



Balco Group AB

Annual Report 2022

with Sustainability Report

BALCO
GROUP

Balco Group in brief

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

Balco Group was established in 1987 and is a group of manufacturing and sales companies. The Group's six brands fall under the companies Balco AB, Balco Altaner AS, TBO-Haglinds AB, Stora Fasad AB, RK Teknik i Gusum AB and Söderåsens Mur- & Kakel AB. The Group is the market leader in the Nordic region and operates in a number of markets in northern Europe. Its headquarters are located in Växjö, and the Group employs approximately 500 people. A distinctive feature of the companies in the Group is that they control their entire value chain – from sales to the installed balcony – through a decentralised and efficient sales process.

Balco method at the core

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

Long life span and positive impact on climate

Balco's glazed balconies have a life span of more than 90 years, providing the most economical and sustainable solution in the

market. Offering energy savings of up to 30%, each Balco balcony provides a positive impact on climate equal to that of ten growing trees.

Broad offering

We offer a wide range of balcony solutions with glazed and open balconies, along with accessories such as flower boxes, mats and sun protection.

Balco assumes full responsibility for customer contact

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

Customer satisfaction

Satisfied customers who recommend Balco are an important asset. Our target is a customer recommendation rate of 90%. In our most recent survey, as many as 95% of customers said that they would recommend Balco.

Balco's operations are divided into two operating segments:

Vision

Balco Group is to be the obvious choice for balcony solutions and help ensure a better living environment.

Business concept

To develop innovative, sustainable and attractive balcony and facade solutions that improve people's quality of life, with the customer in focus.

✓ Renovation

87%

The segment includes replacement and extension of existing balconies, as well as installation of new balconies on apartment buildings, primarily glazed balconies. The main driving force is the pent-up need for renovation and the age profile of the properties. The offering also includes facade renovation.

Share of net sales

87%

Net sales, SEK million

1,164

Adjusted operating margin

8.4%

✓ New build

13%

The segment includes installing balconies when constructing new apartment buildings, facade bricklaying and plastering during new build, as well as balcony projects in the maritime market. The largest product area is open balconies. Balco is expanding selectively, focusing on profitability and low risk. Demand is driven by the pace of new residential construction.

Share of net sales

13%

Net sales, SEK million

170

Adjusted operating margin

6.1%

536 employees

7 markets

SEK **1,334** million, net sales in 2022

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

With a life span of more than

90 years

Balco's glazed balconies are not only the best solution from a financial point of view, they are also the most climate-smart solution. As our minor carbon footprint in manufacturing is compensated for by long-term energy savings over time, Balco balconies end up climate positive after 25 to 40 years.

7 markets

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

2022 at a glance

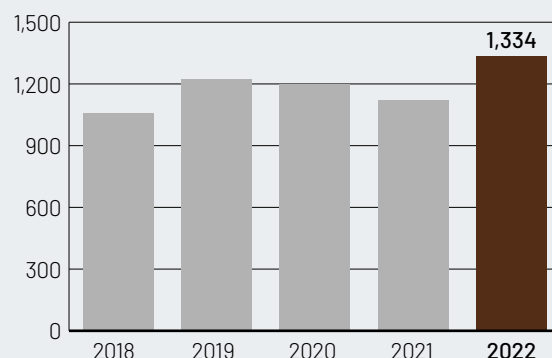
Sales
1,334
SEK billion

Adjusted
operating margin
8.7%

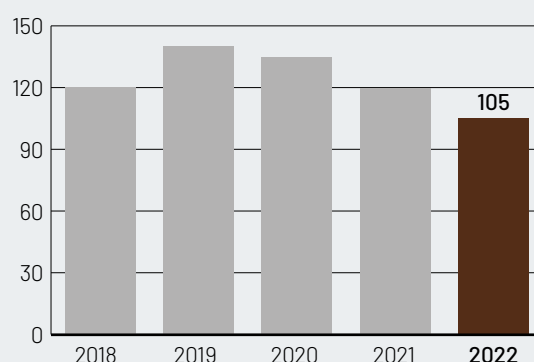
Order intake
1,109
SEK billion

- ✓ By continuing to focus on long-term sustainability, Balco achieved an improved ESG rating with Sustainalytics*. The target was for our rating to be below 20.0 and for us to become a low-risk company – in November, the new rating was announced as 18.7.
- ✓ Start of Balco Group's Turnkey Contracting project. The concept was launched in spring 2021, and two projects have been running in 2022: Kolarhagen (Västerås) and Krönet (Gothenburg), where Balco Group's Turnkey Contracting is leading the entire project, which also involves a couple of the Group's other subsidiaries.
- ✓ Kenneth Lundahl announced that he would be stepping down as President and CEO of Balco Group in June 2022, and in August he left his post.
- ✓ Camilla Ekdahl took over as acting President and CEO of Balco Group on 1 September and was appointed President and CEO of Balco Group permanently on 8 December. Camilla is also continuing in her role as CEO of Balco AB.
- ✓ Acquisition of Söderåsens Mur- & Kakel AB on 25 October 2022. The acquisition complements, strengthens and develops Balco Group's product and customer offering in facade renovation in southern Sweden.
- ✓ The subsidiary TBO-Haglinds acquired assembly company Arutex AB on 30 November 2022. The acquisition will enable TBO-Haglinds to develop and streamline its balcony assembly offering and give Arutex a more stable role in the market. Arutex became a subsidiary of TBO-Haglinds on 1 January 2023, the takeover date. Arutex has been working with TBO for many years.

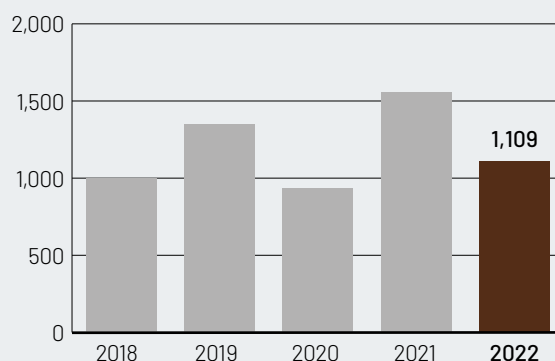
NET SALES (SEK million)



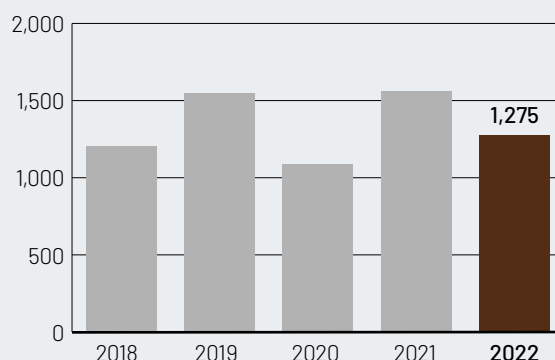
ADJUSTED OPERATING PROFIT (SEK million)



ORDER INTAKE (SEK million)



ORDER BACKLOG (SEK million)



Key ratios, SEK million	2022	2021
Net sales	1,333.6	1,120.5
Order intake	1,108.6	1,558.3
Order backlog	1,274.7	1,557.0
Operating profit (EBIT)	102.5	118.0
Operating margin (EBIT), %	7.7	10.5
Adjusted operating profit	104.6	119.5
Adjusted operating margin, %	7.8	10.7
Profit for the year	76.2	90.2
Operating cash flow	200.3	96.0
Earnings per share, SEK	3.78	4.12

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

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● = Administration report

Annual and Sustainability Report

Balco Group's Annual and Sustainability Report is published in both Swedish and English. The Swedish version is the original version. Paragraphs marked with ● contain parts of the Administration Report. The Administration Report includes pages 58–64, 70–77, 80–85, 93–96, 98, 100, 102–103, 110–113, 132. The audited Annual Report and consolidated financial statements for the 2022 financial year are included on pages 58–89 and 93–138.

Other external review

The auditor has reviewed and certified the Sustainability Report, pages 60–69. See the certification report on page 143, which includes the auditor's opinion on the statutory Sustainability Report in accordance with RevR12. The auditor has reviewed the Corporate Governance Statement, pages 78–89 in accordance with FAR Statement RevR 16 Auditor's Review of the Corporate Governance Statement.

A message from the CEO

Balco Group will continue to develop in line with our well-functioning strategy

On 1 September 2022, I took over as acting President and CEO, and on 8 December I was appointed President and CEO of Balco Group. I am very pleased and proud to have been entrusted with this role. Balco Group is an exciting company that I have got to know since I became an employee in 2019. The Group is at the forefront of helping customers to improve their living environment by constantly finding innovative, sustainable and attractive solutions. I look forward to working with our management team and other staff to continue to develop the company in line with our well-functioning strategy.

There is a great need for Balco Group's products in the long term – large parts of the property portfolios in our markets are old, meaning there is an extensive general need for renovation. The bulk, about 90%, of our sales is in the renovation segment.

2022 was another special year. The Group's order intake towards the end of 2021 was very strong, and we entered 2022 with great optimism. The first two months of the year proceeded well, but then the war in Ukraine broke out, leading to higher material prices and progressively higher inflation. Combined with higher interest rates, this led to a slowdown in order intake, which continued during the autumn.

Based on the strong order intake towards the end of 2021, we added human resources to the organisation. However, in view of the poorer result in 2022 and the progressively tougher market conditions, with lower order intake still expected, we decided in the autumn to implement a cost-cutting programme with reductions in staff. As part of this, we have closed our office in Finland and now serve the Finnish market from Sweden instead. The programme was launched in October and is expected to deliver annual savings of SEK 20 million.

The current market uncertainty is based on the uncertain economic conditions. We are confident that the decision-making power regarding our products will quickly return once inflation and interest rates stabilise. We continue to see a lot of interest in our products, with many property owners both wanting and needing to renovate their balconies – it is all a question of timing. We continue to have a very good relationship with a bank that can help our customers with long-term financing in our main markets – up to 70 years in the Swedish market. Our assessment is that initially, 2023 will continue to be challenging, but at the same time we can see opportunities for demand to start improving towards the end of the second quarter.

Balco Group has the largest sales force in the industry in our main markets. This puts us in the best position to visit our customers to prepare for balcony and facade renovation, for example by working on documents such as building permits and calculations. When the customer thinks it is time to make a decision, the project can start immediately.

Strong performance in the UK and Germany

In the UK and Germany, growth in 2022 has been relatively stronger than in the Nordic countries. In both countries, we have continuously closed deals throughout the year, a positive trend that looks set to continue into 2023.

There is a great need for new housing in the UK, and after the pandemic, it has more or less become a requirement for apartments to have a balcony. Our new Levitate product, aimed at the new-build market, has seen us take market share, and in 2022 we reached our highest ever order intake in the UK.

Germany introduced subsidies in the energy sector in the second half of 2022, which has had a positive effect on the willingness of our customers to make investment decisions. This, along with a focus on certain customer categories, also resulted in good order intake in the second half of the year, when we saw a decline in other markets.

Balco Group a low risk company according to ESG

Balco Group continues to focus sharply on sustainability, with Group management bearing responsibility. Our targeted sustainability initiatives in recent years have improved the Group's ESG risk rating, which was 18.7 in the latest Sustainability assessment, meaning we are ranked as a low-risk company and are now among the 20% of the world's companies with the lowest ESG risk.



The EU Green Taxonomy aims to steer investments towards long-term sustainability. We are pleased to note that balcony renovation with the installation of glazed balconies falls within the taxonomy, as they provide an insulating effect, and that more than half of our sales may therefore fall within the taxonomy.

To help our customers save even more energy, Balco Group offers the Green Transformation concept. This means that when renovating a balcony, we also offer the customer a review of the property's energy performance. Customers are then given suggestions for supplementary measures to reduce their energy use, which in turn means that banks can offer green loans with interest rebates. Balco Group can help customers to implement the proposed energy-saving measures when carrying out balcony renovation, either on our own or with the help of our partners.

This year's Annual Report is a combined Annual and Sustainability Report to underline that sustainability is an integral part of our business. Over the next few years, we will gradually integrate sustainability aspects and sustainability data even further in our annual report.

Acquisitions an important part of our growth strategy

Growing through acquisitions is an important part of our growth strategy, and we aim to make between one and three acquisitions per year. Today, we enjoy a strong financial position, which gives us continued scope for acquisition. We are continuously discussing new acquisitions in our home markets in the Nordic region and in other geographic markets where we are already active.

In 2022 we made two acquisitions: Söderåsens Mur & Kakel and Arutex. Söderåsen offers facade work such as bricklaying, plastering and insulation for renovations and repairs, as well as new build. The acquisition strengthens our offering in turnkey contracting and Green Transformation. Arutex assembles and

glazes balconies and through the acquisition, we can see an opportunity to secure assembly capacity. Arutex is one of TBO-Haglind's largest partners, and the acquisition naturally strengthens our cooperation.

Continued focus on new products

Product development is the foundation of our success, and it is important that we continue to put resources into it, mainly linked to three elements: aesthetics, energy recovery and ease of assembly. Levitate is an excellent example of successful product development in recent years. The product is currently available in the UK market and allows us to create profitability in the new-build segment. Levitate can also open up opportunities in new build in other markets.

In conclusion, I would like to address all our staff and express my sincere thanks for their excellent work during a challenging and turbulent 2022. I look forward to working with you all on continuing to develop and build an even stronger Balco Group!

Växjö, March 2023

Camilla Ekdahl
President and CEO

A message from the CFO

Financial position continues to be very strong

Balco Group has reinforced its focus on and strategy for sustainability, with its importance gradually increasing. We have a strong sustainability policy and offer products that contribute to significantly lower energy consumption. Sustainability is an important part of our business.

With this in mind, the fact that I have taken over the Group's sustainability responsibilities does not constitute a major change. When Johan Fälth, the Group's Marketing Director, increased his focus on marketing and sales, it was natural for me to take over, and during the year I have built on the structure and issues that were already in place.

Sustainability is also a key part of our communication in relation to the financial market, and the introduction of the EU Green Taxonomy brings sustainability work even closer to the more traditional CFO role. A clear indication of this is that as of 2022, we are choosing to present an integrated Annual and Sustainability Report, as it better reflects the natural link we see between our sustainability work and our financial strength.

A turbulent year

2022 was a turbulent year. The beginning of the year looked very positive, with the excellent order intake continuing from the final quarters of 2021, when the pandemic restrictions were lifted. We therefore bolstered the organisation during the winter of 2021/2022 to be able to handle the continued increase in orders we expected.

The war in Ukraine increased material and energy prices, which also led to rising inflation and central banks beginning to raise interest rates. As a result, our customers began to feel uncertain, in many cases choosing to wait to make a decision on balcony renovation despite the fact that they needed to renovate. The wait for interest rates, material prices and energy prices to stabilise has therefore had a negative impact on our order intake from the second quarter onwards.

However, our large order backlog at the beginning of the year resulted in a new sales record for Balco Group in 2022, of SEK 1 334 million. However, our operating profit was disappointing. During the spring and summer, there were major project deviations that had a negative impact on a number of Norwegian projects, negatively affecting gross and operating profit by SEK 20 million. In the UK, our customers do not accept any material price indices, which also resulted in negative project deviations of SEK 5 million

during the year. However, in markets where we have material price indices, we have been compensated krona for krona. However, this has had a negative impact on our gross margin, as has the fact that we are seeing an increasing proportion of sales coming from subsidiaries and markets with lower gross margins.

The reduced order intake and the organisational reinforcements we implemented resulted in under-utilisation of staff in the production and project organisation. A cost savings programme was therefore implemented in late autumn that will deliver savings of SEK 20 million from January 2023. Unfortunately, this has meant that 30 employees have had to leave the Group from production and the project organisation, as well as support functions in marketing, HR and finance.

However, we are pleased to report strong cash flow in the second half of the year, which has strengthened our balance sheet and made us almost debt-free if we exclude lease debt. This puts us in a strong position for future organic growth and growth through acquisitions.

Report sustainability data quarterly

An important part of our combined sustainability and IR efforts is that Balco Group aims to report sustainability data on a quarterly basis, and we are already well on our way towards meeting this goal. During the year, we invested in a new sustainability reporting system tailored to this ambition and that also allows reporting in accordance with other standards, particularly GRI.

Sustainability factors are also becoming increasingly important in various internal investment decisions. For example, our purchasing manager is part of our sustainability group, and together we look for partners with whom we can create long-term relationships with the right level of quality and performance. In this work, we have sought suppliers that offer even better sustainability performance, with the possibility of supplying more climate-friendly materials with a higher recycling rate, such as aluminium, steel and concrete.



I also work closely with our HR manager and, following requests from several employees for further training opportunities, we have provided the opportunity to train with a personal trainer. Balco Group is to provide a safe, pleasant and secure workplace with a zero vision for workplace accidents. It is important that the Group is governed properly and that corruption and bribery do not occur. We have developed the whistleblower function and placed it with an external independent party that receives any reports and carries out the initial investigation work.

Financial position continues to be very strong

In the second half of 2022, we had a strong cash flow, and our financial position remains very strong. At year-end, we had a net debt to EBITDA ratio including leases of 0.7 and excluding leases of 0.2, which is very low. Our balance sheet is strong, and we also have an almost undrawn credit facility, which continues to provide us with very good opportunities overall to make further acquisitions. We can see several interesting acquisition opportunities and are in discussions in a number of geographic markets. The aim is to make between one and three acquisitions per year – in 2022 we made two acquisitions.

We have a strong focus on our cash flow, working closely with our subsidiaries to ensure efficient invoicing and timely payments. With worse times around the corner economically, this is an important area to watch even more closely. We are well prepared, have good systems in place and also work extensively with credit insurance and parent company guarantees.

During the year, together with the sales manager, sales representative and energy strategist, I have developed a new sales template for the Swedish and Norwegian markets. The template analyses the client's financial situation over the next few years, including the effect of inflation, and compares using concrete to renovate balconies with renovation/upgrading by investing in new glazed and larger balconies. In most cases, it emerges that the latter is economically advantageous, and so we hope this tool will help customers make their decisions.

New logo and website give IR efforts a boost

To distinguish Balco Group from its subsidiary Balco AB in terms of graphics, we have developed a new logotype that was launched at the end of 2022. We also launched a new website to provide even better digital IR support. Following the coronavirus pandemic, we have had the opportunity to conduct more face-to-face meetings with shareholders, which we are pleased about. Going forward, we plan to be even more active when it comes to meeting existing and new shareholders, for example by attending major IR conferences in Sweden and abroad.

Växjö, March 2023

Michael Grindborn

CFO with responsibility for Sustainability, IR, IT and M&A

Why you should invest in Balco Group

Nordic market leader in the attractive balcony market

Balco Group offers customised balcony solutions under its own brands to tenant-owner associations, private property owners, public sector housing companies and construction companies. We are the market leader in our main markets of Sweden, Norway and Denmark, and are also active in Germany, Finland, the UK and the Netherlands.

A niche company with growth potential

Since 1987 Balco Group has grown to comprise 536 employees, achieving net sales of SEK 1,334 million. The value of Balco Group's market is estimated to be around SEK 38 billion* in 2022, and the market for balcony renovations in our main markets is expected to grow by five percent per year over the next few years.

Tried-and-tested business model with exclusive customer values

Balco Group's balcony solutions are tailored to the customer's needs and requirements. Its strong market position is largely a result of successful work with the Balco method, which entails existing, open balconies being replaced with new, larger glazed balcony systems. The Balco method is a sustainable alternative to traditional balcony renovation, providing a longer life span, lower monthly costs and energy consumption, higher quality of life for residents and an increase in property value.

A sustainable investment for the future

Balco Group's activities are helping achieve a more sustainable society. We support our customers in making the transition to 'green buildings' by supplying glazed balconies that offer energy savings of up to 30%. The offering is supplemented by the option of additional energy-saving measures such as installing solar panels, additionally insulating the facade, replacing windows, insulating roofs and recovering heat. Thanks to our focused work on sustainability, our ESG risk rating with Sustainalytics improved, falling to 18.7 (20.8) in 2022.

Attractive financial profile

Balco Group's robust growth, good profitability and strong cash flows have generated an attractive financial profile. Good profitability and low capital expenditure requirements are the keys to strong cash generation.

* According to market research conducted by Arthur D. Little in the autumn of 2020.

Our vision, business concept and core values

Balco Group's strengths lie in our entrepreneurial culture, high level of innovation, business acumen and extensive expertise. We are a trusted partner, guiding our customers throughout their entire journey. Working with the customer, we tailor a complete, modern and sustainable balcony solution and launch a green transition that lowers costs and energy consumption and improves quality of life.

Our business is based on our three core values – Pride, Entrepreneurship and Quality – which describe what we are and what we stand for. On this basis, we run a sustainable enterprise with a clear vision and business concept.

Our vision

Balco Group is to be the obvious choice for balcony solutions and help ensure a better living environment.

Our business concept

To develop innovative, sustainable and attractive balcony and facade solutions that improve people's quality of life, with the customer in focus



Pride

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



Entrepreneurial spirit

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



Quality

By ensuring high quality every step of the way, we lay the foundations for what Balco is today and will be in the future: a safe and reliable partner throughout the project. A constant focus on stable processes and sustainability combined with job satisfaction means that Balco is associated with quality, for our customers and partners as well as for our employees.

The balcony market

The total market for balconies in the countries in which Balco Group has a presence is valued at approximately SEK 38 billion¹. The largest part of the market, about SEK 27 billion, is in renovating balconies for apartment buildings and the remainder of the market is in new build. Essentially, our market is driven by an ageing stock of residential properties in need of renovation, residents wanting a better quality of life, an opportunity to increase the value of their property and a need to reduce energy consumption. Balco Group is active in seven countries, and the balcony markets are served by the subsidiaries Balco AB, TBO-Haglinds, Balco Altaner, RK Teknik and foreign sales companies.

The Northern European market for balcony solutions is a niche market. Balco Group's market is divided into two main market segments: renovation and new build. Renovation mainly involves renovating or replacing existing balconies and installing new balconies on existing properties. New-build projects include installing balconies for new buildings and balconies for the maritime market. The renovation segment accounted for 87% of total net sales in 2022.

The importance of the balcony

In 2022 the world was in a state of turmoil due to the war in Ukraine, rising interest rates, the energy crisis and rising inflation. This also affected the balcony market, where there was noticeable caution among customers in terms of closing deals during the year. However, the need and demand for balconies has not decreased; on the contrary, it has increased.

As more time was spent in the home during the pandemic, there was greater interest in balconies and the need to spend time outdoors in close proximity to the home – a need that continued to grow even after the pandemic. The interest in balconies applies to both renovation projects and new build, and as the population increases in major cities, the need for new homes and therefore balconies will continue to grow in the future. At the same time, there is a pent-up need to renovate balconies that increases every year. This, together with the economic benefits of renovating, extending and glazing balconies, will drive demand in the renovation market going forward.

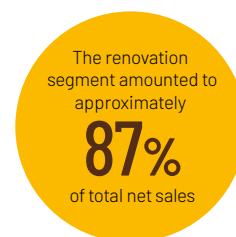
Sweden, Norway and Denmark are main markets

Balco Group's main markets are Sweden, Norway and Denmark. The balcony market in these countries was valued in 2022 at around SEK 6 billion, of which SEK 4 billion was accounted for by the renovation segment¹. Sweden is by far the largest single market. Balco Group also has operations in Finland, the UK, the Netherlands and Germany. Our overall sales strategy is to cover the market with our own sales force.

Each country has unique needs and circumstances, and we adapt our market development and product development accordingly. For example, in the Nordic countries, we are bigger in the renovation segment, while in the UK, we are bigger in new build.

The Danish market continues to be driven by the City Balcony product from Balco Altaner. The City Balcony is a smaller, open balcony designed for the inner-city environment of larger cities. The typical customer for Balco Altaner owns a property without balconies. The City Balcony is easily and cost-effectively installed on the outside of the facade. In the Finnish market, we were less active in 2022 and will not be actively looking for customers there in 2023.

In the UK, glazed balconies are not as common as in the Nordic countries due to other regulations and cultural differences. Instead, there is a great need for open balconies in new-build projects. To meet these needs, we launched Levitate, an open balcony that can be easily and cost-effectively installed on new buildings, in 2020. Levitate started to be delivered in 2021, and thanks to it we are seeing the positive trend in the UK market continue.



¹ According to market research conducted by Arthur D Little in the autumn of 2020.

Growing interest in sustainability

Sustainability is playing an increasingly important role in renovation and new build in the balcony market, from a social and environmental perspective. As a result of the energy crisis, there is a particular interest in energy-saving measures, which a glazed balcony can help with. Interest in glazed balconies is also due to the fact that they can provide a larger area and the opportunity to spend time outdoors close to home, which enhances the quality of life for the resident. In the Nordic countries, increased sustainability requirements and regulations for new build are also becoming more common.

Fragmented market

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

The main players in the European balcony market are Balco Group, Lumon and Solarlux. Smaller players we compete with locally in the Nordic region include Teknova, Alnova, Altan.dk, MinAltan, Altana and Balkongentreprenören.

Transport and raw materials

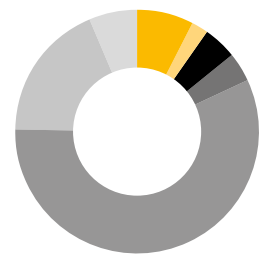
Transportation expenses represent a very small part of Balco Group’s total costs. We have no subcontractors in Asia and are therefore not directly dependent on developments in the container market, for example.

The main input is aluminium, as aluminium profiles are the most important component of most glazed balconies. Other important raw materials are steel, cement/concrete and glass. All input raw materials come from European suppliers. In 2022 we have seen an increase in the price of raw materials due to the current market and world situation, which has meant that we have also adjusted our prices. Towards the end of the year, prices started to fall slightly.

Supplementary offering

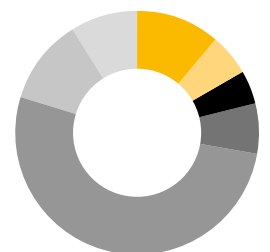
Through Stora Fasad and the acquisition of Söderåsens Mur- & Kakel, Balco Group can also offer facade work such as bricklaying and plastering, for renovations and repairs as well as new build, and related services such as additional facade insulation and scaffolding.

The recent acquisition of Söderåsen strengthens and complements our product and customer offering. We also work with partners on the facade side in other geographical areas. With complete facade renovation, Balco can take responsibility for turnkey contracting in large projects involving both balcony and facade renovation, strengthening our position in the market. Initially, we will focus on the Swedish market, but plan to expand to other geographical markets as well.



Total size of the renovation market, SEK 27 billion

Sweden	7.6%
Norway	2.3%
Denmark	4.3%
Finland	4.0%
Germany	57.3%
UK	18.2%
The Netherlands	6.3%



Total size of the new-build market, SEK 11 billion

Sweden	11.3%
Norway	5.4%
Denmark	4.5%
Finland	6.6%
Germany	52.0%
UK	11.4%
The Netherlands	8.8%

Trends in the balcony market

Many environmental factors affect the balcony market, such as price trends in the housing market, the disposable income of residents, interest rate trends, economic growth, regulations and construction activity. In 2022 our industry has been affected by the following five trends.

A troubled market with high demand

The unsettled global situation is generating uncertainty in the market. Increased costs mean that decision-making processes take longer and market players act with a different degree of caution than before. However, the need for balconies has not come to a halt. Since the pandemic, interest in balconies has steadily increased as the population continues to rise¹. This creates a need for renovating and installing new balconies on existing properties, as well as for new properties with balconies.

Energy savings

A sustainable society with responsibly produced products is a given in the expectations of today's consumers. The ongoing energy crisis has accelerated the global trend towards reduced energy consumption and thus a lower environmental impact. For property owners, energy and environmental issues are therefore important, as proper management helps ensure lower costs and less of a negative environmental impact.

Well-being and quality of life

After the coronavirus pandemic, balconies have gained in popularity and are now among the most important attributes when people are looking for an apartment². Balconies offer residents the opportunity to spend time outdoors in close proximity to their home, which is valuable for those who live in an urban environment, work from home and have no garden. A glazed balcony prolongs use by maintaining a comfortable temperature for a longer period of the year, while reducing energy consumption. People spending more time on their glazed balconies ensures better monitoring of the area, thus increasing security³.

Appearance and design

As requirements regarding appearance increase when new balconies are installed on existing buildings⁴, design is playing an increasingly important role. New regulations aimed at preserving the character and cultural heritage of buildings risk extending building permit processes for different designs, especially for inner-city balconies. A balcony with the right design can therefore help ensure the process runs more smoothly and improve the exterior of the property, while making the residential area more attractive and improving quality of life for the residents of the apartment.

Simple and efficient product deliveries

In the major cities, there is currently a greater need for efficiency when constructing new apartments. As the population grows, cities also become more densely populated. More buildings are being built with several floors because of the shortage and high cost of land. This also means a lack of space during construction itself, and different contractors have to work together to be able to work efficiently and safely in a compressed area.

1 <https://www.wvsparbank.se/coronaviruset/sa-vil-svenskarna-leva-och-bo-trender-i-coronatider.html> <https://www.hsb.se/nyheter-och-tips/nyheter/2021/het-bostadsmarknad-trots-pandemin/>

2 <https://www.hemnet.se/artiklar/bostadsmarknaden/2020/09/22/efter-covid-19-annorlunda-sokbeteende-pa-hemnet>

3 <https://www.balco.se/balcos-inglasningar-skapar-trygghet/>

4 <https://bygglov.stockholm/siteassets/bygglov/blanketter-och-andra-dokument/vagledning-balkonger.pdf>

Impact

Balco Group is the largest in the renovation segment, and despite the troubled global situation, we are seeing that demand for renovation and installation of balconies in the market continues to be strong. On the other hand, we are also seeing customer buying and decision-making processes becoming protracted. Post-pandemic, we are therefore focusing even more on visiting tenant-owner associations, answering questions and having more extensive dialogues about potential orders. We want to create projects with the customer, and we have a large sales team with the capacity to carry out even more visits. As the world moves into more stable times, the fact that we and our subsidiaries are responsible for the whole process – from production to installation – means we can get to work quickly on an order.

To help our customers make the transition to 'green properties', we offer both products and advice. Our glazed balconies have a long life span and insulating effect, which results in reducing environmental impact and energy consumption. Balco's glazed balconies have a documented energy-saving effect of up to 30%. To convert the property into a 'green property', we offer a review of the property's energy performance. Based on this analysis, several energy-saving measures can be proposed in addition to those that come when installing a glazed balcony, such as solar panels, roof insulation, facade insulation, window replacement and heat recovery.

Balco Group is a leader in glazed balconies in its main markets. Our expertise lies in renovating or installing new balconies on existing buildings. In this way, we help make properties without balconies more attractive and sustainable, which also increases the apartment value. As a Group we have a broad offering, with subsidiaries providing several different models of glazed balconies that can be adapted to the customer's needs.

Balco Group wants to ensure that all tenant-owner associations have the opportunity to build new balconies or install balconies on their buildings. With our knowledge and experience, we have a good understanding of which designs are approved for building permits. Our product range and various product offerings are designed to meet design requirements and to increase the likelihood of a successful building permit application. For example, for our open balcony Levitate, we also offer a web-based configuration that allows us to work on the design at the planning stage.

Thanks to our product development resources, we are able to come up with innovative solutions that can change and improve the building process. One example is Levitate – a simple and safe balcony specially designed for new build in urban areas. The flexible modular design allows our installers to be very efficient on site and quickly install the balcony in a short period of time without compromising on safety and quality.



How Balco Group creates value

A business concept for value creation

At its core, our business is about giving people a better quality of life. We do this by developing innovative, sustainable and attractive balcony and facade solutions, with the customer in focus.

Installing a balcony – open or glazed – creates new opportunities for freedom and well-being through access to an outdoor environment. The value of this was particularly evident during the coronavirus pandemic, but also afterwards, as more people now want to retain the flexibility of working from home. And with more people staying at home for longer, the role of the home environment in health and well-being is coming into focus.

But Balco Group's work to create a better quality of life begins long before the balcony is in place. For us, the work on creating value begins on initial contact, when we work with the client to develop customised solutions and the possibility of a green transition of the property. We then provide them with advice and guidance throughout the journey to establish customer confidence.



Customised solutions

Customers' wishes and needs vary, but are ultimately determined by the conditions of the individual property. Balco Group's business and product development is always based on the customer's needs, with us tailoring solutions with the customer. Based on our expertise and specialisation in each area of the value chain, we guide the customer to a customised end product that best suits their needs and circumstances.



Green transition of buildings

Today, 40% of the energy consumed in Europe is used to heat buildings. With our wide range of sustainable balcony and facade solutions, we can make a direct contribution to the green transition and achieve energy savings of up to 30%, which can reduce both the customer's costs and the burden on the environment.



Customer security

In most cases, a balcony renovation is a major investment and, regardless of the size of the project, challenges can always arise along the way. Thanks to our extensive and wide-ranging experience, we are a reliable partner able to guide the customer throughout the entire journey. We take overall responsibility for the contracting work, control the entire production flow and provide proactive support in everything from building permit management to financing – all to ensure that the customer feels secure and satisfied with both the journey and the end result.

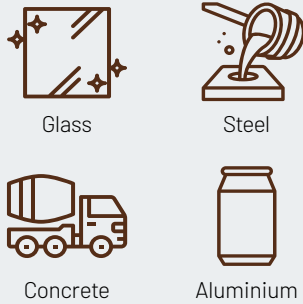
Our business model

Business concept

To develop innovative, sustainable and attractive balcony and facade solutions that improve people’s quality of life, with the customer in focus.

Key resources

Nature



Glass

Steel

Concrete

Aluminium

Staff



536 employees

476 men

60 women

Capital



Capital employed
SEK 812 m

5 wholly owned
production sites

Wide supplier
network

Intellectual capital,
63 patents and 6
trademarks

Balco Group

Vision

Balco Group is to be the obvious choice for balcony solutions and help ensure a better living environment

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

Created values



Customised solutions

Services and products according to customer requirements

- ✓ Open balconies
- ✓ City Balconies
- ✓ Maritime balconies
- ✓ Prefabricated balconies
- ✓ Levitate



Green transition of buildings

Services and products that help reduce energy consumption

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



Customer security

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

Open balconies

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



City Balconies

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



Maritime balconies

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



Prefabricated balconies

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



Levitate

The Levitate balcony system is an ideal solution for new build, featuring a modular design that combines quality and attention to detail with speed and safety.



Glazed balconies

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



Facade solutions

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



Our targets

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

Growth	Profitability	Capital structure
<p>Balco Group's net sales shall grow by</p> <p>10%</p> <p>per year</p> <p>Our growth target will be achieved by focusing on the company's vision and strategies set. Growth will be organic, through acquisitions and through new partnerships or alliances. The target means that Balco Group expects to grow significantly more than the underlying market in the long term.</p>	<p>Balco Group's profit per share shall grow by</p> <p>20%</p> <p>per year</p> <p>The main task of Balco Group's management is to add value for the company's shareholders. This will be achieved through organic profit growth and acquisitions. The majority of the companies Balco Group acquires have a lower operating margin than the Group, but add shareholder value.</p>	<p>Balco Group's net interest-bearing debt shall not exceed</p> <p>2.5</p> <p>times operating profit before depreciation and amortisation (EBITDA), other than temporarily.</p> <p>The target links leverage to earning power and should define a reasonable level of risk. It will be achieved through active investments and a clear focus on operational cash flow.</p>

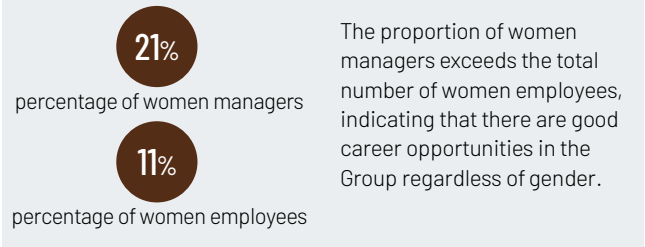
Target fulfilment 2022

<p>19%</p> <p>Net sales amounted to SEK 1,333 million (1,120), an increase of 19%. Growth through acquisitions was 4%, foreign currency effects were 2% and organic growth was 13%.</p>	<p>-8%</p> <p>Earnings per share have decreased by 8% to SEK 3.78 (4.12).</p>	<p>0.7x/0.2x</p> <p>The net interest-bearing debt to EBITDA ratio was 0.7 (0.6) including lease debt and 0.2 (0.3) excluding lease debt. Periodically, the ratio may be significantly higher than the target, for example after an acquisition, when the full impact of the acquisition has not yet been felt.</p>
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Sustainability

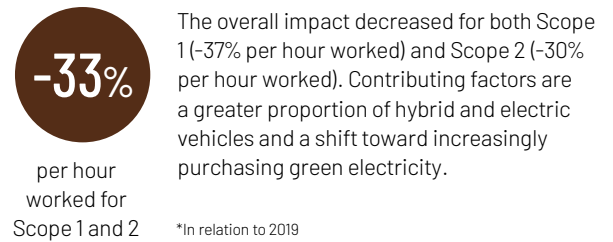
Gender equality in leadership

The percentage of women managers shall be at least equal to the total percentage of women employees in the Group. Balco Group is to ensure equal opportunities for leadership at all decision-making levels within the Group, regardless of gender.

