-	447	598

NOTE 21 INVENTORIES

The item 'production and project expenses' includes inventory expenses amounting to 40,629 SEK (2019: SEK 37,054 thousand). Other income statement items include inventory expenses of SEK 0 thousand (2019: SEK 0 thousand). During the period, impairment of SEK 2,882 thousand (2019: SEK 573 thousand) was recognized in Group inventories.

Group	31 Dec 2020	31 Dec 2019
Raw materials and consumables	25,626	25,997
Total	25,626	25,997

NOTE 22 FINANCIAL INSTRUMENTS BY CATEGORY

Balance sheet assets	Fair value via profit/loss	Amortized cost	Fair value via other comprehensive income	Total
31 December 2020				
Other non-current receivables	-	69	-	69
Accounts receivable	-	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

Balance sheet assets	Fair value via profit/loss	Amortized cost	Fair value via other comprehensive income	Total
31 December 2019				
Other investments held as fixed assets	-	-	20	20
Accounts receivable	-	135,536	-	135,536
Derivative instruments	3,422	-	-	3,422
Cash and cash equivalents	-	119,426	-	119,426
Total	3,422	254,963	20	258,405

Balance sheet liabilities	Fair value via profit/ loss	Amortized cost	Total
31 December 2020			
Liabilities to credit, institutions	-	259,353	259,353
Accounts payable	-	112,186	112,186
Derivative instruments	174	-	174
Total	174	371,539	371,713

Balance sheet liabilities	Fair value via profit/ loss	Amortized cost	Total
31 December 2019			
Liabilities to credit, institutions -	-	281,346	281,346
Supplemental purchase price	-	18,800	18,800
Accounts payable	-	122,625	122,625
Balance sheet liabilities	3,022	-	3,022
31 December 2019	3,022	422,771	425,793

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

Futures contracts

On 31 December 2020, the nominal amount of outstanding futures contracts was SEK 115,313 thousand (2019: SEK 281,672 thousand). Currency futures which are not matched by the ongoing currency exposure from projects and other operations are reported as exchange rate gains or losses attributable to Production and project expenses.

Hedge accounting is not applied; see also Note 4.

NOTE 23 ACCOUNTS RECEIVABLE

On 31 December 2020, satisfactory accounts receivable amounted to SEK 175,330 thousand (2019: SEK 135,536 thousand).

On 31 December 2020, accounts receivable amounting to SEK 55,069 thousand (2019: SEK 29,019 thousand) had fallen due, but without there being deemed any need for impairment.

The age analysis of the above accounts receivable is as follows:

Past-due accounts receivable include both accounts receivable related to projects in progress, as well as those related to completed projects. Delayed payments may relate to the project's final inspection, and thus accounts receivable may vary over time. The Group also employs credit insurance and other forms of security from customers to reduce the risk in accounts receivable.

Group	31 Dec 2020	31 Dec 2019
Accounts receivable	178,778	136,398
Less: provision for bad debts	-3,448	-862
Accounts payable, net	175,330	135,536

The age analysis of the above accounts receivable is as follows:

	31 Dec 2020	31 Dec 2019
1-30 days	31,596	19,509
31-60 days	17,021	1,811
>61 days	6,452	7,699
Total past-due accounts receivable	55,069	29,019

Changes in provisions for doubtful accounts receivable are as follows:

	31 Dec 2020	31 Dec 2019
Per 1 January	-862	-786
Provision for bad debts	-3,448	-280
Receivables written off during the year as non-collectable	48	-
Reversed non-utilized amount	814	204
Per 31 December	-3,448	-862

Provisions and reversals of reserves for doubtful accounts receivable are included in the item 'production and project expenses' in the income statement.

