

YEAR-END REPORT

Kährs BondCo AB (publ)

Quarter 4 & Full Year 2023

Kährs Group

OPTIMISATION FOR CONTINUED STABLE PROFITABILITY IN A CHALLENGING MARKET SITUATION

Kährs' net sales decreased by 35 per cent in the fourth quarter, primarily due to continued weak demand in the residential segment compared to record-strong comparative figures. Profitability was maintained by adapting the production capacities to lower demand and good cost control. The strong trend of improved gross margin was broken in the last quarter of the year, with both operating EBITA and operating EBITA% decreasing compared to the historically strong fourth quarter in 2022. Strong cash flow despite a lower profit via decreased working capital through gradually slowed production rates that led to lower inventory levels in the fourth quarter.

FOURTH QUARTER 2023

- Net sales amounted to SEK 612 million (937), which was a decrease of 35 per cent. Organic change was -34 per cent
- Operating EBITA amounted to SEK 35 million (108), corresponding to an operating EBITA margin of 5.7 per cent (11.5)
- Operating profit totalled SEK 27 million (75), corresponding to an operating margin of 4.6 per cent (8.0)
- Profit for the period amounted to SEK -2 million (31)
- Cash flow from operating activities totalled SEK 144 million (144)

JANUARY-DECEMBER 2023

- Net sales amounted to SEK 2,897 million (4,002), which was a decrease of 28 per cent. Organic change was -30 per cent
- Operating EBITA amounted to SEK 253 million (464), corresponding to an operating EBITA margin of 8.7 per cent (11.6)
- Operating profit totalled SEK 182 million (411), corresponding to an operating margin of 6.3 per cent (10.3), of which one-off costs amounted to SEK 51 million (32) primarily related to restructuring of the Russian operations
- Profit for the period amounted to SEK 30 million (226)
- Cash flow from operating activities totalled SEK 108 million (216)

KEY PERFORMANCE INDICATORS FOR THE GROUP

SEKm	Oct-Dec 2023	Oct-Dec 2022	Jan-Dec 2023	Jan-Dec 2022
Net Sales	612	937	2,897	4,002
Organic growth, % ¹	-34%	0%	-30%	-
EBITA	34	79	202	432
EBITA, %	5.5%	8.4%	7.0%	10.8%
Operating EBITA	35	108	253	464
Operating EBITA, %	5.7%	11.5%	8.7%	11.6%
Operating profit (EBIT)	27	75	182	411
Operating profit (EBIT), %	4.6%	8.0%	6.3%	10.3%
Operating EBIT	28	104	233	443
Operating EBIT, %	4.6%	11.1%	8.0%	11.1%
Profit for the period	-2	31	30	226
Profit for the period, %	-0.3%	3.3%	1.0%	5.6%
Earnings per share before and after dilution, SEK ²	-4	61	59	450
Net cash flows from operating activities	144	144	108	216
Net debt ³	1,216	1,080	1,216	1,080
Equity ratio, %	4.2%	8.2%	4.2%	8.2%
Return on capital employed, % ¹	11.1%	24.9%	11.1%	24.9%

¹ The Kährs BondCo Group was formed on 31 Aug 2021, which is why there is only organic growth figures for the period Oct-Dec and Jan-Dec 2023 and Oct-Dec 2022.

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 24 of this report.

CHIEF EXECUTIVE'S COMMENTS



We clearly see that Kährs has the ability to rapidly adapt and adjust its operations to entirely new market conditions together with profitability-enhancing measures and continued good cost awareness. I can state that Kährs makes a stable result despite a challenging time.

Our focus on new, innovative and sustainable product offerings and investments in an improved customer experience are continuing to generate good results. We maintain our market shares, and in some regions, we increase our shares, in a challenging market.

Despite 2023 being impacted by a slow-down in the residential segment, we can summarise a full-year result with good profitability.

The significantly lower demand, primarily in the Nordics, and the slow-down in new construction are holding us back from reaching last year's record-setting profit margin and profit.

The lower demand in the residential segment of Kährs' main markets in Europe is continuing to have a negative impact on sales. Lower disposable income is having a negative impact on the willingness to purchase interiors products.

In the USA, the market for new construction of rentals continued to be good in some metropolitan areas and net immigration states while the renovation market is more cautious due to the high level of interest rates and lock-in to advantageous mortgages with longer maturities that dampen the turnover of private residences.