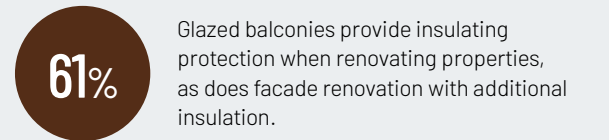


Reduced environmental impact

Reduce Scope 1 and Scope 2 environmental impacts per hour worked by 35% by 2025*. We have updated this target, as the previous target – to reduce our environmental impact by 20% by 2025 – has already been achieved. Balco Group is to help ensure a more sustainable industry through more efficient use of resources and environmentally friendly technologies.



Environmental impact according to the EU Green Taxonomy

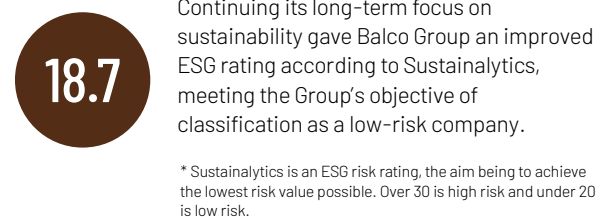


Achieve an ESG rating lower than



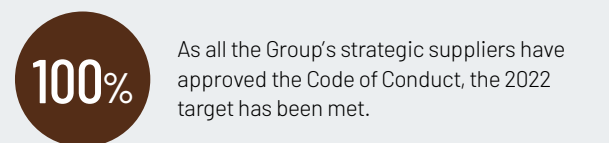
Sustainability risk

Balco Group is to be a low-risk company in terms of its sustainability performance based on Sustainalytics* ESG rating.



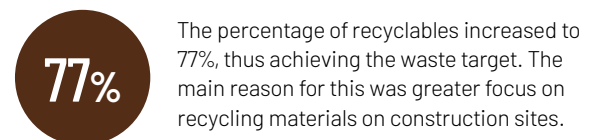
Code of Conduct

All our strategic suppliers must accept our Supplier Code of Conduct



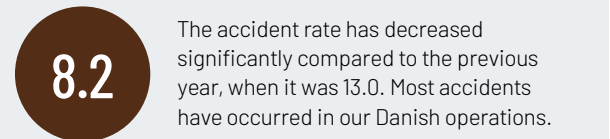
Waste recycling

At least 70% of waste is to be recycled



Safe workplace

Zero workplace accidents



Target fulfilment 2022

Strategy for profitable growth

Balco Group has a strong position in balcony solutions, and the opportunities for continued growth – organically through new products and through selective acquisitions – are considered to be substantial.

A niche player with a strong position in a growing segment

Expected growth in our markets is generally good. Demand is driven by pent-up renovation needs due to ageing property stocks and efforts to achieve energy-saving solutions. Thanks to our leading position in the markets of Sweden, Norway and Denmark, combined with our modern, innovative and sustainable product portfolio, we have an edge over our competitors.

Growth and expansion strategy

Balco Group's growth and expansion strategy is mainly based on the potential in the Nordic countries. We have the broadest sales organisation in the market to meet growing demand and approach potential customers with our proven and successful sales model, as well as by participating in mini-fairs.

The strategic decision to focus to a greater extent on the renovation segment has helped increase profitability and sharpen the focus. However, we are continuing to work in the new-build segment, where unique products can achieve good profitability, an excellent example of which is the Levitate product in the UK.

Continued potential in existing markets

Balco Group's offerings provide opportunities to continue to take market share from local players through our broad sales organisation and increased presence at mini-fairs. Every customer is unique, and since our products are tailored to the customer's needs, local

presence is important. To exploit the market potential in existing markets, we will continue to increase our exposure to the renovation segment and to key customers such as public sector housing companies and private property owners.

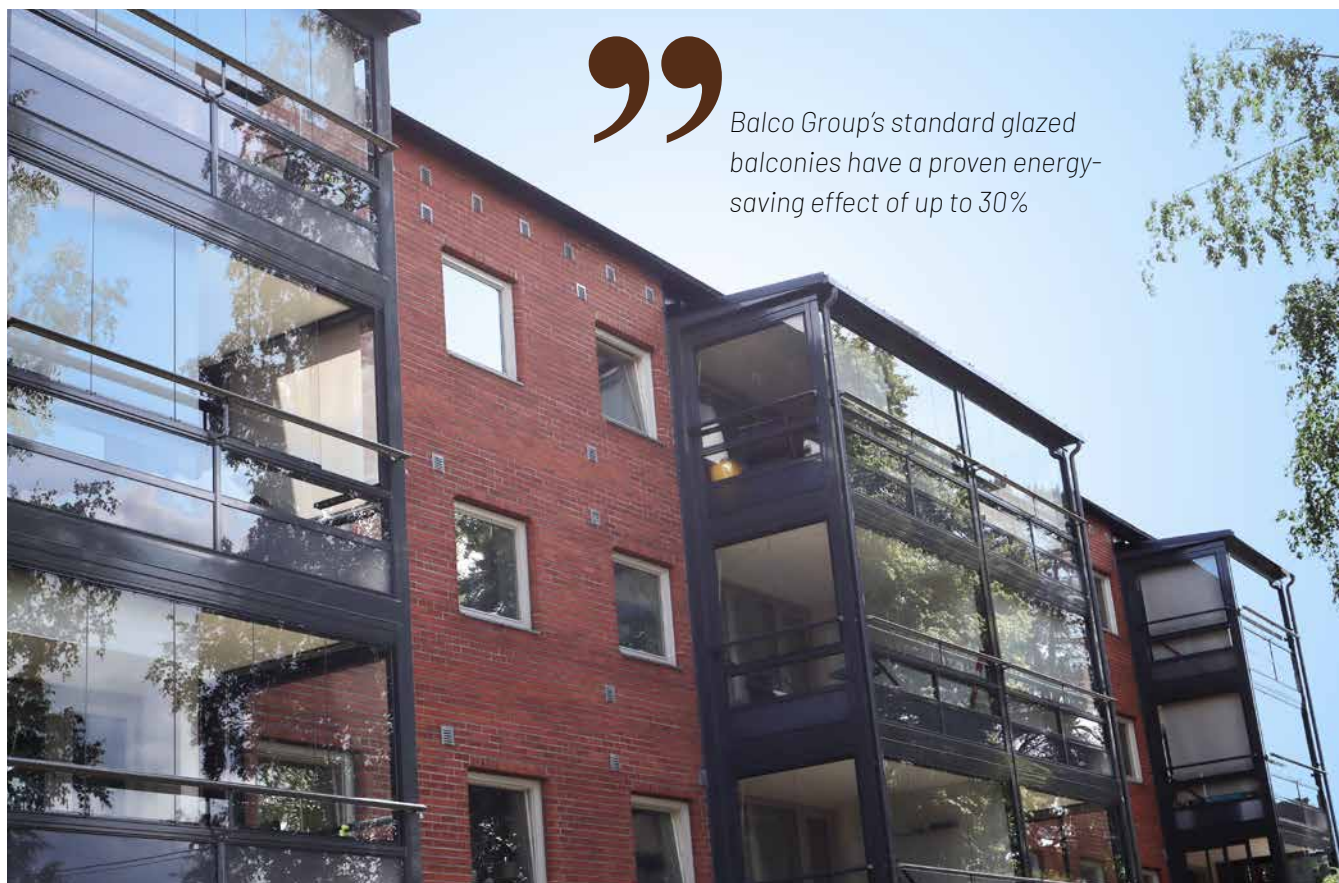
Sustainability provides growth opportunities

Balco Group's standard glazed balconies have a proven energy-saving effect of up to 30% and are in line with the EU Green Taxonomy¹. We also offer supplementary energy-saving measures to support customers' transition to 'green buildings'. By reviewing the property's energy performance, we can suggest measures such as solar panel installation, roof insulation, facade insulation, window replacement and heat recovery. When a property achieves energy savings of over 30%, banks can offer green loans with lower interest rates and renegotiate other financing on more favourable terms.

Opportunity for expansion

In addition to Balco Group's leading position in Sweden, Norway and Denmark, the company is established in the Netherlands, Germany, Finland and the UK. We also see great opportunities in related offerings such as facade renovation and energy savings. There is also potential to expand the City Balcony product segment outside Denmark. City Balconies are aimed at inner-city environments and buildings with no balconies.

¹The EU Green Taxonomy aims to classify sustainable economic activities, thereby facilitating sustainable investment by investors and combating greenwashing through transparency.



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Balco Group's standard glazed balconies have a proven energy-saving effect of up to 30%

Selective acquisition opportunities

In the main, Balco Group has grown organically, and the Company's primary growth strategy remains organic growth. Acquisitions are an important strategic complement, allowing us to rapidly strengthen our presence in an existing or new geographic market, in existing or adjacent product areas or in new customer segments. We are in continuous discussions with various players about candidates for acquisition, and our target is to make between one and three acquisitions per year.

Supplementary offering

In order to better meet the needs of our customers, Balco Group also offers facade renovation in balcony projects as a turnkey contractor. By taking responsibility for both the balcony and facade, Balco can offer amortisation for an entire project over a period of up to 70 years via a partnership with a Nordic bank, making the investment both environmentally and financially sustainable. Completely renovating the facade provides significant energy savings, a healthier living environment and also has a positive impact on the appearance of the property.

Growth activities:

- ✓ Deepened and intensified sustainability work, as demanded by all customer groups.
- ✓ Broadened offering through Balco Group offering turnkey contracts, taking care of both facade renovation and balconies.
- ✓ Offer a review of the property's energy rating and suggest energy-saving measures such as installing solar panels, insulating ceilings and recovering heat. This is Balco's product offering called Green Transformation.
- ✓ Continuously assess opportunities for acquisitions.
- ✓ Teach customers and public authorities about the advantages of the Balco method, its positive effects for the economy and climate, and compare these advantages with traditional balcony renovation.
- ✓ Continue to streamline lead times and thereby increase the speed at which the order backlog is addressed.

Balco Group takes responsibility for the entire project

Often, balcony renovation is a major investment for the customer and, regardless of the size of the project, challenges can always arise along the way. Our extensive experience and proven knowledge of renovation processes make us a trusted partner that takes customers by the hand and guides them through the entire journey. We are involved in all phases of the project and prepare them for everything that may arise along the way – from the customer's initial questions to the warranty inspection.



01. Advice, planning and visualisation

On initial contact with the client, we review the building, its conditions for balcony installation and potential for an approved building permit. Once needs have been identified, a proposal is made that includes the appearance, choice of materials, an initial schedule, financial calculations and a visualisation showing the proposed balcony solution. If necessary, we offer visits to our production facilities, support in connection with association meetings and advice on financial planning along with the bank.



02. Construction and design

Each balcony design is unique, and through careful calculations, adaptations are made to meet both the customer and technical requirements. Even in the design phase, materials are optimised to minimise consumption and waste, ensuring a sustainable design. Once all the information is in place, detailed two- and three-dimensional drawings are produced and production is prepared.



03. Manufacturing

All Balco Group companies work with standardised processes with a high level of quality awareness based on specific management systems, such as ISO 9001, ISO 14001 and ISO 3834-2. Manufacturing is based on rigorous requirements for a safe working environment and takes into account key sustainability aspects to minimise waste and energy consumption. A high degree of prefabrication is sought to facilitate the next step in the process.



04. Delivery and installation

Assembled products and associated components are delivered to the relevant property, where specialists carry out the installation. Transport for deliveries is optimised to ensure the lowest possible environmental impact. By already taking into account choice and optimisation of materials during the design phase, waste can be carefully sorted during assembly, helping us to ensure as much as possible is recycled.



05. Final inspection and warranty

When Balco’s project manager provides final approval for the contract, a final inspection is carried out with the client, who is given the opportunity to comment and request supplementary work. Through our well-established service organisation, we also ensure that the customer experiences a positive journey after the project is finished, where we not only provide a five-year warranty but also offer access to spare parts after the warranty period has expired.

Sustainability for Balco Group

Our business concept forms the basis of our sustainability efforts – to develop innovative, sustainable and attractive balcony and facade solutions that improve people’s quality of life, with the customer in focus. A quality of life that means safe and aesthetically pleasing surroundings, with sustained energy savings that benefit both people and the environment.

A prerequisite for this is that we create innovative solutions and high-quality products. We choose to regard sustainability from a commercial and an ethical perspective. Our customers – not to mention society as a whole – expect our products to meet their exacting demands for quality and life span. Above all, we are expected to offer solutions that in the long term increase comfort and reduce both energy consumption and climate impact, which in turn makes demands of our product development, choice of materials and production processes.

Among our investors and employees, there is now a legitimate expectation that companies should carry out credible and targeted sustainability work, taking into account both the environment and society. This shapes our strategy and how we choose to manage our sustainability work, and also sets the framework for how we as an employer should act responsibly and offer safe, secure and fulfilling work.

Meeting these demands and expectations shapes our way of thinking. This permeates the entire Group’s decision-making, planning, investment decisions, production methods, purchasing, supplier selection, customer relations and employer responsibilities. The framework is set out in our Code of Conduct and Sustainability Policy, which clarifies how we should act in operational decisions and when evaluating and deciding on issues related to the long-term strategic development of the company. The Sustainability Policy also shows how we divide our sustainability work into the areas of Sustainable Enterprise, Environmental Responsibility and Corporate Social Responsibility, which form the structure of our Sustainability Report.

Our role in sustainable development

Our Group consists of a number of strong, locally based companies, whose businesses are founded on an entrepreneurial spirit and a long-term approach. This is a heritage that we value highly and that we manage by actively contributing to the sustainable development of society.

While we uphold our down-to-earth origins, we also recognise that the Group has a role to play in global sustainability. For two years now, we have been affiliated to the UN Global Compact, which provides us with inspiration, knowledge and guidance. In 2019 we also aligned our sustainability strategy with the UN’s 2030 Agenda and the Sustainable Development Goals. This places our sustainability work and goals in a broader context and allows us to take a stand on the social, environmental and economic challenges facing the global community and business. For the same reason, we chose to also become part of the Swedish Green Building Council, an interest group focusing on environmental efforts in the real estate industry. We see good opportunities here for support in our work with our climate goals and to benefit from key expertise that will strengthen us and the solutions we offer to the market.

New requirements for sustainability reporting

In light of the legislation developed at EU level, we have made adjustments to our sustainability reporting to increase the transparency and clarity of our sustainability work.

At this stage, however, it means in concrete terms that we have started to compile the details of our sustainability work as a report, but above all that we have chosen to integrate our annual report with our



sustainability report. This allows our stakeholders to gain a better overall picture, while our reporting reflects the fact that the concept of sustainability is integrated throughout our operations.

The year has been marked by a review of Balco Group's activities in relation to the new legislation, and we are proud to say that many of our economic activities are in line with the EU Green Taxonomy, which we present on page 66. This sends a clear signal to our investors that we are a sound and sustainable investment and reinforces our view that our solutions have great potential to contribute to our customers' ability to comply with the new framework themselves.

Our sustainability work in 2022

At Balco Group we take our responsibility seriously and have therefore selected four specific Sustainable Development Goals that we believe can make the biggest positive difference and that are aligned with our overall business objectives and strategic sustainability areas. Our work on the four SDGs and our key sustainability issues is spread across the following sections: Sustainable Enterprise, Environmental Responsibility and Corporate Social Responsibility.

Major sustainability issues

Stable financial result

and long-term profitability

High product quality

and taking responsibility for product safety

Developing innovative and sustainable products

and using new technologies

Reducing climate-changing emissions

from operations and from products, including through long life span and recyclability

Efficient use of energy

and using renewable energy sources

Efficient use of materials

and making active choice of materials to minimise waste

Safe, secure and healthy workplace

Strategic sustainability areas

Sustainable enterprise

Read more on pages 30-31.

Environmental responsibility

Read more on pages 32-35.

Corporate social responsibility

Read more on pages 36-39.

Our selected Sustainable Development Goals and targets are aligned with our strategic sustainability areas



Goal 5 – Gender equality

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



We have chosen to focus specifically on target 5.5, which is about ensuring equal leadership opportunities at all decision-making levels within the Group, regardless of gender.



Goal 8 – Decent work and economic growth

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



We have chosen to focus in particular on targets 8.5 and 8.7. Target 8.5 is about ensuring decent working conditions and fair pay for everyone in the Group. Target 8.7 is about preventing all forms of human exploitation and other irregularities in our supply chain.



Goal 9 – Industry, innovation and infrastructure

Balco Group will help reduce environmental impact through active choice of materials, innovative solutions and focus on resource efficiency in development, purchasing and manufacturing processes.



We have chosen target 9.4, which is about contributing to a more sustainable industry through more efficient use of resources and environmentally friendly technologies.



Goal 12 – Responsible consumption and production

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



We have chosen target 12.5, which deals with reducing the amount of waste through measures to prevent, reduce, reuse and recycle waste.



Goal 8 – Decent work and economic growth

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



We have chosen target 8.8, which is about protecting the rights of our employees and promoting a safe and secure working environment.

Sustainable enterprise

Balco Group is to be the obvious choice for balcony solutions and help ensure a better living environment. A prerequisite for doing so is that Balco Group conducts sustainable enterprise that lays the foundation for a business that grows, is profitable and creates value for our customers, employees, owners and other stakeholders.

Today, demands for sustainable enterprise are being made, by customers and investors, but particularly by our own employees and society in general. Our products and services are judged by an increasingly knowledgeable and informed group of stakeholders, and as external demands increase, so do the incentives for transparency and change. We recognise that sustainable enterprise not only gives us a business advantage and our customers an environmental advantage, but also helps us be an attractive employer for future generations.

Our work is based on the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles on Business and Human Rights and the UN 2030 Agenda. Balco Group is a member of the UN Global Compact and the Sweden Green Building Council. These memberships strengthen our position on human rights, social issues and environmental responsibility, and clarify our focus and willingness to exert an influence in our role as a major employer and user of natural resources. Also this year we became a certified Nasdaq ESG Transparency Partner, thus sending an important signal to our stakeholders that we welcome the increased interest in how we work on social, environmental and governance-related issues.

Governance linked to the Sustainable Development Goals

Our sustainability governance is anchored in the UN's 2030 Agenda and the specific goals and targets that we see as relevant to our operations. Specifically, it concerns our work to promote gender equality in leadership within the Group and our Code of Conduct, where we have selected specific metrics that we monitor annually, presented here on page 60.

Running an ethical enterprise

Acting properly and ethically is key to the trust we enjoy in our markets and in society at large. Trust in the Balco Group is crucial for us to continue to be a profitable business that takes responsibility for both people and the environment. We comply with the laws, rules and regulations of the countries in which we operate and conduct our business with a high level of integrity and morality, and expect our business partners to act in a similar manner.

Gender equality in leadership

We see great value in gender balance in leadership positions and believe it is a key to success. In order to ensure that we as a Group promote gender equality in leadership, there is a stated target that the percentage of women managers should be at least equal to the total percentage of women employees. We believe that this will also help us to increase the percentage of women employees overall in the future, i.e. through an upward spiral in our gender equality efforts.

Balco Group and the EU Green Taxonomy

To achieve the EU's climate goals and the objectives of the European Union's Green Deal, investments need to be steered more towards sustainable projects and activities. A prerequisite for this is that investors, companies and policy makers can identify and compare investments based on common definitions of what is sustainable. Establishing a classification system for environmentally sustainable activities – a green taxonomy – is therefore a key action under the EU Action Plan on Financing Sustainable Growth.

The Taxonomy Regulation, adopted in June 2020, provides a framework for determining which of a company's economic activities can be considered environmentally sustainable. For an activity to be classified as environmentally sustainable, it must make a significant contribution to one or more of the six defined environmental objectives, not cause any significant harm to any of the other objectives and meet certain minimum sustainability requirements.

After reviewing last year which of our activities are currently listed in the EU Taxonomy, work took place in 2022 to calculate the degree of alignment of our activities with the framework criteria. With 40% of all energy used in Europe expended on heating buildings, it is vital to be able to reduce energy consumption for heating.

With several of our turnkey contracting projects delivering energy savings of over 30%, we qualify under the EU Green Taxonomy Regulation section 7.2 'Renovation of existing buildings'. In facade renovation – where improvements are made to insulation and renovation by balcony glazing that breaks the thermal bridge and contributes to the application of insulating elements to the building shell – we qualify under section 7.3 'Installation, maintenance and repair of energy efficiency equipment'.

The results are presented in detail on page 60.

Group policies set the framework for sustainability work

The Group's sustainability work is the sum of the effort and investment made by each company. The role of the Group management is therefore to guide overall sustainability efforts by supporting the companies and providing them with the resources and tools needed to succeed for the environment and people.

The backbone of our sustainability work is our Group guidelines, which are set out in our Code of Conduct and Sustainability Policy. These provide a framework and support for how our subsidiaries should act and conduct their sustainability work in a way that is consistent with our approach to responsible enterprise. To make it easier to consistently collect sustainability data, we have invested in a Group-wide reporting and consolidation system during the year.

Balco Group Code of Conduct

The Code of Conduct is based on the Group's ethical guidelines and core values, thus forming the basis for everything we do at Balco Group. The purpose of the Code is to encourage fair and safe working conditions, protect human rights, respect gender equality and diversity, maintain a responsible approach to environmental issues, apply high ethical standards throughout the Group and ensure that our zero vision for corruption is upheld.

The Code is aimed at the Group management, Board members, all Group companies, managers and employees, as well as our suppliers, business partners, subcontractors and customers. It therefore describes how we should act in our daily work, and how we should behave towards each other, customers, suppliers, authorities and other key stakeholders. In cases of suspected breaches of the Code of Conduct, an external whistleblower function is in place, which allows all employees to anonymously report suspected breaches. Any whistleblower reports are handled by an external law firm that makes initial contact with the person making the report and then provides proposals to the company's representatives for how to proceed.

Implementation within the Group

An annual digital training initiative is carried out among employees to establish the Group's sustainability strategy and keep knowledge of our Code of Conduct up to date. The training explains the Group's positions, its objectives and the value to the business and its stakeholders. By sharing knowledge, we hope that new initiatives will emerge organically, with the Group-wide Sustainability Group's role being to share best practice and inspiration among subsidiaries.

Environmental responsibility

The environment and climate are in constant focus in Balco Group's operations, manufacturing and product development work. As a group of manufacturing companies, we have a direct and indirect impact on our environment – an impact we are keen to take responsibility for and constantly work to improve.

Our aim is to deliver climate-smart products that help ensure tangible energy savings for our customers and that are produced with the least possible impact on climate. The key lies in our product development and in the way we work internally where, by making our processes more efficient, we use materials, water and energy in ways that minimise environmental impact and emissions to air, soil and water.

Our work on the 2030 Agenda

Based on the Group's strategy linked to the 2030 Agenda, we have chosen to link our environmental work in general to UN Sustainable Development Goal 9 – Industry, Innovation and Infrastructure – and Goal 12 – Responsible Consumption and Production – and specifically to targets 9.4 and 12.5. The targets address how we as a Group can contribute to more sustainable industry through active emission and energy reduction efforts, as well as more sustainable production through more efficient use of resources and management of waste and recycling.

Under the Paris Agreement, global emissions must be at least halved by 2030 and approaching zero by 2050 at the latest. The Riksdag (Swedish Parliament) has decided that Sweden should have net zero greenhouse gas emissions by 2045. Balco Group supports this, and our long-term goal is to be climate neutral by 2045. Based on this, we have set a business objective to reduce our overall environmental impact. As the Group aims to grow both organically and through acquisitions, our goal is to reduce our Scope 1 and Scope 2 environmental impact per hour worked by 35% by 2025, compared with 2019. Both targets and outcomes are monitored and evaluated annually.

On the environmental side, we have set a business objective of recycling at least 70% of the waste we produce annually, which is in line with the EU Taxonomy Regulation's criteria and is monitored quarterly and reported internally within the Group.

Solutions that deliver energy savings

There is a growing interest in Europe in renovating apartment buildings, which can contribute significantly to energy savings. With nearly 40% of Europe's total energy consumed by heating homes, updating current housing standards would be an important step towards reducing the impact we humans make on climate through our housing.

Our products have the ability to create tangible energy savings for our customers. Balco Group's glazed balconies provide climate protection for the property, reducing energy consumption by up to 30%. By dismantling old open balcony solutions and installing new balconies with glazing, you break the thermal bridge between the outside of the facade and the inside of the apartment. In addition, an insulating climate shell is created when glazing using the Balco method.

With new subsidy models introduced in our various markets, we have seen the need to increase the level of knowledge within the Group to better advise our customers on, for example, balcony renovation. As a further measure, an energy strategist was hired by the Group in the fourth quarter of 2021, tasked with assisting our sales staff and customers in calculating energy-saving measures in our various projects.

MEASURES TO REDUCE ENVIRONMENTAL IMPACT

Travelling by car is a natural part of our business. In 2020, the transition to fossil-free vehicles began. Through the coronavirus pandemic, digital meetings became a natural part of our work, which has also helped further reduce the need for business travel.

This has helped us reach our target of reducing our environmental impact per hour worked by 20% by 2021. The target was therefore updated to a 35-percent reduction per hour worked by 2025 compared to 2019. A 33-percent reduction was already achieved in 2022.

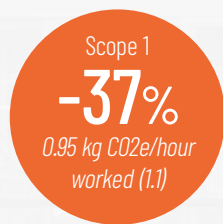
Reduced environmental impact



Contribute to a more sustainable industry through more efficient use of resources and environmentally friendly technologies

TARGET:

Reduce Scope 1 and Scope 2 environmental impacts by 35% per hour worked by 2025, in relation to 2019



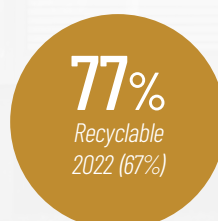
Reduced environmental impact



Reduce the amount of waste through waste prevention, reduction, reuse and recycling measures

TARGET:

70% of all waste during the year to be recyclable



The acquisition of Stora Fasad brought with it key expertise and expanded the capacity for facade development, with a particular focus on energy-saving measures. To expand the geographical coverage of our turnkey contracting offering and our focus on green transformation of properties, we acquired another facade company – Söderåsens Mur- & Kakel located in Kågeröd, Skåne – in October 2022.

In our 'green transformation of properties' concept, we also offer supplementary energy-saving measures, such as facade renovation, roof and attic insulation, solar panel installation with battery storage, window replacement and installation of heat exchangers and heat pumps, in conjunction with balcony glazing. Balco Group takes turnkey contracting responsibility for the entire project and works with various subcontractors who are specialists in their respective fields.

Energy mapping – an important tool for improving efficiency

A natural extension of being able to offer energy-saving solutions is that we ourselves look at how we can make our own operations more efficient in terms of energy consumption.

When a comprehensive energy mapping exercise was carried out in 2021, a new tool – Energy Controller – was introduced to make it easier to analyse our energy use and the impact of measures implemented. The survey showed that the most of the energy we use concerns heating, lighting, compressed air and transport. As a result of the detailed energy survey conducted at Balco AB, the company will change the lighting in its production to LED lighting in spring 2023. In 2022 detailed mapping has taken place at TBO-Haglinds and in 2023 it will also take place at RK Teknik.

More efficient use of materials

Through the life cycle analyses carried out at Balco AB in 2019, the total environmental impact during the lifetime of the products was mapped. The analysis

covered the whole cycle, from start to finish, with the addition of what happens to the product at the end of its life cycle (the waste portion, however, is not included in the emissions report). The work yielded several insights, which have come to shape how we view our climate impact in terms of emissions, energy consumption and use of materials.

The life cycle analyses shed light on the issue of the use of materials in production. Reducing the amount of aluminium waste has significant environmental and economic benefits and is largely based on how the work is performed internally. To facilitate the work, a material optimisation application was developed during the year, the aim being to make our use of materials more efficient. Continuous improvement – the cornerstone of our quality and environmental system – leads to a reduction in the number of non-conformities, which in turn leads to a reduction in the amount of material used. Even during our development process for new products, the optimisation of materials is now taken into account to reduce consumption and thereby reduce emissions and costs. The calculations from the life cycle analysis show that Balco's glazed balconies are climate positive after 25–40 years due to the positive effects they entail through reduced energy consumption.

Our development process focuses not only on the choice of material types but also on how the material can be recycled, or even reused, the day it is dismantled. Our glazing products are now 95% recyclable, being designed with the ability to be dismantled down to the smallest component. However, when it comes to the application of recycled materials, we are unfortunately limited by their availability in the market. However, our ambition is to increase the proportion of recycled aluminium and steel in our products. In 2023 parts of Balco Group's product range will be supplemented with climate-smart material options that will provide a lower carbon footprint.



3,186

tonnes of recycled material (1,790)

484

tonnes of energy-recovered material (520)

Measures to reduce environmental impact

Travelling by car is a natural part of our business. In 2020 the transition to fossil-free vehicles began, culminating in 2022 in us driving plug-in hybrids as a minimum, and in many cases purely electric cars where applicable. As of December, we have introduced ABAX – an electronic logging tool – to help us analyse driving patterns and thus help us drive more economically, with lower emissions as a result.

During the coronavirus pandemic, we had to learn to work with digital meetings to a greater extent than before. In 2022 we took this even further and invested in new videoconferencing equipment in all companies as part of our expansion of Balco AB's premises. At the same time, we made the transition to Teams via Office 365 as a further step towards making it easier for our employees to work and meet digitally. During the year, we also excluded four hazardous chemicals.

Energy consumption

As we are also a manufacturer and thus consume a large amount of energy and carry out several transport runs in our daily operations, we choose to report our emissions under Scope 1 and 2, as per the GHG protocol for emissions reporting.

Scope 1 covers all direct climate-changing emissions from our own operations, while Scope 2 concerns emissions from the production of the energy we buy.

The amount of energy purchased for electricity increased to 3,079 MWh and for heating to 3,508 MWh, mainly due to the inclusion of the Group company RK Teknik in the calculations for the full year. As the Group aims to grow both organically and through acquisitions, our goal is to reduce our Scope 1 and Scope 2 environmental impact per hour worked by 35% by 2025, compared with 2019. Balco also intends to include Scope 3 reporting, i.e. indirect emissions (other than purchased energy) that occur outside the boundaries of our operations.

When we upgraded the office in Växjö, we installed solar panels on the roof to provide energy for both the office and production operations. The plant covers 235 m² with an output of 49 kW. With an estimated production of around 37,000 kWh per year, we expect to further reduce our energy consumption. The solar panels have been installed and in operation since June 2022, and 2023 will be used as a base year for any further investments in solar panels in other units. From 2022 Balco AB will purchase 100% renewable electricity.



ELECTRICITY

3 079 MWh
(3,057)



HEATING

3,508 MWh
(3,238)

Corporate social responsibility

The people in our organisation are the most important resource we have. All the value we create comes from the skills, commitment, responsibility and desire of our employees to constantly develop themselves and the Group as a whole. That is why it is vital that our employees have the very best conditions to do their jobs in a stimulating, safe and secure way. This is important from an employer's perspective, to attract and retain the right skills, now and in the future.

Our work on the 2030 Agenda

As part of our 2030 Agenda framework, we have chosen to link our health and safety work in general to the UN's Sustainable Development Goal 8 – Decent Work and Economic Growth – and specifically to target 8.8. That target is about how we as a Group will act to protect the rights of our employees and promote a safe and secure working environment.

We have linked specific business objectives to this. At Group level, we have chosen to measure total sickness absence, where the target is to be below 3.5% of total planned working time on an annual basis. Staff turnover is another key focal area that we measure and monitor across the Group. Some staff turnover is healthy for the Group, as it paves the way for new energy and skills to enter the company. The target here is a maximum of 8%. In addition, we measure the number of accidents, naturally aiming for zero. At the same time, we are aware that the risk of accidents is ever-present in a manufacturing and contracting business, but by striving towards our zero vision, we are constantly working towards a safer working environment.

A prerequisite for an attractive workplace

Our work to ensure a safe, secure and healthy workplace underpins our reputation as an employer and workplace.

After our office in Växjö underwent a major upgrade and renovation during the previous year, in March 2022 we were able to move in. In addition to standard improvements to the facade and ventilation, the total office space was expanded and the office environment underwent general modernisation, which should help ensure greater comfort and well-being. The renovation also included installing charging stations in the car park and solar panels on the roof, which will help reduce our electricity costs and the strain on the local power grid.

Employees continue to show interest in the possibility of working from home even going forward, which requires flexibility and support from us as an employer. With the emphasis during the coronavirus pandemic on empowering employees to design a good working

environment at home, key conditions are already in place. Video meetings are now an established alternative to face-to-face meetings, while well-developed IT equipment and support is available. The individual employee can agree with their immediate manager on where their work should be done, which we believe can be beneficial for the work-life balance.

A growing organisation

We are to be an open and inclusive company in which employees thrive, perform and develop regardless of gender, ethnicity, religion or sexual orientation. Our approach is set out in our Code of Conduct and applies to everyone associated with our business, both within the organisation and those with whom we collaborate. We are committed to a gender-equal, sustainable and healthy working life in which every employee is given the opportunity to develop to their full potential.

In the context of acquisitions, it is essential that new subsidiaries retain their unique identity while benefiting from being part of a larger community. Being part of Balco Group means better purchasing prices from economies of scale, but also support in HR, finance, marketing, IT, quality, environment and product development. The aim is to rapidly realise the synergies of centralised support functions together with operational excellence.

By acquiring the companies Söderåsens Mur och Kakel AB and Arutex AB, we are strengthening our product and customer offering in turnkey contracting and green transformation. Söderåsens Mur och Kakel will specifically complement the Group's other facade companies geographically by expanding our presence in southern Sweden. Arutex AB has been one of TBO-Haglind's main partners for several years and has installed balconies and glazing. Through the acquisition, we will be able to secure the supply of skilled installers due to TBO-Haglind's business growing, with Arutex AB becoming a subsidiary from the beginning of the year. The intention is to increase the workforce from the current 12 employees. As companies are acquired, they will gradually be integrated into the Group's sustainability efforts.



Safe, secure and healthy workplace



SKYDDA ARBETSTAGARES RÄTTIGHETER OCH FRÄMJA TRYGG OCH SÄKER ARBETSMILJÖ FÖR ALLA

Protect employee rights and promote a safe and secure working environment for everyone in the organisation

TARGET:

Total sickness absence to be no more than 3.5%

Staff turnover should not exceed 8%

Accident rate must be zero



A workplace for all

At Balco Group, employees, consultants, trainees and jobseekers will be treated equally, regardless of their background. We work actively to promote equal rights for women and men in terms of work, employment and other working conditions and development opportunities.

Today the Group's employees consist of 11% women and 89% men, with an average age of 46. In line with our objective, we are constantly working to increase diversity and gender balance in the Group, but we are still influenced by the current trend in the industry of generally high male representation.

Health and safety

As a group of manufacturing companies, physical health and safety risks are ever-present in our daily work. One of our main goals is to ensure that all employees return home from work healthy and unharmed, and to achieve our zero vision for workplace accidents, we are constantly working to develop and improve the working environment throughout the Group.

Despite our zero vision and our proactive efforts, accidents still happen. In 2022 the number of workplace accidents leading to sickness absence was seven, which is one more than last year.

A digitalised reporting system at Balco AB helps ensure a smoother observation process and enables more rapid action, thus preventing actual accidents from occurring. Examples of this preventive work are our regular safety inspections in our offices, in production and at the construction sites where our employees work. This is supplemented by continuous risk analysis, training and issuing certificates for certain operations.

As an employer, we naturally value a safe physical working environment, but the psychosocial environment has also become increasingly important in recent years. This is a key part of our regular appraisals, at which employees can express how they feel and assess their workload. By prioritising health and safety initiatives, we create multiple benefits for the people in our business and for our companies in general. A safe, secure and stimulating working environment leads to reduced costs related to accidents and injuries, reduced absenteeism, lower staff turnover and, not least, increased well-being, motivation and productivity. A comprehensive employee survey in all companies is planned for 2023 and will guide our systematic work environment management going forward.

