

INTERIM REPORT

Kährs BondCo AB (publ)

Quarter 1, January-March 2023

Kährs Group

STABLE PROFITABILITY DESPITE A DECREASE IN DEMAND

Kährs net sales decreased by -18 percent, which was due to weak development within Residential in the Nordics and Europe, while Commercial showed growth. Profitability was sustained by a continued strong gross margin and good cost control.

FIRST QUARTER 2023

- Net sales amounted to SEK 863 million (1,049), which was a decrease of -18 per cent. Organic change was -25 per cent
- Operating EBITA amounted to SEK 105 million (124), corresponding to an operating margin of 12.2 per cent (11.8)
- Operating profit totalled SEK 96 million (118), corresponding to an operating margin of 11.1 per cent (11.2)
- Profit for the period amounted to SEK 53 million (66)
- Cash flow from operating activities totalled SEK -26 million (16)
- During the first quarter, Kährs also announced another round of capacity reductions to further compensate for the decrease in demand

KEY PERFORMANCE INDICATORS FOR THE GROUP

SEKm	Jan-Mar 2023	Jan-Mar 2022	Jan-Dec 2022	Apr 2022- Mar 2023
Net Sales	863	1,049	4,002	3,816
Organic growth, % ¹	-25%	-	-	-
EBITA	101	124	432	409
EBITA, %	11.7%	11.8%	10.8%	10.7%
Operating EBITA	105	124	464	446
Operating EBITA, %	12.2%	11.8%	11.6%	11.7%
Operating profit (EBIT)	96	118	411	390
Operating profit (EBIT), %	11.1%	11.2%	10.3%	10.2%
Operating EBIT	101	118	443	426
Operating EBIT, %	11.7%	11.2%	11.1%	11.2%
Profit for the period	53	66	226	215
Profit for the period, %	6.1%	6.2%	5.6%	5.6%
Earnings per share before and after dilution, SEK ²	105	129	450	426
Net cash flows from operating activities	-26	16	216	174
Net debt ³	1,136	1,210	1,080	1,136
Equity ratio, %	9.8%	-0.5%	8.2%	9.8%
Return on capital employed, % ¹	23.4%	-	24.9%	23.4%

¹ The Kährs BondCo Group was formed on 31 Aug 2021, which is why there is only organic growth figures for the period Jan-Mar 2023 and no return on capital employed % for the period Jan-Mar 2022 since this figure is based on an average 12-month value

² Number of shares in Kährs BondCo AB (publ) (500,000) used to calculate earnings per share before and after dilution, SEK

³ Net debt excluding effect of IFRS 16

- Definitions of alternative performance indicators are available on page 23 of this report

CHIEF EXECUTIVE'S COMMENTS



The start of 2023 has been a challenge as demand in the housing segment in Europe continued to weaken. In addition, we have tough comparison figures from last year's record-setting quarter with organic growth of 24 per cent.

Our profitability-enhancing measures are demonstrating strength, and our profit margins continue to be at a high level. Despite the drop in demand, we are reporting our second-highest profit for a first quarter to date from increased gross margins, continued growth in Commercial, and successfully adapting our operations to lower demand.

Our financial position enables us to continue to invest in our strategy of more long-term acceleration in both the USA and select markets in Europe outside of the Nordics with the help of new, innovative and sustainable product platforms and the further development of digital interfaces with our customers.

Performance and growth - Focus on customer & market optimisation and capacity adaptation

The first quarter was greatly influenced by a macroenvironment that continued to present challenges and was impacted by persistent high inflation and rising interest rate levels, which has a crucial impact on demand for new homes and home renovations. Kährs' sales decreased organically by 25 per cent, in line with the market development in our main market areas. A weak renovations market in Europe, a drop in e-Commerce and retail in the USA, and the effects of our decision to break off our Russian operations after the start of the war in Ukraine, are the main reasons.

Our profit margins continue to be at a high level through a strong focus on price, customer and market optimisation, the launch of new products at new attractive price points, and good cost control. The rapid price increases on input goods, energy and transports that occurred in 2022 have slowed in 2023. Our price strategy continues to have an impact with improved gross margins in the first quarter, in line with what we reported in 2022.

By quickly adapting the operations to a weaker business cycle, we have successfully held our debt ratio, net debt in relation

to EBITDA, at 2.1. This is due to maintained good profitability while experiencing tighter cash flow due primarily to slightly higher capital tie-up in inventory. This will decrease gradually as our production capacities are reduced.

Major progress in Kährs' climate work

The emissions reduction of 63 per cent between 2020 and 2022 means that CO₂ emissions have already been cut in half, three years earlier than the initial ambition. Kährs has therefore decided to raise its ambitions even higher and set the goal of its own operations being carbon neutral already by 2030. I am pleased to see the changes and the advancements made within our operations to reduce carbon emissions. I look forward to continuing the work and we are proceeding within the framework of the Science Based Targets initiative to get our ambitious targets verified based on our mapping, and together with our suppliers continue influence the emissions within Scope 3.

Forecasts – Low consumer confidence creates challenges for demand in the housing segment in coming quarter

Our backlog is continuing to fall below pre-pandemic levels. We are seeing clear signs of a continued relatively low activity short term in new construction and renovations in Europe at the same time as our customers holding inventory are reducing their capital tie-up and risk. However, we are seeing that demand is at a good level in select subsegments in North America and that customers in our main markets will have their inventory in balance during the second half of the year. We are also seeing continued growth in Commercial. Lower demand in Russia and thus decreased order intake in the Russian operations, which we previously communicated that we intend to divest, is having a negative impact on the Group's total order intake like in the previous quarter.

Kährs is continuing to adapt its operations to the new market conditions with a focus on cost control and capacity adjustments to ensure continued low debt and strong cash flow. The implementation of our action plan to lower the capacity in our European factories in stages is progressing according to plan. We are continuing to be prepared to further adapt our operations.