NOTE 24 CONTRACTUAL ASSETS AND CONTRACTUAL LIABILITIES

Group	Accumulated engagement expenses	Less invoiced amounts	Completion expenses	Net amount in balance sheet for ongoing engagements
Per 1 January 2019	1,255,509	-1,205,293	21,002	71,218
Agreements added during the year	609,897	-562,063	27,239	75,073
Agreements concluded during the year	-401,175	389,237	-26,528	-38,466
Per 1 December	1,464,231	-1,378,119	21,713	107,825
Per 1 January 2020	1,464,231	-1,378,119	21,713	107,825
Agreements added during the year	723,218	-767,363	15,896	-28,249
Agreements concluded during the year	-627,496	620,330	-24,279	-31,445
Per 1 December	1,559,953	-1,525,152	13,330	48,131

On 31 December 2020, an order backlog of SEK 1086.6 million remained outstanding. An average project time is 3-12 months from the customer having been granted planning permission. The time until the customer receives planning permission varies for each project.

The contract assets amounted to SEK 13,0290 thousand (2019: 149,235 thousand) and the contractual liabilities amounted to SEK 82,159 thousand (2019: SEK 41,410 thousand), resulting in a net amount of SEK 48,131 thousand (2019: SEK 107,825 thousand).

Amounts withheld by the customer amounted to SEK 0 thousand (2019: 0 thousand).

NOTE 25 OTHER RECEIVABLES

Group	31 Dec 2020	31 Dec 2019
VAT claims	-286	5,143
VAT deposit	2,234	2,214
Tax account	7,248	1,294
Other	3,235	1,351
Total	12,430	10,002

NOTE 27 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist entirely of bank balances

The Group applies a cash pool solution in order primarily to manage variations in payment flows within the Group. The Parent Company is the sole party to the contract with the bank.

NOTE 28 SHARE CAPITAL

The share capital comprises 21,909,348 shares.

Each share entitles the holder to one vote. The quotient value is SEK 6.0002. All shares issued by Balco Group AB are paid up in full.

NOTE 26 PREPAID EXPENSES AND ACCRUED INCOME

Group	31 Dec 2020	31 Dec 2019
Prepaid invoices	4,225	8,564
Deposit for premises	653	853
Other	9,956	2,124
Total	14,835	11,541

Parent Company	31 Dec 2020	31 Dec 2019
Prepaid invoices	391	652
Total	391	652

NOTE 29 BORROWING

Liabilities to credit institutions fall due within 1-8 years.

Liabilities to credit, institutions

The Group's borrowings are in SEK and PLN and consist of loans from Danske Bank. The maturity dates of the loans are stated in Note 4. Interest on the loans is set based on an applied margin on changes in STIBOR 90 and WIBOR 90 for fixed terms of three months, in accordance with applicable bank agreements.

The fair value of borrowings corresponds to their reported value since the discounting effect is insignificant.

Credit facility

Overdraft credit is available in Swedish kronor.

Unutilized overdraft facilities amount to SEK 65,000 thousand (2019: SEK 65,000 thousand).

In addition, the Group has at its disposal a separate credit facility for acquisitions amounting to SEK 100,000 thousand (2019: SEK 100,000 thousand).

Lease liabilities

Lease liabilities are effectively secured since entitlement to the leased asset reverts to the lessor in the event of non-payment.

Covenants

In 2020, the Group met all of its obligations to the bank under applicable covenants. Two covenants, measured and reported quarterly, apply:

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

Group	31 Dec 2020	31 Dec 2019
Non-current		
Liabilities to credit, institutions	203,042	215,216
Lease liabilities	26,555	35,077
Total non-current borrowing	229,597	250,293
Current		
Liabilities to credit, institutions	10,380	10,380
Lease liabilities	19,376	20,673
Total current borrowing	29,756	31,053
Total borrowing	259,353	281,346

Parent Company	31 Dec 2020	31 Dec 2019
Non-current		
liabilities to credit, institutions	180,000	110,000
Total non-current borrowing	180,000	110,000
Current		
liabilities to credit, institutions	10,000	10,000
Total current borrowing	10,000	10,000
Total borrowing	190,000	120,000

Liabilities to credit institutions fall due within 1-8 years.