EMPLOYEES IN BALCO GROUP



BREAKDOWN OF EMPLOYEES BY COMPANY 2022

Balco Group AB	
2 employees	
TBO-Haglinds AB	Balco AB*
57 employees	319 employees
Balco Altaner A/S	Stora Fasad AB
53 employees	20 employees
RK Teknik i Gusum AB**	Söderåsens Mur- & Kakel AB
64 employees	21 employees

* With associated foreign sales company and production unit in Poland

** including subsidiaries



Mia Hultgren HR Manager, TBO-Haglinds

What does sustainability mean to you?

For us, sustainability is ultimately about ecology and social capital, i.e. closing ecological cycles and creating socially responsible living environments for all humanity.

Do you have an example of where you are or your team is contributing to sustainability?

At local level, the goal is to create a sustainable business that leaves a minimal footprint. What we actively contribute is continuously work on our human capital, i.e. ensuring that our employees feel good, take care of themselves and feel involved and committed to the company's development and production.



Frida E. Karlsson manager, Orders and Planning, RK Teknik

What does sustainability mean to you?

A sustainable company strives to make its business profitable while taking into account the environment, the future and people, ensuring that people within the company and among its customers and suppliers are seen. Failure to see the individual behind each employee runs the risk of forfeiting a great deal of knowledge that could have been beneficial to the company. It is the same with the relationship with customers and suppliers. If you look at the individual, you achieve a much more sustainable customer or supplier relationship.

But sustainability is also about working efficiently and choosing materials with a long life span that are also produced in a sustainable way, preferably in the local area to reduce transport runs.

Do you have an example of where you are or your team is contributing to sustainability?

We are constantly working to improve efficiency and think more sustainably. For example, we can change the material that is prescribed to something we already have at the company. This reduces costs and transport, while allowing for faster manufacture than if you had to wait for materials to arrive.

How Balco meets the market

As the leading player in the markets in which we operate, we are a reliable partner for our customers. Our size, breadth and in-depth knowledge of our craft enable us to adapt to the varying needs and circumstances of our customers. With the balcony as a means of metaphorically opening doors, we offer a wide range of innovative, sustainable and attractive solutions that enhance the quality of life of our customers, whether they are tenant-owner associations, private property owners, public sector housing companies or construction companies.

Balco Group’s customers

Sales are divided into four main customer groups: Tenant-Owner Associations, Private Property Owners, Public Sector Housing Companies and Construction Companies. These differ in their needs and circumstances, which also means that sales efforts must be adapted.

We work primarily through active sales and participate in around 100 mini-fairs in Sweden and Norway each year. The fairs are organised with a partner, with our sales representatives interacting directly with prospective customers and clients and presenting the Group’s solutions and process. We also make sales by responding to enquiries and public tenders. In the UK, sales are targeted at consultants or architects and are mainly aimed at new build projects.

Balco Group has Scandinavia’s largest balcony sales force, which meets with tenant-owner associations and other customers to discuss balcony renovation needs and suggest possible solutions. We can also carry out initial work, such as applying for building permits and preparing documents for decision-making by the client prior to an association meeting.

Renovations are the main focus

The majority of our projects form part of a balcony renovation, where the property owner primarily wants to upgrade the balcony’s performance, comfort or appearance.

The first step in the sale involves identifying the need for renovation and reviewing the conditions. No matter who the client is or what their needs are, our size and breadth of experience means we can be a trusted partner and adapt to find the best solution for each case.

The balcony as a door opener

A balcony renovation often forms part of a larger need for facade renovation and a desire to achieve energy and cost savings. This makes an initial conversation about balconies a natural way of opening a discussion on the need for additional services. Our balcony solutions thus serve as a door-opener for projects in which we can act as a turnkey contractor and offer a complete renovation with significant energy savings.

We have a large project organisation with the expertise to carry out turnkey contracting projects, with a number of subcontractors offering complementary solutions. This means that, in addition to installing a glazed balcony, we can, for example, carry out several energy-saving measures, such as facade renovation, solar panel installation, additional insulation, heat recovery or window replacement. To better meet customer needs, through partnership with a Nordic bank, we can also offer amortisation for an entire project over a period of up to 70 years, making the investment both financially and environmentally sustainable.





Innovation and development

Innovation is at the heart of Balco Group's business concept of working with the customer to create sustainable and attractive balcony and facade solutions that enhance quality of life. As we operate in a wide range of markets, we need to be at the forefront of product development to continue to be successful and meet the changing needs and requirements of our customers.

Balco Group operates in a wide range of markets, and we are therefore affected by the constant changes in the world around us. Requirements, needs and regulations can differ significantly between markets, which makes demands of our knowledge, skills and flexibility.

Our ability to innovate is closely linked to our sustainability work, both in terms of reducing our own impact and strengthening the positive contribution we make to a more sustainable society. During the development process, considerable resources are devoted to investigating the environmental impact and recyclability of materials. The use of materials is optimised to minimise waste and scrap during manufacture, but the environmental performance of the intended product downstream, at our customer's site, is also evaluated. We take part in several forums to learn about new technologies and materials – all with the aim of including them in future innovations – and thereby improve the energy-saving effect of a glazed balcony in a property.

We are one of the few complete balcony suppliers that can provide customised, high-quality balcony solutions with short delivery times. What sets us apart is that back in 2005, we established our own development department with staff specifically dedicated to further developing and strengthening our offering. Within the department, we have expertise in steel design, static calculations, industrial design, energy optimisation and programming – to ensure that we stay at the forefront of developments.

Our innovation work is an ongoing process, and a number of our ideas result in patents of their own. The Group currently has 28 patent groups and 63 patents. The innovation journey can originate from a new customer need or an idea from our own staff. The work then moves through five overall phases, where having all the necessary functions within the organisation ensures a fast pace from idea to finished product.

Five phases – from idea to finished product



01. Idea stage

Good ideas from our customers, the market and our employees pass through what is known as the Product Council – an interdisciplinary forum where decisions on future product developments in the Group are made on an ongoing basis. After a decision is made to start the process for a new product concept, work begins on a requirements specification and pre-design drawings are produced. At the same time, static calculations are made and a patent application is submitted in cases where the product has a unique function. During design meetings, the feasibility of the project is assessed and, if necessary, adjustments are made to the drawings. Already at this stage, a preliminary calculation is made to assess the financial conditions and if everything is in place, the project moves on to the next phase.



02. Prototype stage

In this phase, a prototype is developed in order to make further calculations and evaluations. We have a 3D printer to help us and if the prototype is to be made of metal, special tool makers are used. If the idea comes from a need in the market, a customer can be part of the project team.



03. Full-scale test

Before the full-scale test, a full-scale prototype is developed and outcome tests are carried out on all components to be included in the product. Static tests are performed and the life span of both full-scale prototypes and individual components is tested to ensure a reliable result. Our facility also has a two-storey tower where the full-scale product can be assembled in a realistic environment. If all tests are successful, the marketing department gets involved so that they can produce relevant marketing material for the finished product at an early stage.



04. Preparation for production

In this phase, the development department ensures that the product is both marketable and can be manufactured. In order for the new product to work in different projects, it must be made as universal as possible to cope with the customisation required. All specifications are programmed in a tool that the designers and purchasing department need for their work, and drawings are created for machining, production and assembly.



05. Production phase

By the time the product reaches the production phase, it has normally already been sold in for a carefully selected customer project. The first production run – the zero series – is thus produced and tested by preparation, design, production and assembly. Finally, the product is assembled at the customer's premises, where evaluations are carried out and any necessary adjustments are made before the product is deemed to be finally finished and ready for sale and production.

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An investment that increases the value of the property and the apartment, with a character that makes the living environment attractive, safe and usable.

Products from Balco Group

Glazed balconies



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

Glazed balconies also help reduce noise and reinforcement corrosion, which in turn reduces the risk of frost cracking the concrete. A new balcony slab for a glazed balcony breaks the thermal bridge between indoors and outdoors, which also helps save energy. This product category also includes what are known as climate walls, which can be described as the entire facade being clad with glazed balconies, forming a further climate shell for the building. A climate wall minimises the maintenance requirements for concrete floors, as well as facades, windows and doors inside the glazing. They also create the possibility of a significantly larger balcony area compared to before upgrading.

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

The 'glazed balconies' product category also includes our turnkey contracting projects for balcony and facade renovation, as well as our 'Green Transformation' offering, where we also carry out other measures that help reduce our customers' energy consumption.

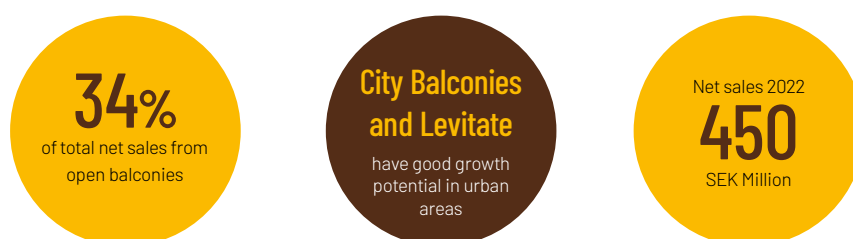


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Solutions range from standardised products for new build to smaller balcony solutions in inner-city environments.

Products from Balco Group

Open balconies



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

City Balconies are relatively small steel structures whose design has been adapted for inner-city environments in which appearance is assigned greater importance. In the Danish market, more specifically in the inner city of Copenhagen, market share is increasing, with Balco Altaner driving demand. The concept has great potential, and with the acquisition of RK Teknik, we have now entered the Swedish market. The Group is continuing to explore whether this type of balcony could be relevant to launch in other major European cities.

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

The Levitate balcony is another prefabricated solution that was developed and began to be delivered in 2021 – initially designed for the UK market, focusing on quick, easy and safe assembly. Twenty to thirty balconies can be installed in one working day, compared to traditional assembly, where only one balcony can be installed in a day. Levitate is pre-built and delivered complete to the property before final assembly on prepared fittings in the newly built facade.



Products from Balco Group

Facade development

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Combined with new, larger and glazed balconies, new facades with additional insulation provide very good energy efficiency, which can help achieve significant energy savings for the whole building



Balco Group offers complete facade solutions, mainly through Stora Fasad and the newly acquired company Söderåsens Mur- & Kalk. Solutions include traditional facade renovation in the form of bricklaying and plastering, but also new build and upgrades, and major facade changes by replacing materials through, for example, ventilated facades and installing energy-saving features such as additional insulation.

Investing in a new facade combined with additional insulation, window replacement and integrated glazing, generally creates a better indoor climate by improving ventilation and reducing the inflow of cold air. Combined with new, larger glazed balconies, new facades with additional insulation provide very good energy efficiency, which can help achieve significant energy savings for the whole building. What is more, our facade solutions enhance the appearance of the property, which in turn adds value for the individual resident and the association as a whole.

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



Customer projects

Balco Group's first turnkey contract – an intra-Group collaboration

The Kolarhagen tenant-owner association in Västerås is an ongoing renovation project that started in December 2021 and is expected to be completed by the end of 2023. When Kolarhagen was built in 1956–1960, its modular construction was a project ahead of its time. But after 60 years, the exterior of the buildings needs renovation, and we at Balco Group's turnkey contracting division are leading the entire project. TBO-Haglinds and Stora Fasad are renovating and extending a total of 628 glazed balconies and replastering nine building facades – a deal to the tune of over SEK 100 million.

The Kolarhagen tenant-owner association is located in northeast Västerås and consists of 13 buildings that together frame the Kolarparken green area. The renovations will give Kolarhagen a completely new look and new functionality. The project marks the start of Balco Group's turnkey contracting division, which is part of Balco AB. This means that several of the Group's subsidiaries are involved in the project and that we are responsible for managing the other subcontractors involved.

In addition to the work carried out by subsidiaries TBO-Haglinds and Stora Fasad on Kolarhagen's balconies and facades, seven other subcontractors are responsible for such work as re-roofing, attic insulation, entrance replacements and painting. About 70% of the entire project is Balco Group products and inputs, which combined with TBO-Haglind's own manufacturing creates a unique business offering with many advantages.

Inter-Group collaboration enables efficiency and flexibility

Kolarhagen differs from other projects that Balco Group has undertaken in the past, because the establishment

of a turnkey contracting division in the spring of 2021 cleared the way for inter-Group collaboration. In the past, the Group's subsidiaries only worked on individual projects.

At the heart of the Kolarhagen project is Johan Bengtsson – turnkey contracting manager, project manager and the person in charge of keeping it all running smoothly. He manages all dialogue between TBO-Haglinds, Stora Fasad, subcontractors, architects, the customer and the residents of Kolarhagen. This project marks the start of a working method that Balco Group has long aspired to.

The proximity to the various companies means that decision-making paths are shorter and more efficient. The fact that TBO-Haglinds owns the entire supply chain for balconies means that they can put on the pressure and increase production at short notice. Internal reconciliation meetings with all subcontractors are held every two weeks to ensure that projects are running smoothly and that the work of one party does not impede that of another. Sometimes, for example, certain components of the facade work have to be started before parts of the balcony work can get underway, especially when they have to be interwoven



This is where we wanted to be – it's much better to work together like this, because everyone in the Group is working towards the same goal. It makes it easier to conduct a dialogue. We can also manage quality targets and quality audits in a different way when we work within the Group and manage the subcontractors, which ultimately benefits the customer, says Johan Bengtsson.



Balco Group's turnkey contracting offering works very well – it is always easier to work with players who are in the same industry. The fact that we belong to the same Group is also an advantage for the customer, because everyone pulls in the same direction and it minimises the risk of conflicts in the contract.
 Freddie Johnsson, Project Manager, TBO-Haglinds

– which the cooperation between TBO-Haglinds and Stora Fasad makes possible. Given the ongoing dialogue between the subsidiaries, they can carry out their work in parallel and thus work more efficiently in terms of time.

Dialogue with all stakeholders

Ongoing dialogue is the single most important aspect for the success of a project like Kolarhagen, including dialogue with and information provided to residents in the area. Every other Tuesday evening, Johan holds a meeting at Kolarhagen where he answers questions from residents in the area. He has also set up a website with regular updates on the project.

Work process – despite setbacks, Kolarhagen project on schedule

As planning permission was already in place when Balco Group was assigned the project in December 2021, work could start quickly. Initially, the main focus was on facade renovations with Stora Fasad, while TBO-Haglinds carried out individual measurements of all 628 balconies in parallel in order to start production in their factory.

The project faced some setbacks when asbestos, a health hazard, was discovered in some of the building facades, despite the fact that they had been renovated after the material was banned in the 1980s.

The schedule had to be reworked, because handling asbestos is time-consuming. More time was also needed to fix the lightweight concrete used in the facades when the houses were built, which had become porous. In the event of this type of setback, the flexibility and short decision-making paths offered by Balco Group's turnkey contracting are a crucial factor in being able to quickly remedy the problem and rearrange the schedule and planning to make efficient use of time.

Because TBO-Haglinds manufactures its balconies from scratch, the customer has a great deal of choice where appearance is concerned. When Kolarhagen had expressed its wishes, the glazed System C model was ordered, with frameless panes of glass fixed inside the balcony railing. Before starting the balcony installation, all concrete foundations were inspected and improved. A total of 320 balconies in five properties will be extended, adding up to eight square metres of extra balcony space per apartment.

The balconies began to be installed in September 2022, with a total of 120 being completed by the end of the year, in line with the schedule. Once balcony installation has begun, it is immediately completed, which means that the occupants of the apartment do not have to live with blocked balconies for longer than necessary. The final balconies will be installed, facades completed and entrances replaced in 2023.



Collaboration within Balco Group turnkey contracting has worked really well. With a high level of expertise, responsiveness and willingness within the companies, things always work out. The benefits are that we develop skills that will be useful in new projects. It will become clearer to the customer that the company is highly skilled and conveys great confidence and a sense of security.
 Patrik Söderberg, Project Manager at Stora Fasad

” *What is said in the dialogue with all contractors must be passed on to the association. Residents need to feel confident that they are receiving information, can ask questions and know what is happening – that is the key to everyone’s satisfaction.*

Lower energy consumption and heating costs

A long-lasting plastered facade that ages well

An increase in the value of the apartments

Kolarhagen – A more affordable, attractive and sustainable tenant-owner association

In addition to the products, flexibility and time-efficiency that Balco Group’s turnkey contracting offers the customer, there is additional value in the final delivery. When the Kolarhagen project is completed at end of 2023/beginning of 2024, it will be a more sustainable and economical tenant-owner association, with a completely new look.

The glazed balconies will provide Kolarhagen residents with a brand new space for socialising, all year round. It also means that passive surveillance will improve in the area, as more people will have a better view of what is happening around them from their glazed balconies. This will increase security around properties with these balconies.

Stora Fasad works with traditional, high-quality products, which ensures that the facade renovation at Kolarhagen will last for decades to come. They use natural mineral products in a thick plaster of the same type as when Kolarhagen was built, which allows the facade to breathe. This type of plaster ages well with the elements, unlike flat and lifeless silicate paint, because the mixture contains mica which gives the facade more depth.

Both the glazed balconies and the new facades will make Kolarhagen a more attractive residential area in terms of appearance, as well as environmental and social sustainability, and thus the value of the apartments will also increase.

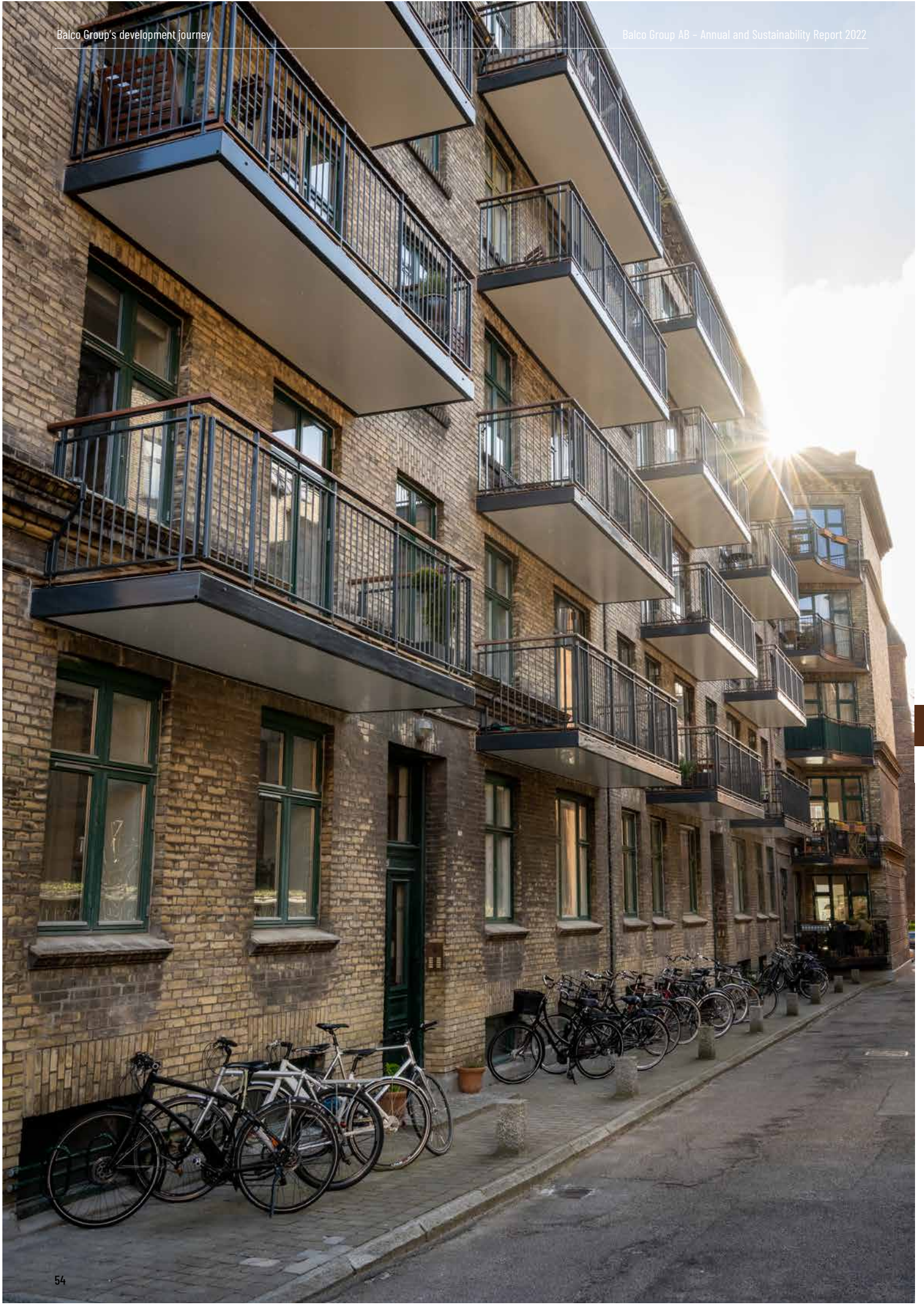
The project has an end – but not the customer relationship

Once the Kolarhagen project has been completed, we at Balco Group will ensure that we maintain our relationship with the tenant-owner association. Customer and project follow-up is an incredibly important part of our work, and through the new concept of ‘Balco Group’s turnkey contracting’, all warranty issues for the project will also be handled by a manager in our department. This means that the customer does not need to contact the various subcontractors for warranty issues, only Balco Group. The turnkey contracting concept is beneficial for both our business and the customer – an offering that Balco Group will increasingly focus on in the future.

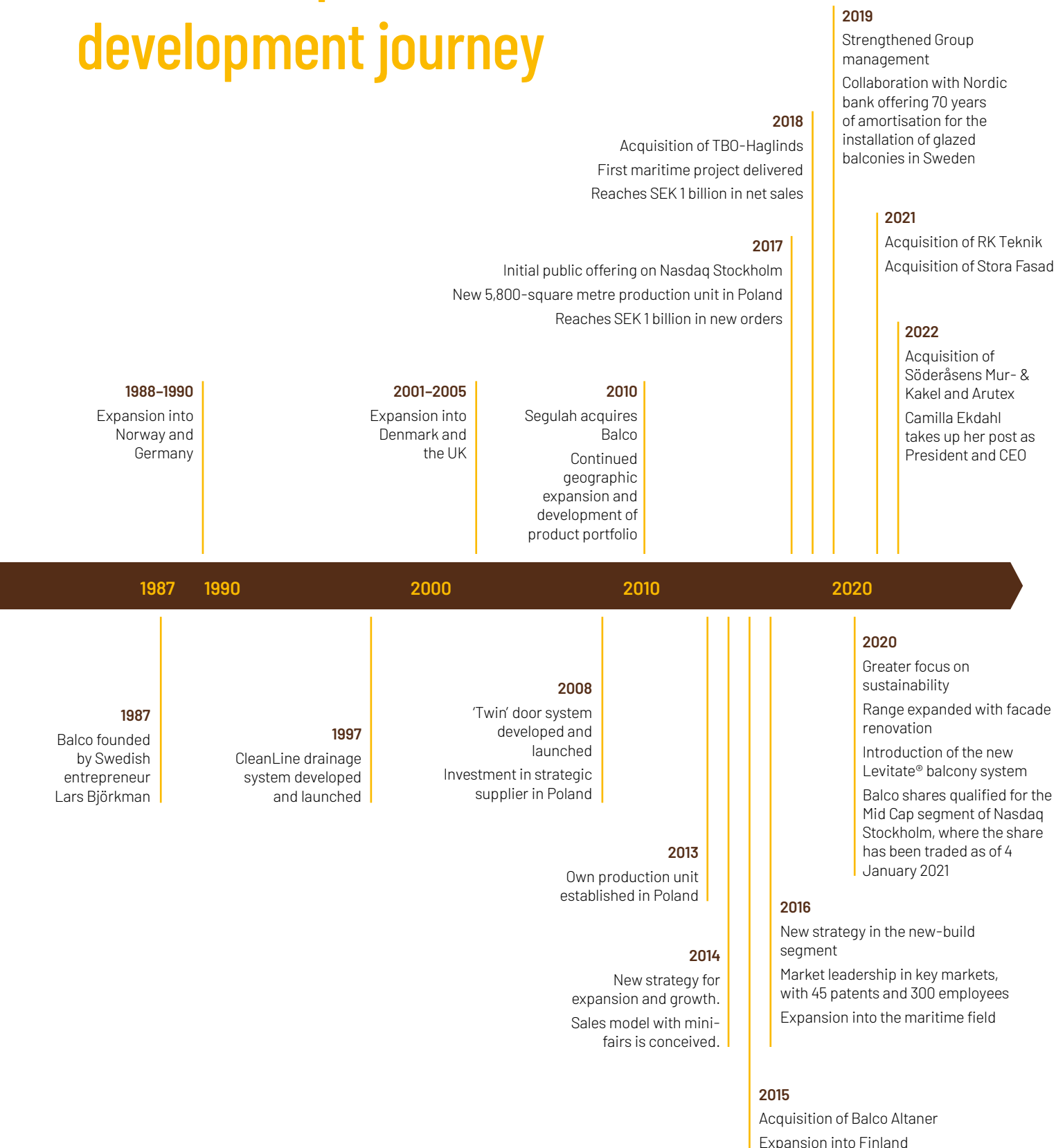
”

Given the current energy crisis, our insulation measures will not only provide Kolarhagen with lower and more sustainable energy consumption, but also more economical consumption. Both the insulation and the glazed balconies help ensure better heat insulation and air preheating through the glazed balcony. This means lower heating costs. Our calculations indicate that Kolarhagen residents will see energy savings of up to 18–19% per apartment.





Balco Group's development journey



Group and company description

Balco Group

was established in 1987 and is a group of manufacturing and sales companies. The Group's six brands fall under the companies Balco AB, Balco Altaner AS, TBO-Haglinds AB, Stora Fasad AB, RK Teknik i Gusum AB and Söderåsens Mur- & Kake! AB.

The Group is the market leader in the Nordic region and operates in a number of markets in northern Europe. The head office is located in Växjö and the Group employs over 500 people. A general and distinctive feature of the companies in the Group is that they control their entire value chain – from sales to the installed balcony – through a decentralised and efficient sales process.

Balco AB

was founded in 1987 by Lars Björkman, and from an early stage, the business focused primarily on renovating balconies for apartment buildings. Today Balco AB is the market leader in the industry, developing, manufacturing, selling and installing its own open and glazed balcony systems.

Balco AB's balcony system is used in new build, renovation, upgrading and extension, and conversion from open to glazed balconies. Its broad customer base includes tenant-owner associations, municipal housing companies, private property owners, architects, developers and shipping companies. The headquarters, with its own production unit, is located in Växjö in Småland, and sister companies are located in Norway, Denmark, Finland, the UK, Germany, Poland and the Netherlands. Balco AB, its foreign sales companies and the production unit in Poland currently employ around 300 people. The CEO of Balco AB is Camilla Ekdahl.

Balco Altaner A/S

started as Kontech Altaner and was founded by Niels Jensen in the mid-1990s. The focus then, as now, was on City Balconies for the Danish market, primarily Copenhagen's inner city.

Kontech was acquired in 2015 by Balco Group, and has since been known as Balco Altaner. The headquarters are located in Hammerholmen in Copenhagen, and the company currently has around 50 employees. The main customer group is tenant-owner associations and cooperative apartments. The CEO of Balco Altaner is Johan Söderling.

TBO-Haglinds AB

started as Haglinds Svets AB and was founded in 1970. Its main activity during the 70s and 80s was to manufacture forged structures for industry. And during the 1980s, TBO AB was developed in the neighbouring town of Köping, a company that carried out renovation and replacement of balconies on apartment buildings. The two companies cooperated more and more closely and merged in 1996 to form TBO-Haglinds AB, then owned by the brothers Ola and Christer Haglind. In 2003, Ola Haglind's three children – Mia, Pär and Peter – took over TBO-Haglinds.

In December 2018, Balco Group acquired TBO-Haglinds AB. The balcony contracting side has grown over the years and become an increasingly dominant part of the business with customers all over Sweden. In 2022, TBO-Haglinds acquired the assembly company Arutex AB, and the company took possession on 2 January 2023. The acquisition develops and streamlines TBO-Haglind's balcony assembly offering. Arutex was founded in 2011, is located in Arboga and has about 10 employees. For several years, Arutex AB has been one of TBO-Haglind's largest partners, carrying out the actual assembly of balconies and glazing.

TBO-Haglinds currently has about 50 employees, and the CEO is Pär Haglind.

Stora Fasad AB

was founded in 1989 by Christer Thane and has since then been active mainly in the Mälardals area. Stora Fasad specialises in facade work, such as bricklaying, plastering, window replacement, balcony and roof work, for renovations and repairs as well as for new-build and turnkey contracting. The company also provides related services, such as scaffolding and scaffolding rental. The head office is located in Västerås and the company currently has about 20 employees. It became part of Balco Group in 2021, with the founder Christer Thane staying on as CEO.

RK Teknik i Gusum AB

was founded in 1982 by Ragnar Karlsson and initially focused on manufacturing primary balcony parts, such as studs and castings. By 1991, the business had grown and RK Teknik was manufacturing and selling individual parts and complete balconies.

Growth continued, and in 2011 the business was moved from a barn in Leckersbo Gård to a balcony factory of about 12,000 sqm in central Gusum, Östergötland. Today the company is one of Sweden's leading balcony manufacturers, with around 60 employees and operations throughout Sweden. The company has been owned by Balco Group since 2021 and is run by Ragnar Karlsson's sons Johan Karlsson, CEO, and Kristian Karlsson, Construction Manager.

Söderåsens Mur- & Kakel AB

was established in 1997 and transformed into a limited liability company in 2000. Söderåsen carries out most of its activities in southern Sweden and offers facade work such as bricklaying, plastering and insulation for both renovation and new construction. Customers include tenant-owner associations, public utilities, private property owners and construction companies. The head office is located in Kågeröd in northwestern Skåne and the company has about 20 employees. Söderåsen is run by the founders Ola Gustavsson, CEO, and Emil Johansson, Deputy CEO.

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Share and shareholders

The stock market has been negative during the year, with the Stockholm Stock Exchange index dropping by 16%. Balco's share price performance was even weaker, falling by 68% during the year, with a 2022 closing price of SEK 43.80. In meetings with the various market players, we continue to highlight Balco's unique position in the fragmented niche market for balcony solutions, our sustainability work at all levels and the positive sustainability impacts of our products.

Trading and market capitalisation

The Balco share is traded on Nasdaq Stockholm's Mid Cap list. During the year, 4.1 million shares were traded with a total value of SEK 338 million. The average daily turnover during the year was SEK 1.3 million. All trading in the shares took place on Nasdaq Stockholm. Market capitalisation at the end of the year was SEK 1.0 billion.

Share performance during the year

During the year, the share price has been volatile but mostly declining, closing the year at a share price of SEK 43.80 – 68% lower than the previous year. The year's highest bid price was recorded on 11 January at SEK 155.80, which is an all-time high for Balco shares, and the lowest price of SEK 40.20 on 29 December, which is an all-time low.

Share capital

As of 31 December 2022, the number of shares in Balco totalled 21,909,348. Balco has one class of shares and each share has the same voting value and entitlement to dividends. One share has a quotient value of SEK 6.0002 and the share capital thus amounts to SEK 131,461,248.

Ownership structure

The number of shareholders in Balco at the end of the year was 5,400, an increase of 299 shareholders during the year. Shareholdings in Sweden accounted for 91.5%. Of the total foreign shareholding of 8.5%, shareholders in France accounted for 2.9%, shareholders in the UK for 2.6%, shareholders in Luxembourg for 1.8%, and shareholders in Belgium for 0.5%. Swedish ownership was dominated by Swedish legal entities with 46.5% of the capital, while financial companies owned 26.6%, Swedish natural persons owned 9.8% and Swedish social security funds owned 8.6%. Balco's ten largest shareholders owned 76.8% of the company. Members of the Board of Directors of Balco held a total of 73,900 shares in Balco, while the company's management held 41,180 shares. In total, the holdings of the Board of Directors and management represented 0.5% of the number of outstanding shares. The main owner is the Hamrin family with 27.7% ownership.

Dividend and dividend policy

Balco's dividend policy states that the company should distribute 30–50% of its profit after tax, provided that it does not jeopardise Balco's long-term development. The Board of Directors has proposed to the Annual General Meeting a dividend for the financial year 2022 of SEK 1.50 per share, corresponding to 40% of the year's profit.

Share-related incentive schemes

At an Extraordinary General Meeting of 24 November 2020, it was decided to introduce a new three-year incentive programme aimed at the company's senior management and other key employees, totalling 25 employees. The incentive programme comprises a maximum of 400,000 share warrants, entitling the holder to subscribe for a maximum of the corresponding number of shares. Balco's total cost for the incentive programme over its full term is expected to be approximately SEK 3 million. The programme involves a dilution corresponding to approximately 1.8% of the company's total number of shares. The senior executives of Balco have acquired 104,000 warrants with a total value of SEK 1,178,320.

At the Annual General Meeting of 25 May 2021, it was resolved to introduce a three-year incentive programme aimed at the company's senior management and other key employees, totalling 11 employees. The incentive programme comprises a maximum of 200,000 share warrants, entitling the holder to subscribe for a maximum of the corresponding number of shares. Balco's total cost for the incentive programme over its full term is expected to be approximately SEK 1.4 million. The programme involves a dilution corresponding to approximately 0.9% of the company's total number of shares. The senior executives of Balco have acquired 74,332 warrants with a total value of SEK 721,764.

At the Annual General Meeting held on 24 May 2022, it was resolved to introduce a three-year incentive programme aimed at the company's senior executives and other key employees, totalling 41 employees. The incentive programme comprises a maximum of 220,000 warrants, entitling the holder to subscribe for a maximum

Closing price 30/12/2022

43.80
SEKMarket capitalisation
31/12/2022**1.0**
SEK billionNumber of shareholders
31/12/2022**5,400**

of the corresponding number of shares. Balco's total cost for the incentive programme over its full term is expected to be approximately SEK 1.6 million. The programme involves a maximum dilution corresponding to approximately 1.0% of the company's total number of shares. The senior executives of Balco have acquired 55,000 warrants with a total value of SEK 280,700.

The purpose of the incentive programme is to encourage broad share ownership among the company's key employees, facilitate recruitment, retain skilled and talented employees, ensure that the interests of key employees and the company's objectives are increasingly aligned, and increase motivation to achieve or exceed the company's financial targets.

In order to encourage participation in the programme, it was decided to subsidise participation in the form of a gross salary supplement. The level of salary supplement cannot exceed the gross amount invested by the participant. In the event that the Board of Directors decides on such a subsidy to the participants, it will be paid in connection with exercising the warrants and will, among other things, require that the participant at that time still remains employed by the company or other equivalent employment within the Balco Group, and holds his/her warrants. The subsidy for each participant shall amount to a maximum of the premium paid for the participant's warrants held at the time of payment.

SHARE PRICE MOVEMENT 2022**SHAREHOLDER STRUCTURE AS AT 31 DECEMBER 2022**

Number of shares	Number of shareholders	% of shareholders	Number shares	% of shares
1-500	4,686	86.8%	456,400	2.1%
501-1,000	327	6.1%	263,818	1.2%
1,001-5,000	276	5.1%	602,586	2.8%
5,001-10,000	37	0.7%	273,303	1.3%
10,001-15,000	15	0.3%	180,199	0.8%
15,001-20,000	5	0.1%	85,786	0.4%
20,001-	54	1.0%	20,047,256	91.5%
Total	5,400	100.0%	21,909,348	100.0%

THE TEN LARGEST SHAREHOLDERS AT 31 DECEMBER 2022

Shareholder	Number of shares	% of shares
The Hamrin family	6,062,027	27.7%
Skandrenting AB	2,337,000	10.7%
Swedbank Robur Fonder	2,018,521	9.2%
Third AP Fund	1,885,000	8.6%
Lannebo Fonder	1,855,338	8.5%
AB Tuna Holding	1,201,876	5.5%
BFCM P/C BFCM Sweden Retail LT	457,181	2.1%
FE Småbolag Sverige	349,940	1.6%
Avanza pension	337,569	1.5%
Spiltan fonder AB	303,002	1.4%
Total	16,807,454	76.8%

f Balco Group's statutory Sustainability Report 2022

A new feature of the Policy in 2022 is that Balco Group has chosen to compile the details of its sustainability work in one section, which is a way to prepare for the upcoming disclosure requirements that are being developed. The information is broken down according to the focal areas of the Group's sustainability work, as shown on pages 28–29. This section represents the Group's statutory Sustainability Report under the Swedish Annual Accounts Act, Chapter 6 Sections 10–14.