More sustainable construction, a focus on housing quality, and demand for sustainable flooring products with good design mean that we continue to be optimistic in the long term. Consumers' increased interest in their home and immediate surroundings and the possibility of working from home are clear trends that create more opportunities for Kährs.

Johan Magnusson
President and CEO

GROUP PERFORMANCE JANUARY-MARCH 2023

NET SALES

Total net sales for the Group was SEK 863 million (1,049) for the first quarter. This corresponds to an organic decrease in sales of -25 per cent. Residential decreased with -28 per cent as a result of a sharp decrease in demand on the renovations market at the same time as the distribution chain had well-stocked inventory to protect against the delivery disruptions during large parts of 2022 due to the war in Ukraine.

Europe is the region that has been affected the most, with an organic sales decrease of -34 per cent. Nordics decreased with -15 per cent, and sales here have been held up by the project market, where completion of new construction continued to be at a good level during the first quarter. North America decreased by 17 per cent but against a very strong first quarter 2022, where, among other things, we restocked inventory at one of our largest customers. Commercial continues to progress favourably with organic growth of 5 per cent, generated primarily outside of the Nordics.

OPERATING PROFIT

Operating EBITA totalled SEK 105 million (124), corresponding to an operating margin of 12.2 per cent (11.8). During the first quarter, Kährs continued to have a positive price development on energy transactions and primarily pellets sales, which were strong contributors to the positive earnings performance. Furthermore, the cost of raw materials stabilised, which also contributed to improved margins.

During the first quarter, Kährs was impacted negatively by SEK -6 million due to a revaluation of energy derivatives following the continued slow decline in energy prices from Kährs' contracted forwards as at 31 March 2023. The corresponding impact on first quarter 2022 was a positive revaluation of SEK 8 million.

Operating profit (EBIT) amounted to SEK 96 million (118). Comparative items in the quarter amounted to SEK 5 million (0), primarily linked to restructuring, and with these in consideration operating EBIT amounts to SEK 101 million (118). For further details see note 4.

Consolidated total depreciation/amortisation for the quarter totalled SEK 14 million (11), including IFRS 16.

NET SALES PER REGION

As of 1 January 2023, Kährs changed its regional breakdown as a consequence of that we have chosen to completely isolate Russia in terms of both accounting and follow-up. Russia has therefore become its own region after previously being part of Emerging Markets. In conjunction with this, the Baltics was added to Nordics and Eastern Europe was added

to West & South Europe, which also was renamed to simply Europe. Emerging Markets therefore retains Middle East, China and Other markets. All sales figures in the tables below in the section on net sales per region have been restated so that all comparable figures show the current regional structure.

RESIDENTIAL NORDICS

SEKm	Jan-Mar 2023	Jan-Mar 2022	Jan-Dec 2022	Apr 2022- Mar 2023
Residential Nordics	396	467	1,833	1,761
Residential Europe	197	267	1,029	959
Residential North America	94	105	383	372
Residential Emerging Markets	18	20	53	51
Russia	45	105	327	268
Commercial	73	70	299	302
Other	39	15	79	103
Net sales Group, external customers	863	1,049	4,002	3,816

First quarter

Net sales for the region Residential Nordics totalled SEK 396 million (467) during the first quarter. This resulted in decrease of -16 per cent, of which the organic sales decrease was -15 per cent.

Demand in the construction and real estate sector continued to be stable during the period, while demand in retail was significantly lower than in the previous year. One important

driver behind the lower demand is the high inventory levels in Kährs' retail distribution, which resulted in low sales into retail during the quarter.

The focus during the first quarter has been on investments to establish new customers and cost control measures to adapt Kährs to the new market conditions in the Nordics & the Baltics.

RESIDENTIAL EUROPE

SEKm	Jan-Mar 2023	Jan-Mar 2022	Jan-Dec 2022	Apr 2022- Mar 2023
Residential Nordics	396	467	1,833	1,761
Residential Europe	197	267	1,029	959
Residential North America	94	105	383	372
Residential Emerging Markets	18	20	53	51
Russia	45	105	327	268
Commercial	73	70	299	302
Other	39	15	79	103
Net sales Group, external customers	863	1,049	4,002	3,816

First quarter

Net sales for the region Residential Europe totalled SEK 197 million (267) during the first quarter. This corresponds to a decrease in sales of -26 per cent compared to the previous year, of which the organic decrease was -34 per cent. Demand on the market was significantly lower than in the previous

year. Kährs' distributors continued to have well-stocked inventories in the first quarter, and their focus has been on reducing their inventory levels, which led to low sales for Kährs in the quarter. Cost control has been in focus in the quarter, and costs were adjusted downward in line with demand.

NET SALES PER REGION, CONT'D.

RESIDENTIAL NORTH AMERICA

SEKm	Jan-Mar 2023	Jan-Mar 2022	Jan-Dec 2022	Apr 2022- Mar 2023
Residential Nordics	396	467	1,833	1,761
Residential Europe	197	267	1,029	959
Residential North America	94	105	383	372
Residential Emerging Markets	18	20	53	51
Russia	45	105	327	268
Commercial	73	70	299	302
Other	39	15	79	103
Net sales Group, external customers	863	1,049	4,002	3,816

First quarter

Net sales for the region Residential North America totalled SEK 94 million (105) during the first quarter. This is a sales decrease of -8 per cent, of which the organic decrease was -17 per cent. Demand on the market was negatively impacted by interest rate increases, which resulted in a contraction in

the renovations market and fewer consumers visiting retail chains. Thanks to Kährs' diversified customer structure in North America, the downturn in retail was partly offset by projects for apartment buildings.

