INVITATION TO ACQUIRE SHARES IN BALCO GROUP AB

IMPORTANT INFORMATION TO INVESTORS

This prospectus (the "**Prospectus**") has been prepared as a consequence of the offering to the general public in Sweden and to institutional investors in Sweden and abroad of shares in Balco Group AB, a Swedish public limited company, and the admission of the shares in the Company (the "**Offering**") to trading on Nasdaq Stockholm AB ("**Nasdaq Stockholm**"). In this Prospectus, "**Balco**", "**the Company**" or "**the Group**" means Balco Group AB, or Balco Group AB and its subsidiaries. The "**Principal Owner**" or "**Segulah**" means Segulah IV, L.P., through its general partner Segulah IV GP ILP, through its general partner Segulah Management IV Limited; "**Carnegie**" or "**Global Coordinator**" means Carnegie Investment Bank AB; and "**Joint Bookrunners**" means Carnegie and Danske Bank A/S, Danmark, Sverige Filial ("**Danske Bank**"). See the section "*Definitions*" for definitions of these and other terms used in this Prospectus.

The figures used in this Prospectus have, in certain cases, been rounded off and therefore do not necessarily sum up the tables in the Prospectus. Unless otherwise stated, all financial figures are in Swedish kronor ("**SEK**") and "**MSEK**" indicates SEK millions.

THE STRUCTURE OF THE OFFERING

The Offering comprises: (a) a public offering to institutional and private investors in Sweden and (b) a directed offering to institutional investors outside the United States of America. Offerings and sales outside the United States are conducted in accordance with the provisions of the US Securities Acts as included in Regulation S ("**Regulation S**"). The Offering is not directed to the general public in any country other than Sweden, nor is it directed to individuals whose participation requires any further prospectus, registration or measures in addition to such as prescribed by Swedish law. No measures have been or will be taken in jurisdictions other than Sweden to allow offerings of shares to the general public or to allow possession and distribution of this Prospectus or other documents relating to the Company or shares in such jurisdiction. Applications to acquire shares that violate such rules may be deemed invalid. The Company and Joint Bookrunners require that persons who obtain the Prospectus acquaint themselves and comply with these restrictions. Neither the Company, Joint Bookrunners nor Segulah assume any legal liability in the event that any person violates such restrictions, irrespective of whether or not a potential investor is involved. The shares covered by the Offering have not been recommended by any federal or state securities commission or supervisory authority in the United States. Such authorities have also not confirmed that the content of this Prospectus is correct and have not established that the information is sufficient. Any allegation to the contrary constitutes an offence in the United States. The shares covered by the Offering have not been registered in accordance with the Securities Act or at any supervisory authority for securities in any of the states of the Unites States, and also will not be registered with them. In the United States, this Prospectus is provided on a confidential basis and solely with the aim of allowing a potential investor to consider whether they wish to purchase the securities described in the Prospectus. The information in the Prospectus has been provided by the Company and other sources identified in the Prospectus. It is not permitted to distribute the Prospectus to any person other than a person who is invited to purchase shares in accordance with specifications provided by the Joint Bookrunners or their representatives, and to any persons who have been requested to provide advice to the person invited to purchase shares in connection with the Offering. Disclosure of the content of the Prospectus without the Company's prior written consent is prohibited. Reproduction or distribution of all or parts of the Prospectus in the United States, and disclosure of its content to any third party, is prohibited. The Prospectus is intended for each individual person who is invited to purchase shares and does not constitute an offering to any other person or to the general public in the United States to purchase the shares that are the subject of the Offering.

This Prospectus has been approved and registered by the Swedish Financial Supervisory Authority pursuant to the provisions of Chapter 2, Sections 25 and 26 of the Financial Instruments Trading Act (1991:980), which implements Directive 2003/71/EC of the European Parliament and the Council (the "**Prospectus Directive**"). Approval and registration by the Swedish Financial Supervisory Authority does not mean that the Financial Supervisory Authority warrants that the information in the Prospectus is correct or complete. In connection with the Offering, the Company has also prepared an English-language version of this Prospectus. In the event of any discrepancy between the two language versions, the wording of the Swedish language version of the Prospectus shall prevail. The Offering and this Prospectus are governed by Swedish law. Any dispute as a consequence of the Offering or this Prospectus shall be determined exclusively by Swedish courts of law, whereupon the Stockholm District Court shall constitute the first instance.

STABILISATION

In connection with the Offering and the listing on Nasdaq Stockholm, in its capacity as stabilisation manager Carnegie may perform transactions which stabilise, maintain or otherwise affect the price of the shares with the aim of maintaining the market price of the shares on a level which is higher than might otherwise have prevailed on the market. Such stabilisation transactions may be carried out at any time whatsoever during the period commencing the first day of trading in the shares on Nasdaq Stockholm and shall be concluded not later than 30 calendar days thereafter. However, Carnegie is under no obligation to perform any stabilisation measures and no warranty is provided that stabilisation will be carried out.

Furthermore, stabilisation, if commenced, may be discontinued at any time whatsoever without prior warning. Under no circumstances will transactions be carried out at a price which exceeds the price established in the Offering. In accordance with article 5(4) of the EU's Market Abuse Regulation 596/2014, Carnegie shall announce that stabilisation measures have been carried out not later than at the end of the seventh trading day after the stabilisation transactions have been carried out. Within one week of expiry of the stabilisation period (30 calendar days), Carnegie will publicly announce whether or not stabilisation measures were carried out, the date on which the stabilisation commenced, the last date on which stabilisation was carried out, as well as the spread within which stabilisation was carried out for each of the dates on which stabilisation transactions were performed.

FORWARD-LOOKING STATEMENTS

This Prospectus contains certain forward-looking statements and opinions. Forward-looking statements comprise all statements that are not based on historical facts and events and such statements and opinions as relate to the future and which, for example, contain phrases such as "believe", "estimate", "anticipate", "await", "assume", "presuppose", "intend", "can", "will", "shall", "should", "according to estimation", "is of the opinion", "may", "plans", "potential", "calculates", "forecasts", "as far as is known", or other similar phrases that are intended to identify a statement as forward-looking. The foregoing applies particularly to statements and opinions in this Prospectus that relate to future financial results, plans and expectations as regards the Company's business and management, future growth and profitability and general financial and regulatory conditions, as well as other circumstances that affect the Company.

Forward-looking statements are based on current estimates and assumptions, which have been made in accordance with facts known to the Company. Such forward-looking statements are subject to risks, uncertainties and other factors and consequently the actual results, including the Company's cash flow, financial position and earnings, may differ materially from the results which expressly or indirectly constitute the basis for, or are described in, the statements, or have the consequence that the expectations which expressly or indirectly constitute the basis for, or are described in, the statements, are not realised or prove to be less advantageous compared with the results that expressly or indirectly constitute the basis for, or are described in, the statements. Accordingly, potential investors should not attach unwarranted importance to the forward-looking statements herein, and potential investors are strongly encouraged to read the Prospectus, including the following sections "*Summary*", "*Risk factors*" and "*Business overview*", which include more detailed descriptions of the factors that may impact on the Company's business and the market on which the Company operates. Neither the Company, Segulah nor Joint Bookrunners provide any warranties regarding the future accuracy of the statements made herein or with respect to the actual occurrence of predicted developments.

In light of the risks, uncertainties and assumptions associated with forward-looking statements, it is possible that future events mentioned in this Prospectus will not materialise. In addition, forward-looking estimates and forecasts referred to in this Prospectus, and which are derived from studies by any third party, may prove to be incorrect. Actual results, performance or events may differ materially from such statements, for example due to the following: changes in general economic conditions, in particular the economic conditions on the markets on which the Company operates; shortage of attractive products for sale; changes that affect interest rate levels; changes that affect exchange rates; changes in competition levels; regulatory changes; as well as the occurrence of accidents, environmental damage or systematic supply shortages.

After the date of this Prospectus, neither the Company, Segulah nor Joint Bookrunners assume any responsibility for updating any forward-looking statements or for adjusting such statements to reflect actual events or developments, with the exception of such as prescribed by law, public authority regulations or Nasdaq Stockholm's Rule Book for Issuers.

INDUSTRY AND MARKET INFORMATION

Information made available in the Prospectus regarding market climate, market development, rate of growth, market trends and competition on the market and in the regions in which the Company operates, is based on data, statistical information and reports from third parties and/or has been prepared by the Company based on the Company's own information and information contained in such third-party reports. Such information has been correctly reproduced and, as far as the Company is aware, no fact has been omitted as a consequence of which information might be rendered incomplete or misleading.

Certain market data as well as data in the Prospectus regarding competition has been obtained by the Company from a report dated November 3, 2016 produced by Arthur D. Little (the "**ADL report**"). The Company commissioned the report and the Company believes it to be reliable. The data on which the report is based includes market and corporate information which Arthur D. Little received from Balco. The Company has correctly reproduced in the Prospectus the information contained in the report, but has conducted no independent verification of market data or data concerning competition which is included in the Prospectus.

Industry publications and reports otherwise usually state that information therein has been derived from sources that are deemed to be reliable, but that the accuracy and completeness thereof is not warranted. Such publications and reports are, by their nature, forward-looking, subject to uncertainty and do not necessarily reflect actual market conditions. The industry and market information contained in this Prospectus has been obtained or derives from industry publications or reports. Market surveys and statistics are by their nature based on selection and subjective assessments and do not necessarily reflect actual market conditions. Such information is based on market surveys, which by their nature are based on selections and subjective assessments – both by the parties conducting the surveys and the respondents – including assessments as to which type of products and transactions should be included in the relevant market. Although the Company considers the compilation method and assumptions to be reasonable, it has only been possible to confirm or verify such against independent sources to a limited extent. In light thereof, the attention of the reader of the Prospectus is drawn particularly to the fact that market statistics presented in the Prospectus are associated with uncertainty and that no warranty can be provided as to their accuracy. However, as far as the Company is aware and is able to ascertain through comparisons with other information published by the third parties from which the information has been obtained, no information has been omitted in a manner which renders the reproduced information incorrect or misleading.

In many cases, there is no publicly available market information from, e.g. industry organisations, public authorities or other organisations and institutions. The Company believes that its estimates of market data and information can be used to provide investors with an improved understanding of both the industry in which the Company operates and its position within the industry. Although the Company considers its internal market observations to be reliable, the Company's own estimates have not been reviewed or verified by any external parties. Although the Company is not aware of any inaccuracies regarding the industry or similar data presented herein, statements regarding the industry or similar data include risks and uncertainties and may be changed depending on various factors, including those discussed under the headings "*Risk factors*" and "*Operational and financial overview*" in this Prospectus.

PRESENTATION OF FINANCIAL INFORMATION

Except where expressly stated, no information in the Prospectus has been reviewed or audited by the Company's auditors. Financial information in the Prospectus concerning the Company which does not constitute a part of the information reviewed or audited by the Company's auditors in accordance with that which is stated herein, has been obtained from the Company's internal accounts or reporting systems. Certain key performance indicators presented in the Prospectus are non-IFRS measurements, i.e. are financial measurements not defined in accordance with IFRS. A financial measurement which is not defined in accordance with IFRS is defined as a measurement which measures historical or future financial results, financial position or cash flows, but which excludes or includes amounts which would not be adjusted in the same manner in the closest comparable IFRS measurement. These financial measurements are not to be regarded in isolation from, or as a substitute for, the earnings measurements produced in accordance with IFRS. Furthermore, such measurements, as defined by the Group, may not be comparable with other measurements bearing similar names as used by other companies.

Certain figures in this Prospectus have been rounded off. Consequently, totals in certain tables do not appear to be correct. That is the case, for example, when amounts are stated in thousands, millions or billions, and occurs particularly in the sections "*Historical financial information*", "*Operational and financial overview*", "*Capitalisation, indebtedness and other financial information*" below, as well as in historical financial information included in the Prospectus or which is incorporated by reference.

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THE OFFERING IN BRIEF

Number of shares offered

The Offering covers furthermore 10,714,387 existing shares in the Company offered by the Principal Owner. No new shares will be issued by the Company in connection with the Offering. The Principal Owner has reserved the right to expand the Offering by not more than a further 2,142,877 shares. The Principal Owner has undertaken to sell not more than a further 1,928,589 shares in order to cover any over-allotment in connection with the Offering.

Offering price

SEK 56 per share.

Preliminary timetable	
Application period for the general public in Sweden	**September 27 – October 4, 2017**
Application period as regards the offering to institutional investors	**September 27 – October 5, 2017**
First day of trading on Nasdaq Stockholm	**October 6, 2017**
Settlement date	**October 10, 2017**

Other	
Ticker on Nasdaq Stockholm	**BALCO**
ISIN code	**SE0010323998**

Financial calendar	
Interim report for the period January 1 – September 30, 2017, Q3	**November 16, 2017**
Unaudited earnings for 2017	**February 23, 2018**
Annual report for 2017	**April 13, 2018**
Interim report for the period January 1 – March 31, 2018, Q1	**May 17, 2018**

SUMMARY

This summary consists of disclosure requirements as listed in a number of "elements". These elements are numbered in sections A–E (A.1–E.7). This summary contains all of the elements required in a summary for this type of security and issuer. Since certain elements are not required, there may be gaps in the numbering of elements. Even if an element is required to be included in the summary for this type of security and issuer, it is possible that no relevant information can be provided regarding such element. In those cases, the information has been replaced by a brief explanation of the element and the indication "not applicable".

SECTION A – INTRODUCTION AND WARNINGS		
A.1	*Introduction and warnings*	This summary should be read as an introduction to the Prospectus. Every decision to invest in the security should be based on an assessment by the investor of the Prospectus in its entirety. Where a claim relating to the information contained in the Prospectus is brought before a court, the plaintiff investor might be required to bear the costs of translating the Prospectus. Civil liability attaches only to those persons who have prepared the summary, including translations thereof, but only if the summary is misleading, inaccurate or inconsistent with other parts of the Prospectus or if, when read together with other parts of the Prospectus, it fails to provide key information to assist investors when considering investing in the securities on offer.
A.2	*Consent to use of the Prospectus by financial intermediaries*	Not applicable. Financial intermediaries are not entitled to use the Prospectus for subsequent resale or final placement of securities.
SECTION B – THE ISSUER AND ANY GUARANTOR		
B.1	*Company name and trade name*	The Company's registered name and trade name is Balco Group AB, corporate registration no. 556821-2319.
B.2	*Domicile and legal form of the issuer*	The Company's registered office is located in Växjö. The Company is a public limited company incorporated in Sweden under Swedish law and conducts its operations in accordance with Swedish law. The Company's legal form is governed by the Swedish Companies Act (2005:551).
B.3	*Description of the issuer's business*	Balco offers customised balcony solutions under its own brand to tenant-owner associations, private landlords, the public housing sector and construction companies in, primarily, Sweden, Norway and Denmark, (the "**Main Markets**"), but also in Germany, Finland, the UK and the Netherlands ("**Other Markets**"). Since Balco was founded in 1987, the Company has developed from being a local product-oriented supplier of concrete balconies, to being a leading market-oriented supplier of glazed balcony solutions in northern Europe. During this period, Balco has built up a sales organisation which is represented in a number of locations in Europe and which, combined with the Company's own production units, constitutes the platform for being able to deliver the Company's patented, high quality balcony solutions. Balco's core expertise lies in supplying balconies and balcony solutions, primarily on the renovation market and to tenant-owner associations, and replacing existing balconies with new glazed balconies in accordance with the so called Balco method. Renovation in accordance with the Balco method involves existing open balconies being cut down and replaced with Balco's glazed balcony solutions. The method brings with it several advantages for the customer, for example that balconies can be made more than twice as large as existing balconies; that the balcony obtains a lifespan in excess of 50 years; and that all installation takes place from the outside of the building. The Balco method also shortens the installation period and total cost for the customer. Balco's objective is to create a way to approach potential customers via Balco-trained concrete inspectors.
B.4a	*Trends regarding the issuer and the industries in which the issuer operates*	The balcony market is affected by a large number of external drivers, such as the increased value of the residential property and/or the apartment, price trends on the housing market, disposable income, interest rate trends, economic growth, the construction business cycle, and political initiatives. The principal market driver for the renovation segment is the age profile of the housing stock, followed by other drivers such as increased quality of life, energy savings, increase in value of properties, etc. The balcony market is affected and governed by regulations and other political control factors such as tax relief and other subsidies. The fact that public sector and privately-owned properties are being sold and converted into tenant-owner associations in order to finance new build, as well as maintenance and investments in existing properties, has a positive impact on the balcony market since tenant-owner associations constitute the customer segment which is most inclined to make value-enhancement investments. Furthermore, a global trend towards reduced energy consumption has resulted in increasingly stringent laws and regulations in order to achieve improved energy efficiency and reduced impact on the environment. In the Company's opinion, there is also greater awareness of energy and environment issues among property owners and the upturn in energy prices is driving demand for glazed balcony systems, which constitute one of the most energy-efficient solutions.
B.5	*Description of the Group and the Company's position in the Group*	The Company is the parent company in the Group which includes 13 wholly-owned subsidiaries: Balco Invest AB, 556821-2301, Balco Holding AB, 556627-4964, Nordiska Balco AB, 556325-3847, Balco AS, 979 458 398, Balco Kontech A/S, 29 22 24 01, Balco AB, 556299-4482, Balco Balcony Systems Ltd., 5280899, Balco Balkonkonstruktionen GmbH, HRB 9039, Balustrade AB, 556791-9393, Balco Balkonsystemen B.V., 57577978, Balco Polka Zo.o., KRS 0000493825, Balco Oy 2706308-7 as well as Kronhjorten and Lodjuret Holding AB, 559018-7489.

B.6 *Major shareholders, control of the Company and insiders*

As of the date of the Prospectus, Balco has 45 shareholders, which are comprised of the Principal Owner as well as of, directly or indirectly, directors, senior executives and current and former employees in the Company. Immediately prior to the Offering (assuming that the conversion of previous capital and ownership structure has been effected as described in section "*Share capital and ownership structure – Conversion of previous capital and ownership structure*"), the Principal Owner is Balco's largest shareholder with 18,865,226 shares amounting to 88,0 per cent of the shares and votes. After the Offering (assuming that the Offering is exercised in full and that the Over-Allotment Option is exercised in full, the Principal Owner's shares will amount to 19.04 per cent of the shares and votes in the Company. Erik Selin through Skandrenting AB, Swedbank Robur Fonder AB, Vätterleden Aktiebolag, Lazard Asset Management GmbH, Stiftelsen Riksbankens Jubileumsfond, Taiga Fund Management AS, Familjen Hamrin and LMK Venture Partners AB have undertaken to, at the same price as the other investors, acquire shares in the Offering in accordance with the table below. The undertakings amount to approximately 34 per cent of the total amount of shares in the Company following completion of the Offering and 50 per cent of the Offering based on full subscription in the Offering and that the Over-allotment Option is exercised in full.

Cornerstone investor	Subscription undertaking (in SEK)	Number of shares	Number of shares in the offering[1]	Per cent of the total number of shares after the offering
Erik Selin through Skandrenting AB	125 MSEK	2,232,142	15.1%	10.4%
Swedbank Robur Fonder AB	75 MSEK	1,339,285	9.1%	6.2%
Vätterleden Aktiebolag	35 MSEK	625,000	4.2%	2.9%
Lazard Asset Management GmbH	35 MSEK	625,000	4.2%	2.9%
Stiftelsen Riksbankens Jubileumsfond	35 MSEK	625,000	4.2%	2.9%
Taiga Fund Management AS	35 MSEK	625,000	4.2%	2.9%
Familjen Hamrin	35 MSEK	625,000	4.2%	2.9%
LMK Venture Partners AB	35 MSEK	625,000	4.2%	2.9%
Total	**410 MSEK**	**7,321,427**	**49.5%**	**34.2%**

1) Based on full subscription in the Offering and that the Over-allotment Option is exercised in full.

Furthermore, AB Segulah, a company controlled by Gabriel Urwitz an in which the Company's chairman Lennart Kalén is deputy chairman, has applied to acquire shares up to SEK 22.4 million in the Offering.

B.7 *Summary of selected financial information*

CONSOLIDATED INCOME STATEMENT IN BRIEF

The selected financial information presented below for the 2016, 2015 and 2014 financial years is derived from the Company's audited consolidated financial statements, which have been audited by Öhrlings PricewaterhouseCoopers AB in accordance with the auditor's report included elsewhere in this Prospectus. The selected historical financial information presented below for the period January-June 2017 and 2016 is derived from the Company's unaudited consolidated financial statements for the period January - June 2017, which have been generally reviewed by Öhrlings PricewaterhouseCoopers AB in accordance with the review report included elsewhere in this Prospectus (with comparison information for the corresponding period of 2016). The Company's audited and unaudited financial statements for relevant periods have been prepared in accordance with IFRS as adopted by the EU.

	January 1 - June 30 Unaudited		January 1 - December 31 Audited		
MSEK	**2017**	**2016**	**2016**	**2015**	**2014**
Net sales	499.2	371.8	801.6	638.6	568.4
Production and project costs	-374.2	-282.0	-611.7	-476.2	-466.9
Gross profit	**125.1**	**89.9**	**189.9**	**162.3**	**101.5**
Selling expenses	-45.1	-42.3	-89.1	-73.7	-53.6
Administrative expenses	-26.3	-18.2	-38.8	-32.5	-24.9
Shares in earnings of associated companies	0.2	0.1	0.6	0.2	0.2
Other operating income	3.8	2.0	10.4	15.4	6.9
Other operating expenses	-3.8	-1.1	-9.4	-6.9	-5.2
Operating profit	**53.9**	**30.4**	**63.6**	**65.0**	**24.8**
Financial income	0.0	0.1	0.0	0.3	0.1
Financial expenses	-22.7	-20.2	-40.9	-40.4	-48.5
Profit before tax	**31.1**	**10.3**	**22.7**	**24.8**	**-23.5**
Income tax	-11.5	-5.9	-10.7	-5.6	-0.6
Profit for the period	**19.6**	**4.4**	**12.1**	**19.3**	**-24.1**

B.7 *Summary of selected financial information*

CONSOLIDATED BALANCE SHEET IN BRIEF

	June 30 Unaudited		December 31 Audited		
MSEK	**2017**	**2016**	**2016**	**2015**	**2014**
Assets					
Goodwill	371.4	371.2	371.4	371.0	366.3
Other intangible assets	11.1	10.0	11.2	10.5	1.4
Tangible assets	107.7	73.3	85.1	68.7	79.2
Financial assets	5.0	7.2	4.8	13.0	21.9
Total fixed assets	**495.0**	**461.7**	**472.5**	**463.2**	**468.8**
Inventories	19.5	18.9	16.7	13.8	14.8
Trade receivables	124.6	87.0	94.5	79.4	64.5
Gross amount due from customers	125.1	91.8	96.3	76.8	68.3
Current tax receiveables	0.9	0.0	1.3	0.5	1.8
Other current receivables	19.7	11.2	11.2	10.0	14.1
Cash and cash equivalents	19.6	36.2	21.7	28.2	8.3
Total current assets	**309.4**	**245.1**	**241.8**	**208.6**	**171.9**
TOTAL ASSETS	**804.4**	**706.8**	**714.3**	**671.8**	**640.6**
Share capital	67.7	67.7	67.7	67.7	67.7
Other contributed equity	177.3	177.3	178.4	177.5	178.0
Retained earnings, incl. profit for the year	-85.8	-113.6	-106.6	-118.6	-137.9
Total equity	**159.3**	**131.4**	**139.5**	**126.6**	**107.9**
Deferred tax liabilities	1.2	0.1	0.3	0.1	5.4
Shareholder loans	279.6	243.2	260.1	226.2	196.7
Interest-bearing liabilities	44.5	63.4	45.0	66.9	105.6
Total non-current liabilities	**325.3**	**306.7**	**305.4**	**293.2**	**307.7**
Interest-bearing liabilities	75.6	74.7	76.6	91.6	56.3
Invoiced but non-accrued income	39.4	48.2	38.2	31.5	21.6
Trade payables	117.6	91.1	89.0	60.2	91.6
Current tax liabilities	11.7	0.0	2.5	0.7	0.0
Other current liabilities	18.2	21.4	10.4	25.2	14.0
Other accrued expenses and deferred income	57.3	33.2	52.6	42.8	41.5
Total current liabilities	**319.8**	**268.7**	**269.3**	**252.0**	**225.1**
TOTAL EQUITY AND LIABILITIES	**804.4**	**706.8**	**714.3**	**671.8**	**640.6**

CONSOLIDATED CASH FLOW STATEMENT IN BRIEF

	January 1 - June 30 Unaudited		January 1 - December 31 Audited		
MSEK	**2017**	**2016**	**2016**	**2015**	**2014**
Cash flow from operating activities before change in working capital	57.6	36.2	69.6	57.9	7.8
Total change in working capital	-27.8	5.4	-8.3	-30.7	28.9
Cash flow from operating activities	**29.9**	**41.6**	**61.3**	**27.2**	**36.7**
Cash flow from investing activities	-29.6	-6.4	-24.1	36.3	-9.2
Cash flow from financing activities	-2.4	-27.1	-43.7	-43.7	-28.1
Cash flow for the period	**-2.1**	**8.1**	**-6.4**	**19.8**	**-0.6**
Cash and cash equivalents at beginning of the year	21.7	28.2	28.2	8.3	8.9
Cash and cash equivalents at the end of the period	**19.6**	**36.2**	**21.7**	**28.2**	**-8.3**

B.7	*Summary of selected financial information*	**KEY PERFORMANCE INDICATORS** Presented below are certain alternative key performance indicators that are not defined in accordance with IFRS. Group management uses these alternative key performance indicators to monitor the underlying development of the Company's business and believe that they assist investors in understanding the Company's development from period to period, and facilitate comparisons with similar companies. Since all companies do not calculate these and other alternative key performance indicators in the same way, the manner in which the Company has chosen to calculate the alternative key performance indicators presented in this Prospectus means that such key performance indicators are not comparable with similar measurements presented by other companies. Accordingly, alternative key performance indicators should not be considered separately from, or as a substitute for, Balco's financial information prepared in accordance with IFRS. Certain key performance indicators are based on information derived from the Company's ongoing accounting and internal reporting and operating systems.

	January 1 - June 30		January 1 - December 31		
MSEK (unless otherwise stated)	**2017**	**2016**	**2016**	**2015**	**2014**
Revenue, order intake and order backlog					
Revenue	499.2	371.8	801.6	638.6	568.4
Revenue growth (%)	34.3	-	25.5	12.4	-
Order intake	614.9	425.0	1 066.3	989.7	615.8
Order intake growth (%)	44.7	-	7.7	60.7	-
Order backlog	1 224.8	892.2	1 107.2	835.1	458.0
Order backlog growth (%)	37.3	-	32.6	82.3	-
Profitability					
Gross profit	125.1	89.9	189.9	162.3	101.5
Gross margin (%)	25.1	24.2	23.7	25.4	17.8
EBIT	53.9	30.4	63.6	65.0	24.8
EBIT margin (%)	10.8	8.2	7.9	10.2	4.4
Adjusted EBIT	57.9	30.4	82.4	66.0	41.0
Adjusted EBIT margin (%)	11.6	8.2	10.3	10.3	7.2
Adjusted EBITDA	66.3	37.0	96.6	78.0	50.1
Adjusted EBITDA margin (%)	13.3	10.0	12.1	12.2	8.8
Cash flows					
Operating cash flow	34.4	38.1	73.4	63.1	43.3
Operating cash conversion	51.9	102.7	76.0	80.9	86.4
Capital structure					
Capital employed, average	519.5	479.8	491.3	470.6	458.1[1)]
Capital employed excluding goodwill, average	148.1	108.6	120.1	101.9	91.8[1)]
Equity, average	149.4	129.0	133.0	117.2	107.9[1)]
Interest-bearing net debt	380.1	345.0	360.0	356.5	350.3
External interest-bearing net debt	100.5	101.9	99.9	130.3	153.6
External interest-bearing net debt/adjusted EBITDA LTM (x)	0.8	1.2	1.0	1.7	3.1
Return					
Return on capital employed LTM (%)	21.1	15.1	16.8	14.0	9.0
Return on capital employed excl. goodwill LTM (%)	74.2	66.5	68.6	64.7	44.7
Return on equity LTM (%)	18.7	18.8	9.7	16.0	-22.3
Equity ratio (%)	19.8	18.6	19.5	18.8	16.8
Employees					
Full time employees at end of period	314	279	301	256	212

1) As regards the amounts for 2014, the value at the end of the period is disclosed, and not the average value.

B.7 *Summary of selected financial information*

EBIT AND ADJUSTED EBIT

The Company has chosen to report the key performance indicator EBIT since Balco considers it to be a useful measurement for showing the earnings generated in the operating activities. In addition, the Company reports adjusted EBIT since it shows underlying earnings, excluding non-recurring items.

	January 1 - June 30		January 1 - December 31		
MSEK	**2017**	**2016**	**2016**	**2015**	**2014**
Net profit for the period	19.6	4.4	12.1	19.3	-24.1
Tax	11.5	5.9	10.7	5.6	0.6
Financial expense	22.7	20.2	40.9	40.4	48.5
Financial income	0.0	-0.1	0.0	-0.3	-0.1
Operating profit (EBIT)	**53.9**	**30.4**	**63.6**	**65.0**	**24.8**
Adjustments:					
Transaction costs (IPO, Kontech in 2015)[1)]	4.0	-	2.6	1.1	-
Restructuring expenses (Restructuring UK and severance costs)[2)]	-	-	9.3	0.1	3.1
Liquidated damages BCP[3)]	-	-	2.9	-	-
Pension costs (cut off 2015)[4)]	-	-	4.0	-	-
Costs related to restructing in 2013[5)]	-	-	-	7.9	13.1
Sale of property[6)]	-	-	-	-8.1	-
Total adjustments	4.0	0.0	18.8	1.0	16.2
Adjusted EBIT	**57.9**	**30.4**	**82.4**	**66.0**	**41.0**

1) Transaction cost related to the Offering and the Company's acquisition of Kontech in 2015.
2) Cost related to accrued project costs and capitalised selling expenses and order coverage costs and restructuring expenses in the UK. The Company has terminated personnel in, inter alia, the UK as part of its changed strategy and also experienced problems with subcontractors that resulted in liquidated damages.
3) Liquidated damages arising within new build due to delays on the part of one of Balco's subcontractors.
4) Sales commissions and pensions linked to 2015.
5) Balco undertook a large and complex project in the UK in 2013, in which the Company misjudged local fire standards, which resulted in additional work. In addition, in one project work arose in excess of what had been agreed with the customer; Balco performed the work without having notified the customer and, as a consequence, the Company received no payment for such work.
6) Sale of a property in Växjö.

EBITDA AND ADJUSTED EBITDA

The Company has chosen to report the key performance indicators EBITDA and EBITDA margin since they show the business' underlying earnings, excluding the effect of amortisation and depreciation, which provides for a more comparable measurement of earnings over time since amortisation/depreciation relate to historical investments. The Company has also chosen to report the key performance indicators adjusted EBITDA and adjusted EBITDA margin in order to show underlying earnings. Adjusted EBITDA excluding non-recurring items is primarily used when calculating the Company's operating cash flow and cash generation.

	January 1 - June 30		January 1 - December 31		
MSEK	**2017**	**2016**	**2016**	**2015**	**2014**
Operating profit (EBIT)	53.9	30.4	63.6	65.0	24.8
Depreciation	8.4	6.6	14.3	12.1	9.1
Amortization	0.0	0.0	0.0	0.0	0.0
EBITDA	**62.3**	**37.0**	**77.9**	**77.0**	**33.9**
EBITDA-margin, per cent	*12.5%*	*10.0%*	*9.7%*	*12.1%*	*6.0%*
Adjustments	4.0	0.0	18.8	1.0	16.2
Adjusted EBITDA	**66.3**	**37.0**	**96.6**	**78.0**	**50.1**
Adjusted EBITDA margin, per cent	*13.3%*	*10.0%*	*12.1%*	*12.2%*	*8.8%*

B.7	*Summary of selected financial information*

OPERATING CASH FLOW AND OPERATING CASH CONVERSION

The Company has chosen to report operating cash flow since it is used to monitor the development of the business together with Balco's measurement of earnings. In addition, the Company reports operating cash conversion as a measurement of the degree of efficiency in the use of allocated working capital.

	January 1 - June 30		January 1 - December 31		
MSEK	**2017**	**2016**	**2016**	**2015**	**2014**
Adjusted EBITDA	66.3	37.0	96.6	78.0	50.1
Change in adjusted net working capital[1)]	-27.8	5.4	-8.3	-5.7	3.9
Investments, excluding expansion investments	-4.2	-4.4	-14.9	-9.2	-10.7
Operativ cash flow	**34.4**	**38.1**	**73.4**	**63.1**	**43.3**
Operating cash conversion, per cent	***51.9%***	***102.7%***	***76.0%***	***80.9%***	***86.4%***

1) Adjusted with SEK -25 million and SEK 25 million between 2014 and 2015, since trade payables was carried forward from December 2014 to January 2015.

CAPITAL EMPLOYED AND CAPITAL EMPLOYED EXCLUDING GOODWILL

The Company reports capital employed and capital employed excluding goodwill since together they constitute a sound measurement of the Company's overall capital efficiency. The Company makes the assessment that it is important to consider both measurements in order to understand the manner in which the Company's goodwill affects the asset base.

	January 1 - June 30		January 1 - December 31		
MSEK	**2017**	**2016**	**2016**	**2015**	**2014**
Interest-bearing net debt, average	370.1	350.8	358.3	353.4	350.3
Equity, genomsnittlig	149.4	129.0	133.0	117.2	107.9
Capital employed, average	**519.5**	**479.8**	**491.3**	**470.6**	**458.1**
Return on capital employed LTM, per cent	*21.1%*	*15.1%*	*16.8%*	*14.0%*	*9.0%*
Goodwill, average	-371.4	-371.1	-371.2	-368.7	-366.3
Capital employed excluding goodwill, average	**148.1**	**108.6**	**120.1**	**101.9**	**91.8**
Return on capital employed excl. goodwill, LTM (%)	*74.2%*	*66.5%*	*68.6%*	*64.7%*	*44.7%*

INTEREST-BEARING NET DEBT AND EXTERNAL INTEREST-BEARING NET DEBT

The Company reports interest-bearing net debt and external interest-bearing net debt since the measurements show the Company's total loan financing as well as external loan financing.

	January 1 - June 30		January 1 - December 31		
MSEK	**2017**	**2016**	**2016**	**2015**	**2014**
Long-term external interest-bearing liabilities	44.5	63.4	45.0	66.9	105.6
Short-term external interest-bearing liabilities	75.6	74.7	76.6	91.6	56.3
Cash and cash equivalents	-19.6	-36.2	-21.7	-28.2	-8.3
External interest-bearing net debt	**100.5**	**101.9**	**99.9**	**130.3**	**153.6**
External net debt/Adjusted EBITDA LTM (times)	*0.8x*	*1.2x*	*1.0x*	*1.7x*	*3.1x*
Shareholder financing	279.6	243.2	260.1	226.2	196.7
Interest-bearing net debt	**380.1**	**345.0**	**360.0**	**356.5**	**350.3**

EQUITY RATIO

The Company reports equity ratio since the measurement shows the Company's potential to continue in business.

	January 1 - June 30		January 1 - December 31		
MSEK	**2017**	**2016**	**2016**	**2015**	**2014**
Equity	159.3	131.4	139.5	126.6	107.9
Total assets	804.4	706.8	714.3	671.8	640.6
Equity/asset ratio, per cent	**19.8%**	**18.6%**	**19.5%**	**18.8%**	**16.8%**

B.7	*Summary of selected financial information*	**DEFINITIONS**

Key performance indicators not defined in accordance with IFRS (alternative key performance indicators)	Definition	Explanation for use
Adjusted EBITDA	EBITDA adjusted for items affecting comparability. For a reconciliation of adjusted EBITDA against earnings for the period, see "*Key performance indicators*" in the section "*Selected historical financial information*".	Balco believes that adjusted EBITDA is a useful measurement for showing earnings generated in the operating activities adjusted for non-recurring items and primarily 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 earnings generated in the operating activities.
Adjusted operating margin (EBIT)	Adjusted operating margin (EBIT) as a percentage of net sales.	Balco believes that adjusted operating margin (EBIT) is a useful measurement for showing earnings generated in the operating activities following adjustment for non-recurring items.
Adjusted operating profit (EBIT)	Operating profit (EBIT) adjusted for items affecting comparability. For a reconciliation of adjusted operating profit (EBIT) against earnings for the period, see "*Key performance indicators*" in the section "*Selected historical financial information*".	Balco therefore believes that adjusted operating profit (EBIT) is a useful measurement for showing earnings generated in the operating activities and primarily uses the measurement to calculate return on capital employed (see below).
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 Company's overall capital efficiency.
Capital employed excluding goodwill	Capital employed minus goodwill.	Balco uses capital employed excluding goodwill together with capital employed as a measurement of the Company's capital efficiency.
EBITDA	Earnings before interest, tax, depreciation and amortisation.	Balco believes EBITDA to be a useful measurement for showing the earnings generated in the operating activities and a good measurement of cash flow from the operating activities.
Equity ratio	Equity divided by total assets.	Balco believes that equity ratio is a useful measurement for the Company's potential to continue in business.
External interest-bearing net debt	Interest-bearing net debt excluding shareholder loans. For a reconciliation of net debt, see "*Key performance indicators*" in the section "*Selected historical financial information*".	Balco believes external interest-bearing net debt to be a useful measurement for showing the Company's total external loan financing.
External interest-bearing net debt relative to adjusted EBITDA	Interest-bearing external net debt as a percentage of adjusted EBITDA.	Balco believes that this measurement assists in showing financial risk and that it is a useful measure for monitoring the Company's debt level.
Gross margin	Gross profit as a percentage of net sales.	A key performance indicator used to analyse efficiency and value creation.
Gross profit	Net sales less production and project expenses.	Shows efficiency in Balco's business and, together with EBIT, provides an overall view of ongoing profit generation and the cost structure.
Interest-bearing net debt	Total shareholder loans, long-term and current interest-bearing liabilities. For a reconciliation of net debt, see "*Key performance indicators*" in the section "*Selected historical financial information*".	Balco believes that net debt is a useful measurement for showing the Company's total loan financing.
Net working capital	Current assets, excluding cash and cash equivalents and current tax assets, less interest-free current liabilities, excluding, current tax liabilities.	This measurement shows how much net working capital is tied up in the business and can be compared with sales in order to understand how efficiently tied up working capital is used.
Operating cash conversion	Operating cash flow divided by adjusted EBITDA.	Balco uses cash generation as a measurement of the degree of efficiency in the use of allocated working capital.
Operating cash flow	Adjusted EBITDA increased/decreased by changes in adjusted working capital and reduced by investments, excluding expansion investments.	Balco uses operating cash flow to monitor the business's development.
Operating margin (EBIT)	Operating profit (EBIT) as a percentage of net sales.	Balco believes that the EBIT margin, together with sales growth and adjusted working capital, constitutes a useful measurement for monitoring the creation of value in the business.

B.7	*Summary of selected financial information*	Operating profit (EBIT)	Profit before interest and taxes.	Balco believes that operating profit (EBIT) is a useful tool for showing earnings generated in the operating activities.
		Return on capital employed	Adjusted operating profit (EBIT) divided by average capital employed. The average is calculated as the average of the opening and closing balances for the relevant period.	The measurement shows the return generated on employed capital and is used by Balco to monitor the business's profitability, since the measure relates to capital efficiency.
		Return on capital employed excluding goodwill	Adjusted operating profit (EBIT) divided by average capital employed excluding goodwill. The average is calculated as the average of the opening and closing balances for the relevant period.	Balco considers that return on capital employed excluding goodwill, together with return on capital employed, provides an overall view of Balco's capital efficiency.
		Return on equity	Total comprehensive income for the period divided by average equity attributable to the parent company's shareholders. The average is calculated as the average of the opening and closing balances for the relevant period.	The measurement shows the return generated on the shareholders' capital invested in the Company.

FINANCIAL INFORMATION PER BUSINESS AREA/SEGMENT

	January 1 - June 30 Unaudited		January 1 - December 31 Audited		
MSEK	**2017**	**2016**	**2016**	**2015**	**2014**
Net sales					
Renovation	426.2	340.9	726.4	589.4	524.3
New Build	73.1	30.9	75.2	49.2	44.1
Group and other	3.6	0.4	6.2	5.8	5.5
Eliminations	-3.6	-0.4	-6.2	-5.8	-5.5
Total	**499.2**	**371.8**	**801.6**	**638.6**	**568.4**
Adjusted EBIT					
Renovation	57.5	33.9	92.7	72.1	44.8
New Build	4.6	0.0	-10.5	0.5	-2.0
Group and other	-4.2	-3.4	0.2	-6.6	-1.8
Eliminations	0.0	0.0	0.0	0.0	0.0
Total	**57.9**	**30.4**	**82.4**	**66.0**	**41.0**
Adjusted EBIT margin					
Renovation	13.5%	9.9%	12.8%	12.2%	8.5%
New Build	6.3%	0.0%	-14.0%	1.0%	-4.5%
Group and other	-	-	-	-	-
Eliminations	-	-	-	-	-
Total	**11.6%**	**8.2%**	**10.3%**	**10.3%**	**7.2%**

SIGNIFICANT CHANGES IN BALCO'S FINANCIAL POSITION OR POSITION ON THE MARKET AFTER JUNE 30, 2017

The tables concerning capitalisation and indebtedness do not reflect events occurring after June 30, 2017. Nordiska Balco AB acquired all of the shares in Balco Oy by a share purchase agreement dated September 6, 2017. Prior to the acquisition Nordiska Balco AB owned 10 per cent of the shares in Balco Oy. For more information regarding the acquisition, see the section "*Legal considerations and supplementary information – Acquisitions and divestments*".

In connection with the Offering, the Company will carry out a conversion of the share capital and ownership structure in the Company. For more information about the conversion of the ownership structure, see the section entitled "*Share capital and ownership structure – conversion of earlier capital and ownership structure*". On September 14, 2017, the Company and certain companies in the Group entered into a credit facility agreement with Danske Bank A/S, Danmark, Sverige Filial under which the lender has committed, subject to certain traditional conditions for disbursement, to provide two credit facilities to the Company and certain of its subsidiaries. For more information regarding the credit facilities, see the section "*Capitalisation, indebtedness and other financial information – Credit facilities and loans, etc.*".

At an extraordinary general meeting of the Company to be held on October 5, 2017, a long-term incentive programme for the Company's senior executives and other key Balco employees will be adopted. The incentive programme comprises a warrants programme; see further in the section "*Corporate governance – CEO and senior executives – Warrants programme*".

Other than as expressly stated or referred to above, the Company has no reason to believe that any significant changes have occurred in the Company's capitalisation since June 30, 2017, other than changes as a consequence of the Group's operating activities.

B.8	*Pro forma*	Not applicable. The Prospectus does not contain any pro forma financial information.
B.9	*Profit forecast*	Not applicable. The Prospectus contains no profit forecast.
B.10	*Remarks in the auditor's report*	Not applicable. The auditor's reports include no remarks.
B.11	*Insufficient working capital*	Not applicable. The Company believes the existing working capital to be sufficient to meet the Company's current needs during the coming twelve-month period.

SECTION C – THE SECURITY		
C.1	*Type of security*	Shares in Balco Group AB, corporate registration no. 556821-2319. ISIN code: SE0010323998. The Company's shares will be traded on Nasdaq Stockholm under the ticker BALCO.
C.2	*Currency*	The shares are denominated in SEK.
C.3	*Total number of shares in the Company*	As of the date of the Prospectus, there are in total 11,286,574 shares in the Company, comprising ordinary shares and two classes of preference shares, each with a quotient value of SEK 6. All shares are paid-up in full. The Offering covers 10,714,387 shares, corresponding to 50 per cent of the total number of shares in the Company after completion of the Offering. No new shares will be issued by the Company in connection with the Offering. The Principal Owner has reserved the right to expand the Offering and sell not more than an additional 2,142,877 shares, corresponding to 10 per cent of the total number of shares in the Company after completion of the Offering. In order to cover any over-allotment in connection with the Offering, the Principal Owner has undertaken, upon request by Joint Bookrunners, to sell not more than an additional 1,928,589 shares, corresponding to 15 per cent of the total number of shares covered by the Offering (the "**Over-allotment Option**"). In the event the Principal Owner exercises in full the right to expand the Offering and the Over-allotment Option is exercised in full, the Offering will correspond to 69,0 per cent of the total number of shares in the Company after completion of the Offering, corresponding to 14,785,853 shares.
C.4	*Rights attached to the security*	Each share in the Company entitles the holder to one vote at general meetings and each shareholder is entitled to vote the full number of shares in the Company held by the shareholder. The shares carry an entitlement to dividends for the first time on the record date for dividends immediately after the shares have been admitted to trading. All shares in the Company carry an equal entitlement to dividends and to the Company's assets and any surplus in the event of liquidation.
C.5	*Restrictions on free transferability*	Not applicable. The shares in the Offering are freely transferable.
C.6	*Admission to trading*	*On September 14, 2017, Nasdaq Stockholm's Listing Committee decided to admit the Company's shares to trading on Nasdaq Stockholm subject to certain conditions, including that the requirement of a sufficient number of shareholders is satisfied not later than the listing date. In the event the Company's board of directors ultimately resolves on a listing of the Company's shares, trading in the Company's shares is expected to commence on or about October 6, 2017.*
C.7	*Dividend policy*	Balco shall distribute at least one half of earnings after tax, provided that doing so does not jeopardise Balco's long-term development.

SECTION D – RISKS		
D.1	*Principal risks associated with the issuer and its business*	The Group is subject to risks that are wholly or partially beyond the Group's control and which affect or may affect the Group's business, earnings, financial position and prospects. The risk factors below, which are presented in no particular order and without purporting to be exhaustive, are deemed to constitute the principal risks as regards the Group's future development. • Balco conducts business in several countries in the Nordic region and the rest of Europe, and similarly to other companies is affected by general financial and political conditions globally, nationally, regionally and locally. Demand for Balco's products is affected by global economic conditions, particularly conditions in the Nordic region, geopolitical unease, lower construction output and reduced demand in the new build and renovation markets. • In order to be able to sell, produce, assemble and transport products, Balco is dependent on external suppliers performing in accordance with agreed terms with respect to, for example, volume, quality and delivery times. Incorrect or delayed deliveries, or non-delivery, and/or transports from suppliers may, in turn, have the consequence that Balco's deliveries are delayed or must be discontinued, become deficient or incorrect. • Balco's profitability depends on the results of the individual projects. To a large extent, the challenges in Balco's business comprise predicting, calculating and addressing risks related to Balco's projects, and producing a calculation for the project which is subsequently updated during the course of the project. Balco has entered into customer agreements regarding production of balcony solutions in which Balco has given extensive undertakings as regards predetermined quality requirements. Balco has, *inter alia*, entered into customer agreements within the maritime product area, where risks can be hard to predict given that the product area is new for Balco. • Balco's business comprises processes in which outages or disruptions, for example due to fire, sabotage, machinery breakdown, human error, disruptions in the Company's IT systems, conflicts with trade unions or natural disasters, may have adverse consequences as regards the Company's ability to perform its obligations to its customers. • Balco's profitability and the long-term price structure for Balco's products is affected by the prices of raw materials and input goods, particularly aluminium, steel, glass and concrete, which over time can affect the Company's market position. • Increased competition from both existing as well as new players, and any increased presence of competitors within the same sales and marketing channels as used by Balco, may have an adverse impact on the Company's business, financial position and earnings. • It is of major importance for Balco that it is able to attract and retain qualified employees to strategically important functions in the Company and to attract and retain key members of the management group. • Balco's earning capacity and competitiveness are partially dependent on its ability to develop and sell new, innovative products and solutions. In developing new products, there is always a risk that the launch or commercialisation of such will fail for some reason, as well as a risk that Balco is unable to attract the expertise required for such development. • Balco's products are produced at the Company's production units in Sweden, Denmark and Poland. Damage to or in the production units as a consequence of, for example, fire, sabotage, natural disasters or similar accidents, may result in major losses for Balco. • Balco is exposed to the risk that changed standards and rules with respect to housing construction and energy efficiency improvements will impose demands for changed product offerings on specific markets, and entail more stringent product liability in the future and/or retroactively. • There is a risk that Balco will be unable to defend its intellectual property rights in the event a third party uses similar solutions and that suppliers might bring claims against Balco. It also cannot be ruled out that Balco might be deemed to commit infringement of intellectual property rights held by external parties. • Balco operates in a number of countries. The business, including transactions between group companies, is conducted in accordance with the Company's interpretation of applicable tax legislation, including rules regarding value added tax and payroll expenses, double taxation treaties and other provisions in the tax law area, as well as demands by relevant tax authorities. It is not certain that the Company's knowledge, application and interpretation of the aforementioned legislation, treaties, other provisions and demands is correct in all respects. • In the event the Company were to become involved in legal proceedings, Balco may incur costs associated with any settlement as well as costs in respect of awarded damages and other obligations which may be imposed on Balco. Such disputes and claims may be time-consuming, disrupt the normal business operations, involve large amounts, adversely affect customer relations and result in significant costs.

	Principal risks associated with the issuer and its business	• Balco is exposed to the risk of supplied and installed products being faulty. Liability to compensate for faulty products is governed by Balco's customer agreements in accordance with general industry terms and conditions and contractual obligations for costs that arise in connection with complaints from customers due to faulty products and by law. In such cases, Balco is obliged to rectify or replace the defective products and, in certain cases, is liable to compensate for damage and losses incurred by the customer due to faulty products. Balco is also liable to compensate for property damage and personal injury suffered due to safety deficiencies in its products. • Balco's business is affected by the accounting standards which from time to time are applied in the jurisdictions in which the Company operates, including IFRS – which are applied in conjunction with the preparation of Balco's consolidated financial statements – and other international accounting standards. New accounting standards may affect the issue of revenue recognition in the Company's projects in accordance with the percentage of completion method (whereby profit is reported as costs are accrued), which at present does not take place on a straight-line basis. This may result in uncertainty concerning Balco's accounts, financial reporting and internal controls, and might even affect the earnings, balance sheet and equity reported by the Company. • Balco is exposed to currency risks, which can be divided into transaction exposure and translation exposure. Transaction exposure arises when a selling or purchase price is stated in foreign currency. Balco is primarily exposed to changes in EUR, NOK, DKK and Zloty in relation to SEK. A translation difference arises when the balance sheets and income statements of subsidiaries in local currency are translated to SEK. The income statement is translated applying a weighted average exchange rate during the year, while the balance sheet is translated at the rate applicable at the end of the reporting period. The translation exposure comprises the risk which the translation difference represents in the form of the change in equity. The Group engages in extensive currency dealing since 41 per cent of net sales in 2016 were invoiced in foreign currencies correspondingly, 36 per cent of the Group's costs in 2016 were in foreign currency. Exchange rate movements can also affect the Company's own competitiveness, as well as suppliers' profit margins and pricing, and thereby indirectly affect the Company's sales and earnings.
D.3	*Main risks related to the securities*	All investments in securities are associated with risks. Such risks may lead to the price of the Company's shares falling appreciably and investors risk losing all or part of their investment. Risks related to the Company's shares include the risk that an active, liquid and functioning market for trading in the Company's shares might not develop, the price for the shares might be volatile, and potential investors can lose all or part of their investment; future sales of shares by existing shareholders may cause the share price to fall; and the Company's possibility to pay out dividends to its shareholders depends on the Company's future earnings, financial position, cash flows, need for working capital, capital expenditures and other factors.
SECTION E – THE OFFERING		
E.1	*Issue proceeds and issuance costs*	The Offering covers existing shares in Balco Group AB, and consequently the Company will obtain no revenues from the Offering. The Company's costs associated with the admission of the Company's shares to trading on Nasdaq Stockholm and the Offering are estimated to amount to approximately SEK 25 million. Such costs relate primarily to costs for auditors, legal counsel, consultants, printing of the Prospectus, costs related to company management presentations, etc.
E.2a	*Reasons and use of the issue proceeds*	Balco is now ready for continued expansion on existing and new markets. In light thereof, Balco's board and management, together with Segulah, have made the assessment that the time is right for the Company to take the next step, to broaden the Company's shareholder base and apply for listing of the Company's shares on Nasdaq Stockholm. The Company's board and management are of the opinion that an exchange listing is advantageous for the Company in order to broaden the Company's financing alternatives pending possible future capital requirements, since a listing on Nasdaq Stockholm provides Balco with access to the Swedish and international capital markets.
E.3	*Offering forms and conditions*	Not applicable in this Prospectus.
E.4	*Interests and conflicts of interest*	Carnegie and Danske Bank are Joint Bookrunners in the Offering. Joint Bookrunners are providing financial advice and other services to the Company and Principal Owner in connection with the Offering. From time to time, Joint Bookrunners may provide services to the Principal Owner and parties closely-related to the Principal Owner within the course of ordinary business and in connection with other transactions.
E.5	*Selling Shareholders/ Lock-up-agreement*	Pursuant to the Placing Agreement, the Company will provide an undertaking to Global Coordinator and Joint Bookrunners that, for a period of 360 days from the first day of trading in the shares, it will not, without the written consent of Global Coordinator and Joint Bookrunners, propose to the Company's shareholders any increase in capital or take any other measure which enables the Company, directly or indirectly, to issue, offer, pledge, sell, contract to sell or otherwise transfer or dispose of securities that are essentially equated with the shares, including securities that are convertible to or may be exchanged for, or represent a right to receive, shares in the Company; and that it shall not purchase or sell any option or other security or enter into swap, hedge or other arrangements which would have an economic effect corresponding to such measures. The Company's undertakings are subject to certain customary exceptions and shall also not be applied to the Company's previous, current or future share-based incentive programmes. The Principal Owner as well as directors and senior executives in the Company will each undertake to Global Coordinator and Joint Bookrunners that they shall not, without Global Coordinator and Joint Bookrunner's written consent, offer, pledge, sell, entry into contracts to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant options, rights or warrants to purchase, lend or otherwise, directly or indirectly, transfer or dispose of shares or securities in the Company which may be converted to, redeemed against or exchanged for shares or securities in the Company which represents the right to receive shares in the Company or securities which are essentially the same as the Company's shares, enter into swap, hedge or other arrangements which wholly or partially transfer to any third party the financial risks associated with ownership of the shares; or present or vote for a proposal regarding an increase in capital, irrespective of whether such transaction is to be paid through the delivery of shares, cash or in any other manner during a period of 180 days from the first day of trading in the shares, in respect of the Principal Owner and other shareholders, and during a period of 360 days from the first trading in the shares in respect of directors and senior executives. The above limitations are not applicable to certain transfers of shares to family members, partners in limited partnerships, key individuals and legal entities in which the seller has a significant influence, provided that the acquirer accepts to be bound by a lock-up undertaking; sales in connection with a tender offer from an independent third-party or any similar transaction; sales in connection with redemption or buyback of shares by the Company; rights in connection with rights issues in the Company; sales as a consequence of law, other regulation or pursuant to a judicial decision; each and every transfer or deposit of shares to an endowment insurance policy or an investment savings account ("**ISA**"), subject to certain exceptions; as well as sales of shares or other securities acquired on an open market following completion of the Offering.
E.6	*Dilution effect*	Not applicable. The Offering will result in no dilution effect for the shareholders of the Company.
E.7	*Costs imposed on investors*	Not applicable. The Company imposes no costs on investors.

RISK FACTORS

An investment in the Company's shares is associated with various risks. There are a number of risk factors that affect, or might affect, Balco's business, earnings and/or financial position, both directly and indirectly. Several of the risk factors and significant circumstances that are deemed material for Balco's business and future development are described below, in no particular order and without purporting to be exhaustive. The risks described below are not the only risks to which Balco and its investors may be exposed. Additional risks currently unknown to Balco, or which Balco currently considers to be insignificant, may also have an adverse impact on Balco's business, earnings and/or financial position. Such risks may also result in the Company's share price falling significantly and investors risk losing all or part of their investment. In addition to this section, investors must also take into account the other information provided in the Prospectus as a whole. The Prospectus also contains forward-looking statements that are affected by future events, risks and uncertainty factors. Balco's actual results may differ materially from the results anticipated in these forward-looking statements due to a number of factors, including the risks described below and in other parts of the Prospectus.

MARKET AND BUSINESS-RELATED RISKS

Business cycle impact and other macroeconomic factors

Balco conducts business in several countries in the Nordic region and the rest of Europe, primarily in Sweden, Norway and Denmark (the "**Main Markets**") and, similarly to other companies, is affected by general financial and political conditions globally, nationally, regionally and locally. Demand for Balco's product is affected by the state of the global economy, primarily conditions in the Nordic region, geopolitical unease, lower construction output and reduced demand on the markets for new build (which can relate to both property construction companies as well as customers within the maritime product area), and renovation, as regards tenant-owner associations, the public housing sector, property companies and construction companies. Various types of stimulation, subsidy and austerity measures (as well as the termination thereof,) impact the markets on which the Company operates. Demand is also dependent on a well-functioning finance market, interest rate levels, as well as actual and experienced borrowing levels of households, tenant-owner associations, the public housing sector, property companies and construction companies.

Balco operates on the market for balcony solutions and balcony glazing solutions, which is a niche market within the construction market. The balcony market includes renovation of existing balconies and installation of new balconies on existing properties as well as in conjunction with new build. Although the balcony market is not as sensitive to business cycles as the construction market in general, a lower level of construction output and a downward trend in prices on the housing market may lead to a reduction in demand for Balco's products and services. Should these risks materialise, they may have an adverse impact on the Company's business, financial position and earnings.

Suppliers and subcontractors

Balco carries out its own production and its products comprise components and raw materials from a number of different suppliers. Balco's balcony solutions also incorporate components provided by third-party manufacturers, such as awnings and railing solutions. In order to be able to sell, produce, assemble and transport products, Balco is dependent on external suppliers performing in accordance with agreed terms and conditions with respect to, for example, volume, quality and delivery times. Incorrect or delayed deliveries, or non-deliveries and/or transports from suppliers may, in turn, have the consequence that Balco's deliveries are delayed or must be discontinued, become deficient or incorrect. In the event Balco is forced to turn to alternative suppliers, this may result in significant costs as well as transition problems and delays in the form of, for example quality checks and design changes.

Balco does not possess full insight into the operations of its suppliers and, consequently, is only able to verify to a limited extent that the suppliers' operations are conducted in a sustainable and responsible manner. Thus, Balco is also exposed to the risk of suppliers acting in a manner which may damage Balco's reputation and brand.

Furthermore, to a great extent Balco uses external subcontractors, with the consequence that Balco is dependent on access to such and on the price for such services. The Company's agreements with such subcontractors also expose the Company to counterparty risks, i.e. that the Company's subcontractors are unable to perform the obligations prescribed in such agreements or that such subcontractors fail to meet demands imposed on the employer and at construction sites where Balco's products are installed, for example with respect to safety. All of the foregoing may lead to reduced sales and increased costs, which may have an adverse impact on the Company's business, financial position and earnings.

Project-related risks

Balco's profitability depends on the results of the individual projects. The challenges in Balco's business to a large extent involve predicting, calculating and managing risks related to Balco's projects, and in producing a calculation for the project which is subsequently updated during the course of the project. If Balco's calculation in the initial phase of the project is based on an insufficient study, losses can arise in the project and effects may arise as regards the reporting of the individual project. Furthermore, the percentage of completion method is used in Balco's projects, entailing that profit is based on a cost forecast and is reported as the costs are accrued. The method involves the Group making estimates as to the already performed percentage of total services to be performed, as per the balance sheet date. The Group's model is not on a straight-line basis; rather, it is based on expended costs within the project's two phases, namely production and installation (see the section "*The Project cycle*" regarding the various project phases). The percentage of completion method entails a risk of Balco's external financial reporting becoming misleading from time to time, particularly if Balco experiences deviations from calculations, which may have an adverse impact on the Company's earnings.

Balco has entered into customer agreements for the production of balcony solutions in which Balco has given extensive undertakings as regards predetermined quality requirements. Balco has, *inter alia*, entered into customer agreements within the maritime product area, where risks can be hard to predict given that the product area is new for Balco. Accordingly, Balco is exposed to the risk of being required to bear major costs if, for any reason, Balco fails to perform its obligations to customers in individual projects, or if such risks are not insurable.

Disruptions and seasonal variations

Balco's operations comprise processes in which outages or disruptions due, for example to fire, sabotage, machinery breakdown, human error, disruptions in the Company's IT systems, conflicts with trade unions or natural disasters may have adverse consequences for the Company's ability to perform its obligations to its customers. Outages, as well as an anticipated risk of disruption, may in turn have the consequence that Balco becomes liable to compensate the customer for loss incurred or through liquidated damages (for example for delay), or that potential customers turn to other suppliers of balcony glazing and balconies.

Balco's business and sales are marginally affected by seasonal variations. The Company is partially affected by the customer's building permit, seasonal variations in the construction industry and the fact that tenant-owner associations normally hold their annual meetings in the second or the fourth quarter. Weather conditions, such as winters with significant volumes of snow, and other unforeseen changes in weather, may result in disruptions and delays on the building site, which may affect the calculation for the individual project. Taken together, these factors can, in turn, have an adverse impact on the Company's business, financial position and earnings.

Raw materials and input goods

Balco's profitability and the long-term price structure for Balco's products are affected by the prices of raw materials and input goods, primarily aluminium, steel, glass and concrete, which over time may affect the Company's market position. Balco usually hedges materials each year at a fixed price to an extent which is based on predicted need. Balco produces offers to potential customers based on the prices of raw materials. In the event Balco's need for a particular raw material or input good is much greater than anticipated, as a consequence of which Balco may be required to pay higher prices for the raw material or input good, while at the same time there are several outstanding offers, there is a risk of deterioration in profitability in the individual project.

Both raw materials and input goods are purchased in different currencies, which results in a currency effect for Balco. To the extent Balco is unable to compensate for increases in the prices of raw materials and input goods by increasing the prices of its own products, or if the volumes of particular raw materials which Balco may have undertaken to purchase become too large at the same time as the prices of the raw materials fall, the Company's business, financial position, profitability and earnings may be adversely affected. Reduced access to input goods or sharply increased prices may, in the long term, also make it more difficult and delay the Company's possibility to manufacture and deliver products, and adversely affect the Company's margins and weaken the Company's competitiveness.

Competition and price pressure

The competition structure varies between different geographic markets and within different product segments. Balco's competitors primarily comprise concrete renovators and other balcony suppliers, where Balco is primarily taking market shares from the concrete renovation market. Increased competition from both existing as well as new players may have an adverse impact on the Company's business, financial position and earnings.

On competitive markets, price pressure is a natural feature which may have an adverse impact on the Company's business, earnings and financial position. There is a risk of Balco being forced to change its pricing in the event the Company's competitors take price cutting measures in order to defend or increase their market shares, which may adversely impact on the Company's current margins.

Human capital risk

It is a great importance for Balco that it is able to attract and retain qualified employees for strategically important functions in the Company and be able to attract and retain key members of the management group. Such functions, including Balco's design and product development as well as employees within the project and production process and sales organisation, are of great importance for the Company's future success. Should key individuals or employees in strategically important functions leave Balco, or if Balco is unable to attract such employees, this may have an adverse impact on the Company's business, financial position and earnings.

Product development

Balco's earning capacity and competitiveness are partially dependent on its ability to develop and sell new, innovative products and solutions. Thus, the further development of existing products, as well as the development of new products and solutions within the areas which Balco considers to be important for continued growth and defending market shares, constitutes one of Balco's important strategic areas, in which the Company invests great resources. When developing new products, there is always a risk that for some reason the launch or commercialisation of them will be unsuccessful, as well as a risk that Balco will be unable to attract the skills required for such development. Should Balco fail to succeed in developing the products that will be sought by the customers, Balco's position on the market will be adversely affected. Extensive and successful product development by competitors may result in risks in the form of weaker sales for Balco, and that in the future Balco will be required to invest additional significant amounts in its own product development. Furthermore, companies that currently operate on neighbouring areas may decide to establish themselves within Balco's business areas. An incorrect focus as regards in product development, as well as increased competition in the form of product development by other companies, may have an adverse impact on Balco's business, financial position and earnings.

Sales and marketing channels

Balco has a well-developed sales model and sales organisation, which is based on Balco managing the entire process from identified need to completed balcony solution and assisting the customer in producing calculations for the project. Balco uses several channels to reach its customers, including via local mini trade shows or by the Company identifying a potential customer's need, after which Balco endeavours to book a meeting with representatives of the potential customer for a review and sales pitch regarding a balcony solution. Increased presence of competitors within the same sales and marketing channels as used by Balco may have an adverse impact on the Company's sales, and thereby on the business and earnings.

Risks related to production facilities

The Company's products are produced at the Company's production units in Sweden, Denmark and Poland. In addition to these wholly-owned production units, the Company holds a 25 per cent stake in a production company in Poland which produces steel solutions for balconies; its production unit is located adjacent to Balco's own production unit in Poland. Damage to or in the production units as a consequence of, for example, fire, sabotage, natural disasters or similar accidents may have consequences for the Company's ability to perform its obligations to customers and result in significant losses for Balco. This would have negative effects on the Company's reputation as well as on its business, financial position and earnings.

IT risks

The Company's ability to manage the business in an efficient and secure manner is dependent on the reliability, functionality, maintenance, operation and continued development of the Company's IT systems. Although the Company has taken measures to protect its IT systems, including the Company's website, from a multitude of threats, including data virus, sabotage, manipulation by employees, infringement and injurious attacks, both internal and external, as well as human error, there is still a risk that these measures will not be sufficiently effective. The Company has backup systems to secure the Company's primary systems; however, there is a risk of these backup systems malfunctioning. There is a risk that disruptions in, or other problems with, the Company's IT systems and websites (depending on the length of the disruption, its scope and degree of severity), may have a material adverse impact on the Company's business, financial position and earnings.