Overall, Kährs' sales decreased organically by 34 per cent in the last quarter of the year compared to record-high comparative figures in 2022, where demand was driven up by shortages of mainly wood flooring throughout all of Europe and the USA.

Strong focus on customer & market optimisation, streamlining combined with strategic investments

The rising trend for our gross profit margins was broken in the fourth quarter compared to the historically strong fourth quarter of 2022 due to the slow-down in new construction and a more cautious consumer market. Kährs' strong focus on price, customer and market optimisation combined with the launch of new products at attractive price points and continued streamlining of the entire supply chain have enabled us to maintain our gross profit margin.

Kährs has adapted its operations to the new market conditions, with a focus on cost control and capacity adjustments, to ensure a reinforced cash flow. The implementation of our action plan to lower the capacity in our European factories in stages, combined with our cost savings program, was completed according to plan and will reach its full effect in the first quarter of 2024. Fixed costs are down 25 per cent compared to last year, and capital employed decreased by SEK 94 million in the last quarter.

During the quarter we continued to invest in new customer channels and customers in most of our main markets in Europe. We have also further strengthened our sales organisation in the USA with the aim of increasing our presence in select states. In the USA we also signed a contract for country-wide distribution for our commercial business to strengthen the position of our unique environmentally certified products with regard to the education and health care segments.

Outlook – Opportunities in a challenging market despite weaker demand in new construction

We are seeing clear signs of continued low activity levels for new construction in Europe, in Sweden, Finland and the DACH region in particular. The outlooks for the renovation segment, where Kährs has a strong offer, are significantly better.

Our inventory-holding customers in our main markets in Europe are beginning to come into balance with demand, which we see in increased order intake in Europe outside the Nordics, while new construction, primarily in Sweden and Finland, weakened successively during the quarter.

The renovation segment is positively impacted by an increased mobility on the housing market, among other things because interest rates and cost inflation are dropping from high levels in Europe and the USA.

Within the commercial segment, we see a stronger demand in public buildings such as healthcare, education, correctional services and defence. The long lead times mean that these effects will have an impact during 2024 and beyond.

The longer-term outlooks continue to be positive through a shortage of housing and large renovation needs that will drive growth together with the green transition.

Kährs' financial position, by maintaining strong gross margins and handling capacity adjustments in a challenging market, enables us to continue to invest in our strategic shift: to grow faster in Europe and the USA, present new innovative and more sustainable product platforms, and improve Kährs' customer experience in cooperation with our distribution channels and partners.

We are well-equipped to meet future challenges and opportunities as we strive to reach our goal of being the leading actor in flooring solutions in select markets in Europe and the USA.

Thank you to all new and loyal customers for choosing Kährs. A special thank you to all our talented staff for their efforts to quickly adapt Kährs to a tough market with lower demand in the residential segment at the same time as we, together, continue to be strongly committed to implementing our strategy.

Malmö February 2024

Johan Magnusson
President and CEO

GROUP PERFORMANCE FOURTH QUARTER & JANUARY–DECEMBER 2023

NET SALES

Total net sales for the Group amounted to SEK 612 million (937) for the fourth quarter. This corresponds to an organic sales decrease of 34 per cent. Residential decreased due to a continued weak global market, where high inflation and high interest rates had a strong negative impact on demand for flooring products in both the new construction and the renovation segments.

The Nordics region decreased the most with an organic decrease in sales of 46 per cent. In Europe, the downward sales trend continued with a drop in organic sales of 27 per cent. The downturn in Europe eased compared to previous quarters in 2023, which is because the downturn in Europe started in the second half of 2022 and we are beginning to see somewhat improved demand, primarily in Central Europe.

Commercial also had weak sales in the fourth quarter and decreased organically by 12 per cent. In the fourth quarter, we have seen a growing trend of delayed projects, where completion has been moved forward into 2024.

During the period January–December, consolidated sales amounted to SEK 2,897 million (4,002), which corresponds to an organic decrease of 30 per cent due to, among other things, a weak market influenced by high inflation and interest rates. In addition, the store chains decreased their inventory levels, which were too high at the beginning of the year. Residential Nordic and Europe had the greatest decrease in sales.