RESIDENTIAL EMERGING MARKETS

SEKm	Jan-Mar 2023	Jan-Mar 2022	Jan-Dec 2022	Apr 2022- Mar 2023
Residential Nordics	396	467	1,833	1,761
Residential Europe	197	267	1,029	959
Residential North America	94	105	383	372
Residential Emerging Markets	18	20	53	51
Russia	45	105	327	268
Commercial	73	70	299	302
Other	39	15	79	103
Net sales Group, external customers	863	1,049	4,002	3,816

First quarter

Net sales for the region Residential Emerging Markets totalled SEK 18 million (20) during the first quarter. This was a decrease in sales of -10 per cent, of which the organic decrease was -1 per cent.

The sales in the region were in line with the previous year, largely thanks to new customers. China was slightly below the previous year, but this was primarily related to limited availability of specific products for the market.

NET SALES PER REGION, CONT'D.

RUSSIA

SEKm	Jan-Mar 2023	Jan-Mar 2022	Jan-Dec 2022	Apr 2022- Mar 2023
Residential Nordics	396	467	1,833	1,761
Residential Europe	197	267	1,029	959
Residential North America	94	105	383	372
Residential Emerging Markets	18	20	53	51
Russia	45	105	327	268
Commercial	73	70	299	302
Other	39	15	79	103
Net sales Group, external customers	863	1,049	4,002	3,816

First quarter

Net sales for the region Russia totalled SEK 45 million (105) during the first quarter. This was a decrease of -57 per cent, of which the organic decrease was -64 per cent.

Demand in first quarter 2022 was exceptional as customer filled their floor inventories in conjunction with the outbreak

of the war. The product supply is now more limited in Russia since the Kährs brand is no longer sold there, and products produced outside of Russia have not been taken into Russia. As a result, sales in the region continued to fall.

COMMERCIAL

SEKm	Jan-Mar 2023	Jan-Mar 2022	Jan-Dec 2022	Apr 2022- Mar 2023
Residential Nordics	396	467	1,833	1,761
Residential Europe	197	267	1,029	959
Residential North America	94	105	383	372
Residential Emerging Markets	18	20	53	51
Russia	45	105	327	268
Commercial	73	70	299	302
Other	39	15	79	103
Net sales Group, external customers	863	1,049	4,002	3,816

First quarter

Net sales for the region Commercial totalled SEK 73 million (70) during the first quarter. This corresponds to growth of 4 per cent, of which organic growth was 5 per cent.

The USA and DACH were the primary drivers behind the increase in sales during the period. In the USA, Quartz sales in the customer segment "schools/education" increased sharply in the first quarter.

In the Nordic countries, we are seeing a weaker development due to macroeconomic factors, and order intake in the first

quarter was lower than in fourth quarter 2022. In Finland and Norway, we are noting weaker sales compared to the first quarter of the previous year, while Sweden is posting better sales for the comparison period.

From a product and category perspective, the increase in sales derives primarily from Quartz and the LVT range, while the sales from the Enomer portfolio are in line with the first quarter of the previous year.

CASH FLOW AND INVESTMENTS

Cash flow from operating activities totalled SEK -26 million (16) in the first quarter. Cash flow before interest rates and taxes was good due to a strong operating profit, SEK 139 million (158). Interest paid totalled SEK 32 million (27), which primarily consists of interest on the bond loan. Adjusted for currency effects, total working capital increased by SEK 126 million during the quarter (113). The primary cause of the increase in working capital is the increase in inventories by SEK 74 million (-71).

Cash flow for the period amounted to SEK -53 million (-41).

NET FINANCIAL EXPENSES

Net financial expenses totalled SEK 30 million (37) for the first quarter of 2023. Financial expenses consist primarily of interest expenses of SEK 35 million (24), of which the bond financing of SEK 31 million. In addition, there are other financing expenses of SEK 4 million (5) and currency gains of SEK 9 million (-8).

FINANCIAL POSITION

Consolidated net debt totalled SEK 1,137 million as at 31 March 2023.

NET DEBT

SEKm	31 Mar 2023	31 Mar 2022	31 Dec 2022
Lease liabilities	112	104	116
Liabilities to credit institutions	1,436	1,433	1,435
Other	3	1	2
Total interest-bearing liabilities	1,551	1,538	1,553
Less:			
Lease liabilities	-112	-104	-116
Cash and cash equivalents including Interest-bearing receivables	-302	-224	-357
Net debt	1,137	1,210	1,080

Cash and cash equivalents in the Group totalled SEK 302 million (224) as at 31 March 2023. The Group has utilised SEK 0 million (0) of the existing revolving credit facility of SEK 650 million (650), of which SEK 200 million (200) is conditional on potential acquisitions. Consequently, available liquidity for the Group as at 31 March 2023 was SEK 952 million (874), allowing good flexibility moving forward.

TAX

The tax expense for the first quarter totalled SEK 13 million (16), which corresponds to a tax rate of 20 per cent.

GENERAL INFORMATION

EVENTS AFTER BALANCE SHEET DATE

After the balance sheet date, Kährs announced that its work to reduce CO₂ emissions in the company was progressing much faster than planned. In its environmental goals linked to the green bond financing, Kährs stated that its goal was to reduce CO₂ emissions by -40% between 2020 and 2025. Kährs has already reduced its emissions in 2022 by -63% and has thus surpassed its goal by a large margin 3 years earlier than planned. Work will continue to reduce the company's footprint, and Kährs has now raised its ambition and set its goal to be climate neutral by 2030.

RELATED-PARTY TRANSACTIONS

Transactions with related parties are priced in accordance with current market terms and prices. Related parties refer to companies over which Kährs BondCo AB (publ) has a controlling or significant influence in terms of the operational and financial decisions. Related parties also include those companies and individuals, such as the board of directors and members of management, who have the ability to control or exercise significant influence over the Group's financial and operational decisions.