Borrowing from credit institutions	Carrying amount 31 Dec 2020	Maturity date
Danske bank	225,216	14 Sep 2022
AGCO Finance	380	30 Jun 2027
Total borrowing from credit institutions	225,596	

The fair value of borrowings corresponds to their reported value since the discounting effect is insignificant.

NOTE 30 OTHER LIABILITIES

Group	31 Dec 2020	31 Dec 2019
Personnel taxes	6,225	3,555
VAT liability	24,652	14,550
Other	3,711	2,580
Total	34,588	20,685

Parent Company	31 Dec 2020	31 Dec 2019
Personnel taxes	200	208
VAT liability	372	637
Total	572	845

NOTE 31 ACCRUED EXPENSES AND DEFERRED INCOME

Group	31 Dec 2020	31 Dec 2019
Personnel liabilities	46,666	41,260
Project-related provisions	7,549	2,298
Warranty provision	5,160	5,302
Other	22,761	5,450
Total	82,136	54,309

Parent Company	31 Dec 2020	31 Dec 2019
Personnel liabilities	3,806	2,975
Accrued interest	455	570
Other	1,032	166
Total	5,293	3,711

NOTE 32 PLEDGED ASSETS

Group	31 Dec 2020	31 Dec 2019
For own and Group companies' liabilities and provisions		
Property mortgages	9,085	9,085
Corporate mortgages	15,700	15,700
Assets with retention of title	380	380
Total	25,165	25,165

Parent Company	31 Dec 2020	31 Dec 2019
For Group companies' liabilities and provisions		
Participations in subsidiaries	-	-
Total	-	-

NOTE 33 CONTINGENT LIABILITIES

Guarantee commitments in the Group have been provided regarding the leasing obligations of Balco Sp. z o.o. In connection with building projects, security is often provided in the form of guarantees from banks, insurance institutions or Parent Company. For Balco Group AB, SEK 226 million (2019: SEK 0 million) and for Balco Holding AB, SEK 0 million (2019: SEK 201 million) pertains to various guarantees in respect of contracting undertakings entered into by subsidiaries.

NOTE 34 LEASES**Operational leasing**

Future minimum leasing fees under non-terminable operational leasing agreements, in force at the end of the reporting period, fall due as follows:

Parent Company	31 Dec 2020	31 Dec 2019
Within one year	346	398
After more than one year but within five years	192	330
Total	539	728

Operational leasing expenses in the Parent Company during the financial year amounted to SEK 496 thousand (2019: SEK 128 thousand)

NOTE 35 EARNINGS PER SHARE

Earnings per share are calculated by dividing the earnings attributable to Parent Company shareholders by a weighted average number of outstanding ordinary shares during the period.

	2020	2019
Earnings for the period attributable to Parent Company shareholders	72,664	102,996
Earnings for the period after income paid on preference shares	72,664	102,996
Weighted average number of outstanding ordinary shares (thousands)	21,695	21,477
Earnings per ordinary share, SEK, before dilution	3.58	4.79
Earnings per ordinary share, SEK, after dilution	3.51	4.69

NOTE 36 EMPLOYEE BENEFITS AFTER CONCLUSION OF EMPLOYMENT

For white-collar employees in Sweden, the ITP 2 plan's defined-benefit pension commitments for retirement and survivor pension are secured through a policy with Alecta. According to an opinion issued by the Swedish Financial Reporting Board, UFR 10, Reporting of the ITP 2 pension plans financed through insurance with Alecta, this is a defined-benefit plan covering multiple employers. For the 2019 and 2020 financial years, the Company has not had access to information to allow it to report its proportionate share of the plan's obligations, management assets and expenses, and accordingly it is not possible to report the plan as a defined-benefit plan. The ITP 2 pension plan, which is secured through a policy with Alecta, is therefore reported as a defined-contribution plan. The premium for the defined-benefit retirement and survivor pension policies are calculated individually and depend, among other things, on salary, previously earned pension and anticipated outstanding period of employment. Anticipated fees for the next reporting period in respect of ITP 2 policies purchased with Alecta amounted to SEK 14,443 thousand (2019: SEK 12,008 thousand).