OPERATING PROFIT

Operating EBITA totalled SEK 35 million (108), corresponding to an EBITA margin of 5.7 per cent (11.5). During the fourth quarter, Kährs focused on streamlining to adapt to the decreased demand. Strict cost control and additional downward adjustments to the production capacity contributed to mitigating the impact of the decrease in sales on profit.

Fixed costs were also lowered in the fourth quarter but without reducing resources in strategic initiatives.

Operating profit (EBIT) for the fourth quarter amounted to SEK 27 million (75), corresponding to an operating margin of 4.6 per cent (8.0), of which comparative items in the quarter amounted to SEK 1 million (29). Adjusted for these items, operating EBIT amounts to SEK 28 million (104). For more details, see Note 4, Items affecting comparability.

Consolidated total depreciation/amortisation/impairment for the quarter totalled SEK 40 million (44), including depreciation of right-of-use assets.

For the period January–December, Kährs' operating EBITA amounted to SEK 253 million (464), corresponding to an operating EBITA margin of 8.7 per cent (11.6).

Operating profit (EBIT) totalled SEK 182 million (411), corresponding to a margin of 6.3 per cent (10.3), and has been impacted by one-off costs, which amounted to SEK 51 million (32) for the period January–December primarily related to the restructuring of the operations in Russia.

NET SALES PER REGION

As of 1 January 2023, Kährs changed its regional breakdown, and as a result 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 the 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	Oct-Dec 2023	Oct-Dec 2022	Jan-Dec 2023	Jan-Dec 2022
Residential Nordics	253	474	1,211	1,833
Residential Europe	139	191	687	1,029
Residential North America	75	90	351	383
Residential Emerging Markets	15	23	80	87
Russia	43	51	190	293
Commercial	65	69	273	299
Other	22	39	105	78
Net sales Group, external customers	612	937	2,897	4,002

Fourth quarter

Net sales for the region Residential Nordics totalled SEK 253 million (474) during the fourth quarter. This represents a decrease of 47 per cent, of which the organic sales decrease was 46 per cent.

The decrease in demand as a result of, among other things, the high interest rates and inflation had a strong negative impact on new construction in the Nordics. The renovation segment also posted weak development, with retailers holding inventory at a low level during the fourth quarter. Kährs worked in the quarter to develop new customers.

January–December

Net sales for the region Residential Nordics totalled SEK 1,211 million (1,833) during 2023. This resulted in a decrease of 34 per cent, which also was the organic decrease in sales.

In 2023, the increase in interest expenses and inflationary pressure contributed to decreased demand among consumers. Demand from the building sector was stable in the first half of the year but weakened in the second half. We make the assessment that we maintained our Nordic market shares in 2023.

RESIDENTIAL EUROPE

SEKm	Oct-Dec 2023	Oct-Dec 2022	Jan-Dec 2023	Jan-Dec 2022
Residential Nordics	253	474	1,211	1,833
Residential Europe	139	191	687	1,029
Residential North America	75	90	351	383
Residential Emerging Markets	15	23	80	87
Russia	43	51	190	293
Commercial	65	69	273	299
Other	22	39	105	78
Net sales Group, external customers	612	937	2,897	4 002

Fourth quarter

Net sales for the region Residential Europe totalled SEK 139 million (191) during the fourth quarter. This was a decrease in sales of 27 per cent compared to the previous year, of which -26 per cent was organic. Demand on the market continued to be significantly lower than last year, and most of our customers also had well-stocked inventories in the fourth quarter as well.

Price competition on the markets hardened during the fourth quarter.

January–December

Net sales for the region Residential Europe totalled SEK 687 million (1,029) in 2023. This was a decrease in sales of 33 per cent compared to the previous year, of which -38 per cent was organic. In 2023, demand decreased due to external

macrofactors such as uncertainty surrounding energy prices and high interest rates and inflation. This had an impact on

both the new construction segment and the renovation segment.

RESIDENTIAL NORTH AMERICA

SEKm	Oct-Dec 2023	Oct-Dec 2022	Jan-Dec 2023	Jan-Dec 2022
Residential Nordics	253	474	1,211	1,833
Residential Europe	139	191	687	1,029
Residential North America	75	90	351	383
Residential Emerging Markets	15	23	80	87
Russia	43	51	190	293
Commercial	65	69	273	299
Other	22	39	105	78
Net sales Group, external customers	612	937	2,897	4,002

Fourth quarter

Net sales for the region Residential North America totalled SEK 75 million (90) during the fourth quarter. This is a decrease in sales of 17 per cent, of which -11 per cent was organic. Demand continued to be weak in the quarter, with a downturn in the renovation segment. New construction of rental properties continued to be at a good level, which benefited Kährs.

