

# Kährs Group

The Board of Directors and CEO of

Kährs BondCo AB (publ)

CIN 559339–3621

hereby present the

**Annual report and consolidated financial statements**

for the 2022 financial year

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All amounts are in SEK thousand unless otherwise stated.

This annual 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.

## Directors' Report

### Information about the business

Kährs BondCo AB (publ) is a subsidiary of Saltri II Luxco SARL, which is the Group's parent company. These consolidated financial statements are presented by Kährs BondCo AB (publ) for the year 2022.

The Kährs Group was subject to a change of ownership on 31 August 2021, and in conjunction with the subsequent refinancing, Kährs BondCo AB became the new parent company in the Group. This annual report is the first with Kährs BondCo AB (publ) as parent company. Due to this, no comparative figures are available for periods earlier than 31 August 2021. The previous year's comparative figures therefore only contain four months.

The company Kährs was founded in 1857 by Johan Kähr, who started to produce wooden kitchen utensils. In 1919, the name of the company name was changed to AB Gustaf Kähr and began to focus on producing wood floors. In 2012 Kährs merged with Karelia-Upofloor to form Kährs Group, one of the world's leading flooring manufacturers. The parent company Kährs BondCo AB (publ) was founded in 2021 and has its registered office in Nybro, Sweden. The consolidated financial statements include Kährs Holding AB with the sub-groups AB Gustaf Kähr, Kährs Oy and Oak Norge AS. The head office is based in Malmö, Sweden.

Kährs Group is a world-leading flooring manufacturer for wood and resilient floors with a number of strong brands in its portfolio, including Kährs, Karelia and Upofloor. The company's innovations have shaped the industry throughout its history and Kährs works purposefully to bring new innovations to the flooring market.

Kährs sells its products globally, is a market leader in Sweden, Finland, and Norway, and has a strong position in other important markets as well, including the United Kingdom, the USA, Switzerland and Germany. The Group has five regions: Residential Nordics, Residential West & South Europe, Residential North America, Residential Emerging Markets and Commercial. It has production facilities in Sweden, Finland, Romania, Russia and Poland and is connected to a subcontractor structure in China, Belgium and the United Kingdom.

Kährs is one of the leading actors on the European flooring market, boasting a strong range of wood floors along with PVC-free floors and LT floors, particularly in the emerging segments residential properties, healthcare and schools. Its position has been built up by strong brands that are based on design, quality and sustainability in every segment. Kährs has an effective supply of raw materials and automated production capacity. Its production combines proximity to attractive markets with speed and flexibility, while production in low-cost countries provides good access to raw materials for volume products.

### Market

In an extremely challenging macro-environment that was influenced by geopolitical uncertainty, high inflation and rising interest rates that had a negative impact on the housing market in the second half of 2022, we successfully noted net sales of SEK 4.0 billion with an EBITA of SEK 464 million and a profit margin of 11.6 per cent. Return on employed capital decreased slightly in the past quarter, but our debt ratio, net debt in relation to EBITDA, has decreased further compared to the first half of 2022 to 1.9, primarily through additional profit improvements.

Kährs' net sales of SEK 4.0 billion were a result of very good sales in mainly Residential Nordic, where we have had good demand for our products throughout 2022. North America has also had good sales. Residential West & South Europe had good demand and sales during the first half of 2022, while the second half was

characterized by weak demand linked in part to concerns about energy costs following Russia's invasion of Ukraine and that distributors overstocked their inventory when the supply of primarily wooden flooring was limited in the first half of the year, also because of the war in Ukraine. Emerging Markets has also naturally been greatly impacted by the situation in Russia and had weak demand in 2022. Kährs' Commercial segment, which was hit hard by weak demand during the COVID-19 pandemic, recovered in 2022 and posted good sales. The business cycle is different than in the residential business and remained strong in 2022.

There continued to be heavy pressure on input costs in 2022, although different cost categories than in 2021 were affected. In 2022, it was primarily energy costs that increased sharply, along with the cost of oak, which continues to be high. Soft wood prices and transportation costs from Asia, on the other hand, have dropped in 2022 compared to 2021. Kährs has managed in 2022 to successfully pass cost increases for materials down the line.

In 2022, Kährs continued its digital development and implemented a new ERP system, D365, in all sales companies and the finished goods chain. This is an important step in both streamlining our internal processes and facilitating contact with our customers. Kährs also continued to pursue innovation and launched a number of new products with an environmental profile, including a PVC-free Hybrid floor and a new Nordic Swan Ecolabel Enomer floor for the Commercial segment.

Low consumer confidence is creating challenges in demand in Europe going forward. Higher prices, mainly for energy, continue to be a big challenge, combined with a general increase in inflation and the risk of continued rising interest rates and falling housing prices. Kährs is preparing and adapting its operations to the new market situation with a focus on cost control and capacity adjustments to ensure continued low debt and a strong cash flow. With the goal of adapting the operations to meet lower demand, Kährs has announced and begun the implementation of an action plan to lower capacity in our European factories in stages, and we continue to be prepared for further adaptations to the 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.

#### **Significant events during the financial year**

On 20 January 2022, the external loans Facility B2-B5 totalling SEK 580 million was repaid. New financing was arranged in connection with the acquisition of Kährs Holding AB (publ) by Kährs BondCo AB (publ). The new arrangement consists of an RCF facility of SEK 650 million in Kährs Holding AB (publ) and a sustainability-linked bond loan of SEK 1,450 million in Kährs BondCo AB (publ) that matures in December 2026. The new bond loan is listed on the Frankfurt Open Market and, since August 26, Nasdaq Stockholm. Kährs BondCo AB (publ) acquired the shares in Kährs Holding AB (publ) including its subsidiaries, and the date of the transfer of ownership was 20 January 2022. The purchase price was paid in cash and shares.

The debt to Tillväxtverket (Swedish Agency for Economic and Regional Growth) of SEK 20 million linked to AB Gustaf Kähr was repaid in July 2022.

Kährs announced at the beginning of August that, due to the prevailing market conditions in Russia, it had initiated a process for evaluating opportunities and conditions for selling its operations in Russia. Since the start of the war at the end of February 2022, all financial transactions and flows of goods between the Russian company and the rest of Kährs have been stopped. Kährs is also following all sanctions on Russia closely and ensuring compliance with them.

### **Significant events after the balance sheet date**

Kährs announced after the balance sheet date that due to the weak demand in 2023 it had decided to make additional adjustments to its production capacity. A plan to reduce capacity in the European factories in stages has been implemented, affecting a total of approximately 175 employees.

### **Outlook for 2023**

High inflation combined with higher interest rates will create challenges going forward, particularly for demand in the Nordics. The renovation trend has already declined, and the number of building starts in new construction is dropping sharply, which is expected to result in weakened demand for flooring products in the Nordics during the second half of 2023. Kährs is preparing and adapting its operations to the new market conditions through a focus on cost control and capacity adjustments to ensure continued low debt and a strong cash flow. With the goal of adapting the operations to meet lower demand, Kährs has announced and begun the implementation of an action plan to lower capacity in our European factories in stages, and we continue to be prepared for further adaptations to the 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.

### **Risks**

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 it 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. For information regarding the Kährs Group's work with and management of sustainability and sustainability risks, please refer to the Group's sustainability report. Kährs' long-term risk exposure is not expected to differ from the exposures 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. An audit is carried out of the accounts for the period January–September, known as ‘hard close’, as well as the annual accounts. 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 impact 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 until it has been divested. Kährs announced at the beginning of August that, due to the prevailing market conditions in Russia, it had initiated a process for evaluating opportunities and conditions for selling its operations in Russia. Since the start of the war at the end of February 2022, all financial transactions and flows of goods between the Russian company and the rest of Kährs have been stopped. Kährs is also following all sanctions on Russia closely and ensuring compliance with them.

#### *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.

#### *IT and cyber security risks*

The digital transformation of the global economy, and of Kährs in particular, opens the door to great opportunities. Kährs uses technology to speed up the transfer of information, which also creates greater exposure. Kährs continuously prepares for cyber attacks by assessing its cyber security profile and taking measures when recommended to proactively manage its defences. Inadequate cyber security control has become an emerging risk that Kährs is actively monitoring, and the company is actively taking measures to reduce the likelihood and impact of this risk. IT failures, for example in key applications or hardware, can also have a significant impact on production, delivery, sales and other business-critical systems and functions. Kährs continuously invests in cyber security, such as improved technology and processes for scanning, monitoring and logging to identify intrusions and detect abnormal data traffic. The IT infrastructure is constantly monitored to safeguard operations and continuity.

#### *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. In line with the resolution made by the Board in June 2019, the Group’s foreign currency flows are not hedged.

### *Financing and interest risk*

The Group has a strong financial position and partially finances its operations through borrowing. As at 20 January 2022, the external bank loans Facility B2-B5 were repaid in full. New financing was arranged in connection with the acquisition of Kährs Holding AB (publ) by Kährs BondCo AB (publ). The arrangement consists of an RCF facility of SEK 650 million in Kährs Holding AB (publ) and a sustainability-linked bond loan of SEK 1,450 million in Kährs BondCo AB (publ). No part of the RCF facility was utilized as per 31 December 2022. Kährs BondCo AB (publ) acquired the shares in Kährs Holding AB (publ) including its subsidiaries, and the date of the transfer of ownership was 20 January 2022. The purchase price was paid in cash and shares. 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. For loans that have been taken out at a fixed rate, the Group is exposed to interest rate risks attributable to fair value.

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 at 31 December 2022 was 8.475 per cent 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.

### **Corporate governance**

In accordance with Chapter 6, section 6, second paragraph, points 2–6 and Chapter 7, section 31, second paragraph of the Annual Accounts Act, Kährs has opted to prepare the statutory corporate governance report as part of this annual report. The work of the Board of Directors of Kährs BondCo AB (publ) is governed by the rules of procedure adopted annually at the constituent Board meeting. Two Board members form the Remuneration Committee and handle remuneration issues.

More information about the work of the Board and governance at Kährs is available in the corporate governance report in this annual report on pages 21–23.

## Sustainability report

In accordance with Chapter 6, sections 10–14 of the Annual Accounts Act, Kährs has chosen to prepare the statutory sustainability report as part of this annual report. The sustainability report covers the entire Kährs Group, and subsidiaries are included in all key figures unless otherwise stated. The sustainability report contains the sustainability disclosures necessary for understanding the company's development, position, and performance and the impact on the business, including disclosures related to the environment, social conditions, employees, respect for human rights and countering corruption.

In 2022, the Group carried out operations in Sweden, Finland, Russia and Romania that required permits. These operations comprise sawmilling and the manufacture of wood, veneer and resilient floors, including surface treatment, as well as sales and distribution.

Kährs Group is the European leader in flooring, manufacturing its own multi-layer wood floors and PVC-free resilient floors. Kährs also distributes floors in other product categories and is now a full-range supplier of flooring solutions for all areas of use. The Group holds leading positions for wood floors in Sweden and Finland and also holds strong positions on other important markets, including the USA, Norway, the United Kingdom, Germany and Switzerland. Kährs Group's products are sold in almost 70 countries, and the Group employs its own staff in 17 countries. The company offers flooring solutions for every room and every need, and its target group is those who place high demands on quality, design and sustainability. The focus is therefore on offering premium, high-quality products that are extremely well designed, while showing responsibility towards the environment and providing high levels of service.

Kährs is the Group's main brand and most recognised trademark around the world, as well as being the original in modern wood floors.

Kährs is also a leading brand in PVC-free resilient floors for public spaces, including hospitals and schools. These floors were previously marketed under the Upofloor brand, which was phased out in 2022. Kährs Group is a leader and a pioneer in the PVC-free resilient flooring segment, launching the world's first PVC-free resilient flooring (2004) and the world's first homogeneous PVC-free resilient flooring (2014), and in 2022 the company launched its first Nordic Swan Ecolabel collection in the product category.

Kährs' range also includes products in the categories Luxury Vinyl Tiles, textile floor tiles and a completely new type of functional, vinyl-free, bio-based floor with a high proportion of recycled material within the Luxury Tiles category, Kährs Aware, which is also Nordic Swan Ecolabelled. These products are purchased from external manufacturers.

Over more than 160 years, Kährs Group has built a strong brand by offering innovative flooring solutions and maintaining close relationships with customers, suppliers and forestry owners; this has helped consolidate the company's strong position on the market. Kährs Group continually develops its products and its range to provide added value for private, commercial and public spaces using beautiful and environmentally sustainable flooring.

Kährs Group has created a consolidated production network in strategic locations, close to raw materials and its main markets, so that it can ensure competitive quality products, punctual deliveries and the shortest possible logistics. Although the Group makes local adaptations to its sales strategy, marketing strategy and distribution, its product platforms are becoming ever more harmonised, which enables an efficient use of capacity and flexible production planning. This has allowed Kährs Group to adapt its production to achieve a balance between economies of scale, a local presence and respect for the environment. The company has five production units: in Sweden, Finland, Russia, Romania and Poland. Technical development and the centre for



designing wood-based multi-layer flooring are based in Nybro and Sweden, while product development of PVC-free resilient flooring is carried out in Finland.

Operations were conducted in 2022 in accordance with the authorities' permits, terms and conditions, and other environmental laws and regulations. Action plans have been drawn up for the points that were observed during supervisory visits and when limits were exceeded.

***Examples of sustainability-related events in 2022:***

- All internal vehicles at both production facilities in Sweden are now fossil-free – either electric or biodiesel, HVO100. Internal vehicles at the Nybro facility have been fossil free since 2021.
- Since Kährs Safety First programme started in 2016, LTIFR (Lost Time Injury Frequency Rate) has fallen from 17.5 to 7.9.
- Every production facility that manufactures wood floors in the Group has been certified in accordance with FSC and PEFC, which certifies that the wood used in our products is from responsible forestry.
- All electricity purchased for our operations in Finland (production and offices) comes from a renewable source: wind power.
- All electricity for the Group's production facilities is of certified green origin, and the majority of facilities are heated by bioenergy.
- We have expanded our range of Nordic Swan Ecolabelled products, which in addition to eco-labelled wooden floors now also includes resilient floors, Zero & Green, and a completely new type of functional floors within the Luxury Tiles category that are made from bio-based materials such as HDF from recycled wood, natural and recycled fibres from the textile industry and recycled cork from wine cork production. Kährs now has a total of 219 Nordic Swan Ecolabelled products.
- During the year, Kährs continued its strategic work to clarify the company's commitment to sustainability issues through its sustainability strategy, Kährs' Planet Positive Journey. In 2022, we focused on sharing, anchoring and driving the sustainability strategy internally across all areas within Kährs.
- The environmental product declaration for construction products, EPD, is available for all of Kährs' self-manufactured product groups. This means that we are transparent about each product's environmental performance, including its carbon footprint, throughout the entire life cycle using standardised, third-party-verified data.
- In 2022, Kährs mapped the footprint of its entire supply chain, Scopes 1, 2 and 3, for 2020, which is our baseline year for our commitment to set science-based targets according to the Science Based Targets Initiative, which will be done in 2023. Using 2020 as the baseline, Kährs is now mapping its footprint for 2021 and 2022 as well.
- Kährs initiated a collaboration with Lund University and the university's brand-new sustainability initiative "Change Maker Future Track". During 2023, students will consider how Kährs could become circular and, based on their work, propose circular business opportunities.
- We conducted employee surveys throughout the entire Group. Regular surveys every other week provide the company with ongoing follow-up on how employees are doing and what they perceive to be working well and not so well.

**Materiality analysis**

The most significant environmental aspects of the business are linked to the carbon footprint from transports into and out from the company's facilities and the purchase of both materials and external products, as well as the fact that there is a risk that the supply of raw materials will have an adverse impact on biological diversity. Through the materiality analysis, we see that circularity, product transparency and sustainable floors are of utmost importance for both Kährs and other stakeholders. Kährs Group works actively to follow up on and improve

sustainability aspects and challenges throughout the company as a whole. Through a stakeholder and gap analysis, Kährs identified the sustainability aspects that have served as a basis when setting strategies and planning activities and as a goal for our commitments over the next few years. Areas that have increased in importance for the business in 2022 are social responsibility of our business partners and suppliers and diversity, justice and inclusion. These areas will receive greater focus in 2023.

Because these topics are dynamic in nature, we revisit, review and update the materiality analysis regularly. The mapping below was completed for 2022.



In 2019, Kährs set up a brand-new line of business, producing wood pellets for use as biofuel. These pellets are produced from the by-products of manufacturing wood floors, which are processed to supply the market for fossil-free and carbon-neutral biofuel. In 2020 Kährs' wood pellets were certified in accordance with the Sustainable Biomass Program.

In 2020, an extensive project was started to clarify the company's commitment to sustainability issues. This project resulted in Kährs launching its sustainability strategy Planet Positive Journey, which is based on three pillars: Climate & environmental protection; Design with a conscience; and Responsible business. In the areas where we have an influence, we strive to ensure that our employees and partners comply with the principles set out in our Code of Conduct when working with us. The driving force behind the success of Kährs Group is applying high ethical requirements with integrity. This is an integral part of how we do business.

#### *Compliance Management*

During 2022, Kährs focused in part on anchoring and implementing the sustainability strategy within the company but also leading sustainability issues cross-functionally through the business through both internal leadership groups and internal operational implementation groups. During the past year, Kährs has also focused on getting all climate data for Scopes 1, 2 and 3 in place in order follow up on all our climate data, development and objectives in a transparent manner. We have now compiled all climate data for all scopes for 2020, our

baseline year, and the ground is now set to take the next step in our plan to establish science-based targets in accordance with the Science Based Target Initiative before October 2023. Our climate data also gives us the basis we need to plan measures and activities that will lower our emissions by 2030.

Kährs Group set up in 2015 its own forum for promoting sustainable working, the Compliance Committee, which was then reformed in 2020. Instead of being its own forum, it became part of the operations and responsibilities of the Group management team. The compliance work involves monitoring compliance with laws and regulations and setting ESG goals (Environment, Social Responsibility and Governance). The Group's CFO is the Compliance Officer and responsible for these issues in the executive management team. The Compliance Officer is helped by a preparatory group, which comprises the Head of Sustainability and the Head of Communications. The company's Board of Directors and owners can monitor developments through key figures and reports. These results are communicated regularly at Board meetings and periodically to the main owners.

Kährs Compliance Committee offers advice, helps implement the company's compliance programme, and analyses the industry, legal requirements and specific risk areas. As part of this work, new and existing policies and processes are evaluated alongside tools that promote compliance.

#### *Risk management*

Kährs Group is a global group that operates in many countries and across several continents, which means that it is exposed to various risks. Risk management (Enterprise Risk Management, ERM) therefore plays an important role in Kährs' work and is governed by the Group's Risk Policy. Risk assessments are performed for each operational unit on an annual basis and cover the environment, safety, governance and policy risks, as well as the commercial and financial risks described in the Annual Report. The Group's overall risk assessment and follow-up activities are presented to the Board.

#### *Environment and quality management system*

Since 2020 all of Kährs Group's operations have been covered by a joint quality and environmental management system in accordance with ISO 9001:2015 and 14001:2015, which comprises: the development, production, sales and marketing of floors. Certificate numbers: SE007861-1 / SE007862-1 \*

\* At the beginning of 2020, Kährs Group switched the certification body for its quality and environmental management system to Bureau Veritas. As a result, the certificate number was updated.

#### *Sustainability reporting*

Work on a transition to sustainability reporting based on the GRI standard was underway in 2022, and a first sustainability report that is in accordance with CSRD will be prepared in 2024. It will be possible to use this report as a basis in coming years.

Kährs is fully committed to environmental and sustainability issues. We are determined to act in a responsible way to preserve and protect natural resources and strive for long-term, circular operations. All of the materials that we use and the products that we manufacture must comply with the laws and rules for protecting the environment. Our long-term goal is to reduce greenhouse gases by more than our supply chain emits. We are a major purchaser of goods and services, so we use our influence to minimise the impact on the environment by supporting and promoting innovations for the sustainable use of natural resources.

#### *Kährs' sustainability strategy – Planet Positive Journey*

In order to become a climate-positive company that sells healthy and sustainable flooring, we have to take on the challenges we face. Some challenges are specific to us; others affect the flooring industry and the construction industry as a whole (see more in the materiality analysis on page 9). We have identified three major challenges relevant to our business: climate change, future resource shortages and equality. Our focus

areas – Climate & environmental protection, Designed with a conscience, and Responsible business – correspond to the three major challenges and help us identify the areas where we are committed to making a positive change and a difference in the flooring industry: Kährs' Planet Positive Journey.

#### *Carbon footprint and climate calculations*

Kährs has chosen to establish a Sustainability-related Bond Framework and integrate it into its financing activities. This means that:

- Kährs issued a green bond\* linked to the outcome of three defined sustainability goals/Key Performance Indicators (KPIs).
- We are committed to regularly reporting the results of these key figures
- We are committed to having our KPIs reviewed and verified by third parties and communicating our progress publicly

\* The sustainability-linked bond loan of SEK 1,450 million was issued in Kährs BondCo AB (publ). Kährs BondCo AB (publ) acquired the shares in Kährs Holding AB (publ), including its subsidiaries, on 20 January 2022.

The advisory and consulting company The Governance Group (TGG) performed the third-party review of climate calculations for Scope 1 (direct emissions of greenhouse gases from operations over which Kährs has direct control) and Scope 2 (indirect emissions from purchased electricity, heating or cooling) that were published at kahrsgroup.com in March 2022.