The collective funding level comprises the market value of Alecta's assets as a percentage of insurance commitments, calculated in accordance with Alecta's insurance-technical methods and assumptions, which do not conform to IAS 19. The collective funding level shall normally vary between 125 and 155 percent. In the event Alecta's consolidated funding level is less than 125 percent or exceeds 155 percent, measures are taken with the aim of creating conditions to restore the funding level to the normal range. In the case of low funding, one measure may be to increase the agreed price for new policies and expansion of existing benefits. In the event of high funding, one measure may be to introduce premium reductions. At the end of 2020, Alecta's surplus in the form of the collective funding level amounted to 148 percent (2019: 148 percent).

Other than the above-mentioned pension plans, the Group only has defined-contribution pension plans.

The amounts reported in the income statement are as follows:

Group	2020	2019
Reporting in the income statement regarding:		
Expenses for defined-contribution pension plans	15,284	12,707
Income statement	15,284	12,707

NOTE 37 RELATED-PARTY TRANSACTIONS

Related parties comprise all subsidiaries within the Group, associated companies as well as senior executives of the Group and related parties.

The following related-party transactions have taken place:

Sales of goods and services	2020	2019
- Associated company		
MIB-Polska Spolka Zo.o.	100	868
Total	100	868

Purchases of goods and services	2020	2019
Purchases of services:		
- MIB-Polska Spolka Zo.o.	366	2,321
- Other related parties (goods and services)	77	11
Total	443	2,332

Parent Company	2020	2019
The year's intra-Group purchases and sales are stated below		
Sales	20,000	14,812

NOTE 38 EVENTS AFTER THE CLOSING DATE

On 10 February 2021, Balco acquired Stora Fasad AB, with sales of SEK 30 million in 2020 and an operating profit of SEK 5 million. The acquisition adds expertise in the facade area and will strengthen the Group's offer for turnkey contracts for both balcony and facade renovation.

On 8 April 2021, Balco acquired RK Teknik AB with subsidiaries, with sales of SEK 115 million in 2020 and an operating profit of SEK 10 million. The acquisition will broaden the Balco Group's product range and customer offering.

Covid-19 has mainly affected order intake in 2020, meaning that the Group has reduced staffing during the first half of the year and has temporarily placed staff on furlough, commencing in January 2021

NOTE 39 APPROPRIATION OF PROFIT AND SIGNATURES

The Board of Directors proposes that the Group's income statements and balance sheets be presented to the Annual General Meeting on 25 June 2021 for adoption.

At the disposal of the Annual General Meeting (SEK):

Share premium reserve	403,169,000
Retained earnings	-247,472,876
Profit for the year	127,042,778
Total	282,738,902

The Board of Directors proposes that the profit be appropriated as follows:

Carried forward	282,738,902
Total	282,738,902

The Board and the CEO provide an assurance that the consolidated financial statements and Annual Report have been prepared in accordance with International Financial Reporting Standards, IFRS, as adopted by the EU, and in accordance with generally accepted accounting principles, and provide a true and fair impression of the financial position and earnings of the Group and the Parent Company, and that the administration report provides a true and fair overview of the operations, financial position and earnings of the Group and Parent Company, and describes significant risks and uncertainty factors facing the Parent Company and companies included in the Group.

Växjö, 14 April 2021

Tomas Johansson
Chairman of the Board

Ingalill Berglund
Board Member

Carl-Mikael Lindholm
Board Member

Mikael Andersson
Board Member

Vibecke Hverven
Board Member

Johannes Nyberg
Board Member

Kenneth Lundahl
CEO

Our auditor's report was presented on the day stated in our electronic signature
Öhrlings PricewaterhouseCoopers AB

Martin Odqvist

Ulf Carlström

Authorized Public Accountant
Auditor-in-charge

Authorized Public Accountant

Auditor's report

To the General Meeting of Balco Group AB, reg. no. 556821-2319
Report on the Annual Report and the consolidated accounts

OPINIONS

We have audited the annual and consolidated accounts of Balco Group AB for 2020, with the exception of the corporate governance report on pages 56-65. The Company's annual and consolidated accounts are included on pages 42-100 of 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 the Parent Company as of 31 December 2020 and its financial performance and cash flow for the year 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 2020 and its financial performance and cash flow for the year in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not include the corporate governance report on pages 56-65. The administration report is consistent with the other parts of the Annual Report and consolidated accounts.