Expansion, acquisitions and integration

Balco's strategy includes assessing and possibly implementing acquisitions of additional companies and businesses. In connection with such acquisitions, there is a risk of business risks arising associated with the acquired companies. Establishment of new markets can also result in unforeseen costs for Balco. In addition to company-specific and geographic risks, the acquired company's relations with key employees, customers and suppliers might also be adversely affected. There is also a risk that integration will take a longer time or be more costly than calculated and that anticipated synergies will not materialise, wholly or in part. This may have the consequence that the asset values attributable to the acquisition (goodwill) cannot be realised and, consequently, may need to be written down.

Political decisions, legislation and regulation

Political decisions can affect demand for the Company's products in both a positive and negative direction. Political decisions include, for example, changes in legislation as well as stricter application by public authorities of existing laws and regulations, in those countries in which Balco operates. Both actual as well as anticipated changes to taxation and subsidisation of housing and housing construction, actual and changed interest rate levels, changed planning permission regulations, changed influence over rent tribunals and changed regulations regarding mortgaging in conjunction with property purchases or renovations, for example abolition of deductions for interest expenses, or loan repayment requirements, may affect demand for the Company's products.

In addition, changed standards and rules regarding housing construction and energy efficiency improvements impose demands for changed product offerings on specific markets, and also mean greater product liability, in the future or retroactively. These factors may have an adverse impact on the Company's business, financial position and earnings.

Intellectual property rights

The Company expends very great resources on product development and on protecting the Company's balcony solutions with patents. There is a risk that Balco will be unable to protect its intellectual property rights in the event a third party uses a similar solution and that suppliers might bring claims against Balco. It also cannot be ruled out that Balco might be deemed to infringe intellectual property rights held by external parties, notwithstanding that Balco conducts certain checks to prevent such infringement. In the event Balco fails to protect and maintain its intellectual property rights or is deemed to infringe intellectual property rights held by external parties, this may have a direct or indirect adverse impact on the Company's business, financial position and earnings.

Environmental risks

Balco's activities are subject to notification obligations but not permit obligations. Operations affect the external environment, primarily due to particulates from welding, fine plasma and robot plasma. Changes in legislation or public authority regulations involving new or more stringent standards or changed conditions with respect to health, safety and the environment, as well as a trend towards stricter public authority application of laws and regulations, may require additional investments and lead to increased costs and other obligations for the activities within Balco that are subject to the aforementioned regulations. Should Balco fail to address such changes in a cost-efficient manner or fail to maintain necessary permits, Balco's business, earnings and financial position might be adversely affected. Although no major contamination of land where operations have been conducted is deemed to have arisen as a direct consequence of Balco's current and former operations, Balco may be liable to take investigation, clean-up or other restoration measures on the Company's current and former owned or leased properties in respect of operations conducted in the past (also by companies other than Balco), which may have an adverse impact on Balco's business, earnings and financial position.

Tax risks

Balco operates in a number of countries. The business, including transactions between group companies, is conducted in accordance with the Company's interpretation of applicable tax laws, including regulations regarding value added tax and payroll charges, tax treaties and other provisions in the tax law area, as well as demands from tax authorities. It is not certain that the Company's knowledge, application and interpretation of the aforementioned laws, treaties, other provisions and demands are correct in all respects. There is a risk that the tax authorities in relevant countries will take decisions that differ from the Company's interpretation. Particularly with respect to transactions between group companies, the views of tax authorities may differ from Balco's (transfer pricing issues). The Company's tax status with respect to both previous and current tax years may thus be changed as a consequence of decisions by relevant tax authorities or as a consequence of amendments to laws, treaties and other provisions. Such decisions or amendments, possibly with retroactive effect, may adversely affect the Company's earnings and financial position.

Disputes and legal proceedings

Similarly to other companies in the industry in which it operates, from time to time Balco may become involved in disputes within the context of normal business operations and risks, and be the subject of claims regarding, for example contractual issues, delays, alleged defects, environmental issues as well as intellectual property rights. Should the Company become involved in legal proceedings, Balco may incur costs in connection with any settlement as well as costs relating to awarded damages and other obligations which may be imposed on Balco. Such disputes and claims may be time-consuming, disrupt the normal business, involve large amounts, adversely affect customer relations and result in significant costs.

Should such disputes arise and Balco is held to be liable in damages or enters into a settlement agreement, there is a risk that claims will not be covered in full by the Company's insurance cover. Furthermore, the outcome of complicated disputes may be difficult to predict. Disputes, claims and awarded damages may adversely affect the Company's financial position and earnings.

Warranties and complaints

Balco is exposed to the risk of delivered and installed products being defective. Liability to compensate for defective products is governed by Balco's customer agreements in accordance with general industry terms and contractual obligations in respect of costs that arise in connection with complaints from customers due to defective products, and under law. In such cases, Balco is obliged to rectify or replace the defective products and, in certain cases, is liable to compensate for damage and loss suffered by the customer as a consequence of defective products. Balco is also liable to compensate for property damage and personal injury suffered due to safety defects in its products. Warranty periods are normally five years. Inspection is normally carried out by Balco's service organisation two years after completion of a project. Complaints, recalls and product liability, as well as the risk thereof, may adversely affect Balco's business, financial position and earnings if such occur and are not fully covered by the Group's insurance cover. Due to the long warranty periods, warranty claims can arise several years after delivery. It is not certain that the provisions in respect of warranty commitments that are made in the ongoing management are sufficient. Should such risks materialise, this may have an adverse impact on Balco's business, financial position and earnings.

Risks related to changed accounting rules

Balco's business is affected by the accounting rules applied from time to time in the jurisdictions in which the Company operates, including IFRS – which are applied in conjunction with the preparation of Balco's consolidated financial statements. Consequently, Balco's accounting, financial reporting and internal controls in the future may be affected by, and may need to be adapted to, changed accounting standards or changed application of such accounting standards. For example, through IFRS 15 Revenue from contracts with customers, which enters into force on January 1, 2018, new principles are introduced for the assessment of revenue recognition. IFRS 15 contains revenue recognition rules and establishes principles regarding reporting of useful information to the users of financial statements regarding the nature, amounts, dates and uncertainties with respect to revenues and cash flows from a company's customer agreements. According to IFRS 15, revenues are recognised when a customer assumes control over a product or service and thereby has the ability to control the use of, and obtain the benefits from, the product or service. This may affect the issue of the Company's application of the percentage of completion method in its projects (whereby profit is reported as costs are accrued), which at present does not take place on a straight-line basis. This may lead to uncertainty concerning Balco's accounts, financial reporting and internal controls, and might also affect the Company's reported earnings, balance sheet and equity, which might have a material adverse impact on Balco's business, earnings and financial position.

Corporate governance risks

Balco faces the risk, for example, of executives in the Company taking decisions that do not conform to the Company's strategy, policy documents and internal guidelines. Furthermore, Balco employees and other persons closely-related to Balco, as well as its customers and suppliers, may act in ways that are unethical, criminal (for example violation of applicable anti-corruption and bribery legislation) or otherwise violate applicable laws and regulations or the Company's strategy, policy documents and internal guidelines. Should the Company's internal controls and other measures to ensure compliance with laws, regulations, strategies, policy documents and internal guidelines prove to be insufficient, Balco may be held liable or the Company's reputation might be damaged and its business, financial position and earnings adversely affected.

Insurance

The insurance risk relates to the costs that Balco may incur due to insufficient insurance cover regarding products, property, outages, liability, the environment, transport, life, pensions, construction insurance and, where appropriate, credit insurance. Balco takes out insurance cover to the extent deemed commercially justified. It is not certain that the scope of the Company's insurance cover will prove to be sufficient or that Balco will succeed in obtaining indemnification to the extent desired. If such is the case, this may have an adverse impact on the Company's business, financial position and earnings.

Currency risks

Balco is exposed to currency risks, which can be divided into transaction exposure and translation exposure. Transaction exposure arises when a selling or purchase price is stated in foreign currency. Balco is primarily exposed to changes in EUR, NOK, DKK and Zloty in relation to SEK. A translation difference arises when the balance sheets and income statements of subsidiaries in local currency are translated to SEK. The income statement is translated applying a weighted average exchange rate during the year, while the balance sheet is translated at the rate applicable at the end of the reporting period. The translation exposure comprises the risk which the translation difference represents in the form of the change in equity. The Group engages in extensive currency dealing since 41 per cent of net sales in 2016 were invoiced in foreign currencies. Correspondingly, 36 per cent of the Group's costs in 2016 were in foreign currency. In order to manage currency risks, Balco's board has adopted a finance policy for the Company, which provides a possibility to manage risks through currency hedging and which regulates risk mandates and limits for currency management. Should the Company's measures to hedge or otherwise manage the effects of exchange rate movements prove to be insufficient, the Company's financial position and earnings may be adversely affected. Exchange rate movements can also affect the Company's own competitiveness, as well as suppliers' profit margins and pricing, and thereby indirectly affect the Company's sales and earnings.

Financing and liquidity risk

'Financing and liquidity risk' means the risk that refinancing of maturing loans becomes difficult or costly, that financial obligations in credit and loan agreements cannot be met, and that payment obligations cannot be honoured as a consequence of insufficient liquidity or difficulties in securing external financing. Although the Company's financial position is currently deemed to be solid, the Company may come to need additional financial resources, for example for refinancing loans or other financing agreements that mature, as well as to facilitate company acquisitions or otherwise achieve strategic objectives. There is a risk that such financial resources cannot be procured on conditions favourable to Balco. Access to further financing is affected by a number of factors such as market conditions, the general availability of credit, as well as the Company's credit rating and credit capacity. Disruptions and uncertainty on the capital and credit markets may also restrict access to the capital required to conduct the business.

Undertakings under loan agreement

In connection with the Offering, Balco has entered into a credit facility agreement dated September 14, 2017, (the "**Credit Facility Agreement**") with Danske Bank A/S, Danmark, Sverige Filial under which the lender, subject to certain customary conditions for disbursement, has undertaken to provide two credit facilities to the Company and certain of its subsidiaries. In the event Balco's borrowing is called in after it has been utilised, it is possible that Balco's assets will be insufficient to repay the debt in full.

There is a risk that, in the future, Balco will breach its obligations or financial covenants under the Credit Facility Agreement, which may result in the lender in question terminating agreements and calling in loans for immediate payment. Furthermore, any downturn in the general economic climate or disruptions on the capital and credit markets may lead to Balco's access to financing being limited and the disappearance of Balco's possibilities to refinance its credit facilities. In the event Balco fails to secure necessary financing in the future, or if Balco has insufficient liquidity to perform its obligations, undertakings in ongoing projects, the possibility to refinance its credit facilities, or is only able to refinance its credit facilities on terms unfavourable to Balco, this may have a material adverse impact on Balco's business, earnings and financial position.

Interest rate risks

'Interest rate risk' refers to the manner in which changes in market rates affect Balco's earnings as well as the valuation of financial instruments and Balco's goodwill. The speed and degree to which changes in market rates affect net interest income/expense depend primarily on the chosen principal and fixed interest period.

Balco is exposed to interest rate fluctuations due, among other things, to its financing arrangements at variable interest rates. In the future, the Company may take up additional external financing in different forms and with varying interest rate exposures.

Credit and counterparty risks

'Credit risk' means the risk that the Company's counterparties will fail to perform their contractual obligations and thereby create a loss for Balco. The Company's exposure to credit risks primarily relates to trade receivables and accured expenses in ongoing projects. The risk of Balco's customers failing to perform their obligations to make payment with respect to trade receivables, for example due to financial difficulties, constitutes a customer credit risk. In the event the Company's measures for managing credit risks are insufficient, this may have an adverse impact on the Company's financial position and earnings.

Goodwill

The Company's balance sheet includes significant goodwill, primarily related to the acquisition of Balco which was carried out before the transition to IFRS, and trademarks which have an indefinite period of use and which are not depreciated. As per December 31, 2016, goodwill and trademark assets amounted to a total of SEK 380,766,000. In accordance with IFRS, the need for an impairment write-down of goodwill and intangible assets which are not depreciated must be carried out at least once each year and more frequently where necessary, for example in the event of significant negative changes which have occurred or are anticipated on the markets where the Company is active or in the legal and financial circumstances applicable to the Company's business; increases in market interest rates or other interest rates which significantly affect the discount rate used to calculate the recoverable amount of the assets; the reported value of the assets exceeds the market value; estimates of the future value of cash flow or operating earnings (EBITDA) indicates significant deviations from previous estimates or budgets; significantly lower actual cash flow or operating earnings (EBITDA) than what was estimated or budgeted; and anticipated losses or negative cash flow.

The Company is of the opinion that the estimates and assumptions regarding goodwill which the Company has made are reasonable based on available information and current earnings as well as assumptions regarding future earnings. Should the Company's assumptions and estimates, for example regarding future economic conditions or cash flow from the day-to-day operations, prove to be in error, a future assessment of the need for impairment may result in significant write-downs and costs. In the event the Company is required to make write-downs, this may have a significant negative effect on the Company's business, financial position and earnings.

RISKS RELATED TO THE OFFERING

Share-related risks

There has been no market for the Company's shares prior to the Offering. There is a risk that an active and liquid market will not develop or, should such develop, that it will not continue after completion of the Offering. The Offering Price will be established through a tender procedure and, consequently, will be based on demand and general market conditions. The Offering Price will be established by the Principal Owner in consultation with Carnegie. This price will not necessarily reflect the price at which investors on the market will be prepared to buy and sell the shares after the Offering. Thus, investors might be unable to sell the shares at a price equal to, or higher than, the Offering Price. Furthermore, in the past extreme upward and downward fluctuations in prices and volumes on the stock market have occurred, that often have no connection to, or are disproportionate in relation to, the earnings of the listed companies. General financial and industrial factors may have a material impact on the price of a company's shares, including those of the Company, irrespective of its actual earnings. Such fluctuations may be even more pronounced in conjunction with trading in the shares a short time after the Offering. An investor who purchases shares in the Offering or on the secondary market may lose a part or all of the investment made.

Future share issues may affect the price of the shares and lead to dilution

The Company may seek to raise capital in the future through the issuance of additional shares or other securities. Such issues of securities may affect the price of the shares negatively and lead to an economic dilution of economic rights and voting rights if the issue is carried out without pre-emption rights for the existing shareholders. Even if the timing and conditions of possible future share issues will depend on the situation on the market at the time of the issue, the Company cannot predict or estimate the amounts, timing, or conditions of any future share issues. Consequently, holders of shares should take into consideration the risk that future share issues may reduce the price of the shares and/or dilute their holdings in the Company.

Sales of shares after the Offering may affect the price of the shares

In conjunction with the Offering, the Principal Owner, directors and senior management of the company and other shareholders have entered into what is commonly referred to as lock-up agreements with the Global Coordinator and Joint Bookrunners. When these expire, or if the Global Coordinator and Joint Bookrunners approve exceptions from, or terminate, the agreements, the shares subject to the lock-up agreements will be available for sale on the open market or in another manner. Large-scale sales of shares in the Company, particularly sales by the Company's directors, senior executives and major shareholders, as well as a general market expectation that additional sales will be carried out, may adversely affect the price of the Company's shares and make it more difficult for shareholders to sell their shares at a time and at a price they consider appropriate. The Principal Owner may have interests which differ from those of other shareholders with respect to the timing and number of shares which may be sold.

Future dividends

The size of any future dividend to the Company's shareholders, if such is issued, will depend on a number of factors, which may include future earning capacity, financial position, cash flows, need for working capital, capital expenditures and other factors. The Company may have insufficient distributable funds and it is possible that the Company's shareholders will not decide to pay out dividends in the future.

The Cornerstone Investors' undertakings are not secured

Erik Selin, Swedbank Robur Fonder AB, Vätterleden Aktiebolag, Lazard Management GmbH, Stiftelsen Riksbankens Jubileumsfond, Taiga Fund Management AS, Familjen Hamrin and LMK Venture Partners AB ("**Cornerstone Investors**") have undertaken, at the Offering Price, to subscribe for a total of approximately 34.2 per cent of the shares in the Company after the Offering. Based upon full subscription under the Offering and full exercise of the Over-allotment Option, the undertakings correspond to 7,321,427 shares, which corresponds to 49.5 per cent of the total number of shares in the Offering if the Offering is fully subscribed for. However, the Cornerstone Investors' undertakings are not secured through a bank guarantee, blocked funds, a pledge or any similar arrangement. There is thus a risk that the Cornerstone Investors will not fulfill their obligations. In addition, the undertakings are subject to customary terms and conditions, including that the Offering is carried out within a particular period of time and that the the Cornerstone Investors receive full allotment. In the event the Cornerstone Investors do not fulfill their obligations, or any of the conditions for the undertakings are not fulfilled, this might have a significant negative effect on the implementation of the Offering.

Exchange rate differences

The shares will only be listed in SEK and any dividends will be paid in SEK. Consequently, the value of holdings and dividends for shareholders outside Sweden may be negatively affected when converted to other currencies, if the Swedish krona falls in value against the currency in question.

Specific risks for foreign shareholders

In the event the Company issues new shares in a cash issue, as a general rule the shareholders enjoy pre-emption rights to subscribe for new shares pro rata to the number of shares held prior to the issue. However, shareholders in certain other countries may be subject to restrictions as a consequence of which they are unable to participate in rights issues, or participation is otherwise rendered more difficult or restricted. For example, shareholders in the United States may be precluded from exercising pre-emption rights if the shares and subscription rights are not registered pursuant to the Securities Act and no derogation from the registration requirements under the Securities Act is applicable. Shareholders in other jurisdictions outside Sweden may be affected to a corresponding extent if the subscription rights or the new shares are not registered or approved by competent authorities in those jurisdictions. The Company is under no obligation to apply for registration pursuant to the Securities Act or to apply for corresponding approval pursuant to the legislation in any other jurisdiction outside Sweden with respect to such subscription rights and shares, and doing so in the future may be impractical and costly. To the extent that the Company's shareholders in jurisdictions outside Sweden are unable to exercise their rights to subscribe for new shares in any rights issues, their proportionate holdings in the Company will be diminished.

INVITATION TO ACQUIRE SHARES IN BALCO

The Company's board of directors and Principal Owner[1] have decided to diversify the ownership base in the Company through a sale of existing shares. Accordingly, Balco's board of directors has applied for the Company's shares to be admitted to trading on Nasdaq Stockholm. The sale of existing shares is expected to promote Balco's continued growth and development, among other things through improved access to the capital market.

Investors are hereby invited, in accordance with the terms and conditions of the Prospectus, to acquire 10,714,387 existing shares in Balco and the existing shares are offered by the Principal Owner.

The Principal Owner has reserved the right to expand the Offering by not more than a further 2,142,877 existing shares in Balco. In the event the Offering is expanded in full in this manner, the Offering will cover in total not more than 12,857,264 shares. The Principal Owner has also issued an option (the "**Over-allotment Option**") to Joint Bookrunners, which may be exercised wholly or partially during 30 days from the first day of trading in the Company's shares on Nasdaq Stockholm, to acquire not more than an additional 1,928,589 existing shares from the Principal Owner, corresponding to not more than 15 per cent of the maximum number of shares covered by the Offering (including an expansion of the Offering), at a price corresponding to the price in the Offering, to cover any over-allotment in connection with the Offering.

The Offering Price has been determined to SEK 56 per share by the Company and the Principal Owner in consultation with Carnegie based on the estimated interest from institutional investors and the commitments from the Cornerstone Investors.

Assuming that the Offering is expanded in full, that the Over-allotment Option is exercised in full, the Offering will cover 14,785,863 shares, corresponding to 69.0 per cent of the shares and voting rights in the Company after the Offering.

The total value of the Offering will be SEK 600 million (without expansion). In the event the Offering is expanded in full the total value of the Offering will be approximately SEK 720 SEK million (and approximately SEK 828 million if, in addition, the Over-allotment Option is exercised in full). The Company will receive no proceeds from the sale of the shares sold by the Principal Owner in the Offering.

Erik Selin, Swedbank Robur Fonder AB, Vätterleden Aktiebolag, Lazard Asset Management GmbH, Stiftelsen Riksbankens Jubileumsfond, Taiga Fund Management AS, Familjen Hamrin and LMK Venture Partners AB have undertaken, on certain terms and conditions, to acquire shares in the Offering corresponding in total 34.2 per cent of the total number of shares in the Company after the Offering.

In other respects, reference is made to the presentation in this Prospectus, which has been prepared by the board of directors of the Company as a consequence of the application for admission of the Company's shares to trading on Nasdaq Stockholm and the Offering made in connection therewith.

Växjö, September 25, 2017

Balco Group AB (publ)

Jersey, September 25, 2017

Segulah IV, L.P.,
through its General Partner Segulah IV GP ILP,
through its General Partner Segulah Management IV Limited

1) Segulah IV, L.P., 26 New Street, St Helier, Jersey JE2 3RA, Channel Islands

BACKGROUND AND REASONS

Since Balco was founded in 1987 in Växjö in Sweden, the Company has grown from being a local product-oriented supplier of concrete balconies into a leading market-oriented supplier of glazed balcony solutions. Balco primarily offers customised, innovative balcony solutions under its own brand to tenant-owner associations, private landlords, the public housing sector and construction companies on its Main Markets, which comprise Sweden, Denmark and Norway, as well as in Germany, Finland, the UK and the Netherlands ("**Other Markets**").

Balco's core expertise is in delivering glazed balconies and balcony solutions, primarily on the renovation market and to tenant-owner associations, and in replacing existing balconies with new glazed balconies in accordance with the Balco method. The method provides many advantages for the customer, such as lower energy costs, enhanced living standard and an increase in the value of the property. Balco works actively with its successful sales process whereby the Company assumes overall responsibility and guides the customer through the entire construction process, from project planning to implemented final inspection and aftermarket service. As one of the few complete balcony suppliers on its Main Markets, the Company has the ability to provide customised and high-quality balcony solutions irrespective of order size and complexity, with short delivery times.

Since its inception, Balco has expanded to several European countries and has 18 sales offices in seven countries. The Company has three wholly-owned production facilities in Sweden, Denmark and Poland, and is part-owner of a strategic Polish subcontractor which, together with the large sales force, constitutes the platform from which Balco delivers its balcony solutions to customers around Northern Europe. The Company has made significant investments in its operational platforms, thereby creating positive conditions for continued growth in both sales and earnings.

Balco is nowadays the market leader on the balcony market on its Main Markets. Balco is a strong challenger on the Company's Other Markets.

Balco's strong position within the market segment renovation, combined with its high quality balcony solutions, operational platforms and positive underlying market trends, has contributed to a positive development in recent years. During the period 2014 to the twelve-month period ending June 30, 2017, the Group's sales increased from SEK 568.4 million to SEK 929.0 million and adjusted EBIT increased from SEK 41.0 million to SEK 109.8 million, equivalent to an increase in adjusted EBIT margin from 7.2 per cent to 11.8 per cent, making Balco one of the most profitable companies on the balcony market.

Segulah's business concept is to invest in medium-sized Nordic companies and exit after a number of years once established targets have been achieved. Ever since its investment in Balco in 2010, Segulah – together with Balco's current senior executives – has implemented several important strategic initiatives and strengthened the Company's market position in, among other places, the Nordic region. Balco is now ready for continued expansion on existing and new markets.

In light of the foregoing, Balco's board of directors and management, together with Segulah, have made the assessment that the time is right for the Company to take the next step, i.e. to broaden the Company's shareholder base and apply for listing of the Company's shares on Nasdaq Stockholm. The board of directors views the listing as a logical and important step in Balco's development in order to be able to take advantage of the opportunities for growth and increase awareness of Balco and its business operations. The Company's board and management believe an exchange listing to be advantageous for the Company by broadening the Company's financing alternatives pending any future capital requirements, since a listing on Nasdaq Stockholm will provide Balco with access to the Swedish and international capital markets.

The board of directors of the Company is responsible for the content of this Prospectus. An assurance is hereby provided that all reasonable precautionary measures have been taken to ensure that, as far as the board is aware, the information in the Prospectus corresponds to the actual facts and that nothing has been omitted which might affect the interpretation thereof.

Växjö, September 25, 2017
Balco Group AB (publ)
The Board of Directors

The board of directors of the Company is responsible for the content of this Prospectus as stated above. However, the Principal Owner, i.e. Segulah IV, L.P. confirms that it is bound by the terms and conditions of the Offering as stated in the section "Invitation to acquire shares in Balco".

Jersey, September 25, 2017
Segulah IV, L.P.,
through its General Partner Segulah IV GP ILP,
through its General Partner Segulah Management IV Limited

MARKET OVERVIEW

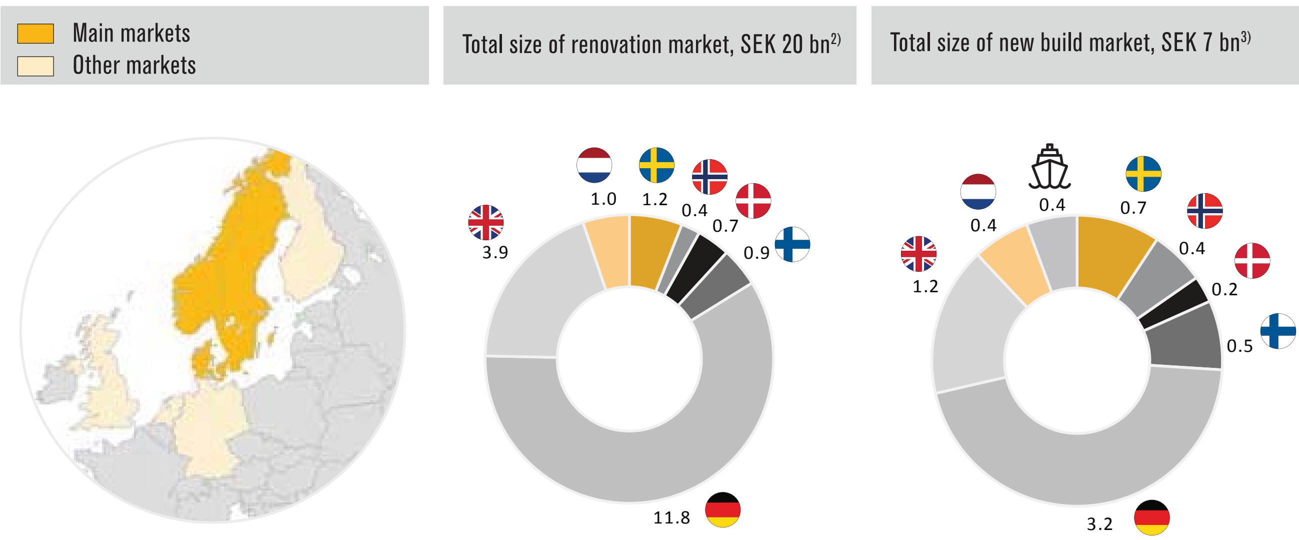
The Prospectus contains information concerning the Company's markets. Unless otherwise stated, the information is based on the Company's analyses, its own market information and an external market study from a leading independent market consultant which contains market information. Since the Company does not have access to the facts and assumptions on which such market information is based, or statistical information or economic indicators available at such third-party sources, the Company is unable to verify such information and, although the Company considers such information to be reliable, no warranty is provided that the information is correct or complete. Information derived from third parties has been correctly reproduced and, as far as the Company is aware and is able to ascertain through comparisons with other information published by a relevant third party, no information has been omitted in a manner which renders the reproduced information incorrect or misleading. Balco operates in an industry in which it is difficult to obtain precise industry and market information. Balco has obtained certain market data, as well as data in the Prospectus concerning competition, from a report produced by Arthur D. Little (dated November 2, 2016). Balco commissioned the report and Balco believes it to be reliable. Arthur D. Little received market and corporate information from Balco as part of the basis for the report. The information in the report has been correctly reproduced by Balco in the Prospectus, but no independent verification has been carried out regarding the market data or the competition data included in the Prospectus.

INTRODUCTION

Balco operates on the Northern European market for balcony solutions, with a strong focus on glazingings, which is a niche market within the broader construction market. The balcony market primarily includes renovation of existing balconies and installation of new balconies on existing properties, as well as installation of balconies in conjunction with construction of new properties.

Balco's Main Markets comprise Sweden, Norway and Denmark. In 2015, the value of the balcony market in these countries was approximately SEK 3.6 billion, of which SEK 2.4 billion derived from the renovation segment, which is Balco's focus segment. In addition to the Main Markets, Balco also operates in Balco's Other Markets, i.e. Finland, the UK, the Netherlands and Germany. The Company has also recently invested in marketing, among other things in the form of sales personnel, in Switzerland and on Iceland – two markets where the Company sees large potential. In 2015, the total value of the balcony market in Other Markets was approximately SEK 23.0 billion, of which approximately SEK 17.6 billion derived from the renovation segment. In a number of selectively chosen projects, Balco also produces, sells and installs maritime balconies, which are sold to cruise ships in Europe where Balco's business model is suitable. In 2015, the value of maritime balconies in Europe amounted to SEK 0.4 billion. The diagram below illustrates the size of Balco's Main Markets and Other Markets in 2015 within renovation and new build.

Total balcony market, SEK 27 billion (2015)



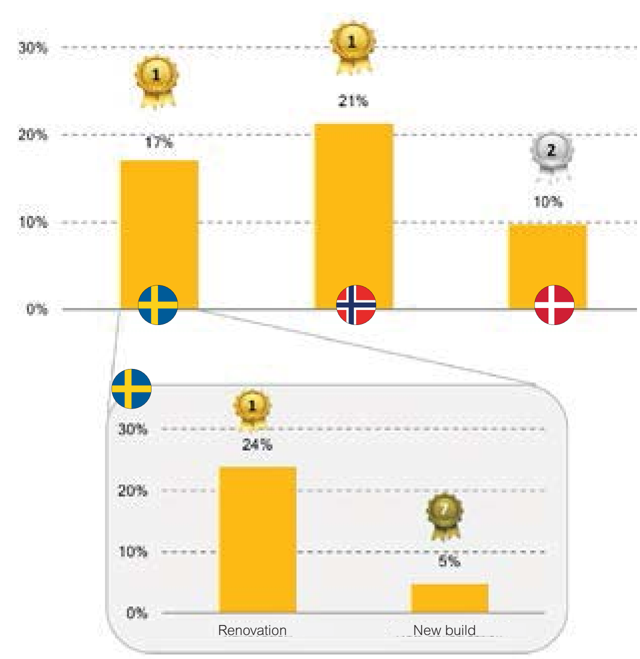
2) Arthur D. Little (2016).
3) Arthur D. Little (2016).

The Nordic balcony market is characterised by national and regional differences in terms of building standards, regulations and materials, and design preferences. Finland has a long tradition and high degree of penetration of glazed balconies. Open balconies are the most common solution in Sweden and Norway, but there is an increasing growth within glazed solutions where the Company sees major potential. Within the market segment, glazed balconies account for a significant share of the renovation segment, but a smaller share of the new build segment. Within new build, construction companies usually purchase open balconies from third parties, install a concrete slab themselves, and let the balcony suppliers to carry out installation of the railing solution.[4)]

The balcony market in the Nordic region is fragmented and comprises a few large companies that are vertically integrated in the value chain and operate in several countries, as well as a number of smaller, local balcony installation companies, balcony manufacturers and concrete renovation contractors.[5)]

Balco is the leading player on the Nordic balcony market, being the market leader in Sweden and Norway and the second largest player in Denmark. The diagram to the right shows Balco's market shares in 2015.

Market shares and market position[6)]



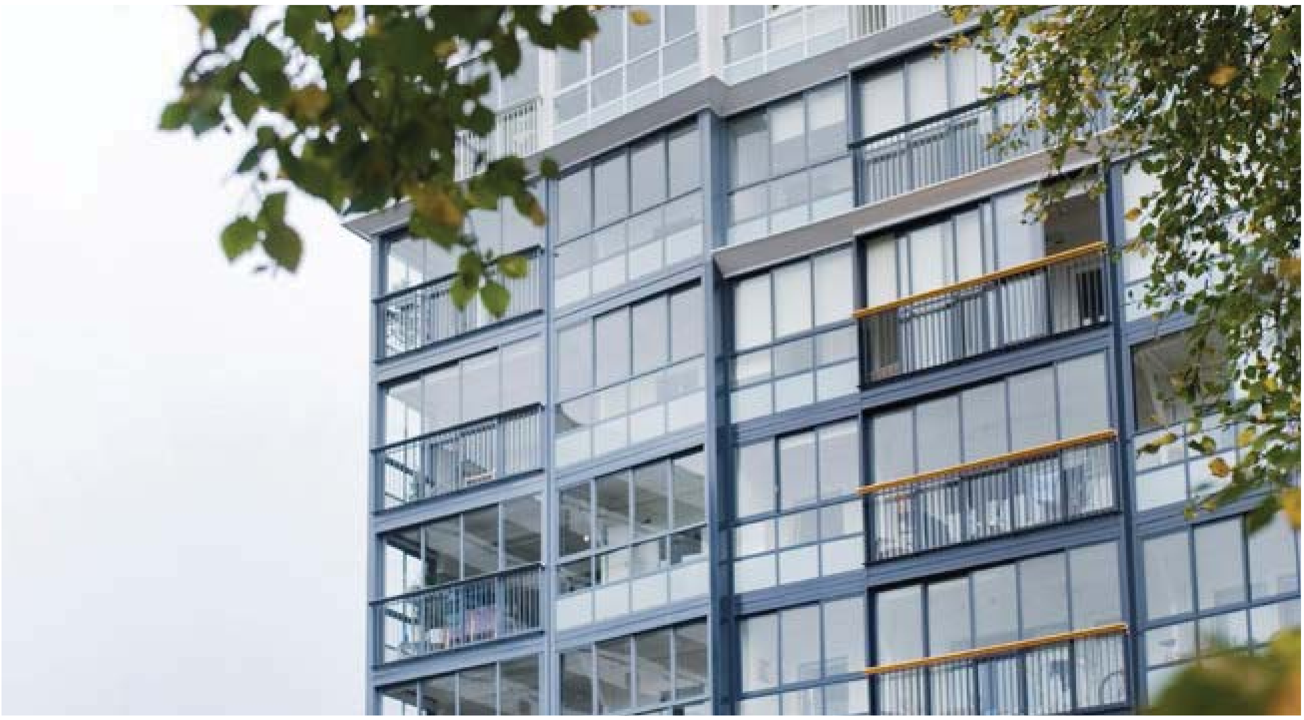
Market segments

The balcony market is divided into two market segments: renovation and new build, with the renovation segment (which accounted for 90.6 per cent of Balco's sales during 2016) being the more stable segment over business cycles.

Renovation

The renovation segment, which is Balco's main focus, includes both renovation of existing balconies as well as the installation of new, larger balconies on multi-family residential properties with smaller balconies or without balconies. The age profile of the housing stock constitutes the main market driver, followed by other drivers such as enhanced quality of life, increase in the value of properties, etc. The recurring need for renovation of existing balconies provides a stable market in the renovation segment.[7)]

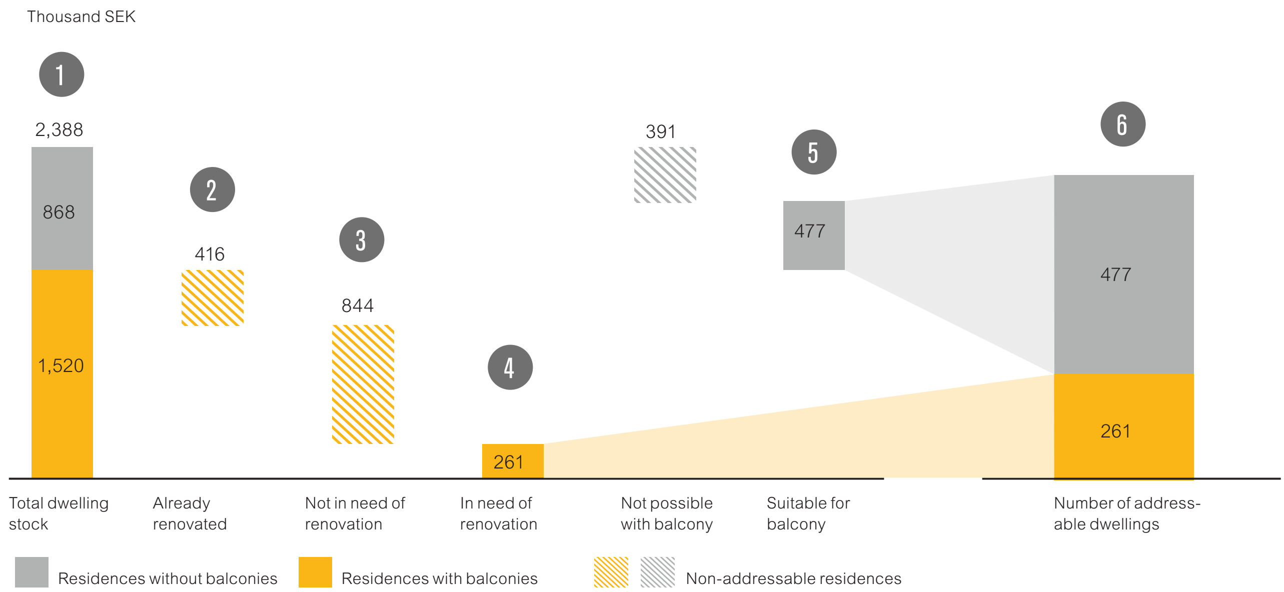
The Company estimates the life span of a new built balcony, prior to the first renovation, to approximately 50 years. Thereafter, renovation is required every 15th to 50th year, depending on the renovation method used. A renovation can be postponed for up to 10 to 15 years by carrying out simpler renovations and only repairing the actual and visible concrete damage on the balcony.



4) Arthur D. Little (2016).
5) Arthur D. Little (2016).
6) Arthur D. Little (2016).
7) Arthur D. Little (2016).

The balcony renovation market in Sweden comprises approximately one-third of the total number of dwellings in Sweden in 2015. The market in Sweden is estimated to approximately 738,000 balconies, of which 261,000 dwellings are in immediate need of balcony renovation, corresponding to 17 per cent of all dwellings with balconies, and it is estimated that it is possible to install balconies on approximately 477,000 dwellings (corresponding to 55 per cent of all dwellings without balconies). The market structure within the renovation segment in Sweden is illustrated in the diagram below ("dwellings" means units in multi-family residential properties).

Size and structure of the renovation segment in Sweden (2015)



Source: Arthur D. Little (2016).

1. Total number of dwellings: It is estimated that in 2015 there were approximately 2.4 million dwellings in Sweden, of which the number of dwellings with balconies were approximately 1.5 million dwellings, i.e. approximately two-thirds.

2. Already renovated: It is estimated that, of the total stock of dwellings with balconies, 416,000 dwellings have carried out a balcony renovation within the past 30 years, meaning that they are not deemed to be in immediate need of renovation.

3. Not in need of renovation: 844,000 dwellings were constructed during the period 1965–2015, and these are not yet deemed to be in need of balcony renovation.

4. In need of renovation: Of the total number of dwellings with balconies, approximately 261,000 are deemed to be in immediate need of balcony renovation, corresponding to approximately 17 per cent of all dwellings with balconies, and constituting the pent-up need on the Swedish market. These dwellings comprise a mix of units in need of renovation for the first, second or third time, depending on the age of the dwellings.

5. Balcony installation possible: It is assesed that it is possible to install balconies on approximately 477,000 out of all dwellings in Sweden without balconies, corresponding to 55 per cent of all dwellings without balconies.

6. Number of addressable dwellings: In total, there are approximately 740,000 dwellings with balconies in immediate need of renovation or without balconies where balcony installation is possible.

New build

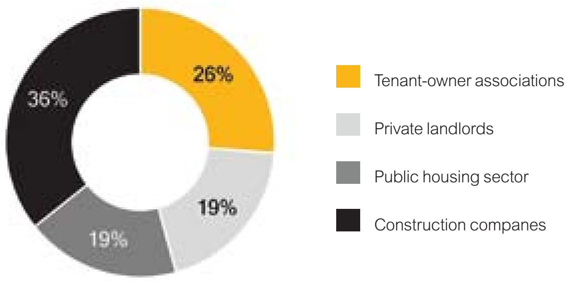
The new build segment includes the installation of balconies in conjunction with construction of new multi-family residential properties, and the segment is driven by the rate of new dwellings being built. The balcony solutions within new build have a lower average cost compared with renovation, due to the fact that the segment largely comprises open balconies which have a lower cost per unit compared with glazed balconies. A contributory factor is that construction companies constitute the most price-sensitive customer segment and, as a rule, are unable to command higher prices for dwellings with more advanced solutions. The products within new build are also less complex and the concrete slab is usually installed by the construction company, while the installation of the railing solution is carried out by balcony installation firms. Balco's open balconies for new build are often designed and prepared to allow for glazing at a later stage.[8)]

8) Arthur D. Little (2016).

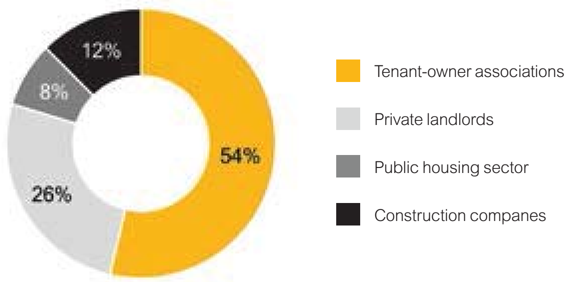
Customer segments

The market's customer segment is divided based on type of property owner. Within the renovation segment, there are three types of customer segments: tenant-owner associations, private landlords and the publicly owned properties. Within new build, construction companies constitute the sole customer segment. There are significant differences between the customer segments, which have different needs, demands and objectives. A description of each customer segment is provided below.

Market breakdown by customer segment (2015)[9]



Balco's breakdown by customer segment (2016)



Tenant-owner associations

Tenant-owner associations consist of apartment owners ("members") who together run the tenant-owner association. The members appoint a board, which is responsible for implementing the proposals voted on by the members of the tenant-owner association. A proposal may, for example, be to invest in balconies and the aim of such an investment may be, for example, to enhance the quality of life of the members or to increase the value of the apartments. A balcony investment may be financed by increasing fees. The most important criterias in conjunction with investment decisions include the members' monthly costs, energy savings, product quality and design, project planning and implementation, delivery time and quality of life.[10]

Private landlords

The customer segment comprises commercially-driven owners engaged in property management. Consequently, investment decisions (balconies, façades, etc.) are driven by the possibility, for example, to increase rents and thus the return on their investment. Investment decisions are, therefore, studied in greater detail compared with other customer segments and are characterised by commercial negotiations prior to contract signing. The most important criteria in conjunction with investment decisions include product quality, product design, price, payback time and delivery time.[11]

The public housing sector

The customer segment comprises companies owned by municipalities, county councils or the State engaged in property management. An investment is often driven by a desire in the public housing sector to bring about a change in the local area (refurbishment), with the aim of enhancing the quality of life and security for the residents. The most important criteria in conjunction with the investment decision include price, project planning and implementation, quality of life and security.[12]

Construction companies

The customer segment comprises construction companies of varying size which operate within new build. The customers are often price sensitive and usually purchase simpler open balcony solutions, comprising a concrete slab and balcony railing solutions which they purchase from a third party. They normally install the concrete slabs themselves, while letting balcony installation firms to carry out installation of the balcony railing solutions on properties that they build.[13]

9) Arthur D. Little (2016).
10) Arthur D. Little (2016).
11) Arthur D. Little (2016).
12) Arthur D. Little (2016).
13) Arthur D. Little (2016).

GROWTH ON THE BALCONY MARKET[14)]

Measured in terms of market value, the balcony market experienced an average growth rate of 12.0 per cent in Sweden, 9.4 per cent in Norway and 5.7 per cent in Denmark during the period 2011–2015. In 2015, the total market value in these countries was SEK 3.6 billion, and the market is expected to grow by an average rate of 12.8 per cent per year up to 2020, when a market value of approximately SEK 6.7 billion is expected to be reached.

The total market value on Other Markets where Balco operates, i.e. Finland, Germany, the UK and the Netherlands, was SEK 23 billion in 2015 and an average annual growth rate of 3.6 per cent was demonstrated during the period 2011–2015. The market value in these markets is expected to grow by an average rate of 4.5 per cent per year during the period 2015–2020, reaching approximately SEK 28.6 billion in 2020.

The table below provides an overview of actual and anticipated development of the total market value of the Company's Main Markets and Other Markets, including renovation and new build, for the period 2011–2020.

Balcony market development in value by geographic market

MSEK	2011	2012	2013	2014	2015	2016E	2017E	2018E	2019E	2020E	CAGR 11-15	CAGR 15-20
Sweden	1,169	1,330	1,491	1,579	1,841	2,379	2,944	3,549	3,994	4,343	12.0%	18.7%
Norway	597	751	812	821	853	884	982	1,008	1,045	1,104	9.4%	5.3%
Denmark	765	872	877	919	954	1,021	1,037	1,094	1,153	1,214	5.7%	4.9%
Finland	1,267	1,318	1,315	1,349	1,420	1,528	1,585	1,602	1,663	1,727	2.9%	4.0%
Germany	12,897	13,255	13,532	14,416	15,004	15,829	16,546	17,004	17,701	18,472	3.9%	4.2%
UK	4,287	4,327	4,264	4,679	5,052	5,338	5,537	5,765	6,017	6,280	4.2%	4.5%
The Netherlands	1,460	1,390	1,372	1,371	1,490	1,573	1,688	1,841	1,998	2,132	0.5%	7.4%
Total	**22,441**	**23,243**	**23,664**	**25,135**	**26,614**	**28,553**	**30,320**	**31,862**	**33,571**	**35,272**	**4.4%**	**5.8%**

14) Arthur D. Little (2016).

Sweden

The balcony market in Sweden demonstrated an average growth in market value of 12.0 per cent per year during the period 2011–2015 and is expected to grow by an average 18.7 per cent per year during the period 2015–2020. Both the renovation and new build segments have demonstrated strong growth, which is expected to increase in the coming years. This is primarily driven by a pent-up need for renovation of dwellings that were built in the 1960s and ’70s within the scope of the million homes programme, as well as increased housing construction.

The table below provides an overview of actual and anticipated growth in the total market value of the Swedish balcony market. The renovation segment in the table includes renovation of existing balconies as well as installation of new balconies on dwellings.

Growth in value on the Swedish balcony market

MSEK	2011	2012	2013	2014	2015	2016E	2017E	2018E	2019E	2020E	CAGR 11-15	CAGR 15-20
Renovation	850	898	967	1,043	1,183	1,341	1,541	1,763	1,998	2,263	8.6%	13.8%
New build	319	431	525	537	657	1,039	1,402	1,785	1,996	2,079	19.8%	25.9%
Total	**1,169**	**1,330**	**1,491**	**1,579**	**1,841**	**2,379**	**2,944**	**3,549**	**3,994**	**4,343**	**12.0%**	**18.7%**

Source: Arthur D. Little (2016).

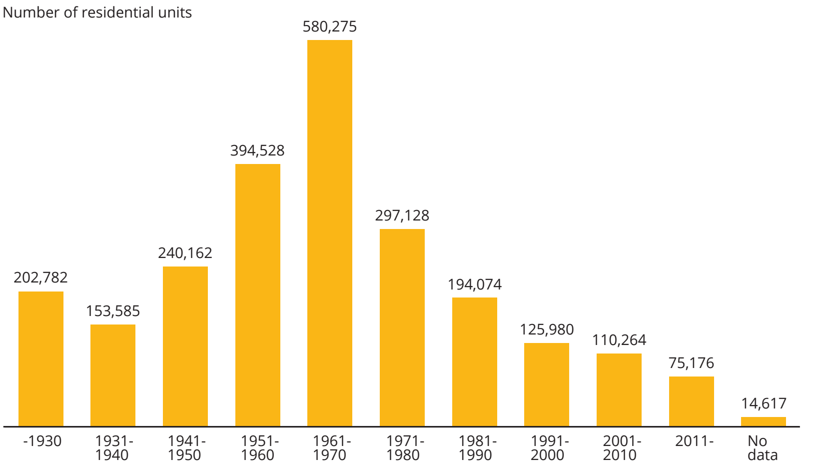
Housing stock age profile

A very large part of the Swedish housing stock was built within the scope of the million homes programme during the 1960s and ’70s. During this period, approximately 900,000 dwellings were built in Sweden to compensate for the housing shortage that prevailed at the time. This residential construction has resulted in a large pent-up need for renovation in Sweden, since to date only a small percentage of the dwellings built under the million homes programme have been renovated, and more than half of the dwellings are in immediate need of renovation.

Pent-up need for renovation

The prevailing age profile of the Swedish housing stock contributes to the fact that the Company is currently witnessing a large and increasing inflow of dwellings in need of balcony renovation. During the period 2015–2025, the inflow of dwellings in need of balcony renovation is expected to be approximately 44,000 per year. This can be compared with 2015, when only approximately 16,200 balcony renovations were carried out. The fact that the number of dwellings in need of renovation exceeds the number of renovations carried out leads to the development of a major accumulated need for renovation of dwellings in Sweden. The accumulated need is expected to grow up to 2024, when it is expected to reach approximately 400,000 dwellings, and will thereafter slow down as the inflow of dwellings falls below the number of renovations carried out by the companies on the market. This demonstrates the existence of major potential within the renovation segment in the Swedish market.

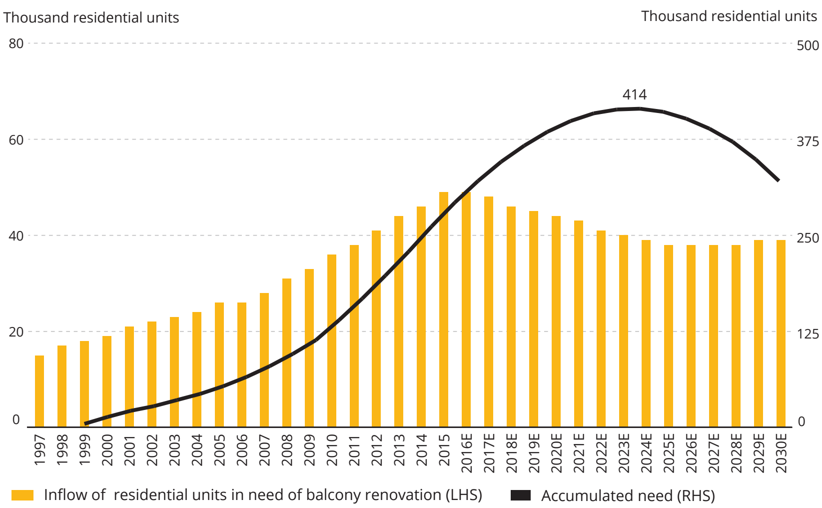
Age profile of the Swedish housing stock



Source: Arthur D. Little (2016).

The diagram below shows the actual and anticipated annual inflow of balconies in need of renovation as well as the accumulated need.

Accumulated number of apartments in need of balcony renovation and inflow of apartments



Source: Arthur D. Little (2016).

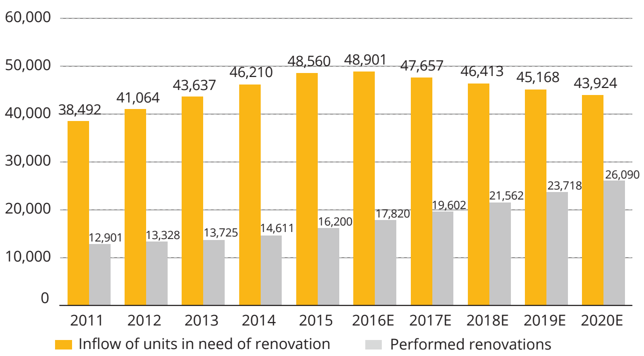
Growth within the renovation segment

During the period 2011–2015, the number of balcony renovations carried out on existing balconies grew by approximately 6 per cent and the number of renovations carried out in 2015 amounted to approximately 16,200. The market's growth in the number of performed renovations is expected to increase by an average of 10 per cent per year during the period 2015–2020, reaching approximately 26,000 performed renovations in 2020. In order to balance the inflow of residential dwellings in need of renovation, the number of performed renovations during the period 2015–2020 must be more than double the anticipated number, as illustrated through the difference between the bars in the diagram below. The fact that the inflow exceeds the number of renovations performed is primarily due to limited capacity within the industry and in part due to the long processing periods for the handling of building permits and approval by rent tribunals, particularly in the Stockholm region.

Prices for balcony renovations are expected to increase by approximately 3–4 per cent due to the shortfall in performed renovations compared with the inflow of dwellings in need of renovation, and consequently the market value within the renovation segment is expected to increase on average by approximately 14 per cent per year during the period 2015–2020.[15]

The diagram below shows the number of performed and anticipated renovations of existing balconies per year only, as well as the actual and anticipated inflow of balconies in need of renovation during the period 2011–2020. New balconies installed on existing dwellings without balconies are not represented in the graph below.

Actual and anticipated growth in performed balcony renovations and actual and anticipated inflow of balconies in need of renovation



Source: Arthur D. Little (2016).

New build

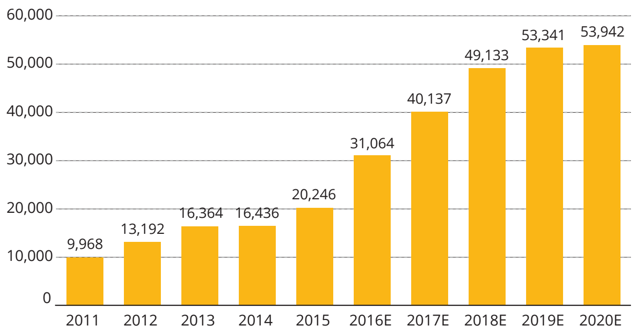
The new build market segment is driven by housing construction in Sweden, which has increased sharply in recent years due to a housing shortage in parts of the country and to increased incentives for housing construction from political quarters. The urban areas account for a large part of the new build, which is primarily driven by a prevailing housing shortage (a trend which is expected to continue in the coming years) as well as an improved macroeconomic climate.

Approximately 80 per cent of the dwellings being built today have open balconies. During the period 2011–2015, the number of newly built dwellings with open balconies increased by approximately 19 per cent per year and is expected to increase by approximately 22 per cent per year during the period 2015–2020.[16]

Similarly to the renovation segment, prices within new build are expected to increase by 3–4 per cent annually due to the strong demand for balcony solutions, combined with limited industry capacity. As a consequence, the market value within the segment is expected to increase by approximately 26 per cent annually during the period 2015–2020.[17]

The diagram below shows the actual and anticipated growth in the number of built dwellings during the period 2011–2020.

Growth in the number of built dwellings with balconies



Source:Arthur D. Little (2016).

15) Arthur D. Little (2016).
16) Arthur D. Little (2016).
17) Arthur D. Little (2016).

Norway

The market value of the balcony market in Norway grew by approximately 9 per cent per year during the period 2011–2015 and is expected to experience lower growth, of approximately 5 per cent per year, during the period 2015–2020. The anticipated slowdown in growth is a result of a weaker market within the new build segment, which grew on average by approximately 15 per cent per year during the period 2011–2015. Growth is expected to decline to approximately 6 per cent during the period 2015–2020.

The table below shows an overview of actual and anticipated growth in market value of the Norwegian balcony market.

Growth in market value on the Norwegian balcony market

MSEK	2011	2012	2013	2014	2015	2016E	2017E	2018E	2019E	2020E	CAGR 11-15	CAGR 15-20
Renovation	353	376	383	404	424	440	462	485	509	534	4.7%	4.7%
New build	244	375	429	416	429	444	520	523	536	570	15.2%	5.9%
Total	**597**	**751**	**812**	**821**	**853**	**884**	**982**	**1,008**	**1,045**	**1,104**	**9.4%**	**5.3%**

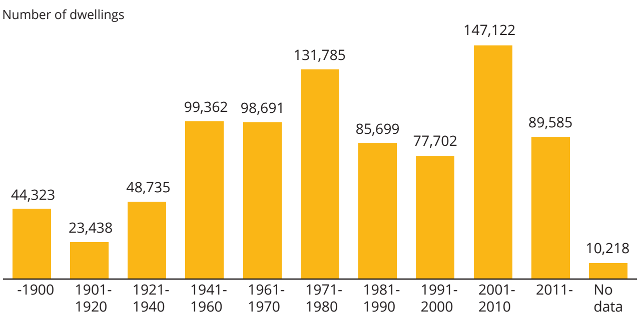
Source: Arthur D. Little (2016).

Housing stock age profile

The age profile of the Norwegian housing stock differs from that in Sweden since housing construction in Norway has increased sharply since the 1970s in order to make up for the housing shortage that developed during the period. As a consequence, more than 60 per cent of the housing stock is 45 years old or younger, whereas Swedish housing construction peaked during the period 1950–1970. This, combined with the fact that balconies are estimated to be in need of renovation approximately 50 year years after construction, and approximately every 30 years thereafter, means that the Norwegian balcony market does not have the same pent-up renovation need as the one that exists in Sweden. On the other hand, it is estimated that the Norwegian market will witness a major inflow of dwellings in need of balcony renovation in the coming decades, when the dwellings built after 1970 needs renovating for the first time.

The graph below shows the age profile of the Norwegian housing stock.

Age profile of the Norwegian housing stock



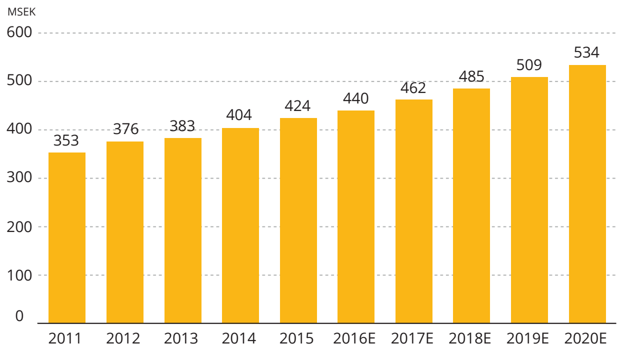
Source: Arthur D. Little (2016).

Renovation

The renovation segment grew in market value by approximately 5 per cent per year during the period 2011–2015 and is expected to grow at the same rate during the period 2015–2020. This is due to the fact that the relatively young age profile of the housing stock in Norway creates to a stable, actual and anticipated inflow of dwellings in need of balcony renovation.

The diagram below shows growth in the market value of the segment in Norway during the period 2011–2020.

Growth in market value within the renovation segment



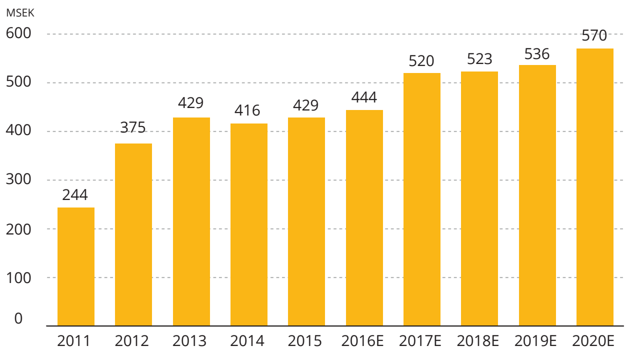
Source: Arthur D. Little (2016).

New build

The new build segment experienced an average annual growth in market value of approximately 15 per cent per year during the period 2011–2015 and is expected to grow at an average rate of approximately 6 per cent per year during the period 2015–2020. The slowdown in the growth rate is due to lower housing construction in the urban areas.

The diagram below shows growth in actual and anticipated market value within the new build segment during the period 2011–2020.

Growth in market value within the new build segment



Source: Arthur D. Little (2016).

Denmark

The balcony market in Denmark grew by approximately 6 per cent per year during the period 2011–2015 and is expected to grow at a rate of approximately 5 per cent per year during the period 2015–2020. The anticipated slowdown in growth is due to a weaker market within the new build segment, which to some extent is offset by increased growth within the larger renovation segment. During the period 2011–2015, the new build segment grew by approximately 13 per cent per year, a figure which is expected to decline to approximately 5 per cent per year during the period 2015–2020, while the renovation segment grew on average by 4 per cent per year during the period 2011–2015 and is expected to grow at a rate of just over 4 per cent per year during the period 2015–2020.

The table below shows an overview of actual and anticipated growth in the market value of the Danish balcony market.

Growth in market value on the Danish balcony market

MSEK	2011	2012	2013	2014	2015	2016E	2017E	2018E	2019E	2020E	CAGR 11-15	CAGR 15-20
Renovation	637	653	673	719	744	774	809	846	884	925	4.0%	4.4%
New build	129	219	205	200	210	248	228	248	268	289	13.1%	6.6%
Total	**765**	**872**	**877**	**919**	**954**	**1,021**	**1,037**	**1,094**	**1,153**	**1,214**	**5.7%**	**4.9%**

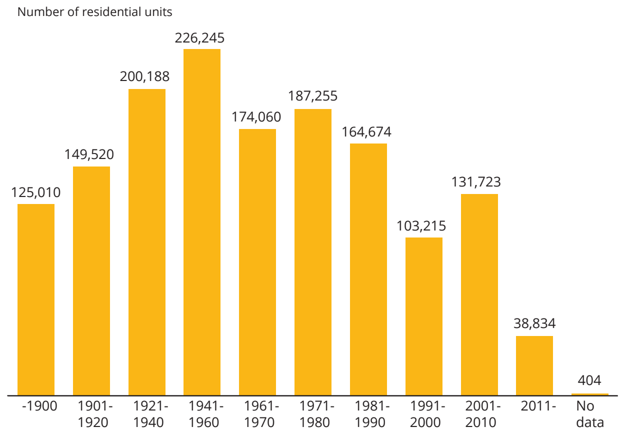
Source: Arthur D. Little (2016).

Housing stock age

The age profile of the Danish housing stock differs appreciably from that in Sweden and Norway. In Denmark, housing construction has historically been relatively constant, and consequently the inflow of dwellings in need of balcony renovation has increased at a stable pace as the housing stock has grown. Compared with Sweden and Norway, the pace of housing construction has been low since the 1990s. The inflow of dwellings in need of balcony renovation is expected to increase in the coming decades, when the dwellings built after 1970 will need to be renovated for the first time.

The graph below shows the age profile of the Danish housing stock.

Age profile of the Danish housing stock



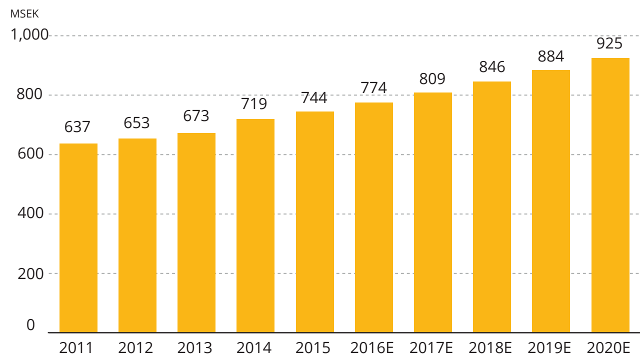
Source: Arthur D. Little (2016).

Renovation

The renovation segment has demonstrated stable historical growth in market value due to the even age profile of the housing stock, which generates a constant inflow of dwellings in need of balcony renovation. During the period 2011–2015, the segment grew on average by 4 per cent per year and it is expected to grow by just over 4 per cent per year during the period 2015–2020.

The diagram below shows actual and anticipated growth in market value within the segment in Denmark during the period 2011–2020.

Growth in market value in the renovation segment



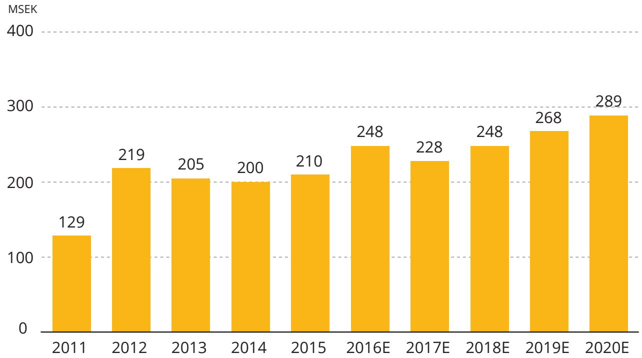
Source: Arthur D. Little (2016).

New build

The new build segment's market value grew at an average rate of approximately 13 per cent per year during the period 2011–2015 and is expected to grow at an average rate of approximately 7 per cent per year during the period 2015–2020. The slowdown in the rate of growth is due primarily to a slowdown in the construction of new housing in urban areas.

The diagram below shows growth in actual and anticipated market value within the new build segment during the period 2011–2020.

Growth in market value in the new build segment



Source: Arthur D. Little (2016).

Other Markets

In addition to its Main Markets, Balco also operates in Finland, Germany, the UK and the Netherlands (Other Markets). The total market value on the markets grew on average by approximately 4 per cent during the period 2011–2015 and growth is expected to increase to approximately 5 per cent annually during the period 2015–2020. Growth on these markets is driven primarily by a pent-up need for renovation, increased new build, a favourable macroeconomic climate, as well as market-specific trends such as increased demand for energy-efficient solutions. Growth is also driven by local drivers, such as in the Netherlands, where the State has implemented a number of initiatives such as subsidisation of balcony renovations, with the aim of increasing safety in the housing stock.[18)]

The table below shows an overview of actual and anticipated growth in total market value on the Company's Other Markets.

Growth in market value per market

MSEK	2011	2012	2013	2014	2015	2016E	2017E	2018E	2019E	2020E	CAGR 11-15	CAGR 15-20
Finland	1,267	1,318	1,315	1,349	1,420	1,528	1,585	1,602	1,663	1,727	2.9%	4.0%
Germany	12,897	13,255	13,532	14,416	15,004	15,829	16,546	17,004	17,701	18,472	3.9%	4.2%
UK	4,287	4,327	4,264	4,679	5,052	5,338	5,537	5,765	6,017	6,280	4.2%	4.5%
The Netherlands	1,460	1,390	1,372	1,371	1,490	1,573	1,688	1,841	1,998	2,132	0.5%	7.4%
Total	**19,911**	**20,290**	**20,483**	**21,816**	**22,966**	**24,268**	**25,357**	**26,212**	**27,379**	**28,612**	**3.6%**	**4.5%**
Of which renovation	16,131	16,405	16,580	17,236	17,583	18,009	18,477	18,831	19,195	19,569	2.2%	2.2%
Of which new build	3,780	3,885	3,903	4,580	5,384	6,259	6,879	7,380	8,184	9,042	9.2%	10.9%

Source: Arthur D. Little (2016).