There have been no related party transactions during the period.

RISKS AND UNCERTAINTIES

All business operations involve risk and controlled risk taking is necessary to maintain good and sustainable profitability for a company. Risks may depend on events in the outside world and may affect a specific sector or market; risks can also be specific to an individual company or country. At Kährs Group, risk management is a continual process that is conducted within the framework of operational governance and forms a natural part of the day-to-day monitoring of operations.

Kährs is a global Group that operates in many countries. This means that the Group is exposed to a number of commercial and financial risks. Risk management is therefore an important part of Kährs' work to achieve the goals it has set. Effective risk management is a continual process within operational governance. It forms part of the ongoing review and forward-looking assessments of the business. Kährs' long-term risk exposure is not expected to differ from the exposure from its day-to-day activities.

Risks in terms of financial reporting are mainly assessed to be material errors in the accounts, for example, the valuation of assets. Other risks include fraud and losses through embezzlement. Risk management is built into every process, while various methods are used to assess and limit risks and to ensure that the risks to which Kährs is exposed are managed in accordance with established policies, instructions and follow-up routines designed to reduce potential risks and to promote correct accounting, reporting and information.

The risks identified for financial reporting are managed through the company's control activities, such as authorisation controls in IT systems and approval controls that are based on Kährs' Finance Manual. The control structure comprises clear organisational roles that enable an efficient allocation of responsibilities for specific control activities; this aims to identify or prevent in time the risk of reporting errors. Every unit has its own controller/finance manager that is involved in evaluating their own reports with the central finance function. The continual analysis of financial reporting, alongside the analysis conducted at Group level, is extremely important to ensure that financial reporting is free of any material errors.

The CEO is responsible for internal control being organised and followed up in accordance with the guidelines adopted by the Board of Directors. The CEO is also responsible for ensuring that independent and objective reviews are conducted in order to systematically assess and propose improvements to the Group's processes for governance, internal control and risk management. Financial governance and control are performed by the central finance function. Kährs' executive management team reviews results on a monthly basis, analysing any deviations from the budget, forecasts and data from previous years. The Board of Directors receives monthly financial reports and follows up on financial reporting at each of its meetings. The Board of Directors and the executive management team review financial reporting ahead of the publication of the annual report. External financial auditing takes place continuously over the financial year based on the audit plan. The company's auditors report their observations to the Board. The external auditors are also tasked with annually monitoring the internal control of the Group's subsidiaries.

Market risks

Kährs is exposed to competition in the flooring industry and the fluctuations in raw material prices that affect profit and capital tied-up. Pandemics and conflicts/wars are external factors that may affect Kährs, and there is uncertainty as to how these will affect Kährs in the future. The war in Ukraine has had a limited impact on Kährs' operations outside of Russia, while the Russian unit has been isolated within Kährs to operate solely within Russia's borders.

Operational risks

Kährs is exposed to operational risks, for example, faults in manufactured products. Activities to introduce a similar management system at each of the Group's production facilities have been introduced to prevent this from happening.

Legal risks

Kährs operates in many countries, which means that it can become involved in disputes and legal processes. Kährs continually monitors any outstanding and potential disputes and other legal issues. These are reported in the Audit

Committee, which assesses them and recommends whether a provision should be made for them.

Foreign exchange risks

The Group's reporting currency is the Swedish krona. As a significant proportion of the Group's operations is carried out outside Sweden, the company has specific risks involved with operational and financial transactions in different countries (foreign currency exposure). The Group is also exposed to foreign exchange risks when translating the balance sheets and income statements of its subsidiaries (translation exposure). The main currencies that the Group is exposed to are: EUR, USD, GBP, NOK, RUB, RON and CHF. The Group's foreign currency flows are not hedged.

Financing and interest risk

A new financing was implemented in connection with the formation of Kährs BondCo AB (publ). The financing consists of an RCF facility of SEK 650 million in Kährs Holding AB (Publ) and a Sustainable linked Bond loan of SEK 1,450 million in Kährs BondCo AB (Publ).

The group's interest rate risk refers to long-term loans. Loans taken out at variable interest rates expose the group to interest rate risks in the cash flow, which are partially offset by cash and cash equivalents at variable interest rates.

The bond loan runs at a variable interest rate based on three-month STIBOR + 6.0 percent and is set every three months. The interest rate on the bond loan as of March 31, 2023 was 9.193 percent per annum (6.0). If the variable interest rate on the bond loan changes by +/- 100 points (1 percentage point), given that all other variables are constant, the annual result will be affected by approximately +/- SEK 14.7 million (14.7). The assessment is that the financing risk and the interest rate risk are low.

PARENT COMPANY

Net sales in the parent company for the period January to March 2023 totalled SEK 0 million (0), with a result after tax of SEK -21 million (-17). The parent company's income statement and balance sheet are presented on pages 15–16 in this interim report.

EMPLOYEES

As at 31 March 2023, the Group had 1,377 (1,500) employees, of which 941 (1,045) were blue-collar workers and 436 (455) white-collar workers.

FINANCIAL REPORTING CALENDAR

Kährs BondCo AB (publ)'s interim reporting as well as its annual financial reports are available on the Kährs website, kahrsgroup.com.

Reporting calendar:

- | | |
|---------------------------|------------------|
| • Interim Report Q2, 2023 | 24 August 2023 |
| • Interim Report Q3, 2023 | 23 November 2023 |
| • Year-End-Report, 2023 | 22 February 2024 |

GOVERNING TEXT

This interim report has been prepared in both Swedish and English. The Swedish text shall govern for all purposes and prevail in the event of any discrepancy between the versions.

The Board of Directors and the CEO certify that the interim report provides a true and fair overview of the operations, financial position and results of the Parent Company and the Group and describes the material risks and uncertainties faced by the Parent Company and the companies in the Group.