We therefore recommend that the Annual General Meeting approve 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 statements in this report on the annual and consolidated accounts are consistent with the content of the supplementary report that has been submitted to the Parent Company's Audit Committee in accordance with Article 11 of the Auditors' Ordinance (537/2014).

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, to the best of our knowledge and belief, no prohibited services referred to in the Statutory 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 WORK

Focus and scope of the audit

We have structured our audit by determining materiality and assessing the risk of material misstatements in the consolidated accounts. In particular, we considered areas in which the CEO and the Board of Directors have made subjective judgements, for example significant accounting estimates that involved making assumptions and forecasts of future events, which are inherently uncertain. As with all audits, we have also taken into account the risk of the Board and the President violating internal control, and among other things considered whether there is evidence of systematic deviations that have given rise to a risk of significant errors as a result of irregularities.

We adapted our audit to perform an appropriate audit to be able to express an opinion on the financial statements as a whole, taking into account the Group's structure, accounting processes and controls and the industry in which the Group operates.

Balco Group has 13 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. Most of the Group's operations are conducted in Sweden and Denmark, while operations in entities in other countries is less extensive. We have focused our audit work on the countries with the largest operations, while operations in other countries have, for the purposes of a Group audit, been reviewed to a lesser extent than a full audit.

Materiality

The scope and direction of the audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from any material misstatements. Errors can occur as a result of irregularities or mistakes. They are considered material if, individually or together, they can reasonably be expected to influence the financial decisions that users make on the basis of the financial statements.

Based on professional judgement, we determined certain quantitative materiality figures, including for the financial reporting as a whole. These, together with qualitative considerations, helped us determine the scope of the audit and the nature, timing and extent of our audit procedures. Quantitative thresholds of materiality are also used to evaluate the effect of any misstatement, both individually and in aggregate, on the financial statements as a whole.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of greater significance in our audit of the annual accounts and consolidated accounts for the relevant period. These matters were addressed in the context of our audit of, and informing 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 matter	How our audit addressed the key audit matter
<p>Net sales and percentage of completion</p> <p>On page 79 of the annual accounts and under the heading "Contractual assets", Balco Group describes the revenue recognition accounting principles which the Group applies. Under the principle, anticipated results from projects are reported regularly based on a current calculation and workup level (percentage of completion). Of the Group's net sales in 2020, totalling SEK 1,200 million, the absolute majority has been reported in accordance with the principle of successive profit recognition.</p> <p>Balco Group describes this in Note 5 and the section Revenue recognition on page 83.</p> <p>The accounting principle means that the reported income and profit margin are partly based on assessments and estimates of future outcomes, which by their nature have an inherent uncertainty.</p>	<p>We have tested a selection of the controls Balco has in the revenue recognition process to assess the controls' design and in some cases their effectiveness.</p> <p>We have tested that the Company has applied its accounting principles consistently with previous years and that the principles are in accordance with IFRS.</p> <p>We tested incurred expenses reported in a selection of projects to ensure that it is correct that the expenses are included as project expenses in accordance with the Company's principles.</p> <p>Based on the calculations prepared for each project and which are then updated regularly based on actual results, we assessed, for a selection of ongoing projects, whether the Company used its best assessment of final profit margin, as a basis for profit recognition.</p> <p>For a selection of ongoing projects, we compared forecasted total expenses with contracted revenues to identify whether there were so-called loss projects for which provisions would thus be made. During this review, we also checked the outcome of projects completed during the year to assess the reliability of the Company's own processes.</p> <p>Finally, we have checked that the information provided in this Annual Report is consistent with the opinion we acquired during the audit.</p>

INFORMATION OTHER THAN THE ANNUAL ACCOUNTS AND CONSOLIDATED FINANCIAL STATEMENTS

This document also contains information other than the annual accounts and consolidated accounts, set forth on pages 1–41 and 104–108. 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 CEO are responsible for this other information.