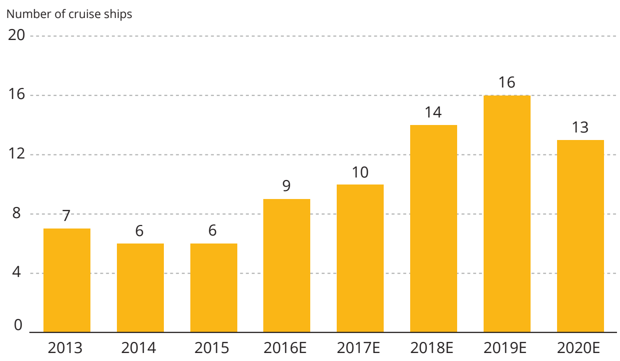
The maritime market

Balco also produces, sells and installs balcony solutions for newly constructed cruise ships in Europe. Shipbuilding is undergoing a change in the traditional method of vessel design. This is taking place by substituting the dominant material choice (steel) and gradually including an increasing number of lighter weight parts made of aluminium and glass. There is also a prevailing increase in demand from shipyards for prefabricated systems, for example balcony systems, that can be installed time-efficiently, with subcontractors handling the entire project. The production and installation of balconies is estimated to have a market value of approximately SEK 45–75 million per cruise ship.[19)]

The anticipated market value on the market for balconies for cruise ships in Europe is expected to amount to SEK 3.7 billion during the period 2016–2020, calculated based on the mid-point in the above-mentioned value range (SEK 60 million), which corresponds to an average annual rate of growth of approximately 17 per cent.

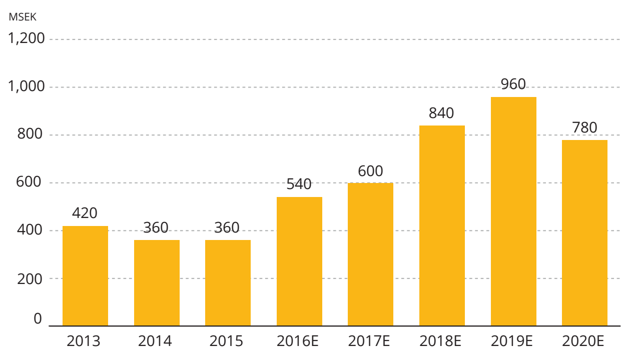
The graphs below illustrate the actual and anticipated growth during the period 2011–2020 in the number of constructed cruise ships, as well as the growth in market value of the balcony market within the European cruise ship industry. The growth in market value is based on the mid-point in the value range for producing and installing balconies on a cruise ship.

Number of constructed cruise ships per year in Europe



Source: Arthur D. Little (2016).

Growth in market value



Source: Arthur D. Little (2016).

18) Arthur D. Little (2016).
19) Arthur D. Little (2016).

MATERIALS AND CONFIGURATIONS

The balcony solutions that are sold on Balco's Main Markets are adapted to the customers' needs and preferences. Structure, design, materials and configuration differ between the various markets. Open balconies dominate on the Main Markets, but the Company believes that the proportion of glazed balconies is expected to increase in the coming years due, among other things, to increased energy awareness and increased knowledge about glazed balconies and their advantages compared to open balconies. In Sweden, Norway and Denmark the percentage of glazed balconies is low compared to Finland where, in 2012, more than 46 per cent of the total housing stock with balconies had glazed balconies. The Company estimates that more than half of all balconies in Finland are glazed today. This is due to the fact that Finland has a tradition of simple, cost-efficient glazing which is sold as a supplement to ordinary concrete renovation and does not require building permits, as well as the fact that section glazing, i.e. individual glazed sections that are fitted directly onto an existing balcony, are common where the glazing is carried out at the request of the dwelling owner. The similarities between the markets, for example as regards climate and market structure, indicate that the proportion of glazed balconies could increase in Sweden, Norway and Denmark. There is also a major difference between renovation and new build. For instance, it is estimated that glazed balconies account for approximately 40 per cent of the renovation segment, but only approximately 5 per cent within the new build segment in Sweden. A contributory factor to the lower degree of penetration within new build is that construction companies are more price-sensitive than customers in the renovation segment, and glazed solutions in Sweden, Norway and Denmark are generally more expensive than open balconies.[20)]

Glazed balconies as a percentage of total number of residential units with balconies (2012)

Source: Arthur D. Little (2016).

THE VALUE CHAIN

The key stages of the value chain are product development, sales, project planning and building permit, production and installation. Companies often engage third parties for project planning and installation or have outsourced production. Only a handful of companies, such as Balco, perform all stages themselves.

The figure below illustrates the key stages in the value chain on the balcony market.

The key stages in the value chain

Product development

The design of the products is a strong differentiation factor on the market, and consequently, many of the companies invest in product development. Usual focus areas within product development include reduced energy consumption, design, weight and maintenance costs, noise reduction and increased safety.

The sales process

The sales process within the market differs between the various customer segments and between the players on the market. Many of the smaller balcony companies sell their solutions through distributors, while the larger companies sell their balconies directly to end customers. The smaller companies usually sell individual balconies for smaller projects through distributors, while the larger companies focus on design and construction contracts for multi-family residential properties.

In tenant-owner associations, the sales process begins with the association's board procuring a balcony investment, followed by the members approving the decision at the association meeting and making the investment. In the case of private landlords and the public housing sector, the decision does not normally need to go through the tenants. Certain decision-makers in the industry retain the assistance of architects and building consultants prior to the investment. Consequently, it is important for balcony companies to maintain close relationships with decision-makers, architects and building consultants. Within new build, the construction companies normally conduct a tendering process in the planning phase of projects.

Project planning and approval

All balcony projects are unique and must be adapted to the specific building. Therefore, all projects include an extensive planning process in which calculations are made regarding fixing systems and other technical details in order to adapt the solutions to prevailing conditions. In the planning phase, drawings are produced and decisions are taken regarding materials and choice of colour. A small number of companies, such as Balco, conduct project planning in-house, while many other companies purchase this expertise from third parties. Within new build, project planning is normally carried out by construction companies, which subsequently purchase balcony solutions from a third party.

No building permit is required if only one concrete renovation is involved. On the other hand, if the project changes the appearance

20) Arthur D. Little (2016).

of the facade, building permission from a city planning office is required. The building permit process in Sweden follows well-defined steps and timelines after the application is submitted, and begins with a review to confirm that the application satisfies the basic requirements set forth in the Planning and Building Act ("**PBA**"), which usually takes approximately 10 weeks. After that, it may be demanded that the application be reviewed by neighbours and other affected parties in the area, which normally takes approximately 3-6 weeks. Decisions regarding building permits is normally taken within 10 weeks after the above-mentioned steps are completed, but in Stockholm it can take a longer time.

In Denmark and Norway the building permit process follows defined stages, just as in Sweden, and in the Company's opinion, it is simple to obtain building permit in Denmark, but the process takes a longer time than in Sweden, possibly up to 9 months. Building permit in Denmark is divided into two parts: an architectural part and a structural part, with approval in both parts being required in order to obtain building permit. In Norway, there are different building permit processes as regards new build and renovation. Within the renovation segment, building permits are automatically approved if the regional administrative unit has not otherwise given notice within three weeks after an application for building permit was filed. This is a factor which benefits the Balco, which has its own building permit team and the processing period for building permit applications within renovation becomes shorter.

According to the Company, it is generally simpler to obtain building permit for balconies facing a back yard than facing a busy road, where the municipality has comments regarding appearance and structure.

Clear guidelines and statutes are also in place as to what is required in order for a renovation to justify rent increases. In order for a landlord to have the possibility to increase rent, the renovation must enhance the utilisation value of the apartments, which can be done with the installation of glazed balcony solutions or enlargement of existing balconies. Rent tribunal decisions regarding the value in use are made without taking into consideration cost of the investment.

Within new build, no separate approval process is required for balconies; instead, this is included in the building permits for which construction companies apply in respect of housing construction.

Production and logistics

Most companies carry out production in-house and only a small number of the smaller local firms have outsourced production. The production process is based on the drawings produced during the project planning phase. Each project is unique and thus the production process is adapted to each individual project. An important and fundamental part of production is testing materials and designs for each project to ensure quality and safety. The balcony solutions are normally produced in modules, which are then delivered directly to the workplace in order to facilitate assembly and minimise the need for space at the installation site. In order to facilitate efficient installation, it is important to prepare logistics internally and externally so that the right balcony arrives at the installation site at the right time.

Installation

In conjunction with installation, it is of the utmost importance that the installation causes the least possible disturbance to the residents, and thus a successful installation process is dependent on good project planning. The installation of Balco's solutions takes place, for example, from the outside of the property, thereby minimising the need for the contractors to go through the residents' apartments. Most companies on the market do not have their own contractors, but rather purchase installation services from a third party.

DRIVERS

The balcony market is affected by a large number of external drivers. The Company makes the assessment that the following factors, which are not listed in any particular ranking, constitute important drivers on the market:

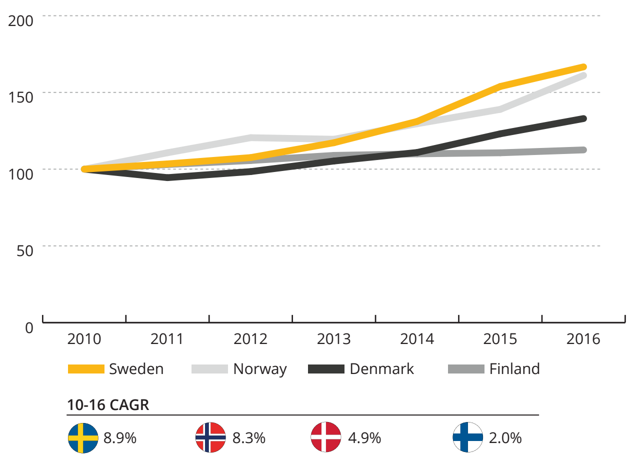
- The price development on the housing market and increased value of the dwellings
- Disposable income
- Interest rate development
- Economic growth
- Development of the construction market
- Political initiatives

The price development on the housing market and increased value of the dwellings

The price development on the housing market and increase in value of the dwellings constitute important factors in property owners' investment decisions and are underlying drivers for both the renovation market and the new build market. Housing prices have developed positively in recent years, and in particular apartment prices in the major cities have increased significantly. Increased apartment prices and residential property prices also increase the willingness of property owners to invest, since value enhancement investments such as balconies generate a positive return, while at the same time making it easier to secure financing for investments.

The graph below shows the trend in apartment prices in the Nordic countries.

The development of apartment prices in the Nordic region



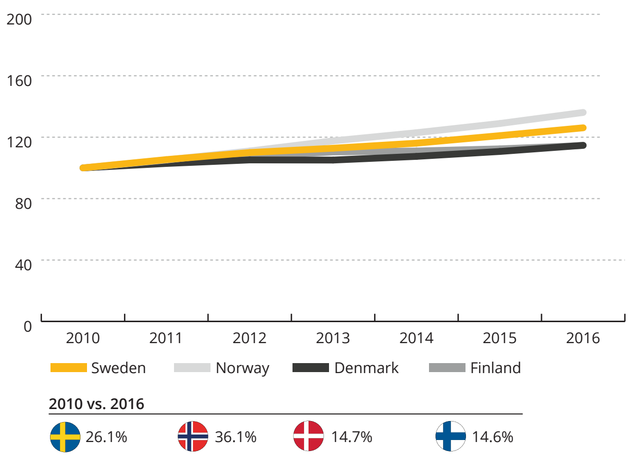
Source: SCB, Statistics Norway, Statistics Denmark, Statistikcentralen.
Note: The graph is indexed to January 1, 2010.

Disposable income

The development of households' disposable income is an important factor that affects the willingness of property owners to invest. Disposable income in the Nordic region has increased since 2010, with the strongest growth being in Sweden and Norway.

The graph below shows the historical growth in disposable income in the Nordic countries during the period 2010–2016.

Disposable income development



Source: Eurostat.
Note: The graph is indexed to January 1, 2010.

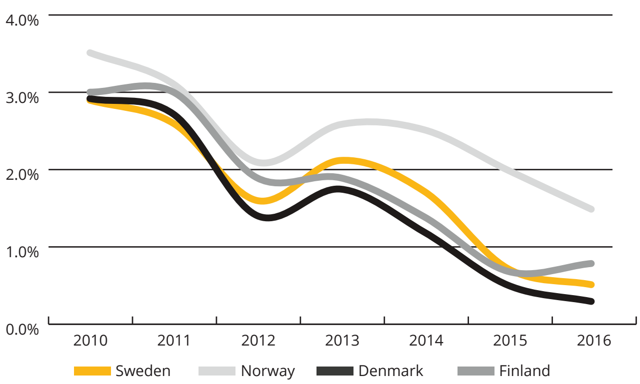
Interest rate development

Prevailing interest rates is an important factor which influence property owner's yield requirements, and therefore have major consequential effects on the rate of investments in the construction industry. Low interest rates increase the willingness to invest and make it easier to secure financing for residential investments and value enhancement investments, while at the same time increasing the possibility for tenant-owner associations to free up capital and strengthen their cash balances when renewing loans.

Since the financial crisis that began in 2008, interest rates in Europe have been at historically low levels with the aim of stimulating the economies and the pace of investments. Since Finland is part of the euro area and the Danish currency is fixed against the euro, reference rates in those countries are expected to follow the European Central Bank's key interest rate, which in the spring of 2016 fell to a historically low figure of 0 per cent. In the autumn of 2016 the Swedish central bank decided to leave the rate unchanged at minus 0.5 per cent, while considering gradually beginning to increase the rate in 2017. In Norway, the key rate was reduced from 0.75 per cent to 0.5 per cent in 2016, and Norway's central bank does not rule out that the rate might be reduced even further in 2017.

The graph below illustrates the historical and anticipated development as regards long-term interest rates in the Nordic region.

Historical and anticipated development as regards long-term interest rates in the Nordic region



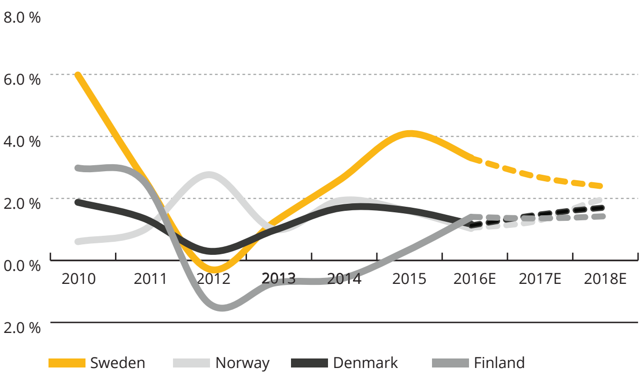
Source: Euroconstruc.

Economic growth

The balcony market is affected by general economic trends. After several years of weak growth in both the Nordic region and the rest of Europe, GDP in all Nordic countries is expected to develop positively.

The graph below shows historical and anticipated GDP growth in the Nordic region during the period 2011–2018.

GDP growth in the Nordic region



Source: IMF.
Note: The graph is indexed to January 1, 2010.

Development of the construction market

The balcony market is a niche market within the broader construction market. The renovation market, which is Balco's most important market, is driven by the composition and age of the housing stock, while the new build market is driven by the rate of new housing construction. The renovation market is more stable and less cyclical than the new build market.

Political initiatives

The balcony market is affected and governed by regulations and other political initiatives such as tax relief and other subsidies.

The Swedish government has taken a number of measures to facilitate housing construction, for example by making the construction process more time and cost efficient, shortening the appeals procedure, presenting a new noise ordinance, and focusing on energy-efficient and climate-smart buildings. Further examples of how regulations and political control influence demand include relaxation of building permit requirements for the installation of glazed balconies in Finland and all types of balconies in Denmark. On other markets, such as the Netherlands, subsidies are provided for energy-efficient solutions and discussions are also taking place regarding the establishment of a state fund for the purpose of financing balcony renovations in order to achieve increased technical safety.

TRENDS

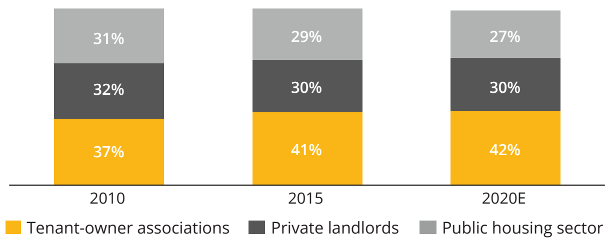
In addition to the drivers mentioned above, there are market-specific trends which Balco believes influence the balcony market. The Company makes the assessment that the trends described below, without being presented in any particular ranking, constitute the most important market-specific trends.

Transfer of ownership to tentant-owner associations

Tenant-owner associations, which are Balco's most important customer group, are the most common form of home ownership in Sweden. During the period 2010–2015, the share represented by tenant- owner associations increased by four percentage points, and it is expected to continue to grow strongly going forward. The trend is driven primarily by publicly and privately owned properties being sold and converted into tenant-owner associations, in order to finance new construction as well as maintenance and investments in existing properties. This has a positive effect on the balcony market, since tenant-owner associations is the customer segment most inclined to make value-enhancement investments.

The graph below shows the change in ownership structure in the Swedish housing stock.

Sweden's housing stock, ownership structure



Source: Arthur D. Little (2016).

As yet limited breakthrough for glazed balconies in Sweden

In 2012, approximately 11 per cent of all dwellings with balconies in Sweden had a glazed balcony. This represents a relatively small share compared to Finland, where the first glazed balconies were installed in 1984 and, in 2012, glazed balconies accounted for approximately 46 per cent of the total number of balconies. The high level of penetration and rapid take-up in Finland is considered to be due to the many advantages glazed balconies provide compared to traditional balconies, combined with less strict building permit requirements. This indicates major potential for increased penetration by glazed balconies within Other Markets.

Environmental legislation and energy savings

A global trend towards reduced energy consumption has resulted in increasingly stringent laws and regulations in order to achieve greater energy efficiency and reduce the impact on the environment.

In the Company's opinion, there is also greater awareness of energy and environment issues among property owners and the increase in energy prices is driving demand for glazed balcony systems, which is one of the most energy-efficient solutions.[21)]

Comfort and design

Glazed balconies contribute to increased well-being and comfort and sound insulation in apartments. Glazed balconies maintain a higher temperature than traditional balconies, resulting in increased usability; for example, in the Nordic region, from approximately four months per year to eight months per year, while at the same time contributing to reduced energy consumption. The balconies account for a large part of the external appearance of properties, leading to increased focus on design and attractiveness, which can give a lift to the entire residential area. It is also of utmost importance that balconies are of a high quality, since they constitute an integral part of the safety experience of individuals in the area where they live.

21) The results are derived from a study by Ramböll, the leading building consultant in Scandinavia (The Balco report, technical studies of balacony solutions – Impact on carbonation and corrosion of concrete reinforcement).

MARKET POSITION AND COMPETITORS

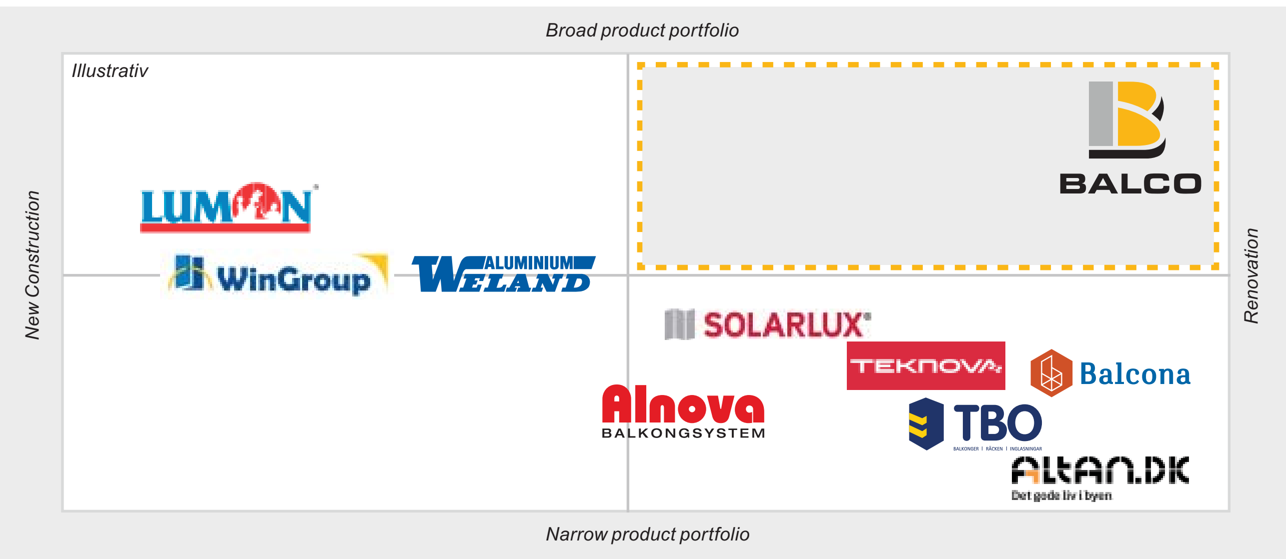
The balcony market in the Nordic region is extremely fragmented and consists of a few large players with operations in several countries and a broad product offering, and a large number of smaller local balcony installation firms and producers, as well as concrete renovation contractors. The larger companies play a greater role in the value chain, from product development to themselves offering installation of balconies, and they have a strong presence within primarily renovation and partially in new build. Within new build, construction companies install balconies that they purchase from a third party. Balcony suppliers may also install the balconies. The largest companies on the Nordic balcony market, with international operations, are Balco, Lumon, Windoor (a part of Wingroup) and Solarlux.

Competition overview in the Nordic region

	COMPANY	SALES (2015, MSEK)	APPROX. NUMBER OF EMPLOYEES	FOCUS - GEOGRAPHIES
INTERNATIONAL PLAYERS	BALCO	639	251	Sweden, Norway, Denmark
	LUMON	955	800	Finland, Germany, Sweden, Norway, United Kingdom, Denmark, Canada, Poland
	WinGroup	527	400	Sweden, Germany, Norway, United Kingdom, Denmark
	SOLARLUX	738	550	Sweden, Spain, Germany, Netherlands, United Kingdom
SMALLER LOCAL PLAYERS	ALUMINIUM WELAND	178	250	Sweden, Denmark
	TEKNOVA	195	80	Sweden
	Alnova BALKONGSYSTEM	106	40	Sweden
	TBO	77	40	Sweden
	Balcona	24	80	Sweden
	HALLMAKER	79	-	Norway
	ALTAN.DK Det gode liv i byen	236	160	Denmark

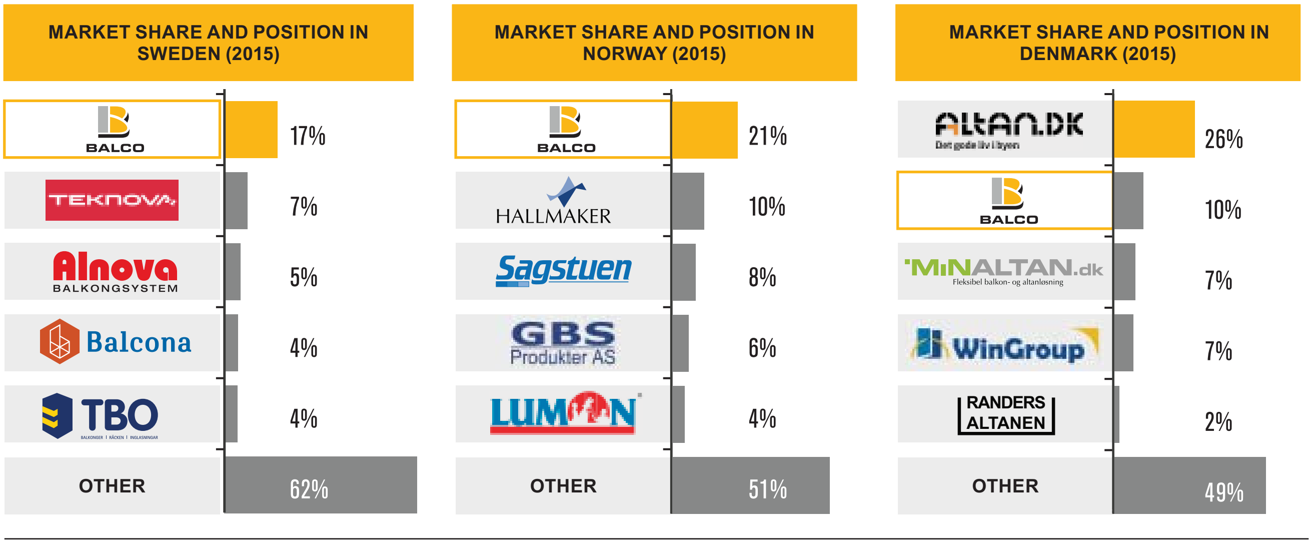
Source: Arthur D. Little (2016).

Position map

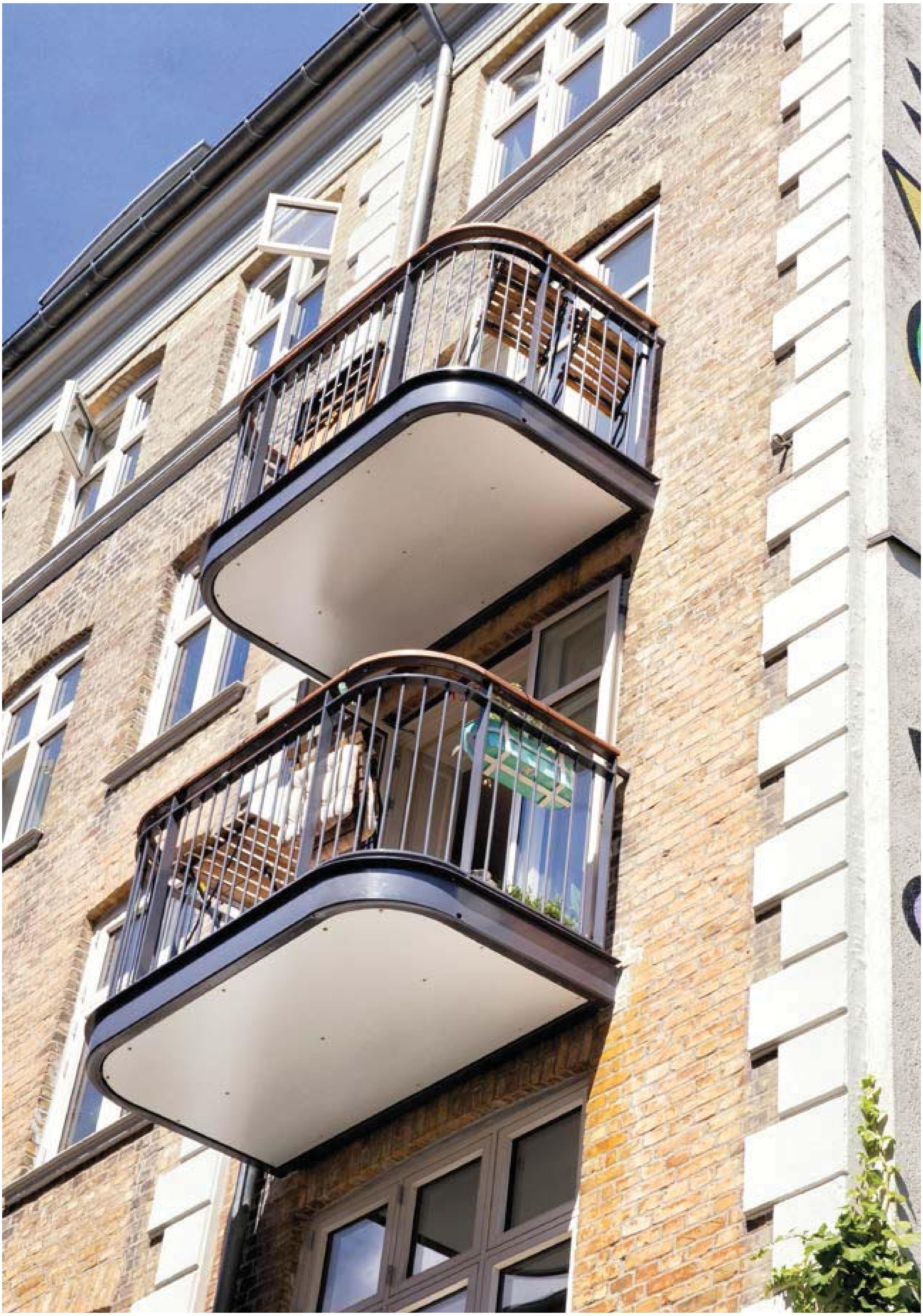


Market position

Balco is the largest company within the Swedish balcony market with a leading position within the renovation segment, which is less cyclical and more stable than the new build segment. Balco is also a challenger within the new build segment. Balco is the largest company on the Norwegian market and, in Denmark, the second largest company within the renovation segment.



Source: *Arthur D. Little (2016).*



BUSINESS OVERVIEW

INTRODUCTION

Balco offers customised balcony solutions under its own brand to tenant-owner associations, private landlords, the public housing sector and construction companies, primarily in Sweden, Norway and Denmark, (the Company's Main Markets), but also in Germany, Finland, the UK and the Netherlands (the Company's Other Markets).

Since Balco was founded in 1987, the Company has developed from being a local product-oriented supplier of balconies to being a leading market-oriented supplier of glazed balcony solutions in Northern Europe. During this period, Balco has built up a sales organisation with representatives in a number of locations in Europe which, combined with the Company's own production units, constitutes the platform for being able to deliver the Company's patented, high quality balcony solutions.

Balco's core expertise lies in supplying balconies and balcony solutions, primarily on the renovation market and to tenant-owner associations, as well as replacing existing balconies with new glazed balconies in accordance with the Balco method. Renovation in accordance with the Balco method involves existing open balconies being cut down and replaced with Balco's glazed balcony solutions. The method has several benefits for the customer, for example that balconies can be made more than twice as large as the existing balcony, that the balcony obtains a life span in excess of 50 years; and that all installation takes place from the outside of the building. The Balco method also shortens the installation period and total cost for the customer. Balco's objective is to create a way to approach potential customers via Balco-trained concrete inspectors, who consider the Balco method to be the best solution for the customer.

First and foremost on its Main Markets, Balco works actively with its successful sales process, which involves the Company taking overall responsibility and guiding the customer through the entire construction process, from project planning to completed final inspection and aftermarket service.

Balco is one of a small number of complete balcony suppliers with the ability to provide customised, high quality balcony solutions on the Company's Main Markets, irrespective of order size and complexity, with short delivery times. Today, Balco is the market leader within the Swedish and Norwegian balcony markets and the second largest player in Denmark. Balco has a strong challenger position on Other Markets.

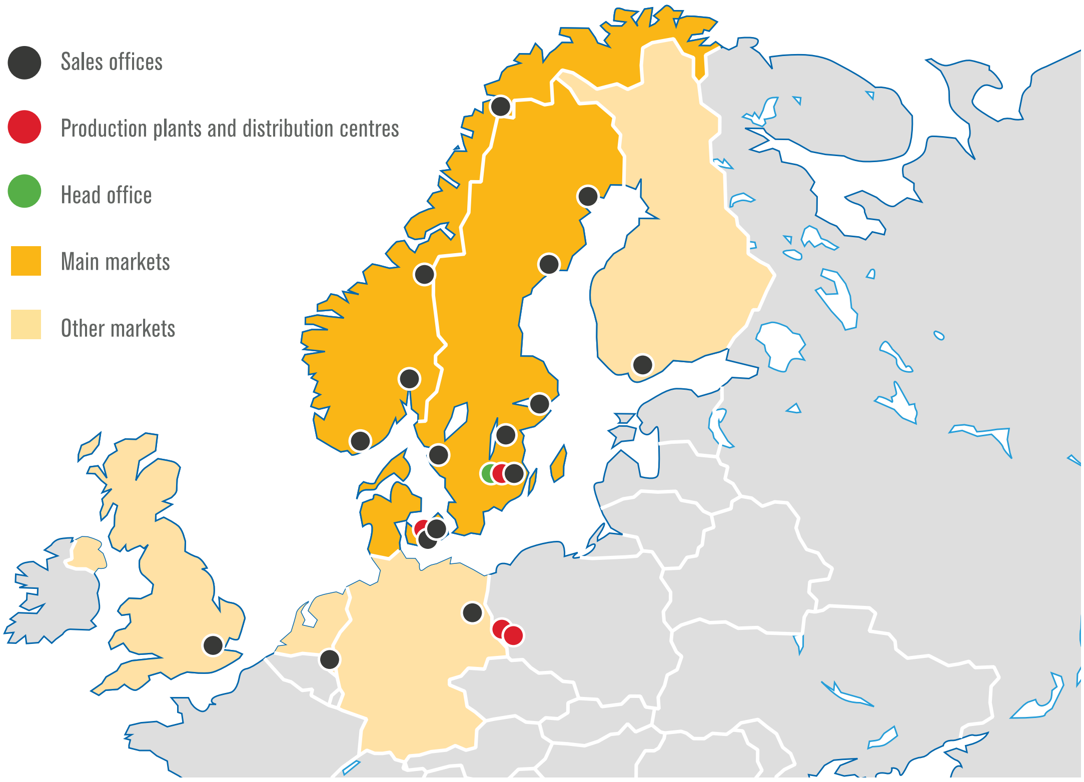
Balco's head office is located in Växjö, Sweden, but Balco operates in seven countries through wholly-owned subsidiaries or agents. Balco has three wholly-owned production units in Sweden, Poland and Denmark with a total annual production capacity of approximately 10,000 balcony solutions per year. In addition to the Company's three wholly owned production units, Balco is part-owner of a strategic sub supplier of balcony solutions in Poland and is currently building an additional production facility in Poland, which is expected to be running towards the end of 2017. In 2016, Balco produced approximately 7,500 balcony solutions in total. Balco is currently owned, directly and indirectly, by Segulah, Balco's board of directors and management, as well as the Company's current and former employees.

During the 12-month period ending June 30, 2017, the Company had an order intake of SEK 1,256 million and an order backlog of SEK 1,225 million. Net sales amounted to SEK 929 million and the adjusted EBIT margin was 11.8 per cent. In 2016, 89.7 per cent of Balco's net sales were generated within the Nordic region, with Sweden accounting for 59.1 per cent of total net sales, followed by Norway with 18.9 per cent, Denmark with 11.2 per cent and Finland with 0.6 per cent. The remaining markets accounted for 10.3 per cent. Balco's business is divided into two business segments: renovation ("**Renovation**") and new build ("**New Build**"), with Renovation being the largest segment, accounting for 90.6 per cent of net sales in 2016. Tenant-owner associations are the Company's largest customer group and accounted for 53.7 per cent of net sales in 2016.

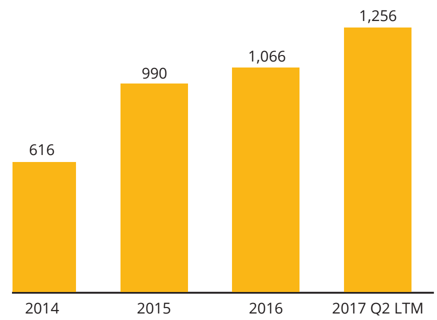
The Balco method

THE COMPANY PERCEIVES THE FOLLOWING OVERALL ADVANTAGES COMPARED WITH TRADITIONAL BALCONY RENOVATION:

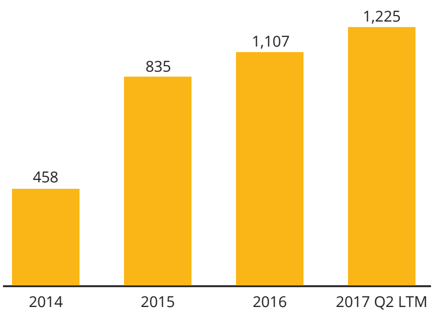
Extra space
Reduced energy consumption
Increased property value
Lower maintenance costs
Reduced risk of corrosion and frost damage
Reduction in sound
Increased safety and security
Enhanced living standard
Lower tenant turnover



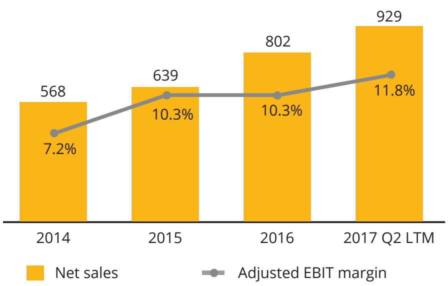
Order intake (SEK million)



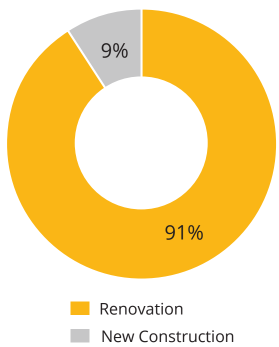
Order backlog (SEK million)



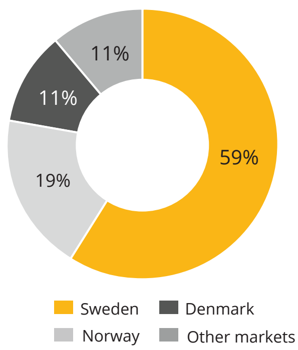
Net sales and adjusted EBIT margin (SEK million)



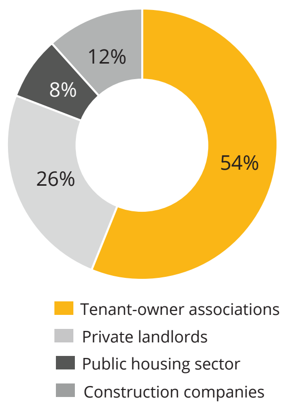
Net sales by business segment (2016)



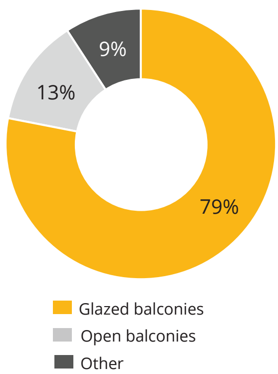
Net sales by geography (2016)



Net sales by customer group (2016)



Net sales by type of product (2016)



HISTORY

Important events

- **1987** – Balco founded by the Swedish entrepreneur Lars Björkman.
- **1988 1990** – Balco expands to Norway and Germany.
- **1997** – Balco Cleanline system developed and introduced onto the market.
- **2001 2005** – Balco expands to Denmark and the UK.
- **2008** – Balco Twin system developed and introduced onto the market. Balco invests in a strategic supplier in Poland.
- **2010** – Segulah acquires Balco. Continued geographic expansion and development of product portfolio.
- **2013** – Balco establishes its own Polish production unit. New management in place.
- Kenneth Lundahl becomes new CEO och Fredrik Hall becomes involved in the development of Balco.
- **2014** – Investment in sales organisation and operations to support growth initiative.
- **2015** – Balco acquires Kontech – a Danish producer of city balconies. Balco expands to Finland.
- **2016** – New business model implemented. Market leader on Main Markets with 44 patents and 300 employees. Entry into the maritime segment.

GEOGRAPHIC EXPANSION

EXPANDED PRODUCT PORTFOLIO AND BUSINESS DEVELOPMENT

STRENGTHEN ORGANISATION, ESTABLISH AN OPERATIONAL PLATFORM, INCREASE NET SALES AND IMPROVE PROFITABILITY

Balco was founded in 1987 by Lars Björkman, an energetic and tenacious entrepreneur from the Swedish province Småland, with a balcony concept and vision of creating an innovative company which would become the leader within the balcony industry. The business was established shortly after Lars Björkman convinced the developers at BPA to construct 500 balconies for public housing apartments in the Skatan area of Växjö. The business was first run out of a garage in Växjö, with only sales and project management being handled within the Company, while services related to design, production and installation were bought in.

It was not until after the financial crisis of the 1990s that the market became brighter and orders began to flow in. Growth in the business accelerated in 1996 and the Company was able to purchase industrial premises and begin production in-house. Since 1996, Balco has expanded from being a local company with approximately 41 employees and sales of SEK 82[22)] million, to having 314 employees on December 31, 2016 and recording sales of SEK 929 million during the 12-month period ending June 30, 2017.

International expansion

In the 1980s and 1990s, Balco began its international expansion by establishing operations in Norway and Germany. The expansion continued in the 2000s and Balco established operations in Denmark in 2001, in the UK in 2005 and in Poland in 2008.

New ownership and important acquisitions

In 2001, Balco became privately equity owned, which accelerated the expansion of the business. During this period, Balco acquired a Polish production unit through a 25 per cent stake in the company MIB-Pol Spolka Zo.o ("**MIB-Pol**"), with the aim of securing low-cost production. In 2010, Balco was acquired by private equity company Segulah. Under Segulah's ownership, Balco has continued to expand to new geographic markets and has developed the product portfolio into the market-leading balcony solutions that the Company produces and sells today. In addition, Balco has acquired Kontech A/S ("**Kontech**"), a manufacturer of open balconies for large city environments, which strengthens Balco's presence in Denmark and also within a new product area of City balconies. The Company has also established a production unit in Poland and organically expanded to new product areas such as maritime balconies for cruise ships.

A company with continuous focus on innovation

Balco developed its first balcony solutions as early as 1988, a year after the Company was founded. By 1993, the Company had already succeeded in obtaining its first patent, and today Balco has 44 patent registrations and patent applications in total.

Balco's tradition of product development and innovation has made it possible for Balco to always be in the technical forefront and has laid the foundation for the high quality and parented solutions the Company today offers its customers.

STRENGTHS AND COMPETITIVE ADVANTAGES

Balco believes that the Company's success to date is a result of the strengths described below. Balco believes that the Company will be able to continue to benefit from these strengths and exploit identified opportunities in order to generate growth, sustainable profitability and stable cash flows.

Nordic market leader on the attractive, niche balcony market

Strong growth on balcony markets

Balco operates on the Northern European balcony markets and provides customised balcony solutions and installation services. The market value of the Northern European balcony market[23)] was estimated at approximately SEK 38 billion in 2016 and it is expected to grow by approximately 6 per cent annually during the period 2015–2020. Growth is driven by a continued strong trend on the Company's Main Markets, which are expected to experience growth in value of approximately 13 per cent per year during the period 2015–2020. The Swedish market has shown the strongest growth during the past five years and is expected to grow rapidly during the upcoming five years. The market value of the Swedish balcony market in 2016 is expected to be approximately SEK 2.4 billion, reaching SEK 4.3 billion in 2020 (corresponding to an average annual growth of approximately 19 per cent). The new build

22) Nordiska Balco AB's annual report for the year 1996-01-01 – 1997-04-30, which is prepared in accordance with Swedish accounting principles.
23) Includes Sweden, Norway, Denmark, Finland, Germany, Great Britain, The Netherlands, Switzerland, Poland och Belgium.

segment is driven primarily by an increase in housing construction in response to the prevailing housing shortage and improved economic prospects, while the strong growth within the renovation segment is driven by a large pent-up renovation demand as a result of the million homes programme. During the period 2015–2025, the inflow of dwellings in need of balcony renovation in Sweden expected to be approximately 44,000 per year on average, which is estimated to be more than the number of balcony renovations carried out during the same period by approximatly 60 per cent. Additional factors having a positive impact on market growth include increased demand for energy-efficient solutions, increased housing and apartment prices, transfer of ownership to tenant-owner associations, less strict building permit requirements, and a positive macroeconomic climate.[24)] Balco believes that the Company, with its strong order backlog of SEK 1,225 million at the end of the second quarter of 2017, combined with the anticipated market growth, is well positioned to achieve continued profitable growth in sales.

Balco is the market leader within the fragmented balcony market

Balco is one of a small number of balcony suppliers with the ability to provide customised, high quality balcony solutions on the Company's Main Markets. Balco has led the development within the fragmented balcony market by actively educating and informing the market about the advantages of glazed balconies in accordance with Balco's renovation method. Balco is the market leader in Sweden and Norway (based on net sales), with market shares of 17 and 21 per cent respectively, while in Denmark the Company is the second largest player with a market share of 10 per cent under 2015. Within the renovation market segment, the Company has a market share in Sweden of approximately 24 per cent, which is almost three times larger than the nearest competitor. On Other Markets, the Company holds a challenger position.[25)] In 2016, Renovation accounted for 90.6 per cent of the Company's sales.

Approximately 35–45 per cent of the Company's Main Markets are assessed to comprise smaller companies with local businesses.[26)] Historically, renovation mainly has been conducted by smaller companies and local concrete renovators. Many small and medium-size customers on Balco's Main Markets continue to adhere to this tradition, even though Balco makes the assessment that the market share held by these companies will continue to shrink, to the benefit of companies specialised in balcony solutions. Larger companies such as Balco benefit from their industrialised processes, a larger product offering and turnkey solutions. Since the balcony market is fragmented, there are possibilities for consolidation and possibilities for larger companies to strengthen their positions by taking market shares from smaller and local competitors such as concrete renovators. It is assessed that concrete renovators and smaller companies have difficulty competing with Balco in terms of project size, quality, scalability, product range, price, delivery time and reliability.

Proven business model with exclusive customer values

Balco delivers high quality, tailored balcony solutions

Balco's balcony solutions are made-to-measure units consisting of a number of different components and materials. Each order is unique and tailored after the customer's specific needs and demands. All balcony solutions are modularised to make the installation process more efficient and reduce installation costs as well as the need for space at the worksite. In the Company's view, no other company is able to offer the same amplitude of product range width or provide customised balcony solutions as Balco does, irrespective of order size and complexity, with short delivery times.

Long tradition of product development

Balco has a tradition of developing and improving existing product areas and developing its own new products. Balco endeavours to be at the technological forefront in order to differentiate itself from its competitors and create positive conditions for long-term growth and profitability. Thanks to its established product development process and patent portfolio, Balco has launched a number of new, innovative products in recent years which have broaden Balco's offering and further strengthen the Company's position, for example through the product areas of glazed balconies, access balconies and maritime balconies (*Sw. etagebalkong*). The Company's broad product range and patented balcony solutions create major values for both the Company and its customers, thereby creating clear barriers to entry for competitors.

Difficult to replicate Balco's business model and customer offering

Balco's advantageous position on the market is largely a result of the successful execution method that the Company uses, the Balco method (see "*Business overview, introduction*" for more information about the Balco method) in combination with the Company's expertise and unique sales process. A renovation according to the Balco method involves replacing the existing open balconies with new glazed balcony systems which are both larger and have a longer life span than existing balconies. Balco's renovation method is an attractive and sustainable alternative to traditional concrete renovation, with advantages such as lower monthly cost, enhanced living standard, reduced energy consumption and increased property value. Balco's sales process has developed from the Company's long tradition of balcony projects with, primarily, tenant-owner associations, where Balco's model has proved to provide a series of advantages compared to the competitors'. Balco works closely with the customer and has understood the value of investing in the selling phase, which is complex and involves several critical elements and long lead times. The initial contact is made at local mini trade shows and industry trade fairs for decision-makers, or through Balco identifying a customer's need. Balco guides and assists the customer throughout the entire process until the balcony is installed and a final inspection is carried out. The objective is to exceed the customer's expectations and make the customer understand the customer benefit provided by the Company's solution. Each project is unique, a factor which demands a high level of flexibility in production, capacity planning and logistics. Thanks to the Company's years of experience and corporate culture, Balco is able to handle these challenges while at the same time delivering a high level of customer satisfaction.

Well-structured operating platform with significant barriers to entry

Committed sales organisation together with experienced project managers and contractors create a high level of customer satisfaction

In recent years, Balco has made strategic investments in order to create an efficient and profitable sales organisation with the aim of strengthening the Company's local presence and product expertise on existing and new markets. The Company has introduced a number of initiatives to strengthen the team spirit and stimulate cooperation between sales staff, such as mentor programmes for new employees, the mandatory "Balco Sales Academy" training programme, and an incentive scheme. Thanks to these initiatives, an experienced salesperson in the Company achieves an average annual sales of SEK 20 million, while a new salesperson achieves sales averaging approximately SEK 8 million already in the first

24) *Arthur D. Little (2016).*
25) *Arthur D. Little (2016).*
26) *Arthur D. Little (2016).*

year. Balco's sales organisation co-operates with its own project managers, own installation managers and external contractors who work with Balco throughout the sales process and ensure that the transition between selling and project becomes simple and efficient. This structure creates clarity vis-à-vis the customer, at the same time as improving communication and cutting lead times throughout the process. Balco sees a correlation between strong demand and the fact that the sales force has expanded.

Optimised production and delivery platform

Balco believes that its own, strategically located production units in Sweden, Denmark and Poland play a crucial role in differentiating the Company from its competitors. They provide Balco with a geographical proximity to all of the Company's existing markets, while at the same time positioning the Company to capitalizes on future growth opportunities. The most important constituent elements of the Company's business comprise a competitive cost level combined with many years of product expertise, as well as well-functioning production facilities and logistics functions. Balco believes that the Company's production makes it possible to benefit from both production flexibility and economies of scale, thereby creating a competitive cost basis for the Company's products and enabling the Company to produce small as well as large volumes, of high quality products and with short lead times. The Company is engaged in regular work on enhancing efficiency and improving the production process, and therefore regularly carries out various analyses in order to identify possibilities for improvement.

Balco has developed an efficient logistics and warehousing structure which is based on delivering the right products, in the right order, packaging and delivering on time to the right destination. Balco's local presence provides clear competitive advantages since the balconies are delivered directly to the project worksite, which minimises lead times and transport costs. In addition, deliveries take place on a regular basis during the course of production with the aim of reducing the need to use space at the customer and achieving operational efficiency for the Company throughout the course of the project.

Replication of the Company's existing platform would require significant capital, experience, skills and time. Therefore, the Company believes that its operating platform, combined with the Company's experienced sales organisation, strong reputation and high quality products, creates significant barriers to entry for new competitors on the balcony market.

Attractive financial profile

Balco has an attractive financial profile and a history of strong growth in orders and net sales, high profitability and strong cash flow generation. Between 2014 and the 12-month period ending June 30, 2017, Balco increased its order intake and order backlog at an average rate of, respectively, 33 and 48 per cent per year. At the end of the 12-month period ending June 30, 2017, the order intake and order backlog was at SEK 1,256 million and SEK 1,225 million respectively. Thanks to the Company's strong order generation, net sales increased on average by 22 per cent per year during the period 2014 to the 12-month period ending June 30, 2017, which exceeds the growth rate in the underlying markets. The Company has also increased its profitability, with the adjusted EBIT margin increasing from 7.2 per cent in 2014 to 11.8 per cent during the 12-month period ending June 30, 2017. The Company has a low capital expenditure need, which in part is the key to the strong cash generation in the business. In addition to good profitability and low capex, Balco's business model and low working capital reqirements have contributed to a strong cash flow and an average cash flow conversion of 81 per cent per year during the period 2014-2016. Balco's stable financial position and strong cash flows are expected to ensure that the Company is able to grow organically, carry out potential acquisitions, and at the same time offer attractive dividends to the Company's shareholders.

Entrepreneurial organisation with international and local expertise

Balco is characterised by an entrepreneurial corporate culture which encourages employees to dare to find new, innovative solutions. The Company invests in and is developing its organisation in time to be able to meet future growth and needs. Balco's management group comprises extremely skilled and experienced professionals with entrepreneurial backgrounds and many years' of experience in the balcony industry or other parts of the construction industry. As part of its endeavour to maintain an entrepreneurial corporate culture, Balco has recruited head-hunted talented individuals possessing a wealth of broad expertise. All members of the management group have played a part in developing Balco into a leading player within the balcony industry, are owners in the Company, and are motivated to lead the Company into the next phase.

GROWTH AND DEVELOPMENT STRATEGY

In addition to capitalising on anticipated market growth and exploiting the Company's strong position, Balco intends to continue to grow organically by strengthening the Company's position on its Main Markets, expanding to new geographic markets and new product areas, and carry out selective acquisitions.

Well-positioned to capitalise on favourable market trends

Balco believes that, thanks to the Company's clear position as leader on its Main Markets and strong order intake and order backlog at the end of the 12-month period ending June 30, 2017, the Company is better positioned than its competitors to capitalise on favourable long-term market trends, such as increased demand for energy-efficient solutions, increased housing and apartment prices, conversion of rental properties to tenant-owner properties, and a positive macroeconomic climate.

Strengthen the Company's position on its Main Markets

Balco believes that there is strong potential to further strengthen the Company's position on its Main Markets. This will be done by continuing to gain market shares and meeting the customers' needs for customised balcony solutions within the renovation and new build segments. By offering solutions with a long life span, low total ownership cost and many other advantages, Balco has great potential to continue to gain market shares from local companies and smaller concrete renovators. As part of this strategy and in order to meet the growing demand, Balco intends to continue to strengthen the existing sales force within Main Markets and Other Markets and to increase exposure to the renovation segment. In addition, the Company intends to further strengthen its position by increasing its local presence in the public housing and private landlord customer segments. Balco also believes that a broader product range will further entrench the Company's strong position.

Expansion to selected European countries and new market areas

The Company has identified several geographic markets with great potential on which Balco is not yet market leader and where the Company's customer offering is well-suited, including Benelux, Germany, Finland and the UK. In addition, the Company is regularly evaluating new market areas. The maritime market (balcony solutions for cruise ships) constitutes an interesting market with a capacity shortage, and is expected to grow at an average annual rate of approximately 17 per cent during the period 2016–2020. Balco has previous experience of successfully expanding into neighbouring product areas, the growth of which has benefited the Company. The

Company's City balconies provide a clear example of this; they have been developed and sold as an extra product area focused on inner-city environments and other types of buildings where, for example, glazed solutions cannot be installed due to laws and regulations. In addition, Balco regularly endeavour to develop new and innovative products to further differentiate itself from its competitors and to create positive conditions for continued growth.

Continued efficiency improvements in the business and optimised pricing structure

Balco believes that there are good possibilities for continuing to improve efficiency in the Company's business in the coming years through continued improvement of existing production and assembly processes, such as a continued and increased focus on "LEAN", an internal company programme for efficiency improvements and optimisation of all processes in the business. The Company is planning to achieve significant cost savings by increasing production capacity in Poland, and Balco is currently in the process of constructing a new production unit in Poland, to which parts of production will be relocated from Växjö, at the same time as the new production unit will contribute to increased capacity to support future growth. In addition, the Company makes the assessment that there is solid potential to increase order conversion by cutting lead times within all parts of the process and thereby reducing the conversion time of the order backlog. Balco also perceives possibilities for optimising the Company's pricing structure and strengthening pricing discipline through continued work on positioning the Company's products and overall solutions. Balco believes that these initiatives will gradually result in increased efficiency.

Selective acquisitions within chosen markets and niches aimed at strengthening the market position

Corporate acquisitions represent an integral part of Balco's growth strategy and the Company is regularly assessing potential acquisition possibilities. The Company focuses on identifying selective acquisitions within the balcony market with the aim of strengthening the Company's market position on selected geographic markets, existing and neighbouring product areas, as well as new customer segments. The Company has been able to successfully carry out acquisitions of companies and businesses, integrating the purchase object into the existing organisation and achieving synergies. An example of this is the acquisition of Kontech in Denmark in 2015, which is a niche product company focused primarily on City balconies in the Copenhagen area, from which Balco has extracted synergies, expanded the product offering and reached new geographic markets and customer segments. In addition, the target company's management group, values and synergy potential constitute important factors for Balco when considering to acquire a company.

BUSINESS CONCEPT AND VALUE CREATION

Business concept

Balco's business concept is to develop modern, sustainable and attractive balcony solutions, focused on the customer, that provide people with an enhanced quality of life.

Value creation

Balco is convinced that the combination of an entrepreneurial corporate culture, a high level of innovative strength, a commercial approach and a high level of know-how are the cornerstones for creating value. Balco's success is based on its employees' skills, commitment, happiness and responsibility for choosing to go the extra mile that takes the company a step forward. Together with the customer, Balco tailors a complete modern balcony solution, from sketch to installation, which contributes to and enhanced quality of life for the end customer. The Company's sustainable products, developed in-house, create direct customer benefits such as lower costs, enhanced living standard, reduced energy consumption as well as increased property value.

Vision

Balco shall, through innovative solutions and high-quality products sought by the customer, provide the best balconies on the market.

Mission

Balconies contributing to an enhanced quality of life.

Values

Innovation, Expertise, Enthusiasm.

Innovation

Balco is an innovative and entrepreneurial company which constantly endeavours to create improved, more modern and more purposeful solutions. Balco shall lie at the forefront in the development of the next generation of balcony systems. Product development shall be driven based on the customers' needs and a desire to create simple, sustainable solutions.

Competence

Balco's customers shall have peace of mind when they hire Balco. Balco must always act in accordance with sound business ethics, professionalism and a high level of skill. Balco must be one step ahead, do the right thing from the outset, eliminate risks and adhere to promised deadlines. Balco must comply with laws and standards, use the best possible technology, and deliver the best customised overall solution of the highest possible quality.

Enthusiasm

Enthusiasm involves being proud of one's work and being an important part of a group which contributes to a whole. Balco believes in an environment unaffected by issues of prestige, in which all employees respect and rely on each other, and work together to achieve good results. In the work on developing the business in the best possible manner, employees must enjoy what they do, feel good, and show each other appreciation.

Financial objectives

GROWTH:	Balco shall grow by 10 per cent per year.
PROFITABILITY:	Balco shall achieve an operating margin (EBIT) of at least 13 per cent.
CAPITALISATION:	Interest-bearing net debt shall not exceed 2.5 times operating profit before depreciation and amortisation (EBITDA), other than temporarily.
DIVIDEND POLICY:	Balco shall distribute least half of profit after tax, provided this does not endanger the Company's long-term development.

BUSINESS SEGMENTS

Balco's business is divided into two business segments: Renovation and New Build. A description of each business segment is presented below.

Renovation

The Renovation business segment relates to existing properties includes both replacement and expansion of existing balconies as well as the installation of new balconies on multi-family residential properties without balconies. Most of Balco's sales within the area comprise glazed balconies to tenant-owner associations. Renovation accounted for 87.4 per cent of Balco's net sales in the 12-month period ending June 30, 2017 and is Balco's largest business segment. Sweden constitutes Balco's largest market within the renovation segment, with the main driver being the pent-up renovation demand and the prevailing age profile of the housing stock. Most of Balco's net sales within the segment derive from glazed balconies and take place mainly to tenant-owner associations, but the Company also operates within the Renovation segment in all markets. In 2016, 260 full-time employees expended most of their work time within the segment on average. Balco is the largest company on the Swedish Renovation market with a market share of approximately 24 per cent in 2015. Balco also makes the assessment that the Company is one of the largest players within the Renovation segment in Norway and Denmark. During the period 2014 to the end of the 12-month period ending June 30, 2017, Balco's sales within the segment increased from SEK 524.3 million to SEK 811.7 million, while the adjusted EBIT margin increased from 8.5 per cent to 14.3 per cent. The positive growth in net sales is due to Balco taking market shares and having created the market during the period through a strongly reinforced sales organisation. On Other Markets, Balco has experienced strong demand as a consequence of having more sales personnel in place on each market. The increased EBIT margin is a result of increased net sales, price increases and operational improvement and efficiency measures.

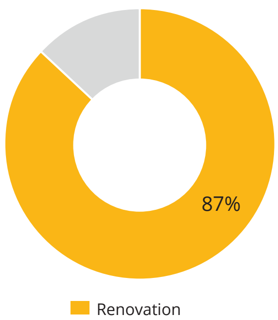
New Build

The New Build business segment accounted for 12.6 per cent of Balco's net sales in the 12-month period ending June 30, 2017. Balco's current strategy is to engage selectively in projects within the business segment and to focus on profitability and low risk. The business segment is believed to possess very large potential due to the sharp increase in housing construction, combined with the Company's competitive products. The segment includes installation of balconies in conjunction with the construction of new multi-family residential properties and the segment is driven by the pace of new housing construction. New Build services is offered on all markets, and Sweden is the Company's largest market within the business segment. Balco offers its entire product range within New Build.

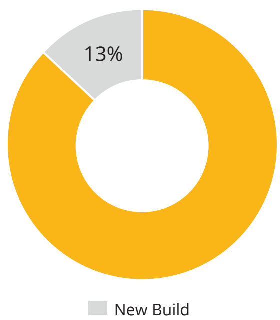
In 2016, an average of 26 full-time employees expended most of their work time within the segment. Balco is the seventh largest operator on the Swedish New Build market, with a market share of approximately 5 per cent in 2015. Balco considers the Company to hold a challenger position on Other Markets.

During the period 2014 to the 12-month period ending June 30, 2017, Balco's net sales within the segment increased from SEK 44.1 million to SEK 117.3 million. The positive growth in net sales is a consequence of Balco's previous efforts within the segment as well as increased housing construction, primarily in the Company's Main Markets. On Other Markets, Balco has experienced strong demand as a consequence of having more sales staff in place in each market. Adjusted EBIT amounted to SEK -5.9 million during the 12-month period ending June 30, 2017, compared with SEK -2.0 million in 2014. During the period, Balco experienced problems with subcontractors who were unable to deliver products in time, and as a consequence Balco was forced to pay fines to customers within the segment. Competition is also more intense within New Build, and as result the customers are in a strong bargaining position and profitability is generally lower compared with renovation. Therefore, in 2016 Balco revised its strategy in the segment and will focus solely on projects which the Company knows to be profitable and where they are not dependent on subcontractors.

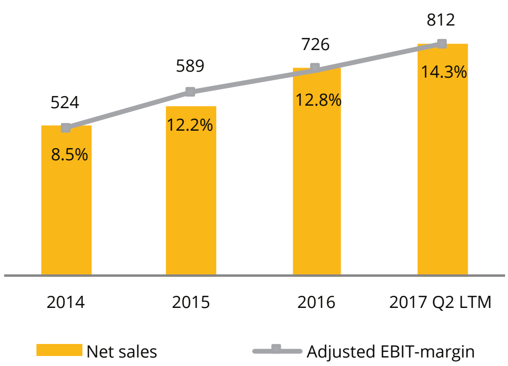
Share of net sales (the 12-month period ending June 30, 2017)



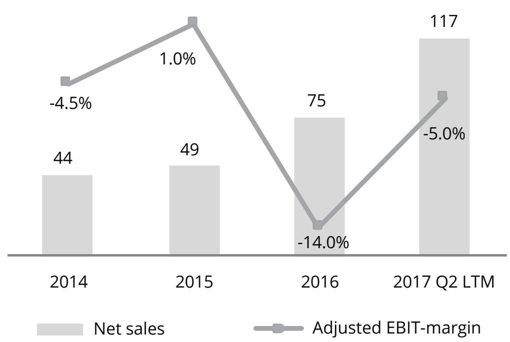
Share of net sales (the 12-month period ending June 30, 2017)



Net sales and EBIT development



Net sales and EBIT development



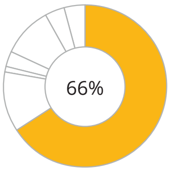
PRODUCTS

Balco offers an extensive range of products and solutions for the balcony market under its own brand. The Company's products are developed in-house, are patented and have a sought-after design. The products are adapted to the customers' wishes and specific needs and can be installed in conjunction with both renovation and new build. All of Balco's products are modularised in order to minimise assembly work at the worksite and are manufactured in lightweight designs, which makes them lighter than traditional concrete balconies.

Net sales per product area (2016)

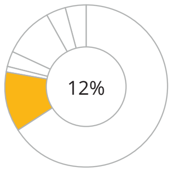
GLAZED BALCONIES

Percent of net sales (2016)



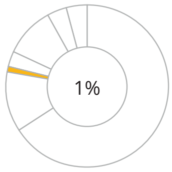
CLIMA WALLS

Percent of net sales (2016)



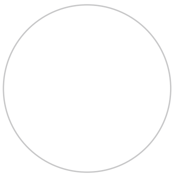
GLAZED ACCESS BALCONIES

Percent of net sales (2016)



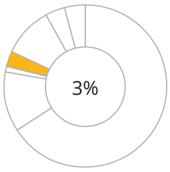
BALCO ETAGE

New



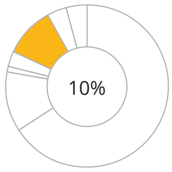
OPEN BALCONIES

Percent of net sales (2016)



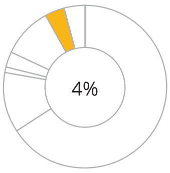
CITY BALCONIES

Percent of net sales (2016)



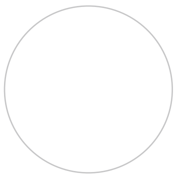
STANDARDISED BALCONIES

Percent of net sales (2016)



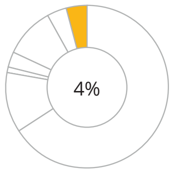
MARITIME BALCONIES

New



RAILINGS AND STAIRWAYS

Percent of net sales (2016)



ACCESSORIES

Net sales from accessories included in other product categories

Glazed balconies

Balco's glazed balconies constitute the largest product category and sales in 2016 accounted for 65.7 per cent of total net sales, with sales primarily taking place to the Renovation segment. The solutions are regarded as a cost-efficient and attractive alternative to traditional concrete renovation and provide the customers with economic advantages through reduced energy and heating costs as well as maintenance costs. The solutions also contribute to noise reduction and reduced corrosion of the concrete reinforcement, which reduces the risk of frost damage. Balco tailors solutions to the customers' needs, allowing the customers to choose from a wide range of, for example, windows, roofs, fronts, fixing systems and floor modules. Balco holds a large number of patents for unique functions, such as ventilation, drainage systems, etc., which make the glazed solutions extremely competitive. As a complement to the glazed balconies, Balco also supplies accessories such as electric blinds and roller blinds, which are adapted to the solutions; read more under "*Accessories*".

Falkenbergshus, Falkenberg

- *126 balconies built with ventilation, Twin windows and Cleanline system*
- *Order value of SEK 7.1 million*

Clima walls

Balco also manufactures and sells clima walls, whereby the entire facade is covered with glazed balconies. In 2016, sales of clima walls accounted for 12.2 per cent of total sales and took place primarily to the Renovation segment, where they are usually installed in connection with design and construct projects for multi-family residential properties. The solution involves an integrated glazed enclosure being mounted at the front of the concrete slab of the balconies and covering the entire façade. By covering the entire façade, the solution functions as a climate-proofing shell for the property, resulting in significant savings in energy and heating. Studies[27] show that Balco's clima walls can give an energy saving of up to 20 per cent. The clima wall also reduces the need for renovating the balconies, as well as the building's façades, windows and doors.