Sustainable enterprise

How the Group's sustainability work is managed

The Balco Group Board of Directors has overall responsibility for issues of sustainable enterprise, and the CEO is responsible for implementing its decisions and strategies. The CEO is supported in this by the Group's CFO, who is also responsible for managing the Group's sustainability efforts as of 2022. The CFO assists the Board of Directors and the management team with decision-making and analysis regarding the details of the Group's sustainability issues.

The Group has the following policy documents, which are reviewed annually and adopted by the Board of Directors: Insider Policy, Communications Policy, Sustainability Policy, Finance Policy, IT Policy, Information Security Policy, Corporate Governance Policy and Code of Conduct. At the last review, all policy documents were found to be up to date, with no update therefore considered necessary.

Central to managing sustainability efforts is the Group's Code of Conduct, which is based on the Group's ethical guidelines and core values. The purpose of the Code is to clarify and describe how the Group's employees should act in their daily work and behave towards customers, suppliers, authorities and other stakeholders. It is aimed at Group management, Board members, all Group companies, managers and employees, as well as to our suppliers, business partners, subcontractors and customers.

The Code ensures that the Group works together to achieve fair and safe working conditions, protect human rights, respect gender equality and diversity, maintain a responsible approach to environmental issues, apply high ethical standards throughout the Group and ensure that our zero vision for corruption is upheld.

CODE OF CONDUCT

Target	Measuring interval	Measurement method	2022	2021	2020
100 % of strategic suppliers must have accepted the Balco Group Supplier Code of Conduct	Annual	Strategic suppliers that have accepted the Balco Group Supplier Code of Conduct	100%	94%	-
Number of reported and confirmed breaches of the Code of Conduct should be 0	Annual	Reported and confirmed breaches of the Code of Conduct	1	0	0

As all the Group's strategic suppliers have approved the Code of Conduct, the 2022 target has been met. One whistleblower case regarding breach of the Code of Conduct was received at the end of 2022, which shows that the system is working. The case has been investigated and was closed in early 2023.

The Group HR Director is responsible for updating the Code of Conduct, which is approved by the CEO and adopted annually by the Board of Directors.

The Code of Conduct is also aimed at the company's suppliers, who are required to confirm in writing that they comply with the company's Code. In 2022 the proportion of suppliers accepting the Code was 100%.

The company's Sustainability Policy is a key principle for the Group's sustainability work and describes the company's key sustainability issues, shared values and division of responsibilities. The Policy serves as a framework for operational decisions and also guides evaluation and decisions on issues related to the long-term strategic development of the Group.

Group management is responsible for ensuring that the policy is complied with, developed and is part of the companies' daily work. Together with the CEOs of the subsidiaries, the management works to ensure that sustainability efforts are naturally integrated into day-to-day work and strategic decisions. Sustainability work is then broken down by the subsidiaries into a number of objectives with associated activities that are implemented on an ongoing basis in daily operations. Targets are measured on a monthly basis according to clearly defined measurement methods, and the results are presented to Group management and the Board of Directors on an ongoing basis.

Preventing corruption and breaches of the Code of Conduct

We support fair and free competition and never accept, directly or indirectly, bribes or other improper benefits or compensation. We make decisions based on the best interests of the Group, never considering personal gain and always honouring the agreements we have made.

Internally, the number of reported and detected breaches of the Code of Conduct, for which the Group has a zero vision, is measured. The Code clarifies how the company should act to prevent all forms of corruption, and how any cases are handled.

This is reinforced by the company's whistleblower function set up in 2019 that enables all employees at the companies to anonymously report suspicions of events that are in breach of the Code of Conduct. Notifications are made via the website (<https://balcogroup.se/>) where the NordicWhistle programme guarantees full anonymity and any cases are received and initially handled by an external law firm.

During the year, one incident was reported, which was handled according to the Group's principles and was not found to be in breach of the Code of Conduct.

Risks and risk management

Risks related to the strategic sustainability area 'Sustainable enterprise' are presented under the section 'Risks and risk management' on page 76.

Environmental responsibility

The Group's work on the environment

The Group's Sustainability Policy forms the basis for the work related to the environment. The policy clarifies the environmental responsibility of the Group and its subsidiaries to reduce greenhouse gas emissions and protect water, air and soil by using resources efficiently, reducing the company's need for non-renewable resources and choosing environmentally friendly alternatives and technologies wherever possible.

The Sustainability Policy is set annually by the Board of Directors, while Group management is responsible for ensuring that it is adhered to, developed and forms part of the daily work of the parent company and its subsidiaries. As part of the Policy, Group management, subsidiary CEOs and other managers will work together to ensure that the environmental perspective is integrated naturally into day-to-day work and strategic decisions. This year's review of the Sustainability Policy established that its content remains relevant and is not in need of an update.

The focus of the Group's environmental efforts is on reducing the environmental impact of its products, which naturally includes the impact of its other operations and production. The work to achieve this includes making processes more efficient and using materials and methods that reduce the environmental impact. Overall the main end product – the glazed balcony – means lower energy use for the end customer, which helps reduce society's environmental impact.

REDUCED ENVIRONMENTAL IMPACT

Target	Measuring interval	Measurement method		2022	2021	2020
Reduce Scope 1 and Scope 2 environmental impacts by 35% per hour worked by 2025*	Quarterly	Scope 1	Total emissions, tonnes CO2e	805	844	709
			Grams CO2e/hour worked	945	1,099	1,203
			Difference compared to 2019	-37 %	-26 %	-20 %
	Scope 2	Total emissions, tonnes CO2e	939	903	927	
		Grams CO2e/hour worked	1,101	1,176	1,573	
		Difference compared to 2019	-30 %	-24 %	+1 %	

* In relation to 2019

The positive trend in the Group's efforts to reduce its environmental impact continues. Under both Scope 1 and Scope 2, the overall impact has decreased, despite the acquisitions made and the growth of the Group. Contributing factors are an increasing share of hybrid and electric vehicles and a shift towards increasingly buying green electricity. As Balco Group aims to grow both organically and through acquisitions, the target linked to reducing the environmental impact was adjusted. The previous

target was to reduce the Group's environmental impact by 20% by 2025, compared to 2019. From 2022 onwards, the new target is to reduce it by 35% per hour worked by 2025, compared to 2019. The outcome for 2022 under Scope 1 was a reduction of 37% per hour worked, and under Scope 2 there was a reduction of 30%. Overall, the Group's environmental impact according to both Scope 1 and 2 has decreased by 33% per hour worked.

ENERGY CONSUMPTION

	2022	2021	2020
Electricity, MWh	3,079	3,057	2,216
Heating, MWh	3,508	3,238	1,157

The increase in energy consumption for heating is due to now including the company RK Teknik in the calculations for the full year. The company's heating is pellets-based but accounts for half of the Group's heating in MWh.

RECYCLING

	2022	2021	2020
Recycled material, tonnes	3,186	1,790	2,601
Energy-recovered material, tonnes	484	520	354
Non-recycled material, tonnes	476	361	90

The increases in both recycled and non-recycled materials are due more accurate measurement being introduced in the Group's companies, both in production and on construction sites.

WATER CONSUMPTION

	2022	2021	2020
Total water consumption, cubic metres	4,311	3,723	3,664

The increase in water consumption is due to the company RK Teknik now being included in the calculations for the full year. The company uses water in its production process and accounts for half of the Group's total water consumption.

REDUCED ENVIRONMENTAL IMPACT

Target	Measuring interval	Key figures	2022	2021	2020
70% of all waste during the year to be recyclable	Quarterly	Waste, tonnes	4,146	2,451	1,248
		Hazardous waste, tonnes	90	88	105
		Recyclable*	77 %	67 %	85 %

* Percentage of waste that can be recycled/total amount of waste in the last 12 months

Waste management within the Group has improved, with the proportion of recyclables increasing to 77%. This means that the target for waste – 70% – has been achieved, which is mainly due to greater focus on recycling materials on construction sites.

Risks and risk management

Risks related to the strategic sustainability area 'Environmental responsibility' are presented under the section 'Risks and risk management' on page 76.

Corporate social responsibility

The Group's work on human resources and social conditions

The Group's work on human resources and social issues is guided in particular by the Code of Conduct, the Sustainability Policy and the Insider Policy. All of these are managed, evaluated and determined by the Group Board.

NUMBER OF EMPLOYEES

	2022	2021	2020
Total number of employees	536	467	428
Number of men	476	407	368
Number of women	60	60	60

BREAKDOWN OF EMPLOYEES BY COMPANY

	2022	2021	2020
Balco Group AB	2	3	3
Balco AB	319	281	305
TBO-Haglinds AB	57	45	52
Balco Altaner A/S	53	59	68
Stora Fasad AB	20	21	-
RK Teknik i Gusum AB	64	58	-
Söderåsens Mur- & Kakerl AB	21	-	-

GENDER EQUALITY IN LEADERSHIP

Target	Measuring interval		2022	2021	2020	
The proportion of women managers should at least be equal to the share of women employees overall.	Quarterly	Gender distribution as % of total employees	Men	89%	87%	86%
			Women	11%	13%	14%
		Gender breakdown among management	Men	79%	70%	64%
			Women	21%	30%	36%

Through the acquisitions we have made in 2021 and 2022, both the overall percentage of women employees and the percentage of women managers have decreased. However, the proportion of women managers is still significantly higher than the overall proportion of women employees. We have thus achieved by a good margin the goal of having at least the same proportion of women managers as women employees overall.

The Group's objective is to increase diversity and to achieve a more balanced gender distribution. The opportunities for this are influenced by the prevailing conditions in the sector, in which men are generally highly represented.

Staff and working environment

Balco Group shall offer a safe, secure and healthy workplace, and part of ensuring this is to continuously measure, draw up action plans and follow up on, among other things, sickness absence, accidents and staff turnover. Managers within the organisation must conduct annual appraisals with each employee, with the aim of identifying training needs, setting career paths and helping them strike a work-life balance.

The Group is to be an open and inclusive company in which employees thrive, achieve and grow. It is a fundamental requirement that Group companies are safe and secure workplaces for both employees and subcontractors.

Balco Group complies with the laws and collective agreements in the countries in which it operates. Salaries paid in the Group must be as a minimum equal to the statutory minimum salary in the respective country.

A safe, secure and sustainable working environment without accidents or ill health is top priority for Balco Group. To achieve this, systematic and long-term initiatives are taking place regarding both the physical and mental working environment. The Group only works with business partners that ensure a safe and healthy working environment, with fair employment conditions, for their employees.

Physical health and safety risks are an integral part of the Group's operations, and risk prevention is therefore a key issue. The Group has a zero vision for workplace accidents, which are measured and followed up regularly. Regular safety inspections are carried out in offices, production areas and construction sites where the Group's employees are present.

Structured work environment management is established throughout the Group. For example, a digital reporting system has been established within Balco AB to observe, take action regarding and prevent accidents. At Balco Altaner, a specially appointed group leads the health and safety work, its tasks including carrying out risk analyses and systemising health and safety measures within the company.

As an employer, the Group naturally promotes a safe physical working environment and a good psychosocial environment, which forms a key part of the regular appraisals. The employee is then given the opportunity to express how they feel and assess their workload. By prioritising health and safety initiatives, we create multiple benefits for the people in the business and for our companies in general. A safe, secure and stimulating working environment leads to reduced costs related to accidents and injuries, reduced absenteeism, lower staff turnover and, not least, increased well-being, motivation and productivity.

Human rights and fair working conditions

Balco Group is committed to gender equality and diversity. Within the Group, employees, consultants, trainees and job applicants must be treated equally regardless of gender, ethnicity, religion or belief, disability, age, sexual orientation or transgender identity or expression. The Group works actively to promote equal rights for women and men in terms of work, employment and other working conditions and development opportunities.

There is zero tolerance for discrimination or harassment, and the Group works actively to prevent, deter and counteract these. Any occurrences are reported via an external whistleblower function. Any whistleblower reports are handled by an external law firm that makes initial contact with the person making the report and then provides proposals to the company's representatives for how to proceed.

The Group takes an active stance against child labour, forced and bonded labour and there is a ban on any form of purchase of sexual services.

Balco Group respects the right of all employees to form and join trade unions of their choice and to carry out collective bargaining.

Risks and risk management

Risks related to the strategic sustainability area 'Corporate Social Responsibility' are presented under the section 'Risks and risk management' on page 76.

SAFE, SECURE AND HEALTHY WORKPLACE

Target	Measuring interval	Measurement method	2022	2021	2020
Total sickness absence to be no more than 3.5%	Quarterly	Absence time (as a proportion of planned time)	4.2%	3.5%	3.2%
Staff turnover should not exceed 8%	Quarterly	Number of terminations (as a share of total number of employees)	11.0%	8.3%	5.8%
Accident rate must be zero	Quarterly	Number of accidents at work (per 1 million hours worked)	8.2	13.0	13.8

The Group has experienced a negative trend in terms of increased sickness absence and also greater staff turnover. Both are partly influenced by the effects of COVID-19. At the beginning of 2022, several of the Group companies experienced high sickness absence due to the arrival of the Omicron variant of COVID-19. When the COVID-19 restrictions were lifted, labour mobility increased, resulting in higher staff turnover in late 2021 and also in 2022. Staff turnover is higher in countries such as Denmark, with generally shorter notice periods. The accident rate has decreased significantly compared to the previous year. Most accidents have occurred in our Danish operations. In 2022 there were seven workplace accidents, an increase from the previous year.



The Group's work with the EU Green Taxonomy

The EU Taxonomy Regulation EU 2020/852 (EU Taxonomy) is a classification system for sustainable economic activities in relation to the six environmental objectives of the European Union:

1. Climate change mitigation
2. Climate change adaptation (CCA)
3. Sustainable use and protection of water and marine resources
4. Transition to a circular economy
5. Pollution prevention and control
6. Protection and restoration of biodiversity and ecosystems.

An activity is considered sustainable according to the EU taxonomy if it contributes significantly to one or more of the environmental objectives without causing significant harm to any of the other objectives, while complying with certain defined minimum safeguards.

In the absence of regulatory guidance in many respects, Balco Group has found that there is ample room for interpretation in several parts of

the taxonomy. We have therefore found it necessary to make our own internal judgements. Our disclosures for 2022 are based on our current interpretation of the rules and may change in the future based on new regulatory guidance as market practice evolves and general knowledge of the taxonomy's requirements increases.

Methodology to identify activities covered by the taxonomy

The Balco Group has determined that some of its economic activities fulfil the criteria for being covered by the Taxonomy Regulation (EU) 2020/852 (Annex 1 to Commission Delegated Regulation (EU) 2021/2139, the "Climate Delegated Act").

- The Group installs glazed balconies in connection with building renovations; these reduce the effect of thermal bridges and add an insulating shell. In some projects, the Group carries out additional insulation of buildings in connection with facade renovation. These two activities are covered under section 7.3 Installation, maintenance and repair of energy efficient equipment of the Delegated Climate Act (7.3 Activities).

SALES

Economic activities	Codes	Absolute net sales SEK million	Share of net sales %	Criteria for substantial contribution						Criteria for doing no significant harm (DNSH)						Taxonomy-aligned share of net sales in 2022, %	Category (enabling or transitioning)	
				Climate change mitigation %	Climate change adaptation (CCA) %	Water and marine resources %	Circular economy %	Pollution %	Biodiversity and ecosystems %	Climate change mitigation Yes/ No	Climate change adaptation (CCA) Yes/ No	Water and marine resources Yes/ No	Circular economy Yes/ No	Pollution Yes/ No	Biodiversity and ecosystems Yes/ No			Minimum safeguards Yes/ No
A. ACTIVITIES COVERED BY THE TAXONOMY																		
A.1. Environmentally sustainable (taxonomy-aligned) activities																		
Installation, maintenance and repair of energy efficiency equipment	7.3	808.6	61%	100.0%								yes		yes		yes	61%	Enabling
Net sales of environmentally sustainable (taxonomy-aligned) activities (A.1)		808.6	61%	100.0%													61%	
A.2 Activities covered by the taxonomy but not environmentally sustainable (non-taxonomy-aligned)																		
Renovation of existing buildings	7.2	354.9	27%															
Net sales in activities covered by the taxonomy but not environmentally sustainable (non-taxonomy-aligned) (A.2)		354.9	27%															
Total (A.1+A.2)		1,163.5	87%															
B. ACTIVITIES NOT COVERED BY THE TAXONOMY																		
Net sales of activities not covered by the taxonomy (B)		170.1	13%															
Total (A+B)		1,333.6	100%															

Qualitative disclosure on revenue

The reported total revenue includes revenue recognised as explained in Note 3 (page 105), and includes revenue from Balco Group's construction contracts.

Taxonomy disclosures for revenue covered by the taxonomy include revenue from the installation of glazed balconies in the renovation of buildings and facade renovation with additional insulation (7.3 Activities).

Activities that are covered by the taxonomy but are not taxonomy-aligned include the renovation of buildings with the installation of open balconies or facade renovation without additional insulation (7.2 Activities). This is because they do not meet the 30% energy-saving requirement.

- The group also renovates buildings by installing open balconies and renovating facades without additional insulation. These activities are covered by the taxonomy under section 7.2 Renovation of existing buildings of the Delegated Climate Act (7.2 Activities), but are not taxonomy-aligned as they do not fulfil the 30% energy saving requirement.

Methodology to identify taxonomy-aligned activities

For an economic activity to be considered taxonomy-aligned – and thus environmentally sustainable – it must contribute significantly to at least one of the six EU environmental objectives and not cause significant harm to any of the other environmental objectives. In addition, it must be carried out in compliance with certain minimum safeguards on social and governance aspects of sustainability.

Significant contribution

Balco Group has identified a number of activities per product that fulfil the technical review criteria for significant contributions to climate change mitigation. These are referred to within the group as potentially taxonomy-aligned and consist of the installation of glazed balconies in the renovation of buildings and façade renovation with additional insulation

(7.3 Activities). Activities that are covered by the taxonomy but are not taxonomy-aligned include the renovation of buildings with the installation of open balconies or façade renovation without additional insulation (7.2 Activities) when they do not meet the 30% energy saving requirement.

Principle of do no significant harm

Potentially taxonomy-aligned products and associated factories have been evaluated against each individual criterion for not causing significant harm, as described in more detail below. As noted above, in the absence of regulatory guidance and market practice, we have found that there is considerable scope for interpretation of the 'Do no significant harm' (DNSH) criteria and have therefore considered it necessary to make our own internal interpretations and further define what these criteria mean in the context in which the Group operates and have subsequently developed supplementary internal guidance. The reporting of compatible activities is therefore based, to some extent, on an assumed interpretation of the DNSH criteria applicable to Balco Group's activities. The methodology for assessing compliance will be evaluated as regulatory guidance and general reporting practices evolve. In summary, all activities reported as taxonomy-aligned have been assessed as meeting all DNSH criteria as described below.

CAPEX

Economic activities	Codes	Absolute capital expenditure SEK million	Share of capital expenditure %	Criteria for substantial contribution				Criteria for doing no significant harm (DNSH)										Taxonomy-aligned share of capital expenditure, year N %	Category (enabling or transitioning)
				Climate change mitigation %	Climate change adaptation %	Water and marine resources %	Circular economy %	Pollution %	Biodiversity and ecosystems %	Climate change mitigation Yes/ No	Climate change adaptation (CCA) Yes/ No	Water and marine resources Yes/ No	Circular economy Yes/ No	Pollution Yes/ No	Biodiversity and ecosystems Yes/ No	Minimum safeguards Yes/ No			
A. ACTIVITIES COVERED BY THE TAXONOMY																			
A.1. Environmentally sustainable (taxonomy-aligned) activities																			
Installation, maintenance and repair of energy efficiency equipment	7.3	59.6	67%	100%							yes					yes	67%	Enabling	
Capital expenditure of environmentally sustainable (taxonomy-aligned) activities (A.1)		59.6	67%	100%													67%		
A.2 Activities covered by taxonomy but not environmentally sustainable (non-taxonomy-aligned)																			
Renovation of existing buildings	7.2	17.3	19%																
Capital expenditure in activities covered by the taxonomy but not environmentally sustainable (non-taxonomy-aligned) (A.2)		17.3	19%																
Total (A.1+A.2)		76.9	86%																
B. ACTIVITIES NOT COVERED BY THE TAXONOMY																			
Capital expenditure of activities not covered by the taxonomy (B)		12.2	14%																
Total (A+B)		89.0	100%																

Qualitative disclosure on capital expenditure

Disclosures on capital expenditure covered by the taxonomy of 7.3 Operations include capital expenditure on product development and investment in property, plant and equipment, and new leases. For 7.2 Activities, the covered capital expenditure includes the same categories as for 7.3 Activities.

Reported taxonomy-aligned product development investments consist of product development projects that are directly related to taxonomy-aligned products.

For capital expenditure related to property, plant and equipment and new leases, the part of the investment related to the taxonomy-aligned activities is recognised. A large proportion of capital expenditure favours both taxonomy-aligned and non-taxonomy-aligned products when they are produced in the same installations.

For these types of investments, an allocation key is used based on the distribution of volumes per installation between taxonomy-aligned and non-taxonomy-aligned products.

Climate change adaptation (CCA)

Physical risks are regularly reviewed as part of the Group's property management and insurance programme. In our assessment of compliance with the DNSH criterion, local risk assessments have been carried out on relevant climate risks.

Sustainable use and protection of water and marine resources

Regarding the water criterion, Balco Group has identified a limited number of operations with direct discharges of industrial wastewater or that are affected by water risks that have been deemed relevant for the criterion.

Transition to a circular economy

Regarding the transition to a circular economy, the assessments carried out have identified several examples of implemented practices, where possible. This includes application of the waste hierarchy and waste reduction targets in manufacturing processes and product development as well as construction sites, taking into account product lifetime, recyclability, material selection and other strategies to contribute to the transition to a circular economy.

Pollution prevention and control

The criteria for the prevention and control of environmental pollution both build on and refer to existing EU chemicals legislation. In addition to references to already existing bans and restrictions on certain substances, the taxonomy also provides for a number of additional substances (substances on the EU candidate list under the REACH Regulation and substances with similar properties) not yet regulated in the EU that are said to be acceptable only if their use is indispensable to society. Our assessment of what can be considered indispensable to society is based

on existing concepts in other EU legislation and international treaties (mainly the Montreal Protocol) and takes into account, inter alia, aspects of safety and regulatory requirements for products, product performance and availability of viable alternatives.

Protection and restoration of biodiversity and ecosystems

For the biodiversity criterion, Balco Group has assessed the impact of its activities at individual production sites on biodiversity and protected areas and species. Balco Group's operations are not deemed to have any direct material impact.

Minimum safeguards

We understand that the criteria for minimum safeguards mean that there must be procedures in place in relation to anti-corruption, fair competition, taxation and human rights, and that the Group does not deal with 'controversial weapons', which refers to anti-personnel mines, cluster munitions and chemical and biological weapons. The criteria for minimum safeguards have been assessed at Group level and it was concluded that all of the group's majority activities, and thus all economic activities identified as potentially taxonomy-aligned, are covered by Group-wide policies and procedures.

Reporting

As the Balco Group so far assesses that its activities are only covered by the climate mitigation objective, and as 7.3 Activities and 7.2 Activities, no activities have been double counted in the calculation of the reported taxonomy key performance indicators. For the same reason, the reporting template has also been simplified with only one column for significant contribution.

OPEX

Economic activities	Codes	Absolute operating expenditure SEK million	Share of operating expenditure %	Criteria for substantial contribution							Criteria for doing no significant harm (DNSH)							Taxonomy-aligned proportion of OpEx in 2022, %	Category (enabling or transitioning)
				Climate change mitigation %	Climate change adaptation (CCA) %	Water and marine resources %	Circular economy %	Pollution %	Biodiversity and ecosystems %	Climate change mitigation Yes/ No	Climate change adaptation (CCA) Yes/ No	Water and marine resources Yes/ No	Circular economy Yes/ No	Pollution Yes/ No	Biodiversity and ecosystems Yes/ No	Minimum safeguards Yes/ No			
A. ACTIVITIES COVERED BY THE TAXONOMY																			
A.1. Environmentally sustainable (taxonomy-aligned) activities																			
Installation, maintenance and repair of energy efficiency equipment	7.3	3.8	57%	100%							yes		yes		yes	57%	Enabling		
Operating expenditure of the environmentally sustainable (non taxonomy-aligned) (A.1)		3.8	57%	100%												57%			
A.2 Activities covered by the taxonomy but not environmentally sustainable (non-taxonomy-aligned)																			
Renovation of existing buildings	7.2	1.9	29%																
Operating expenditure for taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities) (A.2)		1.9	29%																
Total (A.1+A.2)		5.7	86%																
B. ACTIVITIES NOT COVERED BY THE TAXONOMY																			
Operating expenditure for activities not covered by the taxonomy (B)		0.9	14%																
Total (A+B)		6.6	100%																

Qualitative disclosure on operating expenditure

The majority of the disclosures reported under the operating expenditure taxonomy include costs for the repair and maintenance of property, plant and equipment.

For repair and maintenance costs that benefit both taxonomy-aligned and non-taxonomy-aligned activities, an allocation key based on the same principles as for capital expenditure is used.

The share of such aligned operating expenditure is based on the share of aligned revenue during the year, reflecting the resources used by the taxonomy-aligned production in the installations.



f Risks and risk management

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

RISKS

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

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

Identified risks are assessed based on the following two criteria:

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

RISK MANAGEMENT

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

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

OVERALL RISK AREAS

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

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

INDUSTRY AND MARKET-RELATED RISKS

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

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

Risks

Cyclical effects and other macroeconomic factors

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

Risk management: Balco Group is active in the market for balcony solutions, which is a niche market within the construction market. Balco is mainly active in the renovation segment, which is driven more by the existing need to renovate than the more cyclical new build segment. Balco operates on a project basis. Every

year, we handle a wide range of projects of different sizes and in different markets. The dependence on a single customer is therefore small. Rising interest rates and inflation affect our customers' ability to obtain attractive credit terms. As a result, we have adapted our profit recognition model and aligned it across the Group, and we are starting the income recognition of projects slightly later. This is to reduce the risk of having to backtrack on projects that have already been profitably booked due to our customers losing their funding and having to cancel the order.

Commodity prices

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

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

Competition and price pressure

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

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

Industry and market-related risks

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

OPERATIONAL RISKS

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

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

Operational risks

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

Risks

Suppliers and subcontractors

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

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

Project activities

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

Risk management: During the year, Balco Group has adapted and standardised the profit allocation model so that it is handled in the same way in all Group companies. This adaptation entails a delay in the start of the profit recognition and that a small share of profit and sales is recognised early in the project. The change has been implemented as we have seen that deviations mainly occur during installation and at the end of the project. This change reduces the risk of major project deviations. There is a clear process and procedure for how projects are costed and monitored.

New markets

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

Risk management: Balco Group draws on local expertise in new markets to ensure that local regulations and requirements are met. Expansion into new markets will continue to take place through the acquisition of local incumbents.

Disruptions

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

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

Recruitment

For Balco Group, it is very important to be able to attract and retain qualified employees and key personnel.

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

Product development and production capacity

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

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

FINANCIAL RISKS

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

Risks

Currency risks

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

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

Funding and liquidity risks

There is a risk that the company's financing options may become more difficult or costly. Although the company's financial position is currently good, it may need access to

Financial risks

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

additional financing. Balco Group is engaged in project activities in which net sales, results and liquidity are affected by building permits within the projects.

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

Interest rate risks

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

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

Credit risks

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

Risk management: Balco Group's customers consist largely of tenant-owner association, property owners and construction companies. A review of the custom-

ers' finances is carried out before the start of a project to ensure the financial stability of the counterparty. In most cases, the projects have a forward payment plan, supplemented in specific cases by credit insurance.

REGULATORY RISKS

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

Risks

Intellectual property rights

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

Risk management: A significant part of Balco Group's

products and their functions are protected by patents. As products are developed, the company's patents are renewed and strengthened.

Political decisions, legislation and regulation

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

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

Disputes and legal proceedings

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

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

Changed accounting rules

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

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

Regulatory risks

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



SUSTAINABILITY RISKS

Sustainable enterprise

Dealing with sustainability risks

As a company, we are naturally affected by changes in the world around us, which is further reinforced by the fact that we operate in several countries. Changes in the political landscape can lead to changes in legislation and economic cycles, which in turn can create risks for our business and ultimately for our performance.

In reaction, the responsible manager in each country is responsible for monitoring policy decisions, maintaining contact established with the relevant authorities and taking the necessary action. Other events can also occur in our world that neither we nor anyone else can influence, such as natural disasters, pandemics, wars and migration. These also pose risks to our operations, which are managed by following national guidelines and conducting scenario planning to help us adapt our operations appropriately.

We are also influenced by how our suppliers choose to conduct their activities. A poor working environment and human rights abuses risk damaging our reputation and make it necessary for us to change suppliers, which in turn can lead to delays in deliveries to our customers. This is managed through regular spot checks and frequent dialogues where we actively seek to influence our suppliers in a positive direction.

Environmental responsibility

Sustainability risk management

In the environmental area, we have identified the group's climate impact as the most significant risk. In addition to negatively impacting the environment and the overall quality of life in the communities in which we operate, a negative climate impact, seen from the perspective of today's agenda, risks disqualifying us from future business with customers who value the issue highly.

In addition, it may risk reducing our attractiveness as an employer as environmental issues are highly valued as a factor in today's labour market. To address this, climate impact is already seen as a priority within the company and through regular materiality analyses we are able to highlight the importance our stakeholders attach to the issue.

Corporate social responsibility

Sustainability risk management

Maintaining a good working environment and health level within the company is considered a priority, and to counteract the risk of deterioration, systematic health and safety work is carried out in office and factory premises.

A significant part of Balco Group's work is carried out on construction sites, where personal safety issues and the design of the working environment have a naturally heightened focus. Our own site managers work continuously with risk analysis, safety inspections and incident and accident reporting, to ensure a safe and secure working environment at the Group's construction sites. Deteriorating work environment and health risks not only lead to costly business interruptions and, in the worst case, legal action, but can also make it difficult to retain and attract key skills in the future.

A specific example of how safety is integrated into the whole process from product development to assembled product is the new product Levitate. One of the selling points of the product is the safety of the workplace itself, where final assembly is carried out after the work on a newly constructed building is completed and the minimum of personnel are present. Final assembly is done by crane and the assembly time is about 15 minutes per balcony.

Serious global changes

Serious global changes such as natural disasters, epidemics, pandemics, wars and migration can lead to injuries, business interruption and increased costs. Balco Group maintains preparedness by following national guidelines and adapting operations.

Probability



Consequence



Changing political conditions locally

The conditions for Balco Group's operations may change as a result of political decisions, which may affect earnings, legislation and the economy. The responsible manager in each country is responsible for being aware of and managing new policy decisions, including by establishing contact with authorities.

Probability



Consequence



Changing political conditions globally

The conditions for Balco Group's operations may change as a result of political decisions at the global level, which may affect earnings, legislation and the economy. The responsible manager in each country is responsible for being aware of and managing new policy decisions.

Probability



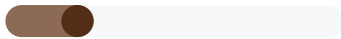
Consequence



The company's climate impact

The Group's carbon footprint contributes to the risk that Balco Group may be disqualified from future business and may not be perceived as an attractive employer. Reducing climate impact is also important for the continued existence of future generations. Through the materiality analysis and our subsequent work, the Group monitors its impact and takes the necessary measures to reduce its carbon footprint.

Probability



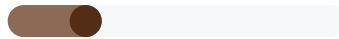
Consequence



Deteriorating work environment and health

A deterioration in the working environment and health can affect the Group's employees through a lack of systematic health and safety work, which can lead to a loss of skills, business interruptions and legal proceedings. Balco Group attaches great importance to the systematic health and safety work of office and factory premises.

Probability



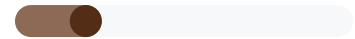
Consequence



Supplier activities with negative impacts on health and safety and human rights

Negative impact from suppliers' activities may arise from a lack of requirements and control within the Group's supply chain, which may impair Balco Group's reputation and cause supplier switching, thus resulting in delayed deliveries. This risk is managed through regular spot checks and other requirements.

Probability



Consequence



Corporate Governance Statement

Foreword by the Chair

Cost adjustment and change of CEO in focus

The Board's work during the year has mainly centred on three overarching strategic issues: Which markets should Balco Group operate in? How should we develop our customer offer? How do we increase internal cost efficiency and profitability? In addition, we have placed much emphasis on the change of CEO in the second half of the year.

2022 was a special year for Balco Group, and this has characterised the work of the Board. We started the year with a strong order intake and had adapted the organisation for higher sales and delivery rates. The picture changed rapidly with the war in Ukraine and its consequences. In particular, supply chains and material and energy prices were affected. In addition, there has been a rapid increase in inflation and rising interest rates, which has had a negative impact on market demand and thus on our order intake. As a consequence, we have adjusted our costs through the savings programme launched in autumn 2022, which will provide savings of SEK 20 million per year from 2023.

A profitable organisation over time

The Board's focus has been to create a Balco Group that can be profitable regardless of the market situation and economic climate. As part of this, we have evaluated our markets and decided to discontinue or pause our presence in those markets where we cannot achieve the desired profitability based on current conditions. We have also decided on measures to broaden the customer structure and increase the level of activity for those customer segments where the market is currently stronger, i.e. private property owners and the public sector.

We continue to believe that our strategy of developing innovative products and complementary offerings such as façade renovation and energy investments will be successful. In the current market, the energy-saving aspect has become even more important, and we are well-positioned in this area with, among other things, the Green Transformation concept.

For several years, Balco Group has worked with sustainability as part of our business, including through

Green Transformation and energy-saving measures. During the year, we received further confirmation of our sustainability work in the form of an even better sustainability rating by Systainalytics, where we are ranked as a low-risk company and classified among the 20% of the world's companies with the lowest ESG risk.

Strong financial position enables acquisitions

While adapting our business to the prevailing market conditions, we have a strong financial position that allows us to grow through acquisitions. During the year, the Board identified a number of interesting acquisition opportunities and also continuously receives business proposals from companies that would like to partner with or be part of Balco Group. In 2022, we completed two acquisitions, and the Board has also evaluated a handful of business proposals that have not yet resulted in acquisitions.

Review of financial targets

At the beginning of 2022, we reviewed our financial targets and adjusted the dividend target to between 30 and 50% of net profit. We are continuing to adjust dividend levels to prepare for value-adding add-on acquisitions. We also introduced a new target: 20% growth per year in earnings per share. In addition, we set a sustainability target that more than 30% of our glazing projects will deliver 30% energy savings to our customers. The financial targets remain in place, although the current market makes it difficult to achieve them in the short term.

The process of finding a new President and CEO

During the year, Balco's long-serving CEO, Kenneth Lundahl, chose to step down.



The Board instructed the Remuneration Committee to find suitable candidates together with the recruitment agency. We worked deep and wide in an external process to find the best solution for Balco. There was great interest with many strong candidates, but during the process it became clear that the strongest candidate was Camilla Ekdahl, former acting President and CEO. All board members were updated throughout the process, and a unanimous board made the final decision to appoint Camilla as CEO.

Camilla's strategic skills and knowledge of the business, combined with her ability to lead and build teams in a committed way, make her the right person to take Balco Group to the next level. I am very much looking forward to continuing to work with Camilla.

The Board would also like to thank Kenneth for his dedication in developing Balco Group into a market leader.

Composition of the Board

In 2022, we conducted a comprehensive external board evaluation via surveys and in-depth interviews to identify any potential for improvement in the Board's work and to evaluate the composition of the Board. The

conclusion was that we have a very committed Board with skills and experience that well reflect Balco's business. We will continue to conduct this Board evaluation on an annual basis.

It has been a busy year for the Board, with more meetings than usual, mainly to deal with strategic challenges and the change of CEO. All members have given priority to governance issues and set aside time for their work. We have been able to meet face-to-face again, which is positive for discussions, while hybrid solutions have made it possible to arrange meetings on short notice. We also had a two-day strategy meeting this year in Växjö, where we also had the opportunity to see the refurbished headquarters, visit the factory and meet other staff.

Växjö, March 2023

Ingalill Berglund

Chairman of the Board of Balco Group

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Corporate Governance Statement

Balco Group is a Swedish public limited company listed on Nasdaq Stockholm. Balco Group applies the Swedish Code of Corporate Governance and hereby submits the 2022 Corporate Governance Statement. The auditor's review was conducted in accordance with FAR Statement RevU 16 Auditor's Review of the Corporate Governance Statement.

MODEL

Balco Group AB (Balco), company registration number 556821-2319, is a Swedish public limited liability company listed on Nasdaq Stockholm. The company is headquartered in Växjö. The corporate governance statement is part of the company's director's report.