Malmö, 25 May 2023 Kährs BondCo AB (publ)

Anders Wassberg
Chairman

Christoffer Marköö
Member

Jan Johansson
Member

Jonas Köhlin
Member

Mats Therman
Member

Lisa Gøttler
Member

Johan Magnusson
President and CEO

The information in this interim report is that which Kährs BondCo AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation (MAR). The information was submitted for publication at 8 a.m. CET on 25 May 2023.

This interim report has not been reviewed by the company's auditors.

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Corporate Identity number:
559339-3621

FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

SEKm	Note	Jan-Mar 2023	Jan-Mar 2022	Jan-Dec 2022	Apr 2022-Mar 2023
Net sales	3	863	1,049	4,002	3,816
Cost of goods sold	4	-633	-816	-3,047	-2,863
Gross profit		230	233	955	953
Selling and distribution expenses	4	-93	-93	-394	-394
Administrative expenses	4	-34	-30	-150	-154
Other operating income		0	9	6	-3
Other operating expenses		-7	-1	-6	-12
Operating profit (EBIT)	4	96	118	411	390
Financial income		6	2	8	12
Financial expenses		-36	-39	-137	-134
Profit before tax		66	81	282	268
Tax		-13	-16	-56	-53
Profit for the period		53	65	226	215
Attributable to:					
Shareholders of the parent company		53	65	225	213
Non-controlling interests		0	0	1	1
Total		53	65	226	214

Earnings per share before and after dilution, SEK	105	129	450	426
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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SEKm	Note	Jan-Mar 2023	Jan-Mar 2022	Jan-Dec 2022	Apr 2022-Mar 2023
Profit for the period		53	65	226	214
Other comprehensive income					
Items that may be reclassified in the income statement:					
Translation differences		-17	11	92	64
Items that cannot be reclassified in the income statement:					
Actuarial gains and losses for pensions		0	0	0	0
Total		-17	11	92	64
Total comprehensive income for the period		36	76	318	278
Attributable to:					
Shareholders of the parent company		35	73	317	279
Non-controlling interests		1	3	1	-1
Total		36	76	318	278

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

SEKm	Note	31 Mar 2023	31 Mar 2022	31 Dec 2022
ASSETS				
Non-current assets				
Intangible assets		175	191	180
Property, plant and equipment, owned		570	595	584
Property, plant and equipment, right-of-use		106	109	114
Financial assets		31	26	31
Deferred tax assets		28	30	29
Total non-current assets		910	951	938
Current assets				
Inventories		1,032	621	961
Trade receivables		361	503	397
Derivatives		-	17	4
Other current assets		113	64	144
Cash and cash equivalents		301	224	356
Total current assets		1,807	1,429	1,862
TOTAL ASSETS		2,717	2,380	2,800
EQUITY AND LIABILITIES				
Equity				
Share capital		1	1	1
Reserves		-50	-114	-33
Retained earnings		311	99	259
Total		262	-14	227
Attributable to non-controlling interests		4	2	3
Total equity		266	-12	230
Non-current liabilities				
Interest-bearing liabilities	7	1,506	1,494	1,506
Provision for pensions		1	1	1
Other provisions		3	3	3
Other non-current liabilities		-	-	-
Deferred tax liabilities		80	75	82
Total non-current liabilities		1,590	1,573	1,592
Current liabilities				
Interest-bearing liabilities	7	45	44	47
Other provisions		20	29	20
Trade payables		312	318	378
Income tax payables		47	23	33
Derivatives		2	-	-
Other current liabilities		435	405	500
Total current liabilities		861	819	978
TOTAL EQUITY AND LIABILITIES		2,717	2,380	2,800

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

SEKm	Note	Share capital	Reserves	Retained earnings	Total	Non-controlling interests	Total equity
As at 1 January 2023		1	-33	259	227	3	230
Profit for the period				52	52	1	53
Other comprehensive income			-17	0	-17	0	-17
Total comprehensive income		0	-17	52	35	1	36
Transactions with shareholders:							
Dividend				0	0	0	0
As at 31 March 2023		1	-50	311	262	4	266

SEKm	Note	Share capital	Reserves	Retained earnings	Total	Non-controlling interests	Total equity
As at 1 January 2022		0	-124	946	822	2	824
Profit for the period			0	65	65	0	65
Other comprehensive income			10	0	10	0	11
Total comprehensive income		0	10	65	75	0	76
Transactions with shareholders:							
Intra-group restructuring		1	0	-912	-911	0	-912
As at 31 March 2022		1	-114	99	-14	2	-12

SEKm	Note	Share capital	Reserves	Retained earnings	Total	Non-controlling interests	Total equity
As at 1 January 2022		0	-124	946	822	2	824
Profit for the period			0	225	225	1	226
Other comprehensive income			91	0	92	0	92
Total comprehensive income		0	91	225	317	1	318
Transactions with shareholders:							
Intra-group restructuring		1	0	-912	-912	0	-912
As at 31 December 2022		1	-33	259	227	3	230

CONSOLIDATED STATEMENT OF CASH FLOWS

SEKm	Note	Jan-Mar 2023	Jan-Mar 2022	Jan-Dec 2022	Apr 2022- Mar 2023
Operating activities					
Profit before tax		66	81	281	268
Adjustments of non-cash items	8	73	77	290	284
Cash flow before interest and tax		139	158	571	552
Interest received		0	0	3	3
Interest paid		-32	-27	-104	-109
Income tax paid		-7	-2	-20	-25
Net cash flow from operating activities before change in working capital		100	129	450	421
Change in working capital					
Change in inventories		-74	71	-246	-391
Change in operating receivables		69	-221	-112	178
Change in operating liabilities		-121	37	124	-34
Net cash flows from operating activities		-26	16	216	174
Investing activities					
Business combinations		0	-1,286	-1,286	0
Investment in tangible assets		-12	-7	-49	-54
Investment in financial assets		0	-9	-3	6
Proceeds from sale of tangible assets		0	0	1	1
Net cash flows from investing activities		-12	-1,302	-1,337	-47
Financing activities					
Unconditional shareholder contributions		0	398	398	0
Sustainable linked corporate bond		0	1,450	1,450	0
Repayment of loans		0	-591	-591	0
Payment of lease liabilities		-15	-12	-57	-60
Net cash flows from financing activities		-15	1,245	1,200	-60
Cash flow for the period		-53	-41	79	67
Cash and cash equivalents at beginning of period		356	268	268	224
Exchange-rate differences in cash and cash equivalents		-2	-3	9	10
Cash and cash equivalents at end of period		301	224	356	301