January–December

Net sales for the region Residential North America totalled SEK 351 million (383) in 2023. This is a decrease in sales of 8 per cent, of which -14 per cent was organic. During 2023, renovation sales in particular decreased in North America. Higher interest rates resulted in less traffic to stores. New construction of primarily rental units continued to be good, and Kährs has had good sales development in this sector. Kährs also worked actively to bring in new customers.

RESIDENTIAL EMERGING MARKETS

SEKm	Oct-Dec 2023	Oct-Dec 2022	Jan-Dec 2023	Jan-Dec 2022
Residential Nordics	253	474	1,211	1,833
Residential Europe	139	191	687	1,029
Residential North America	75	90	351	383
Residential Emerging Markets	15	23	80	87
Russia	43	51	190	293
Commercial	65	69	273	299
Other	22	39	105	78
Net sales Group, external customers	612	937	2,897	4,002

Fourth quarter

Net sales for the region Residential Emerging Markets totalled SEK 15 million (23) during the first quarter. This is a decrease in sales of 35 per cent, of which -35 per cent was organic.

Sales in the region were weak in the fourth quarter. Weakened market outlooks and a very weak development on the real estate market in China were strong contributors to the decrease in sales.

January–December

Net sales for the region Residential Emerging Markets totalled SEK 80 million (87) in 2023. This was a decrease in sales of 8 per cent, of which -9 per cent was organic. In 2023, the market developed negatively, and we lost sales primarily at the end of the year. China and Turkey had weak development, while UAE showed good development.

NET SALES PER REGION, CONT'D.

RUSSIA

SEKm	Oct-Dec 2023	Oct-Dec 2022	Jan-Dec 2023	Jan-Dec 2022
Residential Nordics	253	474	1,211	1,833
Residential Europe	139	191	687	1,029
Residential North America	75	90	351	383
Residential Emerging Markets	15	23	80	87
Russia	43	51	190	293
Commercial	65	69	273	299
Other	22	39	105	78
Net sales Group, external customers	612	937	2,897	4,002

Fourth quarter

Net sales for the region Russia totalled SEK 43 million (51) during the fourth quarter. This was a decrease of 16 per cent, of which +12 per cent was organic. The sharp deterioration in the rouble compared to previous years explains the large difference between actual and organic growth.

Demand in Russia continued to recover in the fourth quarter and has been relatively good despite the war and subsequent sanctions.

January–December

Net sales for the region Russia totalled SEK 190 million (293) in 2023. This was a decrease of 35 per cent, of which -25 per cent was organic. Demand was weak in the first half of the year and then recovered in the second half. In total, organic growth was -25 per cent for 2023, which is largely due to very high demand just after the war broke out in February 2022, which had an impact on the sales for full year 2022.

COMMERCIAL

SEKm	Oct-Dec 2023	Oct-Dec 2022	Jan-Dec 2023	Jan-Dec 2022
Residential Nordics	253	474	1,211	1,833
Residential Europe	139	191	687	1,029
Residential North America	75	90	351	383
Residential Emerging Markets	15	23	80	87
Russia	43	51	190	293
Commercial	65	69	273	299
Other	22	39	105	78
Net sales Group, external customers	612	937	2,897	4,002

Fourth quarter

Net sales for the region Commercial totalled SEK 65 million (69) during the fourth quarter. This was a decrease in sales of 6 per cent, of which -12 per cent was organic.

During the fourth quarter, sales were impacted by a large share of delayed projects primarily in the Nordics and Central Europe.

Despite this, the market looks more positive in the commercial segment than it does in the residential segment.

January–December

Net sales for the region Commercial totalled SEK 273 million (299) in 2023. This was a decrease in sales of 9 per cent, of which -9 per cent was organic.

Sales in Sweden and Central Europe are at the level of last year while we have weaker sales in Finland and Norway. The development in the USA was better than in the previous year.