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

External control instruments

The external governance instruments provide the framework for corporate governance in Balco. They include the Swedish Companies Act, the Annual Accounts Act, Nasdaq Stockholm's regulations for issuers and the Swedish Corporate Governance Code. For the financial year 2022, Balco deviates from the Code regarding one point:

Deviation from Code rule 2:4

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

Explanation

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

Internal governance tools

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

1. SHAREHOLDER

Balco Group AB has been listed on Nasdaq Stockholm since 6 October 2017. The number of shares outstanding at the end of 2022 was 21,909,348. All shares have equal voting rights and equal entitlement to the company's profits and capital. The quotient value of the shares is SEK 6.0002, which means that the registered share capital at the end of December 2022 totalled SEK 131,461,248.

As of 31 December 2022, Balco had 5,400 shareholders. According to ownership data from Euroclear Sweden AB, the ten largest shareholders in Balco held 76.8% of the votes and shares in the company. Swedish shareholders accounted for 91.5% of ownership. Balco's largest shareholder as of 31 December 2022 was the Hamrin family, whose holding at year-end 2022 consisted of 6,062,027 shares corresponding to 27.7% of the votes and capital. Skandrenting (10.7%) also has a direct or indirect holding of more than 10% of the total voting rights in the company.

2. ANNUAL GENERAL MEETING

The Annual General Meeting is Balco's highest decision-making body. The Annual General Meeting is held annually within six months of the end of the financial year. At the Annual General Meeting, the balance sheet, income statement, the consolidated balance

sheet and profit and loss account are presented and decisions are taken on appropriation of the company's profits, the election and remuneration of the members of the Board of Directors and the auditor, and other matters that are the responsibility of the Annual General Meeting by law. All shareholders entered in the share register who have notified their attendance in due time in accordance with the instructions contained in the notice of meeting are entitled to attend the General Meeting and exercise their voting rights. A shareholder wishing to have a particular matter dealt with at the meeting must request it in good time before the meeting from the Board of Directors at the address communicated on the company's website. In addition to the Annual General Meeting, the Board of Directors may convene an Extraordinary General Meeting.

Annual General Meeting 2023

Balco's Annual General Meeting for 2023 will be held on 9 May 2023 at 3 pm at Kök 11, Honnörsgatan 15 in Växjö. Registration starts at 2:30pm.

Shareholders who are registered in the share register maintained by Euroclear Sweden AB no later than 2 May 2023 and who have notified their intention to attend the meeting no later than 4 pm on the same day are entitled to attend the meeting.

Key dates for the 2023 AGM are:

28 April – record date for the 2023 Annual General Meeting
 3 May – last day to register to attend the meeting
 3 May – last day for postal voting
 9 May – last day for trading in Balco shares with dividend rights
 9 May – 2:30 pm admission to the meeting begins
 9 May – 3 pm Annual General Meeting begins
 11 May – record date for dividends (first)
 16 May – payment of dividends (first)
 9 November – record date for dividends (second)
 14 November – payment of dividends (second)

Proposal for resolution at the Annual General Meeting 2023

The Board of Directors of Balco proposes that the Annual General Meeting approves a dividend for the Group for the financial year 2022 of SEK 1.50 per share, corresponding to SEK 32.9 million or 40% of the year's profit.

3. Nomination Committee

The role of the Nomination Committee is to ensure that the members of the Balco Board collectively have the knowledge and experience relevant to contribute to the best possible development of Balco over time. Based on the annual Board evaluation, the requirements of the Code, Balco's needs and feedback from other shareholders, the Nomination Committee reviews the work of the Board. The Nomination Committee then submits a proposal to the Annual General Meeting on the number of Board members, the composition of the Board and a proposal on the remuneration of the Board, including remuneration for committee work. The Nomi-

Resolutions at the 2022 AGM included:

- ✓ to pay a dividend of SEK 2 per share for the financial year 2021
- ✓ to discharge the members of the Board of Directors and the CEO of liability for the financial year 2021
- ✓ re-election of the Board members Ingall Berglund (Chairman), Carl-Mikael Lindholm, Johannes Nyberg, Mikael Andersson, Vibecke Hverven and Thomas Widstrand
- ✓ that the total annual remuneration of the Board of Directors shall be SEK 1,895,000
- ✓ to elect KPMG AB as audit firm, with Michael Johansson as lead Authorised Public Accountant
- ✓ authorisation for the Board of Directors to decide on an issue, with or without preferential rights for the shareholders, to be paid in cash, in kind or by offsetting, of shares or warrants or convertibles in respect of such shares, entailing an increase or potential increase in the company's share capital be a maximum of ten % (10) or a maximum of 2,190,934 shares
- ✓ authorisation for the Board of Directors to decide on the acquisition of so many of the company's own shares that the company's holding does not at any time exceed one tenth of all shares in the company
- ✓ authorisation for the Board of Directors to decide on the transfer of own shares

nation Committee shall also make a proposal for the chairman of the Board of Directors and the chairman of the Annual General Meeting, as well as for the auditors and their remuneration. The Nomination Committee's proposals are presented in the notice of the Annual General Meeting and a justification of the Nomination Committee's proposals is published on Balco's website at the same time as the notice is sent out.

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

Members of the Nomination Committee for the 2023 Annual General Meeting:

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

Committee for the 2023 Annual General Meeting were presented in a press release on 7 October 2022. The members of the Nomination Committee do not receive any remuneration for their work in the Nomination Committee.

4. BOARD OF DIRECTORS

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

Board members

According to the Articles of Association, the Board of Directors of Balco shall consist of a minimum of four members and a maximum of eight members. The members of the Board of Directors shall bring skills and experience conducive to the development of Balco. Currently, the Balco Board consists of six full members, two women and four men. All six members were re-elected by the Annual General Meeting on 24 May 2022 for the period until the 2023 Annual General Meeting. President and CEO Camilla Ekdahl and CFO Michael Grindborn are present at all Board meetings.

Michael Grindborn acts as secretary of the board. Other senior executives participate as rapporteurs on specific issues. All board members are independent of the company and its management. Four of the board members are also independent of the company's major shareholders. Balco thus meets the requirements of Nasdaq Stockholm and the Code regarding the independence of board members. For a summary and presentation of the Board members, see pages 86–87.

Board diversity policy

The Board of Directors of Balco as a whole must have the appropriate collective skills, experience and background for the activities it carries out and for identifying and understanding the risks involved in its activities. The objective is for the Board to be composed of members of varying ages, both men and women, with diverse geographical and ethnic backgrounds, complementary in terms of experience, educational and professional backgrounds, who together contribute to the independence and critical thinking of the Board of Directors. Balco's Board of Directors has adopted a diversity policy which the Nomination Committee takes into account when preparing its proposal to the AGM. The Nomination Committee is also based on the letter in the Swedish Code of Corporate Governance section 4.1, which deals with the diversity of the Board.

The duties and evaluation of the Board

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

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

The Board meets according to an annual schedule. In addition to these Board meetings, further Board meetings may be convened to deal with specific issues. In addition to Board meetings, the Chairman of the Board and the CEO have an ongoing dialogue regarding the management of the company. In 2022, the Board held twelve meetings, seven of which were held online or by phone and one per capsulam. The regular Board

meetings usually include reports from the CEO and any committee meetings as well as a review of results. The Board reviewed the interim reports at its meetings in May, July and October.

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

Remuneration of the Board of Directors

Fees and other remuneration to the members of the Board of Directors are determined by the Annual General Meeting. At the Annual General Meeting on 24 May 2022, it was resolved that the remuneration of the members of the Board of Directors shall be as follows:

The fee to the Chairman of the Board Ingalill Berglund shall amount to SEK 525,000. The remuneration of the five ordinary members of the Board shall amount to SEK 210,000 each.

The fee for the work of the Audit Committee shall amount to SEK 100,000 for the Chairman of the Audit Committee, Johannes Nyberg. The other members of the Audit Committee, Mikael Andersson and Vibecke Hverven, shall each receive SEK 50,000.

The fee for work in the Remuneration Committee shall amount to SEK 60,000 for the chairperson of the Remuneration Committee, Ingalill Berglund. The other members of the Remuneration Committee, Carl-Mikael Lindholm and Thomas Widstrand, shall each receive SEK 30,000.

Total remuneration for board and committee work in 2022–2023 amounts to SEK 1,895,000.

5. AUDIT COMMITTEE

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

Members of the Audit Committee 2022–2023

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

Johannes Nyberg has the accounting expertise required by the Swedish Companies Act. All of the members of the Committee are independent of the company and two of the members of the Committee are independent of Balco's largest shareholders. The Audit Committee held five minuted meetings in 2022. Michael Johansson, the company's elected auditor, attended one of these meetings. All meetings of the Committee have been reported to the Board.

6. REMUNERATION COMMITTEE

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

Compensation and attendance

	Ingalill Berglund	Mikael Andersson	Vibecke Hverven	Carl-Mikael Lindholm	Johannes Nyberg	Thomas Widstrand
Board fees (AGM year)	525,000	210,000	210,000	210,000	210,000	210,000
Reimbursement for committee work	60,000	50,000	50,000	30,000	100,000	30,000
Independence from the company and its management	yes	yes	yes	yes	yes	yes
Independence to the main owner	yes	yes	yes	no	no	yes
Attendance at Board meetings, 12	12	12	11	12	10	11
Attendance at audit committee meetings, 5	-	5	5	-	5	-
Attendance at remuneration committee meetings, 2	2	-	-	2	-	2

Members of the Remuneration Committee 2022–2023

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

All members of the Committee are independent of the company and two of the members are independent of Balco's largest shareholders. The Remuneration Committee held two meetings in 2022, which were reported to the Board.

7. AUDITOR

The auditor shall audit Balco's annual report and accounts and review management of the company. After each financial year the auditor submits an auditor's report and an auditor's report for the Group to the Annual General Meeting. The external audit of Balco's accounts and those of all subsidiaries required to submit accounts is conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Balco's auditor is appointed by the Annual General Meeting following a proposal from the Nomination Committee. The 2022 Annual General Meeting resolved to appoint KPMG AB as the company's auditor, with Michael Johansson as lead auditor for the period until the 2023 Annual General Meeting. Michael Johansson is an authorised public accountant and a member of FAR in Sweden. KPMG AB can be responsible for auditing until 2042, when a new firm needs to be selected under the current rules. Authorised public accountant Michael Johansson may serve as lead auditor for the audit up to and including the 2029 Annual General Meeting, before he is required to rotate the engagement in accordance with regulations. Of the 2022 auditor remuneration, the following has been paid to the audit firm KPMG AB: Audit assignment SEK 1,571 thousand (0), other statutory assignments SEK 873 thousand (0), tax consultancy SEK 0 thousand (0) and Other services SEK 59 thousand (0).

8. MANAGEMENT

The Balco management consists of the President and CEO and three other executives. Three members of the management team are men and one is a woman.

The members of the management have the following functions:

Camilla Ekdahl, President and CEO
 Johan Fälth, Marketing Director
 Michael Grindborn, CFO, Head of IR and Sustainability
 Jesper Magnusson, Human Resources Director

Remuneration of management

The following guidelines for remuneration of senior management were adopted at the Annual General Meeting of 24 May 2022:

Senior management refers to the CEO and the Executive Committee, which consists of four people. The purpose of the guidelines is to ensure that Balco can attract, motivate and retain senior executives.

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

Fixed and variable salary

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

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

Other benefits and pension

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

Deviations from the guidelines

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

Termination and severance pay

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

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

No changes to the principles for remuneration of senior management are proposed for the 2023 AGM.

Internal control of financial reporting

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

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

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

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

CONTROL ENVIRONMENT

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

RISK ASSESSMENT

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

CONTROL ACTIVITIES

Balco monitors the risks that the Board considers to be of importance for the internal control. The Group's CFO is responsible for safeguarding the overall control of the financial reporting. In addition to the central control with clear decision-making processes and decision routines as regards major investments, results analysis and reporting, a structure is in place comprising guidelines and role descriptions with mandate descriptions as to how the work is conducted and monitored in the organisation. Guidelines and instructions are aimed at discovering and preventing the risks of errors in the reporting. No internal audit was carried out in 2022. The Group does not have an internal audit function, but internal auditing is handled through extended controlling by the Group's controllers.

INFORMATION AND COMMUNICATION

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

FOLLOW-UP

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

Board of Directors

Ingalill Berglund

Chairman of the Board. Born 1964.

Board member

2016, Chairman of the Remuneration Committee.

Education

Higher economic specialisation course at Frans Schartaus Handelsinstitut.

Other ongoing appointments

Board member of Axfast AB, Bonnier Fastigheter AB and Stenvalvet Fastighets AB. CEO Lövsta Stuteri AB.

Previous appointments and work experience

CEO and CFO of Atrium Ljungberg AB. CFO of Skolfastigheter i Stockholm AB. CEO of Axfast AB.

Own and related parties' holdings

25,000 shares

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



Mikael Andersson

Board member. Born 1955.

Board member

2019, member of the Audit Committee.

Education

Master of Science in Chemical Engineering, LTH.

Other ongoing appointments

-

Previous appointments and work experience

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

Own and related parties' holdings

-

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



Carl-Mikael Lindholm

Board member. Born 1971.

Board member

2018, member of the Remuneration Committee.

Education

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

Other ongoing appointments

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

Previous appointments and work experience

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

Own and related parties' holdings

6,077,027 of which 50,000 private shares.

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





Johannes Nyberg

Board member. Born 1971.

Board member

2018, Chairman of the Audit Committee.

Education

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

Other ongoing appointments

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

Previous appointments and work experience

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

Own and related parties' holdings

-

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



Vibecke Hverven

Board member. Born 1963.

Board member

2020, member of the Audit Committee.

Education

MSc in Engineering, Norwegian Institute of Technology.

Other ongoing appointments

Partner Considium Consulting Group AS. Chairman of the Board of Regionale Forskningsfond Oslo, Ungt Entreprenørskap Viken. Board member of Norconsult AS, Cambi ASA, Insenti AS, Brekke & Strand Akustikk AS, USBL, Prevent Systems AS, and Henie Onstad Kunstsenter.

Previous appointments and work experience

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

Own and related parties' holdings

3,900 shares

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



Thomas Widstrand

Board member. Born 1957.

Board member

2021, member of the Remuneration Committee.

Education

Master of Business Administration from Gothenburg School of Economics.

Other ongoing appointments

CEO and Group CEO of Troax AB.

Previous appointments and work experience

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

Own and related parties' holdings

10,000 shares

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

Management

Camilla Ekdahl

Group CEO and CEO. Born 1967.

Employed since
2019.

Education

MSc in Engineering from Chalmers University of Technology.

Other ongoing appointments

Board member of Haglund Industri AB,
Board member of the line of business board at Nibe Climate Solution.

Previous appointments and work experience

COO Pelly Group AB, Operation manager/VD Isaberg Rapid AB,
Site Manager Rapid Granulator AB, Logistics Manager
Thule Sweden AB.

Own and related parties' holdings

14,200 shares.

Warrants

90,000 options.



Johan Fälth

Marketing Director. Born 1975.

Employed since
2010.

Education

Master's degree in Business Administration from Linnaeus University.

Other ongoing appointments

–

Previous appointments and work experience

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

Own and related parties' holdings

16,040 shares.

Warrants

34,166 options.





Michael Grindborn

CFO, Head of IR and IT, M&A Director and Sustainability Manager. Born 1968.

Employed since

2019.

Education

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

Other ongoing appointments

–

Previous appointments and work experience

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

Own and related parties' holdings

11,040 shares.

Warrants

75,000 options.



Jesper Magnusson

Human Resources Director. Born 1986.

Employed since

2014.

Education

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

Other ongoing appointments

–

Previous appointments and work experience

Office Manager, Consulting Manager and Recruitment Manager at Adecco AB.

Own and related parties' holdings

3,000 shares.

Warrants

34,166 options.

Remuneration report 2022

The corporate governance of Balco aims to create value for shareholders through active risk control and a healthy corporate culture. Since the listing of Balco in 2017, the ongoing work for effective governance, control and monitoring has been a priority.

Introduction

This report describes how the guidelines for remuneration of senior management of Balco Group AB, adopted by the Annual General Meeting 2022, were applied in 2022. The report also contains information on the remuneration of the Chief Executive Officer and a summary of the company's outstanding share and share price related incentive schemes. The report has been prepared in accordance with the Swedish Companies Act and the Swedish Corporate Governance Code Rules on executive remuneration and incentive schemes.

For further information on management remuneration, see Note 10 (Employee remuneration etc.) on pages 109–112. Information on the work of the Remuneration Committee in 2022 can be found in the Corporate Governance Statement on pages 80–89.

Directors' fees are not covered by this report. Such fees are decided annually by the Annual General Meeting and are disclosed in Note 10.

Progress in 2022

The CEO summarises the company's overall performance in his report on pages 6–7.

Company remuneration guidelines: scope, purpose and deviations

A prerequisite for the successful implementation of the company's business strategy and safeguarding of its long-term interests, including its sustainability, is that the company is able to recruit and retain qualified employees. This requires being able to offer competitive remuneration. The company's remuneration guidelines allow for a competitive overall package for senior management. According to the remuneration guidelines, the remuneration of senior management must be market-based and may consist of the following components: fixed cash salary, variable cash remuneration, pension and other benefits. Variable cash remuneration must be linked to financial or non-financial criteria. They can take the form of personal quantitative or qualitative targets. The criteria should be designed to promote the company's business strategy and long-term interests, including its sustainability, by, for example, having a clear link to the business strategy or promoting long-term development of the person concerned.

The guidelines are on page 110. In 2022 the Company complied with the applicable remuneration guidelines adopted by the General Meeting. There have been no deviations from the guidelines, nor from the decision-making process that the guidelines require to be applied to determine the remuneration. The auditor's opinion on the company's compliance with the guidelines is available at <https://balcogroup.se/bolagsstyrning/bolagsstamma/arsstamma-2023>. No

remuneration has been claimed back. In addition to the remuneration covered by the Remuneration Guidelines, the Company's Annual General Meetings have decided on long-term share-based incentive schemes.

Share-based remuneration

Outstanding share-based and share-price related incentive plans

At an Extraordinary General Meeting held on 24 November 2020, it was decided to introduce a new three-year incentive programme aimed at the company's senior executives and other key employees, totalling 25 employees. The incentive programme comprises a maximum of 400,000 share warrants, entitling the holder to subscribe for a maximum of the corresponding number of shares. Balco's total cost for the incentive programme over its full term is expected to be approximately SEK 3 million. The programme involves a dilution corresponding to approximately 1.8% of the company's total number of shares. The senior executives of Balco have acquired 104,000 warrants with a total value of SEK 1,178,320.

At the Annual General Meeting of 25 May 2021, it was resolved to introduce a three-year incentive programme aimed at the company's senior management and other key employees, totalling 11 employees. The incentive programme comprises a maximum of 200,000 share warrants, entitling the holder to subscribe for a maximum of the corresponding number of shares. Balco's total cost for the incentive programme over its full term is expected to be approximately SEK 1.4 million. The programme involves a dilution corresponding to approximately 0.9% of the company's total number of shares. The senior executives of Balco have acquired 74,332 warrants with a total value of SEK 721,764.

At the Annual General Meeting held on 24 May 2022, it was resolved to introduce a three-year incentive programme aimed at the company's senior executives and other key employees, totalling 41 employees. The incentive programme comprises a maximum of 220,000 warrants, entitling the holder to subscribe for a maximum of the corresponding number of shares. Balco's total cost for the incentive programme over its full term is expected to be approximately SEK 1.6 million. The programme involves a maximum dilution corresponding to approximately 1.0% of the company's total number of shares. The senior executives of Balco have acquired 55,000 warrants with a total value of SEK 280,700.

The purpose of the incentive programme is to encourage broad share ownership among the company's key employees, facilitate recruitment, retain skilled and talented employees, increase the

alignment of interest between key employees and the company's objectives, and increase motivation to achieve or exceed the company's financial targets.

In order to encourage participation in the programme, it was decided to subsidise participation in the form of a gross salary supplement. The level of salary supplement cannot exceed the gross amount invested by the participant. In the event that the Board of Directors decides on such a subsidy to the participants, it will be paid in connection with exercising the warrants and will, among other things, require that the participant at that time still remains employed by the company or other equivalent employment within the Balco Group, and holds his/her warrants. The subsidy for each participant shall amount to a maximum of the premium paid for the participant's warrants held at the time of payment.

Application of performance criteria

The performance criteria for the variable remuneration of the Chief Executive Officer have been chosen to implement the company's strategy and to encourage actions that are in the long-term interest of the company. The selection of performance criteria has taken into account the strategic objectives and short and long-term business priorities for 2022. The non-financial performance criteria further contribute to alignment with sustainability and the company's values.

Remuneration from other companies within the Balco Group

The outgoing CEO did not receive any remuneration from any other company within the Balco Group during the previous financial year. The incoming CEO has been employed by Balco AB throughout 2022 and has received remuneration from this company.

Balco Group AB – Total remuneration to the CEO in 2022 (SEK k)*

Name of the holder (position)		Fixed remuneration		Variable remuneration		Extra-ordinary items	Pension cost	Total remuneration	Proportion of fixed and variable remuneration*****
		Basic salary**	Other benefits***	Annual	Multiannual****				
Kenneth Lundahl, CEO	2022	2,892	106	817	0	0	779	4,594	72%/28%
	2021	2,904	159	244	0	0	962	4,268	93%/7%
Camilla Ekdahl, Acting CEO 1/9–7/12 and CEO from 8/12	2022	1,934	125	641	0	0	650	3,350	67%/33%

* With the exception of the multiannual variable remuneration, the table shows remuneration due in 2022. Multiannual variable remuneration is disclosed to the extent that it has been vested in 2022 and thereby earned, as indicated in column 10 of Table 2 and column 8 of Table 3 below (if applicable). This applies regardless of whether or not a payment has been made in the same year

** Including holiday pay of 48 kSEK (46)

*** Car benefit

**** Vested share rights as shown in column 8 of Table 3 below

***** Pension costs (column 4), which relate entirely to basic salary and are defined contribution, have been fully recognised as fixed remuneration

Balco Group AB – Performance of the Chief Executive Officer during the reported financial year: variable cash remuneration*

Name of the holder (position)	Description of criteria related to the remuneration component	Relative weighting of performance criteria	a) Measured performance and b) actual allocation/remuneration outcome
Kenneth Lundahl, CEO	If order intake exceeds SEK 1,385 million, one month's salary is paid.	16.6%	a) SEK 1,558 million b) SEK 238 thousand
	If the net turnover exceeds SEK 1,130 million, one month's salary is paid; if it exceeds SEK 1,203 million, two months' salary is paid and a straight-line equivalent in between, as assessed by the Board of Directors – discretionally as fulfilled with an outcome of 1 month's salary. Other points do not apply.	33.3%	a) SEK 1,120 million b) 0 SEK
	If adjusted EBIT exceeds SEK 116 million, one month's salary is payable, and if it exceeds SEK 125 million, two months' salary payable.	33.3%	a) SEK 119.5 million b) SEK 330.6 thousand
	If the company makes one or more acquisitions during the year, one month's salary is payable. This part is discretionary from the Board.	16.6%	a) 2 pcs b) SEK 238 thousand

* Refers to the parameters in force in 2021 and paid in 2022.

Balco Group AB – Share option scheme (CEO)

Name of the holder	Programme name	Performance period	Date of award	Date of vesting	Expiry of lock-in period	Period of use	Exercise price (SEK)	Share options at beginning of year	Share options granted	Vested share options	Share options subject to performance conditions	Unvested share options granted	Share options subject to lock-in period
Kenneth Lundahl, CEO	2020/2023	Dec 2020–Dec 2023	16/12/2020	2023-12-16	2023-12-16	20231216-20240115	99.20	120,000	-	-	-	-	..**
	2021/2024	June 2021–June 2024	02/06/2021	02/06/2021	02/06/2024	20240525-20240624	107.70	50,000	0	-	-	-	..***
Camilla Ekdahl, CEO	2020/2023	Dec 2020–Dec 2023	16/12/2020	2023-12-16	2023-12-16	20231216-20240115	99.20	40,000					
	2021/2024	June 2021–June 2024	02/06/2021	02/06/2021	02/06/2024	20240525-20240624	107.70	25,000					
	2022/2025	Sep 2022–Sep 2025	01/09/2022	01/09/2022	01/09/2025	20250901-20250930	79.40		25,000				
Total								235,000	25,000	0	0	0	0

* In the Share Option Scheme 2020/2023, 120,000 options were awarded to the CEO in 2020. In the Share Option Scheme 2021/2024, 50,000 options were awarded to the CEO in 2021.

** The aggregate market value of the underlying shares at the time of award was SEK 10,824 thousand. The total exercise price was SEK 11,904 thousand. The option premium paid was SEK 1,360 thousand.

*** The aggregate market value of the underlying shares at the time of award was SEK 4,685 thousand. The total exercise price was SEK 5,385 thousand. The option premium paid was SEK 486 thousand.

* In the Share Option Scheme 2020/2023, 40,000 options were awarded to the CEO in 2020. In the Share Option Scheme 2021/2024, 25,000 options were awarded to the CEO in 2021. In the Share Option Scheme 2021/2024, 25,000 options were awarded to the CEO in 2022.

** The aggregate market value of the underlying shares at the time of award was SEK 3,608 thousand. The aggregate exercise price was SEK 3,968 thousand. The option premium paid was SEK 453 thousand.

*** The aggregate market value of the underlying shares at the time of award was 2,343 SEK thousand. The aggregate exercise price was SEK 2,693 thousand. The option premium paid was SEK 243 thousand.

**** The aggregate market value of the underlying shares at the time of award was SEK 668 thousand. The aggregate exercise price was SEK 794 thousand. The option premium paid was SEK 81 thousand.

Balco Group AB – Changes in remuneration and company results over the last five reported financial years

Annual change (kSEK)	2018 vs 2017		2019 vs 2018		2020 vs 2019		2021 vs 2020		2022 vs 2021		2022
Total remuneration to the CEO	271	7.7%	114	3.0%	913	23.5%	-530	-11.0%	326	7.6%	4,594
Group operating result	13,289	14.4%	34,733	32.9%	-24,980	-17.8%	2,612	2.3%	-15,496	-13.1%	102,494
Average remuneration based on the number of FTEs employed * in the Group	-352	-3.4%	-596	-6.0%	1,963	20.9%	-2,112	-18.6%	-623	-6.7%	8,635

* Excluding members of Group Management

Financial statements

f = Administration report

Consolidated income statement

COMMENTS ON THE CONSOLIDATED INCOME STATEMENT

f The business

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

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

f Market

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

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

In a number of selective projects, Balco also develops, sells, manufactures and installs balconies for maritime applications on cruise ships.

The balcony market is divided into two market segments: renovation and new build, with the renovation segment accounting for 87% (84) of Balco's net sales.

f Environment, sustainability and social responsibility

Balco does not conduct any activities requiring a permit under the Environmental Code (1998:808). However, there is a notification requirement for some of the activities. The notification requirement is based on powder coating, workshop area and casting of concrete slabs. The obligation to notify is therefore only related to the group's production activities.

Balco's environmental work is an integral part of the company and permeates the entire operation. Balco has implemented initiatives to minimise the company's environmental impact and is consistently working to reduce it. Balco believes it is at the forefront of the development of balconies that are both environmentally friendly and energy efficient, with products that not only reduce energy consumption but are made from environmentally friendly materials. In addition, Balco manufactures all balconies in modules to minimise unnecessary transport. Balco is environmentally certified in accordance with ISO 14000 and quality certified in accordance with ISO 9000, and is actively working to reduce waste and energy consumption by streamlining production in the company's production units and increasing the recycling of materials and production waste that cannot be reduced or avoided. Balco also trains and informs its employees about environmental, health and safety issues and involves them in the continuous improvement process. Balco's purchasing organisation strives to ensure that suppliers comply with the company's Code of Conduct and accept their environmental responsibilities. Balco requires all suppliers to comply with the environmental laws and regulations applicable in each country.

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

NET SALES AND OPERATING PROFIT

f Group

Net sales in 2022 totalled SEK 1,334 million (1,120). Growth through acquisitions was 4%, foreign currency effects were 2% and organic growth was 13%.

Gross profit for the year totalled SEK 288 million (296), corresponding to a gross margin of 21.6% (26.4). Gross profit includes items affecting comparability of SEK -5 million (0) related to restructuring costs, so adjusted gross profit was SEK 293 million (296) and adjusted gross margin 22.0% (26.4). The gross margin has decreased due to negative project deviations in Norway during the second and third quarter of SEK 20 million, and project deviations in the UK due to the absence of a material price index of SEK 5 million. Furthermore, an increased share of sales in low-margin markets and in subsidiaries with lower gross margins, increased energy costs and low capacity utilisation in production and the project organisation have a negative impact on the gross margin. Cost of sales during the year totalled SEK 126 million (120) and administrative expenses were SEK 71 million (63). SEK -8 million in items affecting comparability are related to the restructuring of the organisation and acquisition costs. The item other operating income includes an item affecting comparability totalling SEK 11 million relating to an adjustment of future contingent considerations.

Operating profit for the year totalled SEK 102 million (118), corresponding to an operating margin of 7.6% (10.5). Adjusted for items affecting comparability, operating profit was SEK 105 (120) million, corresponding to an adjusted operating margin of 7.9% (10.7).

f Research and development

Balco has a tradition of proprietary products and continuously invests in product development, which is one of Balco's key strategic advantages. The company has a proven ability to develop new innovative and technical solutions. The product development department is constantly working to improve existing products and to develop new ones. The department is also involved in the development of customised balcony solutions and has the capacity to develop products for new segments where Balco sees great potential. Examples of new products that Balco has launched in recent years are Twin View, Alu-Two and Levitate. Balco had eight full-time employees in its product development department at the end of the financial year and product development costs totalled 1% (1%) of the total operating costs.

The company had 63 product patents (57) as of 31 December 2022.

f Depreciation and EBITDA

Depreciation in 2022 was SEK 42 million (38), of which SEK 23 million (19) is depreciation from leasing. Earnings before interest, taxes, depreciation and amortisation, EBITDA, totalled SEK 145 million (156), corresponding to an EBITDA margin of 10.8% (13.9). Adjusted for items affecting comparability, EBITDA totalled SEK 147 (157) million, corresponding to an adjusted EBITDA margin of 11.0 (14.0)%.

f Financial expenses

The Group's financial expenses totalled SEK 9 million (7), of which SEK 1.8 million (1.5) are interest expenses from leasing.

f Tax, net profit for the year and earnings per share

The tax charge was SEK 18 million (21), corresponding to an effective tax rate of 19.5% (19.2). Profit after tax for the year totalled SEK 76 million (90), corresponding to earnings per share of SEK 3.78 (4.12).

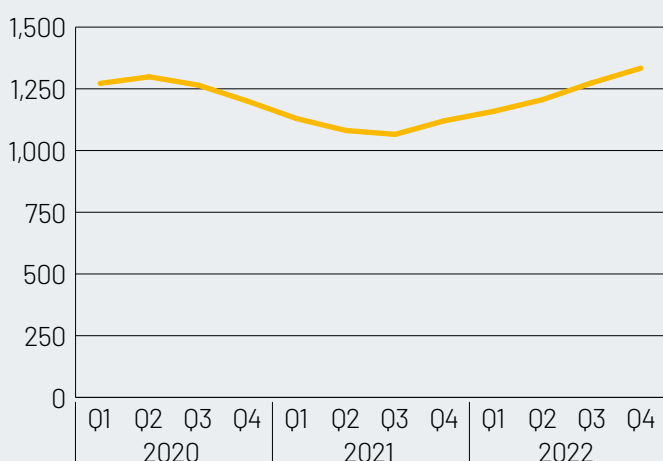
f Currency fluctuations

Balco's Group reporting currency is Swedish kronor (SEK), but the Group's income and expenses are usually reported in the local currencies of the countries where Balco operates. As a result, Balco's results and financial position are exposed to foreign exchange risks that affect the Group's income statement and balance sheet. Currency exposure includes both transactional and translational exposure. Balco is mainly exposed to movements in NOK, EUR, DKK, PLN and GBP against SEK. Currency fluctuations have a minor impact on the company's net sales and profitability as Balco reduces currency exposures in transactions and currency hedges its ongoing transaction exposure in projects to the extent that currency balance cannot otherwise be achieved.

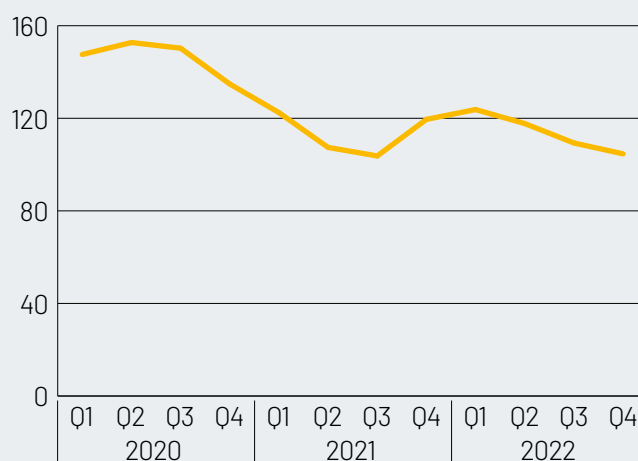
f Seasonal variations

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

NET SALES, R12, SEK MILLION



ADJUSTED OPERATING RESULT, R12, SEK MILLION



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Amount in SEK thousand	Note	2022	2021
Net sales	2, 3	1,333,559	1,120,483
Production and project costs	4, 5, 10, 11	-1,045,951	-824,210
Gross profit		287,608	296,273
Sales costs	5, 10, 11	-126,430	-119,673
Administration costs	5, 7, 10, 11	-70,955	-63,468
Other operating income	5, 6	12,294	4,918
Other operating expenses	6	-23	-61
Operating profit	2	102,494	117,990
Financial income	8	955	165
Financial expenses	8	-8,846	-6,531
Financial items – net		-7,891	-6,366
Profit before tax	2	94,603	111,623
Income tax	9	-18,452	-21,384
Profit for the year	2	76,151	90,239
Other comprehensive income			
Items that may be re-classified to the Income Statement			
Translation differences		6,946	1,187
Other comprehensive income for the year		6,946	1,187
Total comprehensive income		83,097	91,426
Of which attributable to			
Parent company's shareholders		82,767	91,426
Non-controlling interests		330	0
Profit for the year		83,097	91,426
Earnings per share (SEK)			
Earnings per share, before dilution		3.78	4.12
Earnings per share, after dilution		3.74	4.01
Average number of shares before dilution, thousands		21,909	21,909
Average number of shares after dilution, thousands		22,103	22,509

f Appropriation of profit

The Annual Report and the Consolidated Financial Statements have, as stated above, been approved by the Board of Directors and the CEO on the date indicated by our electronic signature, the Consolidated Statement of Income and Other Comprehensive Income and Statement of Financial Position and the Parent Company's Income Statement and Balance Sheet will be submitted for approval at the Annual General Meeting on 9 May 2023.

At the disposal of the Annual General Meeting, SEK:

Balanced result	294,478,130
Profit for the year	46,757,066
Total	341,235,196

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

To shareholders in the form of a dividend	32,864,022
Profits to be carried forward	308,371,174
Total	341,235,196

Consolidated balance sheet

f BALANCE SHEET AND FINANCIAL POSITION

Balco's balance sheet total increased by 4% in 2022 to SEK 1,297 million (1,246). The increase is mainly explained by the acquisition of Söderåsens Mur- & Kaker AB.

Balco's banking agreement with Danske Bank runs until 12 October 2024 with a one or two year extension option. The agreement includes a sustainability-linked revolving credit facility (RCF) of SEK 510 million and an overdraft facility of SEK 75 million.

f Non-current assets

The Group's non-current assets, consisting of intangible assets, property, plant and equipment and financial fixed assets, increased during the year, totalling SEK 835 million (750). The largest fixed asset item, 55%, is goodwill of SEK 458 million (448).

f Investments

Investments in intangible assets relate primarily to goodwill, trademark and licences. Investments in property, plants and equipment consist of machinery, equipment and other technical facilities. The Group's total investments in 2022 totalled SEK 53 million (102), of which SEK 12 million (10) were replacement investments, SEK 12 million (7) were expansion investments and SEK 29 million (85) were acquisitions of shares in subsidiaries.

f Current assets

Of the current assets, accounts receivables and contract receivables are the single largest items. During the year, trade receivables increased by 14% to SEK 175 million (154), while contract receivables decreased by 18% to SEK 112 million (137). Cash and cash equivalents totalled SEK 52 million (117).