Our statement regarding the annual accounts and consolidated accounts does not include this information and we do not make a statement with confirmation regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, it is our responsibility to read the information identified above and consider whether the information is materially incompatible with the annual and consolidated accounts. In this review, we also take into account the knowledge we otherwise acquired during the audit and assess whether the information otherwise appears to contain significant inaccuracies.

If, based on the work that has been done regarding this information, we conclude that the other information contains a material error, we are obliged to report this. We have nothing to report in this regard.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND CEO

The Board of Directors and the CEO are responsible for the preparation and fair presentation of the annual and consolidated accounts in accordance with the Annual Accounts Act and, with respect to the consolidated accounts, in accordance with IFRS as adopted by the EU, and the Annual Accounts Act. The Board of Directors and the CEO are also responsible for such internal controls as they deem necessary to enable preparation of annual and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual and consolidated accounts, the Board of Directors and CEO are responsible for assessment of the Company and the Group's ability to continue as a going concern. They disclose, where appropriate, matters related to going concerns and apply the going concern basis of accounting. They disclose, where applicable, conditions that may affect the ability to continue operations and to use the assumption of continued operations. However, the assumption of continued operations is not applied if the Board of Directors and the President intend to liquidate the Company, cease operations or have no realistic alternative to doing any of these.

The Board's audit committee shall, without affecting the Board's responsibilities and tasks in general, monitor the Company's financial reporting.

THE AUDITOR'S RESPONSIBILITY

Our objectives are to achieve reasonable assurance as to whether the annual and consolidated accounts as a whole are free of any material misstatements, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance constitutes a high level of assurance but is not a guarantee that an audit conducted in accordance with ISA and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise due to 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 and consolidated accounts.

A further description of our responsibility for the audit of the annual and consolidated accounts is available on the website of the Swedish Inspectorate of Auditors. www.revisorsinspektionen.se/revisornsansvar. This description constitutes a part of the auditor's report.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

OPINIONS

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of Balco Group AB for 2020 by the Board of Directors and the CEO, as well as proposed appropriations of the Company's profit or loss.

We recommend to the General Meeting that the profit be appropriated in accordance with the proposal in the administration report and that the Board Members and the CEO be granted discharge from liability for the financial year.

BASIS FOR OPINIONS

We have 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 CEO

The Board of Directors is responsible for the proposal for appropriations of the Company's profit or loss. A proposed dividend includes, among other things, an assessment of whether the dividend is justified considering the requirements which the nature, scope and risks associated with the operations of the Company and the Group impose with respect to the size of the Parent Company and the Group's equity, need to strengthen the balance sheet, liquidity, and financial position in general.

The Board of Directors is responsible for the Company's organization and administration of the Company's affairs. This includes, among other things, continuous assessment of the financial circumstances of the Company and the Group, and ensuring that the Company's organization is structured so that the accounting, funds administration and the Company's financial affairs are otherwise controlled in a reassuring manner. The CEO shall attend to the ongoing administration in accordance with guidelines and instructions issued by the Board of Directors and otherwise take such measures as are necessary to ensure that the Company's accounts are maintained in accordance with law and that funds administration is managed in a reassuring manner.

THE AUDITOR'S RESPONSIBILITY

Our goal regarding the audit of the administration, and thus our statement on discharge from liability, is to obtain audit evidence to be able to assess with a reasonable degree of certainty whether any Board Member or the CEO in any significant respect:

- has taken any action or has committed any negligence that may give rise to a liability for damages against the Company
- in any other way acted in violation of the Swedish Companies Act, the Annual Accounts Act or the Articles of Association.