The three KPIs that we have linked to Kährs' green bond are also part of our focus area Climate and environmental protection:

KPI 1: 40 per cent reduction in Scope 1 and Scope 2 emissions

KPI 2: Commitment to develop and work towards science-based targets

KPI 3: Proportion of sustainable wood raw materials as a percentage of the total amount of wood material purchased: 87 per cent

#### **KPI 1: 40 per cent reduction in Scope 1 & Scope 2 emissions between 2020 (base year) and 2025.**

Unit: Tonnes of carbon dioxide equivalents (tCO<sub>2</sub>e). Calculation methods: Market-based & Location-based

	2022	2021	2020
Scope 1	1,329	1,903	2,658
Scope 2 - Market-based	2,859	10,325	8,706
Scope 2 - Location-based	10,539	12,989	11,474
<b>Total Scope 1 &amp; Scope 2 - Market-based</b>	<b>4,188</b>	<b>12,228</b>	<b>11,364</b>
<b>Total Scope 1 &amp; Scope 2 - Location-based</b>	<b>10,539</b>	<b>12,989</b>	<b>11,474</b>

#### **KPI 2: Science-based targets according to SBTi**

2021: Kährs committed to developing science-based targets

2022: Kährs collected Scope 3 data and set science-based targets, to be validated by SBTi in 2023

#### **KPI 3: Proportion of sustainable wood raw materials as a percentage of the total amount of wood material purchased. Target for 2025 = 87.0 per cent\*\***

2022	2021	2020
82.0%	82.4%	80.5%

**\*\* Wood raw materials for our wood flooring production facilities are sourced in accordance with Kährs Group's standard for controlled wood; this is the minimum level that we accept. Kährs Group currently has the following forestry certifications: FSC® (Forest Stewardship Council), FSC Controlled Wood and PEFC (Programme for the Endorsement of Forest Certification) certified, and PEFC controlled sources.**

In 2022, a large part of our carbon footprint work was dedicated to determining the total carbon footprint linked to our value chain, including Scopes 1, 2 and 3. We implemented a tool, CEMASys, to process climate data in a secure and standardised way. Going forward, we will also spend a lot of time setting relevant and science-based targets in accordance with the Science Based Targets initiative and, in accordance with this goal, develop a climate-positive plan and relevant initiatives for Kährs' sustainability work. Between our baseline year 2020 and 2022, we reduced our carbon emissions by 63 per cent, from 11,364 tCO<sub>2</sub>e to 4,188 tCO<sub>2</sub>e, according to a market-based calculation method. The large reductions in emissions are largely due to the introduction of renewable energy in our production units in Finland, Romania and Russia, a switch to fossil-free internal transports, bio-based heating and comprehensive energy saving programs in production.

#### *Risk management – the environment*

The main areas in our operations that have an impact on the environment relate to the use of materials, energy consumption during the manufacturing process, transport, and water consumption at our production facilities. There are also risks associated with the chemicals used in products that could affect the production environment and the indoor environment when they are being used. When manufacturing wood floors, there is a risk of wood coming from sawmills that do not meet the requirements for sustainable forestry or are illegal. We mitigate this risk, for example, through environmental certifications and third-party audits of the supply chain (for more information, see 'Use of materials' under 'Product group – wood floors').

The chemicals handled at our production facilities undergo an approval process before they can be used. We use iChemistry to evaluate the risks of different chemicals and to develop our use of chemicals. We strive to continually reduce the number of products and replace them with better products as soon as they become available on the market. Our products have environmental labels, including Nordic Swan Ecolabel, M1, BASTA and SundaHus. Environmental labels help users choose good products from an environmental and health point of view, where, for example, declared low emissions are favourable for a good indoor environment.

These policy documents guide us in environmental governance issues:

- Code of Conduct
- Environmental Policy
- Sourcing Policy
- Kährs Chemicals Management Guidelines Hardwood

### **Production**

#### *Product group – wood floors*

Kährs Group manufactures wood floors at five production facilities in Sweden (two plants), Romania, Russia and Poland.

#### *Use of materials*

The sustainable supply of wood is extremely important, not only for Kährs Group, but also for the global environment. We manufacture wood floors, so we use a significant amount of wood as a raw material. This means that we have a responsibility to support and encourage the development of sustainable forestry. We firmly believe that by continually increasing the demand for certified wood, we can contribute to long-term

sustainable forestry practices. This will help the environment and the people affected by forestry, including native people who live close to logging operations.

### Due diligence and stakeholder dialogue

All of our timber purchases must meet the requirements stipulated in the EU Timber Regulation (EUTR). We continually monitor risk assessments in accordance with EUTR, both as an operator and a retailer\* to ensure compliance with EUTR. If necessary, we also use a global, third-party organisation to verify compliance with the law.

The wood raw material is sourced in accordance with Kährs Group's standard for controlled wood; this is the minimum level that we accept. Kährs Group currently has the following forestry certifications: FSC® (Forest Stewardship Council), FSC Controlled Wood and PEFC (Programme for the Endorsement of Forest Certification). In some countries we accept other certification bodies, provided that leading environmental organisations consider them to be acceptable. All production facilities for wood floors in Kährs Group have been audited in accordance with the requirements from FSC and PEFC. In 2020 Kährs' wood pellets were certified in accordance with the Sustainable Biomass Program (SBP). SBP was developed to enable certified companies to prove that they produce, trade or use biomass from responsible and sustainable forestry. SBP certification is based on principles of legal compliance, sustainability, and independent audits and verification. SBP certification is based on established certifications for sustainable forestry, such as the Forest Stewardship Council® (FSC) and the Programme for the Endorsement of Forest Certification (PEFC). Although Kährs was already certified in accordance with both FSC and PEFC, we needed to carry out further activities to reduce risks, which involved 450+ suppliers in more than 25 countries, so that we could comply with SBP's framework.

### Proportion of sustainable wood raw materials as a percentage of the total amount of wood material purchased:

2022	2021
82.0%	82.4%

*\* Operator is the name given in the Timber Regulation to actors who place timber and timber products on the EU's internal market, while traders are actors that buy and sell timber products that have already been placed on the EU's internal market.*

### Chemicals

Kährs uses the iChemistry system to handle chemicals, and this system is based on a database that improves and simplifies the way we manage the use of chemicals and provides better transparency, which is extremely important in our work with environmental labels, including BASTA, SundaHus, Sweden Green Building Council, Byggarubedömningen and Nordic Swan Ecolabel. The Group continued to use this system in 2022 and focus on our routines for accepting new chemicals for use in our operations. The aim is to ensure that we use the most sustainable alternative that is available for each type of chemical.

### Product group – resilient floors

Resilient floors are manufactured at Kährs' production facility in Finland. The floors were previously marketed under the Upofloor brand but have been merged with and are now marketed under the Kährs brand. This product range is mostly designed for use in public places, such as hospitals and schools that experience a lot of wear and tear. These products boast high performance in a number of different areas, including sustainability, maintenance, safety, stain resistance and environmental qualities. In 2022, Kährs launched a new resilient floor, Zero & Green, which has enhanced sustainability properties and also received Nordic Swan Ecolabel certification.

### *Use of materials*

Enomer® is a unique and innovative flooring material developed by Kährs (previously Upofloor) and made from natural minerals and thermoplastic polymers. Enomer is free from PVC, plasticisers, phthalates, halogens, chlorine and heavy metals and is used in the Kährs Xpression and Zero collections. The Estrad collection, which is a PVC carpet, is purchased from external manufacturers. The Quartz collection is made of quartz vinyl tiles designed to withstand extreme wear and tear in public environments. The tiles comprise 70 per cent natural materials such as quartz sand and minerals. The tiles have certified low VOC emissions and contain no plasticising chemicals, such as phthalates or DEHP. Our PVC-free Enomer products have been certified for indoor air in accordance with M1 and FloorScore for use in BREEAM and LEED projects and also have an EPD (Environmental Product Declaration). An extremely high proportion of the waste material from manufacturing resilient flooring is recycled for use in production. In the new Nordic Swan Ecolabelled collection Zero & Green, 40 per cent of the polymer is bio-based and up to 50 per cent is recycled material.

### *Carbon footprint*

The wood floors produced by Kährs Group in an average year store more than 130,000 tonnes of carbon dioxide, which can remain as a carbon sink for 50 years or more in flooring once it has been installed. We have made an assumption that the wood material is mainly used for biofuel when the floors reach the end of their life cycle and that the ash from the combustion is returned to the forest and is useful there as a nutrient. In an effort to achieve a more circular economy, however, in the future we would like to find ways to extend the use of the products or the material in the floors before they become biofuel. This would mean that the wood material is used better in terms of resources, but also that it would continue to store carbon dioxide for a longer period of time.

The most important activities that Kährs Group carries out to reduce its carbon footprint is increasing the efficiency of its logistics and transport methods and evaluating better alternatives as they become available. We also strive to reduce our total energy consumption in all areas and to continue to increase the use of fossil-free, renewable energy for heating and electricity.

We are gradually changing our internal production vehicles to fossil-free operations in order to reduce our greenhouse gas emissions. All outdoor forklift trucks in Swedish production activities have been replaced or switched to fossil-free operation, and since 2021 all internal vehicles at the production facilities in Sweden run on fossil-free fuel (HVO100) or electricity. This conversion is also underway at our other production facilities.

### *Surplus of carbon-neutral energy*

Kährs Group's operations supply a surplus of carbon-neutral, fossil-free biomass that is used for energy production. Biofuel from the residues of wood flooring production provides more carbon-neutral energy than we consume for heating and electricity throughout the entire Group. At the start of 2019, the Group began to produce biofuel: wood pellets from the wood flooring factory in Nybro, Sweden. The company invested in a brand new plant to process the by-products of flooring production, namely wood chips and sawdust. This plant has a capacity to produce 60,000 tonnes of pellets every year. The corresponding energy extracted from heating oil emits approximately 85,000 tonnes of greenhouse gases in the form of CO<sub>2</sub>. Wood pellets are considered to be climate-neutral, which means that they do not contribute to a net increase of greenhouse gas emissions into the atmosphere when they are used.

### **Our social responsibility**

At Kährs Group we are strongly committed to business ethics and integrity. We believe that everyone should be treated with dignity, and we do not tolerate any behaviour that does not show the appropriate respect to other people. Everyone involved in our operations, as an employee or as a business partner, should be offered a work environment where well-being and health are neither jeopardised nor compromised. The employment

conditions offered to employees must at least meet the minimum requirements set out in national legislation and relevant ILO Conventions to guarantee a safe and healthy workplace. Kährs Group would like to be a modern and attractive employer that can recruit talented employees with the right skills despite intensifying competition on the labour market. It must be clear what the Kährs Group stands for. We must be sensitive to how our employees perceive their workplace and what we have to offer, so we nurture our strengths and can identify what needs improvement. We see equality and diversity as obvious conditions for success and want all our employees to face the same conditions to develop and feel good within all parts of the Group.

#### *Employee survey*

In 2022, we implemented the “pulse measurement” system Winningtemp throughout the Group. This system enables us to monitor how employees are feeling and what parts of their experience work well and not so well. This will also make it easier for us to work towards and set relevant goals and activities to increase the percentage of engaged and satisfied employees. The measurements provide a good basis for working actively with continuous improvements since Winningtemp sends all employees a few short questions every two weeks to answer via an app or email. The results are compiled and presented on a scale of 0 to 10, which represents a pulse of how we are experiencing our workplace.

#### *Diversity, equality and inclusion*

We have identified a need to clarify Kährs' work and goals in diversity, equality and inclusion and will develop a plan for this work in Q1–Q2 2023. We have formed a working group within Kährs that will work on these issues and draw up the plan. Some of the participants in this group are taking a skills-enhancing training course on the subject, and we will also make use of the material and library of information, plans and key figures that our owner, Triton, has developed together with an external partner and provided as support for its portfolio companies. Kährs' equality and inclusion policy has been rolled out and approved by management and is awaiting approval from the Board. In 2023, employees will undergo training on subjects such as unconscious bias and inclusive leadership.

Overall goals: To achieve in the long term equal gender distribution in leading positions within the Kährs Group.

#### **Proportion of women and men in the company**

	2022		2021	
	Men	Women	Men	Women
Board of Directors*	86%	14%	86%	14%
Group management	80%	20%	90%	10%
All employees	67%	33%	68%	32%

\* Including two employee representatives

#### *Risk management – social responsibility*

Employees working for a manufacturing industry risk being injured as part of their day-to-day activities. There is also a risk that purchases will be made from suppliers that do not share our views on safe and healthy workplaces. As we want to minimise these risks, we work with comprehensive safety programmes at all of our production units (for more information, look under ‘Work environment, health and safety’) and our suppliers undertake to comply with our Code of Conduct. We inspect every factory that manufactures finished products for our range and every supplier undergoes an evaluation process.

All of our employees review the Kährs Group's code of conduct, and relevant personnel undergo in-depth training in our business practices and anti-bribery and anti-corruption guidelines.



### *Whistleblowing*

We believe that it is important for employees to have the opportunity to participate and influence their work environment, but we must also be able to detect and remedy any irregularities as quickly as possible. We have recently introduced a new whistleblower service, WhistleB, which enables both employees and other stakeholders to report potential irregularities securely and anonymously. The whistleblower service can be used to alert us to serious risks that could harm individuals, our company/organization, society or the environment. We did not receive any reports of irregularities or corruption in our Speak-Up system, which we have used up until the current transition to WhistleB.

### **Work environment, health and safety**

The following documents offer guidance on how to run our operations in a responsible way to ensure our employees' health and safety:

- Code of Conduct
- Health and Work Environment Policy

In 2016, Kährs Group started an initiative called Safety First to introduce a joint strategy to promote safety throughout all of the company's production facilities. A number of activities are being carried out in stages at each production facility to increase the focus on and awareness for safety and include everything from procedures and safety equipment to incident reporting. In 2017, Kährs Group launched IA, a joint deviation and incident reporting system (WIA for the wood industry). We encourage our employees to be active and register all types of deviations/events in the system, which thus becomes a good basis for the preventive work and to support the work with continuous improvements. Since 2017, over 3,000 events have been registered in the WIA system in all categories, which in addition to accidents and incidents includes risk observations, quality, environment, improvement proposals and other deviations.

### *LTIFR (Lost Time Injury Frequency Rate)*

Number of occupational injuries per million hours worked in 2022: 7.9 (7.5).

Number of occupational injuries per million hours worked in 2021: 7.5 (6.9).

The goal for 2022 is to reduce LTIFR to 5.

### *External purchases*

Kährs Group manufactures most of the wood flooring products that the company sells on the market. Kährs Group also has agreements to source some products from external suppliers that meet our strict specifications. In 2018, external purchases of finished products expanded to include the LVT product category, and in 2022 we expanded the offer with a new product category: bio-based, vinyl-free Luxury Tiles floors. The products purchased externally are an integral part of the Group's total offer under the Kährs brand. In 2019, Kährs signed a partnership agreement with a Belgian manufacturer of textile floor tiles, modylyss, in order to distribute its products on the Nordic project market.

External suppliers are subject to our supplier evaluation process, which includes criteria to safeguard quality, the environment, governance and financial security for our stakeholders. All external manufacturing facilities are inspected and receive ongoing support from our purchasing and quality organisation, and they undertake to comply with our Supplier Code of Conduct. In 2023, we will implement a new supplier policy that sets even higher requirements and complies with the new legislation that Kährs needs to follow.

### **Human rights**

Health, equality, diversity and working conditions are factors that affect people's well-being. Kährs Group is responsible for ensuring that human rights are respected throughout the value chain and works to create good working conditions and social conditions for both its own employees and employees in external floor production.

Through a good selection process, suppliers with high demands on safety, the environment and social responsibility benefit, simultaneously creating conditions for good working conditions throughout the value chain. High transparency contributes to credibility for sustainability work. Kährs Group requires its business

principles to reflect its ethical expectations and legal obligations. They are mainly based on internationally agreed standards, such as the Universal Declaration of Human Rights, the principles in the UN Global Compact, the UN Convention on the Rights of the Child and the relevant ILO Conventions.

#### *Risk management – human rights*

There is a risk that purchases could be made from suppliers that do not treat people with dignity and respect, or that do not meet the minimum requirements set out in national legislation and relevant ILO Conventions. As a way of mitigating these risks, our suppliers must submit signed copies of our Code of Conduct, where they certify that they have read and understood our requirements. We inspect every factory that manufactures finished products for our range and they have to undergo our supplier evaluation process (see more under 'External purchases'). The work of auditing our suppliers, in particular regarding compliance with human rights, will be a major focus in 2023, and work is underway to develop and adapt working methods and procedures to ensure compliance with the German Supply Chain Act, the terms of which are applicable to the Kährs Group from 1 January 2024.

Kährs' code of conduct sets the tone for suppliers' work, establishing basic requirements and providing guidance on how we and our partners should act to protect the environment, human dignity and human rights. Each supplier with whom an agreement is concluded must sign the code of conduct or have its own with corresponding requirements. The code of conduct is included in all supplier agreements. The supplier undertakes to follow the code of conduct when entering into an agreement, for which the respective purchasing managers are responsible. Kährs is currently reviewing existing supplier agreements to ensure that all suppliers stand behind the requirements of the code of conduct. Sustainability is an integral part of the purchasing process when procuring purchased goods and materials. Procurement must take place on equal terms, and sustainability requirements must be included early in the purchasing process.

#### **Governance & business ethics**

We act with integrity and in the spirit of fair business dealings and we do not tolerate any activities that distort markets and hamper economic, social and democratic development such as corruption, bribery and unfair anti-competitive practices. We comply with the national laws in the countries where we operate. If any requirement in our Code of Conduct is in conflict with the national legislation in any country or territory, the legislation will always take precedence. However, Kährs Group's requirements may go beyond the requirements set out in national legislation.

#### *Risk management – governance and business ethics*

There is a risk of corruption and bribes for a business that operates globally. We combat this risk by producing clear guidelines, setting out what is permitted or ethically acceptable, based both on laws and our company values. We train staff in ethical issues. Every senior manager signs a commitment to combating, in their own organisation, all forms of corruption or any activities that could distort competition. All employees who work in specific functions, such as sales and purchasing, have to sign an individual commitment to combat corruption.

Our suppliers undertake to comply with our Code of Conduct, we inspect every factory that manufactures finished products for our range and they undergo our supplier evaluation process. We also use the Corruption Perceptions Index as part of our risk evaluation when entering a new market or choosing a supplier.

Through Kährs' code of conduct, contractual suppliers are required to actively work to prevent corruption. When suppliers agree to the code of conduct, they promise that they will have an anti-corruption policy and routines for following up on corruption and unethical behaviour. To our knowledge, we have not received any information about corruption. Kährs' code of conduct has zero tolerance for the presentation of untrue oral or written information, the offering or receiving of bribes, or corruption. If a supplier violates any of this and does not correct deviations within the agreed time, this constitutes sufficient grounds to terminate the cooperation. The follow-up on the risk of corruption in the supplier chain takes place at suppliers of own-brand goods that are manufactured in countries where the risk of corruption is considered the greatest. Follow-up consists of social audits in dialogue with the suppliers. Kährs has a training program that includes training in the code of conduct and corruption issues for staff in purchasing or other relevant positions within the company.

We minimise the risk of purchasing illegal wood by buying certified wood or using a third-party organisation to verify compliance with the law if there is any doubt about the wood's origin.

Through our own procedures for following up on corruption or maintaining a dialogue with suppliers, we have not been able to identify any corruption incidents. Neither have we received any whistleblower reports through our system.

The following documents offer guidance on how to work ethically by taking responsibility and being fair and transparent with our stakeholders:

- Code of Conduct
- International Sanctions Policy
- Anti-Money Laundering
- Anti-Trust Guidelines
- Anti-Bribery and Anti-Corruption Guidelines

### **Kährs Group reporting in accordance with the EU taxonomy regulation**

The purpose of the EU taxonomy regulation (EU 2020/852) is to facilitate the identification and comparison of environmentally sustainable investments through a common classification system. Large companies of general interest that are subject to the sustainability reporting requirements under the Non-Financial Reporting Directive must report how much of the business is covered. The taxonomy is based on activities which, according to the research, account for a large part of the climate-affecting emissions and which the EU believes play a decisive role in the transition to a low-carbon, resilient and resource-efficient economy.

Kährs Group's operations in the manufacture and sale of floors is not one of these, which means that only a limited part of the business is covered by the taxonomy. Even though Kährs Group's main business is not found among the taxonomy's activities, the Group is still considered to be able to contribute to the transition. Kährs Group has been carrying out extensive sustainability work for many years where sustainability is an integral part of the entire operations. Several of the Group's sustainability goals are in line with the UN's global development goals, even if they are not currently covered by the taxonomy. No part of Kährs Group's turnover is included among activities that are classified as direct income generating according to the taxonomy. However, the Group has an indirect influence on the economic activities mentioned in the taxonomy's first two delegating acts on mitigating and adapting to climate change. The Group's investments in tangible fixed assets as well as right-of-use assets and costs related to these are the parts that are to the greatest extent covered by the taxonomy.

### **Assessment of compliance with the taxonomy regulation**

Transport by motorbikes, passenger cars and light commercial vehicles

Kährs is covered by economic activity 6.5 *Transport by motorbikes, passenger cars and light commercial vehicles* according to the environmental target *Climate change mitigation regarding the purchase of taxonomy-related products and services*. More specifically, this refers to capital expenditure for leasing passenger and company cars. There is no information available to assess compatibility with the EU taxonomy and thus ensure that we meet the technical criteria.

Acquisition and ownership of buildings

Kährs is covered by economic activity 7.7 *Acquisition and ownership of buildings* according to the environmental target *Climate change mitigation regarding the purchase of taxonomy-related products and services*. More specifically, this refers to capital expenditure for new and renegotiated leases of premises. There is no information available to assess compatibility with the EU taxonomy and thus ensure that we meet the technical criteria.

### **Accounting principles/Accounting policy**

Within the framework for accounting in line with the EU taxonomy, turnover, capital expenditure and operating expenditure are defined as follows. The definitions of capital expenditure and operating expenditure here differ from our ordinary financial reporting.

## Turnover

The reporting of total turnover corresponds to the item Net sales in the consolidated income statement on page 27 and Notes C4 and C5 on pages 42–44.

## Capital expenditure (CAPEX)

The reporting of total capital expenditure refers to additions to property, plant and equipment and intangible assets during the year before depreciation, revaluations and impairments and excluding changes in fair value. Furthermore, additions to rights of use as well as property, plant and equipment and intangible assets arising from business combinations excluding goodwill are included. See Note C14 regarding intangible assets, C15 regarding property, plant and equipment that are owned, and C31 regarding property, plant and equipment with a right of use.