CONSOLIDATED BALANCE SHEET

Amount in SEK thousand	Note	31/12/2022	31/12/2021
ASSETS			
Non-current assets			
Intangible assets			
Goodwill	15	457,827	447,977
Trademark	15	124,012	103,262
Other intangible assets	15	11,239	6,597
Total intangible assets		593,078	557,836
Property, plant and equipment			
Right-of-use assets	16	82,340	39,657
Buildings and land	17	108,559	104,307
Machinery and other plant	17	27,995	27,666
Equipment, tools, fixtures and fittings	17	17,465	18,865
Constructions in progress	17	4,770	1,003
Total property, plant and equipment		241,129	191,497
Financial assets			
Other non-current receivables		0	31
Total financial assets		0	31
Deferred tax assets	9	960	443
Total non-current assets		835,167	749,806
Current assets			
Inventory	18	58,446	53,104
Accounts receivables	19	174,795	153,548
Contract assets	20	111,941	136,729
Current tax receivables		21,961	7,952
Derivative instruments	27	1,443	1,192
Other current receivables	21	28,354	15,179
Prepaid expenses and accrued income	22	12,625	10,576
Cash and cash equivalents	23	51,865	117,497
Total current assets		461,430	495,778
TOTAL ASSETS		1,296,597	1,245,584

CONSOLIDATED BALANCE SHEET CONT.

Amount in SEK thousand	Note	31/12/2022	31/12/2021
SHAREHOLDERS' EQUITY AND LIABILITIES			
Equity attributable to shareholders of the parent company			
Share capital		131,461	131,461
Other capital contributions		406,328	405,111
Reserves		8,276	1,330
Retained earnings incl profit for the year		183,729	154,100
Total equity attributable to Parent Company's shareholders		729,794	692,002
Non-controlling interests		1,237	0
Total equity	24	731,031	692,002
LIABILITIES			
Non-current liabilities			
Liabilities to credit institutions	27,28	72,636	171,727
Leasing liabilities	27,28	63,312	21,883
Deferred tax liabilities	9	39,965	32,960
Other non-current liabilities	27,28	18,392	28,331
Total non-current liabilities		194,305	254,901
Current liabilities			
Liabilities to credit institutions	27,28	795	380
Leasing liabilities	27,28	19,954	20,509
Accounts payables	28	122,758	112,159
Current tax liabilities		3,563	13,804
Derivative instruments	28	3,247	427
Other current liabilities	25	34,906	26,126
Contract liabilities	20	124,895	68,106
Accrued expenses and prepaid revenues	26	61,143	57,169
Total current liabilities		371,261	298,680
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		1,296,597	1,245,584

Consolidated changes in Shareholders' Equity

f Equity and liabilities

At 31 December 2022, equity totalled SEK 731 million (692). Interest-bearing net debt including lease liabilities was 0.7 times (0.6) adjusted EBITDA. Interest-bearing net debt, excluding lease liabilities, in relation to adjusted EBITDA was 0.2 times (0.4), which is in line with the Group's target that net debt should not exceed 2.5 times adjusted operating profit before depreciation and amortisation (adjusted EBITDA), except temporarily.

f Number of shares

The share capital consists of 21,909,348 shares. The shares have a voting value of 1 vote/share. The quotient value is 6.0002. All shares issued by Balco Group AB are fully paid up. Balco has one class of shares and each share has the same voting value and entitlement to dividends. The issued shares are freely transferable without any restrictions imposed by law or by Balco's articles of association. Balco is not aware of any agreements between shareholders that may result in restrictions on the right to transfer shares in the company.

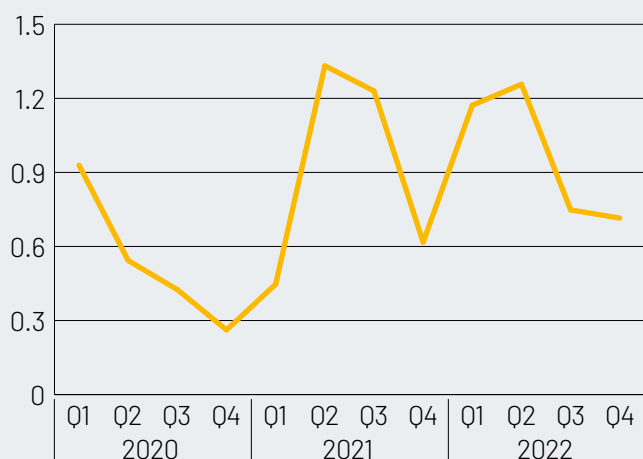
f Trading and market capitalisation

The Balco share is traded on Nasdaq Stockholm's Mid Cap list. In 2022 a total of more than 4.1 million shares were traded at a value of SEK 338 million. The average daily turnover in 2022 totalled SEK 1.3 million. Market capitalisation at the end of the year was SEK 1.0 billion.

f Share performance during the year

In 2022, share value decreased by 68%, to close the year at a share price of SEK 43.80. This year's highest bid price was recorded on 11 January at SEK 155.80, and the lowest price was SEK 40.20 on 29 December.

NET EXTERNAL INTEREST-BEARING DEBT IN RELATION TO EBITDA



Amount in SEK thousand	Share capital	Other capital contributions	Reserves	Retained earnings, incl. profit for year	Equity	Non-controlling interests	Total equity
Opening balance at 1 January 2021	131,461	403,169	143	63,861	598,634	0	598,634
Profit for the year				90,239	90,239		90,239
Translation differences			1,187		1,187		1,187
Total comprehensive income			1,187	90,239	91,426	0	91,426
Transactions with shareholders in their capacity as owners:							
New warrants issue		1,942			1,942		1,942
Total attributable to shareholders	0	1,942	0	0	1,942	0	1,942
Closing balance at 31 December 2021	131,461	405,111	1,330	154,100	692,002	0	692,002
Opening balance at 1 January 2022	131,461	405,111	1,330	154,100	692,002	0	692,002
Deferred tax		-3		-2,374	-2,377		-2,377
Acquired subsidiary with non-controlling interest						907	907
Other comprehensive income							
Profit for the year				75,821	75,821	330	76,151
Translation differences			6,946		6,946		6,946
Total comprehensive income			6,946	75,821	82,767	330	83,097
Transactions with shareholders in their capacity as owners:							
Dividend				-43,819	-43,819		-43,819
New warrants issue		1,219			1,219		1,219
Total attributable to shareholders	0	1,219	0	-43,819	-42,600	0	-42,600
Closing balance at 31 December 2022	131,461	406,328	8,276	183,729	729,794	1,237	731,031

Consolidated statement of cash flows

f Cash flow from operating activities

The consolidated cash flow from operating activities totalled SEK 153 million (63), with the improvement coming mainly from improved working capital.

f Cash flow from changes in working capital

Working capital decreased during the year by SEK 65 million (increased by SEK 44 million), mainly due to lower capital commitments in ongoing projects. At the end of the year, net capital commitments in ongoing projects totalled SEK -13 million (69).

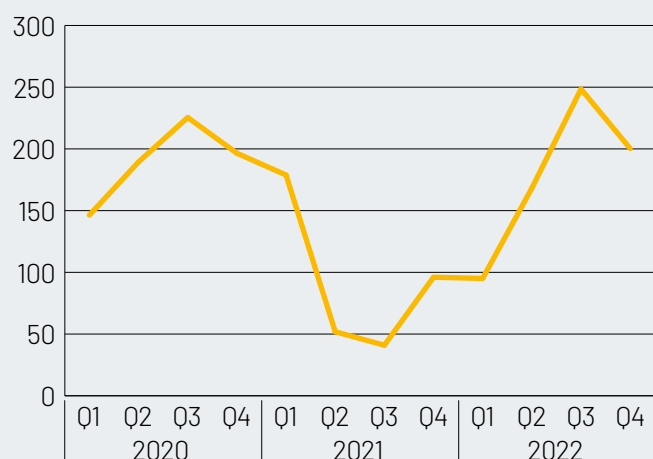
f Cash flow from investing activities

Cash flow from investing activities totalled SEK -53 million (-102), of which SEK -12 million (-10) were replacement investments, SEK -12 million (-7) expansion investments and SEK -29 million (-85) acquisitions of shares in subsidiaries.

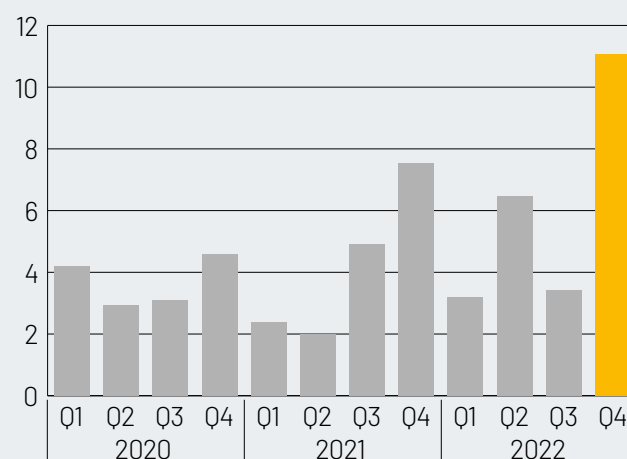
f Cash flow from financing activities

Cash flow from financing activities totalled SEK -168 million (-58) and mainly relates to reduced utilisation of our revolving credit facility and dividends paid of SEK 44 million (0).

OPERATING CASH FLOW R12, SEK MILLION



INVESTMENTS (EXCLUDING ACQUISITIONS) IN SEK MILLION PER QUARTER



CONSOLIDATED CASH FLOW STATEMENT

Amount in SEK thousand	Note	2022	2021
Cash flow from operating activities			
Operating profit (EBIT)		102,494	117,990
Adjustment for non-cash items:			
-Depreciation	15, 16, 17	41,999	37,593
-Other non-cash items		-9,788	-9,640
Interest received	8	955	808
Interest paid	8	-7,008	-6,415
Income tax paid	9	-40,959	-34,094
Cash flow from operating activities before changes in working capital		87,692	106,242
Cash flow from changes in working capital			
Increase (-) / decrease (+) in inventories		-4,609	-18,039
Increase (-) / decrease (+) in operating assets		2,875	51,414
Increase (-) / decrease (+) in operating liabilities		67,059	-77,101
Total change in working capital		65,325	-43,726
Cash flow from operating activities		153,016	62,517
Cash flow from investing activities			
Investments in tangible fixed assets	17	-16,938	-13,571
Investments in intangible fixed assets	15	-7,201	-3,250
Investment in subsidiaries, net cash impact	13, 14	-28,454	-85,290
Cash flow from investing activities		-52,593	-102,111
Cash flow from financing activities			
Loans raised	27	0	148,344
Changes in bank loans	27	-99,675	-206,129
Amortisation of other non-current liabilities	27	0	-1,649
Amortisation lease contracts	27	-25,402	0
New warrants issue		1,219	1,942
Dividends paid		-43,819	0
Cash flow from financing activities		-167,677	-57,492
Cash flow for the year	23	-67,253	-97,086
Cash and cash equivalents at the beginning of the year	23	117,497	214,129
Exchange rate difference in cash and cash equivalents		1,620	454
Cash and cash equivalents at the end of the year	23	51,865	117,497

Group notes

NOTE 1 GENERAL INFORMATION

General information

The parent company is a Swedish public limited company listed on Nasdaq Stockholm and has its registered office in Växjö. The address of the head office is Älgvägen 4, 352 45, Växjö, Sweden. The Group consists of the parent company Balco Group AB, CRN 556821-2319, with its subsidiaries. Balco offers customised and innovative balcony and facade solutions under its own

brands to housing associations, private property owners, public utilities and construction companies.

Basis for preparation of the statements

The main accounting policies and new accounting rules are set out below. Other accounting policies that Balco considers significant are reported in the respective notes. The same policies are normally applied in both the parent company and the group.

Unless otherwise stated, accounting policies have been applied consistently for all years presented.

The consolidated financial statements of the Balco Group have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and interpretations issued by the IFRS IC 2, as adopted by the EU.

The standards and interpretations applied are those that were in effect and adopted by the IASB and IFRIC on 1 January 2022. In addition, the recommendation of the Swedish Financial Reporting Board RFR 1, Supplementary Accounting Rules for Groups has been applied.

The consolidated financial statements have been prepared in accordance with the cost method, except for financial assets and liabilities (derivative instruments) valued at fair value via the income statement.

In order to prepare the financial statements in accordance with IFRS and Swedish GAAP, judgements and assumptions must be made that affect the reported amounts of assets and liabilities, the reported amounts of revenues and expenses, and other disclosures. These assumptions and estimates are usually based on historical experience but also on other factors, including expectations of future events. For further information, see the respective notes.

New standards, amendments and interpretations applied by the Group

No amendments to IFRS effective from 1 January 2022 have had a material impact on the Group's financial statements.

Functional currency and reporting currency

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

f Outlook for the coming year

Balco does not provide any financial projections for its future performance. The Group's financial targets are set out on pages 20–21. Balco has a strong position in a fragmented and attractive growing European balcony market. According to a market study by Arthur D. Little from the autumn of 2020, the value of the total Northern European balcony market is estimated to be worth around SEK 38 billion in 2022. Balco is one of the few complete balcony suppliers on the market that has the ability to provide customised balcony solutions.

f SIGNIFICANT CHANGES DURING THE REPORTING PERIOD

War in Ukraine

The war in Ukraine first led to an increase in the price of materials and electricity. This then led to higher inflation, which caused central banks to start raising interest rates. Our customers began to feel greater uncertainty about material prices, electricity prices and interest rates. This resulted in many customers delaying their balcony renovation decisions, which has negatively affected our order intake in the second half of 2022. As a result, we had to implement a cost-cutting programme in the autumn and thirty employees had to leave the Group.

Acquisitions

On 25 October, 80% of the shares in the company Söderåsens Mur- & Kakel AB were acquired, which will be consolidated from 1 November 2022. The acquisition is expected to make a positive contribution to earnings per share in 2023.

The acquisition strengthens and complements Balco's product and customer offering in general contracting and green transformation. Söderåsen complements the Group's other facade companies geographically, as it operates in southern Sweden.

NOTE 2 SEGMENT REPORTING

f Renovation

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

Net sales increased by 23% during the year to SEK 1,164 million (947). The segment accounted for 87% (84) of Balco's total net sales.

Operating profit was SEK 91 million (106), corresponding to an operating margin of 7.8% (11.1). Items affecting comparability include SEK 7 million (0) related to restructuring costs. Adjusted operating profit was SEK 98 million (106) and adjusted operating margin was 8.4% (11.2). Profit has decreased mainly due to negative project deviations in Norway of SEK 20 million in the second and third quarter.

f New build

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

Net sales totalled SEK 170 million (174). The segment accounted for 13% (16) of Balco's total net sales.

Operating profit was SEK 10 million (14), corresponding to an operating margin of 6.1% (8.1). Profit has decreased mainly due to projects in the UK where the market does not accept the material price index, which has resulted in negative deviations of SEK 5 million.

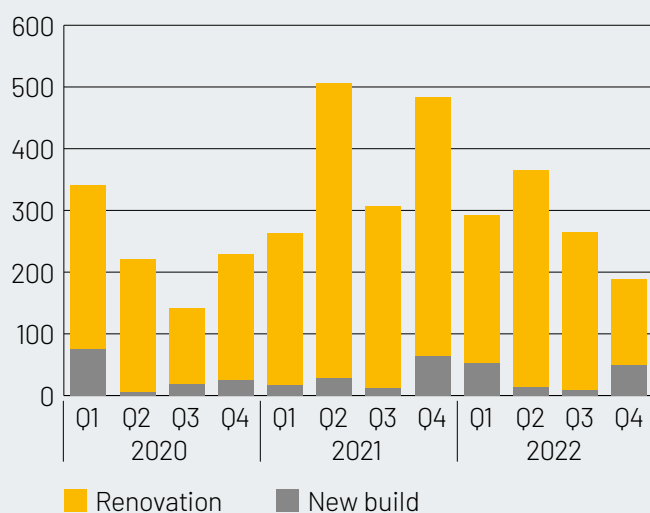


Accounting policies

Operating segments are reported in a manner which corresponds to the internal reporting provided to the Board of Directors.

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

ORDER INTAKE BY SEGMENT, SEK MILLION

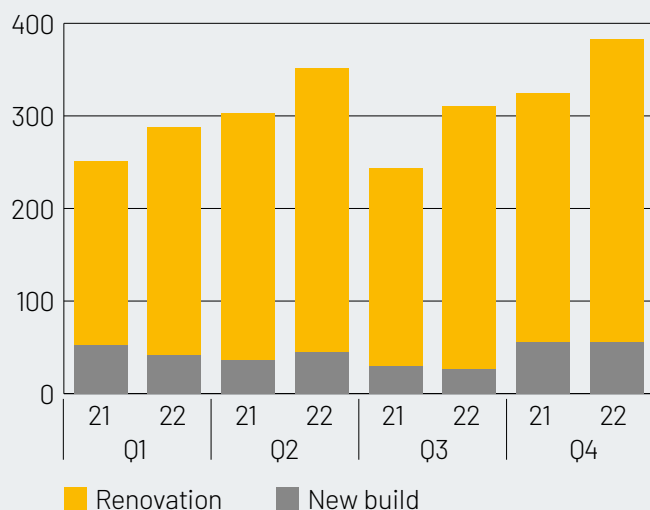


SALES BY GEOGRAPHICAL MARKET

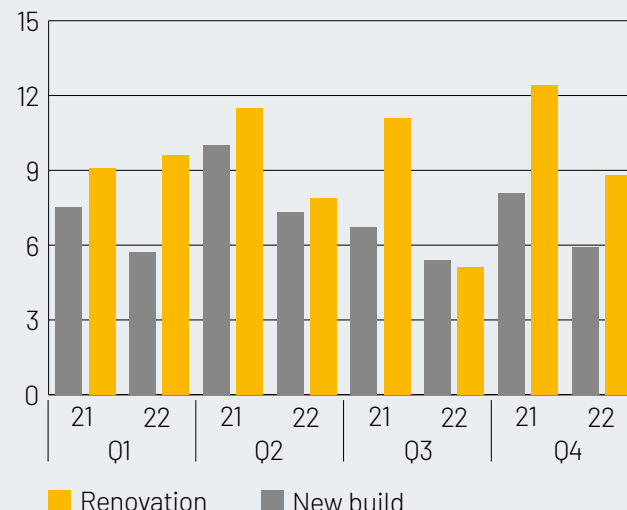
2022	Net sales	Share of total sales
Sweden	835,618	63%
Other Scandinavia	343,021	26%
Other Europe	154,920	11%
Net sales	1,333,559	100%

2021	Net sales	Share of total sales
Sweden	710,304	63%
Other Scandinavia	266,375	24%
Other Europe	143,804	13%
Net sales	1,120,483	100%

SALES GROWTH BY QUARTER, SEK MILLION



OPERATING MARGIN PER QUARTER, %



2022	Renovation	New build	Group-wide	Eliminations	Total
Net sales- External revenue	1,163,453	170,106			1,333,559
Net sales- Internal revenue			39,694	-39,694	0
Total net sales	1,163,453	170,106	39,694¹	-39,694	1,333,559
Operating profit (EBIT)	91,216	10,428	850	0	102,494
Depreciation is included in EBIT with	36,534	5,465			41,999
Operating profit (EBIT)	91,216	10,428	850	0	102,494
Financial income					955
Financial expenses					-8,846
Profit before tax					94,603
Tax					-18,452
Profit for the year					76,151

1) Group-wide refers essentially to management fees

2021	Renovation	New build	Group-wide	Eliminations	Total
Net sales- External revenue	946,569	173,914			1,120,483
Net sales- Internal revenue			24,525 ¹	-24,525	0
Total net sales	946,569	173,914	24,525	-24,525	1,120,483
Operating profit (EBIT)	105,626	14,016	-1,652	0	117,990
Depreciation is included in EBIT with	30,162	7,432			37,594
Operating profit (EBIT)	105,626	14,016	-1,652	0	117,990
Financial income					165
Financial expenses					-6,531
Profit before tax					111,624
Tax					-21,384
Profit for the year					90,240

1) Group-wide refers essentially to management fees

NOTE 3 REVENUE RECOGNITION



Accounting policies

Construction assignments

The Group's revenues mainly relate to revenues from the execution of construction contracts for the erection of balconies in connection with new build or renovation. Typically, construction contracts are a performance commitment, as the elements of the contract are not separable from each other but form an overall commitment for both new build and renovation. Construction contracts include a guarantee for the work carried out. Guarantees are not considered to be a separate performance commitment given that they are statutory guarantees issued in accordance with industry practice of normally 5 years.

Transaction price

The customer contracts are essentially fixed-price contracts. The Group considers whether there may be other commitments that constitute separate performance obligations to which the transaction price should be allocated. Revenue from contracts with customers is measured at the contractual transaction price that reflects the consideration the Group expects to receive. Under the fixed price contracts, the customer pays the contractual transaction price at agreed payment dates (see section Contractual Assets on the relationship between work performed and remuneration received from the customer). The Group generally has no material impact of variable remuneration affecting the transaction amount.

Timing of revenue recognition

Revenue is recognised over time when there is no alternative use for the products, as the products are specifically tailored to the customer, and the Group is entitled to payment. The application of revenue recognition over time shows the results as the project progresses. Revenue is recognised only when the Group can reasonably measure the progress towards meeting the performance obligation. When revenue and cost can be measured reliably and it is probable that the contract

will be profitable, revenue is recognised over the term of the contract based on the stage of completion. The completion rate is defined as the expenditure incurred on work performed up to the end of the reporting period as a percentage of the estimated total expenditure for each contract. Expenditure is recognised on an ongoing basis for the activities included in the contract. When it is probable that total expenditure will exceed total income, the expected loss is recognised immediately as an expense. When the outcome of a contract cannot be measured reliably, revenue is recognised only to the extent of the expenditure incurred that is probable of being reimbursed by the customer. The Group acts as principal in all contracts in view of the fact that the Group is responsible for fulfilling the commitment to the customer, sets the transaction price and retains control of the products until control is transferred to the customer.

Contract costs

Some of the indirect project expenses, such as pre-planning and sales commissions, incurred by the Group are treated as completion costs and are capitalised and amortised over the life of the project. The Group applies the practical expedient of recognising the incremental costs of obtaining a contract as an expense as incurred based on the expected amortisation period of the asset that the Group would otherwise recognise being one year or less. Sales commission expenses are included in the consolidated income statement under production and project costs.

Financial components

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



Important estimates and assessments

The Group applies revenue recognition over time for construction contracts, which is a well-proven and long-established model for the Group and requires the Group to make estimates of the proportion of services already performed at the balance sheet date to the total services to be performed. Balco's revenue and profit are determined by the timing of the actual costs incurred during the implementation of the project. Remaining performance obligations are parts of contracts with an original expected duration of one year or less.

In accordance with IAS 37, the entire expected loss on a project is recognised when the forecast is for a negative project outcome. If the ratio between services performed and total services to be performed were to differ by 1%, the revenue recognised for the year would change by SEK 13 million (2021: SEK 12 million).

NOTE 4 EXPENSES BY NATURE



Accounting policies

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

	2022	2021
Raw materials, consumables and subcontracting services	-795,251	-639,415
Costs for remuneration of employees (note 10)	-269,560	-274,784
Depreciation and amortisation (notes 15–17)	-41,999	-37,593
Other costs	-136,526	-55,559
Total production, project, sales and administration costs	-1,243,336	-1,007,351

Exchange rate differences

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

	2022	2021
Production and project costs	16,072	11,113
Total translations differences in the income statement	16,072	11,113

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

NOTE 5 ITEMS AFFECTING COMPARABILITY



Accounting policies

Items affecting comparability are specific material items that are disclosed separately because of their size or frequency, such as restructuring costs, impairments, disposals and acquisition costs. Restructuring costs are included in production and project costs, distribution costs and administration costs. Acquisition costs are recognised as administration costs.

	2022	2021
Other operating income	10,675	0
Production and project costs	-4,875	0
Selling expenses	-3,493	0
Administration costs	-4,452	-1,500
Total items affecting comparability	-2,145	-1,500

NOTE 6 OTHER OPERATING INCOME AND EXPENSES



Accounting policies

Government grants

Government grants are recognised when there is reasonable assurance that the grants will be received and the Group will comply with the conditions attached to the grants. The Group's accounting for government grants is recognised as Other operating income.

	2022	2021
Other operating income		
Personnel related	625	3,446
Change in contingent consideration	10,675	0
Gain on disposal of tangible assets	994	1,472
Total other operating income	12,294	4,918
Other operating expenses		
Loss on disposal of tangible assets	-23	-61
Total other operating expenses	-23	-61

For contingent considerations, see Note 27.

NOTE 7 REMUNERATION OF AUDITORS

	2022	2021
KPMG		
Audit assignment	-1,571	0
Auditing activities in addition to the audit engagement	-873	0
Tax advice	0	0
Other services	-59	0
Total	-2,503	0
PwC		
Audit assignment	-21	-1,641
Auditing activities in addition to the audit engagement	0	-48
Tax advice	-9	-474
Total	-30	-2,163
Audit assignments:		
Alpha Revision AS	-49	-39
Herman Slater	-36	-33
BDO Statsautoriseret Revision A/S	0	-225
Kancelaria Biegłych Rewidentów "CDP" Sp. z o.o.	-37	-90
MyAuditor Oy	-10	0
Total	-132	-387
Total	-2,665	-2,550

Of the remuneration for 2022, the following has been paid to the audit firm KPMG AB for services to the Group's Swedish and Danish companies: audit assignment SEK 1,571 thousand (2021: SEK 0 thousand), other statutory tasks SEK 873 thousand (2021: SEK 0 thousand), tax consultancy SEK 0 thousand (2021: SEK 0 thousand) and other services SEK 59 thousand (2021: SEK 0 thousand).

NOTE 8 FINANCIAL INCOME AND EXPENSES

	2022	2021
Financial income		
Interest income on bank deposits	955	165
Financial income	955	165
Financial expenses		
Interest expense on liabilities to credit institutions	-4,972	-3,121
Interest expenses on leases	-1,837	-1,457
Other financial expenses	-2,036	-1,953
Financial expenses	-8,846	-6,531
Total financial items – net	-7,891	-6,366

NOTE 9 INCOME TAXES



Accounting policies

Deferred tax

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

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

	2022	2021
Tax on profit for the year		
Current tax:		
Current tax on profit for the year	-17,971	-22,901
Adjustments relating to previous years	1,312	117
Total current tax	-16,659	-22,784
Deferred tax:		
Deferred tax pertaining to temporary differences	-1,794	1,400
Total deferred tax	-1,794	1,400
Income tax	-18,452	-21,384

	2022	2021
Profit before tax	94,603	111,624
Income tax calculated at the current tax rate of the parent company, 20.6% (2021: 20.6%)	-19,488	-22,994
Tax effects of:		
-Tax rate foreign	-112	-18
-Non-taxable income	2,238	2,813
-Non-deductible expenses	-2,377	-1,303
-Temporary differences	-25	0
-Adjustments relating to previous years	1,312	117
Tax expense	-18,452	-21,384
Effective tax rate, %	19.5	19.2

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

Deferred tax income and expenses	2022	2021
Deferred tax expense relating to temporary differences	-2,074	1,452
Deferred tax income relating to temporary differences	517	-52
Total deferred tax in the income statement	-1,557	1,400

Changes in tax rates compared to the previous period amount to SEK 0 thousand (2021: SEK 91 thousand)

Deferred tax assets

2021	Loss relief	Derivative instruments	Leasing etc.	Other	Total
Opening balance	151	0	447	0	598
Reported in the income statement	-12	0	-41	0	-52
Reported via equity	-68	0	-35	0	-103
Closing balance	71	0	372	0	443

2022	Loss relief	Derivative instruments	Leasing etc.	Other	Total
Opening balance	71	0	372	0	443
Reported in the income statement	-71	421	-221	388	517
Reported via equity	0	0	0	0	0
Closing balance	0	421	151	388	960

Deferred tax liabilities

2021	Building	Trademark/ Order backlog	Untaxed reserves	Derivatives	Other	Total
Opening balance	-7,049	-7,207	-2,026	-1,793	-802	-18,875
Reported in the income statement	720	24	-514	1,721	-499	1,452
Reported via equity	0	-15,272	-266	0	0	-15,537
Closing balance	-6,329	-22,454	-2,805	-72	-1,301	-32,960

2022	Building	Trademark/ Order backlog	Untaxed reserves	Derivatives	Other	Total
Opening balance	-6,329	-22,454	-2,805	-72	-1,301	-32,961
Reclassification	-1,807	1,916	-77	0	-1,265	-1,233
Reported in the income statement	312	215	272	72	-1,713	-842
Reported via equity	0	-4,292	-346	0	-290	-4,928
Closing balance	-7,824	-24,615	-2,956	0	-4,569	-39,965

NOTE 10 EMPLOYEES AND EXPENSES



Accounting policies

Short-term remuneration

Short-term remuneration is recognised as an expense and a liability when there is a legal or constructive obligation to pay benefits. The cost is recognised as the services are performed by the employees.

Pension obligations

The Group has only defined contribution pension plans, see note 11. A defined contribution plan is a pension plan under which the Group pays fixed contributions to a separate legal entity. The Group has no legal or constructive obligation to pay additional contributions if this legal entity does not have sufficient assets to pay all employee benefits related to the employees' service in the current or prior periods.

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

The Group has no further payment obligations once the contributions have been paid. Contributions to defined contribution plans are recognised as an expense in profit or loss as they are earned by employees in the course of providing services to the enterprise over a period of time. That is, not when they fall due for payment. Prepaid expenses are recognised as an asset to the extent that the cash repayment or reduction in future payments can benefit the Group. See further note 11.

	2022	2021
Salaries and remuneration	-189,242	-201,860
Social security costs	-56,579	-51,308
Pension costs	-23,739	-21,616
Total	-269,560	-274,784

Average number of employees with geographical breakdown by country	2022		2021	
	Number of employees	Of which women	Number of employees	Of which women
Sweden	357	39	291	35
Norway	7	0	7	0
Denmark	53	1	57	4
UK	11	0	9	0
The Netherlands	3	0	4	1
Polen	89	17	82	17
Finland	3	0	3	0
Germany	13	3	14	3
Total	536	60	467	60

	2022		2021	
	Number on balance sheet date	Of which women	Number on balance sheet date	Of which women
Board members	16	4	16	4
CEO	7	1	5	1
Total	23	5	21	5

Remuneration and other benefits 2022	Basic salary/ Board fees	Social security contributions/ Special payroll tax	Variable remuneration	Other benefits	Pension costs	Total
Ingalill Berglund, Chair of the Board	-563	-177	0	0	0	-739
Carl-Mikael Lindholm Board member	-233	-74	0	0	0	-306
Johannes Nyberg Board member	-295	-93	0	0	0	-388
Vibecke Hverven, Board member	-250	-79	0	0	0	-329
Thomas Widstrand, Board member	-234	-73	0	0	0	-307
Mikael Andersson, Board member	-252	-26	0	0	0	-278
Kenneth Lundahl, CEO through 8/12	-2,892	-1,131	-817	-106	-779	-5,725
Camilla Ekdahl, Acting CEO 1/9–7/12 and CEO from 8/12	-1,934	-1,037	-641	-125	-650	-4,387
Other senior executives (3 people)	-4,465	-2,005	-1,090	-224	-1,371	-9,155
Total	-11,118	-4,694	-2,548	-454	-2,800	-21,614

Remuneration and other benefits 2021	Basic salary/ Board fees	Social security contributions/ Special payroll tax	Variable remuneration	Other benefits	Pension costs	Total
Tomas Johansson, Chairman of the Board until 25/05/2021	-270	-85	0	0	0	-355
Ingalill Berglund, Chairman of the Board from 25/05/2021	-400	-126	0	0	0	-526
Carl-Mikael Lindholm Board member	-220	-69	0	0	0	-289
Johannes Nyberg Board member	-255	-80	0	0	0	-335
Vibecke Hverven, Board member	-228	-71	0	0	0	-299
Thomas Widstrand, Board member from 25/05/21	-113	-35	0	0	0	-148
Mikael Andersson, Board member	-235	-24	0	0	0	-259
Kenneth Lundahl, CEO	-2,904	-973	-244	-159	-962	-5,242
Other senior executives (5 people)	-7,407	-2,632	-1,233	-405	-1,941	-13,618
Total	-12,032	-4,095	-1,477	-564	-2,903	-21,071

Terms and conditions for the CEO through 7/12/2022

If the CEO is dismissed, 12 months' notice. If the CEO resigns, 6 months' notice. The CEO is entitled to retain his/her fixed salary but not other benefits during the period of notice. The Group sets aside 30% of gross salary and 25% of variable remuneration (2021: 30% of gross salary and 25% of variable remuneration), to a pension insurance, according to the CEO's choice of insurance company. Outstanding pension obligations to the Board and CEO exist in the form of a direct pension solution totalling SEK x1,614 thousand (2021: SEK 304 thousand).

Terms and conditions for the CEO from 8/12/2022

If the CEO is dismissed, a 12-month notice period applies. If the CEO resigns, a 6-month notice period applies. The CEO is entitled to keep his fixed salary during the notice period. Other benefits are adjusted during the notice period according to the needs and the tasks assigned to the CEO, which means that all benefits cease if the CEO is released from work obligations. If, during the period of notice, the CEO obtains another employment or otherwise has income from service, business or his own activities, the CEO's notice salary and severance pay shall be reduced by the amount the CEO then earns. The company allocates 30% of gross salary and 25% of variable remuneration to a pension insurance scheme through the CEO's choice of insurance company. Outstanding pension obligations to the CEO exist in the form of a direct pension solution totalling SEK 1312 thousand (526).

f The Annual General Meeting resolves on the following guidelines for remuneration to the company's senior executives.

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

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

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

Decision-making process

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

The forms of remuneration

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

Fixed and variable salary

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

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

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

Other benefits and pension

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

Senior management shall be entitled to pension benefits based on the practice in the country where they are employed. Pension contributions shall be defined-contribution and secured by payments of premiums to insurance companies, except where the individual concerned is covered by a defined benefit pension in accordance with the relevant collective

agreement provisions. Variable remuneration can only form the basis for pension benefits if provided for in the applicable collective agreement provisions. For each senior executive, pensions may not exceed 30% of their fixed annual salary, unless a higher provision is made under the applicable collectively agreed pension plan.

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

Salary and employment conditions for employees

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

Termination and severance pay

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

Deviations from the guidelines

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

f Long-term incentive programme

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

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

At an Extraordinary General Meeting of 24 November 2020, it was decided to introduce a new three-year incentive programme aimed at the company's senior management and other key employees, totalling 25 employees. The incentive programme comprises a maximum of 400,000 warrants, entitling the holder to subscribe for a maximum of the corresponding number of shares. Balco's total cost for the incentive programme over its full term is expected to be approximately SEK 3 million. The programme involves a dilution corresponding to approximately 1.8% of the company's total number of shares. The senior executives of Balco have acquired 104,000 warrants with a total value of SEK 1,178,320.

At the Annual General Meeting of 25 May 2021, it was resolved to introduce a three-year incentive programme aimed at the company's senior management and other key employees, totalling 11 employees. The incentive programme comprises a maximum of 200,000 share warrants, entitling the holder to subscribe for a maximum of the corresponding number of shares. Balco's total cost for the incentive programme over its full term is expected to be approximately SEK 1.4 million. The programme involves a dilution corresponding to approximately 0.9% of the company's total number of shares. The senior executives of Balco have acquired 74,332 warrants with a total value of SEK 721,764.

At the Annual General Meeting held on 24 May 2022, it was resolved to introduce a three-year incentive programme aimed at the company's senior executives and other key employees, totalling 41 employees.

The incentive programme comprises a maximum of 220,000 warrants, entitling the holder to subscribe for a maximum of the corresponding number of shares. Balco's total cost for the incentive programme over its full term is expected to be approximately SEK 1.6 million. The programme involves a maximum dilution corresponding to approximately 1.0% of the company's total number of shares. The senior executives of Balco have acquired 55,000 warrants with a total value of SEK 280,700.

The purpose of the incentive programme is to encourage broad share ownership among the company's key employees, facilitate recruitment, retain skilled and talented employees, ensure that the interests of key employees and the company's objectives are increasingly aligned, and increase motivation to achieve or exceed the company's financial targets.

In order to encourage participation in the programme, it was decided to subsidise participation in the form of a gross salary supplement. The level of salary supplement cannot exceed the gross amount invested by the participant. In the event that the Board of Directors decides on such a subsidy to the participants, it will be paid in connection with exercising the warrants and will, among other things, require that the participant at that time still remains employed by the company or other equivalent employment within the Balco Group, and holds his/her warrants. The subsidy for each participant shall amount to a maximum of the premium paid for the participant's warrants held at the time of payment.