Our goal regarding the revision of the proposal for dispositions of the Company's profit or loss, and thus our statement on this, is to assess with a reasonable degree of certainty whether the proposal is compatible with the Swedish Companies Act.

Reasonable assurance is a high degree of assurance, but no guarantee that an audit performed in accordance with good auditing practice in Sweden will always detect measures or omissions that may give rise to liability for damages against the Company, or that a proposal for dispositions of the Company's profit or loss is not compatible with the Swedish Companies Act.

A further description of our responsibility for the audit of the administration of the Company is available on the website of the Swedish Inspectorate of Auditors. www.revisorsinspektionen.se/revisornsansvar. This description constitutes a part of the auditor's report.

THE AUDITOR'S REVIEW OF THE CORPORATE GOVERNANCE REPORT

The Board of Directors is responsible for the corporate governance report on pages 56-65 and for ensuring that it is prepared in accordance with the Annual Accounts Act.

Our review has taken place in accordance with FAR's statement RevU 16 Auditor's review of the corporate governance report. This means that our review of the corporate governance report has a different focus, and is considerably less extensive, than the focus and extent of an audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We consider that this review provides us with a sufficient basis for our opinion.

A corporate governance report has been prepared. Information in accordance with Chapter 6, Section 6, second paragraph, items 2-6 of the Annual Accounts Act and Chapter 7, Section 31, second paragraph, of the same Act is compatible with the other parts of the Annual Accounts and the consolidated accounts and is in accordance with the Annual Accounts Act.

Öhrlings PricewaterhouseCoopers AB, Torsgatan 21, 113 97 Stockholm, was appointed Balco Group AB's auditor by the Annual General Meeting on 17 June 2020 and has been the Company's auditor since 25 October 2010.

Jönköping on the day stated in our electronic signature

Öhrlings PricewaterhouseCoopers AB

Martin Odqvist
Authorized Public Accountant
Auditor-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 Parent Company shareholders. The average is calculated as the average of the opening balance and closing balance for the respective period.	The measurement shows the return generated on 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 closing balance for the respective period.	The measurement shows the return generated on capital employed and is used by Balco to monitor the profitability of the operations since the measurement 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 closing balance for the respective period.	Balco believes that return on capital employed excluding goodwill, together with return on capital employed, shows a comprehensive view of Balco's capital efficiency.
Gross profit	Net sales less production and project expenses.	Shows the efficiency of Balco's operations and, together with EBIT, provides a comprehensive view of ongoing profit generation and cost structure.
Gross margin	Gross profit as a percentage of net sales.	A key ratio used to analyze efficiency and value creation.
EBITDA	Profit before interest, taxes, depreciation and amortization.	Balco believes EBITDA to be a useful measurement to show profit generated in the ongoing operations and a good measurement of cash flow from ongoing activities.
External interest-bearing net debt	Interest-bearing net debt excluding shareholder loans. For a reconciliation of net debt.	Balco believes external net debt to be a useful measure to show the Company's total external loan financing.
External interest-bearing net debt in relation to adjusted EBITDA	Interest-bearing net debt as a percentage of adjusted EBITDA.	Balco believes that this measurement is helpful for showing financial risk and that it is a useful measurement for monitoring the Company's indebtedness.
Adjusted EBITDA	EBITDA adjusted for non-recurring items. For a reconciliation of Adjusted EBITDA against profit for the period.	Balco believes that EBITDA is a useful measurement for showing the profit generated in the ongoing operations adjusted for non-recurring items and mainly uses adjusted EBITDA when 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 measurement for showing the profit generated in the ongoing operations.
Adjusted operating margin (EBIT)	Adjusted operating profit (EBIT) as a percentage of net sales.	Balco believes that adjusted operating margin (EBIT) is a useful measurement for showing profit generated in the ongoing operations after adjustment for nonrecurring items.
Adjusted operating profit (EBIT)	Operating profit (EBIT) adjusted for non-recurring items. For a reconciliation of adjusted operating profit (EBIT) against profit for the period.	Balco believes that adjusted operating profit (EBIT) is a useful measurement for showing the profit generated in the ongoing operations and primarily uses the measurement to calculate return on capital employed (see above).
Items affecting comparability	Items affecting comparability are special significant items that are reported separately due to their size or frequency, e.g. restructuring expenses, impairment, divestments and acquisition expenses.	Balco believes that adjustments for items affecting comparability improve the possibility of comparison over time by excluding items of irregular frequency or size. This is to give a more accurate picture of the underlying operating profit.
Operating cash conversion	Operating cash flow divided by adjusted EBITDA.	Balco believes this is a good measure for comparing cash flow with operating profit.
Operating cash flow	Adjusted EBITDA increased/decreased by changes in working capital and reduced by investments, excluding expansion investments.	Balco uses operating cash flow to monitor the development of the operations.
Interest-bearing net debt	Total shareholder loans, non-current and current interest-bearing, liabilities. For a reconciliation of net debt.	Balco believes that net debt is a useful measurement for showing the Group's total loan financing.
Working capital	Current assets, excluding cash and equivalents and current tax assets, reduced by interest-free current liabilities, excluding current tax liabilities.	This measurement shows how much working capital is tied up in the operations and can be compared with sales to understand how efficiently 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 measurement for monitoring the creation of value in the operations.
Operating profit (EBIT)	Profit before interest and tax.	Balco believes that operating profit (EBIT) is a useful measurement for showing the profit generated in the ongoing operations.
Equity ratio	Equity divided by total assets.	Balco believes that equity ratio is a useful measure for the Company's survival as a going concern.
Capital employed	Equity increased by interest-bearing net debt (external interest-bearing net debt plus shareholder loans.)	Capital employed is used by Balco as a measurement of the Group's overarching capital efficiency.
Capital employed excluding goodwill	Capital employed minus goodwill.	Capital employed excluding goodwill is used by Balco, together with capital employed, as a measurement of the Company's capital efficiency.