## Operating expenses (OPEX)

The reporting of operating expenses within the framework of the EU taxonomy includes the Group's direct costs relating to research and development, building renovations, short-term lease contracts and maintenance and repairs. According to the taxonomy, covered operating expenses must correspond to direct costs for daily maintenance that may not be capitalised and may be or may become environmentally sustainable. More specifically, this refers to, among other things, building renovation, short-term lease contracts and maintenance and repair. Kährs is not covered by any operating expenses.

Kährs Group's activities that are covered by the taxonomy regulation, and that may be or may become environmentally sustainable, are reported here:

Ekonomiska verksamheter (1)	Kod/verder (2)	Absolut omsättning (3)	Andel av omsättning (4)	Kriterier för väsentligt bidrag					Kriterier avseende att inte orsaka betydande skada (DNSH)					Minimivärdesgränser (17)	Taxonomiförenlig andel av omsättning en, år 2022 (18)	Taxonomiförenlig andel av omsättning en, år 2021 (19)	Kategori (möjliggörande verksamhet eller) (20)	Kategori ("omställningsverksamhet") (21)
				Vatten och marina resurser (7)	Cirkulär ekonomi (8)	Förening (9)	Biologisk mångfald och ekosystem (10)	Begynnelse av klimatförändringar (11)	Adaptation till klimatförändringar (12)	Vatten och marina resurser (13)	Cirkulär ekonomi (14)	Förening (15)	Biologisk mångfald och ekosystem (16)					
<b>A. VERKSAMHETER SOM OMFATTAS AV TAXONOMIN</b>		Mkr	%	%	%	%	%	%	Ja/nej	Ja/nej	Ja/nej	Ja/nej	Ja/nej	Ja/nej	Procent	Procent	Möjliggörande	Omsättning
A.1 Miljömässigt hållbara (taxonomiförenliga) verksamheter																		
De miljömässigt hållbara (taxonomiförenliga) verksamheternas omsättning (A.1)		0	0%												0%	0%		
A.2 Verksamheter som omfattas av taxonomin men som inte är miljömässigt hållbara (ej taxonomiförenliga)																		
Omsättning hos de verksamheter som omfattas av taxonomin men som inte är miljömässigt hållbara (ej taxonomiförenliga) (A.2)		0	0%															
<b>Totalt (A.1 + A.2)</b>		0	0%															
<b>B. VERKSAMHETER SOM INTE OMFATTAS AV TAXONOMIN</b>																		
Omsättningen hos verksamheter som inte omfattas av taxonomin (B)		4 002	100%															
<b>Totalt (A + B)</b>		4 002	100%															

Ekonomiska verksamheter (1)	Kod/verder (2)	Absolut kapitalutgifter (3)	Andel av kapitalutgifter (4)	Kriterier för väsentligt bidrag					Kriterier avseende att inte orsaka betydande skada (DNSH)					Minimivärdesgränser (17)	Taxonomiförenlig andel av kapitalutgifter, år 2022 (18)	Taxonomiförenlig andel av kapitalutgifter, år 2021 (19)	Kategori (möjliggörande verksamhet eller) (20)	Kategori ("omställningsverksamhet") (21)
				Vatten och marina resurser (7)	Cirkulär ekonomi (8)	Förening (9)	Biologisk mångfald och ekosystem (10)	Begynnelse av klimatförändringar (11)	Adaptation till klimatförändringar (12)	Vatten och marina resurser (13)	Cirkulär ekonomi (14)	Förening (15)	Biologisk mångfald och ekosystem (16)					
<b>A. VERKSAMHETER SOM OMFATTAS AV TAXONOMIN</b>		Mkr	%	%	%	%	%	%	Ja/nej	Ja/nej	Ja/nej	Ja/nej	Ja/nej	Ja/nej	Procent	Procent	Möjliggörande	Omsättning
A.1 Miljömässigt hållbara (taxonomiförenliga) verksamheter																		
Kapitalutgifter för de miljömässigt hållbara (taxonomiförenliga) verksamheterna (A.1)		0	0%												0%	0%		
A.2 Verksamheter som omfattas av taxonomin men som inte är miljömässigt hållbara (ej taxonomiförenliga)																		
Transport med motorcyklar, personbilar och lätta motorfordon	6.5	14	14,2%															
Förvärf och ägande av byggnader	7.7	33	33,6%															
Kapitalutgifter för verksamheter som omfattas av taxonomin men som inte är miljömässigt hållbara (ej taxonomiförenliga) (A.2)		47	47,8%															
<b>Totalt (A.1 + A.2)</b>		47	47,8%															
<b>B. VERKSAMHETER SOM INTE OMFATTAS AV TAXONOMIN</b>																		
Kapitalutgifter hos verksamheter som inte omfattas av taxonomin (B)		52	52,2%															
<b>Totalt (A + B)</b>		99	100,0%															

Ekonomiska verksamheter (1)	Kod/Verket (2)	Absoluta driftsutgifter (3)	Andel av driftsutgifter (4)	Kriterier för väsentligt bidrag					Kriterier avseende att inte orsaka betydande skada (DNSH)							Minimikvotsskäligheter (17)	Taxonomiförenlig andel av driftsutgifter, år 2022 (18)	Taxonomiförenlig andel av driftsutgifterna, år 2021 (19)	Kategori (möjliggörande verksamhet eller) (20)	Kategori "omställningsverksamhet" (21)		
				Vatten och marina resurser (7)	Cirkulär ekonomi (8)	Förening (9)	Biologisk mångfald och ekosystem (10)	Begynnelse av klimatförändringar (11)	Anpassning till klimatförändringar (12)	Vatten och marina resurser (13)	Cirkulär ekonomi (14)	Förening (15)	Biologisk mångfald och ekosystem (16)									
A. VERKSAMHETER SOM OMFATTAS AV TAXONOMIN																			Procent	Procent	Möjliggörande	Önsättning
A.1 Miljömässigt hållbara (taxonomiförenliga) verksamheter																						
Driftsutgifter för de miljömässigt hållbara (taxonomiförenliga) verksamheterna		0	0%													0%	0%					
A.2 Verksamheter som omfattas av taxonomin men som inte är miljömässigt hållbara (ej taxonomiförenliga)																						
Driftsutgifter för verksamheter som omfattas av taxonomin men som inte är miljömässigt hållbara (ej taxonomiförenliga) (A.2)		0	0%													0%	0%					
Totalt (A.1 + A.2)																						
B. VERKSAMHETER SOM INTE OMFATTAS AV TAXONOMIN																						
Driftsutgifter hos verksamheter som inte omfattas av taxonomin (B)		14	100%																			
Totalt (A + B)		14	100%																			

## Corporate Governance Report

Corporate governance comprises the decision-making systems that the owners use to govern the company, both indirectly and directly. This report describes corporate governance at Kährs BondCo AB (publ) for the 2022 financial year.

### *Articles of Association*

The name of the company is Kährs BondCo AB (publ). The Board of Directors has its registered office in Nybro. The company is a holding company and its operations comprise buying, selling, owning and holding shares, bonds and other securities and to run other activities that are compatible with this.

### *Corporate governance principles*

The Corporate Governance Report has been produced in accordance with the rules set out in the Swedish Annual Accounts Act (1995:1554). Kährs is not subject to the Swedish Corporate Governance Code.

The most important steering documents for the company include:

- Kährs' Articles of Association
- The Board's rules of procedure, including instructions for the CEO
- Instructions for the Audit Committee
- Instructions for the Owners' Committee
- Kährs' Strategy Plan
- Kährs' Finance Policy
- Kährs' Communication Policy
- Kährs' Finance Manual

### *General meeting*

The general meeting is the highest decision-making body of the company. At a general meeting the shareholders are given the opportunity to exert their influence over the company based on their number of shares.

### *The Annual General Meeting and Extraordinary General Meetings*

The ordinary Annual General Meeting (AGM) of Kährs BondCo AB (publ) held on 27 April 2022 resolved to adopt the Board's proposed profit distribution. The AGM also resolved to re-elect Anders Wassberg, Jan Johansson, Lisa Göttler, Mats Therman, Christoffer Marköö and Jonas Köhlin, and to re-elect Anders Wassberg as the Chair of the Board of Directors. The AGM also passed a resolution not to pay a fee to ordinary employee representatives.

The ordinary Annual General Meeting of Kährs Holding AB (publ) on 11 April 2022, resolved to adopt the Board's proposed profit distribution. The AGM also resolved to re-elect Anders Wassberg, Jan Johansson, Lisa Göttler, Mats Therman Christoffer Marköö and Jonas Köhlin and to re-elect Anders Wassberg as the Chair of the Board of Directors. The AGM also passed a resolution that an annual fee of SEK 300,000 would be paid to each member of the Board of Directors and that SEK 600,000 would be paid to the Chairman of the Board. A resolution was also passed to pay a fee of SEK 20,000 to each of the ordinary employee representatives. No fees will be paid to the members of the Audit Committee or the Remuneration Committee.

### *Board of Directors*

The mission of the Board is to contribute to sound business development and control of the Group's operations. One of the most important duties of the Board of Kährs is to ensure long-term strategy, governance, monitoring and control of the Group's operations in order to create value for shareholders, customers and other stakeholders. The Board is also responsible for ensuring that laws and regulations are adequately enforced and applied throughout the company's operations. The Board appoints the CEO, who is also the President of the Group.

The Board comprises a minimum of three and a maximum of seven members, and a maximum of three deputies. Members and deputies are elected annually at the Annual General Meeting for the period until the next Annual General Meeting.

During the 2022 financial year, Kährs BondCo AB's Board of Directors held three minuted Board meetings. Anders Wassberg, Jan Johansson, Lisa Göttler, Mats Therman, Christoffer Marköö and Jonas Köhlin participated in all three Board meetings. Jan Johansson participated in two Board meetings.

During the 2022 financial year, Kährs Holding AB's Board of Directors held eleven minuted Board meetings. Anders Wassberg, Jan Johansson, Lisa Göttler, Christoffer Marköö and Jonas Köhlin participated in all eleven Board meetings. Mats Therman participated in ten Board meetings. The employee representatives, Stefan Karlsson and Jakob Jakobsson, attended all eleven Board meetings during the financial year.

The Board of Directors of Kährs has adopted rules of procedures for its operations, setting out how the work is divided between the Board of Directors, its committees and the CEO. The rules of procedure are established by the Board and the current rules of procedure, including the instructions for the CEO, were adopted on 07 April 2022. A fee is payable to the Chair of the Board and the ordinary Board members in accordance with a resolution by the AGM. No other remuneration is payable to the Board of Directors, except what has been resolved by the AGM. The total Board fees that were paid for the year amounted to a total of SEK 2.4 million (0.8). As at 31 December 2022, SEK 1.5 million has been reserved for Board fees in accordance with the resolution passed by the AGM of Kährs Holding on fees for 2022. Fees are scheduled for payment after the 2023 AGM.

#### *Audit Committee*

The Board of Kährs has appointed an Audit Committee whose main task is to collaborate with the executive management team to ensure the quality of the financial reporting. The Audit Committee regularly monitors and evaluates the work of the auditors on behalf of the Board and also prepares proposals for the auditors, the company's accounting, external audits, financial information and internal control. The work of the committee is continually presented at the subsequent Board meeting of the company. Kährs' Audit Committee consists of the committee chair Christoffer Marköö and committee member Mats Therman.

#### *Remuneration Committee*

Kährs' Remuneration Committee consists of the committee chair Anders Wassberg and committee member Christoffer Marköö and examines the remuneration for the senior executives. The remuneration for the CEO and other senior executives will be market-based and comprise a fixed and a variable component as well as any benefits and pensions. The decisions on the fixed and variable remuneration for all senior executives are made using the 'grandfather principle'.

#### *Direct or indirect shareholdings*

As at 31 December 2022, Saltri II Luxco Sarl in Luxembourg was the sole owner of all shares in Kährs BondCo AB (publ). Saltri II Luxco Sarl is owned by Triton Partners through Triton III Continuation GP Sarl (66 per cent), Hartwall (16 per cent) and senior executives in the Kährs Group (18 per cent).

Kährs' Articles of Association do not have any limits on the number of votes or the number of shareholders who may vote at a general meeting.

#### *Election of the Board or changes to the Articles of Association*

Kährs' Articles of Association do not contain any special provisions for the appointment and dismissal of Board members or amendments to the Articles of Association.

#### *Internal control*

Under the Swedish Companies Act, the Board is responsible for internal control. The CEO and Group management team govern the work to develop reliable financial statements for external publication efficiently. The cornerstones of Kährs' system of internal control are the control environment, risk assessments, control activities, information and communication, and follow-up.

- Control environment

The internal control at Kährs is based on the decisions about the organisation, authorisations and guidelines made by the Board. This internal control reflects documented policies, guidelines, process descriptions, allocation of responsibilities and tasks, as well as the Board's rules of procedure, instructions for the CEO, authorisation instructions, the Finance Policy and instructions for financial reporting. Integrating the monthly reporting of the financial and operational activities provides a solid foundation for the external financial reporting. The central finance department is responsible for continually updating the accounting and reporting instructions by taking into account new external and internal requirements that are set out in Kährs' Finance Manual.

- Risk assessments and control activities

Risk management and risk assessments form an integral part of the business governance and decision-making processes. The risk areas identified in financial reporting are managed and controlled in the day-to-day activities by Kährs' controller organisation. The controller organisation, as well as its financial responsibility, follows the organisational and responsibility structure in the company. This is reported clearly and regularly to the senior managers to ensure a solid understanding of how the business is reflected in the figures. The Board also ensures the quality of financial reporting by processing the company's financial reporting every month in meetings that are held directly with the company's CEO and CFO. The Audit Committee prepares interim reports, manages crucial valuation and accounting matters, and analyses and decides on risks associated with the financial reporting.

- Information and communication

In order to inform, instruct and coordinate financial reporting, Kährs Group has formal internal information and communication channels to the relevant staff with respect to policies, guidelines, reporting manuals and other instructions. The Group's intranet is used to communicate with the relevant employees. These formal channels are supplemented by frequent dialogue between the central finance department and the people in charge of the operational units. Established routines are also in place for the external communication of financial information based on the applicable regulations. In terms of the requirements for external communication, Kährs Group follows the guidelines in order to ensure an efficient and accurate flow of information. The company's guidelines reflect Swedish legislation.

- Follow-up

The Group's performance compared to the budgets and forecasts is continually monitored at many levels within the company, both at a local level and a Group level. The company is governed and reported by operating profit for the Group, which consists of one operating segment. Total assets/liabilities per segment are not reported. There is a monthly debriefing with the CEO, the executive management team and the Board.

With the organisation and the working methods described above, the company believes that the internal control systems for financial reporting are appropriate in relation to the company's operations.



## Financial comments in brief

### Information about the Group

#### *Net sales*

During the period January–December, the Group's sales amounted to SEK 4,002 million. Kährs thus passed an important milestone with net sales of more than SEK 4 billion. The strong sales to the housing segment in the Nordics have been the strongest contributor, with sales of 3-strip wood flooring performing the best. In general, we also saw a positive trend in our resilient range due to good development in the Commercial segment during the year.

#### *Operating profit*

Operating profit (EBIT) for 2022 amounted to SEK 411 million. Operating profit before non-recurring items (operating EBIT) amounted to SEK 443 million, which equates to an operating margin of 11.1 per cent. Operating profit before depreciation, amortisation and non-recurring items (adjusted EBITDA) amounted to SEK 615 million, which equates to an EBITDA margin of 15.4 per cent. Non-recurring items of SEK 32 million refer to consulting costs in connection with acquisition activities of SEK 13 million, debited customs costs in the USA linked to the import of Chinese wood products in 2018–2019 of SEK 11 million, restructuring of operations in Russia of SEK 2 million, and other non-recurring items of SEK 6 million. Profit for the year amounted to SEK 226 million. Depreciation and amortisation of non-current assets for the Group amounted to SEK 172 million during the period January–December.

#### *Net sales per region*

##### Residential Nordics

Net sales for the region Residential Nordics totalled SEK 1,814 million during the period January–December. In 2022, multiple macroeconomic factors influenced the floor market. Kährs successfully secured access to raw materials and found ways to maintain the service level to customers, which generated good sales in 2022.

##### Residential West & South Europe

Net sales for the region Residential West & South Europe totalled SEK 883 million in 2022. Despite weaker demand on the market during the second half of the year, Kährs' development has been acceptable for the full year, in part due to competitors' delivery difficulties in the first half of the year linked to the war in Ukraine, while we saw decreased demand and order intake during the second half of the year.

##### Residential North America

Net sales for the Residential North America region amounted to 383 million. Consumer demand was strong in the first half of the year for both wood flooring and LT, while demand in the second half of the year was primarily driven by new construction projects.

##### Residential Emerging Markets

Net sales for the region Residential Emerging Markets totalled SEK 544 million during the period January–December. Demand on the Russia market was up sharply at the beginning of the war and then fell again at the end of Q2 and in Q3 and Q4. Eastern Europe had very good development during the period, where Romania in particular had good sales.

##### Commercial

Net sales for Commercial totalled SEK 299 million during the period January–December. For the full year, we saw strong sales from our PVC-free product segment, where customers and markets appreciate that we have been able to deliver on important parameters such as sustainability and excellent performance in tough environments.

The “Offices” segment had still not recovered from the pandemic years, which influenced our sales of textile floor solutions.

For more information, see the revenue recognition by region in Note C5.

#### *Net financial expenses*

Net financial expenses amounted to a total of SEK 130 million, of which external interest expenses were SEK 108 million.

#### *Tax*

The tax expense for the Group totalled SEK 55 million, which corresponds to a tax rate of 20 per cent.

#### *Cash flow*

Cash flow from operating activities in 2022 amounted to SEK 217 million. Working capital increased by SEK 234 million during the year.

#### *Investments*

Investments during the year amounted to SEK 49 million. These investments refer almost exclusively to investments in production equipment, primarily at the Group’s production facility in Nybro, Sweden.

#### *Financial position*

The Group’s total assets amounted to SEK 2,800 million as at 31 December 2022 (2,350 ), with an equity/assets ratio of 8.2 per cent (35.1).

The Group’s net debt, excluding lease liabilities, amounted to SEK 1,080 million as at 31 December 2022, compared with SEK 319 million as at December 2021.

#### *Cash and cash equivalents in the Group*

Consolidated cash and cash equivalents amounted to SEK 356 million as at 31 December 2022, compared with SEK 268 million as at 31 December 2021. The Group had used SEK 0 million (0) of the current RCF facility of SEK 650 million (300) as at 31 December. This meant that available liquidity for the Group was SEK 1,006 million (568) as at 31 December 2022, which provides good stability going forward.

The Group has a Cash Pool structure in place to ensure that it maintains effective cash management. The following countries are included in the Group’s Cash Pool: Sweden, Norway, Finland, Denmark, Germany, the United Kingdom and France.

#### *Employees*

At the end of the financial year, the number of employees in the Group amounted to 1,455 (1,483), which includes 774 (787) employees outside Sweden. The reduction during the year was mostly a result of fewer production staff in Sweden.

#### **Information about the parent company**

The operations of Kährs BondCo AB (publ) mainly consist of managing the Group’s operations as well as shared functions, such as Group financing. The parent company’s net sales amounted to SEK 0.0 million (0.0). Profit for the year amounted to SEK -12 million (-12). No investments were made in property, plant and equipment, or in intangible assets during the year (0.0).

### Five-year overview

The consolidated financial statements of Kährs BondCo AB (publ) include Kährs Holding (publ) AB and its sub-groups, AB Gustaf Kähr, Kährs Oy and Oak Norge AS.

### The Group's profit and financial position

Overview (SEK million)	2022	2021 (4 months)
Net sales	4,002	1,147
Operating profit before non-recurring items (Operating EBIT)	443	80
Operating profit (EBIT)	411	75
Profit for the year	226	34
Cash flow from operating activities	217	216
Investments	49	48
Total cash flow	79	-153
Cash and cash equivalents	356	268
Net debt	1,197	436
Net working capital	980	699
Equity/assets ratio	8.2%	35.1%
Return on capital employed	24.4%	58%
Employees at end of period	1,455	1,483

### Parent company's profit and financial position

Overview (SEK million)	2022	2021
Operating profit (EBIT)	0	0
Profit for the year	-12	-12
Cash and cash equivalents	500	1,432,375
Net debt	1,434	0
Equity/assets ratio	24.2%	5.9%
No. of shares	500,000	500,000
Employees at end of period	-	-

See the notes on pages 86–87 for the definitions of key performance indicators.

### Proposed distribution of the company's profit

The Board of Directors proposes that no dividend be paid for the year 2022. The profit at the disposal of the Annual General Meeting comprises the parent company's unrestricted equity, SEK 475,979,689 and includes profits carried forward of SEK 500,000,000 and profit for the year of SEK -11,841,422. The Board of Directors proposes that the profits at the disposal of the Annual General Meeting be distributed as follows:

To be carried forward	SEK 475,979,689
Total unrestricted equity in the parent company	SEK 475,979,689

For the company's performance and financial position in general, please refer to the following income statements and balance sheets and their accompanying notes.