Mannsverk, Bergen

- *Clima wall which covers the entire façade with glazed balconies*
- *Order value of SEK 120.4 million*

Access balconies

Balco's access balconies are specially adapted systems that are sold to the Renovation segment, in which existing access balconies are glazed in and, similarly to the Company's other glazed solutions, they warm up the air before it reaches the apartment, thereby resulting in reduced energy use and heating requirements. Balco's glazed access balconies are particularly suitable in climates with rain, snow and cold, since they maintain a higher temperature and stop the access balconies from becoming slippery. In order to comply with the statutory requirements regarding fire safety and air conditioning that apply to access balconies, the solutions have built in smoke sensors and interlinked electromagnets so that the windows open automatically in the event of smoke. The windows can also be opened manually during warmer parts of the year. In 2016, access balconies accounted for 0.6 per cent of net sales.

Waldshut-Tiengen, Tyskland (2014)

- *Balco Access solution with Twin windows*
- *Order value of SEK 2.0 million*

Balco etage

Balco's glazed etage balconies are sold to terraced apartment buildings and the Company has developed a special glazing technique to meet the need for innovative solutions for terraced buildings on steep slopes. During the 1960s and '70s, a large number of terraced buildings were constructed which are in immediate need of renovation, and it is of the utmost importance that terraced dwellings have functioning balconies and patios, since they constitute the roof of the dwelling underneath. Balco's terrace solution is unique in that it includes patented drainage systems and is very safe to install on steep slopes.

Byhaugen Vest, Stavanger

- *Order value of SEK 14.9 million*

27) The results are derived from a study by Ramböll, the leading building consultant in Scandinavia (The Balco report, technical studies of balacony solutions – Impact on carbonation and corrosion of concrete reinforcement).

Open balconies

Balco sells open balconies with steel frames, concrete slabs and railings to the Renovation and New Build segments and, in 2016, sales of open balconies accounted for 2.7 per cent of the Company's net sales. Open balconies can be easily varied in form and design to meet the customers' needs. Among other things, the customers have the possibility to choose different designs as regards floor, covering, balcony railing and handrail.

The product area also includes parts of balconies such as balcony railings, covering, floors, roofs, and fixing systems, which can be installed on existing balconies or purchased by construction companies in the case of new build.

Open balconies

- *Open balconies with railing and access balconies in perforated steel*
- *Order value of SEK 3.3 million*

City balconies

Balco also produces and sells City balconies, which are generally smaller than the Company's other open balconies and are made of steel with wooden floors. Apart from the choice of material, the fixing principles for City balconies are different in as much as, from a design perspective, they are adapted for city centre environments where stricter requirements prevail regarding the design of balconies. The City balconies are attached to brick façades.

The light design of the City balconies, which consists of steel profiles, means that the deadweight (excluding the balcony railing) is approximately 60 kg/m2, which is approximately 60 per cent lower than a traditional concrete balcony. In 2016, City balconies accounted for 10.0 per cent of net sales.

Copenhagen-Enghavevei

- *92 balconies with steel railing and wooden handrails*
- *Order value of SEK 10 million*

Maritime balconies

Within the cruise industry, there is a trend towards replacing the steel components of the cruise ship with lightweight structures made of aluminium and glass; this is due to reasons of weight as well as an increased demand for prefabricated systems which can be quickly installed with subcontractors handling the entire construction process. In selectively chosen projects, Balco has specially developed maritime balconies, which are sold to cruise ships in Europe where Balco's model is suitable. The balcony solutions for each cruise ship are project-specific and tailored to the customer's needs and purposes.

Railings and stairways

Balco produces, delivers and installs stairways and stairway railings adapted for both outdoor and indoor use. The Company helps its customers in all stages, from measurement, design and construction to installation, but can also produce the products based on the customers' own drawings and design wishes. The stairways are manufactured in the same models and materials as the Company's balcony railings, i.e. glazing bar, sheet metal or panels in desired material and, depending on the installation environment, Balco assists with recommendations regarding surface treatment of the products. The product category accounted for 4.3 per cent of net sales in 2016.

Standardised balconies

AluOne

AluOne is a prefabricated, specially adapted balcony solution, mainly produced in aluminium in twelve different sizes, which can easily be adapted to different buildings, thereby making the system flexible and cost-effective, and cutting the installation time. AluOne was developed for the German market, where simple solutions are sought after. AluOne is sold to both the New Build and Renovation segments and the products can also be installed on prefabricated buildings, since they are simply suspended on the exterior of the building. The product is designed so that AluOne's weight does not affect the building, since it is installed on columns fixed in the ground. AluOne has a discreet drainage system installed beneath the concrete slab, which leads the water through the balconies' pillars in the fixing system down to the ground.

Neumünster, Sac

- *16 balconies*
- *Order value of SEK 0.9 million*

PGS

Balco's PGS balconies are produced for the Swedish market and comprise a prefabricated balcony module made of steel and concrete, which Balco has developed on behalf of the customer. The balcony model is sold primarily to new housing production. In 2016, prefabricated balconies accounted for 4.1 per cent of the Company's net sales.

Sommarbyn, Helsingborg

- *Order value of SEK 0.9 million*

Accessories

Balco also sells a large number of different accessories to the Company's balcony solutions, which are adapted to enable accessories to be installed at a later stage. The Company's accessories include carpets, protection screens, glass corners, electric blinds, sunshades, roll curtains and window boxes.

Powered awnings

Wave flooring with studded underside

Window boxes

PRODUCT DEVELOPMENT

Balco has a tradition of developing products in-house and continuously invests in product development. Product development represents one of Balco's most important strategic advantages and the Company has a proven ability to develop new innovative and technical solutions. The product development department is constantly working to improve existing products and develop new products. The department also participates in the production of customised balcony solutions and has the capacity to develop products for new segments in which the Company perceive has large potential. For example, during the past three years the Company has developed the product areas: maritime balconies, City balconies, Alu-One and Balco etage. In 2016, Balco had five full-time employees at the product development department and product development costs amounted to SEK 10.7 million in 2016.

The product development process is structured to encourage cooperation between different departments with the aim of identifying new possibilities, developing and improving the Company's existing products, and performing production tests and factory acceptance tests.

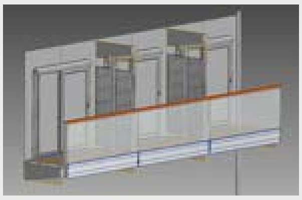
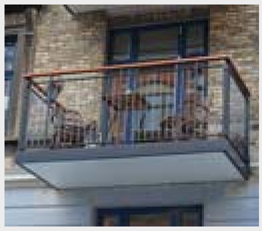
The Company's product development process is divided into four stages:

1. The market department identifies a customer need based on prevailing market trends and through dialogue with the customer. When a need is identified, a concept study is commenced together with the product development department, which also produces a long-term and short-term launch plan.
2. After completing the concept study, the product development department makes a feasibility assessment by developing a prototype and studying the possibility to patent the product. If the result is successful, a profitability study is carried out.
3. Production tests and factory acceptance tests are carried out and decisions are taken regarding materials. The end product is assessed by the product development department, the quality manager and the Company's operational manager, who together decide upon a possible product launch.
4. After the product launch, a follow-up process takes place in which the customers' opinions regarding the product are analysed and any shortcomings are rectified.

Product development process

MARKET DATA	PRODUCT DEVELOPMENT	PRODUCTION	POST-LAUNCH PHASE
Identify product need	*Develop product prototypes*	*Decision to launch*	*Monitoring of development*
Market demand Customer feedback New growth areas	Analyse feasibility Design Identify patent possibilities	Plant and materials testing Product evaluation	Collect feedback Rationalise Improve

Examples of newly developed product areas

MARITIME	ALUONE	BALCO ETAGE	CITY-BALKONGER
			
Balconies, developed for cruise ships and tailored to the customer's needs.	Standardised, complete and unique aluminium balcony solutions, easily adapted to different properties, thereby increasing flexibility and reducing the installation time.	Innovative glazed balcony solutions for terraced dwellings which require efficient drainage systems.	Open balconies designed to be suitable for city centre environments.

Patent

Since the Company was founded, Balco has actively patented products and solutions. The Company was granted its first patent in 1993.

Today, Balco holds a portfolio of 44 patent registrations and patent applications which protect in total 20 different functions of the Company's products, and the Company's patent portfolio is of major importance for Balco. In average the remaining protection period of the Company's patents is approximately 12 years.

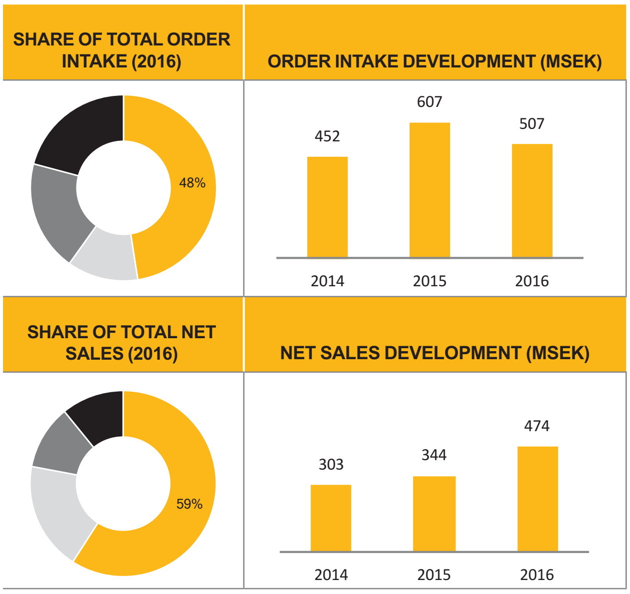
The graphics below describe a selection of Balco's patented functions.

BALCO CLEANLINE	BALCO TWIN	BALCO VISION	BALCO DESIGN
			
The unique drainage system means that the water is collected in the window track and directed down to the ground via channels integrated in the aluminium frame. Ugly streaks on the facade from dirty water and that water is collected on the balcony is thereby avoided.	The elegantly designed glass windows can be opened as an ordinary sliding window and folded in as a folding glass window, which provides the possibility to open up the entire balcony and contributes to increased flexibility.	Soft rounded frontage profiles without plate details, pop rivets and sealing compound, which combined with frameless folding glass windows creates an impression of an entire glass area.	Frameless folding glass windows which contribute to unrestricted view and an aesthetically appealing expression, and provide the impression of an entire glass area. The balcony can be fully open when the windows are slid to the side.

GEOGRAPHICAL OVERVIEW

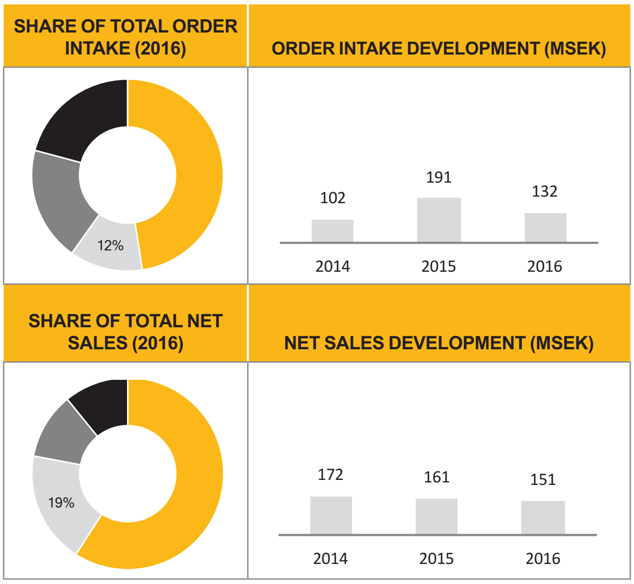
Sweden

Sweden is Balco's largest market and accounted for 59.1 per cent of the Company's net sales and 48.9 per cent of the Company's order intake in 2016. Renovation constituted the largest business segment, with the largest customer segment being tenant-owner associations. In Sweden, glazed balconies are the dominant product area. Balco has six sales offices in Sweden and the Company's main production unit (which focuses on glazed solutions) is located in Växjö, adjacent to the Company's headquarters. The Company's net sales on the Swedish market have been positively affected by increased volumes and price increases as a result of increased sales and marketing activities and increased number of sales personnel.



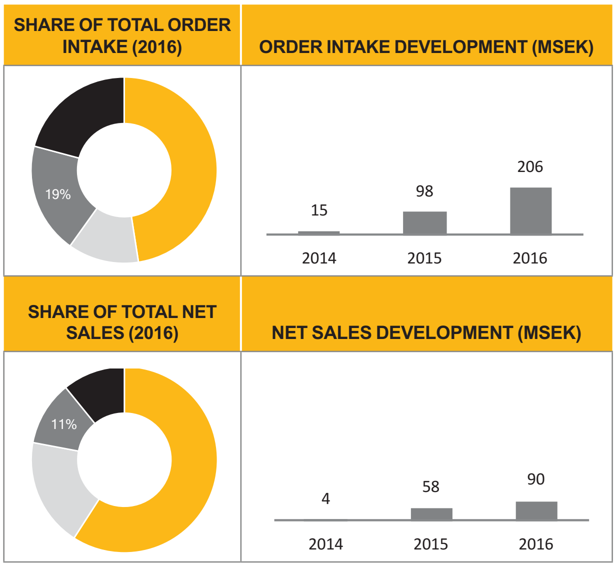
Norway

Norway is Balco's second largest market and accounted for 18.9 per cent of the Company's net sales and 12.4 per cent of the Company's order intake in 2016. Renovation constituted the largest business segment, with the largest customer segment being tenant-owner associations. In Norway, glazed solutions are the dominant product area. Balco has four sales offices in Norway, and the glazed solutions are delivered directly from the production unit in Växjö, Sweden. Balco's net sales decreased during the period 2014-2016 due to the Company having a number of larger projects that finished during 2014 and 2015. Further, Balco has been negatively affected during the period due to projects which were completed during 2013 were conducted with a lower assembly standard than expected, which affected the Company's relation with certain customers on the market. However, today Balco has a reputation of being a premium supplier of balcony solutions on the Norwegian market and the customer relations have been restored, according to Balco.



Denmark

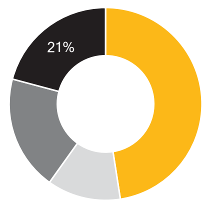
Denmark accounted for 11.2 per cent of the Company's net sales and 19.2 per cent of the Company's order intake in 2016. Renovation constituted the largest business segment, with tenant-owner associations being the largest customer segment. In Denmark, City Balconies are the dominant product area. In 2015, Balco acquired Kontech, a manufacturer of open balconies for big city environments, which gave Balco a stronger position on the Danish market. In Denmark, Balco has two sales offices and one production unit in Hvidovre, which focuses on the production of City balconies. The Company's net sales in the Danish market have been positively affected by the acquisition of Kontech in 2015 and increased volumes and price increases as a result of increased sales and marketing activities, as well as increased number of sales personnel.



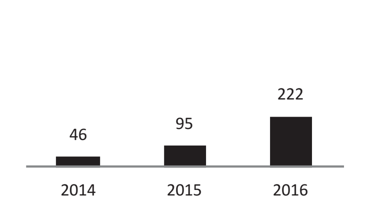
Other Markets

In 2016, Other Markets accounted for 10.9 per cent of the Company's net sales and 19.5 per cent of the Company's order intake and include Finland, Germany, the UK and the Netherlands. Germany was the largest market and accounted for 5.7 per cent of the Company's total net sales in 2016. Renovation constituted the largest business segment, with the two largest customer segments being the public housing sector and private landlords. Within Other Markets, glazed solutions are the dominant product area and the glazed solutions are delivered from the production unit in Poland. Balco has six sales offices within these markets and a production unit in Przytoczna, Poland, which focuses on aluminium production. In addition, Balco is a part owner in a strategic subcontractor focused on steel processing and welding, which is located adjacent to the Company's production unit. During 2014 – 2016, the Company changed its strategy in Germany and the UK, with an increased focus on larger and more profitable projects. As a result, profitability increased while the Company's net sales in those countries simultaneously fell. In addition, Balco's net sales have been positively affected by the fact that, during the period, the Company successfully expanded to the Netherlands and Finland.

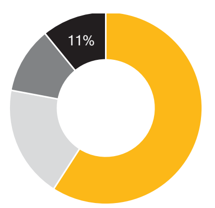
SHARE OF TOTAL ORDER INTAKE (2016)



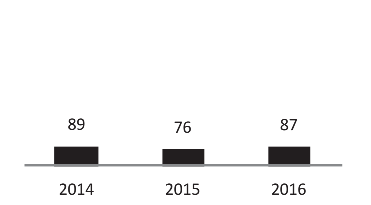
ORDER INTAKE DEVELOPMENT (MSEK)



SHARE OF TOTAL NET SALES (2016)



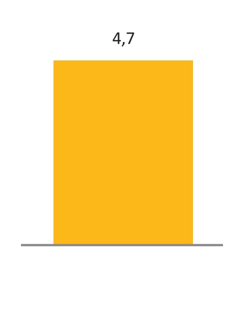
NET SALES DEVELOPMENT (MSEK)



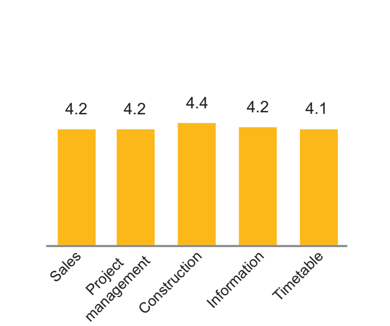
CUSTOMER GROUPS

As per December 31, 2016, Balco had 408 ongoing projects to various customer groups. Within Renovation, Balco's customer base comprises three customer groups: tenant-owner associations, private landlords and the public housing sector. Within New Build, the Company's customer base comprises construction companies. Since each customer group has different specific needs and demands, Balco has adapted the sales processes and the balcony solutions in order to better accommodate the balcony preferences of the different customer groups. In 2016, tenant-owner associations were Balco's single largest customer group and accounted for 53.7 per cent of the Company's total net sales, followed by private landlords with 26.0 per cent and the public housing sector with 7.8 per cent during the same period. The customer group comprising construction companies accounted for 12.5 per cent of the Company's total net sales in 2016. Balco's customer agreements have been in all material respects entered into on a local level and the Company has a limited customer risk since the Company had 408 ongoing projects as per December 31, 2016, corresponding to an average order size of approximately SEK 6 million. Orders within the renovation segment are generally larger than within new build. Balco is less dependent on long-term customer relationships within renovation, since most orders are based on the needs of new customers. Within new build, customers may be repeat customers to a larger extent. HSB and Riksbyggen may be mentioned as examples of repeat customer organisations within renovation. It is of utmost importance for Balco to achieve a high level of customer satisfaction, since doing so makes it easier to create relations with new potential customers in the residential area. The Company conducts regular customer surveys with the aim of being able to constantly improve its solutions and services, and on a five-grade scale (with five representing "extremely satisfied" and one representing "not satisfied at all"), the average customer satisfaction grade was 4.7. On the same scale, results as regarding fulfilment of the customers' expectations within all elements of the process were 4.1 or higher.

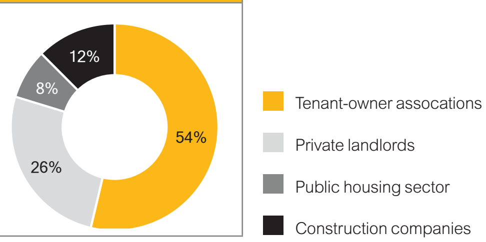
AVERAGE CUSTOMER SATISFACTION



FULFILLED EXPECTATIONS



NET SALES PER CUSTOMER GROUP (2016)



SALES AND MARKETING

Sales, project management and installation

Balco has a European sales organisation with a presence in seven countries through 18 sales offices. The Company's sales offices are local and the sales personnel thereby possess great experience and in-depth knowledge of the relevant local market. Balco's local presence is aimed at creating good customer relations, increasing the customers' awareness and knowledge of the Company's balcony solutions, while at the same time making it easier for the Company to adapt balcony solutions to the customers' needs as well as national laws and regulations. Balco's sales organisation comprises 51 employees, all of whom have undergone the same internal training programme, Balco Sales Academy, in which a clear sales strategy and method are taught. As a result, all sales personnel have the same understanding of the sales process, which strengthens Balco's brand while at the same time reduces the risk of selling something that the Company is unable to deliver. The Company's sale personnel receive a salary comprising a fixed component and a variable component, which is based on individual performance and the Company's team-based incentive scheme. An experienced salesperson achieves on average sales of SEK 20 million per year, while a new salesperson averages SEK 8 million during the first year. The Company's sales organisation works together with project managers and contractors with the aim of assisting the customer throughout the process, from the initial meeting to a completed final inspection. Balco has 25 trained employees who work as project managers and 16 employees who work as installation managers. Balco works with external installation companies with whom the Company has long-term relations, and who work exclusively with Balco. In addition, Balco has a service organisation comprising three employees who regularly carry out inspections of sold balcony solutions and handle complaints and warranty undertakings, which usually extend over a period of five years.

The sales process

Balco has understood the value of investing in the sales phase, which is complex and involves many critical elements and long lead times. Sales of balcony solutions require time, resources and great commitment from sales personnel, project managers and the market department. Balco has the capacity and patience to implement the process in the correct manner and, in doing so, often wins the contract. The sales process has evolved from a long tradition of balcony projects and varies between B2C and B2B. Vis-à-vis the professional market (New Build), sales personnel provide support and advice, assist the customer in its decisions and clearly demonstrate that the Company has the capacity to deliver. Balco provides support in the form of photomontages and uses Bimobject in order to develop a 3D catalogue of the Company's products, which can easily be adapted and used as a basis for drawings. Vis-à-vis the rental property and tenant-owner market, sales personnel assist throughout the process and act more as communicators than engineers. The sales process consists of three phases: the prospect phase, the project phase and the delivery phase.

Prospect phase

Balco contacts potential customers ("**Targets**"), either through local mini trade shows or by the Company identifying the needs of a potential customer. Balco schedules a no-obligation meeting with the potential customer with the aim of discussing balcony solutions and securing a sale. Thereafter, Balco guides the customer through the process with the objective of expanding the transaction for Balco and thereby also creating greater value for the customer through the "Balco method " (For more information, see "*Business overview, introduction*").

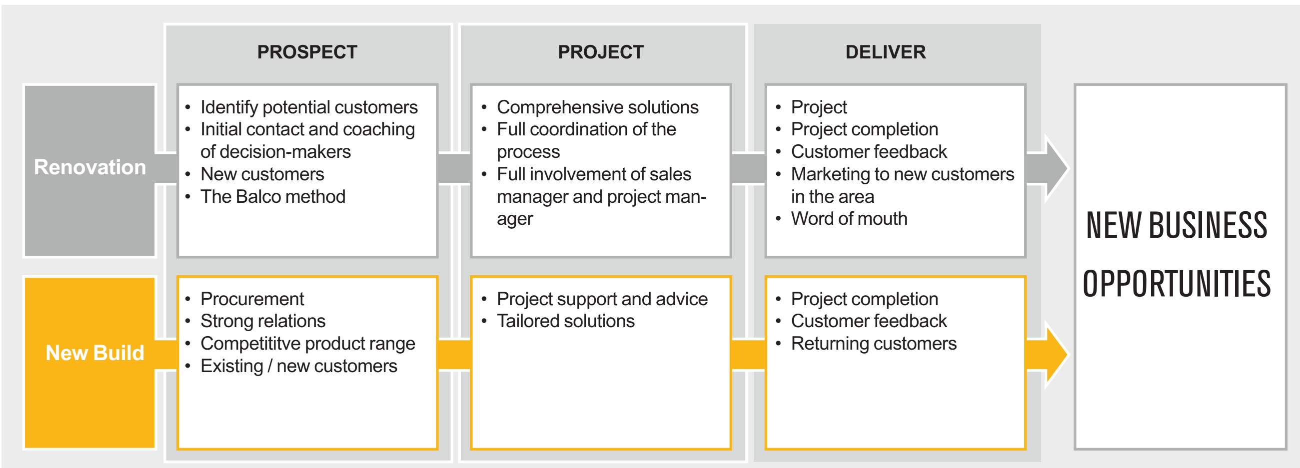
Balco always endeavours to reach the decision-maker directly, for example the board of a tenant-owner association or a decision-making body within HSB. When deemed necessary by Balco or the customer, contact is made immediately with the person who can make the decision regarding a measure.

Project phase

Once a decision has been made and a cooperation agreement is entered into regarding the project, Balco guides the customer throughout the process, from the initial meeting to completed final inspection. For tenant-owner associations, Balco produces complete presentation material as a support for the board, produces 3-D drawings which show the finished solution, and applies for building permission. Balco also assists the board in gaining the residents' support for the project and guides the board before the association meeting. Connected to the association meeting, Balco is also in place with a display module and presents the advantages of the project. In addition, Balco assists in securing consent from the residents who have not participated at the association meeting, thereby preventing any appeals and disruptions.

Thanks to its size and capacity, Balco ensures that both sales personnel and project manager are involved as from the second meeting with the customer, and consequently there is a smooth

Sales process



transition between the selling process and a clear project. The professional teamwork generates confidence and creates clarity, which minimises the risk of friction further on in the project.

Balco considers implementation of the project to be a natural part of the Company's marketing, since it becomes extremely clear what Balco actually does and what the result will be.

Delivery and customer feedback

Once the project is completed. Balco always asks the residents whether they have experienced any change in the residential area following the balcony glazing. The Company's objective is that 80 per cent shall consider the residential area to have changed for the better, and the actual result is 86 per cent. Thus, the Company's surveys show that the customers, i.e. the residents, are extremely satisfied with their balconies. In response to the question of whether they would recommend a Balco balcony to their friends, Balco aims to achieve 85 per cent affirmative answers, and in 2016 the result was 95 per cent, with 97 per cent of the customers experiencing that their home has become more attractive following installation of Balco's solutions.

Marketing

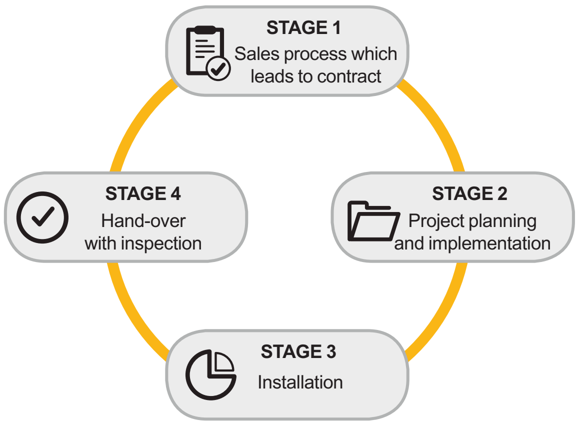
Balco's marketing takes place on a local level in order to allow for adaptation to local preferences, standards and customer behaviour, with the aim of educating customers about the Company's balcony solutions. Balco uses various marketing channels, with the choice of channel being adapted to the market. Mini trade shows, to which key decision-makers such as chairmen of tenant-owner associations, architects and building consultants are invited, constitute the Company's main marketing channel. Balco participates in approximately 60-80 mini trade shows each year. Balco also regards the implementation of the project as another important marketing channel since it clearly markets the identity of the party carrying out the project and what the result will be once the project is completed. Furthermore, to an ever increasing extent Balco is tailoring its marketing in order to directly attract potential customers, for example by offering customer visits and workshops at Balco's showroom in Växjö and arranging roadshows in which Balco's concept can be demonstrated to a smaller group of potential customers. Balco also markets via the Company's website, Balco's ambassadors, industry newspapers and through participation at major trade fairs where the Company is able to market itself to existing and new customers. The Company's ambassadors include, for example, HSB consultants and the chairmen of tenant owner associations who advocate Balco as a provider of balcony solutions and market Balco to new customers.

Although marketing is conducted locally, important strategic initiatives are coordinated with the assistance of representatives from Balco.

Balco regularly conducts customer surveys aimed at improving the Company's knowledge and insight into current customer trends and to measure customer satisfaction. Through increased knowledge and insight into current customer and consumer trends, and how the customer views Balco, the Company is able to develop and refine the marketing work, while at the same time tailoring its balcony solutions to the customer's needs.

THE PROJECT CYCLE

A typical balcony project is summarised below:



Sales process which results in contracts

Balco is actively engaged in marketing Balco and its balcony solutions. Balco has essentially three customer groups: construction companies, rental properties (private landlords and the public housing sector) and tenant-owner associations, and the sales process differs as between the three customer groups. In the case of construction companies, there is usually an enquiry followed by a tender procedure in which several suppliers tender for the work. In the case of rental properties, Balco usually meets the prospective customers at an early stage. Balco initially produces a need analysis and thereafter presents a programme of measures. In the case of tenant-owner associations, Balco almost always meets customers who need to carry out a renovation. The sales process is often protracted, since all residents must be informed about the project and the products prior to an association meeting. Balco also assists the customer in the building permit process. At an early stage, Balco enters into a cooperation agreement with the customer in which the sales price, optional extras, project description, payment schedule and other terms and conditions are stated.

Project planning and implementation

Once the cooperation agreement has been entered and a decision has been taken by the general meeting of the tenant-owner association, an order is registered and a project is commenced. Once building permit has been granted, the material is ordered and production begins. The degree of completion of the project is monitored on a monthly basis throughout the life span of the project. A project comprises two phases: the production phase and the installation phase (construction). The production stage includes Balco's production, processing and the value that Balco creates for the end customer.

Installation

Once the products are manufactured, the installation phase begins. This constitutes the final element in completion of a complete balcony solution and includes delivery, construction work and installation of the balconies. Balco provides the service through subcontractors with their own installation managers.

Hand-over with inspection

A final inspection is carried out once delivery and installation of the balcony are completed. A brief summary of the project and budget at completion are carried out.

PRODUCTION, PURCHASING AND LOGISTICS

Production and installation

Balco has in total three of its own production and assembly units located in Växjö, Sweden, Przytoczna, Poland and Hvidovre, Denmark. Certain production is also carried out by a strategic subcontractor, MIB-Pol, in which Balco holds a 25 per cent stake. In Sweden and Poland, complete glazing solutions are produced, which mainly require steel and aluminium production, coating and welding. In Denmark, only steel manufacturing takes place for the production of City balconies. The balcony railings are produced by Balco's strategic subcontractor in Poland, while galvanising and production of other accessories, such as electric blinds and glass corners, are carried out by external suppliers. The scope of the production process can be adapted depending on the complexity of the order. Balco has established an efficient and well-invested production platform to serve all markets. The Company has a competitive cost base with optimised production, installation and purchasing in Sweden and Poland. The Company is constantly endeavouring to enhance efficiency and improve the production process and thus regularly carries out various analyses in order to identify improvement possibilities. Since 2015, the Company has given priority to increasing the focus on "LEAN" production with the aim of reducing lead times in the production process and the installation time at the worksite. The Company is continuing to integrate and increase efficiency in its production in Sweden and Poland in order to exploit the Company's lower production costs in Poland. The Company's current capacity utilisation rate within production is approximately 80 per cent, which corresponds to 3-shift production at all production units. Balco believes the capacity to be insufficient to meet needs after 2018. Therefore, the Company has invested in an additional production unit in Poland, which is expected to be running towards the end of 2017.

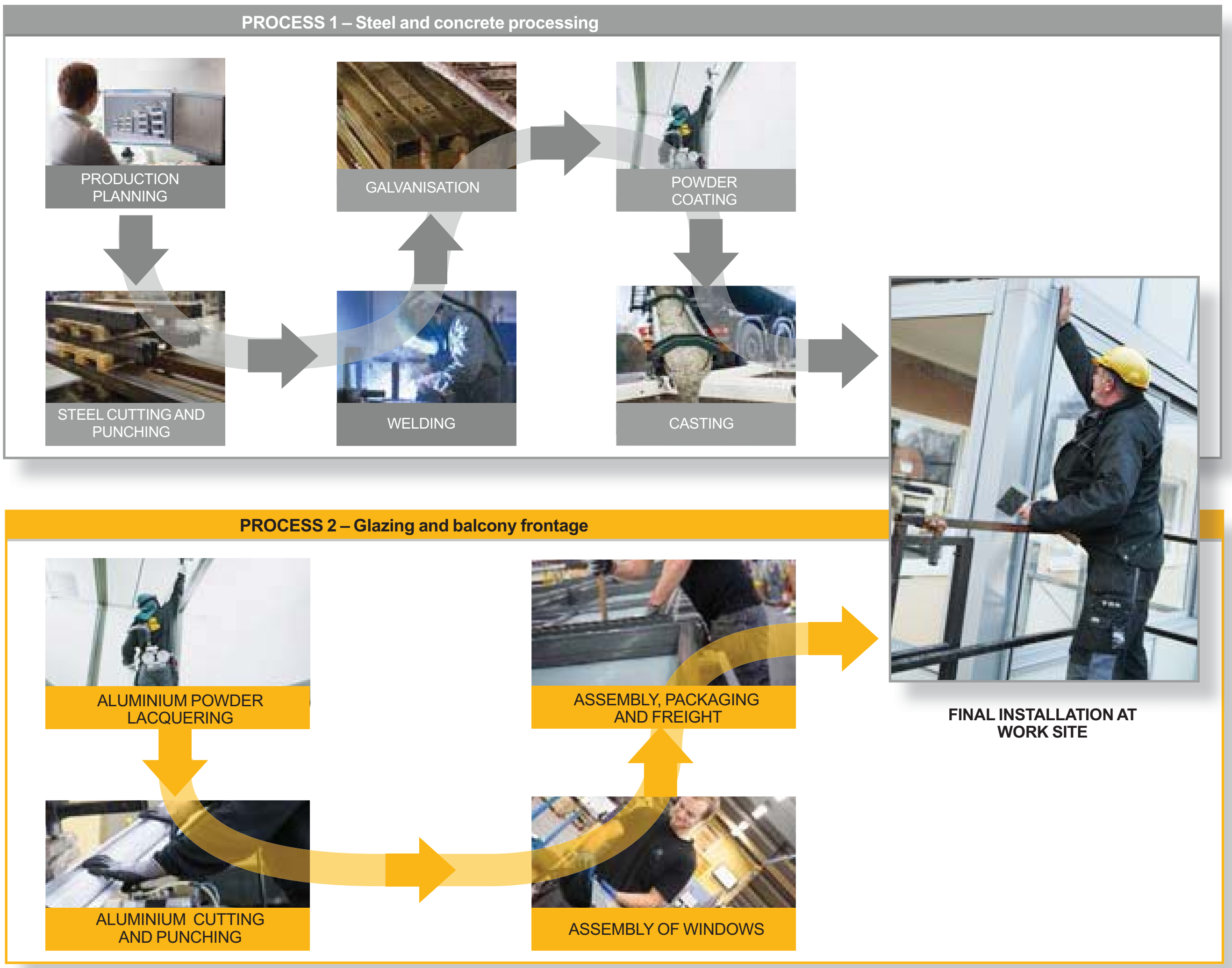
Production process

Through the Company's production plants in Sweden, Poland and Denmark, Balco produced approximately 7,500 balconies in 2016. An overview of the production process for a balcony solution is presented below.

The production process involves two flows. The steel frame and concrete slab, which constitute the framework of the balcony, are produced first, followed by windows and balcony fronts, which are produced immediately prior to final installation.

Production is planned in detail prior to commencement with the aim of achieving an efficient process as possible. Steel profiles are cut and punched before they are welded together to create a steel frame. The steel frame is thereafter galvanised by a third party and transported back to the plant for coating (normally with powder paint). After that, a concrete slab is cast in the steel frame, and tempered for approximately 20 hours. The concrete slab is thereafter delivered to the worksite and is ready to be installed on the building.

Production process



The second flow in the process starts with the coated aluminium profiles being delivered to the unit where they are cropped, punched, drilled and made into frames in accordance with the project specifications that have been acquired. Glass and aluminium frames are mounted together to create balcony fronts. The finished products are then marked for the project, moved to the layer and held at the layer until they are needed at the worksite. After the products have been delivered to the worksite the final assembly of the balcony solution is conducted by assembling the concrete slab, balcony fronts and windows, which is then installed on the building.

Production units

Production in Växjö, Sweden

Production in Växjö began in 1994/1995, when Balco started its own production by acquiring two companies with production units in the Växjö area. The current production unit was established in 2001, when Balco transferred all of its production there. The production unit is strategically located in Växjö, close to all of the Company's Main Markets as well as major transport arteries such as the E4 motorway.

Balco has implemented a number of modernisations, efficiency improvements and environmental measures, such as production switching from manual processing of steel and aluminium to CNC processing, and powder coating is being used instead of wet coating. The production unit in Växjö produces Balco's entire glazed balcony systems apart from the windows, which are produced at the Company's production unit in Poland.

VÄXJÖ, SWEDEN	FACTS
	Production area: 6,880 m^2
	Focus area: Steel and aluminium fabrication, casting and coating
	Capacity: Approximately 7,500 balconies per year
	Capacity utilisation rate: 80 per cent
	Employees in the production: 55

Production in Przytoczna, Poland

Balco started its own production in Poland in 2014, when the Company acquired a production unit from Balco's strategic subcontractor, MIB-POL. Balco acquired the entire production unit with machinery and personnel and at the same time expanded the unit. From the production unit, Balco delivers its products directly to the UK, Germany, the Netherlands and Denmark.

Balco has more than doubled the number of employees at the production unit since 2014 and the Company has purchased land in the surroundings in order to be able to expand the production unit in the coming years, to meet increased demand for Balco's solutions.

Balco is currently on the course of constructing a new production plant in Poland adjacent to the existing production plant. This is aimed at increasing the Company's existing production capacity by 50 per cent in order to secure future growth, increase proximity to other Northern European markets and reduce production costs. The new production plant is expected to be running towards the end of 2017 and is expected to have a positive impact on the Company's future net sales and operating profit.

PRZYTOCZNA, POLAND	FACTS
	Production area: 1,800 m^2
	Focus area: Aluminium fabrication
	Capacity: 2,000 balconies per year
	Capacity utilisation rate: 80 per cent
	Employees in the production: 48

ŁOWYN, POLAND (UNDER CONSTRUKTION)	FACTS
	Production area: 5,800 m^2
	Focus area: Aluminium fabrication
	Capacity: 4,000 balconies per year

Production in Hvidovre, Denmark

Balco has a production unit in Hvidovre, Denmark, which was added through the acquisition of Kontech in 2015. The production unit has automated welding and focuses on the production of City balconies, which are mainly sold to the Copenhagen area. Additional City balconies which cannot be produced in Denmark are produced by Balco's strategic subcontractor, MIB-Pol, in Poland.

HVIDOVRE, DENMARK	FACTS
	Production area: 750 m^2
	Focus area: City balconies
	Capacity: 400 balconies per year
	Capacity utilisation rate: 80 per cent
	Employees in the production: 4

Strategic subcontractor MIB-Pol

Balco has a close collaboration with a strategic subcontractor, MIB-Pol, which is located adjacent to the Company's own production plant in Przytoczna, Poland. Balco commenced its collaboration with MIB-Pol in 2004, when MIB-Pol acted as a contract manufacturer, and in 2007 Balco acquired a stake in MIB-Pol. Consequently, Balco is nowadays an owner of the strategic subcontractor today. MIB-Pol focuses, among other things, on steel processing, welding and produces the part of the demand of City balconies that the Danish production unit is unable to produce.

Raw materials and purchasing

Balco's purchasing organisation is structured as a centralised joint group function which coordinates all production units. By having a joint-group purchasing function, Balco is able to achieve economies of scale and have increased bargaining power. When purchasing the most important input materials (aluminium, steel, glass and powder coating), Balco enters into central agreements which are normally between six months and two years long. Market-specific products and material are purchased locally in order to increase flexibility and to ensure that local needs are maintained.

Balco's purchasing organisation is engaged with, and places demand on, the suppliers. It is of utmost importance for the Company that its suppliers are certified and conduct their operations in line with Balco's own environmental and safety policy. The Company also conducts regular assessments of suppliers to gain assurance that the suppliers are working in a sustainable manner throughout the delivery chain and are complying with Balco's requirements.

Aluminium represents the largest raw material cost and accounted for 27 per cent of the Company's total raw material costs in 2016, while steel accounted for 14 per cent, powder coating for 14 per cent and glass for 9 per cent. The remaining 36 per cent of the Company's raw materials costs comprise purchases of other raw materials such as concrete and consumables. Balco has at least two suppliers of each main raw material and many alternatives to the existing suppliers, a factor which strengthens the Company's bargaining position.

Logistics

Balco has a well-functioning logistics and warehousing structure which is based on delivering the right product, at the right time, to the right destination. Efficient logistics and rapid installation are important elements of the Company's service offering, since the customers expect short lead times. Balco solutions are all modularised in order to minimise unnecessary transports and installation costs at the worksite. Balco produces and delivers balconies based on the need at the worksite. Balco's solutions are delivered directly from the Company's production units to the worksite, which provides the Company with a cost advantage. In addition, local production contributes to short lead times, which increases customer benefit and improves customer relations.

Warehousing and internal logistics are managed in-house in order to facilitate project planning and management, and to ensure error-free deliveries, while transport services are handled by external providers in order to ensure rapid deliveries of solutions to customers. Thanks to the fact that each balcony unit is marked with a project code and balcony number in accordance with the construction drawing, Balco has a low level of incorrect deliveries and incorrect installations.

Balco constantly endeavours to increase efficiency and improve warehousing and logistics, and therefore carries out regular analyses to identify improvement possibilities. Balco has a delivery certainty target of 95 per cent, based on the number of order lines delivered on time, and during the period 2014–2016 the result averaged in excess of 98.6 per cent. In addition, the Company has an operating goal of achieving a load rate of at least 70 per cent in all trucks in conjunction with transportation and, during the period 2014–2015, the result averaged in excess of 73.9 per cent.

IT

Balco handles all IT in-house and has a decentralised IT function comprising an IT manager, three IT technicians and an operations developer. With a coordinated IT function, Balco intends to harmonise the business in the various markets, while at the same time achieving cost savings.

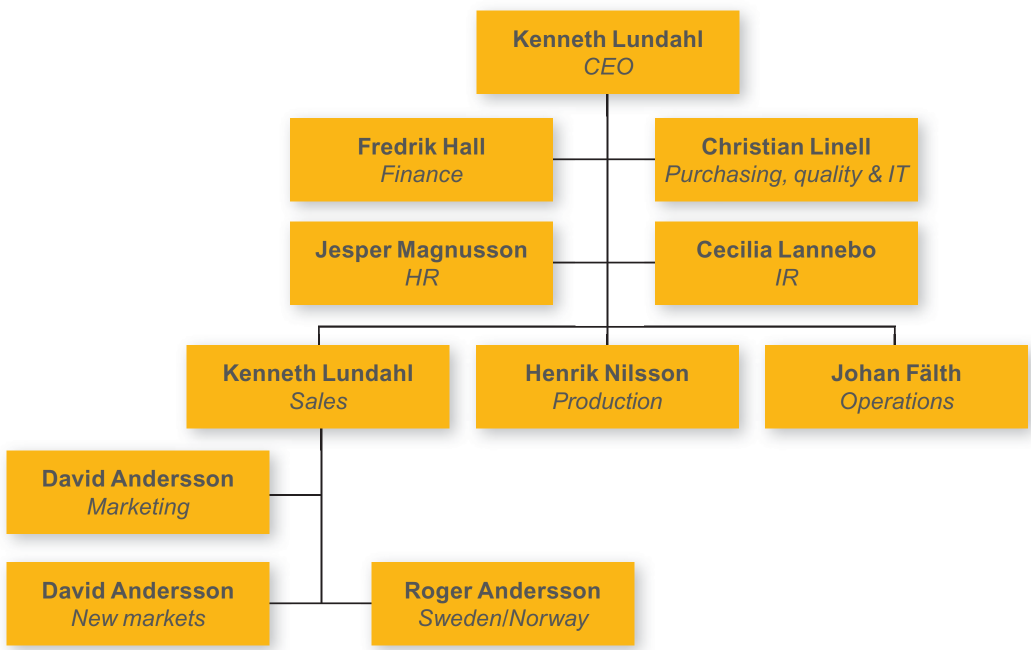
The Company has a well-functioning IT platform and the Company believes that no major investments will be required in the existing IT platform in the coming years.

ORGANISATION AND EMPLOYEES

Organisation

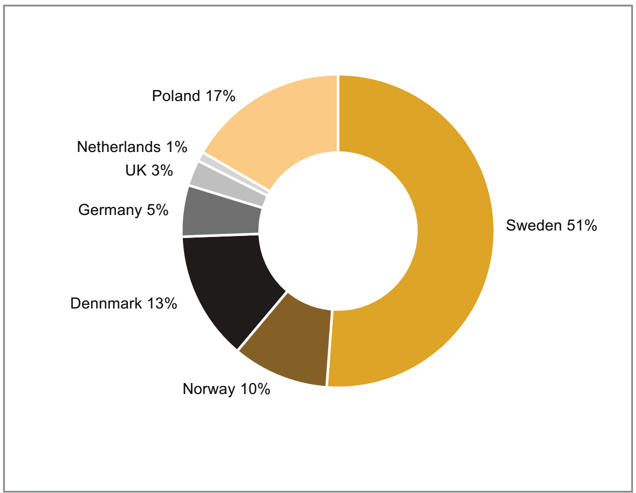
Balco has an organisation structure comprising central group functions with clear areas of responsibility. Senior management comprises nine individuals with responsibility for finance, HR, quality, purchasing, production, operations and markets.

Organisation

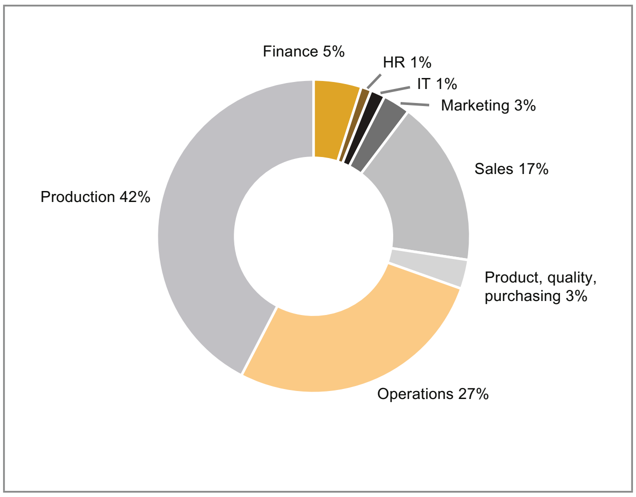


Employees

NUMBER OF EMPLOYEES AT END OF PERIOD (2016) BY COUNTRY



NUMBER OF EMPLOYEES AT END OF PERIOD (2016) BY FUNCTION



Number of employees	January 1 – June 30 2017	2016	2015	2014
At end of period	314.0	300.6	256.0	211.6
Average	307.3	283.1	251.2	199.8
Of whom women, %	14.6	14.0	11.7	10.5

At the end of 2016, Balco had 301 employees, of whom 179 worked in Sweden, 10 in Norway, 39 in Denmark, 48 in Poland and 25 in Other Markets.

ENVIRONMENT AND SUSTAINABILITY

Environment

Balco's environmental work is included as an integral and natural aspect in the Company and permeates the entire business. Balco has implemented extensive initiatives to minimise the Company's impact on the environment and the Company is constantly working to mitigate the impact. The Company 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 produced in environmentally friendly materials. In addition, Balco produces all balconies in modules in order to minimise unnecessary transports.

Balco is environmentally certified in accordance with ISO 14000 and is quality certified in accordance with ISO 9000, and the Company is actively working to reduce waste and energy consumption through improved production efficiency at the Company's production units and increased recycling of materials and production waste that cannot be reduced or avoided. The Company also trains and informs its employees about the environment, health and safety and involves them in the continuous improvement process.

Balco's purchasing organisation endeavours to ensure that suppliers adhere to the Company's code of conduct and shoulder their environmental responsibility. Balco has a requirement that all suppliers must comply with the environmental legislation and provisions applicable in the respective country.

Sustainability

Sustainability issues are important for Balco. This is reflected through, among other things, the fact that the Company actively endeavours to produce safe and reliable products, to offer a healthy work environment, to act ethically both internally and through its business partners. Balco's sustainability work is also expressed in the Company's Code of Conduct, which sets out the Company's social, ethical and environmental rules. The code of conduct also includes rules about human rights, non-discrimination and the work environment. The content of the code of conduct has been presented to, and discussed with, each employee within the Group since it is of the utmost importance for Balco that all employees comply with the spirit of the code of conduct.

SELECTED FINANCIAL INFORMATION

The selected financial information presented below for the 2016, 2015 and 2014 financial years is derived from the Company's audited consolidated financial statements, which have been audited by Öhrlings PricewaterhouseCoopers AB in accordance with the auditor's report included elsewhere in this Prospectus. The selected historical financial information presented below for the period January-June 2017 and 2016 is derived from the Company's unaudited consolidated financial statements for the period January-June 2017, which have been generally reviewed by Öhrlings PricewaterhouseCoopers AB in accordance with the review report included elsewhere in this Prospectus (with comparison information for the corresponding period of 2016). The Company's audited and unaudited financial statements for relevant periods have been prepared in accordance with IFRS as adopted by the EU.

Information in this section should be read together with the section "*Operating and financial overview*" as well as the Company's consolidated financial statements with appurtenant notes that are included in the section "*Historical financial information*".

Consolidated income statement of the Company

	January 1 - June 30 Unaudited		January 1 - December 31 Audited		
MSEK	**2017**	**2016**	**2016**	**2015**	**2014**
Net sales	499.2	371.8	801.6	638.6	568.4
Production and project costs	-374.2	-282.0	-611.7	-476.2	-466.9
Gross profit	**125.1**	**89.9**	**189.9**	**162.3**	**101.5**
Sales cost	-45.1	-42.3	-89.1	-73.7	-53.6
Administrative expenses	-26.3	-18.2	-38.8	-32.5	-24.9
Results from participations in associated companies	0.2	0.1	0.6	0.2	0.2
Other operating revenue	3.8	2.0	10.4	15.4	6.9
Other operating costs	-3.8	-1.1	-9.4	-6.9	-5.2
Operating profit	**53.9**	**30.4**	**63.6**	**65.0**	**24.8**
Financial income	0.0	0.1	0.0	0.3	0.1
Financial expenses	-22.7	-20.2	-40.9	-40.4	-48.5
Profit before tax	**31.1**	**10.3**	**22.7**	**24.8**	**-23.5**
Income tax	-11.5	-5.9	-10.7	-5.6	-0.6
Profit for the period	**19.6**	**4.4**	**12.1**	**19.3**	**-24.1**

Consolidated balance sheet of the Company

	June 30 Unaudited		December 31 Audited		
MSEK	**2017**	**2016**	**2016**	**2015**	**2014**
Assets					
Goodwill	371.4	371.2	371.4	371.0	366.3
Other intangible assets	11.1	10.0	11.2	10.5	1.4
Tangible assets	107.7	73.3	85.1	68.7	79.2
Financial assets	5.0	7.2	4.8	13.0	21.9
Total non-current assets	**495.0**	**461.7**	**472.5**	**463.2**	**468.8**
Inventory	19.5	18.9	16.7	13.8	14.8
Trade receivables	124.6	87.0	94.5	79.4	64.5
Gross amount due from customers	125.1	91.8	96.3	76.8	68.3
Current tax receivables	0.9	0.0	1.3	0.5	1.8
Other current receivables	19.7	11.2	11.2	10.0	14.1
Cash and cash equivalents	19.6	36.2	21.7	28.2	8.3
Total current assets	**309.4**	**245.1**	**241.8**	**208.6**	**171.9**
TOTAL ASSETS	**804.4**	**706.8**	**714.3**	**671.8**	**640.6**
Share capital	67.7	67.7	67.7	67.7	67.7
Additional paid-in capital	177.3	177.3	178.4	177.5	178.0
Retained earnings, incl. profit for the year	-85.8	-113.6	-106.6	-118.6	-137.9
Total equity	**159.3**	**131.4**	**139.5**	**126.6**	**107.9**
Deferred tax liabilities	1.2	0.1	0.3	0.1	5.4
Shareholder financing	279.6	243.2	260.1	226.2	196.7
Interest-bearing liabilities	44.5	63.4	45.0	66.9	105.6
Total non-current liabilities	**325.3**	**306.7**	**305.4**	**293.2**	**307.7**
Interest-bearing liabilities	75.6	74.7	76.6	91.6	56.3
Gross amount due to customers	39.4	48.2	38.2	31.5	21.6
Trade payables	117.6	91.1	89.0	60.2	91.6
Current tax liabilities	11.7	0.0	2.5	0.7	0.0
Other current liabilities	18.2	21.4	10.4	25.2	14.0
Other accrued expenses and prepaid income	57.3	33.2	52.6	42.8	41.5
Total current liabilities	**319.8**	**268.7**	**269.3**	**252.0**	**225.1**
TOTAL EQUITY AND LIABILITIES	**804.4**	**706.8**	**714.3**	**671.8**	**640.6**

Consolidated cash flow statement of the Company

	January 1 - June30 Unaudited		January 1 - December 31 Audited		
MSEK	**2017**	**2016**	**2016**	**2015**	**2014**
Cash from operating activities before change in working capital	57.6	36.2	69.6	57.9	7.8
Total change in working capital	-27.8	5.4	-8.3	-30.7	28.9
Cash flow from operating activities	**29.9**	**41.6**	**61.3**	**27.2**	**36.7**
Cash flow from investing activities	-29.6	-6.4	-24.1	36.3	-9.2
Cash flow from financing activities	-2.4	-27.1	-43.7	-43.7	-28.1
Cash flow for the period	**-2.1**	**8.1**	**-6.4**	**19.8**	**-0.6**
Cash and cash equivalents at beginning of the year	21.7	28.2	28.2	8.3	8.9
Cash and cash equivalents at the end of the period	**19.6**	**36.2**	**21.7**	**28.2**	**8.3**

Key performance indicators

The tables below contain certain financial and operational key performance indicators that have not been defined in accordance with IFRS. The Company considers these key performance indicators to provide valuable information to investors since, in combination with (but not in place of) other key performance indicators they facilitate valuable assessments of current trends. However, these key performance indicators are not to be regarded as a replacement for items calculated in accordance with IFRS. Since all companies do not always calculate these key performance indicators in the same way, it is not certain that the presentation herein is comparable with the key performance indicators of other companies bearing the same designations. Accordingly, it is noted that, unless otherwise stated, the tables and the calculations have not been audited and are not IFRS-based.

Alternative key performance indicators not defined in accordance with IFRS
Presented below are certain alternative key performance indicators that are not defined in accordance with IFRS. Group management uses these alternative key performance indicators to monitor the underlying development of the Company's business and believes that they assist investors in understanding the Company's development from period to period, and facilitate comparisons with similar companies. Since all companies do not calculate these and other alternative key performance indicators in the same way, the manner in which the Company has chosen to calculate the alternative key performance indicators presented in this Prospectus means that such key performance indicators may not be comparable with similar measures presented by other companies. Accordingly, alternative key performance indicators should not be considered separately from, or as a substitute for, Balco's financial information prepared in accordance with IFRS. Certain key performance indicators are based on information derived from the Company's ongoing accounting and internal reporting and operating systems. See "*Definitions*" below in the section for definitions and explanations to the use of alternative key performance indicators presented below.

	January 1 - June 30		January 1 - December 31		
MSEK (unless otherwise stated)	**2017**	**2016**	**2016**	**2015**	**2014**
Revenue, order intake and order backlog					
Revenue	499.2	371.8	801.6	638.6	568.4
Revenue growth (%)	34.3	-	25.5	12.4	-
Order intake	614.9	425.0	1,066.3	989.7	615.8
Order intake growth (%)	44.7	-	7.7	60.7	-
Order backlog	1,224.8	892.2	1,107.2	835.1	458.0
Order backlog growth (%)	37.3	-	32.6	82.3	-
Profitability					
Gross profit	125.1	89.9	189.9	162.3	101.5
Gross margin (%)	25.1	24.2	23.7	25.4	17.8
EBIT	53.9	30.4	63.6	65.0	24.8
EBIT margin (%)	10.8	8.2	7.9	10.2	4.4
Adjusted EBIT	57.9	30.4	82.4	66.0	41.0
Adjusted EBIT margin (%)	11.6	8.2	10.3	10.3	7.2
Adjusted EBITDA	66.3	37.0	96.6	78.0	50.1
Adjusted EBITDA margin (%)	13.3	10.0	12.1	12.2	8.8
Cash flows					
Operating cash flow	34.4	38.1	73.4	63.1	43.3
Operating cash conversion	51.9	102.7	76.0	80.9	86.4
Capital structure					
Capital employed, average	519.5	479.8	491.3	470.6	458.1[1)]
Capital employed excluding goodwill, average	148.1	108.6	120.1	101.9	91.8[1)]
Equity, average	149.4	129.0	133.0	117.2	107.9[1)]
Interest-bearing net debt	380.1	345.0	360.0	356.5	350.3
External interest-bearing net debt	100.5	101.9	99.9	130.3	153.6
External interest-bearing net debt/Adjusted EBITDA LTM (x)	0.8	1.2	1.0	1.7	3.1
Equity/asset ratio, (%)					
Return					
Return on capital employed LTM (%)	21.1	15.1	16.8	14.0	9.0
Return on capital employed excl. goodwill, LTM (%)	74.2	66.5	68.6	64.7	44.7
Return on equity, LTM (%)	18.7	18.8	9.7	16.0	-22.3
Equity ratio (%)	19.8	18.6	19.5	18.8	16.8
Employees					
Number of full-time employees on the closing date	314	279	301	256	212

1) As regards the amounts for 2014, the value at the end of the period is disclosed, and not the average value.

EBIT and adjusted EBIT

The Company has chosen to report the key performance indicator EBIT since Balco considers it to be a useful measurement for showing the earnings generated in the operating activities. In addition, the Company reports adjusted EBIT since it shows underlying earnings, excluding non-recurring items.

	January 1 - June 30		January 1 - December 31		
MSEK	**2017**	**2016**	**2016**	**2015**	**2014**
Net profit for the period	19.6	4.4	12.1	19.3	-24.1
Tax	11.5	5.9	10.7	5.6	0.6
Financial expense	22.7	20.2	40.9	40.4	48.5
Financial income	0.0	-0.1	0.0	-0.3	-0.1
EBIT	**53.9**	**30.4**	**63.6**	**65.0**	**24.8**
Adjustments:					
Transaction costs (IPO, Kontech in 2015)[1)]	4.0	-	2.6	1.1	-
Restructuring expenses (Restructuring UK and severance costs)[2)]	-	-	9.3	0.1	3.1
Liquidated damages BCP[3)]	-	-	2.9	-	-
Pension costs (cut off 2015)[4)]	-	-	4.0	-	-
Costs related to restructing in 2013[5)]	-	-	-	7.9	13.1
Sale of property[6)]	-	-	-	-8.1	-
Total adjustments	4.0	0.0	18.8	1.0	16.2
Adjusted EBIT	**57.9**	**30.4**	**82.4**	**66.0**	**41.0**

1) Transaction cost related to the Offering and the Company's acquisition of Kontech in 2015.
2) Cost related to accrued project costs and order coverage costs and restructuring expenses in the UK. The Company has terminated personnel in, inter alia, the UK as part of its changed strategy and also experienced problems with subcontractors that resulted in liquidated damages.
3) Liquidated damages arising within New Build due to delays on the part of one of Balco's subcontractors.
4) Sales commissions and pensions linked to 2015.
5) Balco undertook a large and complex project in the UK in 2013, in which the Company misjudged local fire standards, which resulted in additional statics and construction work which rendered the project unprofitable. In addition, in one project work arose in excess of what had been agreed with the customer; Balco performed the work without having notified the customer and, as a consequence, the Company received no payment for such work.
6) Sale of a property in Växjö.

EBITDA and adjusted EBITDA

The Company has chosen to report the key performance indicators EBITDA and EBITDA margin since they show the business' underlying earnings, excluding the effect of amortisation and depreciation, which provides for a more comparable measurement of earnings over time since amortisation/depreciation relate to historical investments. The Company has also chosen to report the key performance indicators adjusted EBITDA and adjusted EBITDA margin in order to show underlying earnings excluding non-recurring items. Adjusted EBITDA is primarily used when calculating the Company's operating cash flow and cash generation.

	January 1 - June 30		January 1 - December 31		
MSEK	**2017**	**2016**	**2016**	**2015**	**2014**
Operating profit (EBIT)	53.9	30.4	63.6	65.0	24.8
Depreciation	8.4	6.6	14.3	12.1	9.1
Impairment	0.0	0.0	0.0	0.0	0.0
EBITDA	**62.3**	**37.0**	**77.9**	**77.0**	**33.9**
EBITDA-margin, per cent	*12.5%*	*10.0%*	*9.7%*	*12.1%*	*6.0%*
Adjustments	4.0	0.0	18.8	1.0	16.2
Adjusted EBITDA	**66.3**	**37.0**	**96.6**	**78.0**	**50.1**
Adjusted EBITDA margin, per cent	*13.3%*	*10.0%*	*12.1%*	*12.2%*	*8.8%*

OPERATING CASH FLOW AND OPERATING CASH CONVERSION

The Company has chosen to report operating cash flow since it is used to monitor the development of the business together with Balco's measurement of earnings. In addition, the Company reports operating cash conversion as a measurement of the degree of efficiency in the use of allocated working capital.

	January 1 - June 30		January 1 - December 31		
MSEK	**2017**	**2016**	**2016**	**2015**	**2014**
Adjusted EBITDA	66.3	37.0	96.6	78.0	50.1
Change in the adjusted net working capital[1)]	-27.8	5.4	-8.3	-5.7	3.9
Investments, excluding expansion investments	-4.2	-4.4	-14.9	-9.2	-10.7
Operativ cash flow	**34.4**	**38.1**	**73.4**	**63.1**	**43.3**
Operating cash conversion, per cent	*51.9%*	*102.7%*	*76.0%*	*80.9%*	*86.4%*

1) Adjusted with SEK -25 million and SEK 25 million between 2014 and 2015, since trade payables was carried forward from December 2014 to January 2105.

CAPITAL EMPLOYED AND CAPITAL EMPLOYED EXCLUDING GOODWILL

The Company reports capital employed and capital employed excluding goodwill since they together constitute a sound measurement of the Company's overall capital efficiency. The Company makes the assessment that it is important to consider both measurements in order to understand the manner in which the Company's goodwill affects the asset base.

	January 1 - June 30		January 1 - December 31		
MSEK	**2017**	**2016**	**2016**	**2015**	**2014**
Interest-bearing net debt, average	370.1	350.8	358.3	353.4	350.3
Equity, average	149.4	129.0	133.0	117.2	107.9
Capital employed, average	**519.5**	**479.8**	**491.3**	**470.6**	**458.1**
Return on capital employed LTM, per cent	*21.1%*	*15.1%*	*16.8%*	*14.0%*	*9.0%*
Goodwill, average	-371.4	-371.1	-371.2	-368.7	-366.3
Capital employed excluding goodwill, average	**148.1**	**108.6**	**120.1**	**101.9**	**91.8**
Return on capital employed excl. goodwill, LTM (%)	*74.2%*	*66.5%*	*68.6%*	*64.7%*	*44.7%*

INTEREST-BEARING NET DEBT AND EXTERNAL INTEREST-BEARING NET DEBT

The Company reports interest-bearing net debt and external interest-bearing net debt since the measurements show the Company's total loan financing as well as external loan financing.

	January 1 - June 30		January 1 - December 31		
MSEK	**2017**	**2016**	**2016**	**2015**	**2014**
Long-term external interest-bearing liabilities	44.5	63.4	45.0	66.9	105.6
Short-term external interest-bearing liabilities	75.6	74.7	76.6	91.6	56.3
Cash and cash equivalents	-19.6	-36.2	-21.7	-28.2	-8.3
External interest-bearing net debt	**100.5**	**101.9**	**99.9**	**130.3**	**153.6**
External net debt/Adjusted EBITDA LTM (times)	*0.8x*	*1.2x*	*1.0x*	*1.7x*	*3.1x*
Shareholder financing	279.6	243.2	260.1	226.2	196.7
Interest-bearing net debt	**380.1**	**345.0**	**360.0**	**356.5**	**350.3**

EQUITY RATIO

The Company reports equity ratio since the measurement shows the Company's potential to continue in business.