PARENT COMPANY INCOME STATEMENT

SEKm	Jan-Mar 2023	Jan-Mar 2022	Jan-Dec 2022	Apr 2022- Mar 2023
Net Sales	-	-	-	-
Cost of goods sold	-	-	-	-
Gross profit	-	-	-	-
Selling expenses	-	-	-	-
Administrative expenses	0	0	0	0
Other operating income	-	-	-	-
Other operating expenses	-	-	-	-
Operating profit (EBIT)	0	0	0	0
Financial income	12	6	32	38
Financial expenses	-33	-23	-102	-112
Result after financial items	-21	-17	-70	-74
Provision for accrual fund	-	-	-13	-13
Group contribution, received	-	-	79	79
Result before tax	-21	-17	-4	-8
Tax	-	-	-8	-8
Result for the period	-21	-17	-12	-16
Attributable to shareholders of the parent company	-21	-17	-12	-16
Total	-21	-17	-12	-16

PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME

SEKm	Jan-Mar 2023	Jan-Mar 2022	Jan-Dec 2022	Apr 2022- Mar 2023
Result for the period	-21	-17	-12	-16
Other comprehensive income				
Items that may be reclassified in the income statement:				
Translation differences	-	-	-	-
Other comprehensive income, net of tax	-21	-17	-12	-16
Total comprehensive income for the period	-21	-17	-12	-16
Attributable to shareholders of the parent company	-21	-17	-12	-16
Total	-21	-17	-12	-16

PARENT COMPANY STATEMENT OF FINANCIAL POSITION

SEKm	Note	31 Mar 2023	31 Mar 2022	31 Dec 2022
ASSETS				
Non-current assets				
Financial assets		1,932	1,900	1,932
Deferred tax assets		-	-	-
Total non-current assets		1,932	1,900	1,932
Current assets				
Other current assets		90	6	78
Cash and cash equivalents		1	8	1
Total current assets		91	14	79
TOTAL ASSETS		2,023	1,914	2,011
EQUITY AND LIABILITIES				
Equity				
<i>Restricted equity</i>				
Share capital		1	1	1
Statutory reserve		-	-	-
Total restricted equity		1	1	1
<i>Unrestricted equity</i>				
Retained earnings		476	488	488
Result for the period		-21	-17	-12
Total unrestricted equity		455	471	476
Total equity		456	472	477
Untaxed reserves				
Tax allocation reserve		13	-	13
Total untaxed reserves		13	-	13
Non-current liabilities				
Interest-bearing liabilities		1,436	1,433	1,435
Deferred tax liabilities		3	3	3
Total non-current liabilities		1,439	1,436	1,438
Current liabilities				
Current tax liability		8	-	8
Other current liabilities		107	6	75
Total current liabilities		115	6	83
TOTAL EQUITY AND LIABILITIES		2,023	1,914	2,011

NOTES

NOTE 1. ACCOUNTING POLICIES

This interim report has been prepared in accordance with the rules for interim reporting set out in the Swedish Annual Accounts Act and IAS 34 Interim Financial Reporting. The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards as they have been adopted by the EU. Furthermore, RFR 1 Supplementary Accounting Rules for Groups is applied. The parent company's accounts have been prepared in accordance with RFR 2, Accounting for Legal Entities and the Swedish Annual Accounts Act.

Applied accounting policies are consistent with those applied in the preparation of the 2022 annual report, apart from changed standards that apply from 1 January 2023. The changes have had no material impact on the financial reports. For more information, see note C2 "Basis for establishment and summary of significant accounting policies" on pages 33–40 and the section "New or amended accounting standards applied in 2023 or later" on page 35 of the 2022 annual report.

NOTE 2. SIGNIFICANT ASSESSMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of this interim report in accordance with the accounting policies that have been applied requires the Board of Directors to make certain estimates and assumptions that may affect the carrying amounts of assets, liabilities, revenue and expenses. The areas in which the estimates and

assumptions are of material significance for the Group and where changes may affect the financial reporting are set out in Note C3 "Significant assessments, estimates and assumptions" on pages 40-41 in the annual report 2022.

NOTE 3. NET SALES BY REGION

From the first quarter of 2023, Kährs has made an organisational change which means that the Russian operations that belonged to the Emerging markets region, are isolated within Kährs and reported separately. As a consequence, the Baltics have been integrated into the Nordic region and Eastern Europe has been moved into West & South Europe, forming the Europe region. Emerging Markets now refers to China, the Middle East and other markets, primarily India & Turkey.

The group has six regions: Residential Nordics, Residential Europe, Residential North America, Residential Emerging, Russia Markets and Commercial.

The largest markets are Sweden, Germany, the USA, Finland, Norway, Russia and England.