Reconciliation against financial statements in accordance with IFRS

Amounts in SEK million	2020	2019
Adjusted operating profit		
Operating profit	115.4	140.4
Impairment and risk allocation regarding projects	15.2	-
Impairment of other current assets	4.2	-
Adjusted operating profit	134.8	140.4
Adjusted EBITDA		
Adjusted operating profit	134.8	140.4
Amortization/depreciation	37.6	36.5
Adjusted EBITDA	172.4	176.9
Operating cash flow		
Adjusted EBITDA	172.4	176.9
Change in working capital	38.9	-37.7
Investments, excluding expansion investments	-14.8	-5.3
Operating cash flow	196.5	133.9
External interest-bearing net debt		
External non-current interest-bearing liabilities	229.6	250.7
Current interest-bearing liabilities	29.7	30.7
Cash and cash equivalents	-214.1	-119.4
Interest-bearing net debt	45.2	161.9
Adjusted EBITDA, (R12)	172.4	176.9
Interest-bearing net debt/EBITDA 12 months, times	0.3	0.9
Return on capital employed, %		
Equity	598.6	514.5
External interest-bearing net debt	45.2	161.9
Average capital employed	660.1	655.8
Adjusted operating profit (EBIT)	134.8	140.4
Return on capital employed, % (R12)	20.4%	21.4%
Equity ratio		
Equity attributable to Parent Company shareholders	598.6	514.5
Balance sheet total	1,223	1,105.9
Equity ratio, %	48.9%	46.5%





The largest supplier of glazed and open balconies in northern Europe

Balco is the market leader in an industry in which we develop, manufacture, sell and are responsible for the installation of open and glazed balcony systems manufactured in house. Our balcony systems are used in new production, renovation and upgrading of balconies. Our broad customer segment includes tenant-owner housing associations, municipal housing companies, private property owners, architects and developers. The head office with its own production unit is located in Växjö, in the southern Swedish province of Småland, and we have subsidiaries in Norway, Denmark, Finland, the UK, Germany, Poland and the Netherlands.

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