	January 1 - June 30		January 1 - December 31		
MSEK	**2017**	**2016**	**2016**	**2015**	**2014**
Equity	159.3	131.4	139.5	126.6	107.9
Total assets	804.4	706.8	714.3	671.8	640.6
Equity/asset ratio, per cent	**19.8%**	**18.6%**	**19.5%**	**18.8%**	**16.8%**

Definitions

Key performance indicators not defined in accordance with IFRS (alternative key performance indicators)	Definition	Explanation for use
Adjusted EBITDA	EBITDA adjusted for items affecting comparability. For a reconciliation of adjusted EBITDA against earnings for the period, see "*Key performance indicators*" in the section "*Selected historical financial information*".	Balco believes that adjusted EBITDA is a useful measure for showing earnings generated in the operating activities and primarily 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 measure for showing earnings generated in the operating activities.
Adjusted operating margin (EBIT)	Adjusted operating margin (EBIT) as a percentage of net sales.	Balco believes that adjusted operating margin (EBIT) is a useful measure for showing earnings generated in the operating activities, after adjustments for non-recurring items.
Adjusted operating profit (EBIT)	Operating profit (EBIT) adjusted for items affecting comparability. For a reconciliation of adjusted operating profit (EBIT) against earnings for the period, see "*Key performance indicators*" in the section "*Selected historical financial information*".	Balco believes that adjusted operating profit (EBIT) is a useful measure for showing earnings generated in the operating activities and primarily uses the measure to calculate return on capital employed (see below).
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 measure of the Company's overall capital efficiency.
Capital employed excluding goodwill	Capital employed minus goodwill.	Balco uses capital employed excluding goodwill together with capital employed as a measure of the Company's capital efficiency.
EBITDA	Earnings before interest, tax, depreciation and impairment.	Balco believes EBITDA to be a useful measure for showing the earnings generated in the operating activities and a good measure of cash flow from the operating activities.
Equity ratio	Equity divided by total assets.	Balco belives that equity ratio is a useful measurement for the Company's potential to continue business.
External interest-bearing net debt	Interest-bearing net debt excluding shareholder loans. For a reconciliation of net debt, see "*Key performance indicators*" in the section "*Selected historical financial information*".	Balco believes external net debt to be a usable measure for showing the Company's total external loan financing.
External interest-bearing net debt relative to adjusted EBITDA	Interest-bearing external net debt as a percentage of adjusted EBITDA.	Balco believes that this measure assists in showing financial risk and that it is a useful measure for monitoring the Company's debt level.
Gross margin	Gross profit as a percentage of net sales.	A key performance indicator used to analyse efficiency and value creation.
Gross profit	Net sales less production and project expenses.	Shows efficiency in Balco's business and, together with EBIT, provides an overall view of ongoing profit generation and the cost structure.
Interest-bearing net debt	Total shareholder loans, long-term and current interest-bearing liabilities. For a reconciliation of net debt, see "*Key performance indicators*" in the section "*Selected historical financial information*".	Balco believes that net debt is a useful measure for showing the Company's total loan financing.
Net working capital	Current assets, excluding cash and cash equivalents and current tax assets, less interest-free current liabilities, excluding, current tax liabilities.	This measure shows how much net working capital is tied up in the business and can be compared with sales in order to understand how efficiently tied up working capital is used.
Operating cash conversion	Operating cash flow divided by adjusted EBITDA.	Balco uses cash generation as a measure of the degree of efficiency in the use of allocated working capital.
Operating cash flow	Adjusted EBITDA increased/decreased by changes in adjusted working capital and reduced by investments, excluding expansion investments.	Balco uses operating cash flow to monitor the business's development.
Operating margin (EBIT)	Operating profit (EBIT) as a percentage of net sales.	Balco believes that the EBIT margin, together with sales growth and adjusted working capital, constitutes a useful measure for monitoring the creation of value in the business.
Operating profit (EBIT)	Profit before interest and taxes.	Balco believes that operating profit (EBIT) is a useful tool for showing earnings generated in the operating activities.

Return on capital employed	Adjusted operating profit (EBIT) divided by average capital employed. The average is calculated as the average of the opening and closing balances for the relevant period.	The measure shows the return generated on employed capital and is used by Balco to monitor the business's since the measure relates to capital efficiency.
Return on capital employed excluding goodwill	Adjusted operating profit (EBIT) divided by average capital employed excluding goodwill. The average is calculated as the average of the opening and closing balances for the relevant period.	Balco considers that return on capital employed excluding goodwill, together with return on capital employed, provides an overall view of Balco's capital efficiency.
Return on equity	Total comprehensive income for the period divided by average equity attributable to the parent company's shareholders. The average is calculated as the average of the opening and closing balances for the relevant period.	The measure shows the return generated on the shareholders' capital invested in the Company.

Financial information per business area/segment

	January 1 - June 30 Unaudited		January 1 - December 31 Audited		
MSEK	**2017**	**2016**	**2016**	**2015**	**2014**
Net sales					
Renovation	426.2	340.9	726.4	589.4	524.3
New build	73.1	30.9	75.2	49.2	44.1
Group and other	3.6	0.4	6.2	5.8	5.5
Eliminations	-3.6	-0.4	-6.2	-5.8	-5.5
Total	**499.2**	**371.8**	**801.6**	**638.6**	**568.4**
Adjusted EBIT					
Renovation	57.5	33.9	92.7	72.1	44.8
New build	4.6	0.0	-10.5	0.5	-2.0
Group and other	-4.2	-3.4	0.2	-6.6	-1.8
Eliminations	0.0	0.0	0.0	0.0	0.0
Total	**57.9**	**30.4**	**82.4**	**66.0**	**41.0**
Adjusted EBIT margin					
Renovation	13.5%	9.9%	12.8%	12.2%	8.5%
New build	6.3%	0.0%	-14.0%	1.0%	-4.5%
Group and other	-	-	-	-	-
Eliminations	-	-	-	-	-
Total	**11.6%**	**8.2%**	**10.3%**	**10.3%**	**7.2%**

QUARTERLY OVERVIEW

The table below represents the Company's net sales, EBITDA, EBIT and adjusted EBIT for the period 2015 – Q2 2017. The table presents unaudited financial quarterly information from the Company's internal reporting system and from the period Q1 2017 and forward the Company's interim reports.

MSEK	**2017**		**2016**				**2015**			
	Q1	**Q2**	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**
Revenue	230.8	268.4	158.1	213.7	192.1	237.7	137.8	153.4	189.3	158.1
EBITDA	27.3	35.0	13.6	23.4	20.9	20.0	11.3	17.9	18.6	29.2
EBIT	23.1	30.8	10.3	20.1	17.7	15.4	8.7	15.4	15.0	25.8
Adjusted EBIT	24.3	33.6	10.3	20.1	17.7	34.2	8.7	15.4	15.0	26.8

OPERATING AND FINANCIAL OVERVIEW

OVERVIEW

Balco provides customised balcony solutions under its own brand to tenant-owner associations, private landlords, the public housing sector and construction companies in, primarily, Sweden, Norway and Denmark, which are the Company's Main Markets, but also in Germany, Finland, the UK and the Netherlands, the Company's Other Markets.

Balco's core expertise lies in delivering complete glazed balconies and balcony solutions and in replacing existing balconies with new glazed balconies in accordance with the Balco method (for more information about the Balco method, see the section "*Business overview – Introduction*"). The Balco method provides many advantages for the customer, such as lower costs and enhanced living standard. Balco has a unique sales process whereby the Company assumes overall responsibility and guides the customer throughout the entire construction process, from project planning to completed final inspection and aftermarket service.

Since Balco was founded in 1987, the Company has developed from being a local product-oriented supplier of balconies, to a leading market-oriented supplier of glazed balcony solutions in Northern Europe. During this period, Balco has built up a North European sales organisation which, combined with the Company's own production units, constitutes the platform for delivering the Company's patented, high quality balcony solutions.

Balco's strong market position, combined with the Company's high quality balcony solutions and positive underlying market trends, has contributed to strong growth in recent years. During the period 2014 to the 12-month period ending June 30, 2017, the Company's sales increased from SEK 568.4 million to SEK 929.0 million and adjusted EBIT increased from SEK 41.0 million to SEK 109.8 million, corresponding to an increase in the adjusted EBIT margin from 7.2 per cent to 11.8 per cent.

REVENUE RECOGNITION AND INCOME RECOGNITION MODEL

Balco applies a percentage of completion revenue recognition and income recognition model when reporting construction agreements (projects) in accordance with a well proven model which has since long been applied in the Group. Percentage of completion income recognition entails that, in the case of a project involving a fixed agreed price and a calculation, revenue is reported in conjunction with order placement and income recognition takes place in the reporting as costs accrue and completion of the project proceeds. Balco's revenues and profits are determined by the point of time when actual expended costs are incurred during the project cycle. Balco's revenue recognition and income recognition model establishes that revenue arises, and thus income is recognised, when it can be matched against an actual cost. Balco's income model is not linear; rather, it is based on costs expended within the project's two phases, namely production and installation. Most (on average 60 per cent) of the costs are generated during project phase 1 (the production phase) of a project, which includes Balco's entire processing and the value that Balco creates for the end customer. The production phase includes, among other things, costs for materials, order coverage (a type of sales cost), product development, project management, specialist know-how regarding different balcony solutions, transport, design, statics, preparation and patents. In project phase 2 (the construction or installation phase), a smaller share (averaging 40 per cent) of the costs in a project are generated; these include installation management and installation of the end product. Project phase 2 always takes place with a contract markup of 10 per cent.[28] The services are provided through contracted subcontractors with their own installation managers.

Income recognition model

28) *During the period that is covered by the historical financial information in the Prospectus, the contract markup has also been 10 per cent.*

The development of each individual project is monitored on a monthly basis throughout the entire length of the project. Deviations from initial calculations are adjusted and a forecast is regularly made in respect of the project's total costs, revenues and income recognition. When the outcome of the project can be calculated in a reliable manner and it is likely that the project will be profitable, revenues from the project are reported over the term of the agreement based on costs expended in each project phase. Project expenditures are reported on a regular basis in respect of the activities included in the project. When it is likely that total project expenditures will exceed the total project revenues, the anticipated loss is reported immediately as an expense. When the outcome of a project cannot be calculated in a reliable manner, income is reported only corresponding to the amount of the incurred project expenses which are likely to be compensated by the customer. Changes in the scope of the project are included in the project income insofar as such have been agreed with the customer and can be measured in a reliable manner.

In addition to the above-mentioned expenses, order coverage costs are also included as part of the calculation base. Order coverage costs comprise costs for marketing, customer contacts and sales as well as for planning work for each project, which are determined based on actual costs in relation to the relevant markets sales results and submitted offers.

In the balance sheet, the Company reports the status of each project net, as either an asset or a liability. A project is reported as an asset when accrued revenues exceed instalment payments received from the customer and as a liability when the opposite circumstance pertains.

When the delivery and installation to a customer have been completed and the project's total costs are booked as expenses and all invoices have been paid, a brief summation of the project is made as well as a budget at completion. The project costs now have an accrual rate of 100 per cent and Balco recognises in its accounts the entire revenue and income from the project.

MATERIAL FACTORS THAT AFFECT THE GROUP'S OPERATING PROFIT

Balco makes the assessment that, to differing degrees, the following factors have a material effect on earnings from the business:

- Market and general economic conditions
- Sales volume, pricing as well as product and project mix
- Operational efficiency
- Seasonal variations
- Currency fluctuations
- Tax and loss carryforwards

Market and general economic conditions

Demand for Balco's products and solutions comes from tenant-owner associations, private landlords, the public housing sector, construction companies and shipbuilding industry and relates to the housing market within both new build and renovation, as well as the new build of cruise ships. For more information about the breakdown between customer segments and the new build and renovation sectors, see the section "*Business overview*". In addition, Balco operates on the Northern European balcony market and is thus affected by the development on several markets, which in turn are affected by general economic conditions. Development within the new build sector is affected by a number of macroeconomic factors, such as economic growth, the level of employment, short and long-term interest rates, disposable income, demographic trends and general demand for new housing and properties. Of these factors, the Company considers that it is primarily the level of employment and disposable income that affect demand for the Company's products within new build. The renovation sector is primarily affected by the composition and age of the housing stock and is generally more stable and less cyclical than the new build sector since, generally speaking, renovation work cannot be postponed to the same extent as new build projects.

The key performance indicators of order intake and order backlog are monitored regularly and provide management with good insight into the business's earnings, customer demand as well as the short term market development. Lead times with respect to the time from order placement to delivery are usually the same in the different business segments, Renovation and New Build, but may vary in different countries, (lead times normally being 8-12 months). The Company's order intake and order backlog have increased in the period covered by the selected historical financial information, particularly as a result of the Company's increased sales activity as well as general demand for glazed balconies. The Company's order backlog has increased markedly, and was SEK 458.0 million, SEK 835.1 million, SEK 1,107.2 million and SEK 1,224.6 million on December 31, 2014, 2015 and 2016, and June 30, 2017, respectively.

Sales volumes, pricing, product- and project mix

The Company's sales volume, pricing and product mix affect its operating profit and can impact on the Company's net sales and profitability.

Sales volumes

Sales volumes are primarily affected by general demand on the market and the Company's ability to provide an attractive customer offering on the markets on which Balco operates. Since Balco offers customised balcony solutions rather than the sale of individual products based on a price list, sales are affected by both the size and complexity of the solutions requested by the customers. Balco has a high level of profitability in most projects and profitability per project is not dependent on size and complexity. Sales volumes are dependent on individual projects to a low degree since Balco has a broad and diversified project portfolio. In 2016, the five largest projects accounted for 19.8 per cent of the total order intake. In addition, Balco has gradually strengthened the Company's sales organisation by increasing the sales personnel from 35 representatives in 2013 to 51 in 2016 and through the launching of sales processes, establishment of the Balco Sales Academy and a joint incentive scheme, which has had a positive impact on net sales and profitability. The Company intends to add a further 5 sales representatives in 2017, bringing the number to 56, and 7 more in 2018, which will increase the sales force to 63 representatives.

Pricing

The Company's pricing depends on the type of customer, type of products and balcony solutions, cost development and necessary customisation in order to meet the customer's specifications. No project is similar to any other, and all projects are individually priced. The Company reviews a number of measurements, including project length and project date, product costs and cost trends (for example changes in raw materials costs, development costs), to evaluate the impact of price on earnings in each business area and to manage its profitability. Balco's strong market position within glazed balconies and balcony solutions, its industrialised processes as well as experience and ability to apply project evaluation, affects the Company's operating profit and margin. In addition, as a result of a more detailed sales process tied to conditions on the market, Balco has gradually increased prices since 2013, which has had a positive impact on net sales and profitability.

Product and project mix

The Company's product and project mix are affected to a high degree by sales and marketing measures for each of the segments, as well as demand for the Company's products and solutions. The Company focuses its offering on glazed balconies and balcony solutions within renovation on the Main Markets. Balco's focus has had a positive impact on the Company's net sales and margins during the reviewed periods, since customised balcony solutions within the Renovation segment, which are based on Balco's products, generally generate higher gross margins and adjusted EBIT margins than batch produced or more standardised products that are sold within the New Build segment. However, certain customised balcony solutions may be more difficult or more expensive to design and produce, which may have an adverse impact on the Company's costs and margins, particularly if the complexity of the project has been underestimated in conjunction with pricing. Furthermore, the acquisition of Kontech (a Danish company specialised in producing City balconies) has had a positive effect on revenue but a negative effect on profitability. Acquisitions often involve consultation costs, which can have a temporary effect on the Company's profitability. Furthermore, the geographic mix has an impact on the Company's profitability, since the Company has higher profitability on markets in which it has a strong market position. Net sales and profitability are also affected by the current phase of any project. Project phase 1 accounts for most of the project's total costs and thereby of the total revenue and income generation. The product mix within each business area is relatively constant and does not affect net sales and profitability to any major extent.

Operational efficiency

Since 2010, the Company has launched several important initiatives in order to improve the Company's operational efficiency and profitability. 'Operational efficiency' in the business refers to Balco's ability to generate an attractive gross margin, act cost-efficiently and optimise investments in working capital and fixed assets. In 2016, costs of goods sold, selling expenses, and administrative expenses accounted for, respectively, 76.3 per cent, 11.1 per cent and 4.8 per cent of the Company's total costs. Variable and a semi-fixed costs accounted for most of the Company's total costs. Costs such as purchasing of materials, may be charged at the point of time when the building permit is recieved.

Balco has worked on implementing standardised key performance ratios on a monthly basis, has modified the production processes, has focused on standardisation and quality, and has increased the focus on "LEAN" production in order to improve profitability and productivity at its production units. In addition, since 2012 the Company has developed its own installation organisation by training its own installation managers and external contractors, who work exclusively for Balco, in order to enhance quality and reduce the number of complaints, while increasing logistics flow efficiency in order to reduce time and expense per project, which has had a positive impact on the Company's profitability. The Company's efficiency improvement work has, to a certain extent, contributed to the gross margin having increased by 5.8 percentage points, from 17.9 per cent in 2014 to 23.7 per cent in 2016. Balco believes that the new production unit in Poland will have a positive impact on profitability since part of the production in Hvidovre, Denmark and Växjö, Sweden can be relocated to Poland, where personnel costs and production costs are lower than in other countries in which the Company operates.

Since 2004, Balco has gradually increased its production capacity in Poland in order to secure future growth and achieve cost savings. Balco began to collaborate with the Polish contract manufacturer MIB-Pol in 2004, and subsequently acquired a stake in MIB-Pol in 2007 and commenced its own production in Przytoczna, Poland in 2014. Balco is currently constructing a new production plant in Poland with the aim of increasing the Company's existing production capacity by 50 per cent in order to secure the capacity for future growth, expand its presence to other Northern European markets and reduce production costs. As of June 30, 2017, Balco has invested SEK 31 million and will invest an additional SEK 11 million in 2017. The new production plant is expected to be running towards the end of 2017 and is expected to have a positive impact on the Company's future net sales and operating profit.

Seasonal variations

Balco's business is marginally affected by seasonal variations. The Company is partially affected by order placement dates, seasonal variations in the construction industry, and the fact that tenant-owner associations normally hold their general meetings in the second or fourth quarter of the year. In addition, sales and earnings are positively affected by months with a high number of work days and without days off, and somewhat adversely by weather factors, since winters with significant quantities of snow mean increased costs for the Company.

Furthermore, the Company's lead times for a project, which normally vary between 8-12 months, can affect when the Company's sales and earnings arise during the year. Furthermore, Balco's revenue model affects when revenues are received during the year, since on average Balco generates 60 per cent of costs during project phase 1 and the remaining 40 per cent of costs during project phase 1. The Company's lead times of 8-12 months can also affect revenues during the year, since a project can carry over into the following year, depending on when the project began.

Currency fluctuations

Balco's functional currency is Swedish kronor (SEK), but the Company's revenues and expenses are normally stated in the local currencies of the jurisdictions in which Balco operates. As a result, the Company's earnings and financial position are exposed to exchange rate risks which affect the Company's income statement and balance sheet. The currency exposure includes both transaction exposure and translation exposure. Balco is primarily exposed to changes in NOK, EUR, DKK and GBP in relation to SEK. In 2016, the Company generated 59, 11, 19, 6 and 4 per cent of net revenues in, respectively, SEK, DKK, NOK, EUR, and GBP. In addition, the Company generated 64, 12, 13, 6 and 5 per cent of its costs in, respectively, SEK, DKK, NOK, EUR, and GBP.

The changes in the currencies to which the Company is exposed have a minor effect on the the Company's sales and profitability since the Company has a balanced exposure towards each currency in net sales and costs. The most important currency effect experienced by the Company in 2016 was vis-à-vis NOK, where sales declined by SEK 3.9 million due to the strengthening of SEK against NOK.

The Company's operating profit is subject to both transaction risks and translation risks. The Company's operating profit is affected by currency translations, since the earnings of the operating units are ultimately consolidated in SEK. As a result, exchange rate fluctuations can affect the reporting of the results of a subsidiary, even if no change has occurred in the results. The Company endeavours to attain a balance between the currencies through what is referred to as natural hedging. In so far as this cannot be achieved, the Company engages in currency hedging as regards anticipated flows for the coming twelve months. The Company also hedges capital expenditures decided upon in foreign currency if they exceed SEK 2 million.

Tax and loss carryforwards

The Company's effective tax rate is normally the result of the corporate income tax paid from its business in different geographic regions. The Company's effective tax rate was 46.9 per cent in 2016. This tax was due to non-deductible interest expenses of SEK 31.0 million, corresponding to a tax expense of SEK 6.8 million in 2016.

The Company reports certain deferred tax assets with respect to loss carryforwards in several of the countries in which the Company operates. The amounts are small and will only have a marginal impact on the Group's effective tax rate. Management expects to utilise these loss carryforwards and deferred tax assets in the future and estimates that the Company's effective tax rate will be approximately 35 per cent during 2017 and decreased to approximately 22 per cent in the long term. In the event the Company fails, or is unable, to utilise any of its loss carryforwards, the Company might be unable to offset its taxable income, which would marginally increase the Company's effective tax rate for the period in question.

Restructuring in connection with the Offering and other factors

Refinancing

The Company's financing prior to the Offering consists, among other things, of a shareholder loan, conditional shareholder contributions and a credit facility with Swedbank comprising an overdraft facility of SEK 75 million for Balco AB, an overdraft facility of DKK 7 million for Balco Kontech, and a loan which as of June 30, 2017 amounted to SEK 25.2 million and which will be finally repaid in December 2017. In connection with the implementation of the Offering, the existing loan financing will be repaid in its entirety together with refinancing expenses and other expenditures, through use of the new credit facility.

On September 14, 2017, the Company and certain companies in the Group entered into a credit facility agreement with Danske Bank A/S, Danmark, Sverige Filial, under which the lender has undertaken, subject to certain customary conditions, to provide two credit facilities to the Company and several of its subsidiaries. The credit facilities comprise in part a long-term credit facility which is divided into two tranches of SEK 120 million and Zloty 10 million respectively, and a revolving credit facility of SEK 165 million. The anticipated refinancing will require that the Company continue to comply with financial covenants, and it will also affect the Company's interest costs. For more information, see "*Capitalisation, indebtedness and other financial information*" below.

Shareholder loan

During the stated periods, the Company's earnings have been significantly affected by costs related to a shareholder loan which carries an annual fixed rate of interest of 15 per cent. On December 31, 2016, the Company's net interest-bearing debt, including the shareholder loan, amounted to SEK 360.0 million and the Company's external indebtedness, not including the shareholder loan, amounted to SEK 99.9 million. On June 30, 2017, the Company's interest-bearing net debt amounted to SEK 380.1 million, and the Company's external net debt amounted to SEK 100.5 million. The shareholder loan entailed interest expenses of SEK 33.9 million and SEK 19.5 million in 2016 and the first half of 2017 respectively, corresponding to 83 and 86 per cent respectively of the Company's financial net expenses.

In connection with the Offering, Balco will convert the most of the outstanding amount of the shareholder loan into equity through a directed debt for equity swap involving the issuance of new ordinary shares to the Principal Owner (see "*Share capital and ownership structure – Conversion of previous capital and ownership structure*") and the remaining amount will be repaid to shareholders. The part of the shareholder loan which will be repaid to shareholders is expected to amount to approximately SEK 24,272,979. The debt for equity swap together with the repayment of the shareholder loan as described above will reduce the Company's interest expenses and have a positive impact on the Company's profitability.

KEY ITEMS IN THE INCOME STATEMENT

Presented below is a description of certain line items in the Company's consolidated income statement.

Net sales

Net sales are defined as realisable value following deductions for discounts, commissions, value added tax and other taxes. Net sales are generated from costs expended in a construction project and are reported in accordance with the percentage of completion income recognition method. This takes place through actual costs expended on each project being posited in relation to the calculated costs and the anticipated income for the project. Reporting of the net sales is determined by the time when the cost is incurred. With respect to costs relating to project start-up costs, statics, design, project management and production including material, the profit margin is applied which remains after costs related to the installation phase of the project have been addressed applying a fixed contract markup.

Production and project costs

Production and project costs comprise costs relating to production, project planning, project management and installation of the products, including materials costs, production costs with related production units costs, installation costs as well as personnel costs and consultant costs within these areas. It also includes costs related to warranties and changes in provisions made for warranties.

Other operating income

Other operating income primarily comprises sales to associated companies and other types of subordinated income which does not fall within the scope of, or arise in connection with, the Company's operating activities.

Selling expenses

Selling expenses primarily comprise costs related to sales and marketing measures, including personnel expenses and costs related to marketing activities, exhibitions and other events as well as consulting fees related to the sales work. Selling expenses also include both fixed and variable salary to sales personnel, rent for premises for sales offices as well as sales-related IT costs.

Administrative expenses
Administrative expenses include costs related to the administration of the Company's business which do not relate to costs for goods sold or selling expenses, for example costs related to the Company's departments for the board of directors, management, HR, IT, economy and finance as well as office administration. Administrative expenses also include accountants, bank and consulting fees as well as insurance premiums.

Product development expenses
Product development expenses relate to the Company's product development activities and its technical activities, and include personnel costs related to product development, construction of prototypes and technical activities. Product development expenses also include IT costs directly related to product development, as well as costs related to patent applications and registrations.

Product development expenses directly related to customer orders are reported as a cost under Production and project expenses.

Other operating expenses
Other operating expenses primarily comprise purchases from associated companies and other types of subordinate costs that do not fall within the scope of, or arise in connection with, the Company's operating activities.

Financial income
Financial income includes interest income on bank balances and trade receivables, profits from sale of financial assets and liabilities, bonds and loans, as well as exchange rate gains related to financial assets and liabilities.

Financial expenses
Financial expenses include interest expenses and fixed costs related to loans and other liabilities, such as penalty interest on trade payables, losses from sale of financial assets and liabilities, bonds and loans, as well as exchange rate losses related to financial assets and liabilities.

Tax
Tax expenses include current and deferred tax. Current tax primarily comprises company income tax related to the reporting period as well as additional or reclaimed income tax related to earlier years. Deferred tax is reported based on a periodisation difference, as when there is a difference between the value of an asset or liability in accordance with IFRS and its value for tax purposes. Deferred tax assets with respect to non-utilised loss carryforwards are reported to the extent it is deemed likely that they might be utilised against taxable surpluses during the coming five years.

Non-IFRS based measurements of earnings, adjustments and key performance indicators
Balco calculates and reports measurements of earnings as adjusted measurements of earnings and key performance indicators, as supplementary disclosure in the Prospectus. The Company believes that these and similar measurements are used to a great extent by certain investors, securities analysts and other interested parties as supplementary gauges of the earnings development. The non-IFRS based measurements of earnings and key performance indicators that are calculated by Balco are not necessarily comparable with measurements of earnings and key performance indicators bearing similar designations as used by other companies, and are subject to certain restrictions as analytical tools. Accordingly, they should not be considered independently of the accounts that the Company has prepared in accordance with IFRS. The measurements calculated in accordance with IFRS do not constitute measurements of earnings in accordance with IFRS and shall not replace, for example, operating profit, net profit or other measurements prepared in accordance with IFRS. The adjustments to measurements of earnings and key performance indicators calculated by Balco relate to non-recurring items and have a significant impact on comparability of earnings and are thereby of importance for understanding the underlining development in the business.

Segment reporting and business areas
The Company conducts business in two business areas, which constitute the Company's business segments in accordance with IFRS: Renovation and New Build. The Company monitors its operations within each of the business areas based on net sales, EBIT and adjusted EBIT. Renovation is the part of the business which carries out balcony projects on already existing buildings, while New Build comprises business involving deliveries to new production within both the construction industry and shipbuilding. The nature of each project constitutes the basis for the breakdown of the segment reporting.

THE GROUP'S FINANCIAL RESULTS

January-June 2017 compared with January-June 2016

Net sales
The Company's net sales increased by SEK 127.4 million, or 34.3 per cent, from SEK 371.8 million during the first half of 2016 to SEK 499.2 million during the first half of 2017. The increase in net sales is primarily attributable to increased net sales in Sweden, Norway and Denmark.

Renovation

Net sales in the Renovation business segment increased by SEK 85.3 million, or 25.0 per cent, from SEK 340.9 million during the first half of 2016 to SEK 426.2 million during the first half of 2017. The increase in net sales can be derived from increased demand among tenant-owner associations in the Company's Main Markets as well as a positive development on other markets.

New Build

In the New Build business segment, net sales increased by SEK 42.1 million, or 136.3 per cent, from SEK 30.9 million during the first half of 2016 to SEK 73.1 million during the first half of 2017. The higher net sales within New Build is primarily a result of an increase in New Build in Sweden.

Operating profit
Operating profit, measured as EBIT before items affecting comparability, increased by SEK 27.5 million, or 90.3 per cent, from SEK 30.4 million during the first half of 2016 to SEK 57.9 million during the first half of 2017. The EBIT margin before items affecting comparability increased from 8.2 per cent during the first half of 2016 to 11.6 per cent during the first half of 2017. The increase in operating profit is primarily attributable to higher gross profit, which increased by SEK 35.2 million, or 39.2 per cent, from SEK 89.9 million during the first half of 2016 to SEK 125.1 million during the first half of 2017, combined with lower selling expenses in relation to the Company's net sales. Selling expenses increased from

SEK 42.3 million during the first half of 2016 to SEK 45.1 million during the first half of 2017, representing a decrease in selling expenses in relation to net sales, from 11.4 per cent during the first half of 2016 to 9.0 per cent during the first half of 2017. The increase in operating profit was offset somewhat by increased administrative expenses, which increased by SEK 8.1 million or 44.8 per cent, from SEK 18.2 million during the first half of 2016 to 26.3 million during the first half of 2017. The gross margin increased by 0.9 percentage points, from 24.2 per cent during the first half of 2016 to 25.1 per cent during the first half of 2017. During the first half of 2017, operating profit was affected by items affecting comparability, which increased by SEK 4.0 million, from SEK 0.0 million during the first half of 2016 to SEK 4.0 million during the first half of 2017, due to the Offering.

Financial income

The Company's financial income decreased by SEK 0.1 million, from SEK 0.1 million during the first half of 2016 to SEK 0.0 million during the first half of 2017. The Company's financial income comprised interest on deposited funds.

Financial expenses

The Company's financial expenses increased by SEK 2.5 million, from SEK 20.2 million during the first half of 2016 to SEK 22.7 million during the first half of 2017. The increase was primarily due to increased interest expenses linked to the Company's shareholder loan.

Profit for the year before and after tax

The Group's profit before tax increased by SEK 20.8 million, or 201.2 per cent, from SEK 10.3 million during the first half of 2016 to SEK 31.1 million during the first half of 2017. The Group's profit after tax increased by SEK 15.2 million, or 343.9 per cent, from SEK 4.4 million during the first half of 2016 to SEK 19.6 million during the first half of 2017.

Tax

The Company's tax expense increased by SEK 5.6 million, or 94.6 per cent, from SEK 5.9 million during the first half of 2016 to SEK 11.5 million during the first half of 2017. The increase was primarily due to the fact that taxable profit after financial items increased by SEK 20.8 million, or 201.2 per cent, from SEK 10.3 million during the first half of 2016 to SEK 31.1 million during the first half of 2017.

Cash flow

Cash flow from operating activities increased by SEK 21.5 million, from SEK 36.2 million during the first half of 2016 to SEK 57.6 million during the first half of 2017. The increase was primarily due to the fact that operating profit increased by SEK 23.4 million, from SEK 30.4 million during the first half of 2016 to SEK 53.9 million during the first half of 2017, which was partially offset by the fact that adjustments for non-cash items declined by SEK 6.1 million, from SEK 15.1 million during the first half of 2016 to SEK 9.0 million during the first half of 2017.

Cash flow from changes in working capital decreased by SEK 33.2 million, from SEK 5.4 million during the first half of 2016 to SEK -27.8 million during the first half of 2017. The decrease was primarily attributable to the change in operating receivables, which increased by SEK 43.5 million as a result of higher sales and the fact that the degree of completion in ongoing projects was higher during the first half of 2017 than in the first half of 2016.

Cash flow from investing activities decreased by SEK 23.3 million, from SEK -6.4 million during the first half of 2016 to SEK -29.6 million during the first half of 2017. The decrease compared with the first half of 2016 was primarily due to investments in tangible assets. During the first half of 2017, the Company made significant investments in the Company's ongoing construction of a new production unit in Poland.

Cash flow from financing activities increased by SEK 24.7 million, from SEK -27.1 million during the first half of 2016 to SEK -2.4 million during the first half of 2017. The increase compared with the first half of 2016 was primarily due reduced loan repayments, from SEK -16.1 million during the first half of 2016 to SEK 0.0 million during the first half of 2017. In addition, the change in current financial liabilities increased by SEK 7.5 million, from SEK -6.1 million during the first half of 2016 to SEK 1.5 million during the first half of 2017, which had a positive effect on cash flow from financing activities.

All in all, cash flow diminished by SEK 10.2 million, from SEK 8.1 million during the first half of 2016 to SEK -2.1 million during the first half of 2017.

Financial position

The Company's interest-bearing net debt increased by SEK 35.1 million, or 10.2 per cent, from SEK 345.0 million during the first half of 2016 to SEK 380.1 million during the first half of 2017. The Group's external interest-bearing net debt fell by SEK 1.4 million, or 1.4 per cent, from SEK 101.9 million during the first half of 2016 to SEK 100.5 million during the first half of 2017. External interest-bearing net debt in relation to adjusted EBITDA (R12) declined by 0.4 times, from 1.2 times during the first half of 2016 to 0.8 times during the first half of 2017. The Group's cash and cash equivalents fell by SEK 16.6 million, or 45.9 per cent, from SEK 36.2 million during the first half of 2016 to SEK 19.6 million during the first half of 2017.

The 2016 financial year compared with the 2015 financial year

Net sales

The Company's net sales increased by SEK 163.0 million, or 25.5 per cent, from SEK 638.6 million in 2015 to SEK 801.6 million in 2016. The increase in net sales is primarily attributable to an increase in sales in Sweden and Denmark of, respectively, SEK 130 million, or 37.8 per cent, from SEK 343.8 million in 2015 to SEK 473.7 million in 2016 and of SEK 31.9 million, or 55.4 per cent, from SEK 57.6 million in 2015 to SEK 89.6 million in 2016, due to increased sales and marketing activities. In addition, the acquisition of Kontech in June 2015 contributed to an increase in sales of SEK 47.3 million and the focus within New Build also made a contribution. On the other hand, net sales in Norway declined by SEK 10.1 million, or 6.2 per cent, from SEK 161.3 million in 2015 to SEK 151.3 million in 2016, due to the fact that several larger projects were carried out in 2015 compared with 2016. Sales in Other Markets increased by SEK 11.2 million, or 14.8 per cent, from SEK 75.8 million in 2015 to SEK 87.0 million in 2016 thanks to increased sales and marketing activities as well as establishment of operations in the Netherlands and Finland.

Renovation

In the Renovation business segment, net sales increased by SEK 137.0 million, or 23.2 per cent, from SEK 589.4 million in 2015 to SEK 726.4 million in 2016. Renovation declined as a percentage of total net sales, from 92.3 per cent in 2015 to 90.6 per cent in 2016. The increase in net sales is attributable primarily to price increases, but also to stronger demand among tenant-owner associations in Sweden and Denmark thanks to increased sales and marketing activities, the acquisition of Kontech as well as a positive development on other markets.

New Build

Net sales in the New Build business segment increased by SEK 26.0 million in 2016, or 52.9 per cent, from SEK 49.2 million in 2015 to SEK 75.2 million in 2016. New Build increased as a percentage of total net sales, from 7.7 per cent in 2015 to 9.4 per cent in 2016. The higher sales within New Build are primarily due to strong underlying drivers which have increased New Build in Sweden, but also due to focused sales and marketing activities.

Operating profit

Operating profit, measured as EBIT before items affecting comparability, increased by SEK 16.4 million, or 24.8 per cent, from SEK 66.0 million in 2015 to SEK 82.4 million in 2016. The EBIT margin before items affecting comparability was the same in 2016 and 2015, and amounted to 10.3 per cent. The increase in operating profit is primarily attributable to price increases, increased sales volumes, lower warranty expenses, a more efficient and organised project organisation, and an increased share of production taking place in Poland. In 2016, operating profit was adversely affected by items affecting comparability, which increased by SEK 17.8 million, from SEK 1.0 million in 2015 to SEK 18.8 million in 2016, primarily due to restructuring costs in the UK (SEK 6.9 million), variable salaries and ITP (SEK 4.0 million) and listing costs (SEK 2.6 million).

Financial income

The Company's financial income fell by SEK 0.3 million, or 100.0 per cent, from SEK 0.3 million in 2015 to SEK 0.0 million in 2016. The Company's financial income comprised interest on deposited funds.

Financial expenses

The Company's financial expenses increased by SEK 0.5 million, or 1.3 per cent, from SEK -40.4 million in 2015 to SEK -40.9 million in 2016.

Profit for the year before and after tax

The Group's profit before tax fell by SEK 2.1 million, or 8.6 per cent, from SEK 24.8 million in 2015 to SEK 22.7 million in 2016. The Group's profit after tax fell by SEK 7.2 million, or 37.5 per cent, from SEK 19.3 million in 2016 to SEK 12.1 million in 2015.

Tax

The Company's tax expense increased by SEK 5.1 million, or 91.1 per cent, from SEK 5.6 million in 2015 to SEK 10.7 million in 2016. The increase was primarily due to a non-deductible interest expense of SEK 6.8 million, which in 2015 was offset by a non-taxable capital gain of SEK 6.5 million.

Cash flow

Cash flow from operating activities increased by SEK 34.1 million, from SEK 27.2 million in 2015 to SEK 61.3 million in 2016. The increase was primarily due to the fact that operating profit, adjusted for non-cash items, increased by SEK 11.1 million, or 16.2 per cent, from SEK 68.5 million in 2015 to SEK 79.6 million in 2016, which was partially offset by higher paid income tax, which increased by SEK 3.0 million in 2016, from SEK 0.0 million in 2015 to SEK 3.0 million in 2016 and lower interest payments, which decreased by SEK 3.9 million, or 36.0 per cent, from SEK 10.9 million in 2015 to SEK 7.0 million in 2015, as well as changes in working capital as set out below.

Cash flow from changes in working capital amounted to SEK -8.3 million in 2016. The negative change in working capital was primarily due to the change in current receivables, which have increased by SEK 35.9 million, and an increase in inventory corresponding to SEK 2.9 million. This was partially offset by current liabilities, which increased by SEK 30.5 million, from SEK 159.7 million to SEK 190.2 million, due primarily to increased trade payables, which increased by SEK 28.8 million, from SEK 60.2 million to SEK 89.0 million; invoiced but non-accrued income which increased by SEK 6.7 million, from SEK 31.5 million to SEK 38.2 million; as well as accrued expenses and deferred income, which increased by SEK 9.8 million, from SEK 42.8 million to SEK 52.6 million. The increase was partially offset by a reduction in other liabilities, which fell by SEK 15.6 million, from SEK 25.2 million to SEK 9.7 million.

Cash flow from investing activities fell by SEK 60.4 million, from SEK 36.3 million in 2015 to SEK -24.1 million in 2016. The reduction compared with 2015 was primarily due to a lower inflow from sold tangible assets, which declined by SEK 62.2 million, or 98.0 per cent, from SEK 63.5 million in 2015 to SEK 1.3 million in 2016 and investments in subsidiaries, which declined by SEK 13.1 million, or 100.0 per cent, from SEK 13.1 million in 2015 to SEK 0 million in 2016, attributable to the acquisition of Kontech. Furthermore, purchases of tangible assets increased by SEK 10.7 million, or 79.7 per cent, from SEK 13.4 million in 2015 to SEK 24.1 million in 2016. Sold tangible assets relate primarily to the sale of property in Växjö. Investments in fixed assets in 2016 relate primarily to the replacement of old aluminium machinery with new high-capacity machinery and vehicles, which together amounted to SEK 20.5 million.

Cash flow from financing activities increased by SEK 0.0 million, or 0.0 per cent, from SEK -43.7 million in 2015 to SEK -43.7 million in 2016. Amortizations of loans and financial leasing which declined by SEK 46.2 million, or 57.5 per cent, from SEK 80.4 million in 2015 to SEK 34.2 million in 2016; and the negative change in current financial liabilities, which amounted to SEK -9.5 million in 2016 compared with SEK 36.6 million in 2015.

In total, cash flow fell by SEK 26.6 million, from 19,8 million in 2015 to SEK -6.4 million in 2016.

Financial position

The Company's interest-bearing net debt increased by SEK 3.5 million, or 0.9 per cent, from SEK 356.5 million in 2015 to SEK 360.0 million in 2016. The Group's external interest-bearing net debt declined by SEK 30.4 million, or 23.3 per cent, from SEK 130.3 million in 2015 to SEK 99.9 million in 2016. External interest-bearing net debt in relation to adjusted EBITDA (R12) declined by 0.6 times, from 1.7 times in 2015 to 1.0 times at the end of 2016. The Group's cash and cash equivalents declined by SEK 6.4 million, or 22.9 per cent, from SEK 28.2 million in 2015 to SEK 21.7 million in 2016.

The 2015 financial year compared with the 2014 financial year

Net sales

The Company's net sales increased by SEK 70 million, or 12.4 per cent, from SEK 568.4 million in 2014 to SEK 638.6 million in 2015. The increase in net sales is primarily due to price increases and higher sales in Sweden, Norway and Denmark. In Sweden, net sales increased by SEK 41.3 million, or 13.6 per cent, from SEK 302.5 million in 2014 to SEK 343.8 million in 2015; in Norway net sales declined by SEK 11.0 million, or 6.4 per cent, from SEK 172.4 million in 2014 to SEK 161.3 million in 2015 due to a customer loss following poorly performed installation; and in Denmark net sales increased by SEK 53.2 million, or 1,215.0 per cent, from SEK 4.4 million in 2014 to SEK 57.6 million in 2015, thanks to price increases, increased sales volumes and increased sales and marketing activities.

Renovation

In the Renovation business segment, net sales increased by SEK 65.0 million, or 12.4 per cent, from SEK 524.4 million in 2014 to SEK 589.4 million in 2015. Renovation accounted for 92.3 per cent of total net sales in 2014 and 2015. The increase in net sales can primarily be derived from price increases, increased sales and marketing activities in the Company's Main Markets as well as a positive development on Other Markets.

New Build

In the New Build business segment, net sales increased by SEK 5.3 million, or 12.1 per cent, from SEK 43.9 million in 2014 to SEK 49.2 million in 2015. New Build accounted for 7.7 per cent of net sales in 2014 and 2015. The higher sales within New Build are primarily a result of underlying drivers which have increased new build in Sweden, and also focused sales and marketing activities.

Operating profit

Operating profit, measured as EBIT before items affecting comparability, increased by SEK 25.0 million, or 61.0 per cent, from SEK 41.0 million in 2014 to SEK 66.0 million in 2015. The EBIT margin before items affecting comparability increased from 7.2 per cent in 2014 to 10.3 per cent in 2015. The increase in operating profit is primarily attributable to increased sales volumes. In 2015, operating profit was affected by items affecting comparability, which fell by SEK 15.2 million, from SEK 16.2 million in 2014 to SEK 1.0 million in 2015. In 2014, the items affecting comparability mainly related to misjudged projects in the UK (SEK 6.4 million) and a dispute with a customer in Germany (SEK 3.5 million).

Financial income

The Company's financial income increased by SEK 0.1 million, or 85.3 per cent, from SEK 0.1 million in 2014 to SEK 0.3 million in 2015. The Company's financial income comprises interest on deposited funds.

Financial expenses

The Company's financial expenses decreased by SEK 8.1 million, or 16.7 per cent, from SEK -48.5 million in 2014 to SEK -40.4 million in 2015.

Profit for the year before and after tax

The Group's profit before tax increased by SEK 48.3 million, from SEK -23.5 million in 2014 to SEK 24.8 million in 2015. The Group's profit after tax increased by SEK 43.4 million, from SEK -24.1 million in 2014 to SEK 19.3 million in 2015.

Tax

The Company's tax expense increased by SEK 4.8 million, or 841 per cent, from SEK -0.6 million in 2014 to SEK -5.6 million in 2015. The increase was primarily due to the fact the taxable profit after financial items increased by SEK 48.4 million.

Cash flow

Cash flow from operating activities declined by SEK 9.5 million, from SEK 36.7 million in 2014 to SEK 27.2 million in 2015. The reduction was primarily due to the fact that operating profit, adjusted for non-cash items, increased by SEK 37.6 million, or 121.7 per cent, from SEK 30.9 million in 2014 to SEK 68.5 million in 2015, lower interest payments, which decreased by SEK 12.0 million, or 52.4 per cent, from SEK -22.8 million to SEK -10.9 million, and changes in working capital as set out below.

Cash flow from changes in working capital amounted to SEK -30.7 million in 2015. The negative change in working capital is primarily due to the change in trade payables, which declined by SEK 31.4 million due to a temporary increase in trade payables at the start of the year. The acquisition of Kontech has had a positive impact on working capital in the amount of SEK 4.6 million (net). This was in part offset by a reduction of SEK 1.8 million in inventories.

Cash flow from investing activities increased by SEK 45.6 million, from SEK -9.2 million in 2014 to SEK 36.3 million in 2015. The increase compared with 2014 was primarily due to an increased inflow from sold tangible assets, which increased by SEK 59.3 million, or 1,429.6 per cent, from SEK 4.2 million in 2015 to SEK 63.5 million in 2016; investments in fixed assets increased by SEK 0.5 million, or 4.3 per cent, from SEK 13.5 million in 2014 to SEK 14.0 million in 2015. Investments in fixed assets in 2015 primarily related to machinery.

Cash flow from financing activities decreased by SEK 15.6 million, or 55.5 per cent, from SEK -28.1 million in 2014 to SEK -43.7 million in 2015. The decrease was primarily due to current liabilities, which increased by SEK 36.5 million, from SEK -0.1 million to SEK 36.6 million, which was offset by loan repayments and financial leasing, which increased by SEK 52.4 million, or 187.4 per cent, from SEK 27.9 million in 2014 to SEK 80.4 million in 2015.

All in all, cash flow increased by SEK 20.4 million, from SEK -0.6 million in 2014 to SEK 19.8 million in 2015.

Financial position

The Company's interest-bearing net debt increased by SEK 6.2 million, or 1.7 per cent, from SEK 350.3 million in 2014 to SEK 356.5 million in 2015. The Group's external interest-bearing net debt declined by SEK 23.3 million, or 15.1 per cent, from SEK 153.6 million in 2014 to SEK 130.3 million in 2015. External interest-bearing net debt relative to adjusted EBITDA (R12) declined by 1.4 times, from 3.1 times in 2014 to 1.7 times at the end of 2015. The Group's cash and cash equivalents increased by SEK 19.8 million, or 238.2 per cent, from SEK 8.3 million in 2014 to SEK 28.2 million in 2015.

CAPITALISATION, INDEBTEDNESS AND OTHER FINANCIAL INFORMATION

The tables in this section describe the Company's equity and indebtedness on a group level as of June 30, 2017. For more information about the Company's share capital and shares, see the section "*Share capital and ownership structure*". The tables in the section are to be read together with the section entitled "*Operating and financial overview*" as well as the Company's financial information, including related notes, as set forth elsewhere in this Prospectus. The table below shows only the Company's interest-bearing liabilities.

Capitalisation

MSEK	June 30, 2017
Total current liabilities	**319.8**
Against surety or guarantee	1.0
Against security	67.5
Without surety/guarantee or security	251.3
Total non-current liabiities	**325.3**
Against surety or guarantee	3.0
Against security	-
Without surety/guarantee or security	322.3
Total equity	**159.3**
Share capital	67.7
Other contributed capital	177.3
Profit/loss brought forward including profit/loss for the year	-85.8

Pledged assets

On June 30, 2017, Balco's pledged assets amounted to SEK 475 million. For more information, see note 28 in the section "*Historical financial information*".

Contingent liabilities

On June 30, 2017, Balco's contingent liabilities amounted to SEK 336 million. For more information, see note 29 in the section "*Historical financial information*".

Pension commitments

The Company only has defined-contribution pension plans. A defined-contribution pension plan is a pension plan under which the Group pays fixed fees to a separate legal entity. The Group has no legal or informal obligations to pay additional fees in the event the legal entity has insufficient assets to pay all benefits to employees that are linked to the employee's current or earlier periods of employment.

With respect to defined-contribution pension plans, the Company pays fees to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Company has no further payment obligations once the fees are paid. The fees are reported as personnel expenses when they are due for payment. Predetermined fees are reported as an asset to the extent that the Group may benefit from any cash repayment or reduction in future payments.

Net indebtedness

The table below summarises Balco's net indebtedness June 30, 2017, i.e. the final reporting day prior to the Offering. The table below shows only the Company's interest-bearing liabilities.

MSEK	June 30, 2017
Cash	19.6
Other cash and equivalents	-
Easily realisable securities	-
Total cash and equivalents	**19.6**
Current financial receivables	-
Current bank liabilities	67.5
Current part of non-current liabiities	8.1
Other current financial liabilities	-
Total current financial liabilities	**75.6**
Net current financial indebtedness	56.0
Long-term bank loans	44.5
Issued bonds	-
Other long-term loans	279.6
Long-term financial indebtedness	**324.1**
Financial net indebtedness	**380.1**

Since the Offering only comprises a sale of existing shares, the Company's net indebtedness will not be affected by the proceeds in the Offering.

Significant events since June 30, 2017

The tables concerning capitalisation and indebtedness do not reflect events occurring after June 30, 2017. Nordiska Balco AB acquired all of the shares in Balco Oy by a share purchase agreement dated September 6, 2017. Prior to the acquisition Nordiska Balco AB owned 10 per cent of the shares in Balco Oy. For more information regarding the acquisition, see the section "*Legal considerations and supplementary information – Acquisitions and divestments*".

In connection with the Offering, the Company will carry out a conversion of the share capital and ownership structure in the Company. For more information about the conversion of the ownership structure, see the section entitled "*Share capital and ownership structure – conversion of earlier capital and ownership structure*". On September 14, 2017, the Company and certain companies in the Group entered into a credit facility agreement with Danske Bank A/S, Danmark, Sverige Filial under which the lender has committed, subject to certain traditional conditions for disbursement, to provide two credit facilities to the Company and certain of its subsidiaries. For more information regarding the credit facilities, see the section "*Capitalisation, indebtedness and other financial information – Credit facilities and loans, etc.*".

At an extraordinary general meeting of the Company which is expected to be held on October 5, 2017 at the latest, a long-term incentive programme for the Company's senior executives and other key Balco employees will be adopted. The incentive programme comprises a warrants programme; see further in the section "*Corporate governance – CEO and senior executives – Warrants programme*".

Other than as expressly stated or referred to above, the Company has no reason to believe that any significant changes have occurred in the Company's capitalisation since June 30, 2017, other than changes as a consequence of the Group's operating activities.

Credit facilities and loans, etc.

The Company's financing prior to the Offering consists, among other things, of a shareholder loan, conditional shareholder contributions and a credit facility with Swedbank comprising an overdraft facility of SEK 75 million for Balco AB, an overdraft facility of DKK 7 million for Balco Kontech, and a loan which on June 30, 2017 amounted to SEK 25.2 million, which will be finally repaid in December 2017. In connection with the implementation of the Offering, the existing loan financing will be repaid in its entirety together with refinancing expenses and other expenditures, through use of the new credit facility.

On September 14, 2017, the Company and certain companies in the Group entered into a credit facility agreement with Danske Bank A/S, Danmark, Sverige Filial, under which the lender has undertaken, subject to certain customary conditions, to provide two credit facilities to the Company and several of its subsidiaries. The credit facilities comprise in part a long-term credit facility which is divided into two tranches of SEK 120 million and Zloty 10 million respectively, and a revolving credit facility of SEK 165 million. The long-term credit facility may be used to refinance existing debt (including shareholder loans), redemption of preference shares and repayment of conditional shareholder's contributions. The revolving credit facility may be used to wholly or partially finance permitted acquisitions. The Company also has the possibility to use up to SEK 65 million of the revolving credit facility for general company purposes by drawing on other types of credit facilities (including overdraft). The revolving credit facility may be drawn on in several currencies.

Both of the credit facilities mature three years after the date of the loan agreement. The credit facility agreement also contains conditions regarding the possibility of extension of each credit facility of one plus one year. However, the lender is under no obligation to extend the credit facilities in the event of the Company presents a request thereon.

The long-term loan will be available as from the date of the credit facility agreement up to and including December 22, 2017. The availability period for the revolving credit facility runs as from the date of the credit facility agreement and up to December 22, 2017 and in the event listing takes place on Nasdaq Stockholm, the availability period for the revolving credit facility will be as from the day which occurs two business days after the first day of trading up to and including the day occurring 30 days prior to the maturity date of the revolving credit facility.

Loans under the revolving credit facility shall be repaid on the final day of each interest period. Both credit facilities are otherwise subject to repayment on their respective maturity dates.

The borrowers are entitled to voluntarily discontinue all or parts of available credit facilities with a minimum amount of SEK 10 million or equivalent upon having sent notification thereon to the lender upon a certain number of days notice. Corresponding terms apply to voluntary repayment of outstanding loans. In addition, the credit facility agreement contains terms entitling the lender to discontinue and demand repayment of the credit facilities upon the occurrence of certain events. For example, one such event is a change in ownership structure which results in (i) a person or group of individuals (apart from the Principal Owner), acquiring more than 30 per cent of the shares in the Company or otherwise gaining control over 30 per cent of the voting rights in the Company in a situation where a mandatory bid obligation exists; or (ii) a person or group of individuals (apart from the Principal Owner) acquires more than 50 per cent of the shares in the Company or otherwise gains control over 50 per cent of the voting rights in the Company. Another example is that, following the settlement date for the Offering, the Company ceases to be listed on Nasdaq Stockholm.

Loans drawn under the credit facility agreement will carry an annual rate of interest corresponding to the relevant IBOR plus a varying margin which will be based on the Group's net debt relative to EBITDA (as defined in the credit facility agreement). In the event of negative IBOR, such shall deem to be zero. In addition, the Company is obliged to pay an arrangement fee, a loan commitment fee and a ticking fee to the lender. In the event the Company requests extension of any loan facility and such extension is granted by the lender, the Company shall also pay an extension fee.

The obligations under the credit facility agreement will not be secured by any security interests over the Group's assets. However, the credit facility agreement contains a guarantee commitment from the Company with respect to the obligations under the credit facility agreement.

There are two financial covenants in the credit facility agreement. One covenant relates to the Group's net debt relative to EBITDA, while the other concerns the relationship between the Group's EBITDA and financial net expenses (all as defined in the credit facility agreement). These shall be measured on the final day of each calendar quarter on a rolling 12-month basis.

The credit facility agreement contains customary warranties provided in conjunction with entry into the agreement. In addition, certain warranties are provided in connection with drawing on loans and on the first day of each interest period. The credit facility agreement also contains customary commitments and prohibitions, which are primarily applicable to the Group companies that are parties to the credit facility agreement. From among these commitments and prohibitions, mention may be made of a prohibition on pledging security, restrictions on disposals, lending, issuance of guarantees, lending by subsidiaries and acquisitions. Customarily agreed exemptions are applicable with respect to several of the commitments and prohibitions contained in the credit facility agreement.

The credit facility agreement contains customary grounds for termination, which entitle the lender to terminate the credit facilities and demand full repayment of all outstanding loans.

Leasing agreements

The Company has financial leasing agreements relating to cars, trucks and machinery. In addition thereto, the lease agreement regarding the property in Växjö is also classified as financial leasing agreements. There are also a number of leasing agreements which are classified as operational leasing agreements.

Statement regarding working capital

Balco believes that the existing working capital is sufficient to meet the Company's needs during the coming twelve-month period.

Product development

Development costs for product development are regularly booked as costs, while development expenditures related to development projects are reported as intangible assets provided the following criteria are satisfied:

- It is technically possible to complete the development project so that the result can be used or sold;
- The Company intends to complete the development project and use or sell the result;
- Conditions are in place to use or sell the result of the development project ;
- It can be demonstrated that the development project will probably generate future economic benefits;
- Adequate technical, financial and other resources are available for completing the development and for using or selling the result; and
- The expenditures related to the development are not reported as assets in subsequent periods.

The table below shows Balco's booked and capitalised product development expenditures during the 2014 – 2016 financial years and the periods January 1 – June 30, 2016 and 2017.

	January 1 – June 30 Unaudited		January 1 – December 31 Audited		
MSEK	**2017**	**2016**	**2016**	**2015**	**2014**
Capitalised product development costs	-	-	-	-	-
Product developments booked as costs	3.7	4.6	10.7	3.8	2.6
Total	**3.7**	**4.6**	**10.7**	**3.8**	**2.6**

Investments

Balco's investments primarily comprise investments in tangible assets in the form of buildings and land as well as machinery and other plant. Investments in intangible assets relate primarily to goodwill, brand and licenses. Balco's investments in tangible assets amounted to SEK 31.2 million and investments in intangible assets amounted to SEK 1.0 million in 2016.

Balco's investments related to tangible assets have generally increased in pace with the growth in the business. During the reviewed periods, the Company's investments on tangible assets increased as a consequence of the Company's growth and the ongoing work on expanding production in Poland, and the implementation of improvements in production equipment. In 2016, the Company invested, for example, in new aluminium processing machinery in Växjö.

The investments have been financed through cash flows from the operating activities and within the scope of existing credits and leasing. For further information regarding the Company's capital expenditures, see the section "*Historical financial information*".

The table below shows Balco's investments divided into tangible and intangible assets during the 2014 – 2016 financial years and the periods January 1 – June 30, 2016 and 2017.

	January 1 – June 30 Unaudited		January 1 – December 31 Audited		
MSEK	**2017**	**2016**	**2016**	**2015**	**2014**
Investments in intangible assets	0.1	-	1.0	14.3	-
Investments in tangible assets	30.6	13.0	31.2	56.4	14.9
Total	**30.7**	**13.0**	**32.2**	**70.7**	**14.9**

Ongoing and future capital expenditures

During the full year of 2017, the Company expects its investments to increase compared with the investments for the full year of 2016, primarily as a consequence of the new production plant under construction in Poland. During the period January 1 - June 30, Balco invested SEK 24.5 million in the new production plant in Poland, and it will invest an additional SEK 11 million in 2017. In addition, Balco makes the assessment that the Company's investments will increase in pace with the growth in the business. The investments will be financed through cash flows from the operating activities and within the scope of the new credit facility that will be in place following implementation of the Offering.

Intangible assets

On June 30, 2017, the reported value of Balco's intangible assets amounted to SEK 382.5 million. Most of the Company's intangible assets comprised goodwill. For further information about the Company's intangible assets, see the section "*Historical financial information*" for the financial years 2016, 2015 and 2014 (IFRS).

Tangible assets

On June 30, 2017, the reported value of Balco's tangible assets amounted to SEK 107.7 million. Most of the Company's tangible assets comprised buildings and land as well as machinery and other plants.

Acquisitions and divestments

In 2015, the Company acquired 100 per cent of the shares in the Danish company Kontech, which produces city balconies.

Financial risk management

The Group is exposed through its operations to a number of different financial risks: market risks (extensive currency risks, interest rate risks in real value, interest rate risks in the cash flow and price risks), credit risks and liquidity risks. The Group's overall risk management policy focuses on unpredictability on the financial markets and endeavours to minimise potentially detrimental effects on the Group's financial results. The Group uses derivative instruments in order to hedge certain risk exposure. Hedge accounting is not applied.

Risk management is handled by a central accounts department in accordance with the finance policy adopted by the board of directors. The accounts department identifies, evaluates and hedges financial risks in close cooperation with the Group's operative units. The board draws up the finance policy with respect to overall risk management and for specific areas, such as currency risk, interest rate risk, credit risk, use of derivative instruments and financial instruments that are not derivatives, as well as placement of surplus liquidity.

Currency risk management

The Company's operations are conducted in Europe and are thus exposed to various currency risks, both through transactions in foreign currency as well as through translation of income statements and balance sheets to SEK. See also "*Currency risks*" in the section "*Risk factors*".

Currency risks arise through future business transactions, reported assets and liabilities as well as net investments in foreign operations. Balco's group structure with subsidiaries in other countries entails a currency risk for the Group when the shareholders equity of the subsidiaries is recalculated to the relevant currency exchange rates each year-end, which is reported as a recalculation difference. Of the Group's shareholders' equity as per June 30, 2017, foreign currencies constituted 6 per cent of the total shareholders' equity of SEK 159.3 million. The currency risk is related to the following currencies: NOK, DKK, Zloty, EUR and GBP in declining order. The currency exposure in the Group's shareholders' equity is thus limited. The board of directors has established a policy whereby the currency risks that arises from future business transactions and reported assets and liabilities are managed through the use of futures contracts by the Company. Currency risks arise when future business transactions or reported assets or liabilities are expressed in a currency which is not the unit's functional currency.

The Group's risk management policy is to hedge 100 per cent (± 20 per cent) of anticipated cash flows (primarily construction agreements and purchases of inventory) in each major currency for the subsequent twelve months.

In the event the Swedish krona had weakened/strengthened by SEK 0.05 (5 per cent) in relation to the Norwegian krona, with all other variables being constant on the balance sheet date, profit for the financial year would have been SEK 880,000 (2015: SEK 501,000) higher/lower, largely as a consequence of gains/losses upon translation of trade receivables and trade payables in NOK, financial assets and liabilities valued at fair value via the income statement.

In the event the Swedish krona had weakened/strengthened by SEK 0.5 (5 per cent) in relation to the euro, with all other variables being constant on the balance sheet date, profit for the financial year would have been SEK 301,000 (2015: SEK 358,000) higher/lower, largely as a consequence of gains/losses upon translation of trade receivables and trade payables in EUR, financial assets and liabilities valued at fair value via the income statement.

In the event the Swedish krona had weakened/strengthened by SEK 0.05 (4 per cent) in relation to the Danish krona, with all other variables being constant on the balance sheet date, profit for the financial year would have been SEK 48,000 higher/lower, largely as a consequence of gains/losses upon translation of trade receivables and trade payables in DKK, financial assets and liabilities valued at fair value via the income statement.

Interest rate risk management

The Group's interest rate risk arises through long-term borrowing. Borrowing at variable rates exposes the Group to interest rate risks with respect to cash flows, which are partially neutralised by cash funds with variable rates. In 2016, the Group's borrowing at variable rates was in SEK.

Had interest rates upon borrowing in SEK on December 31, 2016 been 100 base points (1.0 per cent) higher/lower, with all other variables being constant on the balance sheet date, profit for the financial year would have been SEK 523,000 (2015: SEK 782,000) lower/higher, primarily as an effect of higher/lower interest expenses for borrowing at variable rates.

Interest rate exposure

At the end of 2016, the average fixed income period with respect to the Group's external loans was approximately 3 months. Had the interest rate increased by 1 percentage point, the effect on the financial net would have been SEK 523,000 lower, calculated on the part of the net debt that was not hedged at the end of 2016.

Credit risk management

Credit exposure

Credit risk arises primarily through trade receivables and accrued, non-invoiced income. In addition, the Company encourages advance payment, which in certain cases requires the Company to provide parent company guarantees for the performance of a project. Balco limits credit risks on a group level by conducting a credit assessment for each new customer, by regularly assessing the credit status of existing customers and also, where appropriate, by procuring credit insurance. A policy is in place to procure credit insurance in respect of certain customer categories. Historically, the Group's credit losses have been small.

Liquidity risk management

Cash flow forecasts are drawn up in respect of the Group's operational companies and are monitored by the accounts department. The accounts department carefully monitors rolling forecasts for the Group's liquidity reserves in order to ensure that the Group has sufficient cash funds to meet needs in the operating activities, at the same time as regularly maintaining sufficient headroom under contracted undrawn credit facilities so that the Group does not violate any loan limits or loan terms (where appropriate) on any of the Group's loan facilities.

BOARD OF DIRECTORS, SENIOR EXECUTIVES AND AUDITORS

BOARD OF DIRECTORS

The Company's board comprises in total seven individuals, including the board chairman, without alternate members, who have been elected for a term of office until the close of the 2018 annual general meeting 2018. The table below shows the members of the board, when they were first elected to the board, and whether they are independent in relation to the Company and/or the Principal Owner.

NAME	POSITION	MEMBER SINCE	INDEPENDENT IN RELATION TO:	
			The Company	The Principal Owner
Lennart Kalén	Board member, chairman	2010	Yes	No
Ingalill Berglund	Board member	2016	Yes	Yes
Håkan Bergqvist	Board member	2010	Yes	Yes
Percy Calissendorff	Board member	2010	Yes	No
Tomas Johansson	Board member	2013	Yes	Yes
Marcus Planting-Bergloo	Board member	2010	Yes	No
Åsa Söderström Jerring	Board member	2016	Yes	Yes

LENNART KALÉN

Born 1947. Board chairman since 2010. Chairman of the remuneration committee

Education and working life experience:
Masters degree in bachelor's degree within economic subjects and Construction engineering degree and studies, IMI Genevé. Lennart has long experience from senior positions within industry, including as former CEO of Dahl Sweden, Alfa Laval Celleco, Sydsvenska Dagbladets Industrigrupp and senior management positions at SKF and Fläkt.

Other current positions:
Board chairman, Balco Group AB. Board chairman, Segulah Venture AB, Optolexia AB, Optolexia Nordic AB, Fruholmen Invest AB, Docu Nordic Group Holding AB and Docu Nordic Holding AB.

Director, Aktiebolaget Segulah, Sandbäcken Invest AB, Sandbäcken Invest Holding AB, Sandbäcken Invest Group Holding AB, Stymninge Aktiebolag, Stymninge Property AB, Linér & Rehme Mindre Svenska Industibolag AB, GridZupport AB and PowerTender AB.

Alternate director, Balco Holding AB, Balco AB, Nordiska Balco AB, Balustrade AB, Kronhjorten and Lodjuret Holding AB, Optolexia Service AB.

Previous positions (past five years):
Board chairman, Balco Holding AB, S:t Eriks Holding AB, S:t Eriks AB, Nordiska VA Teknik Holding AB.

Director, Segulah Advisor AB and, in addition, several board appointments within the Segulah Group. Director, Kemetyl Holding AB and Luftmiljögruppen i Sverige AB.

Alternate director, Kronhjorten and Lodjuret Fastigheter AB.

Shareholding in the Company:
Indirectly through Fruholmen Invest AB, 307,013 ordinary shares, 27 series B preference shares and 22 series C preference shares (with respect to redemption of preference shares in connection with the Offering, see the section "*Capitalisation, indebtedness and other financial information – Credit facilities and loans, etc.*")

INGALILL BERGLUND

Born 1964. Board member since 2016. Member of the audit committee.

Education and working life experience:
Advanced special course in economics from Frans Schartaus Handelsinstitut. Ingalill has long experience of the property industry and was CEO of Atrium Ljungberg AB between 2011–2016.

Other current positions:
Director, Balco Group AB, Kungsleden Aktiebolag, Scandic Hotels Group AB, AxFast AB (also interim CEO), June Strategi and Analys AB, Veidekke ASA, Handelsbanken Regionbank Stockholm and Danviks Hospital Foundation. Director and CEO, Management for Sail AB.

Alternate director, Ruter Consulting AB.

Previous positions (past five years):
External CEO for Atrium Ljungberg AB, board chairman and CEO, LjungbergGruppen Holding AB, board chairman and CEO, LjungbergGruppen AB as well as a number of board appointments and management appointments within the Atrium Ljungberg Group, including as CEO, board chairman and director.

Board chairman and CEO, Torgvågen AB, Igor Fastighets AB, Mittpunkten Fastighets AB, Högbergsgatan 62 AB, Fastighets AB Jungblästern, FastighetsAktiebolag Stenalyckan, Löfcap Rotundan Handel AB and Löfcap Orminge Handel AB. Director, Aktiebolag FB-Sjön Komplementär and Scandic Hotels Holding AB.