CASH FLOW AND INVESTMENTS

Cash flow from operating activities totalled SEK 144 million (144) in the fourth quarter. Cash flow before interest and taxes totalled SEK 76 million (106). Interest paid totalled SEK 35 million (30), which primarily consists of interest on the bond loan. Adjusted for currency effects, total working capital decreased by SEK 107 million during the quarter (73). The primary cause of the decrease in working capital is the decrease in inventory by SEK 101 million (-163).

Cash flow for the period amounted to SEK 61 million (101), even though Kährs in the fourth quarter repaid the SEK 50 million that was used in the third quarter on the revolving credit facility.

During the period January–December, cash flow from operating activities totalled SEK 108 million (216). Working capital increased SEK 103 million (234) during the period, primarily due to a decrease in current liabilities, such as trade payables, personnel-related liabilities, and bonus-related liabilities to customers and VAT liabilities. Total cash flow for the period January–December was SEK -122 million (79).

NET FINANCIAL EXPENSES

Net financial expenses totalled SEK 28 million (33) for the fourth quarter of 2023. They consist primarily of interest expenses of SEK 39 million (32), of which the bond financing of SEK 37 million (29). Interest income amounted to SEK 2 million (2). In addition, there are other financing costs of SEK 4 million (3) and currency gains of SEK 13 million (-1).

For the period January–December, net financial expenses totalled SEK 142 million (129), of which external interest expenses were SEK 148 million (108).

FINANCIAL POSITION

Consolidated net debt totalled SEK 1,216 million (1,080) as at 31 December 2023.

NET DEBT

SEKm	31 Dec 2023	31 Dec 2022
Lease liabilities	89	116
Liabilities to credit institutions	1,438	1,435
Other	3	2
Total interest-bearing liabilities	1,530	1,553
<u>Less:</u>		
Lease liabilities	-89	-116
Cash and cash equivalents including Interest-bearing receivables	-225	-357
Net debt	1,216	1,080

Cash and cash equivalents in the Group totalled SEK 224 million (356) as at 31 December 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 December 2023 was SEK 874 million (1,007), allowing good flexibility moving forward.

TAX

The tax expense for the fourth quarter totalled SEK 1 million (11), and SEK 10 million (56) for the period January–December, which corresponds to a tax rate of 26 per cent (20).

GENERAL INFORMATION

EVENTS AFTER BALANCE SHEET DATE

No significant events have occurred after the balance sheet date.

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.

On 22 August, Kährs carried out a stock issue of an additional 500,000 shares. In connection with this, the Company has repurchased 500,000 shares and paid SEK 112 million to the company's shareholders, which has reduced the company's liquidity by the corresponding amount.

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 wars in Ukraine and Gaza have 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 per cent and is set every three months. The interest rate on the bond loan as of December 31, 2023 was 10.016 per cent per annum (8.475). 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 December 2023 totalled SEK 0 million (0), with a result after tax of SEK -13 million (-12). The parent company's income statement and balance sheet are presented on pages 16–17 in this interim report.

EMPLOYEES

As at 31 December 2023, the Group had 1,102 (1,455) employees, of which 706 (1,013) were blue-collar workers and 396 (442) white-collar workers. The reduction in the number of employees is mainly a consequence of the lower demand and production rate.

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:

- | | |
|----------------------------|------------------|
| • Annual Report, 2023 | 18 April 2024 |
| • Interim Report Q1, 2024 | 23 May 2024 |
| • Interim Report Q2, 2024 | 22 August 2024 |
| • Interim Report, Q3, 2024 | 21 November 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, 22 February 2024 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 Thursday 22 February.

Delårsrapporten har ej granskats av bolagets revisorer.

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559339-3621

FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

SEKm	Note	Oct-Dec 2023	Oct-Dec 2022	Jan-Dec 2023	Jan-Dec 2022
Net sales	3	612	937	2,897	4,002
Cost of goods sold	4	-470	-652	-2,240	-3,047
Gross profit		142	285	657	955
Selling and distribution expenses	4	-83	-111	-344	-394
Administrative expenses	4	-39	-51	-143	-150
Other operating income		7	2	22	6
Other operating expenses		0	-50	-10	-6
Operating profit (EBIT)	4	27	75	182	411
Financial income		9	5	16	8
Financial expenses		-37	-38	-158	-137
Profit before tax		-1	42	40	282
Tax		-1	-11	-10	-56
Profit for the period		-2	31	30	226
Attributable to:					
Shareholders of the company		-2	31	29	225
Non-controlling interests		0	0	1	1
Total		-2	31	30	226