## Consolidated income statement

SEK thousand	Note	2022	2021 (4 months)
Net sales	C4, C5	4,001,658	1,146,588
Cost of goods sold	C7,C8	-3,046,873	-925,313
<b>Gross profit</b>		<b>954,785</b>	<b>221,275</b>
Selling and distribution expenses	C7,C8	-394,277	-120,228
Administration expenses	C7, C8, C9	-149,590	-53,099
Other operating income	C10	6,485	27,521
Other operating expenses	C11	-6,496	-160
<b>Operating profit</b>		<b>410,907</b>	<b>75,309</b>
Financial income	C12	7,734	1,810
Financial expenses	C12	-137,445	-39,281
<b>Profit before tax</b>		<b>281,196</b>	<b>37,838</b>
Income tax	C13	-55,465	-3,920
<b>Profit for the year</b>		<b>225,731</b>	<b>33,918</b>
<b>Profit for the year attributable to:</b>			
Parent company's shareholders		225,020	33,735
Non-controlling interests		711	183
<b>Total</b>		<b>225,731</b>	<b>33,918</b>
Earnings per share before and after dilution, SEK	C25	450	67

## Consolidated statement of comprehensive income

SEK thousand	Note	2022	2021 (4 months)
<b>Profit for the year</b>		<b>225,731</b>	<b>33,918</b>
<b>Other comprehensive income</b>			
Items that may be reclassified to the income statement:			
Translation differences	C25	91,807	16,127
Items that cannot be reclassified in the income statement:			
Actuarial gains and losses for pensions	C26	74	20
<b>Total</b>		<b>91,881</b>	<b>16,147</b>
<b>Comprehensive income for the year</b>		<b>317,612</b>	<b>50,065</b>
<b>Comprehensive income for the year attributable to:</b>			
Parent company's shareholders		316,713	49,878
Non-controlling interests		899	187
<b>Total comprehensive income</b>		<b>317,612</b>	<b>50,065</b>

## Consolidated statement of financial position

SEK thousand	Note	31/12/2022	31/12/2021
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	C14	179,506	197,580
Property, plant and equipment, owned	C15	583,986	615,393
Property, plant and equipment, right-of-use	C31	114,200	115,784
Other financial assets	C16, C17	31,182	25,587
Deferred tax assets	C13	28,456	30,287
<b>Total non-current assets</b>		<b>937,330</b>	<b>984,631</b>
<b>Current assets</b>			
Inventories	C22	961,386	682,708
Accounts receivable	C19, C17	397,305	335,543
Derivatives	C18	4,118	8,780
Other current assets	C20	143,437	70,737
Cash and cash equivalents	C21	356,224	267,751
<b>Total current assets</b>		<b>1,862,470</b>	<b>1,365,519</b>
<b>TOTAL ASSETS</b>		<b>2,799,800</b>	<b>2,350,150</b>

## Consolidated statement of financial position

SEK thousand	Note	31/12/2022	31/12/2021
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	C25	500	-
Reserves	C25	-32,865	-124,484
Retained earnings, including profit for the year		259,328	946,413
Total		226,963	821,929
Non-controlling interests		3,233	2,334
<b>Total equity</b>		<b>230,196</b>	<b>824,263</b>
<b>Non-current liabilities</b>			
Interest-bearing liabilities	C16, C24	1,505,625	71,501
Provisions for pensions	C26	734	675
Other provisions	C27	3,671	3,025
Deferred tax liabilities	C13	81,972	71,043
<b>Total non-current liabilities</b>		<b>1,592,002</b>	<b>146,244</b>
<b>Current liabilities</b>			
Interest-bearing liabilities	C16, C24	47,624	632,390
Other provisions	C27	19,611	30,346
Trade payables	C23	377,809	319,598
Current tax liabilities		32,747	8,832
Other current liabilities	C23	499,811	388,477
<b>Total current liabilities</b>		<b>977,602</b>	<b>1,379,643</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>2,799,800</b>	<b>2,350,150</b>

## Consolidated statement of changes in equity

SEK thousand	Share capital	Reserves <sup>1)</sup>	Retained earnings	Total	Non-controlling interests	Total equity
<b>As at 1 January 2022</b>	-	<b>-124,484</b>	<b>946,413</b>	<b>821,929</b>	<b>2,334</b>	<b>824,263</b>
Profit for the period	-	-	225,020	225,020	711	225,731
Other comprehensive income	-	91,619	74	91,693	188	91,881
<b>Total comprehensive income</b>	-	<b>91,619</b>	<b>225,094</b>	<b>316,713</b>	<b>899</b>	<b>317,612</b>
<b>Transactions with shareholders:</b>						
Group-internal restructuring <sup>2)</sup>	500	-	-912,179	-911,679	0	-911,679
<b>As at 31 December 2022</b>	<b>500</b>	<b>-32,865</b>	<b>259,328</b>	<b>226,963</b>	<b>3,233</b>	<b>230,196</b>

<sup>1)</sup> Specification of reserves can be found in Note C25

<sup>2)</sup> See Note C30 for more information

SEK thousand	Share capital	Reserves <sup>1)</sup>	Retained earnings	Total	Non-controlling interests	Total equity
<b>As at 1 September 2021</b>	-	<b>- 140,607</b>	<b>912,658</b>	<b>772,051</b>	<b>2,147</b>	<b>774,198</b>
Profit for the period	-	-	33,735	33,735	183	33,918
Other comprehensive income	-	16,123	20	16,143	4	16,147
<b>Total comprehensive income</b>	-	<b>16,123</b>	<b>33,755</b>	<b>49,878</b>	<b>187</b>	<b>50,065</b>
<b>As at 31 December 2021</b>	-	<b>-124,484</b>	<b>946,413</b>	<b>821,929</b>	<b>2,334</b>	<b>824,263</b>

<sup>1)</sup> Specification of reserves can be found in Note C25

## Consolidated statement of cash flows

SEK thousand	Note	2022	2021 (4 months)
<b>Operating activities</b>			
Profit before tax		281,196	37,838
Adjustment for non-cash items	C28	289,859	81,008
<b>Cash flow before interest and tax</b>		<b>571,055</b>	<b>118,846</b>
Interest received		2,908	160
Interest paid		-103,404	-10,448
Tax paid		-20,025	-2,268
<b>Cash flow from operating activities before change in working capital</b>		<b>450,534</b>	<b>106,290</b>
<b>Change in working capital</b>			
Change in inventories		-246,303	2,087
Change in operating receivables		-111,437	1,558
Change in operating liabilities		124,077	105,881
<b>Cash flow from operating activities</b>		<b>216,871</b>	<b>215,816</b>
<b>Investing activities</b>			
Acquisition of subsidiaries	C30	-1,286,193	-
Acquisition of property, plant and equipment	C15	-49,419	-41,241
Acquisition of financial assets	C15, C17, C30	-2,697	-9,292
Disposal of non-current assets	C14	623	410
<b>Cash flow from investing activities</b>		<b>-1,337,686</b>	<b>-50,123</b>
<b>Financing activities</b>			
Unconditional shareholder contributions		397,731	-
Loans raised	C24	1,450 000	-
Repayment of loans raised		-590,759	-301,436
Payment of lease liabilities	C24	-56,443	-16,575
<b>Cash flow from financing activities</b>		<b>1,200,529</b>	<b>-318,011</b>
<b>Cash flow for the year</b>		<b>79,714</b>	<b>-152,318</b>
Cash and cash equivalents, opening balance	C21	267,751	418,529
Exchange rate differences in cash and cash equivalents	C21	8,759	1,540
<b>Cash and cash equivalents, closing balance</b>		<b>356,224</b>	<b>267,751</b>



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Kährs BondCo AB (publ), 559339-3621, Dunderbergsgatan 10, 382 28 Nybro, Sweden. The Board's registered office is in Nybro, Sweden.

## **Note C1 Information about the business**

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The parent company Kährs BondCo AB (publ), CIN 559339-3621, is a Swedish public limited company with its registered office in Nybro, Sweden. The annual report and consolidated financial statements have been approved for publication by the Board of Directors on 17 April 2023. The annual report and consolidated financial statements will be presented for adoption at the Annual General Meeting on 19 May 2023.

Kährs BondCo AB (publ) is a leading manufacturer and distributor of flooring with the ambition to exceed the customer's expectations for their flooring experience. Kährs' innovations have shaped the industry throughout history, and the company offers flooring solutions for all rooms, environments and needs. Kährs supplies sustainable floor solutions to approx. 70 countries and is the market leader in wooden flooring in Sweden and Finland, as well as having a strong position in other main markets such as Norway, the United Kingdom, the USA, Germany and Switzerland. The Group has approximately 1,450 employees and an annual turnover of SEK 4 billion. The Group has production facilities in Sweden, Finland, Russia, Romania and Poland. [www.kahrsgroup.com](http://www.kahrsgroup.com)

## **Note C2 Basis for preparation and summary of significant accounting policies**

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### **General**

Kährs Holding AB (publ)'s consolidated financial systems have been prepared in accordance with the International Financial Reporting Standards (IFRS) and, given the nature of Kährs Holding AB (publ)'s transactions, in accordance with the IFRS rules as adopted by the European Union (EU).

In addition, the Swedish Financial Reporting Board has issued RFR 1, Supplementary Accounting Rules for Groups, and other statements that only apply to Sweden. This standard must be applied to Swedish Groups that are listed on a Swedish stock exchange or another authorised marketplace for shares at the end of the reporting period and sets out supplementary rules and disclosures in addition to the IFRS requirements, which have resulted from provisions in the Swedish Annual Accounts Act. The Kährs BondCo Group and the parent company were formed in 2021. Since it was formed on 31 August 2021, the Group has applied IFRS. Since it was formed on 8 October 2021, the parent company has applied RFR 2 Accounting for legal entities.

### **Functional currency and reporting currency**

In accordance with IFRS, the consolidated financial statements are presented in Swedish krona (SEK), which is also the parent company's functional currency. The functional currency is established for each company in the Group and the items that are included in an individual company's financial reporting is calculated in its functional currency.

### **Transactions and balance sheet items in a foreign currency**

Transactions in foreign currencies are translated to the functional currency using the exchange rates that applied on the transaction date. Exchange rate gains and losses which arise in conjunction with payments of financial non-current assets and interest-bearing liabilities are recognised as a financial income/expense, except for exchange rate differences attributable to shareholder loans that are recognised in other comprehensive income. Exchange rate gains and losses attributable to other transactions in a foreign currency are included in operating profit.

### **Net investment in a foreign operation**

Monetary non-current receivables or monetary non-current liabilities to a foreign operation for which settlement is not planned or likely will not occur in the foreseeable future are in practice part of the company's net investment in the foreign operation. An exchange rate difference that arises on the monetary non-current receivable or liability is reported in other comprehensive income and accumulated in a separate item in equity called the translation reserve. When selling a foreign operation, the accumulated exchange rate differences attributable to monetary non-current receivables or monetary non-current liabilities are included in the accumulated translation differences that are reclassified from the translation reserve in equity to profit/loss for the year.

### **Basis of accounting**

The consolidated financial statements have been prepared using the going concern principle and historical cost unless otherwise specified, for example in relation to the fair values of financial instruments.

### **Basis of consolidation**

The consolidated financial statements comprise the financial reporting for the Group and its subsidiaries as at 31 December 2022.

Subsidiaries are included in the consolidated financial statements from their acquisition date, i.e., the date on which the Group takes control of the company until the date the Group's control over the company ceases. The subsidiaries' financial statements are prepared for the same period and using the same accounting policies as the parent company. All intra-group balances, transactions, unrealised gains and losses from the intra-group transactions and dividends are eliminated in their entirety.

### *Subsidiaries*

Subsidiaries are companies over which the parent company exercises a controlling influence. A controlling influence exists if Kährs BondCo AB has influence over the investment object, is exposed to or entitled to a variable return from its involvement, and can use its influence over the investment to influence the return. When assessing whether a controlling influence exists, potential voting shares and whether de facto control exists are taken into account. Divested companies are included in the consolidated financial statements until the Group loses control or a controlling influence over them.

### *Translation of foreign subsidiaries*

Foreign subsidiaries are translated to Swedish krona (SEK), which is the Group's reporting currency. In the balance sheet, all balance sheet items are translated at the closing rate, except for net profit, which is calculated at the average rate. The income statement is translated in its entirety at the average rate. For exchange rate differences that occur when translating foreign subsidiaries, the translation difference is recognised in other comprehensive income.

Any surplus recorded in the acquisition of a foreign subsidiary, such as goodwill and other off-balance-sheet intangible assets, are translated at the closing rate. The translation difference is entered into other comprehensive income. Upon disposal of a subsidiary, the translation difference is reversed to the income statement.

### *Non-controlling interests*

The share of the subsidiaries' earnings from non-controlling interests is recognised in the income statement, where the net profit is distributed between the parent company's shareholders and non-controlling interests. Non-controlling interests are recognised in a separate item under consolidated equity. Acquisitions from non-controlling interests are recognised as an equity transaction, i.e., between the parent company's owners and non-controlling interests. Therefore, goodwill does not arise in these transactions. Profit from sales to non-controlling interests are also recognised in equity.

### *Gross accounting*

Gross accounting has been consistently applied when recognising assets and liabilities, except where the assets and liabilities are attributable to the same counterparty and the company has been in a legal position to offset them. Unless otherwise stated, gross accounting has also been applied to revenue and expenses.

### *Classification of assets and liabilities*

The recovery or settlement of non-current assets and non-current liabilities is expected to be carried out later than 12 months after the balance sheet date. The recovery or settlement of current assets and current liabilities is expected to be carried out earlier than 12 months after the balance sheet date.

### **New or amended accounting standards applicable in 2022**

The following amended standards were applicable from 1 January 2022: IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets; Annual

Improvements to IFRS Standards 2018–2020; and IFRS Practice Statement 2. The amended accounting standards have had no material impact on Kährs' financial statements.

#### **New or amended accounting standards that apply in 2023 or later**

The following new or amended accounting standards have been published, but are not obligatory for 2022 and have not been applied in advance by Kährs: IFRS 17 Insurance Contracts; IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors; IAS 12 Income Taxes; IAS 1 Presentation of Financial Statements regarding classification of liabilities as current or non-current; and IFRS 16 Leases (reporting of lease liability in a sale and leaseback transaction). These new or amended standards are not expected to have any material impact on Kährs' financial statements in 2023 or later.

#### **Related party transactions**

Transactions with related parties are conducted on market terms. Related parties are companies where Kährs BondCo has a controlling or significant influence over operating or financial decisions. The term 'related party' also includes companies and persons, such as Board members and company management, that have control of, or can exercise a significant influence on the Group's financial or operating decisions.

#### **Operating segment reporting**

The Group's chief operating decision-makers monitor the results of the operations at a consolidated level without division into segments or business lines. As a basis for decisions, top executives use the company's aggregated operating profit. The Kährs BondCo Group thus consists of a single segment. For financial information about the segment, please refer to the consolidated income statement, consolidated statements of comprehensive income and financial position, consolidated cash flow, Notes C5 (regarding revenue recognition), C14, C15 and C31 (regarding investments and depreciation/amortisation), and C28 (regarding cash flow effects).

#### **Cash and cash equivalents**

Cash and cash equivalents include cash and bank balances as well as current financial investments with maturities of three months or less from the date of acquisition that are exposed to an insignificant risk of value fluctuations.

#### **Intangible assets**

##### *Goodwill*

The amount by which the transferred consideration, any non-controlling interests, and the fair value on the date of acquisition of previous shareholdings exceeds the fair value of the consolidated share of identifiable acquired net assets is reported as goodwill. Goodwill on the acquisition of subsidiaries is reported as intangible assets. Goodwill is reported as an intangible fixed asset with an indefinite useful life. For assets such as goodwill, any need for impairment is assessed either annually or following an indication that it may be impaired. Goodwill is allocated and assessed at the level of cash-generating units, which are identified as the Kährs BondCo Group as a single operating segment. If the carrying amount of the assessed cash-generating unit exceeds the estimated recoverable amount, the difference is reported as an impairment. The recoverable amount of the cash-generating unit is determined by the value in use, which is based on a discounted cash flow model with a forecast period of five years. The valuation is based on a financial business plan that is part of the Group's business plan and represents the company management's best assessment of the business's development.

##### *Other intangible assets*

Intangible assets are recognised at cost less amortisation and reduction in value. The amortisation of intangible assets is carried out systematically over the estimated useful life of the asset, which is normally 2–5 years. Expected useful lives are reviewed annually and adjusted if necessary. When establishing the amortisable amount, the residual value of the asset is taken into consideration if there is evidence of a residual value.

Internally generated property, plant and equipment is only recognised as an asset if they are expected to bring future economic benefits, and if cost can be established in a reliable way. The costs of an internally generated asset comprise direct costs and production overheads that are directly attributable to the asset. Development

expenses are recognised as an intangible asset if the company intends, and has the necessary technical and financial resources, to complete the product or application for use or sale, and the planning and resources are in place to market the product. If they are to be recognised as development expenses, they must result in future economic benefits and the development expenses must be able to be measured in a reliable way. Development expenses that do not meet these criteria are recorded as expenses. The amortisation of capitalised development expenses starts at a time when the asset begins to be used for the purpose intended by the executive management team. The estimated useful lives are reviewed at each year-end and adjusted where necessary. For further information on intangible assets, see Note C14.

## Property, plant and equipment

### Cost

Property, plant and equipment is recognised in the consolidated accounts at cost less accumulated depreciation and any impairment losses. Cost includes the purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by its acquisition. Examples of directly attributable costs that are included in cost are the costs of delivery and handling, installation, ownership documents, consultant fees and legal services. The cost of property, plant and equipment produced by the Group itself includes expenditure for materials and remuneration to employees, plus other applicable manufacturing costs that are considered directly attributable to the assets, borrowing costs and the estimated costs for dismantling and removing the assets and restoring the site or area on which they are located. The Group applies 'component-based' depreciation, which means that the acquisition cost of each component that is important for the total acquisition cost of an item of property, plant and equipment is depreciated separately.

### Impairment of fixed assets

When there are indications that property, plant and equipment has fallen in value, the recoverable amount is measured. If the carrying amount exceeds the recoverable amount, the asset is written down to the recoverable amount. Previously recognised impairment losses are reversed when the recoverable value is calculated to be higher than the carrying amount. This reversal may not exceed the amount that was previously written down.

### Disposals

Property, plant and equipment are derecognised from the balance sheet on disposal or when no future economic benefits are expected from their use. The gain or loss is measured as the difference between the sales price and the carrying amount. The gain or loss is recognised under other operating expenses or other operating income for the financial year during which the asset is divested.

### Depreciation

Property, plant and equipment are depreciated on a straight-line basis systematically over their estimated useful lives. The estimated useful lives are reviewed at the end of each reporting period and adjusted where necessary. If the impairment amount has been determined, the residual value of the asset is taken into account. Straight-line depreciation is applied to all assets where the useful life can be determined

The following depreciation periods apply:

	Period
Buildings	8–50 years
Improvement of rented property	15 years
Land improvements	20 years
Machinery and other technical equipment	3–15 years
Equipment, tools and installations	3–15 years

## Financial assets

### Classification and subsequent measurement

The Group classifies its financial assets in the following valuation categories:

- fair value through profit or loss
- fair value through other comprehensive income, or
- amortised cost.

The classification requirements for debt and equity instruments are described below:

**Debt instruments** are the instruments that meet the definition of a financial liability from the issuer's perspective, such as accounts receivable, loan receivables and government bonds. The Group classifies its debt instruments into one of the following two measurement categories: Amortised cost: Assets that are held for collection of contractual cash flows where these cash flows represent solely payments of principal and interest, and are not designated as fair value through profit/loss, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance that is recognised (see 'Impairment' below). Interest income from these financial assets is recognised in net financial items using the effective interest rate method. Fair value through profit or loss: Assets that do not meet the criteria for amortised cost are measured at fair value through profit and loss. Gains or losses on a debt investment that is measured at fair value through profit or loss after initial recognition and is not part of a hedging relationship are recognised in net financial items in the period in which they arise. Interest income from these financial assets is recognised in net financial items using the effective interest rate method. The Group reclassifies debt investments when and only when its business model for managing these assets changes.

**Equity instruments** are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. Gains or losses on equity investments that are recognised at fair value via profit/loss are recognised in net financial items. The Group does not hold any material investments in equity instruments.

#### *Impairment of financial assets*

The Group assesses on a forward-looking basis expected credit losses associated with its debt instrument assets that are not recognised at fair value. The Group recognises a provision for such losses on each reporting date. The measurement of expected credit losses reflects an unbiased and probability-weighted amount based on reasonable and supportable information that is available, such as past events, current conditions and forecasts of future economic conditions. For accounts receivable, the group applies the 'simplified approach', which means that the provision for bad debt will equal the expected credit losses over their remaining lifetime. To measure the expected credit losses, accounts receivable are grouped into six categories based on credit risk characteristics and maturity periods. If a provision is considered insufficient due to individual considerations, the provision is extended to cover the actual anticipated losses.

**Removal from the balance sheet-** A financial asset, or part thereof, is removed from the balance sheet when the contractual rights to receive cash flows from the asset cease or have been transferred and the Group either (i) transfers substantially all risks and rewards associated with ownership or (ii) neither transfers nor retains substantially all the risks and rewards associated with ownership and does not retain control of the asset.

The impairment that would come into question for cash and cash equivalents and other financial assets that are within the scope of expected credit losses have not been deemed to be material.

#### **Financial liabilities**

##### *Classification and subsequent measurement*

The Group's financial liabilities, excluding derivatives, are classified and subsequently measured at amortised cost. Financial liabilities are derecognised from the balance sheet when they are extinguished, i.e. when the obligation specified in the contract is discharged or cancelled, or expires.

### **Derivatives**

Derivatives are initially recognised at fair value on the date on which the derivative contract is entered into and are subsequently re-measured at fair value. All derivatives are recognised as assets when fair value is positive and as liabilities when fair value is negative. Gains or losses arising from a change in the fair value of derivatives that are not identified or do not qualify as hedging instruments are recognised in profit or loss. The Group has not applied any hedge accounting for the 2022 or 2021 financial years.

### **Provisions**

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. If the Group expects a provision that is recognised to be reimbursed by a third party, for example an insurance firm, the anticipated reimbursement is included as a separate asset, but only if it is practically sure that the reimbursement can be received.

If the time value is significant, the future payment is discounted. The measurements are made by applying a discount rate that reflects the market expectations, taking into account specific risks associated with the obligation.

A restructuring provision is recognised during the period in which the Group is legally or constructively bound to the plan.

Provisions for future warranty claims are based on previous warranty history and current trends, which can provide an indication as to whether future requirements may deviate from historical requirements. Provisions for future operating losses are not recognised.