Shareholding in the Company:
15,000 ordinary shares

HÅKAN BERGQVIST

Born 1951. Board member since 2010.

Education and working life experience:
M.Sc. Mechanical engineer and MBA from Linköping University. Formerly president and CEO, NVS Installation AB and Imtech Nordic AB. Formerly CEO, YIT Calor AB, and prior thereto for many years employed within the ABB Group, including as vice president.

Other current positions:
Director, Balco Group AB. Board chairman, Sandbäcken Invest Group Holding AB, Sandbäcken Invest Holding AB, Sandbäcken Invest AB, Sandbäcken Utveckling Aktiebolag.

Director, Habe Management AB and Eitech Holding AB (publ).

Previous positions (past five years):
Board chairman, Qevirp Holding AB and Anläggning and Kabel Entreprenad i Malmö AB.
Director, Balco Holding AB, VVS Företagens Service Aktiebolag, Assemblin Ventilation AB and NeTel Group AB.

Shareholding in the Company:
133,932 ordinary shares and 12 series B preference shares (with respect to redemption of preference shares in connection with the Offering, see the section "*Capitalisation, indebtedness and other financial information – Credit facilities and loans, etc.*")

PERCY CALISSENDORFF
Born 1967. Board member since 2010.

Education and working life experience:
M.Sc. in Finance from City University, London and BSc in Business from Buckingham University. Percy has long experience of corporate investments and company development.

Other current positions:
Director, Balco Group AB. A number of board appointments within Segulah, including Segulah Advisor AB. Director, Sandbäcken Invest Group Holding AB and in a number of its subsidiaries, Docu Nordic Group Holding AB and one of its subsidiaries, Ringmuren Förvaltning AB, Vrenen Fastigheter AB and Anella Invest AB.

Previous positions (past five years):
A number of board appointments within Segulah.
Board Chairman, Byggefakta A/S. Director, Teknikmagasinet Nordic Group Holding AB and in several of its subsidiaries.
Director, Etraveli AB (publ) and Flightmate AB and also several board appointments of a number of its subsidiaries. Director, Øglaend Group Holding AS as well as a number of its subsidiaries.
Director, Semantix International Group AB and several board appointments within the Semantix Group.
Director, Balco Holding AB, Exotic Snacks AB, Zengun Group Holding AB, Zengun Holding AB, Ringmuren Sverige AB, Medstop Group Holding AB and board appointments in subsidiaries and group companies of Medstop Group Holding AB, S:t Eriks AB, S:t Eriks Holding AB and Nordiska VA Teknik Holding AB.

Shareholding in the Company: No shares in the Company as per the date of the Prospectus. Percy Calissendorff has applied to acquire up to 17,857 shares (corresponding to approximately SEK 1 million) in the Offering.

TOMAS JOHANSSON
Born 1958. Board member since 2013. Member of the remuneration committee and the audit committee.

Education and working life experience:
Degree in market economy from IHM Business School. Tomas was previously responsible for bathroom products in the Nordic region and Eastern Europe for Villeroy & Boch/Gustavsberg AB and also worked within the NCC Group.

Other current positions:
Director, Balco Group AB.
CEO and director, Dahl Sverige Aktiebolag, in addition several board appointments within the Compagnie de saint Globain Group, including as board chairman and director.
Board chairman, RGF Service AB and Kerma Kakel Aktiebolag, Optimera i Ulricehamn AB, Optimera i Hässleholm AB. Director, VVS-informations Data i Stockholm AB and Knappens Prefab AB as well as director and CEO, Lövsta Management AB.

Previous positions (past five years):
Director, Balco Holding AB. Board chairman and director, RGF Service AB. Board chairman, Bolby 106 AB, Zweelo AB, Bygg-Formforum i Norrköping AB, Svegros Byggvaror AB, Lunds Byggcenter Aktiebolag, VVS Centrum Skandinavien AB, Bygglagret i Östergötland AB, Kakelbolaget i Stockholm AB, Mjölnarströms Trä and Byggvaror AB and Optimera i Skövde AB. Alternate director, VVS-Informations Data i Stockholm AB.

Shareholding in the Company:
34,738 ordinary shares.

MARCUS PLANTING-BERGLOO
Born 1977. Board member since 2010.

Education and working life experience:
M.Sc. from the Stockholm School of Economics. Marcus has long experience of corporate investments and company development.

Other current positions:
Director, Balco Group AB.
Director, Segulah Advisor AB, Segulah Crispum Holding AB, Sandbäcken Invest AB, Sandbäcken Invest Holding AB, Sandbäcken Invest Group Holding AB, Calm Bay Capital AB, Hermed Holding AB and Hermed Group Holding AB. Director, Beerenberg Invest AS and in a number of its subsidiaries.

Previous positions (past five years):
Director, S:t Eriks Holding AB, S:t Eriks AB, Balco Holding AB, Scan Coin Holding AB, Skandinavisk Kommunalteknik Aktiebolag, Skandinavisk Kommunalteknik Group AB, Semantix International Group AB, Semantix International AB, Nordiska VA Teknik Holding AB, Sotremo S.A and Zanea S.A. and director of Øglaend Group Holding AS and in a number of its subsidiaries.

Shareholding in the Company:
-

ÅSA SÖDERSTRÖM JERRING
Born 1957. Board member since 2016. Chairman of the audit committee and member of the remuneration committee.

Education and working life experience:
B.Sc. Economics from Stockholm University. Åsa possesses long experience of senior positions and appointments as a director of public and private companies, primarily within the construction and property industry.

Other current positions:
Board chairman, Scanhold AB, Scanmast AB, Delete Oy and Infotain & InfoBooks Sweden AB.
Director, Balco Group AB, Vattenfall AB, JM AB, OEM International Aktiebolag, ITAIN Holding AB, Nordic Room Improvement AB, Nordic Room Improvement Holding AB, ELU Konsult Aktiebolag and Delete Oy.
Member of the Royal Swedish Academy of Engineering Sciences (IVA) and the Swedish Defence Forces' Advisory Council.

Previous positions (past five years):
Board chairman, ELU Konsult AB.
Director, Krook & Tjäder Holding AB and in a number of its subsidiaries, San Sac AB, San Sac Holding AB, Rejlers AB (publ), Aktiebolag Geveko, Scanhold AB, Scanmast AB, Comfort Sverige Holding AB and Åsa Söderström Konsult AB.

Shareholding in the Company:
28,028 ordinary shares and 2 series B preference shares and, indirectly via Åsa Söderström AB, 18,334 ordinary shares and 3 series B preference shares (with respect to redemption of preference shares in connection with the Offering, see the section "*Capitalisation, indebtedness and other financial information – Credit facilities and loans, etc.*")

SENIOR EXECUTIVES

NAME	POSITION	EMPLOYED IN THE COMPANY SINCE
Kenneth Lundahl	CEO	2013
Fredrik Hall	CFO	2016[29)]
David Andersson	Marketing Manager	2013
Henrik Nilsson	Production Manager	2011
Johan Fälth	COO	2010
Christian Linell	Purchasing and Quality Manager	1996
Jesper Magnusson	HR Manager	2014
Roger Andersson	Sales Manager Sweden and Norway	2005
Cecilia Lannebo	IR Manager	2016

KENNETH LUNDAHL

Born 1967. CEO since 2013.

Education and working life experience:
M.Sc. Engineering from Chalmers University of Technology. Kenneth has long experience of senior positions and has a background from Thule and Isaberg Rapid.

Other current positions:
External CEO for Balco Group AB, board chairman and CEO for Balco Holding AB, Balco AB, Kronhjorten and Lodjuret Holding AB, Nordiska Balco AB, and board chairman, Balustrade AB.

Board chairman, Lundahl & Hall AB, Plast Aktiebolaget Orion, Anderstorps Hotellfastigheter AB and Woodleg Förvaltning AB. Director, Växjöregionens teknikföretag ekonomisk förening, Järeda Förvaltning AB, Aktiebolaget Smålandsinredningar and BF Balcongbranschens Service AB. Alternate director in Alnilam Fastigheter AB.

Previous positions (past five years):
Board chairman and CEO, Kronhjorten and Lodjuret Fastigheter AB and Aktiebolag Smålandsinredningar. External CEO, Balco Holding AB. Director, board chairman and CEO, Snickarlaget Norden AB. Director and CEO, Snickarlaget i Sävsjö Aktiebolag, Plast Aktiebolaget Orion. Board chairman and director, Store Concept Sweden AB. Director, Hub One Property AB. Alternate director, Plastics & Company AB.

Shareholding in the Company:
282,153 ordinary shares and, indirectly through Lundahl & Hall AB, 26 series B preference shares and 35 series C preference shares (with respect to redemption of preference shares in connection with the Offering, see the section "*Capitalisation, indebtedness and other financial information – Credit facilities and loans, etc.*") and has undertaken to acquire 107,144 warrants of a value of SEK 378,486 in the Company and has aquired 450,000 call options issued on the Principal Owner's holding after the Offering.[30)]

FREDRIK HALL

Born 1969. CFO since 2016.

Education and working life experience:
B.Sc. Economics, Växjö University. Fredrik has long experience of senior positions and has a background from Thule and Isaberg Rapid.

Other current positions:
Board chairman, Aktiebolag Smålandsinredningar and Järeda Förvaltning AB, Director, Lundahl & Hall AB, Plast Aktiebolaget Orion, Woodleg Förvaltning AB, CFH Foundation AB, Plastics & Company AB, Fastighets AB Fåtöljen 5 and Alnilam AB and alternate director, Opphem Fastigheter AB, Anderstorps Hotellfastigheter AB and Nyhagen Fastighets AB.

Previous positions (past five years):
CEO and director, Snickarlaget Norden AB. CEO, Aktiebolag Smålandsinredningar and Store Concept Sweden AB. Board chairman, Hubbestads Svarveri, S Unnaryds Snickeri AB och Hub One Property AB. Board chairman and alternate director, Snickarlaget Norden AB. Director, Snickerilaget i Sävsjö AB, Idebolag Ett AB and Cai Aktiebolag. Alternate director in Fix 2013 Fastighets AB.

Shareholding in the Company:
282,153 ordinary shares and, indirectly through Lundahl & Hall AB, 26 series B preference shares and 35 series C preference shares (with respect to redemption of preference shares in connection with the Offering, see the section "*Capitalisation, indebtedness and other financial information – Credit facilities and loans, etc.*") and has undertaken to acquire 76,332 warrants in the Company of a value of SEK 270,349 and has aquired 450,000 call options issued on the Principal Owner's holding after the Offering.[31)]

DAVID ANDERSSON

Born 1984. Marketing Manager since 2014.

Education and working life experience:
B.Sc Economics from Växjö University.

Other current positions:
Director, SwePart AB, SwePart Transmission AB, Merlinum AB, Merlinum Fastigheter AB and The Smiling Group AB.

Previous positions (past five years):
Director, HSB Guldbaggen tenant-owner association in Växjö and Mer2 AB and partner, Möbelsnickarna David and Emil Handelsbolag.

Shareholding in the Company:
91,228 ordinary shares and 3 series B preference shares (with respect to redemption of preference shares in connection with the Offering, see the section "*Capitalisation, indebtedness and other financial information – Credit facilities and loans, etc.*") and has undertaken to acquire 30,612 warrants in the Company of a value of SEK 108,137 and has aquired 24,000 call options issued on the Principal Owner's holding after the Offering.[32)]

29) The Company's CFO is employed since 2016 but has, before the employment, been engaged in the Company's financial department and management as a consultant since August 2013.
30,31,32) The subscription warrants will be issued in connection with the listing in accordance with the description provided in the section "Corporate governance – CEO and senior executives – Warrants programme" and each participant's number of warrants depends on the participant's decision to invest in the incentive programme, and to what extent. The call options will be distributed as described in section "Board of directors, senior executives and auditors – Call options programme from the Principal Owner.

HENRIK NILSSON

Born 1978. Production Manager since 2011.

Education and working life experience:
Masters degree in industrial systems economics from Växjö University.

Other current positions:
External CEO, Balustrade AB.

Previous positions (past five years): -

Shareholding in the Company:
46,362 ordinary shares and has undertaken to acquire 30,612 warrants of a value of SEK 108,137 in the Company and has acquired 24,000 call options issued on the Principal Owner's holding after the Offering.[33)]

JESPER MAGNUSSON

Born 1986. HR Manager since 2014.

Education and working life experience:
B.A. majoring in Human Resource Management from Linné University.

Other current positions:
Director, Hovs Backe tenant-owner association in Växjö.

Previous positions (past five years): -

Shareholding in the Company:
35,498 ordinary shares and has undertaken to acquire 30,612 warrants of a value of SEK 108,137 in the Company and has acquired 24,000 call options issued on the Principal Owner's holding after the Offering.[36)]

JOHAN FÄLTH

Born 1975. COO since 2014.

Education and working life experience:
MBA from Linné University.

Other current positions:
External signatory, Balco AB.

Previous positions (past five years): -

Shareholding in the Company:
77,693 ordinary shares and 5 series B preference shares(with respect to redemption of preference shares in connection with the Offering, see the section "*Capitalisation, indebtedness and other financial information – Credit facilities and loans, etc.*") and has undertaken to acquire 45,920 warrants of a value of SEK 162,212 in the Company and has acquired 40,000 call options issued on the Principal Owner's holding after the Offering.[34)]

ROGER ANDERSSON

Born 1967. Sales Manager since 2010.

Education and working life experience:
Matriculation certificate, mechanical engineering from Hässleholms Tekniska Skola.

Other current positions: -

Previous positions (past five years): -

Shareholding in the Company:
55,634 ordinary shares and 4 series B preference shares (with respect to redemption of preference shares in connection with the Offering, see the section "*Capitalisation, indebtedness and other financial information – Credit facilities and loans, etc.*") and has undertaken to acquire 45,920 warrants of a value of SEK 162,212 in the Company and has acquired 40,000 call options issued on the Principal Owner's holding after the Offering.[37)]

CHRISTIAN LINELL

Born 1974. Purchasing and Quality Manager since 2008.

Education and working life experience: -

Other current positions: -

Previous positions (past five years): -

Shareholding in the Company:
27,817 ordinary shares and 3 series B preference shares (with respect to redemption of preference shares in connection with the Offering, see the section "*Capitalisation, indebtedness and other financial information – Credit facilities and loans, etc.*") and has undertaken to acquire 30,612 warrants of a value of SEK 108,137 in the Company and has acquired 24,000 call options issued on the Principal Owner's holding after the Offering.[35)]

CECILIA LANNEBO

Born 1973. IR Manager since 2016.

Education and working life experience:
B.Sc. Economics, Mälardalen University College and Vienna University of Economics and Business.

Other current positions:
CEO and Director, i-Core Communications AB and alternate director, Zubizuri AB. IR Manager, Humana AB.

Previous positions (past five years):
Alternate director FondPrinsen AB. IR Manager, Leovegas AB and Eniro AB.

Shareholding in the Company: No shares in the Company as per the date of Prospectus. Cecilia Lannebo has applied to acquire up to 9,000 shares (corresponding to SEK 504,000) in the Offering.

Subscription warrants

Each of the Company's senior executives will be afforded an opportunity to acquire warrants in the Company within the scope of the warrants programme that was adopted at an extraordinary general meeting held on September 25, 2017. Based on the Offering Price, approximately 1,071,432 warrents may be issued within the scope of the warrants programme. For more information about the warrants programme, see the section "*Corporate governance - CEO and senior executives - Warrants programme*".

Call option programme from the Principal Owner

The Principal Owner has in September 2017 issued call options, which entitles certain senior executives, apart from Cecilia Lannebo, as well as one key employee in the Company, to subscribe for shares in the Company. Each call option, according to the call option programme, entitles the owner to subscribe for one share in the Company from the Principal Owner. The owner is entitled to exercise the call option from October 8, 2018 until October 7, 2019, a notice shall be submitted to the Principal Owner 14 days before the desired subscription date. The option premium for each share in the Company is based on Black & Schole's valuation model, and the holder is entitled to claim cash settlement of the option premium. The exercise price for each share is 110 per cent of the Offering Price. In total the programme consist of 1,100,000 shares in the Company, amounting to approximately five per cent of the total amount of votes and shares in the Company.

No costs for the call option programme is expected to encumber the Company.

Other disclosure concerning the board and senior executives

There are no family links between any directors or senior executives. There are no conflicts of interest or potential conflicts of interest between the obligations owed to the Company by the directors and senior executives and their personal interests and/or other obligations. Shareholding directors and senior executives will undertake, not to sell their respective holdings during a certain period of time following commencement of trading on Nasdaq Stockholm; see also the section "*Share capital and ownership structure – Lock-up undertakings*".

During the past five years, no director or senior executive has (i) been convicted in any case involving fraud; (ii) in addition to what is stated above, represented any company which has been placed into bankruptcy or liquidation; (iii) been the subject of sanctions or charged by a public authority organisation as representing a particular professional group and is subject to public law regulation; or (iv) has been the subject of a prohibition on trading.
All directors and senior executives can be reached through the Company's head office situated at Älgvägen 4, 352 45 Växjö.

AUDITORS

The Company's auditor is Öhrlings PricewaterhouseCoopers AB, with authorised public accountant Magnus Svensson Henryson as auditor-in-charge. Magnus Svensson Henryson is an authorised public accountant and a member of FAR and has served as the Company's auditor throughout the period covered by the historical financial information.

33, 34, 35, 36,37) The subscription warrants will be issued in connection with the listing in accordance with the description provided in the section "Corporate governance – CEO and senior executives – Warrants programme" and each participant's number of warrants depends on the participant's decision to invest in the incentive programme, and to what extent. The call options will be distributed as described in section "Board of directors, senior executives and auditors – Call options programme from the Principal Owner".

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE

The Company is a Swedish public company limited by shares. Prior to the listing on Nasdaq Stockholm, corporate governance in the Company has been based on Swedish law as well as internal rules and regulations. Once the Company is listed on Nasdaq Stockholm, the Company will also comply with Nasdaq Stockholm's Rule Book for Issuers and apply the Swedish Code of Corporate Governance (the "**Code**"). The Code applies to all Swedish companies whose shares are listed on a regulated market in Sweden and shall be applied as from the date of the Company's listing on Nasdaq Stockholm. Companies are not required to comply with all rules in the Code since the Code itself allows for the possibility to derogate from the rules, provided that such derogations and the selected alternative are described and the reasons therefor explained in the corporate governance report (in accordance with the comply or explain principle).

Any derogations from the Code will be reported in the Company's corporate governance report, which will be prepared for the first time in respect of the 2017 financial year. However, in the first corporate governance report the Company is not required to explain derogations as a consequence of non-compliance with rules, the application of which was not relevant during the period of time covered by the corporate governance report.

GENERAL MEETINGS

Pursuant to the Swedish Companies Act, the general meeting is the Company's highest decision-making body. At general meetings, the shareholders exercise their voting rights on key issues, for example adoption of the income statement and balance sheet, appropriation of the Company's earnings, granting of discharge from liability in respect of the directors and the CEO, election of directors and auditors, as well as remuneration to the board and the auditors.

An annual general meeting ("**AGM**") must be held within six months of the expiry of the financial year. In addition to the AGM, shareholders may be summoned to attend extraordinary general meetings.

Notice to attend general meetings

The articles of association provide that notice to attend a general meeting must be given through an announcement in the Official Gazette (*Sw. Post- and Inrikes Tidningar*) and and through the notice being made available on the Company's website. The fact that notice has been given shall be simultaneously announced in Dagens Industri. The articles of association provide that all general meetings must be convened by the Board of Directors, through written notice, not earlier than six (6) weeks and not later than four (4) weeks prior to the meeting.

Entitlement to participate at general meetings

In order to be entitled to participate at the general meeting, a shareholder must be entered in the share register maintained by Euroclear Sweden AB ("**Euroclear Sweden**") not later than five weekdays prior to the meeting and must give the Company notice of participation not later than 4pm on the date stated in the notice. Such a day may not be a Saturday, Sunday, public holiday, Midsummer Eve, Christmas Eve or New Year's Eve, and may not occur earlier than the fifth week day prior to the meeting.

In addition to notifying the Company, shareholders whose shares are nominee-registered with a bank or other nominee must, in order to be entitled to participate at the general meeting, also request that their shares be temporarily registered in their own name in the share register maintained by Euroclear Sweden. Shareholders should inform their nominee in ample time prior to the record date.

Shareholders must also give notice of any assistants in the manner stated above.

Shareholder initiatives

Shareholders who wish to have a matter addressed at the general meeting must send a written request thereon to the board of directors. Request must normally be received by the board not later than seven weeks prior to the general meeting.

NOMINATION COMMITTEE

The Code prescribes that the Company must have a nomination committee, the purpose of which is to provide proposals regarding chairmen at general meetings, candidates for election to the board of directors, including a proposed board chairman, remuneration to each of the directors as well as remuneration for committee work, the election and remuneration of external auditors, and proposals for changes to instructions regarding the work of the nomination committee.

At an extraordinary general meeting held on September 11, 2017, it was resolved that the nomination committee of the Company shall comprise four members. The members shall be appointed by means of the Company's four largest shareholders in terms of voting rights as of December 31, 2017 (and thereafter as of August 31 of the year prior to the AGM), in accordance with the share register maintained by Euroclear, being summoned by the board chairman and each afforded an opportunity to appoint a member. Should any of the four largest shareholders in terms of voting rights decline to exercise the right to appoint a member to the nomination committee, the board chairman shall afford the next largest shareholder in terms of size the possibility to appoint a member.

The chairman of the nomination committee shall be the member representing the largest shareholder in terms of voting rights on the nomination committee, unless the members unanimously agree on another chairman. However, the chairman of the nomination committee may not be a director of the Company.

A shareholder that has appointed a member to the nomination committee shall at all times be entitled to remove the member and appoint a new member. In the event a member leaves the nomination committee before its work is completed, the shareholder who appointed the member shall be entitled to appoint a new member to the nomination committee.

In the event any material change occurs in the Company's ownership structure earlier than two months prior to the AGM and a shareholder who, following such material change in ownership structure has become one of the Company's three largest shareholders in terms of voting rights, expresses to the chairman of the nomination committee a wish to appoint a member to the nomination committee, the nomination committee shall invite the shareholder to appoint a member to the nomination committee. Such member shall replace the member appointed by the shareholder who, after the change in ownership structure, is no longer one of the three largest shareholders in terms of voting rights.

Prior to the 2018 AGM, the names of the members of the nomination committee and the shareholders they represent will be published by the Company as soon as possible after December 31, 2017, however not later than three months prior to the AGM. Prior to the AGM of the following year, the composition of the nomination committee shall be published as soon as possible after the members have been appointed. The term of office of the nomination committee appointed in accordance with the above shall extend until such time that a new nomination committee has been appointed and published. The members of the nomination committee shall receive no fee. However, the nomination committee shall be entitled to charge the Company reasonable costs for the retention of recruitment consultants and other consultants as necessary to enable the nomination committee to perform its duties. In addition, upon request by the nomination committee the Company shall provide reasonable personnel resources such as a secretarial function to facilitate the work of the nomination committee.

THE BOARD OF DIRECTORS

The board of directors is the Company's second-highest decision-making body, after the general meeting. The Companies Act prescribes that the board is responsible for the Company's management and organisation, entailing that the board is responsible for, among other things, establishing targets and strategies, ensuring routines and systems for evaluation of established targets, regular evaluation of the Company's results and financial position, as well as evaluation of the executive management. The board is also responsible for ensuring that the annual report and interim reports are prepared on time. Furthermore, the board of directors appoints the CEO.

The directors are normally elected at the annual general meeting for a term of office until the close of the next AGM. According to the Company's articles of association, the board of directors – insofar as elected by the general meeting – shall comprise no fewer than (4) members and no more than eight (8) members, without alternates.

The Code prescribes that the chairman of the board shall be elected by the AGM and shall bear particular responsibility for presiding over the work of the board and ensuring that the work of the board is properly organised and conducted efficiently.

The board complies with written rules of procedure which are revised annually and adopted at the initial board meeting of each year. The rules of procedure regulate, among other things, board practice, functions and the allocation of work between the directors and the CEO. In connection with the initial board meeting, the board also adopts instructions for the CEO, including financial reporting.

The board meets in accordance with an annual adopted meeting schedule. In addition to such board meetings, additional board meetings may be convened in order to address issues that cannot be referred to an ordinary board meeting. In addition to board meetings, the board chairman and CEO maintain regular dialogue concerning the management of the Company.

At present, the Company's board comprises seven ordinary members, who are presented in the section entitled "*Board of directors, senior management and auditors*". All directors were elected at the AGM held on April 28, 2017 for a term of office until the close of the 2018 AGM.

Audit committee

The board has established, from among its members, an audit committee comprising Åsa Söderström Jerring (chairman), Tomas Johansson and Ingalill Berglund. The audit committee works in accordance with rules of procedure adopted by the board. Without in any way affecting the responsibility of the board of directors and its duties in general, the principal duties of the audit committee are:

- to monitor the Company's financial reporting, including the sustainability report, and to provide recommendations and proposals for ensuring the reliability of the reporting;
- with respect to the financial reporting, to monitor efficiency in Balco's internal controls, internal audit and risk management;
- to keep itself apprised of the audit of the annual report and consolidated financial statements and regarding the conclusions of the Audit Council's quality control;
- to inform the board regarding the results of the audit and the manner in which the audit contributed to the reliability of the financial reporting and the function played by the committee;
- to review and monitor the management of market risks and credit risks;
- to meet regularly with Balco's external and, where appropriate, internal auditors in order to obtain information regarding the planning, focus and scope of the audit and to discuss coordination between the external and internal audit and view regarding the Company's risks;
- together with the auditor, among other things to review (i) transactions with closely-related parties, (ii) significant accounting principles applied by Balco in connection with the production of annual reports, closing accounts and interim reports; and (iii) other significant correspondence between the auditor and company management;
- to review and monitor the auditor's impartiality and independence and thereupon to note in particular whether the auditor provides the Company with services other than audit services;
- on behalf of the board of directors, to adopt guidelines as to which services other than audits Balco may procure from the Group's auditors; and
- to evaluate annually the work of the external auditors and assist the nomination committee in the preparation of proposals regarding the general meeting's resolution concerning the election of auditors. The audit committee shall thereupon provide a recommendation to the nomination committee, including written reasons, with at least two possible choices, and a statement as to which auditor is recommended by the audit committee.

Remuneration committee

The board has, from among its members, established a remuneration committee comprising Lennart Kalén (chairman), Åsa Söderström Jerring and Tomas Johansson.

The remuneration committee prepares proposals to the board of directors, which thereafter either takes a decision on the issues or, where appropriate, adopts a proposal for a resolution to be put to the general meeting. The remuneration committee works in accordance with rules of procedure adopted by the board. Without in any way affecting the responsibility of the board and its duties in general, the main tasks of the remuneration committee are:

- to prepare the board's decisions on issues of remuneration principles, remuneration and other employment terms for corporate management and other senior executives;
- to regularly monitor and evaluate ongoing variable remuneration programmes for corporate management, and such programmes as ended during the year;
- to monitor and evaluate the application of the guidelines for remuneration to senior executives which, according to law, the AGM is required to adopt, as well as applicable remuneration structures and remuneration levels in the Company;
- not later than four weeks prior to the AGM, to prepare and submit to the board of directors a report regarding the results of the evaluation which must be carried out in accordance with the item above, which shall be published on Balco's website under the tag for corporate governance, not later than three weeks prior to the AGM; and
- to prepare board resolutions regarding overarching remuneration principles, such as general occurrence, size and structure of variable remuneration.

CEO AND OTHER SENIOR EXECUTIVES

The CEO is answerable to the board of directors and is responsible for the Company's ongoing management and day-to-day operation. The allocation of duties between the board and the CEO is set out in the rules of procedure for the board and the instructions for the CEO. The CEO is also responsible for preparing reports and compiling information from management prior to board meetings and for the presentation of the material at the board meetings.

The CEO and other senior executives are presented in the section entitled "*Board of directors, senior executives and auditor*".

REMUNERATION TO DIRECTORS, CEO AND SENIOR EXECUTIVES

Reumeration to members of the board and board committees

Fees and other remuneration to the directors, including the chairman, are established by the AGM. At the AGM held on April 28, 2017, it was decided that fees shall be paid to directors in the amount of SEK 160,000 each to ordinary directors and SEK 320,000 to the board chairman. In addition, the AGM decided that fees shall be paid in the amount of SEK 40,000 to the chairman of the remuneration committee, with SEK 25,000 to other members of the remuneration committee, and that fees be paid of SEK 60,000 to the chairman of the audit committee and SEK 40,000 to other members of the audit committee.

Guidelines for remuneration to the CEO and senior executives

The Companies Act prescribes that the general meeting shall adopt guidelines regarding remuneration to the CEO and other senior executives. The following guidelines were adopted at an extraordinary general meeting held on September 11, 2017, to be applied as from the listing of the Company's shares on Nasdaq Stockholm.

Guidelines for remuneration to senior executives

'Senior executives' means the CEO and group management, currently comprising nine individuals ("the **Executives**"). The aim of the guidelines is to ensure that the Group is able to attract, incentivise and retain senior executives, both within the Company and its subsidiaries. The objective is that remuneration shall be competitive, while at the same time being aligned with the interests of the shareholders. Remuneration to the Executives shall comprise fixed and variable salary, the possibility to participate in a long-term incentive programme, as well as pension benefits. Together, these components shall create well-balanced remuneration which reflects individual skills, responsibilities and performance, both in the short and long-term, as well as the Group's total performance.

Fixed salary

The Executives' fixed salaries shall be competitive and based on the individual Executive's skills, responsibilities and performance.

Variable salary

In addition to fixed salary, the Executives shall be able to obtain variable remuneration. Such variable remuneration shall not exceed 50 per cent of the fixed annual salary. The variable remuneration shall be based on the outcome of predetermined and documented financial and individual targets.

Long-term variable remuneration in the form of shares and/or other related financial instruments in the Company shall be possible to acquire throughout participation in long-term incitative programs approved by the general meeting of shareholders. Such programs shall be based on performance, require continued employment in the Group and an own investment by the participants.

Other benefits

The Group offers other benefits to Executives in accordance with local practice. Such other benefits may, for example, include company car and company healthcare. Where appropriate, housing may also be provided by the Company for a limited period of time.

Pension

The Executives are entitled to pension benefits based on what is customary in the country in which they are employees. Pension commitments will be secured through the payment of premiums to an insurance company.

Termination and severance compensation

According to the Executives' employment contracts, the period of termination with an entitlement to remuneration may not exceed 12 months. The Company grants no further severance compensation.

Deviations from the guidelines

The board is entitled to deviate from the above guidelines where special reasons pertain, for example with respect to additional variable remuneration in the case of exceptional performance. In such a case, the board must explain the reason for the deviation at the first AGM held thereafter.

Remuneration during the 2016 financial year

Shown below is the remuneration received by directors and senior executives during the 2016 financial year.

Remuneration and other benefits, 2016	Base salary/ Directors' fees	Payroll taxes / salary tax	Variable remuneration	Other benefits	Pension costs	Share-related remuneration	Other remuneration	Total
Lennart Kalén, chairman	200	63	-	-	-	-	-	263
Kerstin Gillsbro, director	63	20	-	-	-	-	-	82
Thomas Johansson, director	63	20	-	-	-	-	-	82
Håkan Bergqvist, director	125	39	-	-	-	-	-	164
Percy Calissendorff, director	50	16	-	-	-	-	-	66
Marcus Planting-Berloo, director	50	16	-	-	-	-	-	66
Åsa Söderström-Jerring, director	63	20	-	-	-	-	-	82
Ingalill Berglund, director	-	-	-	-	-	-	-	0
Kenneth Lundahl, CEO	2,160	1,109	81	101	657	-	-	4,108
Other senior executives (7 individuals)	4,592	2,000	890	207	878	-	-	8,567
Total	**7,365**	**3,302**	**971**	**308**	**1,535**	**0**	**0**	**13,481**

Termination period and severance compensation

The CEO's employment contract provides for a termination period of twelve months in the event of termination by Balco and six months in the event of termination by the CEO. The CEO is bound by a non-compete covenant applicable for two years from the date the employment ceases. In respect of other senior executives, employment is terminable by the Company or the executive subject to a requirement of the same period of notice by each party, which ranges from three to twelve months.

Warrants programme

The board of directors will propose that the extraordinary general meeting which is expected to be held on October 5, 2017 at the latest adopt a resolution establishing a long-term incentive programme directed to the Company's senior executives and additional key employees, in total 49 employees. The issue will cover 1,071,432 warrants carrying an entitlement to subscribe for not more than an equivalent number of shares in the Company, and which are conditional on implementation of the Offering. Approximately 80 per cent of the total number of warrants will be offered to senior executives and Company employees in two series and will be valid for a term of two years for series I and three years for series II. The participants will be invited to acquire the warrants at market value. Approximately 20 per cent of the total number of warrants in the issue will be issued to a company within the Group in order to be able to be transferred to future employees. The Company's total cost for the incentive programme during the term of the program is not anticipated to exceed SEK 150,000 (primarily related to employer payroll fees for participants in jurisdictions where participation in the incentive programme is taxed as income from services). No cost has been calculated for the warrants issued to subsidiaries which may be transferred to future employees. The program entails a dilution corresponding to not more than 5 per cent of the total number of shares in the Company following implementation of the Offering. The senior executives in Balco have undertaken to aquire 397,961 warrants amounting to SEK 1,405,807 in total.

The price to be paid for subscription for a share through the exercise of a warrant corresponds to 120 per cent for series I and 130 per cent for series II of the price in the Offering (the "**Exercise Price**") corresponding to SEK 67.20 and 72.80, respectively. The participants may exercise series I warrants during the period September 6, 2019 until October 6, 2019. The participants may exercise series II warrants during the period September 6, 2020 until October 6, 2020. If, in conjunction with subscription for shares under series I, the price most recently paid for a share in the Company at the time of the closing of the exchange on the trading day immediately preceding new subscription exceeds 150 per cent of the price in the Offering, the subscription price shall be increased by an amount corresponding to that part of the aforementioned exchange price which exceeds 150 per cent of the subscription price. If, in conjunction with subscription for shares under series II, the price most recently paid for a share in the Company at the time of the closing of the exchange on the trading day immediately preceding new subscription exceeds 185 per cent of the price in the Offering, the subscription price shall be increased by an amount corresponding to that part of the aforementioned exchange price which exceeds 185 per cent of the subscription price. The Company reserves the right, under certain circumstances, to buy back warrants in the event the participants' employment in the Company ceases or in the event the participants wish to sell on the warrants.

The board, together with retained external expertise, has carefully evaluated the remuneration structure in the Company and the manner in which incentive programmes should be structured in order that the remuneration to employees is on market terms and competitive. The purpose of incentive programmes is to encourage broad share ownership among the Company's key employees, to recruit and retain skilled and talented employees, to enhance the commonality of interest between key employees and the Company's objectives, and to enhance motivation. The programme has a structure which provides a balance between, on the one hand, the risk-taking by key employees through a requirement of their own investment and, on the other hand, the employee's possibility to receive a performance-related allotment of shares and the possibility to subscribe for new shares. The maturity period of two years for the series I warrants is a deviation from item 9.7 in the Code (which was not applicable at the time for the resolution) according to which the maturity period for a warrant shall not be less than three years. The deviation will be described in Balco's upcoming corporate governance report.

INTERNAL CONTROL

The responsibility of the board and the CEO for internal control is governed by the Companies Act and the Code.

According to the Companies Act, the board is responsible for the Company's organisation and administration of the Company's affairs and must ensure that the Company's organisation is structured in such a manner that the accounts, funds management and the Company's economic circumstances in general are controlled in a satisfactory manner. According to the Companies Act, the CEO shall attend to the day-to-day management in accordance with guidelines and instructions issued by the board. In addition, the CEO shall take such measures as necessary to ensure that the Company's accounts are maintained according to law and that funds management is conducted in a satisfactory manner.

According to the Code, the duties of the board include ensuring that an effective system is in place for monitoring and control of the Company's business. According to the Companies Act, the audit committee shall – without affecting the responsibilities of the board of directors and its duties in general – monitor the Company's financial reporting and, with respect to the financial reporting, monitor the efficacy of the Company's internal controls, internal audit and risk management.

The Company's board has adopted, and regularly evaluates, a number of governance documents, including the board's rules of procedure, instructions to the CEO, finance policy, information policy and insider policy. According to the instructions for the CEO, the CEO must implement and monitor compliance with the objective, policies, guidelines and strategic plans for the Group as adopted by the board and shall ensure that such objectives, policies, guidelines and plans are submitted to the board for review and possible updating as required.

In addition, the CEO shall report to the board with respect to the efficacy of the Company's internal control. According to practice, 'internal control' is defined as a process which is influenced by the board, the audit committee, the CEO, other senior executives and other employees and which is aimed at providing a reasonable assurance that the Company's objectives are achieved with respect to: purposeful and efficient activities, reliable reporting and compliance with applicable laws and ordinances. The internal control process is based on a control environment which creates discipline and provides a structure for the other four components in the process: risk assessment, control structures, information and communication, as well as monitoring.

Internal control with respect to the financial reporting is included as part of the total internal control within the Company together with, for example, protection of the Company's assets. Internal control with respect to financial reporting is aimed at providing reasonable certainty concerning the reliability of the external financial reporting in the form of quarterly reports, annual reports and press releases of unaudited figures, and ensuring that the external financial reporting is prepared in compliance with laws, applicable accounting standards and other requirements imposed on listed companies.

AUDITOR

The auditor shall audit the Company's annual report and accounting records as well as administration by the board and the CEO. After each financial year, the auditor submits an audit report and a consolidated audit report to the AGM.

The Company's articles of association prescribe that the Company shall have at least one auditor and not more than two auditors and an equal number of alternate auditors. The Company's auditor is Öhrlings PricewaterhouseCoopers AB, with authorised public accountant Magnus Svensson Henryson as auditor-in-charge. Magnus Svensson Henryson is an authorised public accountant and a member of FAR. The Company's auditor is presented in greater detail in the section entitled "*Board of directors, senior executives and auditors*".

In 2016, the total remuneration paid to the Company's auditor amounted to approximately SEK 1,364,000.

SHARE CAPITAL AND OWNERSHIP STRUCTURE

GENERAL INFORMATION

Following implementation of the Offering (i.e. after a conversion of the former capital and ownership structure as described under "*Share capital and ownership structure – Conversion of previous capital and ownership structure*" has taken place), the Company's share capital will amount to SEK 128,577,685, divided into not more than 21,428,773 ordinary shares, each with a quotient value of SEK 6.0002 per share. There will only be one class of share in the Company and each share shall carry an entitlement to one (1) vote at general meetings, and all shares shall carry equal rights to the Company's assets and profits in conjunction with liquidation and dividends. The Offering results in no dilution effect.

As of the date of the Prospectus, the Company's share structure comprises ordinary shares as well as two classes of preference shares held by the shareholders, through various compositions of the different classes of shares. All classes of shares carry an entitlement to one (1) vote at general meetings. Ordinary shares and preference shares of different classes have different rights to the Company's assets in conjunction with liquidation and dividends.

According to the Company's articles of association to be adopted at extraordinary general meeting on October 5, 2017, the share capital may not be less than SEK 100,000,000 and shall not exceed SEK 400,000,000 and there may be no fewer than 15,000,000 and no more than 60,000,000 shares. As of the date of the Prospectus, the Company has, in total, issued 11,286,107 shares. The shares are denominated in SEK and each share has a quotient value of SEK 6.

The shares in the Company have been issued in accordance with Swedish law. All issued shares are fully paid up and freely transferable.

The offered shares are not subject to any offer which has been made as a consequence of any mandatory bid, redemption right or redemption obligation. No public tender offer has been made with respect to the offered shares during the current or preceding financial year.

CERTAIN RIGHTS ATTACHED TO THE SHARES

The offered shares are of the same class. The rights attached to shares issued by the Company, including those pursuant to the articles of association, can only be altered in accordance with the procedure set forth in the Companies Act (2005:551).

Voting rights

Each share in the Company entitles the holder to one vote at general meetings and each shareholder is entitled to vote the full number of shares which the shareholder holds in the Company.

Pre-emption rights to new shares, etc.

In the event the Company issues new shares, warrants or convertible debentures in conjunction with a cash issue or a debt for equity swap, as a general rule the shareholders enjoy pre-emption rights to subscribe for such securities pro rata to the number of shares held prior to the issue.

Dividends

Decisions regarding dividends are taken by the general meeting. All shareholders who are registered in the share register maintained by Euroclear Sweden on the record date determined by the general meeting are entitled to dividends. The dividend is normally paid out to the shareholders through Euroclear Sweden as a cash amount per share; however, payment can also take place other than in cash (dividend in kind). In the event a shareholder cannot be reached through Euroclear Sweden, the shareholder's claim on the Company with respect to the dividend amount remains in force, subject to a limitation period of 10 years. Dividend amounts under claims that are time-barred accrue to the Company.

There are no restrictions as regards the right to dividends for shareholders resident outside Sweden. Shareholders who are not tax residents in Sweden are normally subject to Swedish withholding tax; see also the section entitled "*Tax considerations inSweden*".

CENTRAL SECURITIES DEPOSITARY

The shares in the Company are registered in a central securities depository (CSD) register pursuant to the Securities Depositaries and Financial Instruments (Accounts) Act (1998:1479). Such register is maintained by Euroclear Sweden AB, Box 191, 101 23 Stockholm. No share certificates are issued in respect of the Company's shares. Carnegie acts as issuing dealer. The ISIN code for the Company's shares SE0010323998.

CHANGES IN THE SHARE CAPITAL

The table below shows the historic changes in the Company's share capital since October 2010, as well as the changes in the number of shares and share capital which will be implemented in connection with the listing of the Company's shares on Nasdaq Stockholm (up to and including the first day of trading).

Date	Event	Change in the number of shares	Change in share capital	Total number of shares	Total share capital	Quotient value of the share (SEK)
October 2010	Formation	–	–	100,000	100,000	1
December 2010	New issue	62,900,467	62,900,467	63,000,467	63,000,467	1
September 2013	New issue	4,716,637	4,716,637	67,717,104	67,717,104	1
September 2017	Redemption of ordinary shares[38)]	-56,430,530	-56,430,530	11,286,574	11,286,574	1
September 2017	Bonus issue[39)]	–	56,432,870	11,286,574	67,719,444	6
Oktober 2017	Conversion of shares[40)]	–	–	11,286,574	67,719,444	6
Oktober 2017	Redemption of shares[41)]	-443	-2,658	11,286,131	67,716,786	6[43)]
Oktober 2017	Bonus issue[42)]	–	2,658	11,286,131	67,719,444	6[43)]
Oktober 2017	New issue	10,142,642	60,858,241	21,428,773	128,577,685	6[43)]

38) A redemption has been carried out with the aim of obtaining an appropriate number of shares in the Company.
39) Simultaneously with the calculation, the Company has resolved on a bonus issue involving funds from non-restricted equity with the aim of maintaining the share capital intact.
40) 24 of the Principal Owner's class C preference shares will be converted to ordinary shares at a rate of 1:1. The Principal Owner will contribute the previous value of the preference shares, which on this occasion constitutes a claim on the Company, in exchange for newly issued ordinary shares in the Company.
41) All preference shares are redeemed.
42) Simultaneously with a redemption, the Company will resolve on a bonus issue involving funds from non-restricted equity with the aim of maintaining the share capital intact.
43) Rounded-off.

OWNERSHIP STRUCTURE

The table below shows the Company's ownership structure immediately prior to the Offering and immediately after implementation of the Offering.

	Ownership prior to the Offering		After the Offering (assuming that the Offering is not expanded and that the Over-allotment Option is not exercised)		After the Offering (assuming that the Offering is expanded in full and that the Over-allotment Option is not exercised)		After the Offering (assuming that the Offering is exercised in full and that the Over-allotment Option is exercised in full)	
Shareholder	Number	Per cent	Number	Per cent	Number	Per cent	Number	Per cent
Segulah	18,865,226	88.04	8,150,839	38.04	6,007,962	28.04	4,079,373	19.04
Group management	898,538	4.19	898,538	4.19	898,538	4.19	898,538	4.19
The board	537,045	2.51	537,045	2.51	537,045	2.51	537,045	2.51
Other shareholders	1,127,964	5.26	11,842,351	55.26	13,985,228	65.26	15,913,817	74.26
Total	**21,428,773**	**100.00**	**21,428,773**	**100.00**	**21,428,773**	**100.00**	**21,428,773**	**100.00**
Shareholding directors and senior executives								
Kenneth Lundahl	282,153	1.32	282,153	1.32	282,153	1.32	282,153	1.32
Fredrik Hall	282,153	1.32	282,153	1.32	282 153	1.32	282,153	1.32
David Andersson	91,228	0.43	91,228	0.43	91,228	0.43	91,228	0.43
Johan Fälth	77,693	0.36	77,693	0.36	77,693	0.36	77,693	0.36
Roger Andersson	55,634	0.26	55,634	0.26	55,634	0.26	55,634	0.26
Henrik Nilsson	46,362	0.22	46,362	0.22	46,362	0.22	46,362	0.22
Jesper Magnusson	35,498	0.17	35,498	0.17	35,498	0.17	35,498	0.17
Christian Linell	27,817	0.13	27,817	0.13	27,817	0.13	27,817	0.13
Fruholmen Invest AB[44)]	307,013	1.43	307,013	1.43	307,013	1.43	307,013	1.43
Håkan Bergkvist	133,932	0.63	133,932	0.63	133,932	0.63	133,932	0.63
Åsa Söderström Jerring[45)]	46,362	0.22	46,362	0.22	46,362	0.22	46,362	0.22
Tomas Johansson	34,738	0.16	34,738	0.16	34,738	0.16	34,738	0.16
Ingalill Berglund	15,000	0.07	15,000	0.07	15,000	0.07	15,000	0.07
Other existing shareholders	19,993,190	93.30	9,278,803	43.30	7,135,926	33.30	5,207,337	24.30
Total	**21,428,773**	**100.00**	**10,714,386**	**50.00**	**8,571,509**	**40.00**	**6,642,920**	**31.00**
New shareholders		-	10,714,387	50.00	12,857,264	60.00	14,785,853	69.00
Total	**21,428,773**	**100.00**	**21,428,773**	**100.00**	**21,428,773**	**100.00**	**21,428,773**	**100.00**

CONVERSION OF PREVIOUS CAPITAL AND OWNERSHIP STRUCTURE

Prior to the date of the Offering, with the aim of facilitating and enabling the Offering, all outstanding class B and C preference shares shall be redeemed. In connection with the Offering, Balco will furthermore convert most of the outstanding amount of the shareholder loan to equity and will repay conditional shareholder contributions through a debt for equity swap of new shares directed to the Principal Owner, and the remaining part of the shareholder loan and conditional shareholder contributions will be repaid to shareholders.

In total the repayment of the shareholder loan, conditional shareholder contributions and redemption of preference shares of series B and C from other shareholders (apart from the Principal Owner) will amount to SEK 85.8 million, which will increase the Company's external interest-bearing net debt and interest-bearing net debt with the equivalent amount. For more information about shareholder loans, see the section "*Operating and financial overview – Refinancing*".

Shareholder loans and conditional shareholder contributions held by the Principal Owner will be converted to new shares in the Company based on the price in the Offering. The aforesaid shall apply to the claim which arises through redemption of the preference shares held by the Principal Owner. Conversion will be implemented in several stages.

Unless otherwise stated, all calculations related to the conversion and share ownership after the Offering in the Prospectus are based on the assumption that set-off of claims held by the Principal Owner takes place at a price in the Offering of SEK 56, that the Offering is expanded in full, and that the Over-allotment Option is exercised in full.

Lock-up undertaking

Pursuant to the Placing Agreement, the Company will provide an undertaking to Global Coordinator and Joint Bookrunners that, for a period of 360 days from the first day of trading in the shares, it will not, without the written consent of Global Coordinator and Joint Bookrunners, propose to the Company's shareholders any increase in capital or take any other measure which enables the Company, directly or indirectly, to issue, offer, pledge, sell, contract to sell or otherwise transfer or dispose of securities that are essentially

44) Fruholmen Invest AB is wholly owned by Lennart Kalén.
45) Åsa Söderström Jerring partially holds shares indirectly through Åsa Söderström AB.

equated with the shares, including securities that are convertible to or may be exchanged for, or represent a right to receive, shares in the Company; and that it shall not purchase or sell any option or other security or enter into swap, hedge or other arrangements which would have an economic effect corresponding to such measures. The Company's undertakings are subject to certain customary exceptions and shall also not be applied to the Company's previous, current or future share-based incentive programmes.

The Principal Owner as well as directors and senior executives in the Company will each undertake to Global Coordinator and Joint Bookrunners that they shall not, without Global Coordinator and Joint Bookrunner's written consent, offer, pledge, sell, entry into contracts to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant options, rights or warrants to purchase, lend or otherwise, directly or indirectly, transfer or dispose of shares or securities in the Company which may be converted to, redeemed against or exchanged for shares or securities in the Company which represent a right to receive shares in the Company or securities which are essentially the same as the Company's shares, enter into swap, hedge or other arrangements which wholly or partially transfer to any third party the financial risks associated with ownership of the shares; or present or vote for a proposal regarding an increase in capital, irrespective of whether such transaction is to be paid through the delivery of shares, cash or in any other manner during a period of 180 days from the first day of trading in the shares, in respect of the Principal Owner, and during a period of 360 days from the first trading in the shares in respect of directors and senior executives. The above limitations are not applicable to certain transfers of shares to family members, partners in limited partnerships, key individuals and legal entities in which the seller has a significant influence, provided that the acquirer accepts to be bound by a lock-up undertaking; sales in connection with a tender offer from an independent third-party or any similar transaction; sales in connection with redemption or buyback of shares by the Company; rights in connection with rights issues in the Company; sales as a consequence of law, other regulation or pursuant to a judicial decision; each and every transfer or deposit of shares to an endowment insurance policy or an ISA, subject to certain exceptions; transfers made by call options held by certain senior executives as well as sales of shares or other securities acquired on an open market following completion of the Offering.

SHAREHOLDERS' AGREEMENT

In connection with the listing of the Company's shares on Nasdaq Stockholm, an existing shareholders' agreement between Segulah and other shareholders in the Company will terminate.

As far as the board is aware, there are no other shareholders' agreements or other agreements between shareholders in the Company aimed at exercising joint influence over the Company. Nor is the board aware of any understandings or equivalent which might lead to a change in the control over the Company.

DIVIDENDS AND DIVIDEND POLICY

The Company has adopted a dividend policy whereby Balco shall distribute at least one-half of profit after tax, provided that doing so does not jeopardise Balco's long-term development. No dividends were issued in the financial years ending December 31, 2014, 2015 and 2016.

Shareholders in the Company will be entitled to future dividends, including dividends decided upon in respect of the 2017 financial year and for all subsequent periods, provided that a resolution regarding a dividend is adopted.

Resolutions regarding dividends are adopted by the general meeting and dividends are disbursed through Euroclear Sweden. Dividends may only be paid out in such an amount that, after the dividend, there is full coverage for the Company's restricted equity and only provided that the dividend is defensible in light of (i) the requirements which the nature, scope and risks associated with the business impose with respect to the size of equity and (ii) the Group's need to strengthen the balance sheet, its liquidity and position in general. As a general rule, shareholders may not resolve on payment of a dividend which exceeds the amount proposed or approved by the board.

The right to dividends vests in a person who, on the record date for dividends established by the general meeting, is registered as a holder of shares in the share register maintained by Euroclear Sweden. In the event a shareholder cannot be reached through Euroclear Sweden, the shareholder's claim on the Company with respect to the dividend amount remains in force and is limited in time only by the rules regarding a 10-year limitation period. Dividend amounts under claims that are time-barred accrue to the Company. Neither the Companies Act nor the Company's articles of association contain any restrictions on the right to dividends in respect of shareholders domiciled outside Sweden. In addition to any restrictions pursuant to any banking or clearing system in relevant jurisdictions, payment to such shareholders takes place in the same manner as to shareholders domiciled in Sweden. However, Swedish withholding tax is normally withheld in respect of shareholders who are not domiciled for tax purposes in Sweden. See the section "*Tax considerations in Sweden*".

ARTICLES OF ASSOCIATION

Articles of Association of Balco Group AB, corporate registration number 556821-2319, adopted at an extraordinary general meeting held on October 5, 2017.

§ 1 Name
The Company's name is Balco Group AB. The Company is a public company (publ).

§ 2 Registered office
The registered office is situated in Växjö municipality, Kronoberg County.

§ 3 Objects
The Company shall, directly and indirectly through subsidiaries, engage in business within the production and delivery of balcony solutions, and activities compatible therewith. In addition, the Company shall own and administer property and undertake activities compatible therewith.

§ 4 Share capital
The share capital shall be not less than SEK 100,000,000 and not more than SEK 400,000,000.

§ 5 Number of shares
There shall be no fewer than 15,000,000 and no more than 60,000,000 shares.

§ 6 Board of directors
The Company's board of directors shall comprise no fewer than three and no more than 10 members, without alternates. The members shall be elected each year at the annual general meeting for a term of office until the close of the next annual general meeting.

§ 7 Auditors
The Company shall have no fewer than one and no more than two auditors and an equal number of alternate auditors. An authorised public accountant or a registered accounting firm shall be appointed as auditor or, where appropriate, alternate auditor.

§ 8 Notices
Notice to attend a general meeting shall be given through an announcement in the Official Gazette (*Sw. Post- and Inrikes Tidningar*) and through notice being provided on the Company's website. The Company shall announce in Dagens Industri that notice has been given. Notice to attend an annual general meeting or extraordinary general meeting shall be issued not earlier than six weeks and not later than four weeks prior to the meeting.

Shareholders who wish to participate at the general meeting must notify the Company thereof not later than the date stated in the notice to attend the meeting. The last-mentioned date may not be a Sunday, other public holiday, Saturday, Midsummer Eve, Christmas Eve or New Year's Eve, and may not occur earlier than five weekdays prior to the general meeting.

At the general meeting, shareholders may be accompanied by not more than two assistants, however only on condition that the shareholder has notified the number of assistants to the Company in the manner stated in the preceding paragraph.

§ 9 Annual general meeting
The following business shall be addressed at an annual general meeting.

(1) Election of a chairman of the meeting.
(2) Preparation and approval of a voting register.
(3) Approval of the agenda.
(4) Election of one or two persons to attest the minutes.
(5) Determination of whether the meeting has been duly convened.
(6) Resolutions regarding:
(i) adoption of the income statement and balance sheet and, where appropriate, the consolidated income statement and consolidated balance sheet;
(ii) appropriation of the Company's profit or loss in accordance with the adopted balance sheet; and
(iii) discharge from liability for the directors and CEO.
(7) Determination of fees for the board of directors and auditors.
(8) Election of a board of directors and, where appropriate, auditors.
(9) Resolution regarding guidelines for remuneration to senior executives.
(10) Resolution regarding a nomination committee.
(11) Other business incumbent on the general meeting pursuant to the Companies Act or the articles of association.

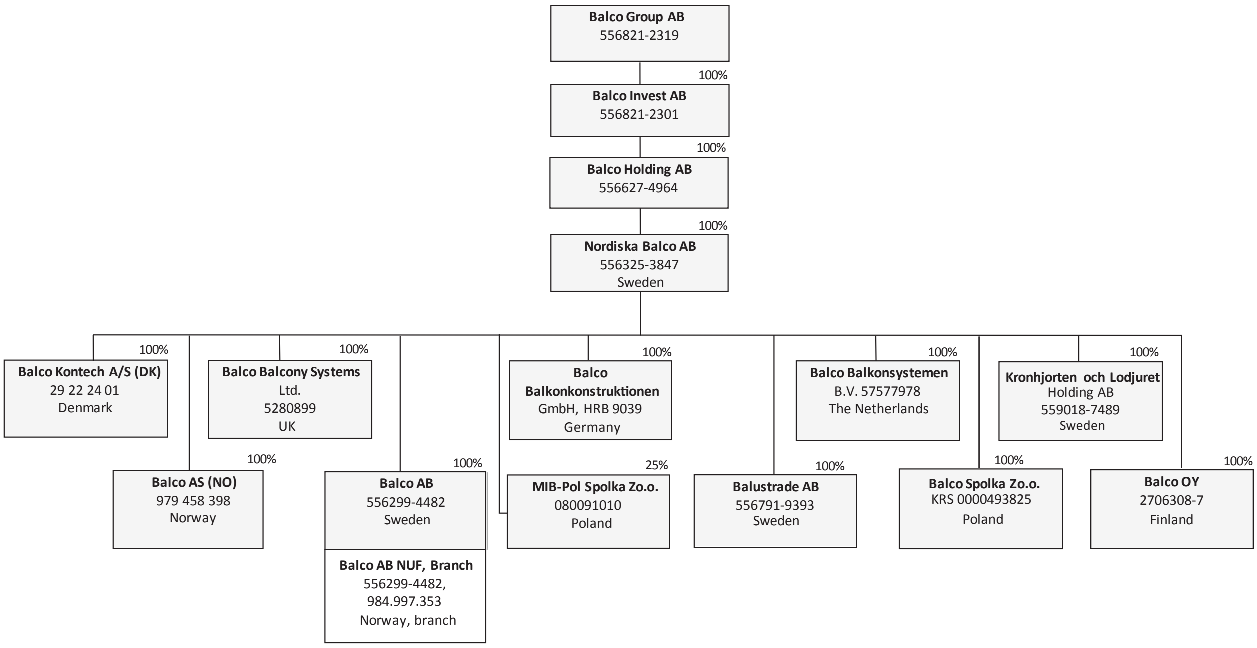
§ 10 Financial year
The Company's financial year shall be January 1, – December 31.

§ 11 CSD clause
The Company's shares shall be registered in a central securities depository (CSD) register pursuant to the Central Secuirities Depository and Financial Instruments (Accounts) Act (1998:1479).

LEGAL CONSIDERATIONS AND SUPPLEMENTARY INFORMATION

GENERAL COMPANY AND GROUP INFORMATION

Balco Group AB, corporate registration number 556821-2319, is a Swedish public limited company which was incorporated on October 12, 2010 and registered at the Swedish Companies Registration Office on October 13, 2010. The Company's registered office is situated in Växjö. The Company's business is conducted in accordance with the Companies Act (2005:551). The Company conducts business directly and through its 13 Swedish and foreign subsidiaries: Balco Invest AB, 556821-2301, Balco Holding AB, 556627-4964, Nordiska Balco AB, 556325-3847, Balco AS, 979 458 398, Balco Kontech A/S, 29 22 24 01, Balco AB, 556299-4482, Balco Balcony Systems Ltd., 5280899, Balco Balconkonstruktionen GmbH, HRB 9039, Balustrade AB, 556791-9393, Balco Balconsystemen B.V., 57577978, Balco Spolka Zo.o., KRS 0000493825, Balco Oy, 2706308-7 as well as Kronhjorten and Lodjuret Holding AB, 559018-7489. Nordiska Balco AB owns 25 per cent of the shares in MIB Pol Spolka Zo.o. The remaining 75 per cent of the shares are owned by Mariusz Szczesny and Anna Szczesna, both of whom are employees of MIB Pol Spolka Zo.o. For the group structure, see below.



AGREEMENTS WITHIN THE ONGOING BUSINESS OPERATIONS

Generally

Within the scope of the day-to-day business operations, companies within the Group have, among other things, entered into agreements regarding deliveries of raw materials for production and customer agreements regarding production and installation of the Group's products. These types of agreements are described in general terms below. However, the Company does not consider there to be any individual agreement of material significance for the Group's business as a whole, other than as set forth under "*Legal considerations and supplementary information – Material agreements*".

Customer agreements

The Company's customers primarily comprise tenant-owner associations, the public housing sector and construction companies. The Group's projects are concentrated on balcony solutions in renovation projects as well as in conjunction with new build.

The Group's annual project portfolio, i.e. the number of projects in the order backlog which are either underway or are to be commenced, includes approximately 350 projects. The business is not based on the Group having repeat individual customers and thus the Company is not dependent on any individual customer, even if the revenues from any individual customer may be significant. In 2016, the largest customer accounted for approximately 10 per cent of the total order intake for the year.

Balco believes that customer agreements are entered into on terms and conditions that are normal in the industry. Warranty periods for balconies are normally five years. The General Conditions of Contract (AB 04) and General Conditions of Contract for Design and Construct Contracts (ABT 06 and ABT U-07) normally apply to Swedish customer contracts and corresponding general conditions normally apply to customer contracts in other countries.

The Company co-operates with a number of customer organisations for repeat types of customers, including the cooperative housing associations HSB Riksförbund and Riksbyggen. For example, in this respect Balco AB has entered into a cooperation agreement with HSB Riksförbund in order to facilitate the entry by HSB associations into their own cooperation agreements with the Group based on a set template.

Customer agreements are normally entered into at a fixed price which is paid in stages based on the phases in the project. The fact that customer agreements are often for short periods of time and that Balco secures its raw materials at a fixed price enables the Group – subject to certain lead times – to implement price adjustments in the event the Group's production costs increase.

Supplier agreements

The Group has production in-house and its products consist of raw materials from several different suppliers. The Group's balcony solutions also incorporate certain components provided by third-party manufacturers, for example awnings and railing solutions. In addition, to a large extent the Group uses subcontractors, with external installers.

Balco normally secures material each year on a scale which is based on anticipated need at a fixed price, with Balco undertaking to purchase material to the stated extent at the stated price. Based on the stated raw material prices, Balco produces tenders to potential customers. Supplier agreements with respect to raw materials and components (e.g. materials such as sheet, steel, glass or aluminium) normally include an undertaking by Balco to purchase the ordered quantities at a predetermined agreed fixed price. The contract terms are usually short and raw materials are normally secured for a period of between half a year to a couple of years. Balco believes that the supplier agreements are entered into on standard industry terms and conditions that are normal in the industry.

Membership of trade association

Through its ownership of a share in BF Balcongbranschens Service AB, Balco is a member of Balkongföreningen (the Balcony Association) together with a number of other companies in the industry. The Balcony Association provides training to construction companies that engage in the installation of balcony floors, railings and glazing, with the aim of ensuring safety and quality in all stages, from project planning to installation. The activities of the Balcony Association largely comprise the production of technical instructions to ensure that the members work in accordance with applicable EU rules and the requirements of the National Board of Housing, Building and Planning.

MATERIAL AGREEMENTS

The Company believes that, other than the agreements described below, no single individual agreement is of material significance for the Group's business.

Design and construct contract regarding a new production unit

Balco is currently in the process of constructing a new plant in Łowyń in Poland with the aim of increasing capacity and facilitating future growth, and for coordination and optimisation of production. In connection therewith, certain aluminium production will be relocated from Sweden to Poland and certain production of City balconies will be relocated to the existing production unit in Poland. On December 12, 2016, the Group acquired a property in Łowyń and, in February 2017, a design and construct contract was entered into with Wielkopolskie Przedsiębiorstwo Inżynierii Przemysłowej (”**WPiP**”). According to the agreement, the plant is to be ready in the autumn of 2017. The contract contains clauses under which WPiP is liable to pay liquidated damages for delay in the event the project is not completed in accordance with the timetable, and also liquidated damages for shortcomings in the fulfilment of work environment requirements, etc. during the course of the work.

Agreements in the maritime product area within the New Build segment

Since the 2016 financial year, to a certain degree the Group's business has comprised constructing balcony solutions within the maritime product area. Balco has entered into an agreement regarding the manufacture of balcony solutions for two newly constructed cruise ships and negotiations are underway with the buyer regarding an order relating to an additional cruise ship. The contract amount is EUR 5,605,421 per vessel and the project constituted the largest customer agreement in 2016. Balco provides a two-year warranty in respect of the products delivered under the agreement. The agreement contains liquidated damages clauses linked to delivery times as well as the fulfilment of certain product specifications. The liquidated damages clauses contain specific caps on liquidated damages and, in addition, there is a total liability cap of 200 per cent of the contract sum per ship. In addition, the contract includes an undertaking pursuant to which Balco shall hold the contracting party harmless in the event that the product delivered under the agreement infringes any third party intellectual property rights. The product has been defined in such a manner that it also includes finished components delivered by a third party, which Balco subsequently installs in the product. The Company has procured liability insurance, including construction liability insurance, with respect to each ship.

Agreements with subcontractors

The Group supervises all projects and uses its own project managers, as well as external installation supervisors and contractors. The Group has developed long-term collaborations with its subcontractors. The Group's largest supplier agreement is the cooperation agreement with Cerax concerning external installers. The agreement with Cerax stipulates that contractors and installation supervisors are hired on an hourly basis and are called in per project; that Cerax is responsible for ensuring compliance with employment law and tax rules with respect to the contractors; and that Cerax is responsible for ensuring that construction insurance is procured. The hourly rate depends on volume and is reduced when certain thresholds for the number of hours worked during a particular period are reached. Balco undertakes to ensure that each agreed work week includes a certain volume of work and undertakes to pay for the entire work week even in the event of any brief idle times, which are limited to an idle time of up to 4 working days. The agreement is terminable by either party on four months' notice.

Partly-owned companies

Nordiska Balco AB owns a 25 per cent stake in the Polish company MIB-Pol. The remaining shares in MIB-Pol are owned by two key employees of the relevant company.

A shareholders' agreement, which among other things regulates the ownership of MIB-Pol, has been entered into between Nordiska Balco AB and the other largest owner of MIB-Pol. The background to the cooperation is that MIB-Pol performs work on behalf of Balco, including the production of windows for glazing. The agreement contains a post-transfer purchase right clause, redemption rights, non-compete provisions and requirements that certain important decisions be taken by a qualified majority, for example decisions regarding major investments or any change in the focus of the business.

New credit facilities

The Company has entered into a new credit facility agreement with Danske Bank A/S, Danmark, Sverige Filial. A current financing agreement with Swedbank and loans thereunder will be terminated and repaid in connection with the Offering. See also in the section ”*Capitalisation, indebtedness and other financial information – Credit facilities and loans,etc.*” for further information regarding credit agreements entered into in connection with, and conditional on, the Offering.