Earnings per share before and after dilution, SEK	-4	61	59	450
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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SEKm	Note	Oct-Dec 2023	Oct-Dec 2022	Jan-Dec 2023	Jan-Dec 2022
Profit for the period		-2	31	30	226
Other comprehensive income					
Items that may be reclassified in the income statement:					
Translation differences		-33	-53	-53	92
Items that cannot be reclassified in the income					
Actuarial gains and losses for pensions		0	0	0	0
Total		-33	-53	-53	92
Total comprehensive income for the period		-35	-22	-23	318
Attributable to:					
Shareholders of the company		-35	-20	-24	317
Non-controlling interests		0	-2	1	1
Total		-35	-22	-23	318

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

SEKm	Note	31 Dec 2023	31 Dec 2022
ASSETS			
Non-current assets			
Intangible assets		162	180
Property, plant and equipment, owned		526	584
Property, plant and equipment, right-of-use		86	114
Financial assets	6	27	31
Deferred tax assets		39	29
Total non-current assets		840	938
Current assets			
Inventories		890	961
Trade receivables	6	252	397
Derivatives		-	4
Other current assets	6	69	144
Cash and cash equivalents	6	224	356
Total current assets		1,435	1,862
TOTAL ASSETS		2,275	2,800
EQUITY AND LIABILITIES			
Equity			
Share capital		1	1
Reserves		-86	-33
Retained earnings		177	259
Total		92	227
Attributable to non-controlling interests		4	3
Total equity		96	230
Non-current liabilities			
Interest-bearing liabilities	6,7	1,485	1,506
Provision for pensions		1	1
Other provisions		3	3
Deferred tax liabilities		81	82
Total non-current liabilities		1,570	1,592
Current liabilities			
Interest-bearing liabilities	6,7	45	47
Other provisions		28	20
Trade payables	6	163	378
Income tax payables		41	33
Derivatives	6	6	-
Other current liabilities	6	326	500
Total current liabilities		609	978
TOTAL EQUITY AND LIABILITIES		2,275	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				29	30	1	31
Other comprehensive income			-53	0	-53	0	-53
Total comprehensive income		0	-53	29	-23	1	-22
Transactions with shareholders:							
Dividend				-112	-112	0	-112
As at 31 December 2023		1	-86	176	92	4	96

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			92	0	92	0	92
Total comprehensive income		0	92	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	Oct-Dec 2023	Oct-Dec 2022	Jan-Dec 2023	Jan-Dec 2022
Operating activities					
Profit before tax		0	41	40	281
Adjustments of non-cash items	8	76	65	331	290
Cash flow before interest and tax		76	106	371	571
Interest received		2	3	7	3
Interest paid		-35	-30	-146	-104
Income tax paid		-6	-8	-21	-20
Net cash flow from operating activities before change in working capital		37	71	211	450
Change in working capital					
Change in inventories		101	-163	71	-246
Change in operating receivables		136	149	225	-112
Change in operating liabilities		-130	87	-399	124
Net cash flows from operating activities		144	144	108	216
Investing activities					
Business combinations		-	-	-	-1,286
Investment in tangible assets		-19	-23	-62	-49
Investment in financial assets		-	-	-	-3
Proceeds from sale of tangible assets		0	0	0	1
Net cash flows from investing activities		-19	-27	-62	-1,337
Financing activities					
Dividend		-	-	-112	-
Unconditional shareholder contributions		-	-	-	398
Proceeds from borrowings		-	-	50	1,450
Repayment of borrowings		-50	-	-50	-591
Payment of lease liabilities		-14	-16	-56	-57
Net cash flows from financing activities		-64	-16	-168	1,200
Cash flow for the period		61	101	-122	79
Cash and cash equivalents at beginning of period		165	272	356	268
Exchange-rate differences in cash and cash equivalents		-2	-17	-10	9
Cash and cash equivalents at end of period		224	356	224	356

PARENT COMPANY INCOME STATEMENT

SEKm	Oct-Dec 2023	Oct-Dec 2022	Jan-Dec 2023	Jan-Dec 2022
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	14	10	51	32
Financial expenses	-38	-29	-142	-102
Result after financial items	-24	-19	-92	-70
Provision for accrual fund	-19	-13	-19	-13
Group contribution, received	109	79	109	79
Result before tax	66	47	-2	-4
Tax	-12	-9	-11	-7
Result for the period	54	38	-13	-12
Attributable to shareholders of the company	54	38	-13	-12
Total	54	38	-13	-12

PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME

SEKm	Oct-Dec 2023	Oct-Dec 2022	Jan-Dec 2023	Jan-Dec 2022
Result for the period	54	38	-13	-12
Other comprehensive income				
Items that may be reclassified in the income statement:				
Translation differences	0	0	0	0
Other comprehensive income, net of tax	0	0	0	0
Total comprehensive income for the period	54	38	-13	-12
Attributable to shareholders of the company	54	38	-13	-12
Total	54	38	-13	-12

PARENT COMPANY STATEMENT OF FINANCIAL POSITION

SEKm	Note	31 Dec 2023	31 Dec 2022
ASSETS			
Non-current assets			
Financial assets	9	1,983	1,932
Deferred tax assets		-	-
Total non-current assets		1,983	1,932
Current assets			
Other current assets		109	78
Cash and cash equivalents		1	1
Total current assets		110	79
TOTAL ASSETS		2,093	2,011
EQUITY AND LIABILITIES			
Equity			
<i>Restricted equity</i>			
Share capital		1	1
Statutory reserve		-	-
Total restricted equity		1	1
<i>Unrestricted equity</i>			
Retained earnings		364	488
Result for the period		-13	-12
Total unrestricted equity		351	476
Total equity		352	477
Untaxed reserves			
Tax allocation reserve		32	13
Total untaxed reserves		32	13
Non-current liabilities			
Interest-bearing liabilities		1 438	1 435
Deferred tax liabilities		2	3
Total non-current liabilities		1 440	1 438
Current liabilities			
Current tax liability		20	8
Other current liabilities		249	75
Total current liabilities		269	83
TOTAL EQUITY AND LIABILITIES		2,093	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 and 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	Oct-Dec 2023	Oct-Dec 2022	Jan-Dec 2023	Jan-Dec 2022
Residential Nordics	253	474	1,211	1,833
Residential Europe	139	191	687	1,029
Residential North America	75	90	351	383
Residential Emerging Markets	15	23	80	87
Russia	43	51	190	293
Commercial	65	69	273	299
Other	22	39	105	78
Net sales Group, external customers	612	937	2,897	4,002

NOTE 4. ITEMS AFFECTING COMPARABILITY

During the fourth quarter, Kährs had costs of a one-off nature that amounted to SEK 1 million (29). Above all, related to the restructuring of operations in Russia. January-December, Kährs had non-recurring items of SEK 51 million (32).

SEKm	Oct-Dec 2023	Oct-Dec 2022	Jan-Dec 2023	Jan-Dec 2022
Operating profit excl. items affecting comparability (operating EBIT)	28	104	233	443
Customs expenses USA, LT, 2018–2021	-	-11	-	-11
Acquisition-related overhead	5	-13	1	-13
Transition of operations in Russia	-6	-2	-59	-2
Transition of operations in Sweden	-	-	-13	-
Electricity compensation	-	-	20	-
Other one-off items	-	-3	-	-6
Operating profit (EBIT)	27	75	182	411

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.

There were no related party transactions in the fourth quarter.

On 22 August, Kährs carried out a stock issue of an additional 500,000 shares. In connection with this, the Company has repurchased 500,000 shares and paid SEK 112 million to the company's shareholders, which has reduced the company's liquidity by the corresponding amount.

Kährs has not issued any guarantees nor any other commitments to the benefit of Board members and senior executives. During period January to December 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 Dec 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	-	27	27	27
Accounts receivable	-	252	252	252
Derivatives	-	-	-	-
Other current assets	-	27	27	27
Cash and cash equivalents	-	224	224	224
Total	-	530	530	530

¹ Comprises deposits SEK 22 million, endowment insurance SEK 3 million and other items SEK 2 million

31 Dec 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	-	1,530	1,530	1,530
Trade payables	-	163	163	163
Derivatives	6	-	6	6
Other current liabilities	-	141	141	141
Total	6	1,834	1,840	1,840

31 Dec 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	-	31	31	31
Accounts receivable	-	397	397	397
Derivatives	4	-	4	4
Other current assets	-	15	15	15
Cash and cash equivalents	-	356	356	356
Total	4	799	803	803