### **Contingent liabilities**

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. A contingent liability may also be an obligation that arises from past events, but that is not recognised as a liability or provision as it is not probable that an outflow of resources will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

### **Remuneration for employees**

#### *Short-term remuneration for employees*

Short-term remuneration for employees, including salaries, social security contributions, annual leave remuneration and bonuses are expensed in the period when the service is rendered.

#### *Severance pay*

Severance pay is payable when the employment is terminated before the normal age of retirement or when an employee accepts voluntary redundancy in exchange for such remuneration. The Group recognises severance pay when the Group has a legal or constructive obligation and when it is highly probable that an outflow of resources will be required to settle the obligation, and the amount can be measured reliably.

#### *Pensions*

The Group has both defined-benefit and defined-contribution pension plans. A defined-contribution plan is a pension plan under which the Group pays fixed contributions to an independent pension fund company. The Group does not have any other legal or constructive obligations to pay additional contributions if the pension fund does not have sufficient assets to pay all of the benefits associated with the employees' service in current and earlier periods. The Group's costs for defined-contribution pension plans are charged to profit for the financial year in which they occur.

A defined-benefit plan is calculated using the 'Projected Unit Credit' method and recognised in the balance sheet. As well as considering the pension and statutory rights that are known on the balance sheet date, assumptions are made for the anticipated increases in pensions and salaries, as well as other important factors. Calculations are based on actuarial calculation methods.

Actuarial gains and losses in defined-benefit pension plans are recognised in other comprehensive income for the period in which they occur. The calculated pension costs for service in earlier periods are determined when adjusting the defined-benefit pension plan. Adjustments are recognised in the income statement. The total net obligation (i.e. the present value of the defined-benefit plan minus the fair value of the assets) in each plan is recognised in the consolidated balance sheet.

### **Leases**

Upon initiation, contracts are assessed by Kährs to determine whether a contract is, or contains a lease. A contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a certain period of time in exchange for consideration. The right to control the use of an identifiable asset is assessed by Kährs, based on whether there is an identifiable asset, whether Kährs has the right to obtain substantially all the economic benefits from the use of the asset, and whether Kährs is entitled to direct its use.

Kährs Group as a lessee evaluates all new agreements to see whether they contain any lease components. An evaluation is carried out to identify if a lease exists by evaluating whether Kährs has the right to obtain substantially all of the economic benefits from the use of the assets, has the right to control the use of the asset, and the supplier has no substantial rights of substitution. Leased assets may not be used as security for loans.

Kährs recognises all contracts that meet the definition of a lease contract as right-of-use assets and lease liabilities in the balance sheet, and recognises depreciation/amortisation and interest expense in the income statement. Each lease payment is allocated between the repayment of the liability and the financial cost. The financial cost is divided over the term of the lease so that each reporting period is charged with an amount corresponding to a fixed interest rate for the liability recognised in each period. Right-of-use assets are depreciated on a straight-line basis over the shorter of the

asset's useful life and the term of the lease. Leases are normally depreciated for fixed periods of between three and five years for premises, three to six years for vehicles and three years for IT equipment, but there is a possibility for the leases to be extended or terminated, as described below. The Group's leases are primarily for land and buildings, forklift trucks, vehicles, machinery and office equipment.

Kährs applies an exemption for right-of-use leases of 12 months or less or that end within 12 months of the time they are transferred. They are classified as current leases, which means that they are not included in the carrying amounts for liabilities or rights-of-use. In addition, exemption rules have been applied to right-of-use assets that are classified as low-value leases. These leases have been excluded from being included in the carrying amounts for liabilities or right-of-use assets. Lease payments for such leases are recognised as operating costs over the term of the lease.

A margin loan interest rate is established per country, lease term and for the following right-of-use classes: land and buildings, forklift trucks, vehicles, machinery and office equipment. The margin loan interest rate is used for discounting the remaining lease payments. The model for establishing a margin loan interest rate is reviewed at least once a year or whenever there are indications for a need for a review in order to safeguard the validity of the model.

### **Revenue**

Sales revenue is recognised net of value-added tax, specific sales taxes, returns and trade discounts. Intra-group sales have been eliminated in the consolidated accounts. See Note C5 Revenue recognition for more details.

### *Interest income*

Interest income is recognised as it accrues (the calculation is based on the underlying asset using the effective interest rate method).

### *Dividend*

Revenue is recognised when the shareholder's entitlement to receive payment has been established.

### **Income tax**



Tax comprises current and deferred tax. Tax is recognised in the income statement, except when the tax is attributable to items recognised in other comprehensive income or directly in equity. In such cases, tax is recognised in other comprehensive income or equity.

#### *Current income tax*

Current tax receivables or tax liabilities for the current period and earlier periods are based on the amounts that are expected to be paid by or paid to the tax authorities. These amounts are measured based on the applicable tax rates and tax rules that have been enacted or substantively enacted by the end of the reporting period.

#### *Deferred income tax*

Deferred income tax is recognised based on temporary differences arising between the tax value and the carrying amount. Deferred tax assets are recognised for all deductible temporary differences, including taxed tax losses, to the extent that it is probable that a taxable profit will be available against which the deductible temporary differences can be utilised.

An assessment of deferred tax assets is carried out on each balance sheet date and adjusted if it is no longer probable that sufficient profit will be generated and deferred tax assets can therefore not be utilised. Deferred tax assets or liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (or laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred tax assets and deferred tax liabilities are offset if the Group has a legally enforceable right to offset them and if the deferred tax relates to the same company in the Group and the same tax authority.

#### **Government grants**

Government grants are recognised as accrued income in the balance sheet when it is reasonably certain that the grant will be received and the unit will meet the terms and conditions for them. Grants are recognised in profit or loss for the year in the same periods as the related costs for which they are intended to compensate.

#### **Cash flow**

Cash at bank and in hand comprises cash and available bank balances, as well as other current liquid investments with maturities of three months or less and that are exposed to an insignificant risk of value fluctuations. Cash flow from operating activities is measured using the indirect method.

### **Note C3 Significant assessments, estimates and assumptions**

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The preparation of these annual accounts 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 below:

#### **Assessment of impairment need for goodwill and trademarks with an indefinite useful life**

When calculating the recoverable amount of cash-generating units for the assessment of any need for impairment of goodwill with an indefinite useful life, several assumptions about future conditions and parameter estimates have been made.

The annual impairment assessment for goodwill with an indefinite useful life is performed in conjunction with the annual accounts. No impairment need emerged from the assessment. The valuation was conducted when the global economy was highly uncertain, which impacted the markets around us and demand for flooring. It is difficult under these circumstances to make an assessment of the future earnings as well as an assessment of the fair value of assets with an indefinite useful life.

The assessment is that there is good scope for cash-generating units to experience deterioration in the estimates without this leading to an impairment need. For further information on the impairment assessment, see C14.

### **Valuation of right-of-use assets and lease liabilities**

When Kährs signs a lease contract, it assesses the scope of the contract, the term of the lease, and the interest rate used to discount future lease payments, which impacts the valuation of the lease liability and the right-of-use asset.

An assessment is required when determining the contract's term. The term of the lease includes the non-cancellable period. If there is reasonable certainty that the Group will exercise an opportunity to extend the contract or not exercise an alternative to terminate the contract in advance, this is taken into account. The contracts contain many different conditions. Extension options and the possibility to terminate contracts early refer mainly to rental contracts for real estate. Thus, all relevant facts and circumstances that create an economic incentive to include optional periods are evaluated. The importance of the underlying asset in the business and its location, availability of suitable alternatives, significant improvements to the asset, the level of rent during extension periods compared to the market price and past practice are examples of factors to be included in the analysis. The term of the lease is determined on an individual basis and is remeasured if an option is exercised.

Assessments are also required to determine the interest rate used to discount future lease payments and whether the implicit interest rate in the lease contract can be easily determined and used or whether the Group's marginal borrowing rate should be used.

### **Valuation of deferred tax assets and deferred tax liabilities**

A deferred tax asset is recognised for loss carryforwards or other future taxable deductions to the extent that there will be sufficient future taxable profit against which the loss or deduction can be utilised. Deferred tax liabilities arising from temporary differences associated with investments in subsidiaries are not recognised in the consolidated accounts as the parent company is not able to direct the timing of the reversal of the temporary differences and it is not probable that the reversal will occur in the foreseeable future. Deferred tax assets and deferred tax liabilities are offset when there is a legal right to settle current tax assets and tax liabilities and when the deferred taxes are levied by the same tax authority.

### **Valuation of inventories**

Inventories are valued by applying the first-in first-out principle at the lower of cost and net realisable value on the balance sheet date. Before each balance sheet date, an assessment is made of the net realisable value of the various items in the inventories. This value is based on the executive management's assessment of slow-moving goods, excess stocks, damaged goods and other sales expenses. The valuation method chosen allows for inventory obsolescence. Deductions are made for internal profits arising from deliveries between Group companies in the consolidated accounts. Work in progress and finished goods include both direct costs incurred and a fair allocation of indirect manufacturing costs; see Note C22.

### **Valuation of assets in Russia**

As communicated on 9 August 2022, Kährs intends to divest the Russian operations and the company Karelia Upofloor CIS LLC. This process is ongoing, and various options are being evaluated. At the end of the year, the Russian assets in the Kährs BondCo Group had a value of SEK 202 million, and based on the bids received from potential stakeholders, it was assessed on 31 December 2022 that no impairment need was present for the Russian assets.

The conditions for divesting companies in Russia are constantly changing, partly through changes in Russian legislation and partly through additional sanctions packages from the Western world. This means that Kährs cannot rule out that in 2023 an impairment need may be present for the Russian assets based on changed conditions for a potential divestment.

### **Provision for warranty obligations**

The Group normally offers warranty obligations for its products. The executive management team estimates the provisions for any future compensation claims based on historical compensation claims and prevailing trends that give an indication as to whether future claims will differ from historical compensation claims; see Note C27.

### Legal disputes

A provision for legal disputes is based on an estimate of the future outflow of resources that may be required to discharge an obligation. Disputes primarily relate to contractual obligations with customers and suppliers, but also to other disputes that may occur as part of normal business operations.

## Note C4 Segment reporting

### Information on operating segments

The Group's chief operating decision-makers monitor the results of the operations at a consolidated level without division into segments or business lines. As a basis for decisions, top executives use the company's aggregated operating profit. The Kährs BondCo Group thus consists of a single segment. For financial information about the segment, please refer to the consolidated income statement, consolidated statements of comprehensive income and financial position, consolidated cash flow, Notes C5 (regarding revenue recognition), C14, C15 and C31 (regarding investments and depreciation/amortisation), and C28 (regarding cash flow effects).

### Sales by country where the customers operate:

Country	2022	2021 (4 months)
Sweden	1,438,685	372,912
Germany	443,939	138,263
USA	448,799	111,766
Finland	289,121	81,704
Norway	265,065	114,279
Russia	252,419	72,309
UK	128,491	42,902
Other countries	735,139	212,453
<b>Total</b>	<b>4,001,658</b>	<b>1,146,588</b>

The Group's total net sales relate to the sale of goods. No individual customer accounts for more than ten per cent of the Group's sales.

Property, plant and equipment	2022	2021
Sweden	435,207	483,261
Romania	97,952	99,862
Russia	93,301	67,423
Finland	34,693	37,199
Poland	12,653	17,024
USA	11,121	13,399
Other countries	13,259	13,009
<b>Total</b>	<b>698,186</b>	<b>731,177</b>

The items in the table above mostly comprise buildings, machinery and equipment, as well as right-of-use assets.

## Note C5 Revenue recognition

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### Accounting policies

#### *Revenue recognition*

Kährs manufactures and sells wood and resilient floors, primarily to distributors and the project market. Kährs' products include floors and flooring accessories. Sales revenue is recognised net of value-added tax, specific sales taxes, returns and trade discounts.

#### *Sales of finished products including accessories*

Sales of products are recognised at a specific point in time, i.e., when control of the products has been transferred by the products being delivered to the customer. Delivery takes place once the products have been shipped to a specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or there is objective evidence that all criteria for approval have been satisfied. In practice, the transfer of control, and therefore revenue recognition, normally depends on the contractual incoterms.

#### *Transaction price — Bonuses and other volume discounts*

The products are often sold with bonuses and other volume discounts based on aggregate sales over a specific period of time, normally 3–12 months. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated volume discounts. Discounts are measured and recognised based on experience, using either the expected value or an assessment of the most likely amount. Revenue is only recognised to the extent that it is highly likely that a significant reversal will not occur. Contract liabilities are recognised for anticipated volume discounts payable to customers in relation to sales made until the end of the reporting period. The anticipated volume discount is revised at each reporting date.

#### *Receivables, contract assets and contract liabilities*

A receivable is recognised when the goods are delivered, as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due. If the consideration is conditional on additional performance, a contract asset is recognised. If Kährs receives prepayments from customers, a contract liability is recognised. See the table below for additional details.

#### *Payments to customers*

Agreements can be made with customers to compensate for various services or activities undertaken by the customer. This relates, for example, to agreements under which Kährs agrees to compensate the customer for marketing activities undertaken by the customer. When this kind of compensation is paid, it is recognised as a reduction in sales revenue.

#### *Marketing activities and floor samples*

Marketing activities and floor samples that are not related to Kährs' range are recognised as sales expenses.

#### *Warranties*

The most common warranty action for Kährs is to replace a faulty product on statutory terms and in accordance with standard business practice. In these instances, a warranty obligation is recognised as a provision. Warranties that are related to manufacturing are recognised as part of the Group's cost of goods sold, while other warranty expenses are recognised as sales expenses.

#### *Sales with a right of return*

A right of return is not a separate performance obligation, but it affects the transaction price for the transferred goods.

In terms of a right of return resulting from statutory requirements, standard business practice or what is stipulated in agreements with customers, revenue is not recognised for goods that are expected to be returned. Instead, a liability is recognised for the anticipated refunds to customers. An asset

is also recognised for the anticipated returned item. The estimated amount of returned goods in each sale with a right of return is based on the anticipated value or the most likely amount, whichever is considered the best way to predict the amount. The estimate is revised on each reporting date.

#### *Freight costs*

Freight costs are included in the price of the goods sold and are recognised at the same time as the revenue from the sale of the product.

#### *Revenue breakdown*

Kährs manufactures and sells wood and resilient floors, primarily to distributors and the project markets. Kährs' product groups include parquet floors and other wood floors, resilient floors and other products. The table below presents net sales per product group.

<b>Net sales by region, external customers</b>	<b>2022</b>	<b>2021</b> (4 months)
Residential Nordics	1,813,475	493,254
Residential West & South Europe	882,525	275,268
Residential North America	382,650	97,370
Residential Emerging Markets	546,287	155,985
Commercial	297,600	88,113
Other	79,121	36,598
<b>Consolidated net sales, external customers</b>	<b>4,001,658</b>	<b>1,146,588</b>

  

<b>Net sales per product group</b>	<b>2022</b>	<b>2021</b> (4 months)
Parquet and other wood floors	3,123,214	887,398
Resilient Flooring (plastic floors)	598,083	166,518
Other products	280,361	92,672
<b>Total</b>	<b>4,001,658</b>	<b>1,146,588</b>

The table below shows opening and closing balances, as well as changes during the year for contract liabilities to customers.

<b>Contract liabilities to customers</b>	<b>Prepayments from customers</b>	<b>Customer bonuses/ product discounts</b>	<b>Total</b>
<b>As at 1 January 2022</b>	<b>10,538</b>	<b>101,430</b>	<b>111,968</b>
Gross increase during the year	74,344	264,772	339,116
Paid/agreed with customers	-	-242,632	-242,632
Revenue recognised during the year	-79,163	-	-79,163
<b>As at 31 December 2022</b>	<b>5,719</b>	<b>123,570</b>	<b>129,289</b>

<b>Contract liabilities to customers</b>	<b>Prepayments from customers</b>	<b>Customer bonuses/ product discounts</b>	<b>Total</b>
<b>As at 1 September 2021</b>	<b>6,361</b>	<b>76,368</b>	<b>82,729</b>
Gross increase during the year	27,997	71,940	99,937
Paid/agreed with customers	-	-46,878	-46,878
Revenue recognised during the year	-23,820	-	-23,820
<b>As at 31 December 2021</b>	<b>10,538</b>	<b>101,430</b>	<b>111,968</b>

### Note C6 Related party transactions

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

Kährs has not issued any guarantees nor any other commitments to the benefit of Board members and senior executives. In the 2022 financial year there were no direct nor indirect transactions between the Group and Board members or senior executives, except for what is stated in Note C7. For intra-Group transactions, the same pricing principles are applied as for transactions with external customers.

### Note C7 Payroll costs and number of employees

Salaries and other remuneration for Board members, the CEO and other employees

	<b>2022</b>	
	Salaries and benefits (of which bonuses)	Pension costs
Board and CEO	7,557 (1,499)	1,509
Other employees <sup>1</sup>	534,133 (19,966)	69,097
<b>Group</b>	<b>541,490 (21,465)</b>	<b>70,606</b>
	<b>4 months in 2021</b>	
	Salaries and benefits (of which bonuses)	Pension costs
Board and CEO	2,628 (489)	477
Other employees	163,889 (5,627)	24,483
<b>Group</b>	<b>166,517 (6,116)</b>	<b>24,960</b>

Staff costs including costs per function in the income statement

	<b>2022</b>	<b>2021</b> (4 months)
Cost of goods sold	447,489	133,795
Selling and distribution expenses	158,533	39,396
Administration expenses	61,285	15,884
<b>Total</b>	<b>667,307</b>	<b>189,075</b>

Gender distribution in the Group Board and other senior executives

<b>2022</b>		
	Total on balance sheet date	Of whom men
Board members	6	5
CEO and other senior executives	10	8
<b>Group</b>	<b>16</b>	<b>13</b>

  

<b>2021</b>		
	Total on balance sheet date	Of whom men
Board members	6	5
CEO and other senior executives	10	9
<b>Group</b>	<b>16</b>	<b>14</b>

Average number of employees

<b>2022</b>		
	Average number of employees	Of whom men
Sweden	680	475
Romania	293	186
Russia	280	190
Finland	101	73
USA	39	21
Poland	31	12
Germany	26	22
Norway	15	11
UK	9	3
France	7	4
Switzerland	3	3
Denmark	2	2
Austria	1	1
Italy	1	1
<b>Group</b>	<b>1,488</b>	<b>1,004</b>

<b>2021 (4 months)</b>		
	Average number of employees	Of whom men
Sweden	693	478
Russia	288	197
Romania	263	167
Finland	105	76
Poland	31	15
USA	35	20

Germany	28	21
UK	10	3
Norway	15	13
France	7	4
Switzerland	3	3
Denmark	2	2
Austria	1	1
Italy	1	1
<b>Group</b>	<b>1,482</b>	<b>1,001</b>

## Note C8 Remuneration to senior executives

	2022	2021 (4 months)
<b>Remuneration to senior executives in the Group</b>		
Salaries and other benefits	31,004	8,186
Pensions and allowance for healthcare	4,782	1,847
<b>Total</b>	<b>35,786</b>	<b>10,033</b>

### Principles applied

The Chair of the Board and the Board members are remunerated based on resolutions made by the AGM. No remuneration is paid for work in the Audit Committee or Remuneration Committee.

### Board of Directors

The AGM of Kährs Holding AB (publ) also resolved to re-elect Anders Wassberg, Jan Johansson, Lisa Göttler, Christoffer Marköö, Jonas Köhlin and Mats Therman and to re-elect Anders Wassberg as Chair of the Board of Directors. The AGM also passed a resolution that an annual fee of SEK 300,000 would be paid to each member of the Board of Directors and that SEK 600,000 would be paid to the Chairman of the Board. A resolution was also passed to pay a fee of SEK 20,000 to each of the ordinary employee representatives. No fees will be paid to the members of the Audit Committee.

Expensed remuneration to the Board amounted to SEK 1,540 thousand (758) for the 2022 financial year. Pensions for Board members amounted to SEK 0 (0). This cost is recognised in the parent company. No other remuneration has been recognised in the parent company.

### Senior executives

Principles for fixed and variable remuneration to the CEO are discussed and approved by the Remuneration Committee. Remuneration to other senior executives comprises salary, variable remuneration (including company car) and pension. Variable remuneration is based on the level to which the goals that have been set have been met. The variable remuneration is approved by the Chairman of the Board before payment is made.

Remuneration and other benefits 2022	Salaries/ Board fees	Other benefits	Variable remune- ration	Pension costs	Share- related benefits	Total
<b>Board:</b>						
Anders Wassberg (chair)	600	-	-	-	-	600
Jan Johansson	300	-	-	-	-	300
Mats Therman	300	-	-	-	-	300
Lisa Goettler	300	-	-	-	-	300
Christopher Marköö	-	-	-	-	-	-
Jonas Köhlin	-	-	-	-	-	-
Stefan Karlsson (employee representative)	20	-	-	-	-	20



Jakob Jakobsson (employee representative)	20	-	-	-	-	20
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**Senior executives:**

CEO	4,250	195	1,499	1,509	0	7,453
Other senior executives (9)	18,140	1,012	5,908	3,273	0	28,333
<b>Total</b>	<b>23,930</b>	<b>1,207</b>	<b>7,407</b>	<b>4,782</b>	<b>0</b>	<b>37,326</b>

Remuneration and other benefits, 2021 (4 months)	Salaries/Board fees	Other remuneration benefits	Variable remuneration	Pension costs	Share- related benefits	Total
<b>Board:</b>						
Anders Wassberg (chair)	300	-	-	-	-	<b>300</b>
Jan Johansson	150	-	-	-	-	<b>150</b>
Mats Therman	150	-	-	-	-	<b>150</b>
Ulrich Witt	38	-	-	-	-	<b>38</b>
Lisa Goettler	100	-	-	-	-	<b>100</b>
Christopher Marköö	-	-	-	-	-	-
Jonas Köhlin	-	-	-	-	-	-
Stefan Karlsson (employee representative)	10	-	-	-	-	<b>10</b>
Jakob Jakobsson (employee representative)	10	-	-	-	-	<b>10</b>
<b>Senior executives:</b>						
CEO	1,343	64	489	477	-	<b>2,374</b>
Other senior executives (9)	5,091	165	1,033	1,370	-	<b>7,659</b>
<b>Total</b>	<b>7,192</b>	<b>229</b>	<b>1,522</b>	<b>1,847</b>	<b>-</b>	<b>10,791</b>

**Information on remuneration and severance pay for the CEO**

Johan Magnusson has a notice period of six months if it is his initiative to leave; and 18 months if it is the employer who terminates the employment. During the notice period the CEO is entitled to his full salary and other employment benefits, whether or not he has an obligation to work. There is no entitlement to additional severance pay.