NET SALES BY REGION, EXTERNAL CUSTOMERS

SEKm	Jan-Mar 2023	Jan-Mar 2022	Jan-Dec 2022	Apr 2022- Mar 2023
Residential Nordics	396	467	1,833	1,761
Residential Europe	197	267	1,029	959
Residential North America	94	105	383	372
Residential Emerging Markets	18	20	53	51
Russia	45	105	327	268
Commercial	73	70	299	302
Other	39	15	79	103
Net sales Group, external customers	863	1,049	4,002	3,816

NOTE 4. ITEMS AFFECTING COMPARABILITY

During the first quarter, Kährs had one-off costs totalling SEK 5 million (-).

SEKm	Jan-Mar 2023	Jan-Mar 2022	Jan-Dec 2022	Apr 2022- Mar 2023
Operating profit excl. items affecting comparability (operating EBIT)	101	118	443	426
Customs expenses USA, LT, 2018–2019	0	-	-11	-11
Acquisition-related overhead	-1	-	-13	-14
Transition of operations in Russia	-1	-	-2	-3
Closing of warehouse in Germany	-2	-	0	-2
Other one-off items	-1	-	-6	-7
Operating profit (EBIT)	96	118	411	390

NOTE 5. RELATED PARTY TRANSACTIONS

Saltri II LuxCo SARL owns 100 % (500,000 shares) of the parent company and therefore has a controlling influence of the Group. Saltri II LuxCo SARL ultimately has a controlling influence of Kährs BondCo AB (publ) Group.

Kährs has not issued any guarantees nor any other commitments to the benefit of Board members and senior executives. During period January to March 2023 there were

no direct nor indirect transactions between the Group and Board members or senior executives, except salaries, benefits, pension costs to senior executives and board fees to board members and employee representatives.

For intra-Group transactions, the same pricing principles are applied as for transactions with external customers.

NOTE 6. FINANCIAL INSTRUMENTS

The following tables show the fair value of the Group's financial assets and liabilities that are subject to risk management.

31 March 2023 SEKm	Assets at fair value via the income statement	Assets measured at amortised cost	Total fair value	Carrying value of financial assets
Assets				
Financial non-current assets ¹	-	31	31	31
Accounts receivable	-	361	361	361
Derivatives	-	-	-	-
Other current assets	-	22	22	22
Cash and cash equivalents	-	301	301	301
Total	-	715	715	715

¹ Comprises deposits SEK 24 million, endowment insurance SEK 5 million and other items SEK 2 million

31 March 2023 SEKm	Liabilities at fair value via the income statement	Liabilities measured at amortised cost	Total fair value	Carrying value of financial liabilities
Liabilities in the balance sheet				
Interest-bearing liabilities	-	1,551	1,551	1,551
Trade payables	-	312	312	312
Derivatives	2	-	2	2
Other current liabilities	-	158	158	158
Total	2	2,021	2,023	2,023

31 March 2022 SEKm	Assets at fair value via the income statement	Assets measured at amortised cost	Total fair value	Carrying value of financial assets
Assets				
Financial non-current assets ¹	-	26	26	26
Accounts receivable	-	503	503	503
Derivatives	17	-	17	17
Other current assets	-	5	5	5
Cash and cash equivalents	-	224	224	224
Total	17	758	775	775

¹ Comprises deposits SEK 19 million, endowment insurance SEK 6 million and other items SEK 1 million

31 March 2022 SEKm	Liabilities at fair value via the income statement	Liabilities measured at amortised cost	Total fair value	Carrying value of financial liabilities
Liabilities in the balance sheet				
Interest-bearing liabilities	-	1,539	1,539	1,539
Trade payables	-	318	318	318
Derivatives	-	-	-	-
Other current liabilities	-	184	184	184
Total	-	2,041	2,041	2,041

NOTE 7. INTEREST-BEARING LIABILITIES

SEKm	31 Mar 2023	31 Mar 2022	31 Dec 2022
Non-current liabilities			
Sustainable linked corporate bond	1,450	1,450	1,450
Lease liabilities	70	61	71
Financing costs ¹	-14	-17	-15
Revolving Credit Facility (RCF)	-	-	-
Total non-current interest-bearing liabilities	1,506	1,494	1,506
Current liabilities			
Lease liabilities	42	43	45
Other loans	3	1	2
Total current interest-bearing liabilities	45	44	47
Total interest-bearing liabilities	1,551	1,538	1,553

¹ Accrued financing costs spread over the term of the bond loan

NOTE 8. ADJUSTMENT OF NON-CASH ITEMS

SEKm	Jan-Mar 2023	Jan-Mar 2022	Jan-Dec 2022	Apr 2022- Mar 2023
Adjustment of non-cash items				
Depreciation and impairment of property, plant and equipment	24	24	100	100
Depreciation and impairment of right-of-use assets	14	11	51	54
Amortisation and impairment of intangible assets	5	6	21	19
Financial income	-6	-2	-8	-12
Financial expenses	36	39	138	134
Other provisions	0	-1	-12	-11
Total	73	77	290	284

NOTE 9. FINANCIAL ASSETS (PARENT COMPANY)

SEKm	31 Mar 2023	31 Mar 2022	31 Dec 2022
Financial assets			
Shares in subsidiaries	1,400	1,400	1,400
Shareholder loan, Kähns Holding AB ¹	532	500	532
Total	1,932	1,900	1,932

¹ Shareholder loans carry a variable interest rate of 9.193 per cent. The shareholder loan will mature on 7 December 2026.