ACQUISITIONS AND DIVESTMENTS

The Group has made the following acquisitions in recent years:

Balco Spolka Zo.o. (Asset acquisition, 2013). The Group has acquired a production unit, including personnel and inventory, and, pursuant to a property purchase agreement dated July 1, 2015, a property in Przytoczna, Poland, from its partly-owned subcontractor MIB-Pol;

Kontech A/S (2015). On May 29, 2015, Nordiska Balco AB entered into a share purchase agreement with Kontech Holding ApS, Junker Jepsen Holding ApS and Patrick Holding ApS whereby all shares in Kontech (a producer of open balconies for big city environments), were acquired. The acquisition strengthens Balco's presence in Denmark, and also within a new product area (City balconies).

Balco Oy (2017). Nordiska Balco AB acquired all of the shares in Balco Oy by a share purchase agreement dated September 6, 2017. Prior to the acquisition Nordiska Balco AB owned 10 per cent of the shares in the company. Prior to the acquisition Balco Oy sold balcony systems from Balco and conducted adjacent contract work in Finland, which, together with the ownership of the company, was regulated through a partner and co-operation agreement with the previous additional shareholder of Balco Oy.

There are no outstanding purchase price payments to be made with respect to any of the acquisitions.

In August 2015, Nordiska Balco AB entered into an agreement for the sale of all shares in the subsidiary Kronhjorten and Lodjuret Fastigheter AB, the primary asset of which comprised a property. In connection with the share purchase agreement, an option agreement was entered into regarding the property, which entitles Nordiska Balco AB to buy back the property after a certain period of time in accordance with a specified price mechanism.

DISPUTES, LEGAL PROCEEDINGS AND ARBITRATION

The Group operates in several countries and, within the scope of the operating activities, from time to time Balco becomes involved in disputes, claims and administrative proceedings within the scope of normal business activities, for example liquidated damages. Such claims in themselves are not usually significant and provisions are regularly made in respect of such claims. However, Balco has not been party to any legal proceedings or arbitration (including as yet unresolved matters or such as the Company is aware may arise) during the past 12 months, which have recently had, or might have, a significant effect on the Company's financial position or profitability.

ENVIRONMENTAL AND REGULATORY ISSUES

The Group conducts no operations that are subject to permit obligations pursuant to the Environmental Code (1998:808). The Group's operations are subject to a reporting obligation, due to powder lacquering, workshop space and the casting of concrete bases. With respect to the production unit in Przytoczna in Poland, a general permit is required which entitles the Group to use the premises for production. In a number of countries in which the Group operates, permits for handling, e.g. asbestos or other hazardous waste may be required for individual projects.

INSURANCE

The Company believes that the Group holds insurance cover which covers the types of damage and the amounts that the Company considers to be customary in the industry. The insurance cover in respect of the Group's employees satisfies all requirements in applicable collective agreements and mandatory legislation.

INTELLECTUAL PROPERTY RIGHTS

Balco registers and is actively engaged in protecting its trade marks and names in those jurisdictions in which Balco currently conducts business. The Group holds a number of trade marks and pending trade mark registrations (including the word mark Balco) in several European jurisdictions, and holds an extensive portfolio of domain names. The Company's primary intellectual property rights are patents, of which the Swedish patents 1001091-6 (C-Shutter II) and 1000355-6 (Enclosure) are the most important. The patent protection covers primarily patent registrations and applications in Sweden. Patent protection is also in place on other Main Markets, such as Norway and Denmark, but is not as extensive.

TRANSACTIONS WITH CLOSELY-RELATED PARTIES

Within the group, certain transactions take place with closely associated persons. These types of transactions are carried out on a commercial basis and on market terms and conditions. The Group's CEO and CFO owns each half of the total amount of shares in Lundahl & Hall AB, which is the parent company for three wholly-owned subsidiaries, Järeda Förvaltning AB, Woodleg Förvaltning AB and Alnilam Fastigheter AB, as well as four partly-owned companies, Plast Aktiebolaget Orion (91 per cent), Aktiebolaget Smålandsinredningar (90 per cent), Hylte Unnaryd 12:1 Fastighets AB (80 per cent) and Plastics & Company AB (10 per cent). The Group's CEO and CFO's engagement within the Lundahl & Hall group is limited to the CEO being the board chairman in Lundahl & Hall AB, Woodleg Förvaltning AB and Plast Aktiebolaget Orion, director in Aktiebolaget Smålandsinredningar, Järeda Förvaltning AB as well as alternate director in Alnilam Fastigheter AB, the CFO being board chairman in Aktiebolaget Smålandsinredningar, director in Lundahl & Hall AB, Plast Aktiebolaget Orion and Alnilam Fastigheter AB.

Where required, the Company makes use of consultants for financial-administrative services, one of whom is employed in one of the companies within the Lundahl & Hall group. In addition, the Company purchases plastic components in a small volume from Plast Aktiebolaget Orion.

There are also intragroup transactions such as purchases and sales of services between group companies which take place on normal commercial terms based on commercial principles and comply with applicable transfer pricing policy. Goods are sold on the basis of applicable price lists and conditions for parties at arm's length. Services are purchased at cost price and paid for pursuant to an applicable transfer pricing policy. The Company makes the assessment that transfer pricing between different companies in the Group is based on the arm's length principle, i.e. that the prices correspond to the prices that would have applied had the parties been mutually independent, well informed, and interested in the transactions. Since December 31, 2016 sales and purchase of goods and services of closely-related parties consisted of sales of goods to the partly-owned company MIB-Pol of SEK 14.1 million, purchase of services from MIB-Pol of SEK 4.9 million as well as purchase of goods and services from other closely-related parties of SEK 1.4 million. For more information regarding transactions with closely-related parties, see note 34 in the section "*Historical financial information*".

PLACING AGREEMENT

Pursuant to the terms and conditions of an agreement regarding placement of shares which is intended to be entered into on or about October 5, 2017 by and between the Company, Joint Bookrunners and the Principal Owner ("**Placing Agreement**"), the Principal Owner undertakes to sell approximately 50 per cent of the shares in the Company to the buyers designated by Joint Bookrunners; or, in the event Joint Bookrunners is unsuccessful in doing so, Joint Bookrunners has undertaken to acquire the shares covered by the Offering, on condition that the Offering is not discontinued prior thereto (see below). The Principal Owner has reserved the right to expand the Offering by the equivalent of not more than 10 per cent of the total number of shares in the Company. The Principal Owner also intends to issue an Over-allotment Option entailing a commitment, not more than 30 days from the first day of trading in the Company's shares, at the request of Joint Bookrunners, to sell a further maximum of 1,928,589 shares, corresponding to not more than 15 per cent of the Offering. The Over-allotment Option may only be exercised for the purpose of covering any over-allotment within the framework of the Offering.

Through the Placing Agreement, the Company has issued customary undertakings and warranties to Joint Bookrunners, essentially with respect to the fact that the information in the Prospectus is correct, that the Prospectus and the Offering satisfy relevant statutory and regulatory requirements, and that there are no legal and/or other impediments to the Company entering into the Placing Agreement or to the completion of the Offering. Pursuant to the Placing Agreement, Joint Bookrunners undertaking to designate buyers, or, should Joint Bookrunners be unsuccessful in so doing, to acquire itself the shares covered by the Offering, is among other things conditional on the warranties provided in the Placing Agreement being correct. In the event the terms and conditions under the Placing Agreement are not fulfilled, neither delivery of, nor payment for, shares will take place within the framework of the Offering. Through the Placing Agreement, the Company will commit, subject to customary reservations, to indemnify Joint Bookrunners in respect of certain claims under specific circumstances.

Through the Placing Agreement, the Principal Owner as well as directors and senior executives in the Company separately, commit not to sell their respective holdings during a lock-up period (see also the section "*Share capital and ownership structure – Lock-up undertaking*").

Furthermore, AB Segulah, a company wholly-owned by Gabriel Urwitz an in which the Company's chairman Lennart Kalén is deputy chairman, has applied to acquire shares up to SEK 22.4 million in the Offering.

SUBSCRIPTION COMMITMENTS

Erik Selin through Skandrenting AB, Swedbank Robur Fonder Aktiebolag, Vätterleden AB, Lazard Asset Management GmbH, Stiftelsen Riksbankens Jubileumsfond, Taiga Fund Management AS, Familjen Hamrin (through Carl-Johan and Jenz Hamrin Foundation) and LMK Venture Partners AB (Cornerstone Investors) have undertaken towards Joint Bookrunners, the Principal Owner and the Company to, dircetly or indirectly, to the same price as the other investors, acquire shares in the Offering in accordance with what is stated in the tables below. The undertakings correspond to approximately 34 per cent of the total amount of shares in the Company immediately following completion of the Offering and approximately 50 per cent of the total Offering, based on full subscription in the Offering and that the Over-allotment Option is exercised in full. The Cornerstone Investors will not receive any compensation for their respective undertakings.

Joint Bookrunners, the board of directors and the Principal Owner are of the opinion that each of the Cornerstone Inverstors' creditworthiness is sound and thus that they will be able to meet their respective undertaking. The Cornerstone Investors undertakings are accompanied by certain conditions relating to the Offering being completed within a certain time. In the event that any of these conditions are not fulfilled, there is a risk that the Cornerstone Investors will not fulfil their undertakings.

DESCRIPTION OF CORNERSTONE INVESTORS

Erik Selin

Erik Selin is CEO and major shareholder of Fastighets AB Balder (publ), which is the largest listed real estate company in Sweden with properties in all the Nordic countries. Balder is also the largest shareholder in the listed niche bank Collector Bank AB (publ).

Cornerstone Investors	Subscription undertaking (i sek)	Number of shares	Number of shares in the offering[46]	Per cent of the total number of shares after the offering
Erik Selin	125 MSEK	2,232,142	15.1%	10.4%
Swedbank Robur Fonder AB	75 MSEK	1,339,285	9.1%	6.2%
Vätterleden Aktiebolag	35 MSEK	625,000	4.2%	2.9%
Lazard Asset Management GmbH	35 MSEK	625,000	4.2%	2.9%
Stiftelsen Riksbankens Jubileumsfond	35 MSEK	625,000	4.2%	2.9%
Taiga Fund Management AS	35 MSEK	625,000	4.2%	2.9%
Familjen Hamrin	35 MSEK	625,000	4.2%	2.9%
LMK Venture Partners AB	35 MSEK	625,000	4.2%	2.9%
Total	**410 MSEK**	**7,321,427**	**49.5%**	**34.2%**

46) Based on full subscription in the Offering and that the Over-allotment Option is exercised in full.

Swedbank Robur Fonder AB

Swedbank Robur Fonder is one of Scandinavia's largest fund managers and is a wholly owned subsidiary of Swedbank. Swedbank Robur Fonder offers savings alternatives for retail and institutional clients through mutual funds and discretionary asset management.

Vätterleden Aktiebolag

Vätterleden Aktiebolag is a family-owned industrial conglomerate headquartered in Gothenburg. The company operates within five main areas: listed holdings, trade and industrial operations, real estate, wind power and forestry and other operations. The group was founded 1969 and had a turnover of SEK 1.7 billion in 2015. The group holds significant positions, amongst others, in Gunnebo and Kopparbergs Brewery.

Lazard Asset Management GmbH

Lazard Asset Management manages USD 171.9 billion of assets around the world across a broad spectrum of asset classes. The Lazard European Microcap Fund targets long-term capital appreciation by investing in a concentrated portfolio of European micro-cap stocks with a market capitalization of no more than EUR 1 billion.

Stiftelsen Riksbankens Jubileumsfond

Riksbankens Jubileumsfond (RJ) is an independent foundation with the goal of promoting and supporting research in the Humanities and Social Sciences. Since 1988 the foundation is an independent financial institution. The Finance Department comprises the foundation's Financial Director and three Portfolio Managers with individual investment responsibilities. In the years 1989–2016, the aggregate financial result was SEK 17.3 billion. Equity grew from SEK 1.6 billion in 1988 to SEK 12.2 billion at year-end 2016, while research grants SEK 7.7 billion in total were approved in the same period.

Taiga Fund Management AS

Taiga Fund Management AS is an Alternative Investment Fund Manager (AIFM) based in Oslo, Norway, that specializes in small and mid-size companies with a focus on the Nordic region. The portfolio is concentrated, value-oriented and long-biased, with an active ownership approach to the long positions. At any time they expect 10 core long holdings to constitute a majority of the portfolios' capital and risk. The fund is able to invest in all of Europe but is likely to have a strong Nordic focus. The fund was launched in October 2007.

Familjen Hamrin

The Hamrin family is the fourth-generation owner of Herenco AB which was founded in 1865 in Jönköping. The company, which has a turnover of SEK 3.5 billion, consists of six branches: Emballator (packaging), Pacson (sales), Hallmedia (newspapers), Hamhus (properties), Vättern Industrier (technology companies) and Herenco Invest (investment company). The family controls the Hamrin-foundation which manages SEK 1.1 billion and whose purpose is to support scientific research. The family is also one of the principal owners in Nolato AB.

LMK Venture Partners AB

LMK Venture Partners AB is a wholly-owned subsidiary to LMK Industri (Lars Mikael Karlsson) AB, a Nordic privately owned investment company with investments in several companies, including Hotel Kungsträdgården, Lapland Resorts and Axis Communications (divested in 2015). The basis of LMK Industri's financial assets originates from Axis Communications, where Mikael Karlsson was one of the co-founders alongside Martin Gren. LMK Industri's investments are focused on contributing to the creation of new successful Swedish companies, primarily within energy and IT.

ADVISERS' INTERESTS

Carnegie and Danske Bank are Joint Bookrunners in the Offering and provide financial advice and other services to the Company and the Principal Owner, for which they receive customary fees and commissions and may come to have interests that may not be aligned or could potentially conflict with the interests of potential investors, the Company or the Principal Owner. The total payment that Joint Bookrunners will receive depends on the success of the Offering.

From time to time, Carnegie may provide services to the Principal Owner and parties closely-related to the Principal Owner, within the course of ordinary business and in connection with other transactions.

OFFERING COSTS

As remuneration for Carnegie's work in connection with the admission of the shares to trading on Nasdaq Stockholm and the Offering, subject to certain reservations Carnegie will be reimbursed by the Company for external costs incurred by Carnegie.

The Company's costs related to the admission of the shares to trading on Nasdaq Stockholm and the Offering are estimated to amount to approximately SEK 25 million. Such costs relate primarily to costs for auditors, legal representation, printing of the Prospectus, costs related to company management presentations, etc. The Company will receive no revenues from the Offering.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available during the period of validity of the Prospectus at the Company's head office, Älgvägen 4 in Växjö, Sweden, for inspection on weekdays during normal office hours:

(a) the Company's articles of association,
(b) the Company's annual reports and consolidated financial statements for the 2014, 2015 and 2016 financial years, including auditor's reports; and
(c) annual reports for the past two financial years, including auditor's reports, for all of the Company's subsidiaries.

The Company's documents are also available digitally on the Company's website, www.balco.se.

The above-mentioned annual reports or information on, or which is referred to on, the Company's website, do not constitute part of this Prospectus and are not incorporated by reference.

SWEDISH TAX CONSIDERATIONS

Presented below is a summary of certain Swedish tax issues related to the Offering and the admission of shares in the Company to trading on Nasdaq Stockholm which, unless otherwise stated, are of relevance for private individuals and limited liability companies that are residents of Sweden for tax purposes. The summary is based on current legislation and is intended only to provide general information regarding the shares in the Company as from the date of admission to trading on Nasdaq Stockholm.

The summary does not address:
- situations where shares are held as a stock asset in business operations;
- situations where shares are held by a limited partnership or a partnership;
- situations where shares are held on an ISA;
- the special rules regarding tax-exempt capital gains (including non-deductible capital losses) and dividends on shares in the corporate sector that may be applicable where the investor holds shares in the Company that are deemed held for business purposes (from a tax perspective);
- the special rules that, in certain cases, may be applicable to shares in companies that are or have been closely held companies or shares acquired on the basis of such shares;
- the special rules that may be applicable to private individuals who make or reverse a so-called investor deduction (Sw. investeraravdrag);
- foreign companies conducting business through a permanent establishment in Sweden; or
- foreign companies that have been Swedish companies.

In addition, special tax rules apply to certain categories of companies. The tax treatment of each individual shareholder depends to a certain extent on the holder's particular circumstances. Accordingly, each shareholder is advised to consult an independent tax advisor as to the tax consequences that could arise from the Offering and the admission of the shares to trading on on Nasdaq Stockholm, including the applicability and effect of foreign tax rules and double taxation treaties.

PRIVATE INDIVIDUALS

For private individuals resident in Sweden for tax purposes, income from capital such as interest, dividends and capital gains, is taxed in the capital income category. The tax rate in the capital income category is 30 per cent.

Capital losses on listed shares may be offset in full against taxable capital gains arising in the same year on shares, listed securities taxed as shares (however, not units in UCITS funds or non-UCITS funds containing only Swedish securities, so-called fixed income funds). 70 per cent of any capital loss which is not set off through the aforementioned possibility of set off is deductible in the capital income category.

Where a net loss arises in the capital income category, a tax reduction is granted on income from employment and business operations, as well as property tax and municipal property charges. The tax reduction is 30 per cent of the deficit up to SEK 100,000, and 21 per cent of the remaining deficit. Deficits cannot be carried forward to subsequent tax years.

For private individuals resident in Sweden for tax purposes, preliminary tax of 30 per cent is withheld on dividends. The preliminary tax is normally withheld by Euroclear Sweden or, as regards nominee-registered shares, by the nominee.

LIMITED COMPANIES

For limited liability companies (*Sw. aktiebolag*) all income, including taxable capital gains and taxable dividends, is taxed as income from business operations at a rate of 22 per cent.

Deductible capital losses on shares may only be recognized against taxable capital gains on shares and other securities taxed as shares. A capital loss on shares that cannot be utilized during the year of the loss may be carried forward (by the limited liability company that has suffered the loss) and offsettable capital gains on shares and other securities taxed as shares in future years, without any limitation in time. If a capital loss cannot be deducted by the company that has suffered the loss, it may be deducted from the taxable capital gains on shares and other securities taxed as shares of another legal entity in the same group, provided that the companies are entitled to tax consolidation (through so-called group contributions) and both companies request this for a tax year having the same filing date for each company (or which would have had the same filing date had not the accounting liability of one of the companies ceased). Special tax rules may be applicable to certain categories of companies or certain legal entities, for instance investment companies.

SHAREHOLDERS NOT RESIDENT IN SWEDEN FOR TAX PURPOSES

Swedish withholding tax is normally withheld as regards shareholders not resident in Sweden for tax purposes who receive dividends on shares in a Swedish limited liability company. The same withholding tax applies to certain other payments made by a Swedish limited liability company, such as payments as a result of redemption of shares and share buybacks through an offer directed to all shareholders or all holders of shares of a certain class. The tax rate is 30 per cent. The withholding tax rate is, however, generally reduced through double taxation treaties. In Sweden, withholding of tax deductions is normally carried out by Euroclear Sweden or, in respect of nominee-registered shares, by the nominee. Investors who are entitled to lower tax under an applicable double taxation treaty can apply to the Swedish Tax Agency for a refund in the event full Swedish withholding tax has been deducted.

Shareholders not resident in Sweden for tax purposes – and which are not conducting business through a permanent establishment in Sweden – are normally not liable to capital gains taxation in Sweden upon divestment of shares. Shareholders may, however, be subject to taxation in their state of residence. According to a special rule, private individuals not resident in Sweden for tax purposes are, however, subject to Swedish capital gains taxation upon divestment of shares in the Company, if they have been residents of Sweden or have had a habitual abode in Sweden at any time during the calendar year of divestment or the ten calendar years preceding the year of divestment. In a number of cases, though, the applicability of this rule is limited by double taxation treaties.

HISTORICAL FINANCIAL INFORMATION

Interim report January-June 2017

BALCONIES
FOR
GREATER
LIVING

BALCO

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

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

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

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Corporate ID: 556821-2319

BALCO

Interim report *January-June 2017*

A strong quarter with a good order intake

Second quarter: April-June 2017

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

Six-month period: January-June 2017

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

Events in the second quarter

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

Events after the end of the quarter

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

Revenue and profit

MSEK	Apr-Jun 2017	Apr-Jun 2016	%	Jan-Jun 2017	Jan-Jun 2016	%	Jul-Jun 2016/17	Jan-Dec 2016	%
Net sales	268.4	213.7	26%	499.2	371.8	34%	929.0	801.6	16%
Order intake	394.8	233.5	69%	614.9	425.0	45%	1,256.1	1,066.3	18%
Order backlog	1,224.8	892.2	37%	1,224.8	892.2	37%	1,224.8	1,107.2	11%
Gross profit	67.5	50.1	35%	125.1	89.9	39%	225.1	189.9	19%
Gross profit, %	25.1	23.4		25.1	24.2		24.2	23.7	
Operating profit (EBIT)	30.8	20.1	53%	53.9	30.4	77%	87.0	63.6	37%
EBIT margin, %	11.5	9.4		10.8	8.2		9.4	7.9	
Adjusted operating profit (EBIT)	33.6	20.1	67%	57.9	30.4	90%	109.8	82.4	33%
Adjusted operating profit margin, %	12.5	9.4		11.6	8.2		11.8	10.3	
Net profit for the period	12.4	5.9	109%	19.7	4.9	305%	27.9	12.9	116%
Operating cash flow	42.5	39.5	8%	34.4	38.1	-10%	69.8	73.4	-5%

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BALCO

Interim report *January-June 2017*

Kenneth Lundahl, President and CEO:

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

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

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

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

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

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

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

Växjö, August 25, 2017

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

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BALCO

Interim report *January-June 2017*

The Group's development

Net sales

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

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

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

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

Earnings

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

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

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

BALCO

Interim report *January-June 2017*

Operations and performance by segment

Operations and market

Balco offers customised balcony solutions under its own brand to tenant-owner associations, private property owners, the public sector and construction companies primarily in Sweden, Norway and Denmark, but also in Germany, Finland, the UK and the Netherlands. Balco is currently the leader in the Swedish and Norwegian balcony markets and second-largest in Denmark. Balco holds a strong challenging position in other markets. Balco's business is divided into two operating segments: Renovation and New Build. Renovation is the larger of the two segments. The value of the North European balcony market in 2016 is estimated at about SEK 38 billion and is expected to show annual growth of about 6 percent in the period 2015-2020[1)]. The growth is driven by continuing strong development in Balco's main markets of Sweden, Norway and Denmark, which are expected to show annual growth in value of about 13 percent in the period 2015-2020[1)].

Products

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

Renovation

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

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

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

New Build

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

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

[1)] Source: Market study, Arthur D. Little

Interim report *January-June 2017*

Sales by segment

MSEK	Apr-Jun 2017	Apr-Jun 2016	%	Jan-Jun 2017	Jan-Jun 2016	%	Jul-Jun 2016/17	Jan-Dec 2016	%
Renovation	229.1	201.1	14%	426.2	340.9	25%	811.7	726.4	12%
New Build	39.3	12.5	213%	73.1	30.9	136%	117.3	75.2	56%
Group other	1.8	0.2	870%	3.6	0.4	870%	9.4	6.2	52%
Elimination	-1.8	-0.2	n/a	-3.6	-0.4	n/a	-9.4	-6.2	n/a
Total sales	**268.4**	**213.7**	**26%**	**499.2**	**371.8**	**34%**	**929.0**	**801.6**	**16%**

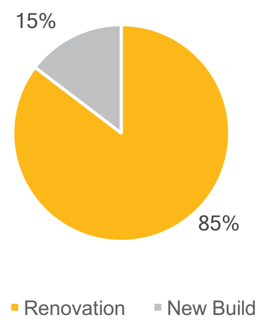
EBIT by segment

MSEK	Apr-Jun 2017	Apr-Jun 2016	%	Jan-Jun 2017	Jan-Jun 2016	%	Jul-Jun 2016/17	Jan-Dec 2016	%
Renovation	35.0	23.6	48%	57.5	33.9	70%	106.9	83.2	28%
New Build	2.8	0.0	n/a	4.6	0.0	n/a	-15.2	-19.8	n/a
Group other	-6.7	-3.6	n/a	-8.3	-3.4	n/a	-4.6	0.2	n/a
Elimination	-0.3	0.1	-349%	0.0	0.0	n/a	0.0	0.0	n/a
Total EBIT	**30.8**	**20.1**	**53%**	**53.9**	**30.4**	**77%**	**87.0**	**63.6**	**37%**

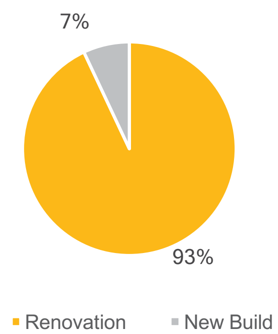
EBIT margins by segment

%	Apr-Jun 2017	Apr-Jun 2016	Jan-Jun 2017	Jan-Jun 2016	Jul-Jun 2016/17	Jan-Dec 2016
Renovation	15.3%	11.7%	13.5%	9.9%	13.2%	11.5%
New Build	7.1%	0.2%	6.3%	0.0%	-161.3%	-319.2%
Total EBIT margin	**11.5%**	**9.4%**	**10.8%**	**8.2%**	**9.4%**	**7.9%**

Share of total net sales, Q2 (%)



Share of operating profit, Q2 (%)



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BALCO

Interim report *January-June 2017*

Balance sheet, financial position & cash flow

Liquidity and financial position

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

Financial position

MSEK	Jun 30, 2017	Jun 30, 2016	Dec 31, 2016
Shareholder financing	279.6	243.2	260.1
External non-current interest-bearing liabilities	44.5	63.4	45.0
Current interest-bearing liabilities	75.6	74,7	76.6
Cash and cash equivalents	-19.6	-36.2	-21.7
Interest-bearing net debt	**380.1**	**345.0**	**360.0**
Less: shareholder financing	-279.6	-243.2	-260.1
External interest-bearing net debt	**100.5**	**101.9**	**99.9**
Equity/assets ratio, %	19.8%	18.6%	19.5%
External interest-bearing net debt/adjusted EBITDA (LTM), times	0.8x	1.2x	1.0x

Cash flow

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

Investments and depreciation

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

Parent Company

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

BALCO

Interim report *January-June 2017*

Other information

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

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

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

Related party transactions
The Group's key persons consist of the Board, Group management and the CEO, partly through ownership of Balco and partly through the senior executive role. Close associates also include the Company's largest shareholder, Segulah, which is represented on the board by Lennart Kalén (Chairman), Percy Calissendorff and Marcus Planting-Bergloo. Related party transactions are conducted at market conditions. At the end of the period, shareholder financing amounted to SEK 148.1 (148.1) million and expensed interest was SEK 131.6 (95.1) million. For further information, see page 44 of the 2016 annual report.

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

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

Financial targets

Growth
- Balco shall grow 10% per year.

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

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

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

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BALCO

Interim report *January-June 2017*

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

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

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

Växjö, August 25, 2017

Lennart Kalén
Chairman of the Board

Ingalill Berglund
Board member

Håkan Bergqvist
Board member

Percy Calissendorff
Board member

Tomas Johansson
Board member

Marcus Planting-Bergloo
Board member

Åsa Söderström Jerring
Board member

Kenneth Lundahl
President and CEO

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Calendar 2017/2018

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

BALCO

Interim report *January-June 2017*

Consolidated income statement

MSEK	Note	Apr-Jun 2017	Apr-Jun 2016	Jan-Jun 2017	Jan-Jun 2016	Jul-Jun 2016/17	Jan-Dec 2016
Net sales		**268.4**	**213.7**	**499.2**	**371.8**	**929.0**	**801.6**
Production and project costs		-200.9	-163.6	-374.2	-282.0	-703.9	-611.7
Gross profit		**67.5**	**50.1**	**125.1**	**89.9**	**225.1**	**189.9**
Sales costs		-22.4	-20.8	-45.1	-42.3	-91.9	-89.1
Administration costs		-14.5	-9.8	-26.3	-18.2	-46.9	-38.8
Share of profit or loss of associates		0.3	0.1	0.2	0.1	0.6	0.6
Other operating income		2.1	0.9	3.8	2.0	12.3	10.4
Other operating expenses		-2.1	-0.5	-3.8	-1.1	-12.1	-9.4
Operating costs		**-36.7**	**-30.0**	**-71.2**	**-59.4**	**-138.1**	**-126.3**
Operating profit		**30.8**	**20.1**	**53.9**	**30.4**	**87.0**	**63.6**
Finance income		0.0	0.1	0.0	0.1	0.0	-
Finance costs		-11.7	-10.6	-22.7	-20.2	-43.4	-40.9
Profit before tax		**19.1**	**9.5**	**31.1**	**10.3**	**43.6**	**22.7**
Income tax		-6.7	-3.9	-11.5	-5.9	-16.3	-10.7
Net profit for the period		**12.4**	**5.7**	**19.6**	**4.4**	**27.3**	**12.1**
Other comprehensive income							
Items that have been/can be reclassified to profit/loss							
Exchange rate differences on translation of foreign operation		0.0	0.3	0.1	0.5	0.6	0.9
Comprehensive income for the period		**12.4**	**5.9**	**19.7**	**4.9**	**27.9**	**12.9**
Of which attributable to:							
Owners of the parent company		12.4	5.9	19.7	4.9	27.9	12.9
Earnings per common share, SEK, before dilution	4	0.15	0.06	0.23	0.02	0.30	0.08
Earnings per common share, SEK, after dilution	4	0.15	0.06	0.23	0.02	0.30	0.08
Average number of common shares, thousands		67,717	67,717	67,717	67,717	67,717	67,717

BALCO

Interim report *January-June 2017*

Consolidated balance sheet in summary

MSEK	Jun 30, 2017	Jun 30, 2016	Dec 31, 2016
Assets			
Non-current assets			
Goodwill	371.4	371.2	371.4
Other intangible assets	11.1	10.0	11.2
Property, plant and equipment	107.7	73.3	85.1
Financial assets	4.3	4.3	3.9
Deferred tax assets	0.7	2.9	1.0
Total non-current assets	**495.0**	**461.7**	**472.5**
Current assets			
Inventory	19.5	18.9	16.7
Trade receivables	124.6	87.0	94.5
Gross amount due from customers	125.1	91.8	96.3
Current tax receivables	0.9	0.0	1.3
Other current receivables	19.7	11.2	11.2
Cash and cash equivalents	19.6	36.2	21.7
Total current assets	**309.4**	**245.1**	**241.8**
TOTAL ASSETS	**804.4**	**706.8**	**714.3**
Equity and liabilities			
Equity			
Share capital	67.7	67.7	67.7
Additional paid-in capital	177.3	177.3	177.3
Retained earnings, incl. profit for year	-85.8	-113.6	-105.5
Equity attributable to the owners of the parent company	**159.3**	**131.4**	**139.5**
Non-current liabilities			
Deferred tax liabilities	1.2	0.1	0.3
Shareholder financing	279.6	243.2	260.1
Interest-bearing liabilities	44.5	63.4	45.0
Total non-current liabilities	**325.3**	**306.7**	**305.4**
Current liabilities			
Interest-bearing liabilities	75.6	74.7	76.6
Gross amount due to customers	39.4	48.2	38.2
Trade payables	117.6	91.1	89.0
Current tax liabilities	11.7	0.0	2.5
Other liabilities	18.2	21.4	10.4
Other accrued expenses and prepaid income	57.3	33.2	52.6
Total current liabilities	**319.8**	**268.7**	**269.3**
TOTAL EQUITY AND LIABILITIES	**804.4**	**706.8**	**714.3**

BALCO

Interim report *January-June 2017*

Consolidated statement of changes in equity in summary

MSEK	Share Capital	Additional paid-in capital	Translation reserve	Retained earnings	Total equity
Opening balance, January 1, 2016	**67.7**	**177.3**	**0.1**	**-118.6**	**126.6**
Comprehensive income for the period					
Profit for the period	-	-	-	4.4	4.4
Other comprehensive income for the period	-	-	0.5	-	0.5
Total comprehensive income for the period	**-**	**-**	**0.5**	**4.4**	4.9
Closing balance, June 30, 2016	**67.7**	**177.3**	**0.6**	**-114.2**	**131.4**
Opening balance, January, 1 2017	**67.7**	**177.3**	**1.0**	**-106.6**	**139.5**
Comprehensive income for the period					
Profit for the period	-	-	-	19.6	19.6
Other comprehensive income for the period	-	-	0.1	-	0.1
Total comprehensive income for the period	**-**	**-**	**0.1**	**19.6**	19.7
Closing balance, June 30, 2017	**67.7**	**177.3**	**1.1**	**-86.9**	**159.3**

Interim report *January-June 2017*

Consolidated statement of cash flows in summary

MSEK	Apr-Jun 2017	Apr-Jun 2016	Jan-Jun 2017	Jan-Jun 2016	Jul-Jun 2016/17	Jan-Dec 2016
Operating activities						
Operating profit (EBIT)	**30.8**	**20.1**	**53.9**	**30.4**	**87.0**	**63.6**
Adjustment for non-cash items	5.2	10.4	9.0	15.1	9.9	16.0
Interest received	0.0	0.1	0.0	0.1	-0.1	0.0
Interest paid	-2.0	-2.1	-3.2	-3.2	-7.0	-7.0
Income tax paid	-1.9	-6.3	-2.0	-6.2	1.2	-3.0
Cash flow from operating activities before changes in working capital	**32.1**	**22.1**	**57.6**	**36.2**	**91.1**	**69.6**
Changes in working capital						
Increase (-)/Decrease (+) in inventories	-1.7	-2.3	-2.8	-5.1	-0.6	-2.9
Increase (-)/Decrease (+) in operating receivables	-5.3	9.2	-67.3	-23.8	-78.7	-35.2
Increase (+)/Decrease (-) in operating liabilities	12.6	11.9	42.3	34.3	37.8	29.8
Cash flow from operating activities	**37.7**	**40.9**	**29.9**	**41.6**	**49.7**	**61.3**
Investing activities						
Purchase/sale of intangible assets	-0.1	-	-0.1	-	-1.1	-1.0
Purchase/sale of property, plant and equipment	-26.4	-4.7	-29.9	-6.3	-47.6	-24.1
Purchase/sale of property, plant and equipment	0.0	0.0	-	-	1.3	1.3
Change in other financial assets	0.0	-0.1	0.3	0.0	0.1	-0.3
Cash flow from investing activities	**-26.5**	**-4.8**	**-29,6**	**-6.4**	**-47.3**	**-24.1**
Financing activities						
Amortisation of loans	-	-15.1	-	-16.1	-7.9	-24.0
Proceeds from loans	0.3	-	0.7	-	0.7	-
Changes in financial leasing	-1.8	-1.6	-4.5	-5.0	-9.7	-10.2
Changes in current financial liabilities	-8.0	-4.6	1.5	-6.1	-2.0	-9.5
Cash flow from financing activities	**-9.4**	**-21.3**	**-2.4**	**-27.1**	**-18.9**	**-43.7**
Cash flow for the period	1.8	14.8	-2.1	8.1	-16.6	-6.4
Cash and cash equivalents at beginning of the period	17.8	21.4	21.7	28.2	36.2	28.2
Cash and cash equivalents at end of the period	**19.6**	**36.2**	**19.6**	**36.2**	**19.6**	**21.7**

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

BALCO

Interim report *January-June 2017*

Key ratios

	Apr-Jun 2017	Apr-Jun 2016	Jan-Jun 2017	Jan-Jun 2016	Jul-Jun 2016/17	Jan-Dec 2016
Net sales, MSEK	268.4	213.7	499.2	371.8	929.0	801.6
Order intake, MSEK	394.8	233.5	614.9	425.0	1,256.1	1,066.3
Order backlog, MSEK	1,224.8	892.2	1,224.8	892.2	1,224.8	1,107.2
Gross profit, MSEK	67.5	50.1	125.1	89.9	225.1	189.9
EBITDA, MSEK	35.0	23.4	62.3	37.0	103.1	77.9
Adjusted EBITDA, MSEK	37.8	23.4	66.3	37.0	125.9	96.6
Operating profit (EBIT), MSEK	30.8	20.1	53.9	30.4	87.0	63.6
Adjusted operating profit, MSEK	33.6	20.1	57.9	30.4	109.8	82.4
Gross profit margin, %	25.1	23.4	25.1	24.2	24.2	23.7
EBITDA margin, %	13.0	11.0	12.5	10.0	11.1	9.7
Adjusted EBITDA margin, %	14.1	11.0	13.3	10.0	13.6	12.1
Operating profit margin (EBIT), %	11.5	9.4	10.8	8.2	9.4	7.9
Adjusted operating profit margin (EBIT), %	12.5	9.4	11.6	8.2	11.8	10.3
Operating cash flow, MSEK	42.5	39.5	34.4	38.1	69.8	73.4
Operating cash conversion, %	112.6	168.7	51.9	102.7	55.4	76.0
Capital employed, average	533.8	485.2	519.5	479.8	507.9	491.3
Capital employed, excl. goodwill, average	162.5	114.0	148.1	108.6	136.6	120.1
Equity, average	153.1	128.5	149.4	129.0	145.4	133.0
External interest-bearing net debt, MSEK	100.5	101.9	100.5	101.9	100.5	99.9
External interest-bearing net debt/adjusted EBITDA 12 months, times	0.8x	1.2x	0.8x	1.2x	0.8x	1.0x
Return on capital employed, %, (LTM)	20.6	14.9	21.1	15.1	21.6	16.8
Return on capital employed, excl. goodwill, %, (LTM)	67.6	63.4	74.2	66.5	80.4	68.6
Return on invested capital, %, (LTM)	18.2	18.9	18.7	18.8	19.2	9.7
Equity/assets ratio, %	19.8	18.6	19.8	18.6	19.8	19.5
Number of full-time employees on the closing date	314	279	314	279	314	301
Average number of common shares for the period, 000s	67,717	67,717	67,717	67,717	67,717	67,717
Equity per common share, SEK	2.26	1.90	2.21	1.91	2.15	1.96

BALCO

Interim report *January-June 2017*

Parent company

Income statement in summary

MSEK	Jan-Jun 2017	Jan-Jun 2016	Jul-Jun 2016/17	Jan-Dec 2016
Net sales	-	-	-	-
Operating expenses	-0.7	-	-0.7	-
Operating profit	**-0.7**	**-**	**-0.7**	**-**
Group contribution	-	-	10.0	10.0
Interest income	-	-	-	-
Interest expenses	-19.5	-17.0	-36.5	-33.9
Profit/loss after financial items	**-20.2**	**-17.0**	**-27.2**	**-23.9**
Change in untaxed reserves	-	-	-	-
Tax	0.2	-	-0.8	-1.0
Net profit/loss for the period	**-20.1**	**-17.0**	**-28.0**	**-24.9**

Total comprehensive income corresponds with profit for the period since no items in the Parent Company are recognised as other comprehensive income.

Balance sheet in summary

MSEK	Jun 30, 2017	Jun 30, 2016	Dec 31, 2016
ASSETS			
Non-current assets	**389.1**	**389.1**	**403.8**
Current assets	**14.9**	**4.7**	**-**
TOTAL ASSETS	**403.9**	**393.8**	**403.8**
EQUITY AND LIABILITIES			
Restricted equity	67.7	67.7	67.7
Unrestricted equity	54.9	82.9	75.0
Total equity	**122.6**	**150.6**	**142.7**
Non-current liabilities	**279.6**	**243.1**	**260.1**
Other current liabilities	**1.7**	**-**	**1.0**
TOTAL EQUITY AND LIABILITIES	**403.9**	**393.8**	**403.8**

Interim report *January-June 2017*

Notes

Note 1 Accounting policies

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

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

Note 2 Financial instruments

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

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

Note 3 Operating segments

Balco reports in the following segments:

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

	Renovation		New Build		Group other		Eliminations		Total	
MSEK	Jan-Jun 2017	Jan-Jun 2016	Jan-Jun 2017	Jan-Jun 2016	Jan-Jun 2017	Jan-Jun 2016	Jan-Jun 2017	Jan-Jun 2016	Jan-Jun 2017	Jan-Jun 2016
Net sales – External revenue	426.2	340.9	73.1	30.9	-	-	-	-	499.2	371.8
Net sales – Internal revenue	-	-	-	-	3.6	0.4	-3.6	-0.4	-	-
Total sales	**426.2**	**340.9**	**73.1**	**30.9**	**3.6**	**0.4**	**-3.6**	**-0.4**	**499.2**	**371.8**
Operating profit (EBIT)	**57.5**	**33.9**	**4.6**	**- 0.0**	**-8.3**	**-3.4**	**-**	**-**	**53.9**	**30.4**
Depreciation included with	7.1	6.1	1.3	0.5	-	-	-	-	8.4	6.6
IPO costs	-	-	-	-	4.0	-	-	-	4.0	-
Adjusted operating profit (EBIT)	**57.5**	**33.9**	**4.6**	**- 0.0**	**-4.2**	**-3.4**	**-**	**-**	**57.9**	**30.4**
Operating profit (EBIT)	**57.5**	**33.9**	**4.6**	**- 0.0**	**-8.3**	**-3.4**	**-**	**-**	**53.9**	**30.4**
Finance income	-	-	-	-	0.0	0.1	-	-	0.0	0.1
Finance cost	-	-	-	-	-22.7	-20.2	-	-	-22.7	-20.2
Profit before tax	-	-	-	-	-31.0	-23.5	-	-	**31.1**	**10.3**

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Note 4 Earnings per share

MSEK	Apr-Jun 2017	Apr-Jun 2016	Jan-Jun 2017	Jan-Jun 2016	Jul-Jun 2016/17	Jan-Dec 2016
Net profit for the period attributable to the owners of the parent company	12.4	5.9	19.7	4.9	27.9	12.9
Less return on preference shares	-2.1	-1.8	-4.2	-3.6	-7.8	-7.3
Profit for the period after return on preference shares	**10.3**	**4.1**	**15.6**	**1.2**	**20.0**	**5.6**
Average number of common shares, 000'	67,717	67,717	67,717	67,717	67,717	67,717
Earnings per common share, SEK, before dilution	0.15	0.06	0.23	0.02	0.30	0.08
Earnings per common share, SEK, after dilution	0.15	0.06	0.23	0.02	0.30	0.08

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Note 5 Reconciliation with IFRS financial statements

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

	Apr-Jun 2017	Apr-Jun 2016	Jan-Jun 2017	Jan-Jun 2016	Jul-Jun 2016/17	Jan-Dec 2016
Adjusted operating profit						
Operating profit	30.8	20.1	53.9	30.4	87.0	63.6
IPO costs	2.8	0.0	4.0	0.0	6.7	2.6
Other non-recurring items	0.0	0.0	0.0	0.0	16.1	16.1
Adjusted operating profit	**33.6**	**20.1**	**57.9**	**30.4**	**109.8**	**82.4**
Adjusted EBITDA						
Operating profit	30.8	20.1	53.9	30.4	87.0	63.6
Depreciation	4.2	3.4	8.4	6.6	16.1	14.3
IPO costs	2.8	0.0	4.0	0.0	6.7	2.6
Other non-recurring items	0.0	0.0	0.0	0.0	16.1	16.1
Adjusted EBITDA	**37.8**	**23.4**	**66.3**	**37.0**	**125.9**	**96.6**
Operating cash flow, MSEK						
Adjusted EBITDA	37.8	23.4	66.3	37.0	125.9	96.6
Changes in working capital	5.6	18.8	-27.8	5.4	-41.4	-8.3
Investments in other non-current assets, net	-0.8	-2.7	-4.2	-4.4	-14.7	-14.9
Operating cash flow, MSEK	**42.5**	**39.5**	**34.4**	**38.1**	**69.8**	**73.4**

	Jun 30, 2017	Jun 30, 2016	Dec 31, 2016
External interest-bearing net debt, MSEK			
External non-current interest-bearing liabilities	44.5	63.4	45.0
Current interest-bearing liabilities	75.6	74.7	76.6
Cash and cash equivalents	-19.6	-36.2	-21.7
Interest-bearing net debt	**100.5**	**101.9**	**99.9**
Adjusted EBITDA (LTM)	**125.9**	**88.4**	**96.6**
Interest-bearing net debt/EBITDA LTM, times	**0.8x**	**1.2x**	**1.0x**
Return on capital employed, %			
Equity	159.3	131.4	139.5
External interest-bearing net debt	100.5	101.9	99.9
Shareholder financing	279.6	243.2	260.1
Average capital employed	**519.5**	**476.1**	**491.3**
Adjusted operating profit (EBIT), (LTM)	109.8	88.4	96.6
Return on capital employed, %	**21.1**	**18.6**	**19.7**
Equity/assets ratio, %			
Equity attributable to owners of the parent company	159.3	131.4	139.5
Total assets	804.4	706.8	714.3
Equity/assets ratio, %	**19.8**	**18.6**	**19.5**

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Alternative performance measures

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

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

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

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Auditor's report

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

Introduction

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

Scope of Review

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

Conclusion

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

Växjö, August 25, 2017

Öhrlings PricewaterhouseCoopers AB

Magnus Svensson Henryson
Authorized Public Accountant

HISTORICAL FINANCIAL INFORMATION

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Amounts in SEK '000	Note	2016	2015	2014
Net sales	5	801,613	638,592	568,372
Production and project costs	6,7,8,13	-611,729	-476,247	-466,920
Gross profit		**189,884**	**162,345**	**101,452**
Selling expenses	6,7,8	-89,098	-73,650,	-53,611
Administrative expenses	6,7,8	-38,793	-32,451	-24,872
Profit from shares in associated companies	9	556	214	196
Other operating income	10	10,413	15,401	6,896
Other operating expenses	10	-9,361	-6,892	-5,221
Operating profit	5	**63,601**	**64,967**	**24,840**
Financial income	11	-	252,	136
Financial expenses	11,13	-40,889	-40,373	-48,490
Net financial items	11,13	**-40,889**	**-40,121**	**-48,354**
Profit/loss before tax		**22,712**	**24,846**	**-23,514**
Income tax	12	-10,662	-5,570	-592
Profit/loss for the year		**12,050**	**19,276**	**-24,106**
Other comprehensive income				
Items which may subsequently be reversed in the income statement				
Exchange rate differences upon translation of foreign operations		896	-556	42
Other comprehensive income for the year, net after tax		**896**	**-556**	**42**
Total comprehensive income for the year		**12,946**	**18,720**	**-24,064**
Of which attributable to: Owners of the parent company		12,946	18,720	-24,064

Profit/loss for the year and total comprehensive income are attributable to the shareholders of the parent company.

Amounts in SEK '000	Note	2016	2015	2014
Earnings per ordinary share, calculated on profit attributable to the shareholders of the parent company during the year (expressed in SEK per share)				
Earnings per ordinary share before and after	31	**0.08**	**0.18**	**-0.44**
Average number of common shares, thousands		67,717	67,717	67,717

CONSOLIDATED BALANCE SHEET

Amounts in SEK '000	Note	Dec 31, 2016	Dec 31, 2015	Dec 31, 2014
ASSETS				
Fixed assets				
Intangible assets				
Goodwill	14	371,352	371,032	366,317
Trade marks	14	9,414	8,955	-
Licences	14	1,805	1,521	1,405
Total intangible assets		**382,571**	**381,508**	**367,722**
Tangible assets				
Land and buildings	15	40,604	42,226	54,617
Plant and machinery	15	19,945	12,720	12,358
Equipment, tools, fixtures and fittings	15	16,740	13,422	10,336
Construction in progress	15	7,819	355	1,886
Total tangible assets		**85,108**	**68,723**	**79,197**
Financial assets				
Participations in associated companies	9	3,321	3,404	3,195
Other long-term receivables	18	977	720	720
Other securities held as non-current assets	18	20	20	20
Total financial assets		**4,318**	**4,144**	**3,935**
Deferred tax assets	16	531	8,828	17,937
Total fixed assets		**472,528**	**463,203**	**468,791**
Current assets				
Inventories				
Raw materials and consumables	17	16,656	13,785	14,811
Current receivables				
Trade receivables	18,19	94,545	79,429	64,527
Gross amount due from customers	20	96,327	76,753	68,315
Current tax assets		1,297	496	1,784
Derivative instruments	18	1,019	2,797	-
Other receivables	21	3,197	1,893	8,492
Prepaid expenses and accrued income	22	6,991	5,300	5,600
Current investments				
Cash and cash equivalents	18,23	21,719	28,160	8,326
Total current assets		**241,751**	**208,613**	**171,855**
TOTAL ASSETS		**714,279**	**671,816**	**640,646**

CONSOLIDATED BALANCE SHEET, cont.

Amounts in SEK '000	Note	Dec 31, 2016	Dec 31, 2015	Dec 31, 2014
EQUITY				
Equity attributable to the shareholders of the Parent Company				
Share capital	24	67,717	67,717	67,717
Other contributed capital		177,346	177,346	177,346
Reserves		1,025	129	685
Retained earnings including comprehensive income for the year		-106,569	-118,619	-137,895
Total equity attributable to the owners of the Parent Company		**139,519**	**126,573**	**107,853**
LIABILITIES				
Non-current liabilities				
Liabilities to credit institutions	18,25,28	44,998	66,908	105,622
Shareholder loans	18,25	260,114	226,186	196,683
Deferred tax liabilities	16	329	140	5,393
Total non-current liabilities		**305,441**	**293,234**	**307,698**
Current liabilities				
Liabilities to credit institutions	18,25,28	35,219	38,608	33,309
Trade payables	18	89,015	60,167	91,626
Overdraft facility	18,25	41,428	52,965	22,977
Current tax liabilities		2,497	744	-
Derivative instruments	18	692	-	4,263
Other liabilities	26	9,671	25,237	9,780
Gross amount due to customers	20	38,172	31,456	21,647
Accrued expenses and deferred income	27	52,625	42,832	41,493
Total current liabilities		**269,319**	**252,009**	**225,095**
TOTAL EQUITY AND LIABILITIES		**714,279**	**671,816**	**640,646**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Amounts in SEK '000	Share capital	Other contribut-ed capital	Reserves	Retained earnings including compre-hensive income for the year	Total equity
Opening balance on January 1, 2014	**67,717**	**177,346**	**643**	**-113,789**	**131,917**
Loss for the year	-	-	-	-24,106	-24,106
Other comprehensive income					
Translation differences	-	-	42	-	42
Total comprehensive income	-	**-**	**42**	**-24 106**	**-24 064**
Closing balance on December 31, 2014	**67,717**	**177,346**	**685**	**-137,895**	**107,853**
Opening balance on January 1, 2015	**67,717**	**177,346**	**685**	**-137,895**	**107,853**
Profit/loss for the year	-	-	-	19,276	19,276
Other comprehensive income					
Translation differences	-	-	-556	-	-556
Total comprehensive income	-	**-**	**-556**	**19,276**	**18,720**
Closing balance on December 31, 2015	**67,717**	**177,346**	**129**	**-118,619**	**126,573**
Opening balance on January 1, 2016	**67,717**	**177,346**	**129**	**-118,619**	**126,573**
Profit for the year	-	-		12,050	12,050
Other comprehensive income					
Translation differences	-	-	896		896
Total comprehensive income	**-**	**-**	**896**	**12,050**	**12,946**
Closing balance on December 31, 2016	**67,717**	**177,346**	**1,025**	**-106,569**	**139,519**

CONSOLIDATED STATEMENT OF CASH FLOWS

Amounts in SEK '000	Note	2016	2015	2014
Cash flow from operating activities				
Profit before financial items		63,601	64,967	24,840
Adjustments for non-cash items:				
-Depreciation/amortisation		14,277	12,082	9,061
-Other items not affecting liquidity	33	1,738	-8,521	-2,990
Interest received		0	252	136
Interest paid	11,25	-6,961	-10,870	-22,836
Income taxes paid		-3,040	-36	-382
Cash flow from operating activities before change in working capital		**69,615**	**57,874**	**7,829**
Cash flow from change in working capital				
Increase/decrease in inventories		-2,871	1,844	21,206
Increase/decrease in current receivables		-35,215	-6,456	-45,328
Increase/decrease in current liabilities		29,791,	-26,058	53,015
Total change in working capital		**-8,295**	**-30,670**	**28,893**
Cash flow from operating activities		**61,320**	**27,204**	**36,722**
Cash flow from investing activities				
Purchase of tangible assets	15	-24,104	-13,410	-13,460
Purchase of intangible assets	14	-968	-634	-
Sold tangible assets		1,261	63,477	4,150
Investments in subsidiaries		-	-13,098	-
Investments in associated companies		-	-2	-
Change in long-term financial receivables		-257	-	80
Cash flow from investing activities		**-24,068**	**36,333**	**-9,230**
Cash flow from financing activities				
Repayment of debt	25	-23,984	-75,484	-27,014
Change in current financial liabilities	25	-9,491	36,649	-97
Repayment, financial leasing	25	-10,218	-4,868	-1,191
Cash flow from financing activities		**- 43 693**	**-43 703**	**-28,302**
Decrease/increase in cash and cash equivalents		-6 441	19 834	-563
Cash and cash equivalents at beginning of year	23	28,160	8,326	8,889
Cash and cash equivalents at year-end	**23**	**21,719**	**28,160**	**8,326**

In relation to stated annual reports, adjustment of the cash flow statement for the 2016 financial year has taken place in the amount of SEK 33.9 million (2015: SEK 29.5 million) regarding paid interest and a corresponding adjustment to borrowing has been made. The adjustment is due to the fact that these are non-cash items and thus are not reflected in the cash flow. Adjustment has also taken place with respect to financing activities, whereupon payment of principal with respect to financial leasing is reported separately.

NOTES

NOTE 1 GENERAL INFORMATION

The Group develops, produces and sells balcony systems, primarily for multi-family dwellings. Systems are marketed primarily in Sweden, Norway, Denmark, Germany, Great Britain and the Netherlands.

The Group comprises the parent company, Balco Group AB, 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 SpolkaZo.o., Balustrade AB, Balco Oy, Balco Kontech A/S and Kronhjorten & Lodjuret Holding AB, as well as the associated company MIB-Pol Spolka Zo.o. The Group is owned by Segulah IV L.P. (72% stake), and the remainder by senior executives and employees. The parent company is a limited company registered in Sweden with its registered office in Växjö. The address of the head office is Älgvägen 4, 352 45, Växjö.

Unless otherwise stated, all amounts are reported in SEK thousands (SEK '000).

NOTE 2 SUMMARY OF IMPORTANT ACCOUNTING PRINCIPLES

The most important accounting principles applied in the preparation of these consolidated financial statements are stated below. These principles have been applied consistently for all presented years, unless otherwise stated.

Basis for preparation of the financial statements

The consolidated financial statements for the Group, 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 with respect to financial assets and liabilities (derivative instruments) valued at fair value via the income statement. The most important accounting principles applied in preparing these consolidated financial statements are stated below. These principles have been applied consistently for all presented years, unless otherwise stated.

The preparation of financial statements in compliance with IFRS requires the use of a number of important estimates for accounting purposes. In addition, management is required to make certain assessments in conjunction with the application of the Group's accounting principles; see note 4.

New standards, changes and interpretations applied by the Group
Standards, changes and interpretations which enter into force for the financial year commencing January 1, 2016 have not been assessed as having any material impact on the Group's financial statements.

New standards and interpretations not yet applied by the Group
A number of new standards, changes and interpretations of existing standards applicable to the financial year which commenced after January 1, 2016 have not been applied by the Group when producing these consolidated financial statements. However, none of these new standards, changes and interpretations of existing standards are expected to have any material impact on the Group, except as stated below.

IFRS 9 Financial instruments
IFRS 9 Financial instruments is applicable to fiscal years beginning on January 1, 2018 and will replace IAS 39 Financial instruments: Recognition and measurement. IFRS 9 introduces new regulations among other regarding classifications and measurement of financial instruments, impairment of financial instruments and hedge accounting. The standard has been adopted by the EU. The Group has initiated the work to evaluate the impacts of the introduction of the standard. A review has been made of the Group's significant financial instruments, which relates among other to accounts receivable, trade payables, liabilities to credit institutions and shareholder´s loan.

Regarding classification and measurement are these new rules not expected to have any material impact on the financial statements. All of the company´s material items mentioned above are accounted for at amortised cost and will continue to be accounted for in accordance with this approach henceforth also under IFRS 9.

The preliminary assessment regarding impairment is that the provision for anticipated future credit losses may change, but it has not yet been quantified. Considering that the Group's customers have high creditworthiness and that realized credit losses historically has been low, the assessment is that the rules regarding impairment will not have any significant impact on the Group's financial position.

Hedge accounting is not currently applied and will therefore not have any impact on the financial statements of the Group.

The Group is also working on analysing additional information that may be required to comply with disclosure requirements in IFRS 7.

IFRS 15 Revenue from contracts with customer
IFRS 15 entails new requirements for recognition of revenue and replaces IAS 18 Revenue, IAS 11 Contraction Contracts and several income-related interpretations in IFRS. The standard provides more detailed guidance in many areas that previously did not appear in the current IFRS, among other how to account for contracts with multiple performance obligations, variable consideration and whether the revenue can be recognised for over time or not. The standard has been adopted by the EU.

During 2018, several of the Group's significant customer contracts have been analysed primarily with regard to identifying the performance obligations under the contracts as well as whether or not the revenue should be recognised at a time or not.

The analysis has shown that the current principles are consistent with IFRS 15, which means that the construction contracts is regarded as a one performance obligation that will be recognised over time. Consequently, the Group will continue to apply percentage of completion for its fixed-price projects. The Group's assessment is that the standard will not have any significant impact on the financial statements.

IFRS 15 shall be applied for fiscal years beginning on or after January 1, 2018.

IFRS 15 will introduce new disclosure requirements and the Group has also initiated the work to identify the information that needs to be collected from the companies in the Group to meet these requirements.

IFRS 16 Leases
IFRS 16 Leases will come into force for the fiscal year beginning January 1, 2019. The standard has not yet been adopted by the EU. The change compared to the current IAS 17 Lease Agreement is that all leases where the Group is a lessee, with the exception of short-term contracts or agreements with respect to low value assets, should be recorded in the balance sheet as asset and liability.

The Group has started the work on analysing the impact of IFRS 16 on the Group's financial statements. The Group will conduct a complete review of all agreements to assess whether there are additional agreements that now become leases in accordance with IFRS 16's new definition and to verify lease periods. This will then be quantified and reported on the Group's balance sheet. However, the operational leasing agreements are of a limited nature, since the Group has primarily financial leasing agreements. The Group's commitments regarding operating leases are stated in note 30.

The Group has not yet decided which transition provision to apply.

Moreover the Group will also analyse the additional disclosures and what impact it will have on the information gathering that is required.

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Consolidated financial statements

Subsidiaries
Subsidiaries comprise 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, a return from its holding in the company and has the possibility to affect the return through its influence in the company. Subsidiaries are included in the consolidated financial statements as from the date on which the controlling influence is transferred to the Group and excluded from the consolidated financial statements as from the day on which the controlling influence ceases.

The acquisition method is used for reporting the Group's business acquisitions. The purchase price for the acquisition of a subsidiary comprises the fair value of transferred assets, liabilities and the shares issued by the Group. The purchase price also includes the fair value of all assets or liabilities which are a consequence of an understanding regarding a conditional purchase price. Acquisition-related expenses are booked as costs when they arise. Identifiable acquired assets and assumed liabilities in a business acquisition are initially valued at fair value on the date of acquisition years.

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

Intra-group transactions and balance sheet items as well as unrealised profits and losses on intra-group transactions are eliminated. Where appropriate, the accounting principles for subsidiaries are changed in order to ensure consistent application of the Group's principles.

Associated companies
Associated companies are all of the companies in which the Group has a significant but not controlling influence, which usually applies in the case of a shareholding involving between 20% and 50% of the voting rights. Holdings in associated companies are reported in accordance with the equity method. When applying the equity method, the investment is initially valued at historical cost and the reported value is increased or decreased thereafter in order to take into account the Group's share of profit or loss after the date of acquisition.

The Group's share of profit/loss 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 in an amount corresponding to the change in the reported value of the holding. When the Group's share of an associated company's losses amounts to or exceeds its holding, including any unsecured claims, the Group does not report any additional losses, unless the Group has assumed legal or informal obligations or made payments on behalf of the associated company. The Group reports its share in the profit/loss of the affiliated company in operating profit, since the holding is operational in nature.

At the end of each reporting period, the Group analyses whether there is objective evidence for impairment of the investment in an associated company. If such is the case, the Group calculates the amount of the impairment charge as the difference between the associated company's recovery value and the reported value, and reports the amount in "Participations in profit/loss of associated companies" in the income statement.

Profits and losses from upstream and downstream transactions between the Group and its associated companies are reported in the consolidated financial statements only to the extent they correspond to holdings in an associated company of a company which is not closely related. Unrealised losses are eliminated, unless the transaction constitutes evidence of impairment of the transferred assets. Where appropriate, accounting principles applied in associated companies have been changed to ensure consistent application of the Group's principles.

Translation of foreign currency

Functional currency and reporting currency

The various units in the Group have their local currency as functional currency, with the local currency being defined as the currency used in the primary economic environment in which each unit primarily operates. Swedish krona (SEK), which is the parent company's functional currency and the Group's reporting currency, is used in the consolidated financial statements.

Transactions and balance sheet items

Transactions in foreign currency are translated to the functional currency at the exchange rates applicable on the transaction date. Exchange rate gains and losses which arise in conjunction with payment of such transactions and in conjunction with translation of monetary assets and liabilities in foreign currency at the balance sheet date rate, are reported in operating profit in the income statement.

Translation of foreign group companies

Earnings and financial position of all group companies with a functional currency other than 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 business to the Group's reporting currency (Swedish krona) at the exchange rate applicable on the balance sheet date. Income and expenses for each of the income statements are translated to Swedish kronor at the average rate pertaining on the date of each transaction. Translation differences that arise in conjunction with currency translation of foreign operations are reported in other comprehensive income.

Intangible assets

Goodwill

Goodwill arises upon the acquisition of subsidiaries and relates to the amount by which the purchase price exceeds Balco Group Holdings' share in the fair value of identifiable assets, liabilities and contingent liabilities of the acquired company, as well as the fair value of non-controlling interests in the acquired company.

In order to test for impairment, goodwill acquired in a business acquisition is divided into cash-generating units or groups of cash-generating units which are expected to benefit from synergies from the acquisition. Each unit or group of units into which goodwill is divided corresponds to the lowest level in the Group on which the goodwill item in question is monitored in the internal control. The Group's business is divided into two different segments: Renovation and New Build. Goodwill is tested for impairment annually or more frequently where events or changes in circumstances indicate a possible reduction in value. The reported value of goodwill is compared with the recovery value, which comprises the value in use or the fair value less selling expenses, whichever is higher. Any impairment is reported immediately as a cost and is not reversed.

Trade marks and licenses

Other intangible assets relate to externally acquired assets such as trade marks and licenses. The assets with a determinable useful life are valued at historical cost less accumulated amortisation and impairment. Additional expenses for an intangible asset are added to the asset's reported value or reported as a separate asset, depending on which is appropriate, only where it is likely that the future economic benefits associated with the asset will benefit the Group and the historical cost of the asset can be measured in a reliable manner. Other expenses are booked as costs when incurred. The Group's trade mark is assessed as having an indeterminable useful life. The useful life is deemed to be indeterminable since a well-established trademark on the market is involved. The Group intends to maintain and develop this brand. The item is tested annually to identify any impairment and is reported at historical cost less any impairment; see also Impairment of non-financial assets. Licences are amortised on a straight-line basis over an assessed useful life, normally 4 years.

Tangible assets

Tangible assets are reported at historical cost less depreciation. The historical cost includes expenditures which can be directly related to the acquisition of the asset.

Additional expenditures are added to the reported value of the asset or reported as a separate asset, depending on which is appropriate, only where it is likely that the future economic benefits associated with the asset will benefit the Group and the historical cost of the asset can be measured in a reliable manner. Reported value of a replaced component 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 are incurred.

Each component of a tangible asset with a historical cost which is significant in relation to the total historical cost of the asset is depreciated separately. No depreciation is made with respect to land or projects in progress. Depreciation of other assets is made on a straight-line basis as follows:

Buildings	10-25 years
Land facilities	25 years
Building equipment	10 years
Plant and machinery	5 years
Equipment, tools, fixtures and fittings	5 years

The residual values and useful lives of the assets are assessed at the end of each reporting period and adjusted as needed. The reported value of an asset is immediately written down to its recovery value if the reported value exceeds its assessed recovery value.

Profits and losses upon the sale of a tangible asset are established by comparing the sales proceeds with the reported value, and are reported in the income statement in 'other operating income' or 'other operating expenses'.

Impairment of non-financial assets

Assets with an indeterminable useful life, goodwill and trade marks are not amortised but, rather, tested annually for any impairment. Amortised assets are assessed with respect to the decline in value any time events or changes in circumstances indicate that the reported value might not be recoverable. An impairment write-down is made in the amount by which the reported value of the asset exceeds its recovery value. The recovery value comprises the fair value of the asset less selling costs or its value in use, whichever is higher. When assessing impairment, assets are grouped on the lowest levels on which there are separate identifiable cash flows (cash-generating units). Testing for impairment of goodwill and trade marks has taken place for the Group as a whole for 2014 and 2015, but for 2016 this was done at the operating segment level.

Financial instruments – generally

Classification

The Group classifies its financial assets and liabilities in the following categories: financial assets and liabilities valued at fair value via the income statement, loan receivables and trade receivables, financial assets that can be sold as well as other financial liabilities. The classification depends on the purpose for which the financial asset or liability was acquired.

Financial assets and liabilities valued at fair value via the income statement

Financial assets and liabilities valued at fair value via the income statement comprise financial instruments held for trading. Derivative instruments are classified as held for trading if they have not been identified as hedge instruments. The Group classifies derivative instruments (futures contracts) in this category.

Loan receivables and trade receivables

Loan receivables and trade receivables are financial assets that are not derivative instruments, which have determined or determinable payments and are not listed on an active market. They are included in current assets with the exception of items falling due more than 12 months after the balance sheet date, which are classified as fixed assets. The Group's "loan receivables and trade receivables" comprise other long-term receivables, trade receivables, cash and cash equivalents as well as the financial instruments which are reported among other receivables.

Financial assets that can be sold

Financial assets that can be sold comprise assets that are not derivative instruments and where the assets have been identified as sellable or have not been classified in any other categories. They are included in fixed assets where management does not intend to sell the asset within 12 months of the end of the reporting period. Other securities held as non-current assets are classified in this category.