In addition to the benefits pursuant to the Income-Based Old-Age Pension Act, pension payments of 30 per cent (30) of the fixed annual salary and annual leave remuneration are made to the CEO, which forms the pensionable salary. The company's obligation for the defined-contribution pension solution is limited to the payment of the annual premiums. The pension is protected.

**Information on remuneration and severance pay for senior executives**

Remuneration and other benefits for senior executives were made to the following people in 2022: Andreas Larsson, Charlotta Persfäll, Johan Lundgren, Jonas Bäck, Alexei Pechorin, Andreas Berge (10 months), Sara Olofsson (2 months), Samuel Dalén (10 months), Carl-Henrik Stenermark (2 months), Rober Bieger and Sean Brennan.

If the employment is terminated by the company, the severance pay will not exceed one annual salary. Other senior executives have a notice period of 6–12 months. The fixed salary for the notice period and severance pay correspond in total to the fixed salary for a maximum of 12 months. During the notice period the other senior executives are entitled to their full salary and other employment benefits, whether or not they have an obligation to work. There is no entitlement to additional severance pay.

Other executives have a defined-contribution pension solution and a traditional ITP2 plan. The company's obligation for the defined-contribution pension solution is limited to the payment of the annual premiums. The pension is protected.

### Note C9 Remuneration to auditors

Audit refers to the statutory audit of the annual accounts, the accounting records and the administration of the business by the Board of Directors and the CEO. Other audit assignments refer to other quality-assurance services that are required by law, articles of associations, statutes or contracts. Tax consultancy refers to services in the field of taxation. Other advice refers to all other advice that is not included above.

	2022	2021 (4 months)
<b>Deloitte</b>		
Audit	3,218	-
Other audit assignments	-	-
Tax consultancy	-	-
Other advice	-	-
<b>Total</b>	<b>3,218</b>	<b>-</b>

<b>Ernst and Young</b>		
Audit	-	1,123
Other audit assignments	478	-
Tax consultancy	294	60
Other advice	-	200
<b>Total</b>	<b>772</b>	<b>1,382</b>

### Note C10 Other operating income

	2022	2021 (4 months)
Electricity derivatives at fair value	-	4,769
Gains from the sale of machinery and equipment	690	181
Reimbursement of contractual group health insurance (AGS) attributable to the years 2004–2008	2,679	22,324
Insurance benefits	1,304	-
Other	1,812	246
<b>Total</b>	<b>6,485</b>	<b>27,521</b>

### Note C11 Other operating expenses

	2022	2021
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		(4 months)
Electricity derivatives at fair value	-4,662	-
Gains from the sale of machinery and equipment	-67	-
Other	-1,767	-160
<b>Total</b>	<b>-6,496</b>	<b>-160</b>

## Note C12 Financial income and expenses

	2022	2021 (4 months)
<b>Financial income</b>		
Interest income according to the effective interest method, assets measured at amortised cost	2,908	136
Exchange rate differences	4,826	1,674
<b>Total financial income</b>	<b>7,734</b>	<b>1,810</b>

## Financial expenses

Interest expenses according to the effective interest method from interest-bearing liabilities recognised at amortised cost	-112,177	-15,602
Interest expense for lease liabilities	-6,670	-1,884
Exchange rate differences	-15,276	-19,409
Other financial expenses	-3,322	-2,386
<b>Total financial expenses</b>	<b>- 137,445</b>	<b>-39,281</b>
<b>Net financial items</b>	<b>-129,711</b>	<b>-37,471</b>

## Note C13 Tax

	2022	2021 (4 months)
Current tax:		
Income tax for the year	-44,326	-872
Other taxes	-	3
<b>Total current tax</b>	<b>-44,326</b>	<b>-869</b>
Deferred tax:		
Origination and reversal of temporary differences	-11,139	-3,051
<b>Total deferred tax</b>	<b>-11,139</b>	<b>-3,051</b>
<b>Total income tax</b>	<b>-55,465</b>	<b>-3,920</b>

	2022	2021 (4 months)
<b>Reconciliation of effective tax rate</b>		
Profit before tax	281,196	37,838
Tax calculated using the Swedish tax rate of 20.6 per cent (20.6)	-57,926	-7,795
Difference between the Swedish and foreign tax rates	-1,593	423
Non-taxable income	33,406	719
Non-deductible expenses	-38,776	-823

Correction of tax expense from previous years	-	233
Tax effect related to loss relief	9,424	2,209
Effect of changed tax rates	-	1,114
<b>Total income tax</b>	<b>-55,465</b>	<b>-3,920</b>

Tax related to items in other comprehensive income:		2022	
	Before tax	Tax effect	After tax
Translation difference	91,619		91,619
Tax on actuarial gains	99	-25	74
Other comprehensive income	91,718	-25	91,693

Tax related to items in other comprehensive income:		2021	
	Before tax	Tax effect	After tax
Translation difference	16,123	-	16,123
Tax on actuarial gains	25	-5	20
Other comprehensive income	16,148	-5	16,143

		<b>2022</b>
	Deferred tax assets	Deferred tax liabilities
<b>Temporary differences attributable to:</b>		
Property, plant and equipment, and intangible assets	4,252	30,220
Right-of-use assets	1,402	-
Inventories	5,001	-
Accounts receivable	3,807	-
Provisions	8,664	5,669
Untaxed reserves	0	46,083
Capitalised loss carryforward	5,330	-
<b>Total</b>	<b>28,456</b>	<b>81,972</b>

		<b>2021</b>
	Deferred tax assets	Deferred tax liabilities
<b>Temporary differences attributable to:</b>		
Property, plant and equipment, and intangible assets	5,154	34,507
Right-of-use assets	1,165	-
Inventories	3,247	100
Accounts receivable	904	-
Provisions	8,071	2,654
Untaxed reserves	-	33,782

Capitalised loss carryforward	11,746	-
<b>Total</b>	<b>30,287</b>	<b>36,536</b>

#### Reconciliation of deferred tax

2022

	Deferred tax assets	Deferred tax liabilities
<b>As at 1 January</b>	<b>30,287</b>	<b>71,043</b>
Tax expense/income recognised in the income statement	-296	10,843
Exchange rate difference	-1,535	86
<b>As at 31 December</b>	<b>28,456</b>	<b>81,972</b>

#### Reconciliation of deferred tax

2021

	Deferred tax assets	Deferred tax liabilities
<b>As at 1 September</b>	<b>33,477</b>	<b>68,600</b>
Tax expense/income recognised in the income statement	-635	2,416
Exchange rate difference	-2,555	27
<b>As at 31 December</b>	<b>30,287</b>	<b>71,043</b>

Deferred tax assets on loss carryforwards are recognised to the extent it is probable that future taxable profit will be available against which the loss can be utilised. The loss carryforwards, where deferred tax assets have not been taken into consideration, amount to SEK 277,434 thousand (331,560), i.e., 92 per cent (93) of the total loss carryforwards with time limits of SEK 300,309 thousand (356,975), of which tax assets that have not been taken into consideration amount to SEK 66,312 thousand (61,979). There are loss carryforwards with time limits. Maturity periods of loss carryforwards with time limits are set out in the table below.

Maturity periods, loss carryforwards with time limits	2022	2021
After 1 year	176,299	-
After 2 years	68,281	46,655
After 3 years	-	196,356
After 4 years	27,642	62,750
After 5 years	-	-
After 6 years or more	28,087	51,214
<b>Total</b>	<b>300,309</b>	<b>356,975</b>

### Note C14 Intangible assets

#### Goodwill

Goodwill is recognised as an intangible asset with an indefinite useful life at cost less accumulated impairment. The value of goodwill, SEK 29,696 thousand (29,696), comes from acquisitions in 2021 and is attributable to Kährs BondCo's acquisition of the Kährs Holding Group.

#### IT Software

Acquired software licenses and development expenses are capitalised on the basis of the costs incurred for their acquisition and implementation. These costs are amortised over their useful lives, which are assessed as being between 3 and 5 years, using the straight-line method.

### Trademarks

Acquired trademarks are deemed to have an indefinite useful life. The assessment that the useful life of these trademarks is indefinite is based on the fact that the trademarks are considered to be well established within the industry and the Group intends to retain and further develop them. The trademarks are considered to be of significant financial importance as they form an integral part of the product offering to the customer by signalling quality and innovation in the products. Thus, such trademarks are considered to influence the products' pricing and competitiveness. Through their connection to the current business, they are thus considered to have an indefinite useful life and are expected to be used as long as the relevant business continues. The value of the trademarks, SEK 30,200 thousand (30,200) has arisen from acquisitions in 2021 and is attributable to Kährs BondCo's acquisition of the Kährs Holding Group.

### Customer relationships

Customer relationships are recognised at cost less amortisation and impairment. Customer relationships are amortised over a useful life of eight years using the straight-line method. The value of customer relations, SEK 116,500 thousand (133,975) has arisen from acquisitions in 2021 and is attributable to Kährs BondCo's acquisition of the Kährs Holding Group.

### Customer contracts

Customer contracts are recognised at cost less amortisation and impairment. Customer contracts are amortised over their useful life, which is assessed to be 1 year, using the straight-line method. The value of customer relations, SEK 0 thousand (3,333) has arisen from acquisitions in 2021 and is attributable to Kährs BondCo's acquisition of the Kährs Holding Group.

Trademarks, customer relationships and customer contracts are included in the category other intangible assets.

All intangible assets with indefinite useful lives are tested for impairment at least once every year. Single assets are tested more often if there are indications of a reduction in value.

<b>2022</b>	<b>Goodwill</b>	<b>IT software</b>	<b>Other intangible assets</b>	<b>Total</b>
<b>Accumulated cost, opening balance</b>	<b>29,696</b>	<b>5,316</b>	<b>175,000</b>	<b>210,012</b>
Increase attributable to company acquisitions	-	-	-	-
Additional items	-	2,850	-	2,850
Disposals	-	-	-	-
Reclassifications	-	-	-	-
Exchange rate differences	-	732	-	732
<b>Accumulated cost, closing balance</b>	<b>29,696</b>	<b>8,898</b>	<b>175,000</b>	<b>213,594</b>

<b>2022</b>	<b>Goodwill</b>	<b>IT software</b>	<b>Other intangible assets</b>	<b>Total</b>
<b>Accumulated amortisation, opening balance</b>	-	-4,940	-7,492	-12,432
Amortisation for the year	-	-251	-20,808	-21,059
Disposals	-	-	-	-
Exchange rate differences	-	-597	-	-597
<b>Accumulated amortisation, closing balance</b>	-	-5,788	-28,300	-34,088

<b>2022</b>	<b>Goodwill</b>	<b>IT software</b>	<b>Other intangible assets</b>	<b>Total</b>
<b>Accumulated impairment, opening balance</b>	-	-	-	-
Impairment for the year	-	-	-	-
<b>Accumulated impairment, closing balance</b>	-	-	-	-
<b>Carrying amount at end of year</b>	<b>29,696</b>	<b>3,110</b>	<b>146,700</b>	<b>179,506</b>

<b>2021</b>	<b>Goodwill</b>	<b>IT software</b>	<b>Other intangible assets</b>	<b>Total</b>
<b>Accumulated cost, opening balance</b>	-	-	-	-
Increase attributable to company acquisitions	29,696	5,193	175,000	209,889
Additional items	-	76	-	76
Disposals	-	-	-	-
Reclassifications	-	-	-	-
Exchange rate differences	-	47	-	47
<b>Accumulated cost, closing balance</b>	<b>29,696</b>	<b>5,316</b>	<b>175,000</b>	<b>210,012</b>

<b>2021</b>	<b>Goodwill</b>	<b>IT software</b>	<b>Other intangible assets</b>	<b>Total</b>
<b>Accumulated amortisation, opening balance</b>	-	-	-	-
Attributable to business combinations	-	-4,872	0	-4,872
Amortisation for the year	-	-21	-7,492	-7,513
Disposals	-	-	-	-
Exchange rate differences	-	-47	-	-47
<b>Accumulated amortisation, closing balance</b>	-	-4,940	-7,492	-12,432

<b>2021</b>	<b>Goodwill</b>	<b>IT software</b>	<b>Other intangible assets</b>	<b>Total</b>
<b>Accumulated impairment, opening balance</b>	-	-	-	-
Impairment for the year	-	-	-	-
<b>Accumulated impairment, closing balance</b>	-	-	-	-
<b>Carrying amount at end of year</b>	<b>29,696</b>	<b>376</b>	<b>167,508</b>	<b>197,580</b>

<b>Amortisation per function in the income statement</b>	<b>2022</b>	<b>2021</b>
		(4 months)
Selling and distribution expenses	-20,808	-7,492
Administration expenses	-251	-21
<b>Total amortisation</b>	<b>-21,059</b>	<b>-7,513</b>

### Assessment of the impairment need for goodwill and trademarks with an indefinite useful life

The annual impairment assessment for goodwill with an indefinite useful life is performed in conjunction with the annual accounts. No impairment need emerged from the assessment. The valuation was conducted when the global economy was highly uncertain, which impacted the markets around us and demand for flooring. It is difficult under these circumstances to make an assessment of the future earnings as well as an assessment of the fair value of assets with an indefinite useful life. The Group's goodwill with an indefinite useful life is allocated to the Kährs Holding AB Group as a cash-generating unit according to the table below:

<b>Goodwill</b>	<b>2022</b>	<b>2021</b>
Kährs Holding AB	29,696	29,696
<b>Trademarks</b>		
Kährs Holding AB	30,200	30,200
<b>Total</b>	<b>59,896</b>	<b>59,896</b>

The assessment of impairment need for goodwill with an indefinite useful life is performed annually and also following any indication of a decline in value.

Significant assumptions used in calculations of values in use are presented in the following table:

	<b>2022</b>	<b>2021</b>
Estimated long-term growth rate	2.0%	1.5%
Estimated average gross margin	33.4%	34.4%
Estimated average operating margin	10.0%	9.9%
Weighted average discount rate before tax	15.9%	20.0%

The assumptions above have been used to analyse the cash-generating unit. The executive management team has determined the budgeted and forecast gross margin based on historical results and the expectations for market development and the specific cash-generating unit. The applied growth rate for the margin before depreciation/amortisation, EBITDA, is consistent with the Group's business plan. The applied discount rate is stated before tax and reflects the risk for the cash-generating unit Kährs Holding AB Group.

The assessment is that there is good scope for the Kährs BondCo Group to experience deterioration in the estimates without this leading to an impairment need. Calculations carried out with the above assumptions have shown that no impairment need for goodwill was present on 31 December. Sensitivity analyses have been carried out based on a change in the operating margin by 0.5 percentage points and an increase in the cost of capital by 1 percentage point. None of the sensitivity analyses has led to the recoverable amount falling below the carrying amount for the cash flow-generating unit. The hypothetical changes in the assumptions would thus not lead to any impairment need. The calculations are based on management's assessment of reasonably possible adverse changes in operating margin and the cost of capital, but they are hypothetical and should not be viewed as an indication that these factors are likely to change. Sensitivity analyses should therefore be interpreted with caution.



## Note C15 Property, plant and equipment, owned

Kährs' property, plant and equipment are reported at cost less linear accumulated depreciation and any impairment. Depreciation is done over the estimated useful life for an assessed residual value. Cost includes expenses that can be directly attributed to the acquisition of the asset. Land is not subject to depreciation as it is deemed to have an infinite useful life, but otherwise the depreciation is calculated according to the straight-line method and is based on expected useful lives. See Note C2 Basis for preparation and summary of significant accounting policies for more details.

<b>2022</b>	<b>Land and buildings</b>	<b>Machinery and equipment</b>	<b>Work in progress</b>	<b>Total</b>
<b>Accumulated cost, opening balance</b>	<b>228,965</b>	<b>1,611,873</b>	<b>59,933</b>	<b>1,900,771</b>
Increase attributable to company acquisitions	-	-	-	-
Additional items	1,340	3,294	44,785	49,419
Disposals	0	-6,821	0	-6,821
Reclassifications	5,135	54,753	-59,888	0
Exchange rate differences	24,031	57,179	1,699	82,909
<b>Accumulated cost, closing balance</b>	<b>259,471</b>	<b>1,720,278</b>	<b>46,529</b>	<b>2,026,278</b>

<b>2022</b>	<b>Land and buildings</b>	<b>Machinery and equipment</b>	<b>Work in progress</b>	<b>Total</b>
<b>Accumulated amortisation, opening balance</b>	<b>-71,958</b>	<b>-1,213,420</b>	<b>-</b>	<b>-1,285,378</b>
Amortisation for the year	-12,384	-87,717	-	-100,101
Disposals	0	4,370	-	4,370
Exchange rate differences	-12,613	-48,570	-	-61,183
<b>Accumulated amortisation, closing balance</b>	<b>-96,955</b>	<b>-1,345,337</b>	<b>0</b>	<b>-1,442,292</b>

<b>2022</b>	<b>Land and buildings</b>	<b>Machinery and equipment</b>	<b>Work in progress</b>	<b>Total</b>
<b>Accumulated impairment, opening balance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Impairment for the year	-	-	-	-
<b>Accumulated impairment, closing balance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

<b>Carrying amount at end of year</b>	<b>162,516</b>	<b>374,941</b>	<b>46,529</b>	<b>583,986</b>
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<b>2021</b>	<b>Land and buildings</b>	<b>Machinery and equipment</b>	<b>Work in progress</b>	<b>Total</b>
<b>Accumulated cost, opening balance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Increase attributable to company acquisitions	228,595	1,584,625	39,068	1,852,288
Additional items	230	208	40,754	41,192
Disposals	-3,497	-652	0	-4,149
Reclassifications	49	20,314	-20,363	0
Exchange rate differences	3,588	7,378	474	11,440
<b>Accumulated cost, closing balance</b>	<b>228,965</b>	<b>1,611,873</b>	<b>59,933</b>	<b>1,900,771</b>

2021	Land and buildings	Machinery and equipment	Work in progress	Total
<b>Accumulated amortisation, opening balance</b>	-	-	-	-
Attributable to business combinations	-69,383	-1,178,898	-	-1,248,281
Amortisation for the year	-4,177	-28,683	-	-32,860
Disposals	3,497	652	-	4,149
Exchange rate differences	-1,895	-6,491	-	-8,386
<b>Accumulated amortisation, closing balance</b>	<b>-71,958</b>	<b>-1,213,420</b>	<b>-</b>	<b>-1,285,378</b>

2021	Land and buildings	Machinery and equipment	Work in progress	Total
<b>Accumulated impairment, opening balance</b>	-	-	-	-
Impairment for the year	-	-	-	-
<b>Accumulated impairment, closing balance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

<b>Carrying amount at end of year</b>	<b>157,007</b>	<b>398,453</b>	<b>59,933</b>	<b>615,393</b>
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Amortisation per function in the income statement	2022	2021
Cost of goods sold	-84,666	-27,140
Selling and distribution expenses	-2,327	-993
Administration expenses	-13,108	-4,727
<b>Total amortisation</b>	<b>-100,101</b>	<b>-32,860</b>

See Note C31 for more disclosures on the Group's lease obligations.

## Note C16 Financial risk management

The Group is exposed to a number of financial risks that are managed in accordance with the guidelines that have been established by the Board of Directors. The Group is exposed to risks related to accounts receivable, raw materials, currency exposure, liquidity and refinancing. The Group's overall goal is to have cost-effective financing and to manage financial risks by using financial instruments. Below is a description of the Group's financial risks and the policy applied to each risk area.

### Credit risk

#### *Credit risks in financial operations*

Financial credit risk is defined as the risk of losses if the counterparties with whom Kährs has invested in cash and cash equivalents, short-term bank investments or financial instruments with positive market values do not fulfil their obligations.

To limit these credit risks, Kährs only conducts transactions with issuers and counterparties with a long-term credit rating of at least A–, as these are considered to have a low credit risk for impairment assessments. S&P Global Ratings or equivalent independent rating agencies provide information on creditworthiness.

#### *Credit risks in accounts receivable*

Credit risks in accounts receivable are defined as the risk of losses if the counterparties with whom Kährs has invested in accounts receivable do not fulfil their obligations. On the balance sheet date, there is no significant concentration of credit exposure related to accounts receivable. The maximum exposure to credit risk is visible in the carrying amount for each financial asset in the statement of financial position. The Group's ten largest customers accounted for 12 per cent (12) of net sales in 2022. Kährs has produced guidelines that ensure that products are sold to customers with a reliable credit history. In accordance with the Group's Credit Policy, credit

checks are always conducted on new customers. Credit risks related to operational activities are managed locally at company level and followed up at Group level. Note C19, accounts receivable, has an analysis of receivables due and provisions for bad debt.