Year	Number of warrants	Number of warrants exercised	Number of expired warrants	Total	Exercise price	Subscription period
2020/2023	400,000	0	0	400,000	99.20	16/12/2023–15/01/2024
2021/2024	200,000	0	0	200,000	107.70	25/05/2024–24/06/2024
2022/2025	220,000	0	0	220,000	79.40	01/09/2025–30/09/2025
	820,000	0	0	820,000		

NOTE 11 POST-EMPLOYMENT BENEFITS



Accounting policies

Remuneration in the event of dismissal

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

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

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

	2022	2021
Recognition in the income statement of:		
Costs of defined contribution pension plans	17,989	15,917
Income statement	17,989	15,917

For salaried personnel in Sweden, the ITP 2 plan's defined benefit pension obligations for old age and family pension are secured by an insurance policy with Alecta. According to a statement by the Financial Reporting Council, UFR 10 Accounting for the ITP 2 pension plan funded by insurance in Alecta, this is a multi-employer defined benefit plan. For the financial years 2022 and 2021, the company did not have the information to account for its proportionate share of the plan's obligations, plan assets and expenses, which meant that the plan could not be accounted for as a defined benefit plan. The ITP 2 pension plan, which is covered by an insurance policy with Alecta, is therefore accounted for as a defined contribution plan. The premium for the defined benefit old-age and family pension is calculated on an individual basis and depends, among other things, on salary, previously earned pension and expected remaining period of service. Expected fees for the next reporting period for ITP 2 insurance policies underwritten by Alecta amount to SEK 17,000 thousand (2021: SEK 15,041 thousand).

The collective consolidation level is the market value of Alecta's assets as a percentage of the insurance liabilities calculated according to Alecta's actuarial methods and assumptions, which do not comply with IAS 19. The collective consolidation level should normally be allowed to vary between 125 and 175%. If Alecta's collective consolidation level falls below 125% or exceeds 155%, measures must be taken to create the conditions for the consolidation level to return to the normal range. In case of low consolidation, one measure could be to increase the contractual price for new subscriptions and extensions of existing benefits. In case of high consolidation, one measure could be to introduce premium reductions. At the end of 2022, Alecta's surplus in terms of the collective consolidation level was 172 (2021: 172%).

Premiums to Alecta are determined by assumptions about interest, longevity, operating costs and yield tax and are calculated so that the payment of constant premiums until the retirement date is sufficient for the full target benefit, based on the insured's current pensionable salary to be earned by then.

There is no set framework for how to deal with any losses that may arise, but in the first instance losses are to be covered by Alecta's collective consolidation capital and thus do not lead to increased costs through higher contractual premiums. There are also no rules on how any surpluses or deficits are to be distributed when the plan is wound up or a company leaves the plan.

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

NOTE 12 TRANSACTIONS WITH RELATED PARTIES

f Transactions with related parties

The Group's key persons consist of the Board of Directors, CEO and Group management, partly through their ownership in Balco and partly through their role as senior executives. Related parties also include the company's largest shareholders, the Hamrin family, represented on the Board by Carl-Mikael Lindholm, and Skandrenting, represented on the Board by Johannes Nyberg. Transactions with related parties are conducted on an arm's length basis.

The following transactions have taken place with related parties:

Sale of goods and services	2022	2021
Sale of goods	0	0
Sale of services	0	0
Total	0	0

Purchase of goods and services	2022	2021
Purchase of goods	8	58
Purchase of services	0	0
Total	8	58

NOTE 13 INVESTMENTS IN GROUP COMPANIES



Accounting policies

Subsidiaries

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

Parent company	31/12/2022	31/12/2021
Opening cost	683,197	1,081,197
Acquisitions	29,937	115,287
Sales	0	-110
Depreciation	0	-513,177
Revaluation of contingent consideration	-10,675	0
Closing balance	702,459	683,197

Name	Company registration number	Registered office	Capital share, %	2022		2021	
				Number shares	Closing balance	Number shares	Closing balance
Nordiska Balco AB	556325-3847	Växjö	100	1,548,176	567,910	1,548,176	567,910
-Balco AB	556299-4482	Växjö	100				
-Balco AS	979,458,398	Norway	100				
-Balco Ltd	5,280,899	UK	100				
-Balco Balkonstruktionen GmbH	HRB9039	Germany	100				
-Balco Balkonsystemen B.V	57,577,978	The Netherlands	100				
-Balco Altaner AS	59,222,401	Denmark	100				
-Balco Spolka. z o.o	5,961,747,062	Polen	100				
-Balco Oy	2706308-7	Finland	100				
-Kronhjorten och Lodjuret Holding AB	559018-7489	Växjö	100				
-TBO-Haglinds AB	556363-9631	Arboga	100				
Stora Fasad AB	556376-2185	Västerås	100	1,000	28,408	1,000	33,070
RK Teknik i Gusum AB	556414-3955	Gusum	100	1,000	76,205	1,000	82,218
-Fastigheter i Gusum AB	556857-5236	Gusum	100				
-Montage Partner i Sverige AB	559112-2170	Gusum	100				
Söderåsens Mur- och Kachel AB	556584-9725	Kågeröd	80	800	29,937		
Total				1,550,976	702,459	1,550,176	683,197

NOTE 14 ACQUISITIONS

Acquisitions

Balco's aim is for the company to grow primarily organically through its own efforts, but acquisitions are also interesting if they help to strengthen Balco's competitiveness or can accelerate the pace of establishment in a market.

During the year, Söderåsen was acquired

Transaction costs for the acquisitions of Söderåsens Mur- & Kachel AB, and TBO's new subsidiary Arutex AB totalled SEK 632 thousand for financial and legal advice, which is reported as administration costs and an item affecting comparability.

Söderåsens Mur- & Kachel AB

On 25 October 2022, Balco entered into an agreement to acquire 80% of the shares in Söderåsens Mur- & Kachel AB, a company in Kågeröd active in facade work in Sweden and focusing on both the new construction and renovation segments. The acquisition is expected to make a positive contribution to earnings per share in 2023.

Söderåsen had 21 employees and a turnover of approximately SEK 53 million in the last financial year. Balco paid SEK 29.5 million in cash for the shares. There is an option to acquire the remaining shares. The acquisition has been financed with existing cash and cash equivalents.

The acquisition strengthens and complements Balco's product and customer offering in general contracting and green transformation.

Söderåsen complements the Group's other facade companies geographically, as it operates in southern Sweden.

For more information, see the press release of 25 October 2022.

The acquisition was completed on 25 October, and Söderåsen will be consolidated as of 1 November 2022.

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

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

Cash payment	29.5
Net assets acquired	-20.1
Goodwill	9.4

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

Cash and cash equivalents	1.9
Property, plant and equipment	2.9
Intangible assets	20.8
Inventories	0.2
Receivables	10.7
Liabilities	-11.7
Deferred tax liabilities	-4.7
Net assets acquired	20.1

Considerations totalled SEK 29.5 million. The acquisition affected the Group's cumulative net sales by SEK 13 million from the date of acquisition. The net impact, after acquisition costs, on operating profit (EBITA) to date is SEK 1 million, and SEK 1 million on profit after tax. This acquisition would have affected the Group's net sales by an estimated SEK 55 million, operating profit EBITA by approximately SEK 5 million, and profit after tax by approximately SEK 4 million if it had been completed on 1 January 2022. The acquisition analysis for Söderåsens Mur- & Kachel is complete.

Goodwill arising in connection with the acquisition is attributable to the knowledge accumulated in the acquired company and to its well-established market position and thus expected profitability.

The values allocated to intangible assets relate to trademarks and order books. These have been valued at the discounted value of future cash flows. The order book is amortised on a straight-line basis over one year. The year's amortisation of intangible assets for the acquisition totals SEK 0 million, and future estimated annual amortisation, SEK 1 million.

NOTE 15 INTANGIBLE ASSETS



Accounting policies

Goodwill

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

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

Trademarks, Acquired order intake, Patents and Licences

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

Patents 10 years
 Licences 4 years
 Order backlog 1–3 years

Depreciation of non-financial non-current assets

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



Important estimates and assessments

Impairment testing of goodwill and trademark

The Group assesses annually whether there is an indication of an impairment need for goodwill and trademarks, in accordance with the accounting policy described above. The recoverable amounts of cash-generating units have been determined by calculating the value in use.

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

The recoverable amount of a cash-generating unit (CGU) has been determined based on value-in-use calculations. These calculations are based on estimated future pre-tax cash flows based on financial plans approved by management and covering a five-year period. Cash flows beyond the five-year period are extrapolated using estimated growth rates as indicated below. The growth rate does not exceed the long-term growth rate of the balcony market in which the CGU concerned operates. Significant assumptions used in the value-in-use calculations (see table on page 116).

Sensitivity analysis Goodwill

The recoverable amount exceeds the carrying amount of goodwill by a good margin.

No reasonably possible change in key assumptions would result in an impairment charge.

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

2021	Goodwill	Trademark	Acquired order backlog	Patents	Licences	Ongoing	Total
Opening balance	400,928	43,670	0	400	2,924	1,497	449,420
Acquisitions	0	0	0	0	1,151	2,099	3,250
Increase through business acquisitions	46,881	59,402	2,962	0	0	0	109,244
Reclassification	0	0	0	0	1,858	-1,858	0
Disposals	0	0	0	-500	-537	0	-1,037
Exchange rate differences acquisition values	168	190	0	0	55	0	413
Depreciation	0	0	-2,109	-46	-1,404	0	-3,559
Amortisation/depreciation disposals	0	0	0	146	0		146
Exchange rate difference depreciation	0	0	0	0	-42	0	-42
Closing balance	447,977	103,262	853	0	4,005	1,738	557,835
At 31 December 2021							
Acquisition values	447,977	103,262	8,602	0	13,737	1,738	575,316
Accumulated amortisation/depreciation	0	0	-7,749	0	-9,732	0	-17,481
Closing balance	447,977	103,262	853	0	4,005	1,738	557,835

2022	Goodwill	Trademark	Acquired order backlog	Patents	Licences	Ongoing	Total
Opening balance	447,977	103,262	853	0	4,005	1,738	557,835
Acquisitions	0	0	0	0	-37	7,238	7,201
Increase through business acquisitions	9,304	19,863	972	0	0	0	30,138
Reclassification	0	0	0	0	1,481	-2,470	-989
Disposals	0	0	0	0	-3,680	0	-3,680
Exchange rate differences acquisition values	547	887	0	0	242	17	1,692
Depreciation	0	0	-1,043	0	-1,635	0	-2,678
Amortisation/depreciation disposals	0	0	0	0	3,680		3,680
Exchange rate difference depreciation	0	0	0	0	-122	0	-122
Closing balance	457,827	124,012	782	0	3,933	6,523	593,078
At 31 December 2022							
Acquisition values	457,827	124,012	9,575	0	9,579	6,523	607,516
Accumulated amortisation/depreciation	0	0	-8,792	0	-5,647	0	-14,438
Closing balance	457,827	124,012	783	0	3,933	6,523	593,078

Amortisation of intangible assets by function

	2022	2021
Production and project costs	-1,857	-3,209
Sales costs	-253	-7
Administration costs	-568	-343
Total	-2,678	-3,559

Intangible assets by geographical market

	2022	2021
Sweden	573,110	539,105
Other Scandinavia	18,388	17,154
Other Europe	1,580	1,576
Total	593,078	557,835

Goodwill

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

2022	Renovation	New build	Total
Opening balance	440,689	7,288	447,977
Exchange rate differences acquisition values	536	11	547
Acquisitions	6,978	2,326	9,304
Closing balance	448,202	9,625	457,827

Trademarks

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

2022	Renovation	New build	Total
Opening balance	94,848	8,414	103,262
Exchange rate differences acquisition values	842	44	887
Acquisitions	14,897	4,966	19,863
Closing balance	110,588	13,424	124,012

	2022		2021	
	Renovation	New build	Renovation	New build
EBITDA margin ¹⁾	12.90%	8.80%	13.80%	5.10%
Annual growth rate ²⁾	7.00%	7.00%	11.80%	11.80%
Discount rate ³⁾	9.87%	9.87%	9.07%	9.07%
Long-term growth rate ⁴⁾	3.00%	3.00%	3.00%	3.00%

1) Budgeted EBITDA margin

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

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

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

NOTE 16 RIGHT-OF-USE ASSETS



Accounting policies

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

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

Leasehold assets are depreciated on a straight-line basis over the shorter of the useful life of the asset and the lease term.

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

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

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

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

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

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

Options to extend and terminate contracts

Options to extend and terminate contracts are included in a number of the Group's leases for buildings and equipment. The conditions are used to maximise flexibility in the management of the assets used in the Group's operations. The vast majority of the options allowing for the extension and termination of contracts can only be exercised by the Group and not by the lessors.

In determining the term of a lease, management considers all available information that provides an economic incentive to exercise a renewal option or not to exercise an option to terminate a lease.

Options to extend a contract are included in the lease term only if it is reasonably certain that the contract will be extended (or not terminated).

For leases of warehouses, machinery and equipment, the following factors are normally the most significant:

- If contracts entail significant fees for cancelling the contracts (or not renewing them), the Group normally considers it reasonably certain that renewal will occur (or that cancellation will not occur).
- If the Group has improvement expenditures on another's property and expects them to have a significant residual value, it is usually reasonably certain that the contracts will be extended (or not cancelled).
- Otherwise, the Group considers other factors, including the historical lease term and the costs and business interruption required to replace the leased asset.

The majority of extension options relating to leases of office premises and vehicles have not been recognised in the lease liability, as the Group can replace the assets without significant cost or disruption to its operations.

The lease term is reviewed if an option is exercised (or not exercised) or if the Group is required to exercise (or not exercise) the option. The assessment of reasonable certainty is reviewed only if there is a significant event or change in circumstances that affects that assessment and the change is within the lessee's control.

2021	Premises	Plant and machinery	Vehicles and other equipment	Total
Opening balance	28,585	1,911	12,024	42,520
New contracts	5,619	2,132	10,968	18,719
Exchange rate differences acquisition values	441	0	517	958
Completed contracts	-141	-778	-1,580	-2,499
Depreciation	-10,045	-1,236	-8,191	-19,472
Exchange rate difference depreciation	-249	0	-320	-569
Closing balance	24,210	2,029	13,418	39,657

2022	Premises	Plant and machinery	Vehicles and other equipment	Total
Opening balance	24,210	2,029	13,418	39,657
New contracts	68,107	701	11,839	80,646
Exchange rate differences acquisition values	897	1	550	1,448
Completed contracts	-13,771	-112	-840	-14,724
Depreciation	-11,317	-1,157	-11,251	-23,725
Exchange rate difference depreciation	-662	-1	-299	-962
Closing balance	67,463	1,460	13,418	82,340

Amortisation on rights of use by function	2022	2021
Production and project costs	-13,659	-11,276
Sales costs	-9,340	-7,366
Administration costs	-726	-830
Total	-23,725	-19,472

Rights of use by geographical market	2022	2021
Sweden	75,016	30,160
Other Scandinavia	3,062	4,059
Other Europe	4,263	5,438
Total	82,340	39,657

Leasing liabilities	31/12/2022	31/12/2021
Long-term	63,312	21,883
Short-term	19,954	20,509
Total	83,266	42,391

See Note 28 Financial instruments for further information on the maturity structure of lease liabilities.

Cash flow from leasing contracts	2022	2021
Interest expense on leases is included in financial expenses	-1,837	-1,457
Expenditure related to short-term leasing contracts	-18,194	-14,463
Expenditure related to leases for which the underlying asset is of low value and which are not short-term	-88	-399

NOTE 17 PROPERTY, PLANT AND EQUIPMENT



Accounting policies

Each part of a tangible fixed asset with an acquisition value that is significant in relation to the asset's total cost is depreciated separately. Land and projects in progress are not depreciated.

Depreciation on other assets is calculated on a straight-line basis as follows:

Buildings	10-25 years
Land improvements	25 years
Specialised complex installations.....	10 years
Machinery and other plant	5-10 years
Equipment, tools, fixtures and fittings.....	5 years

Property, plant and equipment is recognised as an asset in the balance sheet when it is probable, on the basis of the information available, that the future economic benefits associated with the item will flow to the Group/Enterprise and the cost of the item can be measured reliably.

Tangible assets are stated at cost less accumulated depreciation and any impairment losses.

Cost includes the purchase price and expenditure directly attributable to bringing the asset to its location and the condition required for use in accordance with the purpose for which it was acquired.

The carrying amount of a property, plant and equipment item is derecognised on retirement or disposal or when no future economic benefits are expected from its use. The proceeds from the sale or disposal are the selling price and the carrying amount of the asset less direct selling costs. The result is recognised as other operating income/expenses.

2021	Buildings and land	Machinery and other plant	Equipment, tools, fixtures and fittings	Constructions in progress	Total
Opening balance	84,685	25,515	12,587	7,008	129,795
Exchange rate differences acquisition values	248	241	157	-3	643
Acquisitions	931	43	8,804	3,793	13,571
Increase through business acquisitions	22,251	8,852	2,602	0	33,705
Sales and disposals	0	-4,223	-366	0	-4,589
Reclassifications	1,701	7,175	919	-9,795	0
Depreciation, reversal on sale	0	2,750	328	0	3,078
Exchange rate difference depreciation	-21	-380	-111	0	-512
Depreciation, through business acquisitions	-2,249	-5,973	-1,067	0	-9,289
Depreciation	-3,240	-6,334	-4,988	0	-14,562
Closing balance	104,306	27,666	18,865	1,003	151,840

At 31 December 2021

Acquisition values	116,393	90,503	45,562	1,003	253,461
Accumulated amortisation/depreciation	-12,087	-62,837	-26,697	0	-101,621
Closing balance	104,306	27,666	18,865	1,003	151,840

2022	Buildings and land	Machinery and other plant	Equipment, tools, fixtures and fittings	Constructions in progress	Total
Opening balance	104,306	27,666	18,865	1,003	151,840
Exchange rate differences acquisition values	3,286	1,772	869	81	6,008
Acquisitions	1,010	79	1,511	14,339	16,938
Increase through business acquisitions	2,608	0	1,763	0	4,371
Sales and disposals	0	-13,785	-6,231	0	-20,016
Reclassifications	1,586	5,854	2,465	-10,653	-749
Depreciation, reversal on sale	0	13,550	6,208	0	19,758
Exchange rate difference depreciation	-365	-1,272	-639	0	-2,276
Depreciation, through business acquisitions	-152	0	-1,337	0	-1,489
Depreciation	-3,719	-5,869	-6,009	0	-15,597
Closing balance	108,559	27,995	17,465	4,770	158,788

At 31 December 2022

Acquisition values	129,803	86,468	52,610	4,770	273,650
Accumulated amortisation/depreciation	-21,243	-58,473	-35,146	0	-114,862
Closing balance	108,559	27,995	17,465	4,770	158,789

Depreciation of property, plant and equipment by function

	2022	2021
Production and project costs	-13,271	-12,095
Sales costs	-501	-491
Administration costs	-1,826	-1,976
Total	-15,597	-14,562

Property, plant and equipment by geographical market

	31/12/2022	31/12/2021
Sweden	99,115	93,896
Other Scandinavia	343	993
Other Europe	59,330	56,951
Total	158,789	151,840

NOTE 18 INVENTORIES



Accounting policies

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

	31/12/2022	31/12/2021
Inventory	58,446	53,104
Total	58,446	53,104

The item production and project costs includes expenditure on inventories amounting to SEK 51,085 thousand (2021: 38,365 thousand) Other income statement items include cost of inventories amounting to SEK 0 thousand (2021: SEK 0 thousand). Inventories in the Group have been written down by SEK 867 thousand (2021: SEK 914 thousand) during the period.

NOTE 19 ACCOUNTS RECEIVABLES



Accounting policies

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

The provision and reversal of provisions for doubtful receivables are included in the item project, and production costs in the income statement.

	31/12/2022	31/12/2021
Accounts receivables	178,645	156,340
Minus: provision for bad debts	-3,850	-2,792
Accounts receivables – net	174,795	153,548

The ageing analysis of these accounts receivables is shown below:

31/12/2022	SEK thousand	%
Not expired	138,149	79%
1-30 days	22,322	13%
31-60 days	4,337	2%
> 60 days	9,988	6%
Total accounts receivables	174,795	100%

31/12/2021	SEK thousand	%
Not expired	117,715	77%
1-30 days	28,762	19%
31-60 days	1,203	1%
> 60 days	5,868	4%
Total accounts receivables	153,548	100%

Changes in the allowance for bad accounts receivable accounts are as follows:

	31/12/2022	31/12/2021
Opening balance	-2,791	-3,448
Provision for bad debts	-1,865	-1,705
Receivables written off during the year as irrecoverable	805	69
Recovered unused amounts	0	2,293
Closing balance	-3,850	-2,791



Important estimates and assessments

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

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

NOTE 20 CONTRACT ASSETS AND CONTRACT LIABILITIES



Accounting policies

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



Important estimates and assessments

Accounts receivables and contract assets

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

Contract reserve

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

The contract reserve was 0.5% of net sales as of 31 December 2022 (2021: 0.5%) and are reported under Contract assets.

	31/12/2022	31/12/2021
Contract assets	111,941	136,729
Contract liabilities	-124,895	-68,106
Net	-12,954	68,623

Outstanding order backlog at 31 December 2022 was SEK 1,275 million (1,557).

The average project time from customer receipt of a building permit is 3–12 months. The time until the customer receives planning permission varies for each project.

Amounts withheld by the client totalled SEK 0 thousand (2021: SEK 0 thousand).

2021	Accumulated engagement expenses	Less invoiced amounts	Completion expenses	Net amount in the balance sheet for ongoing assignments
Opening balance	1,559,953	-1,525,152	13,330	48,131
New contracts this year	564,215	-544,135	24,316	44,396
Contracts concluded this year	-591,856	587,187	-19,235	-23,904
Closing balance	1,532,312	-1,482,100	18,411	68,623

2022	Accumulated engagement expenses	Less invoiced amounts	Completion expenses	Net amount in the balance sheet for ongoing assignments
Opening balance	1,532,312	-1,482,100	18,411	68,623
New contracts this year	561,376	-652,651	28,564	-62,711
Contracts concluded this year	-752,367	764,676	-31,175	-18,866
Closing balance	1,341,321	-1,370,075	15,800	-12,954

NOTE 21 OTHER RECEIVABLES

	31/12/2022	31/12/2021
VAT receivable	4,556	4,099
VAT deposits	1,515	4,457
Other	22,283	6,624
Total	28,354	15,179

NOTE 22 PREPAID EXPENSES AND ACCRUED INCOME

	31/12/2022	31/12/2021
Prepaid invoices	11,672	8,515
Deposit for premises	443	769
Other	510	1,292
Total	12,625	10,576

NOTE 23 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist entirely of bank deposits. The Group applies a cash pool solution to primarily manage variations in cash flows within the Group. The parent company is the sole contracting party with the bank.

NOTE 24 EQUITY**Accounting policies***Earnings per share before dilution*

Earnings per share before dilution are calculated by dividing:

- profit attributable to equity holders of the parent
- with a weighted average number of ordinary shares outstanding during the period.

Earnings per share after dilution

For the calculation of earnings per share after dilution, the amounts used for the calculation of earnings per share before dilution are adjusted by taking into account:

- the weighted average of the additional ordinary shares that would have been outstanding upon conversion of all potential ordinary shares.

Share capital

Ordinary shares are classified as equity.

NOTE 25 OTHER LIABILITIES

	31/12/2022	31/12/2021
Personal taxes	7,547	6,940
VAT liability	20,748	13,417
Other	6,611	5,769
Total	34,906	26,126

NOTE 26 ACCRUED EXPENSES AND DEFERRED INCOME

	31/12/2022	31/12/2021
Personnel liabilities	50,739	49,691
Other	10,404	7,478
Total	61,143	57,169

NOTE 27 INTEREST-BEARING LIABILITIES



Accounting policies

Borrowing

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

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

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

	31/12/2022	31/12/2021
Non-current liabilities		
Liabilities to credit institutions	72,636	171,727
Lease liabilities	63,312	21,883
Total non-current borrowings	135,948	193,610
Current liabilities		
Liabilities to credit institutions	795	380
Lease liabilities	19,954	20,509
Total current borrowings	20,749	20,889
Total interest-bearing liabilities	156,697	214,499

Interest-bearing liabilities from credit institutions	Carrying amount 31/12/2022	Maturity date
Danske bank	72,326	12/10/2024
AGCO Finance	1,105	30/06/2027
Total interest-bearing liabilities from credit institutions	73,431	

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

Liabilities to credit institutions

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

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

Creditors

Overdraft facilities are available in Swedish kronor.

Unused overdraft facilities amount to SEK 75,000 thousand (2021: SEK 75,000 thousand).

Leasing liabilities

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

Covenants

In 2022, the Group will meet all its commitments under the covenants in force with the bank. There are two covenants, which are measured and reported on a quarterly basis:

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

Change in indebtedness

	01/01/2022	Cash flow	Non-cash transactions				31/12/2022
			Acquisitions	Accumulated interest	Currency effect	Leasing contracts	
Current liabilities to credit institutions	380	415	0	0	0	0	795
Non-current liabilities to credit institutions	171,727	-99,675	0	0	584	0	72,636
Other non-current liabilities	28,331	736	-10,675	0	0	0	18,392
Leasing liabilities	42,392	-25,924	0	1,845	460	64,493	83,266
Total liabilities related to financing activities	242,830	-124,448	-10,675	1,845	1,044	64,493	175,089

	01/01/2021	Cash flow	Non-cash transactions				31/12/2021
			Acquisitions	Accumulated interest	Currency effect	Leasing contracts	
Current liabilities to credit institutions	10,380	-10,000	0	0	0	0	380
Non-current liabilities to credit institutions	203,042	-57,785	26,583	0	-113	0	171,727
Other non-current liabilities	0	0	28,331	0	0	0	28,331
Leasing liabilities	45,931	5,811	0	0	0	-9,350	42,392
Total liabilities related to financing activities	259,353	-61,974	54,914	0	-113	-9,350	242,830

NOTE 28 FINANCIAL INSTRUMENTS



Accounting policies

Financial instruments

Classification

The Group classifies its financial assets and liabilities into the following categories:

- Financial assets and liabilities at fair value through profit or loss, and
- Financial assets and liabilities carried at amortised cost,

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

Recognition and derecognition

Purchases and sales of financial assets are recognised on the trade date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the right to receive cash flows from the instrument has expired or has been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Financial liabilities are removed from the statement of financial position when the obligations have been settled, cancelled or otherwise terminated. The difference between the carrying amount of a financial liability that is extinguished or transferred to another party and the consideration paid, including non-cash assets transferred or liabilities assumed, is recognised in the statement of comprehensive income.

The Group also derecognises a financial liability when the contractual terms are modified and the cash flows from the modified liability are materially different. In that case, a new financial liability is recognised at fair value based on the modified terms, as there is an effect on profit or loss only when there are material changes. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate.

Valuation

Financial assets are initially measured at fair value plus, where the asset is not carried at fair value through profit or loss, transaction costs directly attributable to the purchase. Transaction costs directly attributable to financial assets at fair value through profit or loss are expensed directly in the income statement.

Investments in debt securities (trade and other long-term receivables)

Subsequent measurement depends on the Group's business model for managing the asset and the nature of the cash flows generated by the asset. The Group classifies its investments in debt securities as in the valuation category amortised cost.

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

- Fair value through profit or loss: Assets that do not qualify for recognition at amortised cost are measured at fair value through profit or loss. A gain or loss on a debt security that is carried at fair value through profit or loss under production and project costs and that is not part of a hedging relationship is recognised net in the income statement in the period in which the gain or loss arises.

Impairment losses on financial assets carried at amortised cost

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

Offsetting of financial instruments

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

Derivative instruments

Derivative instruments are held for economic hedging purposes only and not for speculative purposes. The Group does not apply hedge accounting. Derivative instruments are classified as held for trading and are measured at fair value through profit or loss.

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

Accounts payables

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

Conditional purchase price

Financial liabilities are measured at fair value through profit or loss if they are a contingent consideration to which IFRS 3 applies, held for trading, or if they are initially designated as a liability at fair value through profit or loss.

At 31 December 2022	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Borrowings (excl. lease liabilities)	931	3,589	85,201 ¹	0	0
Lease liabilities	5,078	15,234	12,496	23,363	34,023
Conditional purchase price	0	0	17,668	0	0
Derivative instruments	0	3,247	0	0	0
Accounts and other payables	122,758	0	0	0	0
Total	128,767	22,070	115,365	23,363	34,023

At 31 December 2021	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Borrowings (excl. lease liabilities)	0	380	0	171,727 ¹	0
Lease liabilities	0	20,509	10,632	11,251	0
Conditional purchase price	0	0	28,331	0	0
Derivative instruments	0	427	0	0	0
Accounts and other payables	112,159	0	0	0	0
Total	112,159	21,316	38,963	182,978	0

1) Expires 12/10/2024 with option to extend 1–2 years

	31/12/2022	31/12/2021
Total borrowing	156,697	214,499
Of which due to credit institutions	73,431	172,107
Of which lease liabilities	83,266	43,292
Less: cash and cash equivalents	-51,865	-117,497
Less: leasing liabilities	-83,266	-43,292
External loan debt	21,566	54,610
EBITDA	144,493	155,583
Lease amortisation	-23,431	-19,472
EBITDA excluding leasing	121,062	136,111
External debt/EBITDA	0.18	0.40

Management of capital

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

Contingent consideration

In connection with acquisitions, Balco sometimes agrees on contingent consideration. The balance sheet as of 31 December 2022 includes contingent considerations totalling SEK 17.7 (28.3) million. These are conditional on the acquired companies achieving a certain growth in earnings over time. The liability for contingent consideration recognised in the balance sheet reflects management's best estimate of the outcome. In the event that the companies perform better or worse than management's assessment, the difference will be recognised in the income statement.

	31/12/2022	31/12/2021
Opening balance	28,343	30,000
Acquisitions during the year	0	0
Revaluation through profit or loss	592	-1,657
Paid contingent consideration	0	0
Reversed through profit or loss	-11,268	0
Interest costs	0	0
Exchange rate differences	0	0
Closing balance	17,668	28,343

Contingent considerations are related to completed acquisitions in 2021. Liabilities for contingent considerations are revalued on an ongoing basis by management at an estimated fair value based on the acquired companies' performance, established budgets, and business plans and forecasts. This means that the fair value measurement is essentially based on unobservable input (Level 3 as defined in IFRS 13).

Total outstanding considerations as of 31 December 2022 total SEK 17.7 (28.3) million, of which SEK 17.7 (28.3) million are contingent considerations. The contingent consideration liability is in SEK. The considerations recognised as liabilities fall due for payment in 2024.

The following table shows the Group's assets and liabilities measured at fair value as at 31 December 2022

	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit or loss				
Derivative instruments held for trading				
- Currency derivatives	0	1,443	0	1,443
Total assets	0	1,443	0	1,443
Liabilities				
Financial liabilities at fair value through profit or loss				
Other non-current liabilities	0	0	18,392	18,392
Derivative instruments held for trading				
- Currency derivatives	0	3,247	0	3,247
Total liabilities	0	3,247	18,392	21,639

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

	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit or loss				
Derivative instruments held for trading				
- Currency derivatives	0	1,192	0	1,192
Total assets	0	1,192	0	1,192
Liabilities				
Financial liabilities at fair value through profit or loss				
Other non-current liabilities	0	0	28,331	28,331
Derivative instruments held for trading				
- Currency derivatives	0	427	0	427
Total liabilities	0	427	28,331	28,758

Calculation of fair value

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

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

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

Level 1 financial instruments

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

Level 2 financial instruments

The fair value of financial instruments that are not traded in an active market (e.g. OTC derivatives) is determined using valuation techniques. Market information is used as much as possible where available, while

company-specific information is used as little as possible. If all significant inputs required for the fair value measurement of an instrument are observable, the instrument is classified at level 2.

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

Specific valuation techniques used to value financial instruments include:

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

Level 3 financial instruments

The Group's liabilities for contingent considerations related to acquisitions are measured at fair value. These items are recorded at fair value in the balance sheet with changes in value recognised in profit or loss.

Foreign exchange forward contract

The nominal amount of outstanding forward exchange rates at 31 December 2022 was SEK 125,500 thousand (2021: SEK 23,638 thousand). Forward exchange contracts that are not matched by the current currency exposure of projects and other activities are recognised as foreign exchange gains or losses under Production and project costs.

NOTE 29 FINANCIAL RISK MANAGEMENT

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management policy focuses on the unpredictability of the financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative instruments to hedge certain risk exposures. Hedge accounting was not applied in 2021 or 2022.

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

Market risk

(i) Currency risk

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

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

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

If the Swedish krona had weakened/strengthened by 5 öre (5%) against the Norwegian krone with all other variables held constant, the net result for the financial year would have been SEK 3,375 thousand (2021: SEK 616 thousand) higher/lower, mainly due to gains/losses on translation of accounts receivables and payables in NOK, financial assets and liabilities at fair value through profit or loss.

If the Swedish krona had weakened/strengthened by 50 öre (5%) against the euro, with all other variables held constant, the net result for the financial year would have been SEK 1,035 thousand (2021: 613 thousand) lower/higher, mainly as a result of gains/losses on the translation of accounts receivables and payables in EUR, financial assets and liabilities at fair value through profit or loss.

If the Swedish krona had weakened/strengthened by 5 öre (4%) against the Danish krone with all other variables held constant, the net result for the financial year would have been SEK 187 thousand (2021: SEK 404 thousand) higher/lower, mainly due to gains/losses on translation of accounts receivables and payables in DKK, financial assets and liabilities at fair value through profit or loss. Equity is affected accordingly.

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

The Group's interest rate risk arises from long-term borrowings. Borrowings made at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash at variable rates. At the end of 2022, the Group's borrowings consisted of loans in Swedish kronor and Polish zloty, which bear interest at variable rates.

If interest rates on borrowings in Swedish kronor at 31 December 2022 had been 100 basis points (1.0%) higher/lower with all other variables constant, the net result for the financial year would have been SEK -395 thousand (2021: SEK -164 thousand) lower/higher, mainly as an effect of higher/lower interest expenses for borrowings with variable interest rates. Equity is affected accordingly.

Credit risk

The Group has established guidelines to ensure that sales are made to customers with an appropriate credit history. A credit risk assessment of the customer is carried out before each project. The customer's financial position, historical finances and other factors are taken into account. Credit risk is managed by each company in accordance with the Group's credit instructions. Credit risk arises mainly from accounts receivables and contract assets. Historically, the Group's credit losses are small. Pay-

ments are made according to a predetermined payment schedule. The credit period is generally 30 days. A policy exists to insure certain categories of customers.

Liquidity risk

Cash flow forecasts are prepared by the Group's operating companies and aggregated by the finance department. The Group closely monitors rolling cash reserve forecasts to ensure that it has sufficient cash resources to meet the needs of its ongoing operations while maintaining sufficient headroom on undrawn committed credit facilities (note 26) so that the Group does not breach borrowing limits or loan covenants (where applicable) on any of the Group's borrowing facilities.

The table in note 27, Financial instruments, analyses the Group's non-derivative financial liabilities and net derivative financial liabilities by the period remaining to the contractual maturity date at the balance sheet date. Derivative instruments that are financial liabilities are included in the analysis if their contractual maturity dates are material to understanding the timing of future cash flows. The amounts shown in the table are the contractual undiscounted cash flows.

(iii) External risk

Pandemics such as Covid-19 and wars such as Russia's invasion of Ukraine have an impact on the markets in which Balco operates, partly through government decisions but also through changes in people's behaviour. First during the Covid-19 pandemic and then during the effects of Russia's war in Ukraine, with increased inflation, increased energy costs and increased interest rates, we saw that it first has an impact on order intake and order backlog and, if it is long-lasting, also affects turnover and profit. However, the need for renovation of older balconies has not disappeared but remains.

NOTE 30 PLEDGED ASSETS

	31/12/2022	31/12/2021
For liabilities and provisions of own and group companies		
Real estate mortgages	1,090	0
Corporate bonds	2,300	0
Assets with retention of title	704	702
For own pension commitment	5,344	1,649
Total	9,438	2,351

NOTE 31 CONTINGENCIES

In the Group, guarantees are provided for lease commitments in Balco Sp.Zo.o. In connection with construction contracts, security is often provided in the form of guarantees from banks, insurance companies or parent companies for performance. For Balco Group AB, SEK 345 million (2021: 201 million) concerns various guarantees for construction commitments entered into by subsidiaries.