Other financial liabilities

The Group's long-term and current liabilities to credit institutions, shareholder loans, trade payables and the part of other current liabilities that relate to financial instruments are classified as 'other financial liabilities'.

Reporting and valuation
Purchases and sales of financial assets and liabilities are reported on the transaction date, i.e. the date on which the Group undertakes to buy or sell the asset. Financial instruments are initially reported at fair value plus transaction costs, which applies to all financial assets and liabilities that are not reported at fair value via the income statement. Financial assets and liabilities reported at fair value via the income statement are initially reported at fair value, while related transaction costs are reported in the income statement. 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 the risks and benefits associated with ownership. Financial liabilities are removed from the balance sheet when the obligation in the agreement has been performed or otherwise extinguished.

Financial assets and liabilities valued at fair value via the income statement are reported, after the date of acquisition, at fair value. Loan receivables and trade receivables as well as other financial liabilities are reported after the date of acquisition at accrued historical cost, applying the effective rate method.

Profits and losses as a consequence of changes in fair value of the financial assets and liabilities valued at fair value via the income statement are reported in the period in which they arise and are included in net financial items, since they relate to financing activities. The Group's sellable financial assets comprise unlisted shares, the fair value of which it has not been possible to establish in a reliable manner. Accordingly, valuation takes place at historical cost.

Netting of financial instruments
Financial assets and liabilities are set off and reported in a net amount in the balance sheet only where there is a legal right to set off the reported amounts and it is intended to settle them with a net amount or to simultaneously realise the asset and settle the debt.

Impairment of financial instruments
(a) Assets reported at accrued historical cost (loan receivables and trade receivables)
At the end of each reporting period, the Group analyses whether there is any objective evidence of impairment of a financial asset or group of financial assets. A financial asset or group of financial assets is impaired and written down only if there is objective evidence of impairment as a consequence of the occurrence of one or more events after the first occasion on which the asset was reported, and such event has an impact on the estimated future cash flows for the financial asset or group of financial assets which can be estimated in a reliable manner.

Impairment is calculated as the difference between the reported value of the asset and the present value of estimated future cash flows, discounted to the financial asset's original effective rate of interest. The reported value of the asset is written down and the impairment charge is reported in the consolidated income statement within "production and project costs" or within net financial items, depending on which financial asset is written down. Where the impairment is reduced in a subsequent period and the reduction can objectively be related to an event that occurred after the impairment was reported, restoration of the previously reported write-down is reported in the consolidated income statement within "production and project costs" or within net financial items, depending on which financial asset was written down.

(b) Assets classified as sellable financial assets
At the end of each reporting period, the Group analyses whether there is any objective evidence of impairment of a financial asset or group of financial assets. With respect to equity instruments classified as sellable financial assets, a significant or protracted reduction in the fair value of an instrument to a level below its historical cost is taken into account as evidence of impairment. Impairment write-downs of equity instruments, which were previously reported in the income statement, are not reversed over the income statement.

Derivative instruments
Derivative instruments are financial instruments which are reported in the balance sheet on the date of the transaction and valued at fair value, both initially and in conjunction with the subsequent reappraisals. The profit or loss that arises in conjunction with a reappraisal is reported in the income statement when requirements for hedge accounting are not satisfied.

The fair value of a derivative instrument is classified as a fixed asset or non-current liability when the outstanding term of the secured item exceeds 12 months, and as a current asset or current liability when the outstanding term of the secured item is less than 12 months.

Trade receivables
Trade receivables are financial instruments comprising amounts to be paid by customers for goods and services sold in the course of the operating activities. Where payments are expected within one year or less, they are classified as current assets. If not, they are classified as fixed assets.

Trade receivables are initially reported at fair value and thereafter at accrued historical cost, applying the effective rate method, less any provisions for diminution in value.

Cash and cash equivalents
Cash and cash equivalents in the cash flow report consist entirely of bank balances.

Trade payables
Trade payables are financial instruments and relate to obligations to pay for goods and services acquired from suppliers in the course of the operating activities. Trade payables are classified as current liabilities if they fall due within one year. If not, they are reported as non-current liabilities.

Trade payables are reported in the nominal amount. The reported value of trade payables is assumed to correspond to the fair value, since such item is short-term in nature.

Borrowings
Liabilities to credit institutions are financial instruments and reported initially at fair value, net after transaction costs. Borrowings are thereafter reported at accrued historical cost and any difference between the received amount (net after transaction costs) and the repayment amount is reported in the income statement allocated over the loan period, applying the effective rate method.

Borrowings are 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.

Inventories
Inventories are reported at the lower of historical cost and net realisable value. Historical cost is established using the first in, first out method (FIFO). In conjunction therewith, account has been taken of the risk of obsolescence.

Construction contracts
IAS 11 Construction contracts defines a construction contract as a contract specifically negotiated for the construction of an asset.

When the outcome of a construction project can be calculated in a reliable manner and it is likely that the project will be profitable, the project income is reported over the term of the contract, based on the degree of completion. Project expenditures are reported regularly in respect of the activities included in the project. When it is likely that the total project expenditures will exceed the total project income, the anticipated loss is immediately reported as an expense.

When the outcome of a construction project cannot be calculated in a reliable manner, revenues are only reported in an amount which corresponds to the accrued project expenditures which are likely to be compensated by the customer.

Changes in the scope of the project are included in the project income to the extent such have been agreed upon with the customer and can be measured in a reliable manner.

The Group uses the percentage of completion income reporting method in order to determine which amount shall be reported in a given period. The degree of completion is determined as project expenditures incurred for performed work up to the end of the reporting period as a percentage of the estimated total project expenditures for each project. Expenditures incurred during the year but which relate to future work are not included in incurred project expenditures when establishing the degree of completion.

In addition to the aforementioned expenditures, order coverage costs are also included in the calculation base. Order coverage costs are calculated and capitalised regularly based on each market's sales results in proportion to submitted tenders, with each market's costs as the calculation basis. IAS 11 is restrictive with respect to capitalisation of order coverage costs, but there may be a basis for capitalisation. The Group does so based on IAS 11 p 16-21, since the costs are directly associated with the contract, identifiable and measurable.

The Group's position for each construction project is reported net in the balance sheet, as only an asset or a liability. A project constitutes an asset when project expenditures and reported profits (after deduction for reported losses) exceed invoiced amounts, and as a liability when the opposite circumstance pertains.

Provisions
Provisions are valued at the present value of the amount which is expected to be required to settle the obligation.

Current and deferred tax
The tax expense for the period includes current and deferred tax. The current tax expense is calculated based on the tax rules which, on the balance sheet date, have been adopted or in practice adopted in the countries in which the Group operates and generates taxable income.

Deferred tax is reported in accordance with the balance sheet method on all temporary differences that arise between the taxable value of assets and liabilities and their reported values in the consolidated financial statements. Deferred income tax is calculated applying tax rates decided upon or announced as of the balance sheet date and which are expected to apply when the relevant deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets on loss carryforwards are reported in so far as it is likely that a future taxable surpluses will be available, against which loss carryforwards may be utilised.

Deferred tax assets and liabilities are netted when there is a legal right of set-off in respect of the relevant tax assets and tax liabilities, the deferred tax assets and tax liabilities relate to taxes charged by the same tax authority and relate either to the same tax subject or different tax subjects and there is an intention to settle the balances through net payments.

Employee benefits

Short-term benefits

Short-term benefits in the Group comprise salary, payroll expenses, paid holidays, paid sick leave, healthcare and bonuses. Short-term benefits are reported as an expense and a liability when there is a legal or informal obligations to pay the benefit.

Pension obligations

The Group only has defined-contribution pension plans; see note 32. A defined-contribution plan is a pension plan whereby the Group pays fixed fees to a separate legal entity. The Group has no legal or informal obligation to pay further fees in the event of this legal entity has insufficient assets to pay all benefits to employees that are associated with the employees' employment during current or earlier periods.

With respect to defined-contribution pension plans, the Group pays fees to publicly or privately administered pension plans on an mandatory, contractual or voluntary basis. The Group has no further payment obligations once the fees are paid. The fees are reported as personnel expenses when they fall due for payment. Prepaid fees are reported as an asset in so far as any cash refund or any reduction in future payments may benefit the Group. See also note 32.

Termination benefits

Termination benefits are payable when an employee's employment is terminated by the Group prior to the normal date of retirement or when an employee accepts voluntary severance in exchange for such benefits.

The Group reports termination benefits when it is demonstrably obliged to terminate employees in accordance with a detailed formal plan, without a possibility of recall. In the event the Group has made an offer to encourage voluntary severance, the severance compensation is calculated based on the number of employees who are expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

Revenue recognitiong

The Group's revenues relate to construction contracts, see section Construction contracts.

Leasing

Leasing where a substantial part of the risks and benefits associated with ownership are retained by the lessor are classified as operational leasing. Payments made during the leasing period (following deduction for any incentives from the lessor) are booked as costs in the income statement on a straight-line basis over the leasing period.

The Group leases certain tangible assets, such as trucks, machines and properties. Leasing agreements with respect to tangible assets where the Group in all essential respects holds the economic risks and benefits associated with ownership are classified as financial leasing. At the beginning of the leasing period, financial leasing is reported in the balance sheet at the fair value of the leasing object or the present value of the minimum lease fees, whichever is lower.

Each lease payment is divided into debt repayment and financial expenses. Corresponding payment obligations, after deduction for financial expenses, are included in the balance sheet item 'Liabilities to credit institutions'. The interest portion of the financial expenses is reported in the income statement allocated over the lease period, so that in each reporting period an amount is incurred which corresponds to a fixed rate of interest for the liability reported during the respective period. Fixed assets which are held under financial leasing agreements are depreciated over the useful life of the asset or the leasing period, whichever is shorter.

Cash flow statement

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

Share capital

Ordinary shares and preference shares are classified as shareholders' equity.

Segment reporting

Business segments are reported in a manner which corresponds to the internal reporting submitted to the highest executive decision-maker (see note 5).

Earings per share

(i) Earnings per share before dilution

Earnings per share before dilution are calculated by dividing:

- earnings attributable to the parent company's shareholders, excluding dividends attributable to preference shares
- 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 bought back shares held in treasury by the parent company.

(ii) Earnings per share after dilution

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

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

NOTE 3 FINANCIAL RISK MANAGEMENT

Financial risk factors

The Group is exposed, through its operations, to a large number of different financial risks: market risks (extensive currency risks, interest rate risks in fair value, interest rate risks in cash flow, and price risks), credit risks and liquidity risks. The Group's overarching risk management policy is focused on unpredictability on the financial markets and endeavours to minimise potential detrimental effects on the Group's financial results. The Group uses derivative instruments in order to hedge certain risk exposure. Hedge accounting is not applied.

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

Market risks

(i) Currency risks

The Group operates internationally and is exposed to currency risks that arise from various currency exposures, primarily with respect to Norwegian kronor (NOK), euros (EUR) and Danish kronor (DKK) but also to a certain extent sterling (GBP). Currency risks arise through future business transactions, reported assets and liabilities as well as net investments in foreign operations.

The board has implemented a policy whereby the currency risk that arises from future business transactions and reported assets and liabilities is addressed through the use of futures contracts by group companies. Currency risks arise when future business transactions or reported assets or liabilities are expressed in a currency which is not the unit's functional currency.

The Group's risk management policy is to hedge 100 % (± 20 %) of anticipated cash flows (primarily construction contracts and purchases of inventory) in each major currency for the following twelve months.

In the event the Swedish krona had weakened/strengthened by 5 öre (5 per cent) in relation to the Norwegian krona, with all other variables being constant on the balance sheet date, profit for the financial year would have been SEK 880,000 (2015: SEK 501,000 2014: SEK 446,000) higher/lower, largely as a consequence of gains/losses upon translation of trade receivables and trade payables in NOK, financial assets and liabilities valued at fair value via the income statement.

In the event the Swedish krona had weakened/strengthened by 50 öre (5 per cent) in relation to the euro, with all other variables being constant on the balance sheet date, profit for the financial year would have been SEK 301,000 (2015: SEK 358,000; 2014: SEK 592,000) higher/lower, largely as a consequence of gains/losses upon translation of trade receivables and trade payables in EUR, financial assets and liabilities valued at fair value via the income statement.

In the event the Swedish krona had weakened/strengthened by 5 öre (4 per cent) in relation to the Danish krona, with all other variables being constant on the balance sheet date, profit for the financial year would have been SEK 48,000 higher/lower, largely as a consequence of gains/losses upon translation of trade receivables and trade payables in DKK, financial assets and liabilities valued at fair value via the income statement.

(ii) Interest rate risk with respect to cash flows and fair values

The Group's interest rate risk arises through long-term borrowing. Borrowing at variable rates exposes the Group to interest rate risks with respect to cash flows, which are partially neutralised by cash funds with variable rates. In 2006, the Group's borrowing at variable rates was in SEK.

Had interest rates upon borrowing in SEK on December 31, 2016 been 100 base points (1.0 per cent) higher/lower, with all other variables being constant on the balance sheet date, profit for the financial year would have been SEK 523,000 (2015: SEK 782,000; 2014: SEK 1,142,000) lower/higher, primarily as an effect of higher/lower interest expenses for borrowing at variable rates.

Credit risks
Credit risk are managed on a Group level. Credit risks arise primarily through trade receivables and gross amount due from customers. A policy is in place to procure credit insurance with respect to certain customer categories. Historically, the Group's credit losses have been small.

Liquidity risk
Cash flow forecasts are drawn up in respect of the Group's operational companies and are monitored by the accounts department. The accounts department carefully monitors rolling forecasts for the Group's liquidity reserves in order to ensure that the Group has sufficient cash funds to meet needs in the operating activities, at the same time as regularly maintaining sufficient headroom under contracted undrawn credit facilities (note 5) so that the Group does not violate any loan limits or loan terms (where appropriate) on any of the Group's loan facilities.

The table below analyses the Group's non-derivative financial liabilities and derivative instruments settled net which constitute financial liabilities, broken down by the time remaining on the balance sheet date to the contractual due date. Derivative instruments which constitute financial liabilities are included in the analysis if their contractual due dates are material for understanding dates for future cash flows. The amounts stated in the table are the contractual, non-discounted cash flows.

On December 31, 2016	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. liabilities relating to financial leasing)	-	23,984	-	-	260,114
Overdraft facility	-	41,428	-	-	-
Liabilities relating to financial leasing	-	11,235	10,671	21,234	13,093
Derivative instruments	-	692	-	-	-
Trade payables and other liabilities	89,015	-	-	-	-
Total	**89,015**	**77,339**	**10,671**	**21,234**	**273,208**

On 31 December 2015	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. liabilities relating to financial leasing)	-	32,156	23,984	-	226,186
Overdraft facility	-	52,965	-	-	-
Liabilities relating to financial leasing	-	6,452	16,087	19,847	6,990
Derivative instruments	-	-	-	-	-
Trade payables and other liabilities	60,167	-	-	-	-
Total	**60,167**	**91,573**	**40,071**	**19,847**	**233,176**

On December 31, 2014	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. liabilities relating to financial leasing)	-	28,500	99,468	-	196,683
Overdraft facility	-	22,977	-	-	-
Liabilities relating to financial leasing	-	4,809	6,154	-	-
Derivative instruments	-	4,263	-	-	-
Trade payables and other liabilities	91,626	-	-	-	-
Total	**91,626**	**60,549**	**105,622**	**-**	**196,683**

Management of capital
The Group assesses capital based on operating profit excluding depreciation and amortisation (EBITDA), with capital being limited to external financing, net debt in relation to EBITDA. This key performance indicator is calculated as EBITDA in relation to the Group's external borrowing. External borrowing is defined as short-term and long-term borrowing, less cash and cash equivalents and excluding liabilities with respect to financial leasing and subordinated debts to owners.

The Group's long-term objective is that net debt in relation to EBITDA shall not exceed 2.5 times. In addition thereto, the Group has an objective that long-term external borrowing shall have an average maturity structure of three years, excluding acquisition financing.

	Dec 31, 2016	Dec 31, 2015	Dec 31, 2014
Total borrowing (note 25)	381,759	384,667	358,591
Of which shareholder loans	260,114	226,186	196,683
Of which liabilities to credit institutions	65,412	109,105	150,945
Of which financial leasing	56,233	49,376	10,963
Less: cash and cash equivalents (note 23)	-21,719	-28,160	-8,326
Less: shareholder loans	-260,114	-226,186	-196,683
Less: financial leasing	-56,233	-49,376	-10,963
External borrowing	**43,693**	**80,945**	**142,619**
EBITDA	77,878	77,856	30,357
External borrowing / EBITDA	**0.56**	**1.04**	**4.69**

Calculation of fair value
The table below shows financial instruments valued at fair value, based on the manner in which the classification of the fair value hierarchy has been made. The various levels are defined as follows:
- Listed prices (unadjusted) on active markets for identical assets or liabilities (level 1)
- Observable data for the asset or liability other than listed prices included in level I, either directly (i.e. as price listings) or indirectly (i.e. derived from price listings) (level 2).
- Data for the asset or liability 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 December 31, 2016.

	Level 1	Level 2	Level 3	Total
Assets				
Financial assets valued at fair value via the income statement				
Derivative instruments held for trading				
-Currency derivatives	-	1,019	-	1,019
Total assets	**-**	**1,019**	**-**	**1,019**
Liabilities				
Financial liabilities valued at fair value via the income statement				
Derivative instruments held for trading	-	-	-	-
-Currency derivatives	-	692	-	692
Total liabilities	**-**	**692**	**-**	**692**

The following table shows the Group's assets and liabilities valued at fair value on December 31, 2015.

	Level 1	Level 2	Level 3	Total
Assets				
Financial assets valued at fair value via the income statement				
Derivative instruments held for trading				
-Currency derivatives		2,797		2,797
Total assets	**-**	**2,797**	**-**	**2,797**
Liabilities				
Financial liabilities valued at fair value via the income statement				
Derivative instruments held for trading				
-Currency derivatives	-	-	-	-
Total liabilities	**-**	**-**	**-**	**-**

The following table shows the Group's assets and liabilities valued at fair value on December 31, 2014.

	Level 1	Level 2	Level 3	Total
Assets				
Financial assets valued at fair value via the income statement				
Derivative instruments held for trading				
-Currency derivatives	-	-	-	-
Total assets	**-**	**-**	**-**	**-**
Liabilities				
Financial liabilities valued at fair value via the income statement				
Derivative instruments held for trading				
-Currency derivatives	-	4,263	-	4,263
Total liabilities	**-**	**4,263**	**-**	**4,263**

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

(a) Financial instruments in level 1
Fair value of financial instruments traded on an active market is based on listed market prices on the balance sheet date. A market is regarded as active if listed prices from an exchange, broker, industry 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 as classified in level 1.

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

In those cases where one or more items of material input data is not based on observable market information, the relevant instrument is classified in level 3.

Specific valuation techniques used for valuing financial instruments include :
- Listed market prices or broker listings for similar instruments.
- Fair value for interest-rate swaps is calculated as present value of assessed future cash flows based on observable yield curves.
- Fair value for currency futures contracts is determined through use of currency futures rates on the balance sheet date, with the resulting value being discounted to present value.
- Other techniques, such as calculation of discounted cash flows, are used to establish fair value for remaining financial instruments.

NOTE 4 IMPORTANT ESTIMATES AND ASSESSMENTS

Estimates and assessments are appraised regularly based on historical experience and other factors, including expectations of future events that are deemed reasonable under prevailing conditions.

Important estimates and assessments for accounting purposes
The Group makes estimates and assumptions regarding the future. By definition, the estimates for accounting purposes that result from the aforesaid seldom correspond to the actual result. The main features of estimates and assumptions that involve a significant risk of material adjustments to reported values for assets and liabilities during the coming financial year are addressed below.

(a) Test for impairment of goodwill and trade marks
Each year, the Group analyses whether any impairment exists in respect of goodwill and trade marks, in accordance with accounting principle described in note 2. Recovery values for cash-generating units have been established through calculation of value in use. For these calculations, certain estimates must be made (note14).

(b) Revenue recognition
The Group applies the percentage of completion method for income recognition when reporting construction contracts in accordance with a model long tried and tested and applied by the Group, which involves the Group being required to estimates the percentage of total services to be performed represented by services already performed on the balance sheet date. The Group's model is not linear, but rather is based on expended costs within the two parts of the project, namely production and installation. Expended costs with respect to installation are recognised as income with a fixed markup, corresponding to a construction markup since the installation primarily includes external costs. Revenue recognition with respect to the production phase of the project is based on expended costs in relation to actual forecast for the project's total costs and revenues, divided between both stages of the project. Project forecasts are updated regularly. In accordance with IAS 11 p. 36, the entire anticipated loss for a project is booked when the forecast entails a negative project result. If the proportion between services performed and total services to be performed were to deviate by 1%, income reported for the year would change by SEK 8 million (2015: SEK 6 million).

(c) Trade receivables
Significant financial difficulties of debtors, the likelihood that the debtor will enter into bankruptcy or undergo financial restructuring, and non-payments or delayed payments are regarded as indicators that impairment of a trade receivables may exist.

(d) Warranty reserves
The Group regularly assesses the value of allocated reserves in relation to calculated need. Provisions are made based on historical statistics regarding defective products. Warranty reserves accounted for 0.6% of net sales on December 31, 2016 (2015:1%; 2014:1.5%) and are reported under accrued expenses; see note 27.

NOTE 5 SEGMENT REPORTING

The Group's business is divided into two different segments: Renovation and New Build. Renovation comprises the part of the business which involves the construction of balconies on already existing buildings, while New Build involving deliveries to new production within both the construction and shipbuilding industries. The segment reporting allocation is based on the nature of each project.

The Renovation segment performed well in 2016, with both an increase in sales and higher earnings. Plans are in place for continued development and strengthening of the sales and marketing organisation within this segment.

The New Build segment demonstrated sharply negative results for 2016, primarily due to project deviations in a small number of individual projects, as well as provisions for liquidated damages for delay related to projects within New Build and provisions related to the organisational changes carried out in Great Britain. A reorganisation of the segment's sales organisation was carried out towards the end of 2016, together with a focus on a selection of lower risk projects.

Financial expenses, financial income and income tax are primarily managed on a Group level and are not broken down by segment. The Group does not follow the operational fixed assets broken down per segment.

2016	Renovation	New Build	Group, misc.	Eliminations	Total
Net sales - External revenue	726,416	75,197	-	-	801,613
Net sales - Internal revenue	-	-	6,217	-6,217	0
Total net sales	**726,416**	**75,197**	**6,217**	**-6,217**	**801,613**
Operating earnings (EBITA)	**83,216**	**-19,844**	**229**	**-**	**63,601**
Depreciation included in EBITA	12,586	1,691	-	-	14,277
Operating earnings (EBITA)	**83,216**	**-19,844**	**229**	**-**	**63,601**
Financial income					0
Financial costs					-40,889
Profit/loss after financial items					**22,712**
Tax					-10,662
Profit/loss for the year					**12,050**

2015	Renovation	New Build	Group, misc.	Eliminations	Total
Net sales - External revenue	589,417	49,175	-	-	638,592
Net sales - Internal revenue	-	-	5,796	-5,796	0
Total net sales	**589,417**	**49,175**	**5,796**	**-5,796**	**638,592**
Operating earnings (EBITA)	**63,401**	**-202**	**1,769**	**0**	**64,967**
Depreciation included in EBITA	10,607	1,475	-	-	12,082
Operating earnings (EBITA)	**63,401**	**-202**	**1,769**	**0**	**64,967**
Financial income					252
Financial costs					-40,373
Profit/loss after financial items					**24,846**
Tax					-5,570
Profit/loss for the year					**19,276**

2014	Renovation	New Build	Group, misc.	Eliminations	Total
Net sales - External revenue	524,255	44,116	-	-	568,372
Net sales - Internal revenue	-	-	5,500	-5,500	0
Total net sales	**524,255**	**44,116**	**5,500**	**-5,500**	**568,372**
Operating earnings (EBITA)	**28,648**	**-2,022**	**-1,786**	**0**	**24,840**
Depreciation included in EBITA	8,395	666	-	-	9,061
Operating earnings (EBITA)	**28,648**	**-2,022**	**-1,786**	**0**	**24,840**
Financial income					136
Financial costs					-48,490
Profit/loss after financial items					**-23,514**
Tax					-592
Profit/loss for the year					**-24,106**

Net sales by geographic market

	2016	2015	2014
Sweden	473,703	343,798	302,521
Germany	45,317	48,411	54,846
Norway	151,266	161,334	172,351
Denmark	89,570	57,625	4,382
UK	34,228	27,178	34,272
The Netherlands	3,008	246	-
Finland	4,521	-	-
Total	**801,613**	**638,592**	**568,372**

In 2014, 2015 and 2016, no individual customer accounted for more than 10% of sales.

NOTE 6 REMUNERATION TO THE AUDITORS

'Audit engagement' means audit of the annual report and the accounts as well as the administration by the board of directors and CEO, other duties incumbent on the Company's auditors, as well as advice or other assistance resulting from observations in conjunction with such audit or the performance of such other duties. Everything else constitutes 'other engagements'.

	2016	2015	2014
PwC			
Audit engagement	609	343	325
Audit work in addition to audit engagement	405	-	-
Tax advice	150	40	-
Other services	200	215	268
Total	**1,364**	**598**	**593**
Alpha Revision AS			
Audit engagement	60	89	92
Herman Slater			
Audit engagement	32	30	27
BHA Statsautoriseret revision A/S			
Audit engagement	48	33	36
Total	**140**	**152**	**155**
Sum total	**1,504**	**750**	**748**

NOTE 7 EMPLOYEE BENEFITS, ETC.

	2016	2015	2014
Salaries and other remuneration	111,745	100,156	83,328
Payroll expenses	30,304	25,627	22,625
Pension expenses – defined-contribution plans	10,621	9,956	7,436
Total	**152,670**	**135,739**	**113,389**

Remuneration and other benefits, 2016	Base salary/ Directors' fees	Payroll taxes / salary tax	Variable remuneration	Other benefits	Pension costs	Share-related remuneration	Other remuneration	Total
Lennart Kalén, chairman	200	63	-	-	-	-	-	263
Kerstin Gillsbro, director	63	20	-	-	-	-	-	82
Thomas Johansson, director	63	20	-	-	-	-	-	82
Håkan Bergqvist, director	125	39	-	-	-	-	-	164
Percy Calissendorff, director	50	16	-	-	-	-	-	66
Marcus Planting-Berloo, director	50	16	-	-	-	-	-	66
Åsa Söderström-Jerring, director	63	20	-	-	-	-	-	82
Ingalill Berglund, director	-	-	-	-	-	-	-	0
Kenneth Lundahl, CEO	2,160	1,109	81	101	657	-	-	4,108
Other senior executives (7 individuals)	4,592	2,000	890	207	878	-	-	8,567
Total	**7,365**	**3,302**	**971**	**308**	**1,535**	**0**	**0**	**13,481**

Cont. Note 7

Remuneration and other benefits, 2015	Base salary/ Directors' fees	Payroll taxes / salary tax	Variable remuneration	Other benefits	Pension costs	Share-related remuneration	Other remuneration	Total
Lennart Kalén, chairman	200	63	-	-	-	-	-	263
Kerstin Gillsbro, director	125	39	-	-	-	-	-	164
Thomas Johansson, director	125	39	-	-	-	-	-	164
Håkan Bergqvist, director	125	39	-	-	-	-	-	164
Percy Calissendorff, director	100	31	-	-	-	-	-	131
Marcus Planting-Berloo, director	100	31	-	-	-	-	-	131
Kenneth Lundahl, CEO	2,040	919	1,743	80	419	-	-	5,201
Other senior executives (6 individuals)	4,036	1,461	-	146	604	-	-	6,247
Total	**6,851**	**2,623**	**1,743**	**226**	**1,023**	**0**	**0**	**12,466**

Remuneration and other benefits, 2014	Base salary/ Directors' fees	Payroll taxes / salary tax	Variable remuneration	Other benefits	Pension costs	Share-related remuneration	Other remuneration	Total
Lennart Kalén, chairman	200	63	-	-	-	-	-	263
Kerstin Gillsbro, director	125	39	-	-	-	-	-	164
Thomas Johansson, director	125	39	-	-	-	-	-	164
Håkan Bergqvist, director	125	39	-	-	-	-	-	164
Percy Calissendorff, director	100	31	-	-	-	-	-	131
Marcus Planting-Berloo, director	100	31	-	-	-	-	-	131
Kenneth Lundahl, CEO	1,920	831	300	85	458	-	-	3,594
Other senior executives (6 individuals)	3,339	1,208	-	105	519	-	-	5,171
Summa	**6,034**	**2,283**	**300**	**190**	**977**	**0**	**0**	**9,783**

SEK 0.0 was allocated to personnel profit-sharing (2015: SEK 2,900,000; 2014: SEK 0.0).

Gender breakdown in the Group (incl. subsidiaries) regarding directors and CEO

	2016		2015		2014	
	Number on balance sheet date	Of whom women	Number on balance sheet date	Of whom women	Number on balance sheet date	Of whom women
Directors	7	2	6	1	6	1
CEO	1	0	1	0	1	0
Total	8	2	7	1	7	**1**

	2016		2015		2014	
Average number of employees and geographic breakdown by country	Average number of employees	Of whom women	Average number of employees	Of whom women	Average number of employees	Of whom women
Sweden	179	26	159	21	144	18
Norway	10	0	10	0	9	0
Denmark	39	4	36	2	2	0
UK	8	1	4	0	3	0
The Netherlands	1	0	1	0	1	0
Poland	48	8	32	4	20	1
Germany	16	3	14	2	16	2
Total	**301**	**42**	**256**	**29**	**195**	**21**

Conditions for CEO

The CEO's employment is terminable by the Company on 12 months' notice. The CEO is required to give 6 months' notice of termination. During the termination period, the CEO is entitled to retain fixed salary, however not other benefits.

The Group allocates 25% of gross salary, excluding bonuses, to a pension insurance policy with an insurance company selected by the CEO. The Group has no other outstanding pension obligations to the board or CEO.

NOTE 8 COSTS BROKEN DOWN BY TYPE OF COST

	2016	2015	2014
Raw materials, consumables and installation services	-484,346	-391,401	-370,812
Costs for employee benefits (note 7)	-152,670	-135,739	-113,389
Amortisation/depreciation and impairment (notes 14 and 15)	-14,277	-12,889	-9,061
Transport costs	-17,269	-14,581	-14,325
Marketing costs	-15,451	-9,986	-7,900
Operational leasing costs (note 30)	-4,171	-925	-1,017
Other costs	-51,436	-16,827	-28,899
Total costs for production, projects, sales and administration	**-739,620**	**-582,348**	**-545,403**

NOTE 9 HOLDINGS IN ASSOCIATED COMPANIES

	2016	2015	2014
Opening historical cost	1,424	1,422	1,422
Purchases	0	2	-
Closing accumulated historical cost	**1,424**	**1,424**	**1,422**
Opening changes in equity share	1,980	1,773	1,565
Changes in equity share in associated companies	556	214	196
Exchange rate differences	-177	-7	12
Adjustment of tax from previous years	-462	-	-
Closing change in equity share	**1,897**	**1,980**	**1,773**
Closing reported value	**3,321**	**3,404**	**3,195**

The Group's share of the profit of the most important associated company and its share of the assets and liabilities are as follows:

indirectly owned	Country of registration	Assets	Liabilities	Revenues	Profit	Ownership stake % 2016/ 2015/ 2014
MIB-POL Spolka Zo.o.	Poland	61,315	50,219	79,332	2,016	25%

The difference between the equity share value, applying the equity method, in the consolidated financial statements, compared with the value of the shares reported in Nordiska Balco AB, applying the cost method, amounts to SEK 1,897,000 (2015: SEK 1,980,000 2014: SEK 1,773,000).

NOTE 10 OTHER OPERATING INCOME AND OTHER OPERATING EXPENSES

Other operating income	2016	2015	2014
Sales of raw material to subcontractors	9,657	6,980	6,188
Profit upon sale of property	-	8,125	-
Other	198	296	708
Compensation for warranty undertakings	558	-	-
Total other operating income	**10,413**	**15,401**	**6,896**
Other operating expenses			
Purchase of raw materials for onward invoicing	-9,361	-6,892	-5,221
Total other operating expenses	**-9,361**	**-6,892**	**-5,221**

The property sale carried out in Nordiska Balco AB in 2015 gave rise to a capital gain of SEK 8 million. This has been reported in its entirety in the income statement for 2015 as profit from the sale of a property and has not been allocated over the life of the contract, i.e. 10 years. See also note 30 "Leasing agreements" for more information.

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

	2016	2015	2014
Financial income/ Interest income and similar profit/ loss items			
Interest income on bank balances	-	252	136
Interest income on lending	-	-	-
Financial income	**0**	**252**	**136**
Financial expenses/ Interest expenses and similar profit/ loss items			
Interest expenses on liabilities to credit institutions	-5,858	-8,183	-8,898
Interest expenses on shareholder loans	-33,928	-29,503	-25,654
Other financial expenses	-1,103	-2,687	-13,938
Financial expenses	**-40,889**	**-40,373**	**-48,490**
Total financial items, net	**-40,889**	**-40,121**	**-48,354**

NOTE 12 INCOME TAX

	2016	2015	2014
Current tax:			
Current tax on profit for the year	-4,559	-1,854	-15
Adjustments regarding previous years	567	-	-789
Total current tax	**-3,992**	**-1,854**	**-804**
Deferred tax (see note 16):			
Occurrence and reversal of temporary differences	-6,670	-3,716	212
Total deferred tax	**-6,670**	**-3,716**	**212**
Income tax	**-10,662**	**-5,570**	**-592**

The income tax on profit differs from the theoretical amount which would have been produced using a weighted average tax rate for the profits/losses of the consolidated companies as follows:

	2016	2015	2014
Profit/loss before tax	22,712	24,846	-23,514
Income tax calculated in accordance with national tax rates applicable to profit in each country	-4,746	-5,474	5,173
Tax effect of:			
-Non-taxable capital gains	558	6 517	-
-Non-deductible interest on shareholder loans	-6,829	-6,491	-5,644
-Non-deductible expenses	-212	-122	-121
-Adjustments regarding previous years	567	-	-
Tax cost	**-10,662**	**-5,570**	**-592**

The weighted average tax rate for the Group is 46.9% (2015: 22.4% 2014: 2.5%). The increase in the average tax rate for the Group in 2016 compared with 2015 is due to the fact that 2015 was affected by a significantly higher non-taxable capital gain.

NOTE 13 EXCHANGE RATE DIFFERENCES

Exchange rate differences have been reported in the income statement as follows:

	2016	2015	2014
Costs of goods sold	-674	-3,125	1,073
Net financial items	-	-5,645	-10,044
Total exchange rate differences in the income statement	**-674**	**-8,770**	**-8,971**

NOTE 14 INTANGIBLE ASSETS

	Goodwill	Trade marks	Licences	Total
On January 1, 2014				
Historical cost	366,317		1,944	368,261
Accumulated amortisation	-		-61	-61
Reported value	**366,317**		**1,883**	**368,200**
2014 financial year				
Opening reported value	366,317		1,883	368,200
Amortisation	-		-478	-478
Closing reported value	**366,317**		**1,405**	**367,722**
Per December 31, 2014				
Historical cost	366,317		1,944	368,261
Accumulated amortisation	-		-539	-539
Reported value	**366,317**		**1,405**	**367,722**
2015 financial year				
Opening reported value	366,317	-	1,405	367,722
Purchases	4,715	8,955	634	14,304
Amortisation	-	-	-518	-518
Closing reported value	**371,032**	**8,955**	**1,521**	**381,508**
On December 31, 2015				
Historical cost	371,032	8,955	2,578	382,565
Accumulated amortisation	-	-	-1,057	-1,057
Reported value	**371,032**	**8,955**	**1,521**	**381,508**
2016 financial year				
Opening reported value	371,032	8,955	1,521	381,508
Purchases		-	24	24
Reclassification			944	944
Exchange rate differences	320	459	-	779
Amortisation	-	-	-684	-684
Closing reported value	**371,352**	**9,414**	**1,805**	**382,571**
On December 31, 2016				
Historical cost	371,352	9,414	3,546	384,312
Accumulated amortisation	-	-	-1,741	-1,741
Reported value	**371,352**	**9,414**	**1,805**	**382,571**

Amortisation costs of SEK 684,000 (2015: SEK 518,000; 2014: SEK 478,000) are included in production and project costs.

Test for impairment of goodwill and trademark
Management analyses the performance of an operation based upon the operation. Renovation and New Build have been identified as the primary operations. Goodwill and trademarks are monitored by management at the operating segment level from 2016. Set forth below is a summary of goodwill broken down into each operating segment and a summary of trademarks broken down by each operating segment.

Goodwill

2016	Renovation	New Build	Group
Reported value on Jan. 1	370,796	236	371,032
Additions	304	16	320
Sales	-	-	-
Write-downs	-	-	-
Reported value on Dec. 31	**371,100**	**252**	**371,352**

Trademarks

2016	Renovation	New Build	Group
Reported value on Jan. 1	8,507	448	8,955
Additions	436	23	459
Sales	-	-	-
Write-downs	-	-	-
Reported value on Dec. 31	**8,943**	**471**	**9,414**

Recoverable amounts for cash-generating units 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 which cover a five-year period. Cash flows beyond the five-year period are extrapolated applying assessed rates of growth as shown below. The rate of growth does not exceed the long-term rate of growth for the balcony construction market on which the relevant cash-generating unit operates.

Important assumptions used for calculation of values in use:

2016	Renovation	New Build
EBITDA margin[1)]	15.8%	8.7%
Rate of growth[2)]	11.7%	13.4%
Discount rate[3)]	7.12% after tax (9.17% before tax)	7.12% after tax (9.17% before tax)
Long-term rate of growth[4)]	2%	2%

1) Budgeted EBITDA margin.
2) Average rate of growth over five-year forecast; based on historical results and management's assessment of the performance of the market.
3) Discount interest rate before tax used in present value calculation of estimated future cashflows.
4) Weighted average rate of growth used for extrapolating cash flows beyond the budget period.

	2015	2014
EBIT margin[1)]	11-12%	10-12%
Long-term rate of growth[2)]	2%	2%
Discount rate[3)]	8.5% after tax (10.9% before tax)	12% after tax (15.4% before tax)

1) Budgeted EBIT margin.
2) Weighted average rate of growth used for extrapolating cash flows beyond the budget period.
3) Discount rate before tax, used when calculating present value of estimated future cash flows.

Management has determined the budgeted gross margin based on previous results and its expectations of market growth. The weighted average rate of growth applied corresponds to the forecasts available in industry reports. The discount rate used is stated before tax and reflects specific risks in the segment.

Sensitivity analysis, Goodwill
The recovery values exceed the reported values for goodwill by a wide margin. This is the case also when applying each of the following assumptions:
-the discount rate before tax had been 1 percentage point higher
-the estimated rate of growth for extrapolating cash flows beyond the five-year period had been 0%.

The most important assumptions relate to sales growth and the profitability trend.

A 2 percentage point change in these two assumptions, each individually, would not result in any impairment.

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

NOTE 15 TANGIBLE ASSETS

	Lands and buildings	Plant and machinery	Equipment, tools, fixtures and fittings	Construction in progress	Total
On January 1, 2014					
Historical cost	60,000	61,032	26,336	-	147,368
Accumulated depreciation	-3,301	-52,477	-17,324	-	-73,102
Reported value	**56,699**	**8,555**	**9,012**	**-**	**74,266**
2014 financial year					
Opening reported value	56,699	8,555	9,012	-	74,266
Purchases	-	7,166	5,818	1,886	14,870
Sales and disposals	-	-1,277	-79	-	-1,356
Depreciation	-2,082	-2,086	-4,415	-	-8,583
Closing reported value	**54,617**	**12,358**	**10,336**	**1,886**	**79,197**
On December 31, 2014					
Historical cost	60,000	66,921	29,281	1,886	158,088
Accumulated depreciation	-5,383	-54,563	-18,945	-	-78,891
Reported value	**54,617**	**12,358**	**10,336**	**1,886**	**79,197**
2015 financial year					
Opening reported value	54,617	12,358	10,336	1,886	79,197
Purchases	43,218	6,593	6,631	-	56,442
Sales and disposals	-60,000	-11,543	-10,272	-	-81,815
Reclassifications	-	-	1,531	-1,531	-
Depreciation, re-entry upon sale	6,526	11,195	8,742	-	26,463
Depreciation	-2,135	-5,883	-3,546	-	-11,564
Closing reported value	**42,226**	**12,720**	**13,422**	**355**	**68,723**
On December 31, 2015					
Historical cost	43,218	68,492	32,431	355	144,496
Accumulated depreciation	-992	-55,772	-19,009	-	-75,773
Reported value	**42,226**	**12,720**	**13,422**	**355**	**68,723**
2016 financial year					
Opening reported value	42,226	12,720	13,422	355	68,723
Exchange rate differences	32	194	52	-	278
Purchases	2,351	10,960	8,700	10,187	32,198
Sales and disposals	-	-	-2,988	-	-2,988
Reclassifications	-	1,265	221	-2,723	-1,237
Depreciation, re-entry upon sale	-	-	1,727	-	1,727
Depreciation	-4,005	-5,194	-4,394	-	-13,593
Closing reported value	**40,604**	**19,945**	**16,740**	**7,819**	**85,108**
On December 31, 2016					
Historical cost	45,601	80,255	32,849	7,819	166,524
Accumulated depreciation	-4,997	-60,310	-16,109	-	-81,416
Reported value	**40,604**	**19,945**	**16,740**	**7,819**	**85,108**

Depreciation costs of SEK 12,855 thousand (2015: SEK 11,202 thousand; 2014: SEK 8,291 thousand) are included in production and project costs; SEK 251 thousand in selling expenses (2015: SEK 37 thousand; 2014: SEK 39 thousand); and SEK 487 thousand (2015: SEK 325 thousand; 2014: SEK 253 thousand) in administrative expenses.

The above items include leasing objects which the Group holds under financial leasing agreements involving the following amounts:

	Dec 31, 2016	Dec 31, 2015	Dec 31, 2014
Historical cost – capitalised financial leasing	85,673	71,514	33,189
Accumulated depreciation	-30,669	-23,795	-22,143
Reported value	**55,004**	**47,719**	**11,046**

Capital expenditures for the year financed with financial leasing amount to SEK 17,075 thousand and the year's debt payments related to previously executed financial leasing agreements amount to SEK 10,218 thousand. Remaining financial leasing has had a positive net effect on cash flow for the year in the amount of SEK 6,857 thousand. See note 30 for additional information regarding financial leasing.

NOTE 16 DEFERRED TAX

	Dec 31, 2016	Dec 31, 2015	Dec 31, 2014
Deferred tax expense with respect to temporary differences	-7,213	-9,109	-880
Deferred tax income with respect to temporary differences	543	5,393	1,091
Total deferred tax in the income statement	**-6,670**	**-3,716**	**211**

Changes in deferred tax assets and tax liabilities during the year, as reported in the income statement, without taking into account netting carried out in the same tax jurisdiction, are shown below:

Deferred tax liabilities	Derivative instru-ments	Land and buildings	Untaxed reserves	Other	Total
On January 1, 2014	-	-4,278	-1,149	-131	-5,558
Reported in the income statement	-	100	16	49	165
On December 31, 2014	**-**	**-4,178**	**-1,133**	**-82**	**-5,393**
On January 1, 2015	-	-4,178	-1,133	-82	-5,393
Reported in the income statement	-	4,178	1,133	82	5,393
Acquisition of subsidiaries	-	-	-	-140	-140
On December 31, 2015	**-**	**-**	**-**	**-140**	**-140**
On January 1, 2016	-	-	-	-140	-140
Reported in the income statement	543	-	-	-	543
Acquisition of subsidiaries	-	-	-	-732	-732
On December 31, 2016	**543**	**-**	**-**	**-872**	**-329**

Deferred tax liabilities in 2016 relate to deferred tax on derivative instruments corresponding to SEK 72,000 and a deferred tax liability related to the acquisition of Kontech in the amount of SEK 257,000.

Deferred tax assets	Loss carry-forwards	Derivative instruments	Leasing, etc	Total
On January 1, 2014	17,879	12	-	17,891
Reported in the income statement	-880	926	-	46
On December 31, 2014	**16,999**	**938**	**0**	**17,937**
Reported in the income statement	-8,484	-938	313	-9,109
On December 31, 2015	**8,515**	**0**	**313**	**8,828**
Reported in the income statement	-7,132	0	-81	-7,213
Reported via equity	-1,083	0	-1	-1,084
On December 31, 2016	**300**	**0**	**231**	**531**

Deferred tax assets are reported in respect of loss carryforwards for tax purposes to the extent it is likely that they can be utilised through future taxable profits. Loss carryforwards do not lapse on any stated date.

NOTE 17 GOODS IN STOCK

	Dec 31, 2016	Dec 31, 2015	Dec 31, 2014
Raw materials and con-sum-ables	16,656	13,785	14,811
Total	**16,656**	**13,785**	**14,811**

The item 'costs of goods sold' contains costs for goods in stock booked as expenses amounting to SEK 484,346 thousand (2015: SEK 391,401 thousand; 2014: SEK 370,812 thousand). Other income statement items contain costs for goods in stock booked as expenses amounting to SEK 0 (2015: SEK 0 thousand; 2014: SEK 0 thousand). Goods in stock for the group were written down by SEK 486 thousand (2015: SEK 411 thousand; 2014: SEK 458 thousand).

NOTE 18 FINANCIAL INSTRUMENTS BY CATEGORY

Assets on the balance sheet	Assets valued at fair value via the income statement	Loan receivables and trade receivables	Sellable financial assets	Total
December 31, 2016				
Other long-term receivables	-	977	-	977
Other securities held as non-current assets	-	-	20	20
Trade receivables	-	94,545	-	94,545
Derivative instruments	1,019	-	-	1,019
Cash and cash equivalents	21,719	-	-	21,719
Total	**22,738**	**95,522**	**20**	**118,280**
December 31, 2015				
Other long-term receivables	-	720	-	720
Other securities held as non-current assets	-	-	20	20
Trade receivables	-	79,429	-	79,429
Derivative instruments	2,797	-	-	2,797
Cash and cash equivalents	28,160	-	-	28,160
Total	**30,957**	**80,149**	**20**	**111,126**
December 31, 2014				
Other long-term receivables		720		720
Other securities held as non-current assets	-	-	20	20
Trade receivables	-	64,527	-	64,527
Derivative instruments	-	-	-	-
Cash and cash equivalents	8,326	-	-	8,326
Total	**8,326**	**65,247**	**20**	**73,593**

Liabilities on the balance sheet	Liabilities valued at fair value via the income statement	Other financial liabilities	Total
December 31, 2016			
Liabilities to credit institutions	-	121,645	121,645
Shareholder loan	-	260,114	260,114
Trade payables	-	89,015	89,015
Derivative instruments	692	-	692
Total	**692**	**470,774**	**471,466**
December 31, 2015			
Liabilities to credit institutions	-	158,481	158,481
Shareholder loan	-	226,186	226,186
Trade payables	-	60,167	60,167
Total	**-**	**444,834**	**444,834**
December 31, 2014			
Liabilities to credit institutions	-	161,908	161,908
Shareholder loan	-	196,683	196,683
Trade payables	-	91,626	91,626
Derivative instruments	4,263	-	4,263
Total	**4,263**	**450,217**	**454,480**

Derivative instruments are classified as current assets or current liabilities when the term to maturity of the derivative instrument is less than 12 months.

Currency futures contracts
On December 31, 2016, the nominal amount of outstanding currency futures contracts was SEK 93,812,000 (2015: SEK 123,132,000; 2014: SEK 161,281,000). Gains and losses on currency futures contracts are reported in operating profit.

NOTE 19 TRADE RECEIVABLES

	Dec 31, 2016	Dec 31, 2015	Dec 31, 2014
Trade receivables	98,294	84,262	69,838
Minus: provisions for bad debts	-3,749	-4,833	-5,311
Trade receivables – net	**94,545**	**79,429**	**64,527**

On December 31, 2016, satisfactory trade receivables amounted to SEK 94,545,000 (2015: SEK 79,429,000; 2014: SEK 64,527,000).
On December 31, 2016, trade receivables amounting to SEK 10,233,000 (2015: SEK 18,547,000; 2014: SEK 19,948,000) were due, but without any impairment being deemed to exist.

The age structure of these trade receivables is shown below:

	Dec 31, 2016	Dec 31, 2015	Dec 31, 2014
1-30 days	5,121	9,424	13,133
31-60 days	2,859	1,807	594
> 61 days	2,253	7,316	6,221
Total due trade receivables	**10,233**	**18,547**	**19,948**

Changes in bad debts reserves are as follows:

	Dec 31, 2016	Dec 31, 2015	Dec 31, 2014
On January 1	-4,833	-5,311	-1,598
Bad debt reserves	-420	-	-3,713
Receivables written off during the year as uncollectible	-	-	-
Reversed non-utilised amount	1,504	478	-
On December 31	**-3,749**	**-4,833**	**-5,311**

Provisions to, or reversals of, reserves for uncertain trade receivables are included in the item production and project costs in the income statement. There is no security or other guarantees in respect of outstanding trade receivables on the balance sheet date.

NOTE 20 CONSTRUCTION CONTRACTS

	Dec 31, 2016	Dec 31, 2015	Dec 31, 2014
Accumulated project expenditures and reported profits (after deduction of reported losses)	824,326	613,296	509,925
Less: Invoiced amounts	-766,171	-567,999	-463,257
Net amount in the balance sheet for ongoing projects	**58,155**	**45,297**	**46,668**

Gross amount due from customers amount to SEK 96,327,000 (2015: SEK 76,753,000; 2014: SEK 68,315,000) and gross amount due to customers amount to SEK 38,172,000 (2015: SEK 31,456,000; 2014: SEK 21,647,000), yielding a net amount of SEK 58,155,000 (2015: SEK 45,297,000; 2014: SEK 46,668,000).
Advances received amounted to SEK 38,172,000 (2015: SEK 31,456,000; 2014: SEK 21,647,000). Sums witheld by customers amounted to SEK 196,000 (2015: SEK 1,868,000; 2014: SEK 7,354,000).

NOTE 21 OTHER RECEIVABLES

	Dec 31, 2016	Dec 31, 2015	Dec 31, 2014
VAT recoverable	2,454	808	2,690
Advance to MIB-Pol Spolka Zo.o	-	-	4,880
Other	743	1,085	922
Total	**3,197**	**1,893**	**8,492**

NOTE 22 PREPAID EXPENSES AND ACCRUED INCOME

	Dec 31, 2016	Dec 31, 2015	Dec 31, 2014
VAT deposit	419	344	647
Advance invoices	4,147	3,899	3,327
Deposits for premises	789	254	254
Other	1,636	803	1,372
Total	**6,991**	**5,300**	**5,600**

NOTE 23 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consists in their entirety of bank balances.

NOTE 24 SHARE CAPITAL

The share capital comprises 67,717,104 shares, broken down as follows:

Class B preference shares	142
Class C preference shares	325
Class A ordinary shares	67,716,637

The shares carry voting rights of 1 vote/share. All shares which have been issued by Balco Group AB are paid-up in full.

NOTE 25 BORROWING

	Dec 31, 2016	Dec 31, 2015	Dec 31, 2014
Long-term			
Liabilities to credit institutions	0	23,984	99,468
Shareholder loan	260,114	226,186	196,683
Liabilities relating to financial leasing	44,998	42,924	6,154
Total long-term borrowing	**305,112**	**293,094**	**302,305**
Short-term			
Overdraft facility	41,428	52,965	22,977
Liabilities to credit institutions	23,984	32,156	28,500
Liabilities to relating to financial leasing	11,235	6,452	4,809
Total short-term borrowing	**76,647**	**91,573**	**56,286**
Total borrowing	**381,759**	**384,667**	**358,591**

Liabilities to credit institutions
The Group's borrowing is in SEK. The Group's borrowing consists of loans from Swedbank. The maturity dates of the loans are set out in note 3. Interest on loans is based on an applied margin on STIBOR 90 with three months fixed interest, in accordance with applicable bank agreements.

Borrowing from credit institutions	Reported value Dec 31, 2016	Maturity date
Swedbank	23,984	Dec 2, 2017
Total borrowing from credit institutions	**23,984**	

The fair value of borrowing corresponds to its reported value, since the discount effect is insignificant.

Shareholder loan
The shareholder loan is in SEK and comprises loans from the shareholders. Interest is charged at a rate of 15% per year. Interest is not paid annually but, instead, is added to the loan principal at the end of the financial year.

Overdraft facility
An overdraft facility is available in Swedish kronor.

The undrawn overdraft facility amounts to SEK 42,129,000 (2015: SEK 22,035,000; 2014: SEK 27,023,000).

Liabilities with respect to financial leasing
Leasing liabilities are effectively secured, since the rights to the leased asset revert to the lessor in the event of non-payment. For further information regarding the group's financial leasing agreements, see note 30 Leasing agreements.

Covenants
In 2016, the Group met all of its obligations under applicable covenants to the bank, which corresponded to EBITDA rolling 12 months, with quarterly measurement based on Management accounts, as well as full-year capital expenditures. Rolling EBITDA in 2016 with appurtenant covenants is shown in the table below.

MEASURE FOR 12 MONTHS' EBITDA MANAGEMENT ACCOUNTS

Period	Measurement point (thousands)	Outcome (thousands)
EBITDA RTM Mar 31, 2016	57,700	80,195
EBITDA RTM Jun 30, 2016	64,300	84,895
EBITDA RTM Sep 30, 2016	70,000	91,052
EBITDA RTM Dec 31, 2016	76,700	96,643

NOTE 26 OTHER LIABILITIES

	Dec 31, 2016	Dec 31, 2015	Dec 31, 2014
Personnel taxes	2,129	1,567	1,635
VAT liability	3,795	5,556	2,020
Profit sharing foundation	0	2,900	-
Provisions for liabilities, not personnel	766	3,655	2,503
Vendor note, acquisition of Kontech A/S	0	7,440	-
Other	2,981	4,119	3,622
Total	**9,671**	**25,237**	**9,780**

NOTE 27 ACCRUED EXPENSES AND DEFERRED INCOME

	Dec 31, 2016	Dec 31, 2015	Dec 31, 2014
Personnel liabilities	31,335	20,813	16,326
Project-related provisions	10,698	7,061	20,127
Warranty reserve	5,288	6,929	-
Other	5,304	8,029	5,040
Total	**52,625**	**42,832**	**41,493**

NOTE 28 PLEDGED ASSETS

	Dec 31, 2016	Dec 31, 2015	Dec 31, 2014
For own and group companies' liabilities and provisions			
Property mortgages	-	-	44,785
Floating charges	49,300	49,300	49,300
Shares in group companies	385,914	348,042	299,819
Total	**435,214**	**397,342**	**393,904**

For the Group, shares in subsidiaries comprise net assets in the Balco Invest AB group.

NOTE 29 CONTINGENT LIABILITIES

In the Group, guarantee undertakings have been provided in respect of leasing obligations in Balco Sp.Zo.o. In connection with construction projects, security is often provided in the form of performance guarantees from banks, insurance institutions or parent companies. With respect to Balco Holding AB, SEK 200 million (2015: SEK 194 million; 2014: SEK 145 million) relates to various guarantees in respect of construction undertakings entered into by subsidiaries. With respect to the Group, Balco Holding AB's guarantees do not entail any increased liability compared with the construction project obligations.

NOTE 30 LEASING AGREEMENTS

Financial leasing

The Group's financial leasing agreements relate to cars, trucks and machinery. There is no subleasing. In addition, the lease agreement relating to the Växjö Lodjuret 4 and Växjö Kronhjorten 4 property is regarded as a financial leasing agreement.

	Dec 31, 2016	Dec 31, 2015	Dec 31, 2014
Future total mimimum lease fees			
Within 1 year	10,068	8,362	3,546
Between 1 and 5 years	29,343	23,391	4,284
More than 5 years	18,598	22,202	-
	58,009	**53,954**	**7,830**
Future financial expenses for financial leasing	-1,776	-11,268	-720
Present value of financial leasing liabilities	**56,233**	**42,686**	**7,110**

Operational leasing

The Group has lease agreements in respect of business premises of subsidiaries.

At the end of the reporting period, future minimum lease fees under non-terminable operational leasing agreements became due and payable as follows:

	Dec 31, 2016	Dec 31, 2015	Dec 31, 2014
Within one year	4,237	905	925
Later than one year but within five years	1,413	307	807
Later than five years	-	-	-
Total	**5,650**	**1,212**	**1,732**

During the financial year, operational leasing expenses in the Group amounted to SEK 4,171,000 (2015: SEK 925,000; 2014: SEK 1,017,000).

NOTE 31 EARNINGS PER SHARE

Earnings per share are calculated by earnings attributable to the parent company's shareholders being divided by the weighted average number of outstanding ordinary shares during the period. The Group has no dilution effects.

	2016	2015	2014
Earnings from continuing operations attributable to the parent company's shareholders	12,946	18,720	-24,064
Less return on preference shares	-7,314	-6,360	-5,531
Earnings after returrn on preference shares	**5,632**	**12,360**	**-29,595**
Weighted average number of outstanding ordinary shares (thousands)	67,717	67,717	67,717
Earnings per ordinary share, SEK, prior to dilution	0.08	0.18	-0.44
Earnings per ordinary share, SEK, after dilution	0.08	0.18	-0.44

NOTE 32 EMPLOYEE BENEFITS AFTER CONCLUSION OF EMPLOYMENT

For white-collar employees in Sweden, the defined-benefit pension obligations with respect to retirement and family pension under the ITP 2 plan are secured through an insurance policy with Alecta. According to an opinion issued by the Swedish Financial Reporting Board, UFR 10 Reporting of the ITP2 pension plan financed through insurance with Alecta, this is a defined-benefit plan which covers several employees. For the 2014, 2015 and 2016 financial years, the Company has not had access to information enabling the reporting of its proportionate share of the plan's obligations, management assets and expenses, and consequently it has not been possible to report the plan as a defined-benefit plan. The ITP 2 pension plan secured through a policy with Alecta is therefore reported as a defined-contribution plan. Premiums for the defined-benefit retirement and family pension are calculated individually and depend, among other things, on salary, previously earned pension and expected remaining period of employment. Expected fees for the next reporting period for ITP 2 policies with Alecta amount to SEK 8,918,000 (2015: SEK 5,882,000; 2014: SEK 4,908,000).

The collective solvency ratio comprises the market value of Alecta's assets as a percentage of the insurance obligations, calculated in accordance with Alecta's actuarial methods and assumptions, which do not correspond to IAS 19. The collective solvency ratio must normally be allowed to fluctuate between 125 and 155%. In the event Alecta's collective solvency ratio is below 125% or exceeds 155%, measures must be taken with the aim of creating conditions for the collective solvency ratio to return to the normal range. In the event of a low collective solvency ratio, measures may be taken to increase the agreed price for new policies and enhancement of existing benefits. In the event of a high collective solvency ratio, one measure may be to introduce premium reductions. At the end of 2016, Alecta's surplus in the form of the collective solvency ratio amounted to 149 per cent (2015: 153 per cent; 2014: 143 per cent).

Apart from the above-mentioned pension plans, the Group only has defined-contribution pension plans.

The amounts reported in the income statement are as follows:

	2016	2015	2014
Reporting in the income statement regarding:			
Costs for defined-contribution pension plans	9,437	6,227	5,195
The income statement	**9,437**	**6,227**	**5,195**

NOTE 33 OTHER ITEMS NOT AFFECTING LIQUIDITY

	2016	2015	2014
Capital gains/losses upon sale of property/shares in group companies	-	-8,125	-
Share in earnings of associated companies	-556	-214	-196
Exchange rate differences	478	-	-
Change in provisions	1,816	-182	-
Total	**1,738**	**-8,521**	**-196**

NOTE 34 TRANSACTIONS WITH CLOSELY-RELATED PARTIES

Segulah IV L.P. owns approximately 72% of Balco Group AB's shares. The remaining shares are owned by senior executives and employees, directly or indirectly through companies. Closely-related parties comprise all subsidiaries within the Group, associated companies as well as senior executives in the Group and parties closely-related to them.

The following transactions have taken place with closely related parties:

Sales of goods and services	2016	2015	2014
Sales of goods:			
-The associated company MIB-Pol Spolka Zo.o.	5,870	3,638	1,889
Sales of services:	-	-	-
Total	**5,870**	**3,638**	**1,889**

Purchases of goods and services	2016	2015	2014
Purchases of goods:	-	-	-
Purchases of services:			
- MIB-Pol Spolka Zo.o.	9,366	7,529	12,251
- Other closely-related parties (goods and services)	4,512	145	134
Total	**13,878**	**7,674**	**12,385**

Goods and services are purchased from, and sold to, closely-related parties on normal commercial terms and on commercial principles and comply with an applicable transfer pricing policy. Goods are sold based on applicable price lists and terms and conditions for independent parties. Services are purchased at cost price and settled also through applicable transfer pricing policy.

Remuneration to senior executives
See note 7.

Loans from closely-related parties
See note 25, Borrowing, for a description of terms and conditons with respect to the shareholder loan.

NOTE 35 EVENTS SINCE THE BALANCE SHEET DATE

No significant events have occurred since the balance sheet date.

THE AUDITORS REPORT

This is a literal translation of the Swedish original report included in RevR 5

To the Board of Directors of Balco Group AB, org.nr 556821-2319

THE AUDITOR'S REPORT ON RESTATED HISTORICAL FINANCIAL STATEMENTS

We have audited the financial statements for Balco Group AB on pages 118-140, which comprise of the consolidated balance sheets as of December 31, 2016, December 31, 2015 and December 31, 2014 and the consolidated statements of comprehensive income, consolidated statements of cash flows, consolidated statements of changes in shareholders' equity for the years then ended, and a summary of significant accounting policies and other explanatory notes.

The Board of Directors' and the Managing Director's responsibility for the financial statements

The Board of Directors and the Managing Director are responsible for the preparation and the fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the EU and the Annual Accounts Act and additional applicable framework. This responsibility includes designing, implementing and maintaining internal control relevant to preparing and appropriately presenting financial statements that are free from material misstatement, whether due to fraud or error. The Board is also responsible for the preparation and fair presentation in accordance with the requirements in the Commission Regulation (EC) No 809/2004.

The auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with FAR's Recommendation RevR 5 Examination of Prospectuses. This recommendation requires that we comply with FAR's ethical requirements and have planned and performed the audit to obtain reasonable assurance that the financial statements are free from material misstatements. The firm applies ISQC 1 (International Standard on Quality Control) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We are independent of the Balco Group AB in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

An audit in accordance with FAR's Recommendation RevR 5 Examination of Prospectuses involves performing procedures to obtain audit evidence corroborating the amounts and disclosures in the financial statements. The audit procedures selected depend on my (our) assessment of the risks of material misstatements in the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the company's preparation and fair presentation of the financial statements as a basis for designing audit procedures that are applicable under those circumstances but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also involves evaluating the accounting policies applied and the reasonableness of the significant accounting estimates made by the Board of Directors and the Managing Director and evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion the financial statements give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and the Annual Accounts Act and additional applicable framework of the consolidated financial position of Balco Group AB as of December 31, 2016, December 31, 2015 and December 31, 2014 and its consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated cash flows for these years.

Stockholm, 25 September 2017
Öhrlings PricewaterhouseCoopers AB

Magnus Svensson Henryson
Authorised Public Accountant
Auditor in charge

DEFINITIONS

The terms defined below are used in the Prospectus:

ADL report	A report dated November 3, 2016 produced by Arthur D. Little
Balco, the Company or the Group	The group in which Balco Group AB is the parent company, or a subsidiary in the Group, depending on the context
Carnegie or Global Coordinator	Carnegie Investment Bank AB
Code	Swedish Code of Corporate Governance
Cornerstone Investors	Erik Selin, Swedbank Robur Fonder AB, Vätterleden Aktiebolag, Lazard Asset Management GmbH, Stiftelsen Riksbankens Jubileumsfond, Taiga Fund Management AS, Familjen Hamrin and LMK Venture Partners AB
Credit Facility Agreement	Refers to the credit facility agreement which the Company and certain companies in the Group entered into with Danske Bank A/S, Danmark Sverige Filial on September 14, 2017
Danske Bank	Danske Bank A/S, Danmark, Sverige Filial
EUR	Euro
Euroclear Sweden	Euroclear Sweden AB
Executives	CEO and group management, currently comprising nine individuals
ISA	Investment savings account
Joint Bookrunners	Carnegie Investment Bank AB and Danske Bank A/S, Danmark, Sverige Filial
Kontech	Kontech A/S
Lock-up period	The lock-up period described in section "*Share capital and ownership structure – Lock-up undertaking*"
Main Markets	Sweden, Denmark and Norway
MIB-Pol	MIB-Pol Spolka Zo.o
MSEK	SEK millions
Nasdaq Stockholm	The regulated market operated by Nasdaq Stockholm AB
New Build	One of two of Balco's segments which constitutes a business segment in accordance with IFRS
Offering	Offering of shares as described in the Prospectus
Offering Price	The final Offering Price, SEK 56
Other Markets	Finland, the UK, the Netherlands and Germany
Over-allotment Option	Refers to the over-allotment option described in the section *"Invitation to acquire shares in Balco"*
PBA	Planning and Building Act
Placing Agreement	An agreement regarding placement of shares which is intended to be entered into on or about October 5, 2017, by and between the Company, Joint Bookrunners and the Principal Owner
Principal Owner or Segulah	Segulah IV, L.P, through its General Partner Segulah IV GP ILP, through its General Partner Segulah Management IV Limited
Prospectus	This prospectus
Prospectus Directive	Directive 2003/71/EC of the European Parliament and the Council
Purchaser	Any applicant in the Offering
Regulation S	Refers to a provision under the US Securities Act of 1933, as amended
Renovation	One of two of Balco's segments which constitutes a business segment in accordance with IFRS
SEK	Swedish kronor
WPiP	Wielkopolskie Przedsiebiorstwo Inzynierii Przemysłowej

ADDRESSES

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