### Liquidity and refinancing risk

Refinancing risk/liquidity risk refers to the risk that Kährs cannot pay its obligations due to insufficient liquidity or difficulties in taking out new loans. The Group has a strong financial position and partially finances its operations through borrowing. As at 20 January 2022, the external bank loans Facility B2-B5 were repaid in full. New financing was arranged in connection with the acquisition of Kährs Holding AB (publ) by Kährs BondCo AB (publ). The financing consists of an RCF facility of SEK 650 million (650) in Kährs Holding AB (publ), of which SEK 200 million (200) is conditional on a possible acquisition, and a sustainability-linked bond loan of SEK 1,450 million in Kährs BondCo AB (publ). No part of the RCF facility was utilized as per 31 December 2022. Cash and cash equivalents in the Group totalled SEK 357 million (268) as at 31 December 2022. Consequently, available liquidity for the Group as at 31 December 2022 was SEK 1,007 million (918), allowing good flexibility moving forward. No covenants are linked to the loan. Kährs BondCo AB (publ) acquired the shares in Kährs Holding AB (publ) including its subsidiaries, and the date of the transfer of ownership was 20 January 2022. At the same time, Kährs Holding AB (publ) repaid the external bank loans in full. The purchase price was paid in cash and shares. The refinancing risk and interest risk are assessed to be low.

Current payments and forecasts are monitored continually at a central level to ensure that the Group has sufficient cash and cash equivalents to meet the needs for payments in operating activities.

The following table has contractual undiscounted cash flows, including interest payments at the following contractual maturities for financial liabilities.

<b>31/12/2022</b>	<b>&lt;3 months</b>	<b>&lt;1 year</b>	<b>1–2 years</b>	<b>2–5 years</b>	<b>&lt;5 years</b>	<b>Total</b>
Interest-bearing liabilities						
Bond loan	30,722	93,872	124,594	1,690,996	-	<b>1,940,184</b>
Lease liabilities	11,619	36,409	30,297	43,812	545	<b>122,683</b>
Other loans	41	125	166	2,440	-	<b>2,772</b>
Trade payables	377,809	-	-	-	-	<b>377,809</b>
Other financial liabilities	216,139	12,660	-	-	-	<b>228,799</b>
<b>Total</b>	<b>636,330</b>	<b>143,066</b>	<b>155,057</b>	<b>1,737,248</b>	<b>545</b>	<b>2,672,247</b>

<b>31/12/2021</b>	<b>&lt;3 months</b>	<b>&lt;1 year</b>	<b>1–2 years</b>	<b>2–5 years</b>	<b>&lt;5 years</b>	<b>Total</b>
Interest-bearing liabilities						
Bank loans	591,930	-	-	-	-	<b>591,930</b>
Lease liabilities	11,012	36,083	27,896	44,946	1,324	<b>121,261</b>
Trade payables	319,598	-	-	-	-	<b>319,598</b>
Other financial liabilities	150,825	21,978	-	-	-	<b>172,803</b>
<b>Total</b>	<b>1,073,365</b>	<b>58,061</b>	<b>27,896</b>	<b>44,946</b>	<b>1,324</b>	<b>1,205,592</b>

### Capital risk

The Group's objective for its capital structure is to ensure the Group's ability to continue operations in order to generate higher yields for the shareholders and benefits for the other stakeholders, and in order to maintain an optimal capital structure to reduce its capital costs.

The Group's financial goals for its managed capital is to generate an annual yield on capital employed of at least 20 per cent. Return on capital employed for the 2022 financial year amounted to 24.4 per cent.

## Market risks

Market risks are the risks that the Group's profit/loss or financial position are affected by changes in market prices, such as exchange rates, interest rates and raw materials.

### *Exchange rate risk – Transaction exposure*

Transaction exposure is defined as the risk that the fair value or future cash flows of financial instruments may fluctuate due to changes in exchange rates. The Group is exposed to exchange rate risks when transactions are in a foreign currency. In general, Kährs offers its customers payment options in local currency via the global sales organization. This means that the Group is continuously exposed to exchange rate risks both in accounts receivables in foreign currency and in future sales to foreign customers. Kährs is also exposed to exchange rate risks in trade payables in foreign currency and purchases from foreign suppliers.

### *Exchange rate risk – Translation exposure*

Translation exposure occurs when assets and liabilities are in different currencies and largely refers to the translation risk regarding the net assets of foreign subsidiaries. Since the Swedish krona (SEK) is Kährs' group currency, a translation risk arises related to the remeasurement of net assets in foreign subsidiaries as well as the profit/loss for the year in foreign currency. Exchange rate risks particularly arise when transactions are in euro (EUR), US dollar (USD), British sterling (GBP), Norwegian krone (NOK), Russian ruble (RUB), Romanian leu (RON) and Swiss franc (CHF). The Board passed a decision that the Group will not engage in currency hedging.

The parent company has foreign subsidiaries in many countries, whose net assets are exposed to exchange rate risks. The exposure to net assets in a foreign currency relates primarily to the euro (EUR), Russian ruble (RUB) and Romanian leu (RON). Since the start of the war in late February 2022, all financial transactions and flows of goods between the Russian company and the rest of Kährs have been stopped. As at 31 December 2022, the Group had no exposure to RUB except for the exposure in the Russian subsidiary.

The translation rates that have been applied are presented in the following table:

Currency SEK/unit	Closing rate 31 Dec 2022	Average rate 2022	Closing rate 31 Dec 2021	Average rate 2021
CHF	11.2915	10.5950	9.8545	9.3845
EUR	11.1283	10.6317	10.2269	10.1449
GBP	12.5811	12.4669	12.1790	11.8022
INR	0.1262	0.1287	0.1216	0.1160
NOK	1.0572	1.0523	1.0254	0.9980
PLN	2.3741	2.2685	2.2279	2.2228
RON	2.2474	2.1557	2.0690	2.0618
RUB	0.1411	0.1512	0.1216	0.1165
USD	10.4371	10.1245	9.0437	8.5815

### *Interest rate risk*

The Group's interest rate risk relates to non-current loans. Loans that have been taken out at a variable interest rate expose the Group to interest rate risks in the cash flow, which can partly be offset by cash and cash equivalents at a variable rate. For loans that have been taken out at a fixed rate, the Group is exposed to interest rate risks attributable to fair value.

The Group's financing consists of a sustainability-linked bond loan in Kährs BondCo AB (publ) with a nominal value of SEK 1,450 million, issued on 7 December 2021 with a maturity date of 7 December 2026, running at a variable interest rate based on three-month STIBOR + 6.0 per cent and set every three months. The interest rate on the bond loan as at 31 December 2022 was 8.475 per cent 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 Group's financing also consists of an RCF facility of SEK 650 million in Kährs Holding AB (publ) at a variable interest rate based on three-month STIBOR + 2.0 per cent and set every three months. No part of the RCF facility is utilized as at 31 December 2022.

#### Raw material price risk

Raw material price risk refers to the risk that the costs of materials will rise when underlying raw material prices rise on the global market. Kährs is affected by changes in raw material prices through the supply agreements it has entered into where prices are linked to the price of raw materials on the global market.

### Note C17 Financial instruments per category

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

#### 31/12/2022

	Assets at fair value via the income statement	Assets measured at amortised cost	Total fair value	Carrying value of financial assets
<b>Assets</b>				
Financial non-current assets <sup>1</sup>	-	30,948	30,948	<b>30,948</b>
Accounts receivable	-	397,031	397,031	<b>397,031</b>
Derivatives	4,118	-	4,118	<b>4,118</b>
Other current assets	-	15,029	15,029	<b>15,029</b>
Cash and cash equivalents	-	356,224	356,224	<b>356,224</b>
<b>Total</b>	<b>4,118</b>	<b>799,232</b>	<b>803,350</b>	<b>803,350</b>

<sup>1</sup> Comprises deposits SEK 24,569 thousand (18,612), endowment insurance SEK 5,354 thousand (3,388) and other items SEK 1,025 thousand (3,587)

	Liabilities at fair value via the income statement	Liabilities measured at amortised cost	Total fair value	Carrying value of financial liabilities
<b>Liabilities in the balance sheet</b>				
Interest-bearing liabilities	-	587,445	587,445	<b>587,445</b>
Trade payables	-	319,598	319,598	<b>319,598</b>
Other current liabilities	-	156,007	156,007	<b>156,007</b>
<b>Total</b>	<b>-</b>	<b>1,063,050</b>	<b>1,063,050</b>	<b>1,063,050</b>

#### 31/12/2021

	Assets at fair value via the income statement	Loans and receivables	Total fair value	Carrying value of financial assets
<b>Assets</b>				
Financial non-current assets <sup>1</sup>	-	25,587	25,587	<b>25,587</b>
Accounts receivable	-	335,543	335,543	<b>335,543</b>
Derivatives	8,780	-	8,780	<b>8,780</b>
Other current assets	-	7,108	7,108	<b>7,108</b>
Cash and cash equivalents	-	267,751	267,751	<b>267,751</b>
<b>Total</b>	<b>8,780</b>	<b>635,989</b>	<b>644,769</b>	<b>644,769</b>

<sup>1</sup> Comprises deposits SEK 18,612 thousand (14,314), endowment insurance SEK 3,388 thousand (945) and other items SEK 3,587 thousand (339)

	Liabilities at fair value via the income statement	Other financial liabilities	Total fair value	Carrying value of financial liabilities
<b>Liabilities in the balance sheet</b>				
Interest-bearing liabilities	-	587,445	587,445	<b>587,445</b>
Trade payables	-	319,598	319,598	<b>319,598</b>
Other current liabilities	-	156,007	156,007	<b>156,007</b>
<b>Total</b>	-	<b>1,063,050</b>	<b>1,063,050</b>	<b>1,063,050</b>

## Note C18 Derivatives

The Group's derivatives comprise:

	<b>31/12/2022</b>	
	<b>Assets</b>	<b>Liabilities</b>
Currency derivatives	-	-
Raw material derivatives	4,118	-
<b>Total</b>	<b>4,118</b>	<b>-</b>
	<b>31/12/2021</b>	
	<b>Assets</b>	<b>Liabilities</b>
Currency derivatives	-	-
Raw material derivatives	8,780	-
<b>Total</b>	<b>8,780</b>	<b>-</b>

No derivatives are identified as hedging instruments in the hedge accounting. Derivatives are initially recognised at fair value on the date on which the derivative contract is entered into and are subsequently re-measured at fair value. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. Gains or losses arising from a change in the fair value of derivatives are recognised in profit as other operating income or other operating expenses. All derivatives are measured in accordance with level 2.

### Currency derivatives

The nominal value of outstanding forward exchange contracts amounted to SEK 0 (0) as at 31 December 2022. Currency derivatives have a maturity of 1–6 months (1–12).

### Raw material derivatives

Raw material derivatives comprise electricity derivatives with a maturity of up to 24 months.

## Note C19 Accounts receivable

	<b>2022</b>	<b>2021</b>
Accounts receivable	412,424	347,759
Provision for bad debt	-15,382	-12,660
<b>Total accounts receivable</b>	<b>397,042</b>	<b>335,099</b>

The Group recognises a provision for such losses on each reporting date. For accounts receivable, the group applies the 'simplified approach', which means that the provision for bad debt will equal the expected credit losses over their remaining lifetime. As at 31 December 2022 accounts receivable due amounted to SEK 96,721 thousand (52,972), with an assessment that impairment is not necessary. Accounts receivable due relates to a number of customers that are assessed as not having payment difficulties.

<b>Age analysis of accounts receivable before impairment</b>	<b>2022</b>	<b>2021</b>
Receivables not due	315,703	294,787
<30 days	50,643	37,275
30–90 days	37,952	3,675
91–180 days	1,162	2,488
>180 days	6,964	9,534
<b>Amount at year end</b>	<b>412,424</b>	<b>347,759</b>

As at 31 December 2022, the provision for bad debt amounted to SEK 15,382 thousand (12,660).

An age analysis of these accounts receivable is set out below:

<b>Age analysis of accounts receivable that are due and impaired</b>	<b>2022</b>	<b>2021</b>
Receivables not due	769	992
<30 days	921	483
30–90 days	6,419	569
91–180 days	565	1,206
>180 days	6,708	9,410
<b>Amount at year end</b>	<b>15,382</b>	<b>12,660</b>

The provision for bad debt amounts to 3.7 per cent (3.8) of total accounts receivable and has changed as follows:

<b>Provision for bad debt</b>	<b>2022</b>	<b>2021</b>
<b>Provision at start of year</b>	<b>12,660</b>	<b>11,335</b>
Provision for expected losses	4,020	2,089
Incurred losses	-2,872	-732
Unused amounts reversed	-6	-88
Exchange rate effects	1,580	56
<b>Amount at year end</b>	<b>15,382</b>	<b>12,660</b>

The provision and the reversal of bad debt are included in selling and distribution expenses in the income statement. The maximum credit risk at the end of the reporting period is the nominal value of each of the above accounts receivable categories.

## **Note C20 Other current assets**

	<b>2022</b>	<b>2021</b>
Recoverable VAT	63,795	13,574
Prepaid software licences	5,015	5,194
Prepaid operating expenses	22,374	21,030
Accrued interest income	423	-
Prepaid insurance	1,361	503
Employee receivables	2,692	473
Current tax assets	17,659	18,928
Other current receivables	30,118	11,035
<b>Amount at year end</b>	<b>143,437</b>	<b>70,737</b>

## Note C21 Cash and cash equivalents

Cash and cash equivalents in the balance sheet and the cash flow statement comprise cash at bank and in hand. The Group has a Cash Pool structure to streamline its cash management. For further information on financial risk management in cash and cash equivalents, see Note C16.

## Note C22 Inventories

	2022	2021
Raw materials and consumables	209,658	171,922
Work in progress	141,480	139,885
Finished goods	610,248	370,901
<b>Amount at year end</b>	<b>961,386</b>	<b>682,708</b>

During the year there was a reversal of the impairment of inventories totalling SEK 7,500 thousand (10,666). The main reason for this reversal was a detailed review of slow-moving inventory goods, which were measured at their net realisable value as at 31 December. This amount has been recognised in the income statement under the cost of goods sold. Approximately 48 per cent (48) of the inventories (mostly finished goods) is measured at fair value and 52 per cent (52) at historical cost.

## Note C23 Trade payables and other current liabilities

	2022	2021
Trade payables	377,809	319,598
Related party liabilities (Note C5)	-	-
Employee liabilities	166,469	167,989
Obligation to repay government grants	-	19,784
VAT liabilities	87,941	30,739
Customer liabilities	123,570	101,430
Accrued interest expense	8,915	4,126
Accrued licence fee Woodloc	7,936	8,776
Board fees including employer contributions	2,024	3,167
Consultancy costs	12,262	1,245
Special payroll tax	7161	7,161
Accrued freight costs	17,635	13,487
Accrued costs related to new revolver facility	-	5,107
Accrued customs duties	3,392	-
Accrued electricity costs	18,862	-
Other current liabilities	10,123	4,075
Other accruals and deferred income	33,443	21,391
<b>Amount at year end</b>	<b>877,543</b>	<b>708,075</b>



## Note C24 Interest-bearing liabilities

The Group has a strong financial position and partially finances its operations through borrowing. As at 20 January 2022, the external bank loans Facility B2-B5 were repaid in full. New financing was arranged in connection with the acquisition of Kährs Holding AB (publ) by Kährs BondCo AB (publ). The arrangement consists of an RCF facility of SEK 650 million in Kährs Holding AB (publ) and a sustainability-linked bond loan of SEK 1,450 million in Kährs BondCo AB (publ). No part of the RCF facility was utilized as per 31 December 2022. Kährs BondCo AB (publ) acquired the shares in Kährs Holding AB (publ) including its subsidiaries, and the date of the transfer of ownership was 20 January 2022. At the same time, Kährs Holding AB (publ) repaid the external bank loans in full. The purchase price was paid in cash and shares. The refinancing risk and interest risk are assessed to be low.

<b>Non-current interest-bearing liabilities</b>	<b>2022</b>	<b>2021</b>
Bond loan	1,450 000	-
Lease liabilities	70,627	71,501
Financing costs <sup>1</sup>	-15,002	-
Revolver credit facility	-	-
<b>Total non-current interest-bearing liabilities</b>	<b>1,505 625</b>	<b>71,501</b>

<b>Current interest-bearing liabilities</b>	<b>2022</b>	<b>2021</b>
Lease liabilities	45,440	44,945
Loan Facility B	-	585,470
Other loans	2,184	1,975
<b>Total current interest-bearing liabilities</b>	<b>47,624</b>	<b>632,390</b>

<b>Total interest-bearing liabilities</b>	<b>1,553 249</b>	<b>703,891</b>
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<sup>1</sup> Accrued financing costs are allocated over the term of the bond loan

## Change in interest-bearing liabilities

31/12/2022	Cash flow			Non-cash flow				Closing balance
	Opening balance	Repayment	Currency	New borrowing	Acquisition	Amortisations	Currency	
							<sup>1</sup>	
<b>Interest-bearing liabilities</b>								
Bond loan	-	-	-	1,450,000	-	-15,002	-	<b>1,434 998</b>
Bank loans	<b>585,470</b>	-590,896	5,426	-	-	-	-	-
Lease liabilities	<b>116,446</b>	- 56,443	-	-	-	53,729	2,335	<b>116,067</b>
Other loans	<b>1,975</b>	-	-	-	-	-	209	<b>2,184</b>
<b>Total</b>	<b>703,891</b>	<b>-647,339</b>	<b>5,426</b>	<b>1,450 000</b>	<b>-</b>	<b>38,727</b>	<b>2,544</b>	<b>1,553,249</b>

<sup>1</sup> Accrued financing costs are allocated over the term of the bond loan

31/12/2021	Cash flow			Non-cash flow			Closing balance
	Opening balance	Repayment	Currency	New borrowing	Acquisition	Additions/Cancellation	
<b>Interest-bearing liabilities</b>							
Bank loans	-	-301,436	19,504	-	864,121	6,036 -2,755	<b>585,470</b>
Lease liabilities	-	-16,575	-	-	117,011	14,942 1,068	<b>116,446</b>
Other loans	-	-	-	-	1,926	- 49	<b>1,975</b>
<b>Total</b>	-	<b>-318,011</b>	<b>19,504</b>	-	<b>983,058</b>	<b>20,978 -1,638</b>	<b>703,891</b>

#### Lease liabilities

See also Note C31 for more information.

<i>Pledged assets for own liabilities</i>	2022	2021
Property mortgages <sup>1</sup>	46,000	46,000
Floating charges <sup>2</sup>	2,104,808	1,945,621
Pledged bank accounts	-	5,650
Other	445	409
<b>Total</b>	<b>2,151 253</b>	<b>1,997,680</b>

<sup>1</sup> Pledging of properties owned by AB Gustaf Kähr, which are held by Nordea Bank Abp, a subsidiary in Sweden.

<sup>2</sup> Floating charges linked to the operations at AB Gustaf Kähr, Kährs OY, Oak Norge A/S, Kährs Norge A/S and Kährs AB, which are held by DNB Bank ASA, Sweden Branch.

#### Note C25 Equity

	No. of shares	Share capital (SEK thousand)
<b>As at 1 January 2022</b>	<b>500,000</b>	<b>500</b>
<b>As at 31 December 2022</b>	<b>500,000</b>	<b>500</b>

  

	No. of shares	Share capital (SEK thousand)
<b>As at 1 September 2021</b>	<b>500,000</b>	<b>500</b>
<b>As at 31 December 2021</b>	<b>500,000</b>	<b>500</b>

Kährs BondCo AB's shares are of one class. The nominal value of the shares is SEK 1 per share. All shares have been paid in full and provide an equal right to dividends and a vote at an ordinary general meeting.

## Reserves

	Translation reserve	Total
<b>As at 1 January 2022</b>	<b>-124,484</b>	<b>-124,484</b>
Exchange rate translation differences	91,619	91,619
<b>As at 31 December 2022</b>	<b>-32,865</b>	<b>-32,865</b>
	Translation reserve	Total
<b>As at 1 September 2021</b>	<b>-140,607</b>	<b>-140,607</b>
Exchange rate translation differences	16,123	16,123
<b>As at 31 December 2021</b>	<b>-124,484</b>	<b>-124,484</b>

### Translation reserve

The translation reserve covers translation differences that arise when consolidating the financial reporting of foreign subsidiaries.

### Earnings per share before dilution

Earnings per share before dilution are measured by dividing profit for the year attributable to shareholders of the parent company by a weighted average number of ordinary shares outstanding during the period.

When measuring earnings per share after dilution, the weighted average number of ordinary shares is adjusted for the dilution effect on all potential ordinary shares. There is currently no dilution effect on the potential ordinary shares of the Group.

<i>Earnings per share before and after dilution</i>	2022	2021
Earnings attributable to shareholders of the parent company, SEK thousand	225,020	33,735
Weighted average number of outstanding ordinary shares	500,000	500,000
<b>Earnings per share before and after dilution, SEK</b>	<b>450</b>	<b>67</b>

### Dividend per share

Dividend per share is calculated by dividing the dividend for the year issued to the shareholders in the parent company by the weighted average number of ordinary shares outstanding during the period.

<i>Dividend per share</i>	2022	2021
Dividend to shareholders of the parent company	-	-
Weighted average number of outstanding ordinary shares	500,000	500,000
<b>Dividend per share, SEK</b>	<b>-</b>	<b>-</b>

## Note C26 Pension provision

Obligations for retirement pensions and family pensions are secured through insurance with Alecta (the ITP plan). According to a statement from the Swedish Financial Reporting Board, UFR 3, this is a defined-benefit plan covering many employers. In the 2022 financial year the Group did not have access to the information it needed to report this plan as a defined-benefit plan. The ITP plan that is secured through insurance with Alecta is recognised as a defined-contribution plan. Pension payments to Alecta during the year amounted to SEK 3,290 thousand (3,832). At the end of 2022, Alecta's surplus in its collective consolidation level amounted to 172 per cent (172). The financing level comprises the fair value of Alecta's assets as a percentage of its insurance obligations and measured in accordance with Alecta's actuarial assumptions, which does not conform to IAS 19.

The defined-benefit pension plan that is included in the consolidated financial statements as at 31 December 2022 relates to Kährs Germany.