NOTE 32 EVENTS AFTER THE BALANCE SHEET DATE

Balco Group AB announced on 30 November 2022 that its subsidiary TBO Haglinds AB had entered into an agreement to acquire all shares in the company Arutex AB. The acquisition was completed on 2 January 2023.

For several years, Arutex AB has been one of TBO's largest partners, carrying out the actual assembly of balconies and glazing. The purpose of the purchase is to secure the supply of fitters as TBO grows. TBO intends to increase the workforce of Arutex, which will operate as a subsidiary of TBO. Arutex will be consolidated in the Group starting 1 January 2023.

On 2 March, Balco Group AB acquired all shares in the company NMT Montageteknik i Norden AB. The closing took place on the same day, and the acquisition is consolidated from 1 March 2023. The acquisition is expected to make a positive contribution to earnings per share in 2023. NMT Montageteknik was founded in 2016 and offers turnkey balcony renovation. Customers are mainly tenant-owner association. Located in Sundvall, NMT has 11 full-time employees and had sales of SEK 49 million in the last financial year, with an operating profit of SEK 4.4 million. NMT will continue to be run by the current management team, with Kenneth Wirmeskog as CEO. The acquisition strengthens and complements Balco Group's market position in northern Sweden.

Parent company income statement

Amount in SEK thousand	Note	2022	2021
Net sales	38	25,984	23,333
Production and project costs		-1,070	0
Gross profit		24,914	23,333
Administration costs	10,11, 12, 37	-23,080	-20,560
Operating profit		1,834	2,773
Dividend	34	0	888
Interest income	34	3,306	1,690
Interest expenses	34	-8,075	-4,317
Result after financial items		-2,935	1,035
Appropriations	39	62,000	65,000
Profit before tax		59,065	66,035
Tax on profit for the year	36	-12,308	-13,636
Profit for the year		46,757	52,399

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

Parent company balance sheet

Amount in SEK thousand	Note	31/12/2022	31/12/2021
ASSETS			
Non-current assets			
Financial assets			
Shares in group companies	13, 14	702,459	683,197
Other long-term non-current assets	40	3,063	1,738
Total non-current assets		705,522	684,935
Current assets			
Receivables from group companies		126,298	145,472
Other current receivables	41	13,209	0
Tax receivable		11,349	0
Prepaid expenses and accrued income	42	1,139	798
Cash and cash equivalents	23	46,301	116,056
Total current assets		198,296	262,325
TOTAL ASSETS		903,818	947,260
SHAREHOLDERS' EQUITY AND LIABILITIES			
Restricted equity			
Share capital		131,461	131,461
Total restricted shareholders' equity		131,461	131,461
Non-restricted equity			
Share premium reserve		406,327	405,111
Balanced result		-111,849	-120,429
Profit for the year		46,757	52,399
Total non-restricted shareholders' equity		341,235	337,081
Total equity		472,696	468,542
LIABILITIES			
Non-current liabilities			
Liabilities to credit institutions	45, 46	50,000	150,000
Other non-current liabilities	46	20,317	29,116
Total non-current liabilities		70,317	179,116
Current liabilities			
Accounts payables		983	1,787
Liabilities to group companies	46	351,968	278,759
Current tax liabilities	46	0	11,020
Other current liabilities	43	619	1,096
Accrued expenses and prepaid revenues	44	7,235	6,941
Total current liabilities		360,805	299,603
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		903,818	947,260

Parent company statement of changes in equity

Amount in SEK thousand	Share capital	Share premium reserve	Balance sheet result including net profit	Total equity
Opening balance at 1 January 2021	131,461	403,169	-120,429	414,200
Total comprehensive income				
Profit for the year	-	-	52,399	52,399
Total comprehensive income	-	-	52,399	52,399
Transactions with shareholders :				
New warrants issue	-	1,942	-	1,942
Total attributable to shareholders	-	1,942	-	1,942
Closing balance at 31 December 2021	131,461	405,111	-68,030	468,542
Opening balance at 1 January 2022	131,461	405,111	-68,030	468,542
Total comprehensive income				
Profit for the year			46,757	46,757
Total comprehensive income			-21,273	515,299
Transactions with shareholders :				
Dividend	0	0	-43,819	-43,819
New warrants issue	0	1,219	0	1,219
Total attributable to shareholders	0	1,219	-43,819	-42,600
Closing balance at 31 December 2022	131,461	406,327	-65,092	472,696

Parent company statement of cash flows

Amount in SEK thousand	Note	2022	2021
Cash flow from operating activities			
Operating profit		1,834	2,773
Adjustment for non-cash items			
Interest received	34	3,306	1,690
Interest paid	34	-8,075	-4,318
Income tax paid	36	-34,678	-36,103
Cash flow from operating activities before changes in working capital		-37,613	-35,958
<i>Changes in working capital</i>			
Change in operating receivables		5,624	179,338
Change in operating liabilities		134,220	-114,818
Cash flow from operating activities		102,231	28,562
<i>Investment activities</i>			
Investments in subsidiaries		-29,937	-86,171
Disposal of subsidiaries		0	111
Change in non-current receivables		-1,325	-1,382
Cash flow from investing activities		-31,262	-87,442
<i>Financing activities</i>			
Proceeds from borrowings	45	0	150,000
Changes in bank loans	45	-100,000	-190,000
Change in other non-current liabilities		1,876	0
New warrants issue		1,219	1,942
Dividends paid		-43,819	0
Cash flow from financing activities		-140,724	-38,058
Cash flow for the year		-69,755	-96,938
Cash and cash equivalents at the beginning of the year	23	116,056	212,994
Cash and cash equivalents at the end of the year	23	46,301	116,056

Parent company notes

General information

The parent company is based in Växjö and operates directly and indirectly through 16 Swedish and foreign subsidiaries. The activities of the parent company are mainly focused on strategic development, financial management, corporate governance issues, board work and banking relations. The Group's CEO and CFO are employed by the parent company.

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

The same accounting policies are applied in the parent company as in the group, except as indicated below. No change in accounting policy during the financial year or previous year in respect of the parent company.

NOTE 33 GENERAL ACCOUNTING POLICIES

Layout

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

Financial instruments

IFRS 9 is not applied in the parent company. Instead, the parent applies the paragraphs set out in RFR 2 (IFRS 9 Financial Instruments, p. 3-10). Financial instruments are valued at cost. In subsequent periods, financial assets acquired with the intention of being held in the short term will be carried at the lower of cost and market value in accordance with the lower of cost or market principle.

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

Dividends

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

NOTE 34 INTEREST INCOME AND SIMILAR ITEMS AND INTEREST EXPENSE AND SIMILAR ITEMS

	2022	2021
Interest income		
Dividend	0	888
Interest income on bank deposits	3,306	1,690
	3,306	2,578
Interest expenses		
Interest costs	-6,214	-2,597
Other financial expenses	-1,861	-1,720
Interest expenses and similar profit and loss items	-8,075	-4,317
Total	-4,768	-1,739

Intercompany interest recognised in the parent company amounts to SEK 2,377 thousand (2021: SEK 1,525 thousand). The corresponding cost interest rate is SEK 2,748 thousand (2021: SEK 22 thousand).

NOTE 35 LEASING



Accounting policies

Where they exist, all leases are accounted for in accordance with the lease rules. Lease expenses correspond to the payment to the lessor.

	31/12/2022	31/12/2021
Within a year	0	192
Later than one year but within five	0	0
Later than five years	0	0
Total	0	192

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

Operating lease expenses in the parent company during the financial year totalled SEK 192 thousand (2021: SEK 306 thousand).

NOTE 36 INCOME TAXES

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

	2022	2021
Current tax:		
Current tax on profit for the year	-12,308	-13,611
Adjustments relating to previous years	0	-25
Total current tax	-12,308	-13,636
Deferred tax:		
Deferred tax pertaining to temporary differences	0	0
Total deferred tax	0	0
Income tax	-12,308	-13,636
	2022	2021
Profit before tax	59,065	66,035
Income tax calculated at the current tax rate for the parent company, 20.6% (2021; 20.6%)	-12,167	-13,603
Tax effects of:		
-Non-taxable income	3	0
-Non-deductible expenses	-144	-8
-Adjustments relating to previous years	0	-25
Tax expense	-12,308	-13,636
Effective tax rate, %	20.8%	20.6%

NOTE 37 REMUNERATION OF EMPLOYEES

	2022	2021
Salaries and remuneration	-10,599	-9,452
Social security costs	-3,314	-3,739
Pension costs	-1,852	-1,792
Total	-15,765	-14,983

	2022		2021	
	Number on balance sheet date	Of which women	Number on balance sheet date	Of which women
Board members	6	2	6	2
CEO	1	1	1	0
Total	7	3	7	2

	2022		2021	
	Number of employees	Of which women	Number of employees	Of which women
Average number of employees with geographical breakdown by country				
Sweden	3	0	3	0
Total	3	0	3	0

NOTE 38 TRANSACTIONS WITH RELATED PARTIES

	2022	2021
The purchases and sales for the year to other companies within the Group are as follows		
Sales	25,984	23,200
Purchasing	0	0
Total	25,984	23,200

Information on related companies can be found in Note 13.

NOTE 39 APPROPRIATIONS



Accounting policies

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

	2022	2021
Group contribution received	62,000	65,000
Total year-end dispositions	62,000	65,000

NOTE 40 OTHER NON-CURRENT RECEIVABLES

	31/12/2022	31/12/2021
Opening balance	1,738	356
Additional endowment insurance	1,876	773
Additional other non-current receivables	0	609
Outgoing other non-current receivables	-551	0
Closing balance	3,063	1,738

NOTE 41 OTHER CURRENT RECEIVABLES

Parent company	31/12/2022	31/12/2021
Tax account	12,823	0
Other	386	0
Total	13,209	0

NOTE 42 PREPAID EXPENSES AND ACCRUED INCOME

	31/12/2022	31/12/2021
Prepaid invoices	447	798
Other	692	
Total	1,139	798

NOTE 43 OTHER LIABILITIES

	31/12/2022	31/12/2021
Personal taxes	167	231
VAT liability	452	865
Total	619	1,096

NOTE 44 ACCRUED EXPENSES AND DEFERRED INCOME

	31/12/2022	31/12/2021
Personnel liabilities	5,921	5,231
Accrued interest	0	394
Other	1,315	1,317
Total	7,235	6,941

NOTE 45 INTEREST-BEARING LIABILITIES

	31/12/2022	31/12/2021
Non-current liabilities		
Liabilities to credit institutions	50,000	150,000
Total non-current borrowings	50,000	150,000
Current liabilities		
Liabilities to credit institutions	0	0
Total current borrowings	0	0
Total interest-bearing liabilities	50,000	150,000

Change in indebtedness	01/01/2022	Cash flow	31/12/2022
Liabilities to credit institutions	150,000	-100,000	50,000
Total liabilities related to financing activities	150,000	-100,000	50,000

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

No liabilities fall due later than five years from the balance sheet date.

NOTE 46 FINANCIAL INSTRUMENTS

At 31 December 2022	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	0	0	0	50,000 ¹⁾	0
Other non-current liabilities	0	0	20,317	0	0
Liabilities to group companies	351,968	0	0	0	0
Accounts and other payables	983	0	0	0	0
Total	352,951	0	20,317	50,000	0

At 31 December 2021	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Borrowing	0	0	0	150,000 ¹⁾	0
Other non-current liabilities	0	0	18,392	0	0
Liabilities to group companies	278,759	0	0	0	0
Accounts and other payables	1,787	0	0	0	0
Total	280,546	0	18,392	150,000	0

1) Expires 12/10/2024 with option to extend 1–2 years

NOTE 47 PLEDGED ASSETS

	31/12/2022	31/12/2021
For liabilities and provisions of Group companies		
For own pension commitment	2,650	773
Total	2,650	773

NOTE 48 APPROPRIATION OF PROFIT AND SIGNATURES

The Board of Directors has adopted a dividend policy whereby 30-50% of profit after tax is distributed. For the financial year 2022, the Board of Directors has proposed a dividend of SEK 1.50 per share (2021: 2.00), equivalent to about 40% (2021: 49) of the Group's profit after tax. Based on 21,909,348 shares, the dividend totals SEK 32.9 million. (2021: 43.8) Calculated on the last price paid on 30 December 2022, SEK 43.80, the dividend proposal entails a dividend yield of 3.4% (2021: 1.5).

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

The Annual Report and the Consolidated Financial Statements have, as stated above, been approved by the Board of Directors and the CEO on the date indicated by our electronic signature, the Consolidated Statement of Income and Other Comprehensive Income and Statement of Financial Position and the Parent Company's Income Statement and Balance Sheet will be submitted for approval at the Annual General Meeting on 9 May 2023.

At the disposal of the Annual General Meeting, SEK:

Balanced result	294,478,130
Profit for the year	46,757,066
Total	341,235,196

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

To shareholders in the form of a dividend	32,864,022
Profits to be carried forward	308,371,174
Total	341,235,196

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

Växjö

Signature according to the date indicated by our electronic signature.

Ingalill Berglund
Chairman

Thomas Widstrand
Board member

Carl-Mikael Lindholm
Board member

Mikael Andersson
Board member

Vibecke Hverven
Board member

Johannes Nyberg
Board member

Camilla Ekdahl
CEO

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

KPMG AB

Michael Johansson
Authorised public accountant
Auditor in charge

Multi-year overview

SEK MILLION	2022	2021	2020	2019	2018
Condensed consolidated income statement					
Net sales	1,333.6	1,120.5	1,200.0	1,220.6	1,058.1
Gross profit	287.6	296.3	289.4	300.0	253.8
Operating profit before depreciation and amortisation (EBITDA)	144.5	155.6	153.0	176.9	125.9
Operating profit (EBIT)	102.5	118.0	115.4	140.4	105.6
Profit before tax	94.6	111.6	105.7	131.7	99.5
Profit for the year (attributable to equity holders of the parent)	82.8	90.2	77.6	102.8	76.8
Consolidated balance sheet, summary					
Assets					
Goodwill	457.8	448.0	400.9	401.2	401.1
Other fixed assets	377.3	301.8	222.8	245.9	248.7
Accounts receivables	174.8	153.5	175.3	135.5	161.6
Contract assets	111.9	136.7	130.3	149.2	116.9
Other current assets	174.7	205.5	293.9	174.1	134.9
Total assets	1,296.6	1,245.6	1,223.3	1,105.9	1,063.2
Equity and liabilities in summary					
Equity	731.0	692.0	598.6	514.5	440.5
Non-current liabilities	194.3	254.9	248.5	313.7	319.1
Current liabilities	371.3	298.7	376.2	277.6	303.6
Total equity and liabilities	1,296.6	1,245.6	1,223.3	1,105.9	1,063.2
Group cash flow summary					
Cash flow from operating activities	153.0	62.5	111.7	97.2	28.0
Cash flow from investing activities	-52.5	-102.1	-14.3	-10.9	-93.6
Cash flow from financing activities	167.7	-57.5	-1.4	-53.8	46.1
Cash flow for the year	-67.3	-97.1	96.1	32.5	-19.5

No conversion of 2018 for IFRS 16 has been done.

SEK MILLION	2022	2021	2020	2019	2018
Parent company					
Net sales	26.0	23.3	20.0	14.8	15.2
Operating profit	1.8	2.8	-3.0	-2.7	3.7
Profit before tax	59.1	66.0	161.6	4.3	1.0
Total assets	903.8	947.3	1,555.2	522.2	466.7
Equity/Assets ratio %	52.3	49.5	26.6	52.8	64.8

KEY FIGURES

Amount in SEK million (unless otherwise stated)	2022	2021	2020	2019	2018
Net sales, order intake and order backlog					
Net sales	1,333.6	1,120.5	1,200.0	1,220.6	1,058.1
Change in net sales (%)	19.0	-6.6	-1.7	15.4	7.0
Order intake	1,108.6	1,558.3	932.7	1,349.1	1,003.1
Change in new orders (%)	-28.9	67.1	-30.9	34.5	-9.9
Order backlog	1,274.7	1,557.0	1,086.6	1,522.4	1,203.5
Change in order backlog (%)	-18.1	43.3	-28.6	26.5	-2.8
Performance measures					
Gross profit	287.6	296.3	289.4	300.0	253.8
Gross margin (%)	21.6	26.4	24.1	24.6	24.0
Operating profit before depreciation and amortisation (EBITDA)	144.5	155.6	153.0	176.9	125.9
EBITDA margin (%)	10.8	13.9	12.7	14.5	11.9
Operating profit	102.5	118.0	115.4	140.4	105.6
Operating margin (%)	7.7	10.5	9.6	11.5	10.0
Adjusted EBITDA	146.6	157.1	172.4	176.9	140.4
Adjusted EBITDA margin (%)	11.0	14.0	14.4	14.5	13.3
Adjusted operating profit	104.6	119.5	134.8	140.4	120.2
Adjusted operating margin (%)	7.8	10.7	11.2	11.5	11.4
Cash flow					
Operating cash flow	200.3	96.0	196.5	133.9	49.9
Operative cash conversion (%)	136.6	61.1	114.0	75.7	35.6
Capital structure					
Capital employed, average	811.8	716.4	660.2	655.8	555.8
Capital employed excluding goodwill, average	358.9	292.0	259.1	254.7	169.2
Equity, average	710.9	645.3	556.6	477.5	413.4
Net interest-bearing debt	104.8	97.0	45.2	161.9	194.7
Net interest-bearing debt / adjusted EBITDA R12 (times)	0.7	0.6	0.3	0.9	1.4
Return measurement					
Return on capital employed R12 (%)	12.9	16.7	20.4	21.4	21.6
Return on capital employed excl. goodwill R12 (%)	29.2	40.9	52.0	55.1	71.0
Return on equity R12 (%)	10.7	14.0	13.9	21.5	19.0
Equity/Assets ratio (%)	56.3	55.6	48.9	46.5	41.4
Other					
Average number of shares at year-end, thousands	21,909.3	21,909.3	21,909.3	21,461.2	21,428.8
Earnings per share, SEK, before dilution	3.78	4.12	3.58	4.81	3.67
Earnings per share after dilution (SEK)	3.74	4.01	3.51	4.76	3.67
Full-time employees at the end of the year (number)	536	467	428	419	385

For definition of alternative ratios see page 142.
No conversion of 2018 for IFRS 16 has been done.

QUARTERLY REVIEW

SEK MILLION	2022				2021				2020			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Net sales	288.4	351.2	310.8	383.2	250.4	303.5	242.9	323.7	321.2	351.7	258.5	268.6
EBITDA	35.5	38.0	26.3	44.7	30.6	41.6	34.6	48.8	43.6	58.9	38.2	12.3
Operating profit (EBIT)	25.9	27.6	16.0	33.1	21.9	34.4	23.9	37.8	34.2	49.4	28.9	2.8
Adjusted operating profit (EBIT)	26.1	28.4	16.8	33.4	21.9	34.4	25.2	38.1	34.2	49.4	28.9	22.3

Auditor's report

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

OPINIONS

We have audited the annual accounts and consolidated accounts of Balco Group AB for the year 2022 except for the corporate governance statement on pages 78-89 and the sustainability report on pages 60-69. The annual accounts and consolidated accounts of the company are included on pages 58-89 and 93-138 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of parent company and the group as of 31 December 2022 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2022 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 78-89 and the sustainability report on pages 60-69. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and for the Group.

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

BASIS FOR OPINIONS

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

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

OTHER DISCLOSURES

The audit of the annual accounts and consolidation for 2021 has been performed by another auditor who has submitted an audit report dated 8 April 2022 with unmodified opinions in the Report on the annual accounts and consolidation.

AREAS OF PARTICULAR SIGNIFICANCE

Areas of particular significance for the audit are those areas which, in our professional judgement, were the most significant for the audit of the annual accounts and consolidated accounts for the period under review. These areas were addressed in the context of the audit of, and in our opinion on, the annual accounts and consolidated accounts as a whole, but we do not issue separate opinions on these areas.

Valuation of goodwill

See Note 15 of the annual accounts and consolidation for detailed information and description of the area.

Description of the area

In the consolidated balance sheet, goodwill as of 31 December 2022 is reported as SEK 457.8 (448.0) million, which represents 35.3% (36.0%) in relation to total assets. Goodwill and acquisition-related surplus values represent the difference between the value of net assets and the consideration paid in an acquisition.

Unlike other fixed assets, goodwill is not amortised but is tested annually for impairment or when there is an indication of impairment. Future events and new information may change these judgements and estimates, and it is therefore particularly important for management to continuously evaluate whether the value of goodwill can be justified in the light of new information and circumstances.

Impairment tests naturally contain a greater element of estimates and judgements by management, which is why we have considered this to be a key audit matter in our audit.

How the area has been considered in the audit

In our audit, we paid particular attention to the group's impairment testing of the asset item goodwill.

We assessed whether the impairment test performed for goodwill was prepared in accordance with the prescribed discounted cash flow technique.

We also performed procedures to evaluate management's process for testing goodwill for impairment and examined how management identifies cash-generating units.

Furthermore, we evaluated the reasonableness of the assumptions made, performed sensitivity analyses for changed assumptions and evaluated the reasonableness of the applied discount rate.

We assessed the circumstances presented in the disclosures in the annual report and whether the information is sufficiently comprehensive to describe the company's judgements.

Revenue recognition over time

See Notes 2–3 of the annual accounts and consolidation for detailed information and a description of the area.

Description of the area

For 2022, the Group reports net sales of SEK 1,333.6 (1,120.5) million, of which the majority of revenue is recognised over time in accordance with IFRS 15. This means that the projects' expected revenues are recognised continuously during the project period based on calculations and the degree of completion.

Revenue recognition over time means that management must make estimates and judgements regarding, among other things, the degree of completion and profit margin, and changes in these judgements mean that the result for the coming period can be affected.

Given that there is a significant amount of judgement involved in the recognition of revenue and performance related to revenue recognised over time, we have determined that this is a key audit matter.

How the area has been considered in the audit

In our audit, we evaluated the process and internal controls for recognising revenue over time. In particular, we focused on the company's procedures and judgements for measuring progress and completion rates.

We randomly audited projects and followed up against costs, customer invoices and forecasts. We also verified a sample of payments against the project accounts. For the sampled projects, we also evaluated the management's assessment of the final profit margin, which is the basis for recognising revenue over time.

We also examined management's specific assessment of the need for provisions for selected onerous contracts.

We also examined disclosures related to revenue recognition in the annual accounts.

OTHER INFORMATION THAN THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

This document also contains other disclosures than the annual accounts and consolidation and is found on pages 2–57, 60–69, 90–92 and 144–145. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE BOARD OF DIRECTOR'S AND THE MANAGING DIRECTOR

The Board of Directors and the CEO are responsible for the preparation of the annual accounts and consolidated accounts and ensuring they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a

going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intend to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

AUDITOR'S RESPONSIBILITY

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an ISA audit, we exercise professional judgement and maintain professional scepticism throughout the audit. In addition:

- We identify and assess the risks of material misstatement of the annual accounts and consolidation, whether due to fraud or error, design and perform audit procedures, including those based on those risks, and we obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement due to irregularities is higher than that of a material misstatement due to error, as irregularities may include collusion, falsification, deliberate omission, misrepresentation or breach of internal control.

- We obtain an understanding of the parts of the Company's internal control that are relevant to our audit, to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- We evaluate the appropriateness of the accounting policies used and the reasonableness of the accounting estimates and related disclosures made by the Board of Directors and the CEO.
- We draw conclusions as to the appropriateness of the Board of Directors and the Managing Director using the going concern assumption in preparing the annual accounts and consolidated accounts. We also conclude, based on the audit evidence obtained, whether there is any material uncertainty about events or conditions that may cast significant doubt on the ability of the company and the Group to continue as a going concern. If we conclude that there is a material uncertainty, we must draw attention in the auditor's report to the disclosures in the annual accounts and consolidation about the material uncertainty or, if such disclosures are inadequate, modify the opinion on the annual accounts and consolidation. Our conclusions are based on the audit evidence obtained up to the date of the audit report. However, future events or circumstances may cause a company and a group to cease to operate as a going concern.
- We evaluate the overall presentation, structure and content of the annual accounts and consolidation, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- We obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We assume responsibility for the management, supervision and execution of the Group audit. We are solely responsible for our statements.

We must inform the board of directors of, among other things, the planned scope, focus and timing of the audit. We must also communicate significant findings from the audit, including any significant deficiencies in internal control that we identified.

We must also provide the board with a statement that we have complied with relevant professional ethical requirements relating to independence, addressing all relationships and other circumstances that could reasonably affect our independence and, where applicable, measures taken to eliminate the threats or countermeasures taken.

From the areas communicated to the board, we determine which of these areas have been the most significant for the audit of the annual accounts and consolidated accounts, including the most significant assessed risks of material misstatement, and which therefore represent the areas of particular significance for the audit. We describe these areas in the auditor's report unless laws or regulations prevent disclosure of the matter.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

OPINIONS

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Director's and the CEO of Balco Group AB for the year 2022 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Director's and the Managing Director be discharged from liability for the financial year.

BASIS FOR OPINIONS

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

RESPONSIBILITIES OF THE BOARD OF DIRECTOR'S AND THE MANAGING DIRECTOR

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group' equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the Group's financial situation and ensuring that the company's organisation is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner.

The CEO shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and take measures that are necessary to fulfil the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

AUDITOR'S RESPONSIBILITY

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As a part of an audit done in accordance with generally accepted auditing standards in Sweden, we exercise professional judgement and maintain professional scepticism throughout the audit. The audit of the management and the proposal for the appropriation of the company's profit or loss is based primarily on the audit of the accounts. The additional audit procedures performed are based on our professional judgement with regard to risk and materiality. This means that we focus our review on those actions, areas and conditions that are material to the business and where deviations and breaches would have a particular impact on the company's situation. We review and examine the decisions taken, the documentation supporting those decisions, the actions taken and other matters relevant to our disclaimer statement. As a basis for our opinion on the Board of Directors' proposal for the appropriation of the company's profit or loss, we have examined the Board of Directors' reasoned opinion and a selection of the supporting documents in order to assess whether the proposal is in accordance with the Companies Act.

THE AUDITOR'S EXAMINATION OF THE ESEF REPORT

OPINIONS

In addition to our audit of the annual accounts and consolidated accounts, we have also examined that the Board of Directors and the Managing Director have prepared the annual accounts and consolidated accounts in a format that enables uniform electronic reporting (the Esef report) pursuant to Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528) for Balco Group AB for the financial year 2022.

Our examination and our opinion relate only to the statutory requirements.

In our opinion, the ESEF report has been prepared in a format that, in all material respects, enables uniform electronic reporting.

BASIS FOR OPINIONS

We have performed the examination in accordance with FAR's recommendation RevR 1,8 Examination of the ESEF report. Our responsibility under this recommendation is described in more detail in the Auditors' responsibility section. We are independent of Balco Group AB in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTOR

It is the responsibility of the Board of Directors and the Managing Director to ensure that the report has been prepared in accordance with Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), and the existence of such internal control that the Board of Directors and the CEO determine is necessary to prepare the ESEF report without material misstatements, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our task is to express an opinion with reasonable assurance as to whether the ESEF report has been prepared, in all material respects, in a format that complies with the requirements of Chapter 16, Section 4a of the Securities Market Act (2007:528), on the basis of our review.

RevR 18 requires us to plan and execute procedures to achieve reasonable assurance that the Esef report is prepared in a format that meets these requirements.

Reasonable assurance is a high level of assurance, but it is not a guarantee that an engagement carried out according to RevR 18 and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the ESEF report.

The audit firm applies ISQC 1 Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Services Engagements and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with professional ethical requirements, professional standards and legal and regulatory requirements.

The reasonable assurance engagement involves obtaining evidence, through various procedures, that the Esef report has been prepared in a format that enables uniform electronic reporting of the annual accounts and consolidation. We select the actions to be taken, including by assessing the risks of material misstatement in the reporting, whether due to fraud or error. In carrying out this risk assessment, and in order to design procedures that are appropriate in the circumstances, we consider those elements of internal control that are relevant to the preparation of the ESEF report by the Board of Directors and the Managing Director, but not for the purpose of expressing an opinion on the effectiveness of those internal controls. The reasonable assurance engagement also includes an evaluation of the appropriateness and reasonableness of assumptions made by the Board of Directors and the Managing Director.

The audit procedures mainly include validation that the ESEF report has been prepared in a valid XHTML format and a reconciliation of the ESEF report with the audited annual accounts and consolidation.

An audit also includes assessing whether the consolidated income statement, balance sheet, statement of changes in equity, cash flow statement and notes in the ESEF report have been labelled with iXBRL in accordance with the ESEF Regulation.

AUDITOR EXAMINATION OF THE CORPORATE GOVERNANCE STATEMENT

The Board of Directors is responsible for the corporate governance statement on pages 78–89 and for ensuring that it has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR's auditing standard RevR 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Information in accordance with Chapter 6, Section 6, second paragraph, points 2–6 of the Annual Accounts Act and Chapter 7 Section 31(2) of the same Act is consistent with the other parts of the annual accounts and consolidated accounts and is in accordance with the Annual Accounts Act.

AUDITOR'S OPINION ON THE STATUTORY SUSTAINABILITY REPORT

The Board of Directors is responsible for the Sustainability Report on pages 60–69 and for ensuring that it has been prepared in accordance with the Annual Accounts Act.

Our review was conducted in accordance with FAR recommendation RevR 12 Auditor's opinion on the statutory sustainability report. This means that our audit of the Sustainability Report has a different focus and a significantly smaller scope compared to the focus and scope of an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that this review provides a reasonable basis for our opinion. A sustainability report has been prepared.

KPMG AB, Box 456, 351 06, Växjö, Sweden, was appointed auditor of Balco Group AB by the general meeting on 24 May 2022. KPMG AB or auditors working at KPMG AB have been the company's auditor since 2022.

Our audit report was issued on the date indicated by our electronic signature.

KPMG AB

Michael Johansson

Authorised public accountant

Alternative key ratios

ALTERNATIVE KEY RATIOS	DEFINITION	PURPOSE
Return on equity	Profit for the period divided by average equity attributable to equity holders of the parent. The average is calculated as the average of the opening balance and the closing balance for each period.	The measure shows the return generated on the shareholders' capital invested in the company.
Return on capital employed	Adjusted operating profit (EBIT) divided by average capital employed. The average is calculated as the average of the opening balance and the closing balance for each period.	The measure shows the return generated on capital employed and is used by Balco to monitor the profitability of its operations as the measure relates to capital efficiency.
Return on capital employed excluding goodwill	Adjusted operating profit (EBIT) divided by average capital employed excluding goodwill. The average is calculated as the average of the opening balance and the closing balance for each period.	Balco considers that return on capital employed excluding goodwill together with return on capital employed gives an overall picture of Balco's capital efficiency.
Gross profit	Net sales less production and project costs.	Shows the efficiency of Balco's operations and, together with EBIT, provides an overall picture of current profit generation and cost structure.
Gross margin	Gross profit as a percentage of net sales.	Key performance indicators are used to analyse efficiency and value creation.
EBITDA	Earnings before interest, tax, depreciation and amortisation.	Balco believes that EBITDA is a useful measure to show the results generated in its operating activities and a good measure of cash flow from operating activities.
Net external interest-bearing debt	Net interest-bearing debt. For a reconciliation of net debt.	Balco believes that net external debt is a useful measure to show the company's total external debt financing.
Net external interest-bearing debt as a percentage of adjusted EBITDA	Net interest-bearing external debt as a percentage of adjusted EBITDA.	Balco believes that this measure is helpful in demonstrating financial risk and that it is a useful measure for monitoring the company's level of debt.
Adjusted EBITDA	EBITDA adjusted for items affecting comparability. For a reconciliation of Adjusted EBITDA to profit for the period.	Balco believes that Adjusted EBITDA is a useful measure to show the results generated by operating activities adjusted for non-recurring items and primarily uses Adjusted EBITDA in calculating the company's operating cash flow and cash generation.
Adjusted EBITDA margin	Adjusted EBITDA as a percentage of net sales	Balco believes that Adjusted EBITDA margin is a useful measure to show the profit generated in its operating activities.
Adjusted operating margin (EBIT)	Adjusted operating profit (EBIT) as a percentage of net sales.	Balco believes that adjusted operating margin (EBIT) is a useful measure to show the result generated in the operating business after adjusting for non-recurring items.
Adjusted operating profit (EBIT)	Operating profit (EBIT) adjusted for items affecting comparability. For a reconciliation of adjusted operating profit (EBIT) to profit for the period.	Balco therefore considers that adjusted operating profit (EBIT) is a useful measure to show the profit generated in its operating activities and uses the measure primarily to calculate return on capital employed (see above).
Items affecting comparability	Items affecting comparability are specific material items that are disclosed separately because of their size or frequency, such as restructuring costs, impairments, disposals and acquisition costs.	Balco considers that the adjustment for items affecting comparability improves the possibility of comparison over time by excluding records with irregularity in frequency or size. This is to give a more accurate picture of the underlying operating result.
Operating cash conversion	Operating cash flow divided by adjusted EBITDA.	Balco believes it is a good measure to compare cash flow with operating profit.
Operating cash flow	Adjusted EBITDA increased/decreased by changes in working capital and decreased by investments, excluding expansion investments.	Balco uses operating cash flow to monitor the performance of its business.
Organic growth	Net sales excluding acquired growth current period divided by net sales in the corresponding period of the previous year.	Organic growth excludes the effects of changes in the structure of the Group, which allows a comparison of net sales over time.
Net interest-bearing debt	Total long-term and short-term interest-bearing liabilities. For a reconciliation of net debt.	Balco believes that net debt is a useful measure to show the Group's total debt financing.
Working capital	Current assets, excluding cash and cash equivalents and current tax receivables, less current non-interest-bearing liabilities, excluding current tax liabilities.	This measure shows how much working capital is tied up in the business and can be related to net sales to understand how efficiently tied-up working capital is used.
Operating margin (EBIT)	Operating profit (EBIT) as a percentage of net sales.	Balco believes that operating margin, together with sales growth and adjusted working capital, is a useful measure for tracking value creation in the business.
Operating profit (EBIT)	Profit before interest and tax.	Balco believes that operating profit (EBIT) is a useful measure to show the result generated in its operating activities.
Equity/Assets ratio	Equity divided by total assets.	Balco believes that the solvency ratio is a useful measure for the company's survival.
Capital employed	Equity increased by net interest-bearing debt (net external interest-bearing debt.)	Capital employed is used by Balco as a measure of the Group's overall capital efficiency.
Capital employed excluding goodwill	Capital employed minus goodwill.	Capital employed excluding goodwill is used together with capital employed by Balco as a measure of the company's capital efficiency.

Reconciliation against financial statements in accordance with IFRS

Amounts in SEK million	2022	2021
Adjusted operating profit		
Operating profit	102.5	118.0
Acquisition costs	0.5	1.5
Restructuring costs	12.3	-
Adjustment of contingent consideration	-10.7	-
Adjusted operating profit	104.6	119.5
Adjusted EBITDA		
Adjusted operating profit	104.6	119.5
Depreciation	42.0	37.6
Adjusted EBITDA	146.6	157.1
Operating cash flow		
Adjusted EBITDA	146.6	157.1
Change in working capital	65.7	-51.2
Investments, excluding expansion investments	-12.0	-10.0
Operating cash flow	200.3	96.0
Net interest-bearing debt		
Non-current interest-bearing liabilities	135.9	193.6
Current interest-bearing liabilities	20.7	20.9
Cash and cash equivalents	-51.9	-117.5
Net interest-bearing debt	104.8	97.0
Adjusted EBITDA	146.6	119.5
Net interest-bearing debt/EBITDA, times	0.7x	0.6x
Return on capital employed, %		
Equity	729.8	692.0
Net interest-bearing debt	104.8	97.0
Average capital employed	811.8	716.4
Adjusted operating profit (EBIT)	104.6	119.5
Return on capital employed, %	12.9	16.7
Equity/Assets ratio		
Equity attributable to shareholders	729.8	692.0
Total assets	1,296.6	1,245.6
Equity/Assets ratio %	56.3	55.6





Leader in Northern Europe in glazed and open balconies

Balco Group is a leading player in the balcony industry with a focus on offering innovative, patented and energy-efficient solutions for apartment buildings. The Group's customised products help increase the quality of life, safety and value of homes. Through a decentralised and efficient sales process, Balco Group has full control over its value chain from production to delivery. Founded in 1987 in Växjö, the company has more than 500 employees and is a market leader in Scandinavia with operations in several markets in northern Europe.

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