SEKm		31 Mar 2023	31 Mar 2022	31 Dec 2022
Shares in directly owned subsidiaries				
Name, corporate identity number, company domicile	Number of shares			
Kähns Holding AB (556535-2481), Nybro	500,000	1,400	1,400	1,400
Total	500,000	1,400	1,400	1,400

CONSOLIDATED KEY PERFORMANCE INDICATORS

SEKm	Jan-Mar 2023	Jan-Mar 2022	Jan-Dec 2022	Apr 2022- Mar 2023
Net Sales	863	1,049	4,002	3,816
Organic growth, % ¹	-25%	-	-	-
EBITA	101	124	432	409
EBITA, %	11.7%	11.8%	10.8%	10.7%
Operating EBITA	105	124	464	446
Operating EBITA, %	12.2%	11.8%	11.6%	11.7%
Operating profit (EBIT)	96	118	411	390
Operating profit (EBIT), %	11.1%	11.2%	10.3%	10.2%
Operating EBIT	101	118	443	426
Operating EBIT, %	11.7%	11.2%	11.1%	11.2%
Operating profit before depreciation and items affecting comparability (adjusted EBITDA)	144	159	615	600
Operating profit before depreciation and items affecting comparability (adjusted EBITDA), %	16.6%	15.2%	15.4%	15.7%
Profit for the period	53	66	226	215
Profit for the period, %	6.1%	6.2%	5.6%	5.6%
Earnings per share before and after dilution, SEK ²	105	129	450	426
Net cash flows from operating activities	-26	16	217	174
Investments	12	6	49	55
Total cash flow	-51	-41	79	69
Total assets	2,717	2,380	2,800	2,717
Cash and cash equivalents at end of period	301	224	356	301
Net working capital	1,081	806	980	1,081
Net debt ³	1,136	1,210	1,080	1,136
Equity	266	-12	230	266
Capital employed	1,820	1,531	1,788	1,820
Equity ratio, %	9.8%	-0.5%	8.2%	9.8%
Return on equity, % ¹	215.1%	-	53.6%	215.1%
Return on capital employed, % ¹	23.4%	-	24.9%	23.4%
Interest coverage ratio, times ¹	5.2	-	5.6	5.2
Net debt / EBITDA ratio, times ¹	2.1	-	1.9	2.1
Number of employees, end of period	1,377	1,500	1,455	1,377

1 The Kährs BondCo Group was formed on 31 Aug 2021, which is why there is only organic growth figures for the period Jan-Mar 2023 and no return on capital employed % for the period Jan-Mar 2022 since this figure is based on an average 12-month value

2 Number of shares in Kährs BondCo AB (publ) (500,000) used to calculate earnings per share before and after dilution, SEK

3 Net debt excluding effect of IFRS 16

- Definitions of alternative performance indicators are available on page 23 of this report

FINANCIAL DEFINITIONS AND KEY PERFORMANCE INDICATORS

ALTERNATIVE PERFORMANCE INDICATORS

In order to fairly present the Group's operations, the Kährs Group uses a number of alternative key indicators that are not defined by IFRS or in the Annual Accounts Act. The alternative performance indicators that Kährs uses can be seen in the definitions below.

NET SALES

The Group's total income, after deduction of bonuses and discounts, VAT and other taxes related to sales.

EBITA

Earnings after depreciation, amortisation and impairment but before deduction for impairment of goodwill as well as amortisation and impairment of other intangible assets that arose in conjunction with company acquisitions.

OPERATING EBITA

EBITA before items affecting comparability.

OPERATING EBITA IN PER CENT

Calculated as EBITA above as a percentage of net sales for the period.

OPERATING PROFIT EBITDA

Operating profit before depreciation/amortisation.

ADJUSTED EBITDA

Operating profit before depreciation/amortisation and items affecting comparability.

OPERATING PROFIT EBIT

Earnings before financial items and tax.

OPERATING MARGIN, EBIT IN PER CENT

Calculated as EBIT above as a percentage of net sales for the period.

OPERATING EBIT

Operating profit before items affecting comparability.

ORGANIC GROWTH

Sales growth excluding currency effects and acquisitions.

NET DEBT

Net interest-bearing debt (excluding shareholder loans) less interest-bearing assets, as well as cash and cash equivalents.

NET DEBT/EBITDA RATIO

Net debt excluding finance lease in relation to adjusted EBITDA, 12 months rolling.

NET WORKING CAPITAL

Inventories and trade receivables, less trade payables.

RETURN ON EQUITY

Profit after tax for the period, 12 months rolling, as a percentage of average equity excluding shares with non-controlling interests.

CAPITAL EMPLOYED

Total assets less non-interest-bearing current- and non-current liabilities.

RETURN ON CAPITAL EMPLOYED

Operating profit (EBIT), 12 months rolling, in relation to average capital employed.

EQUITY RATIO

Equity as a percentage of total assets.

DEPRECIATION

Depreciation/amortisation of intangible and tangible non-current assets and right of use assets.

INVESTMENTS

Investments in non-current assets.

INTEREST COVERAGE RATIO

Adjusted EBITDA, 12 months rolling, divided by paid interest, 12 months rolling.

EARNINGS PER SHARE AFTER TAX AND BEFORE DILUTION

Profit for the period excluding non-controlling interests, in relation to the number of shares before dilution.

EARNINGS PER SHARE AFTER TAX AND AFTER DILUTION

Profit for the period excluding non-controlling interests, in relation to the number of shares after dilution.

TOTAL WORKING CAPITAL

Inventories, trade receivables, derivatives and other current assets reduced by trade payables, income tax payables, derivatives and other current liabilities.

ITEMS AFFECTING COMPARABILITY

An income statement item that is non-recurring, has a significant impact on profit and is important for understanding the underlying development of operations

ABOUT KÄHRS BONDCO AB (PUBL)

Kährs BondCo AB (publ) is a leading manufacturer and distributor of flooring with the aim of providing customer experiences beyond expectations. Kährs' innovations have shaped the industry throughout its history and the company is dedicated to offering flooring solutions for every room, environment and need. The company delivers sustainable and durable flooring solutions to approx. 70 countries, being a market leader in hardwood flooring in Sweden and Finland and having strong positions in other key markets, such as Norway, the UK, US, Germany, and Switzerland. The Group has approximately 1,350 employees and annual sales of SEK 4 billion. www.kahrsgroup.com