¹ Comprises deposits SEK 25 million, endowment insurance SEK 5 million and other items SEK 1 million

31 Dec 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	-	1,553	1,553	1,553
Trade payables	-	378	378	378
Other current liabilities	-	232	232	232
Total	-	2,163	2,163	2,163

NOTE 7. INTEREST-BEARING LIABILITIES

SEKm	31 Dec 2023	31 Dec 2022
Non-current liabilities		
Sustainable linked corporate bond ¹	1,438,	1,435,
Lease liabilities	47	71
Total non-current interest-bearing liabilities	1,485	1,506
Current liabilities		
Lease liabilities	42	45
Other loans	3	2
Total current interest-bearing liabilities	45	47
Total interest-bearing liabilities	1,530	1,553

¹ Periodisation of direct transaction costs spread over the term of the bond loan

NOTE 8. ADJUSTMENT OF NON-CASH ITEMS

SEKm	Oct-Dec 2023	Oct-Dec 2022	Jan-Dec 2023	Jan-Dec 2022
Adjustment of non-cash items				
Depreciation and impairment of property, plant and equipment	21	25	92	100
Depreciation and impairment of right-of-use assets	13	14	51	51
Amortisation and impairment of intangible assets	6	4	19	21
Impairment of property, plant and equipment	0	0	18	0
Financial income	-9	-8	-16	-8
Financial expenses	37	42	158	138
Other provisions	8	-12	9	-12
Total	76	65	331	290

NOTE 9. FINANCIAL ASSETS (PARENT COMPANY)

SEKm	31 Dec 2023	31 Dec 2022
Financial assets		
Shares in subsidiaries	1,400	1,400
Shareholder loan, Kähns Holding AB ¹	583	532
Total	1,983	1,932

SEKm	31 Dec 2023	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
Total	500,000	1,400

CONSOLIDATED KEY PERFORMANCE INDICATORS

SEKm	Oct-Dec 2023	Oct-Dec 2022	Jan-Dec 2023	Jan-Dec 2022
Net Sales	612	937	2,897	4,002
Organic growth, % ¹	-34%	0%	-30%	-
EBITA	34	79	202	432
EBITA, %	5.5%	8.4%	7.0%	10.8%
Operating EBITA	35	108	253	464
Operating EBITA, %	5.7%	11.5%	8.7%	11.6%
Operating profit (EBIT)	27	75	182	411
Operating profit (EBIT), %	4.6%	8.0%	6.3%	10.3%
Operating EBIT	28	104	233	443
Operating EBIT, %	4.6%	11.1%	8.0%	11.1%
Operating profit before depreciation and items affecting comparability (adjusted EBITDA)	68	147	395	615
Operating profit before depreciation and items affecting comparability (adjusted EBITDA), %	11.1%	15.7%	13.6%	15.4%
Profit for the period	-2	31	30	226
Profit for the period, %	-0.3%	3.3%	1.0%	5.6%
Earnings per share before and after dilution, SEK ²	-4	61	59	450
Net cash flows from operating activities	144	144	108	216
Investments	19	23	62	49
Total cash flow	61	101	-122	79
Total assets	2,275	2,800	2,275	2,800
Cash and cash equivalents at end of period	224	356	224	356
Net working capital	979	980	979	980
Net debt ³	1,216	1,080	1,216	1,080
Equity	96	230	96	230
Capital employed	1,629	1,788	1,629	1,788
Equity ratio, %	4.2%	8.2%	4.2%	8.2%
Return on equity, % ¹	19.0%	43.0%	19.0%	43.0%
Return on capital employed, % ¹	11.1%	24.9%	11.1%	24.9%
Interest coverage ratio, times ¹	2.6	5.6	2.6	5.6
Net debt / EBITDA ratio, times ¹	3.5	1.9	3.5	1.9
Number of employees, end of period	1,102	1,455	1,102	1,455

1 The Kährs BondCo Group was formed on 31 Aug 2021, which is why there is only organic growth figures for the period Oct-Dec and Jan-Dec 2023 and Oct-Dec 2022.

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 24 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 and lease liabilities) 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 liabilities.

RETURN ON CAPITAL EMPLOYED

Operating profit (EBIT) with addition for interest income, 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 1,102 employees and annual sales of SEK 2.9 billion. www.kahrsgroup.com