Amounts recognised in the balance sheet are as follows:

	2022	2021
Present value of financed obligations	734	675
Fair value of the plan's assets	-	-
Deficit of financed plans	734	675
Present value of non-financed obligations	-	-
<b>Net debt in the balance sheet</b>	<b>734</b>	<b>675</b>

<i>Change in the defined-benefit obligations</i>	2022	2021
<b>As at 1 January</b>	<b>675</b>	<b>733</b>
Translation difference	85	-12
Interest expense	11	16
Actuarial losses (+) / gains (-)	74	20
Payment of pension benefits	-111	-82
<b>As at 31 December</b>	<b>734</b>	<b>675</b>

<i>Change in the fair value of the plan's assets</i>	2022	2021
<b>As at 1 January</b>	<b>-</b>	<b>-</b>
Settlements	-	-
<b>As at 31 December</b>	<b>-</b>	<b>-</b>

<i>Significant actuarial assumptions</i>	2022	2021
Discount rate	3.88%	1.25%
Future pension increases	2.00%	2.00%

Assumptions on expected life are based on official statistics and experiences from surveys on the mortality rate in the country and are established in consultation with an actuarial expert.

## Note C27 Other provisions

	Product warranties	Other	Total
<b>As at 1 January 2022</b>	<b>16,042</b>	<b>17,329</b>	<b>33,371</b>
Additional provisions	1,408	954	2,362
Utilisation during the year	-568	-11,883	-12,451
<b>As at 31 December 2022</b>	<b>16,882</b>	<b>6,400</b>	<b>23,282</b>

Provision for customs duties in the USA as at 31 December 2022 SEK 0 thousand (9,948).

	Product warranties	Other	Total
<b>As at 1 September 2021</b>	<b>16,572</b>	<b>30,360</b>	<b>46,932</b>
Additional provisions	1,029	2,815	3,844
Utilisation during the year	-1,559	-15,846	-17,405
<b>As at 31 December 2021</b>	<b>16,042</b>	<b>17,329</b>	<b>33,371</b>

Other includes primarily an allowance for customs duties in the USA of SEK 9,948 thousand (22,109).

<b>Provisions include:</b>	<b>2022</b>	<b>2021</b>
Non-current	3,671	-
Current	19,611	33,371
<b>Total</b>	<b>23,282</b>	<b>33,371</b>

## Note C28 Reconciliation of profit before tax and net cash flow

<b>Adjustment for non-cash items</b>	<b>2022</b>	<b>2021</b>
		(4 months)
Depreciation and impairment of property, plant and equipment	100,101	32,860
Depreciation and impairment of right-of-use assets	50,997	15,309
Amortisation and impairment of intangible assets	21,059	7,513
Financial income	-7,734	-1,810
Financial expenses	137,445	39,281
Other provisions	-12,009	-12,145
<b>Total</b>	<b>289,859</b>	<b>81,008</b>

## Note C29 Obligations

### Investment obligation

As in the previous years, there is no investment obligation at the end of the reporting period that has not yet been recognised in the financial reporting.

## Note C30 Acquisitions during the year

The Group was subject to a change of ownership on 31 August 2021 when it was acquired by Triton III Continuation Fund. In connection with the refinancing, Kährs BondCo AB (publ) was established and became the new parent company in the Group. Due to this, no comparative figures are available for periods earlier than 31 August 2021. The change of ownership on 31 August 2021 was an external transaction on market terms that constituted a business combination. The formation of Kährs BondCo AB (publ) thus constitutes an extension of this transaction, and when Kährs BondCo acquires the Kährs Holding Group in the next step in 2022, this transaction is carried out as an internal restructuring. The internal restructuring takes place under the same controlling influence since there was no change in the ownership structure of the business and resulted in Kährs BondCo AB (publ) taking over the position of parent company in the Group. This transaction did not constitute a business combination according to IFRS 3, meaning that assets and liabilities were not remeasured upon Kährs BondCo AB's acquisition of the Kährs Holding Group in 2022. The values used as input values in the Kährs BondCo Group are the fair values identified in conjunction with the change in ownership as at 31 August 2021 when the fair value of identifiable assets and liabilities was identified when the new owners took over Kährs Holding Group. Kährs BondCo's consolidated values therefore consist of the fair values identified in conjunction with the Triton III Continuation Fund's acquisition of the Kährs Group and no new acquisition analysis has therefore been prepared. The surplus value has been redistributed compared to the initial acquisition analysis.

<b>Analysis of the Triton III Continuation Fund acquisition of Kährs Holding</b>	<b>SEK thousand</b>
Purchase price paid	551,367
Implied value of 100 per cent of equity	783,192
Assumed HoldCo debt	2,492
Kährs Holding Group's net debt	452,347
<b>Total implied enterprise value</b>	<b>1,238,031</b>

	<b>2022</b>
	<b>Adopted fair value at acquisition</b>
<i>Carrying amount</i>	
Non-current assets	813,872
Current assets	1,087,970
Cash and cash equivalents	418,529
Non-current liabilities and loans	-1,031,043
Current liabilities	-654,459
<b>Net assets</b>	<b>634,869</b>
Exclusion of assets	-148,286
Exclusion of liabilities	117,012
<b>Net assets after adjustments</b>	<b>603,595</b>
<i>Allocation of the purchase price and surplus value</i>	
Acquired value equity	785,684
Net assets after adjustments	-603,595
<b>Surplus value (excluding deferred tax)</b>	<b>182,089</b>
Latent tax liability	36,050
<b>Surplus value (including deferred tax)</b>	<b>218,139</b>
<i>Measured assets</i>	
Trademarks	30,200
Customer relationships	139,800
Customer contracts	5,000
Goodwill	29,696
Inventories	13,443
<b>Total value</b>	<b>218,139</b>
Latent tax liability	-36,050
<b>Allocated surplus value</b>	<b>182,089</b>

Allocation of the purchase price is final.

## Note C31 Property, plant and equipment, right of use

In the majority of the Group's leases, the Group is the lessee, for example, for warehouses, office premises, forklift trucks, vehicles, machinery and some office equipment.

The right-of-use asset is reported under fixed assets and measured at cost less depreciation and any impairment. Cost for a right-of-use asset include the initial value of the lease liability, lease payments that are paid before or at commencement, and initial direct costs and restoration costs. The asset is depreciated on a straight-line basis. Lease liabilities are included in the lines non-current and current interest-bearing liabilities in the balance sheet.

The Group assesses whether a contract is, or contains, a lease contract at the beginning of the contract. The Group reports a right-of-use asset and a corresponding lease liability for all leases except current lease contracts (lease contracts with a term of no more than 12 months) and lease contracts where the underlying asset is of low value. For lease contracts that meet the criteria for the exemption rules, the Group reports lease payments as an operating expense over the term of the lease. The term of most leases is between two and five years, but some leases have a longer term. The lease liability is initially measured at the present value of the future lease payments that have not been paid at commencement of the lease, discounted by a marginal loan interest rate that is established at Group level per country. The Group's average margin loan interest rate amounts to 5.7 per cent (4.8). For additional information on accounting principles, see Note C2 Leases and Note C3 Valuation of right-of-use assets and lease liabilities.

	2022	2021
		(4 months)
Depreciation of rights-of-use	-50,997	-15,309
Interest expense for lease liabilities	-6,670	-1,884
Gains at the end of leases	149	162
Current leases	-	-
Low-value leases	-	-
<b>Total amount in the income statement</b>	<b>-57,518</b>	<b>-17,031</b>

Right-of-use assets 2022	Land and buildings	Forklift trucks	Vehicles	Machinery	Office equipment	Total
accumulated cost, opening balance	142,505	38,905	24,607	1,376	2,473	209,866
Additional items	31,938	3,150	10,888	0	923	46,899
Disposals	-1,616	-500	-7,400	-1,376	-544	-11,436
Reclassifications	-	-	-	-	-	-
Exchange rate differences	3,036	459	1,729	-	81	5,305
accumulated cost, closing balance	175,863	42,014	29,824	0	2,933	250,634

2022	Land and buildings	Forklift trucks	Vehicles	Machinery	Office equipment	Total
accumulated depreciation, opening balance	-55,920	-22,849	-12,466	-1,312	-1,535	-94,082
depreciation for the year	-31,881	-9,620	-8,601	-64	-831	-50,997
disposals	1,922	500	7,389	1,376	547	11,735

exchange rate differences	-1,767	-339	-924	0	-60	-3,090
<b>Accumulated depreciation, closing balance</b>	<b>-87,646</b>	<b>-32,309</b>	<b>-14,601</b>	<b>0</b>	<b>-1,879</b>	<b>-136,435</b>

<b>2022</b>	Land and buildings	Forklift trucks	Vehicles	Machinery	Office equipment	Total
<b>Accumulated impairment, opening balance</b>	-	-	-	-	-	-
Impairment for the year	-	-	-	-	-	-
<b>Accumulated impairment, closing balance</b>	-	-	-	-	-	-
<b>Carrying amount at end of year</b>	<b>88,217</b>	<b>9,706</b>	<b>15,223</b>	<b>-</b>	<b>1,054</b>	<b>114,200</b>

<b>Right-of use assets, non-current</b>	Land and buildings	Forklift trucks	Vehicles	Machinery	Office equipment	Total
<b>2021</b>						
<b>Accumulated cost, opening balance</b>	-	-	-	-	-	-
Increase attributable to company acquisitions	134,372	39,658	27,013	1,376	2,966	205,385
Additional items	11,321	-413	2,756	-	15	-
Disposals	-4,501	-379	-5,423	-	-515	-10,818
Reclassifications	-	-	-	-	-	-
Exchange rate differences	1,313	39	261	-	7	1,620
<b>Accumulated cost, closing balance</b>	<b>142,505</b>	<b>38,905</b>	<b>24,607</b>	<b>1,376</b>	<b>2,473</b>	<b>209,866</b>

<b>2021</b>	Land and buildings	Forklift trucks	Vehicles	Machinery	Office equipment	Total
<b>Accumulated amortisation, opening balance</b>	-	-	-	-	-	-
Increase attributable to company acquisitions	-50,601	-20,345	-14,813	-1,165	-1,334	-88,258
Amortisation for the year	-9,066	-2,854	-2,945	-147	-297	-
Disposals	4,176	378	5,423	-	101	10,078
Exchange rate differences	-429	-28	-131	-	-5	-593
<b>Accumulated amortisation, closing balance</b>	<b>-55,920</b>	<b>-22,849</b>	<b>-12,466</b>	<b>-1,312</b>	<b>-1,535</b>	<b>-94,082</b>

<b>2021</b>	Land and buildings	Forklift trucks	Vehicles	Machinery	Office equipment	Total
<b>Accumulated impairment, opening balance</b>	-	-	-	-	-	-
Increase attributable to company acquisitions	184,973	60,003	40,316	2,540	4,300	288,638
Impairment for the year	-	-	-	-	-	-
<b>Accumulated impairment, closing balance</b>	-	-	-	-	-	-
<b>Carrying amount at end of year</b>	<b>86,585</b>	<b>16,056</b>	<b>12,141</b>	<b>64</b>	<b>938</b>	<b>115,784</b>



**Amortisation per function in the income statement**

	<b>2022</b>	<b>2021</b>
		(4 months)
Cost of goods sold	-11,727	-3,626
Selling and distribution expenses	-37,859	-11,268
Administration expenses	-1,411	-415
<b>Total amortisation</b>	<b>-50,997</b>	<b>-15,309</b>

**Financial expenses**

	<b>2022</b>	<b>2021</b>
		(4 months)
Interest expense for lease liabilities	-6,670	-1,884

**Lease liabilities**

	<b>2022</b>	<b>2021</b>
		(4 months)
Non-current lease liabilities	70,627	71,501
Current lease liabilities	45,440	44,945
<b>Total lease liabilities</b>	<b>116,067</b>	<b>116,446</b>

**Note C32 Events after the balance sheet date**

Kährs announced after the balance sheet date that due to the weak demand in 2023 it had decided to make additional adjustments to its production capacity. A plan to reduce capacity in the European factories in stages has been implemented, affecting a total of approximately 175 employees.

## Parent company income statement

SEK thousand	Note	2022	08/10/2021 31/12/2021
Net sales		-	-
Cost of goods sold		-	-
<b>Gross profit</b>		-	-
Selling and distribution expenses		-	-
Administration expenses	P5	-247	-155
Other operating income		-	-
Other operating expenses		-	-
<b>Operating profit</b>		<b>-247</b>	<b>-155</b>
Financial income	P6	32,156	-
Financial expenses	P6	-101,909	-8,275
<b>Profit after net financial items</b>		<b>-70,000</b>	<b>-8,430</b>
<b>Appropriations</b>			
Allocation to tax allocation reserve		-13,181	-
Group contributions received	P7	78,826	-
<b>Profit before tax</b>		<b>-4,355</b>	<b>-8,430</b>
Income tax	P8	-7,487	-3,749
<b>Profit for the year</b>		<b>-11,842</b>	<b>-12,179</b>
Attributable to shareholders		-11,842	-12,179
<b>Total</b>		<b>-11,842</b>	<b>-12,179</b>

## Parent company statement of comprehensive income

SEK thousand	2022	08/10/2021 31/12/2021
<b>Profit for the year</b>	<b>-11,842</b>	<b>-12,179</b>
<b>Other comprehensive income</b>		
Items that can be reclassified in the income statement		
Translation differences	-	-
<b>Other comprehensive income, net of tax</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income for the year</b>	<b>-11,842</b>	<b>-12,179</b>
Attributable to shareholders	-11,842	-12,179
<b>Total</b>	<b>-11,842</b>	<b>-12,179</b>

## Parent company statement of financial position

SEK thousand	Note	31/12/2022	31/12/2021
<b>ASSETS</b>			
<b>Non-current assets</b>			
Financial assets	P9	1,932,154	-
Deferred tax assets		-	-
<b>Total non-current assets</b>		<b>1,932,154</b>	<b>-</b>
<b>Current assets</b>			
Other current assets	P10	78,826	102,269
Cash and cash equivalents	P11	500	1,432,375
<b>Total current assets</b>		<b>79,326</b>	<b>1,534,644</b>
<b>TOTAL ASSETS</b>		<b>2,011,480</b>	<b>1,534,644</b>
<b>Equity</b>			
<i>Restricted equity</i>			
Share capital	P14	500	500
Statutory reserve		-	-
<b>Total restricted equity</b>		<b>500</b>	<b>500</b>
<i>Unrestricted equity</i>			
Retained earnings	P16	487,821	102,269
Profit for the year	P14	-11,842	-12,179
<b>Total unrestricted equity</b>	<b>P14</b>	<b>475,979</b>	<b>90,090</b>
<b>Total equity</b>	<b>P14</b>	<b>476,479</b>	<b>90,590</b>
<b>Untaxed reserves</b>			
Tax allocation reserve		13,181	-
<b>Total untaxed reserves</b>		<b>13,181</b>	<b>-</b>
<b>Non-current liabilities</b>			
Interest-bearing liabilities	P13	1,434,998	1,431,800
Deferred tax liabilities		3,090	3,749
<b>Total non-current liabilities</b>		<b>1,438,088</b>	<b>1,435,549</b>
<b>Current liabilities</b>			
Tax liabilities		8,146	-
Other current liabilities	P12	75,586	8,505
<b>Total current liabilities</b>		<b>83,732</b>	<b>8,505</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>2,011,480</b>	<b>1,534,644</b>

## Parent company statement of changes in equity

SEK thousand	Share capital	Statutory reserve	Total restricted equity	Retained earnings	Profit for the year	Total unrestricted equity	Total equity
<b>As at 1 January 2022</b>	<b>500</b>	<b>-</b>	<b>500</b>	<b>102,269</b>	<b>-12,179</b>	<b>90,090</b>	<b>90,590</b>
Profit from previous year	-	-	-	-12,179	12,179	-	-
Unconditional shareholder contributions	-	-	-	397,731	-	397,731	<b>397,731</b>
Profit for the year	-	-	-	-	-11,842	-11,842	<b>-11,842</b>
<b>As at 31 December 2022</b>	<b>500</b>	<b>-</b>	<b>500</b>	<b>487,821</b>	<b>-11,842</b>	<b>475,979</b>	<b>476,479</b>

SEK thousand	Share capital	Statutory reserve	Total restricted equity	Retained earnings	Profit for the year	Total unrestricted equity	Total equity
<b>As at 8 October 2021</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Share capital paid in	500	-	500	-	-	-	500
Unconditional shareholder contributions	-	-	-	102,269	-	102,269	<b>102,269</b>
Profit for the year	-	-	-	-	-12,179	-12,179	<b>-12,179</b>
<b>As at 31 December 2021</b>	<b>500</b>	<b>-</b>	<b>500</b>	<b>102,269</b>	<b>-12,179</b>	<b>90,090</b>	<b>90,590</b>

## Parent company statement of cash flows

SEK thousand	Note	2022	08/10/2021 31/12/2021
<b>Operating activities</b>			
Profit before tax		-4,355	-8,430
Adjustment for non-cash items	P15	743	-
Cash flow before interest and tax		-3,612	-8,430
Interest received		2	-
Interest paid		-95,346	-
<b>Cash flow from operating activities before changes in working capital</b>		<b>-98,956</b>	<b>-</b>
<b>Change in working capital</b>			
Changes in operating receivables		102,269	-102,269
Changes in operating liabilities		227	8,505
<b>Cash flow from operating activities</b>		<b>3,540</b>	<b>-102,194</b>
<b>Investing activities</b>			
Acquisition of financial assets		-1,400 000	-
<b>Cash flow from investing activities</b>		<b>-1,400,000</b>	<b>-</b>
<b>Financing activities</b>			
Share capital paid in			500
Change in current internal liabilities, global cash pool	P12	66,854	-
Unconditional shareholder contributions		397,731	102,269
Loans raised	P13	-	1,450 000
Expenses for loans raised			-18,200
Lending to related parties (Kährs Holding AB (publ))	P2, P9	-500,000	-
<b>Cash flow from financing activities</b>		<b>-35,415</b>	<b>1,534,569</b>
<b>Cash flow for the year</b>		<b>-1,431,875</b>	<b>1,432,375</b>
Cash and cash equivalents at start of year		1,432,375	-
<b>Cash and cash equivalents at end of year</b>		<b>500</b>	<b>1,432,375</b>

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## Note P1 Accounting policies

### General

The parent company, Kährs BondCo AB (publ), is a wholly owned subsidiary of Saltri II LuxCo SARL, CIN B163570, with its registered office in Luxembourg. Kährs BondCo AB (publ), CIN 559339-3621 with registered office in Nybro, prepares consolidated financial statements for the highest group in which the parent company is a subsidiary. The annual report of Kährs BondCo AB (publ) has been prepared in accordance with the Swedish Annual Accounts Act, other Swedish legislation and the standard RFR 2 Accounting for Legal Entities. This standard must be applied by Swedish legal entities, whose securities on the balance sheet date are listed on the Swedish stock exchange or on another regulated market. These companies must comply with the EU's rules for international accounting standards in their consolidated accounts and must also follow the Swedish Annual Accounts Act when preparing documents for their annual accounts separately. RFR 2 prescribes, as its main rule, that listed parent companies must apply IFRS with the specific exceptions and additions stipulated by the provisions in law and taking into account the connection between reporting and taxation in Sweden.

### Receivables and liabilities in a foreign currency

Receivables and liabilities in a foreign currency have been translated at the closing rate. Exchange rate differences for operating receivables and liabilities are included in operating profit, while differences for financial receivables and liabilities are recognised among financial items.

### Shares in subsidiaries and financial instruments

Share in subsidiaries and financial instruments are measured at cost minus any impairment. The parent company recognises financial instruments using the lowest value principle.

### Group contributions

The parent company recognises Group contributions and shareholder contributions in accordance with the statement from the Swedish Financial Reporting Board, RFR2. This means that Group contributions are recognised as appropriations and that shareholder contributions are entered directly in equity with the recipient. In the parent company, shareholder contributions are capitalised as shares and participations to the extent that impairment is not required, while Group contributions are recognised as appropriations.

## Note P2 Related party transactions

Saltri II LuxCo SARL owns 100 per cent (500,000 shares) of the parent company's shares and therefore has a controlling influence over the Group. This means that Saltri II LuxCo SARL ultimately has a controlling influence over Kährs BondCo AB (publ).

The following business relationships are conducted on normal market conditions (the 'arm's length principle'):

<i>Financial receivables/liabilities with related parties including accrued interest</i>	<b>31/12/2022</b>	<b>31/12/2021</b>
Kährs Holding AB (publ)	532,154	-
<b>Total</b>	<b>532,154</b>	<b>-</b>

Kährs BondCo AB (publ) has not issued any guarantees or any other commitments to the benefit of Board members and senior executives. In the 2022 financial year there were no direct nor indirect transactions between the Group and Board members or senior executives, except for what is stated in Note P4.

### Note P3 Payroll costs and number of employees

As at 31 December 2022, there are no employees in the parent company Kährs BondCo AB (publ). See Note P4.

### Note P4 Remuneration to senior executives

Remuneration to senior executives is set out in Note C8.

### Note P5 Remuneration to auditors

	2022	2021
<b>Deloitte</b>		
Audit	200	-
<b>EY</b>		
Audit	-	155
Other advice	45	
<b>Total</b>	<b>245</b>	<b>155</b>

Audit refers to the statutory audit of the annual report and bookkeeping and the administration of the business by the Board of Directors and the CEO. Tax consultancy refers to services in the field of taxation. Other advice refers to all other advice that is not included above.

### Note P6 Financial income and expenses

<b>Financial income</b>	<b>2022</b>	<b>2021</b>
<b>Interest income</b>		
Interest income, external	2	-
Interest income, internal, Kährs Holding AB (publ)	32,154	-
<b>Total financial income</b>	<b>32,156</b>	<b>-</b>
<b>Financial expenses</b>	<b>2022</b>	<b>2021</b>
<b>Interest expense</b>		
Interest expenses, bond loans	-97,838	-6,042
<b>Other financial expenses</b>		
Transaction costs, bond loans	-4,071	-2,233
<b>Total financial expenses</b>	<b>-101,909</b>	<b>-8,275</b>
<b>Net financial items</b>	<b>-69,753</b>	<b>-8,275</b>

No impairment needs were recorded in 2022.



## Note P7 Group contributions

Group contributions received	2022	2021
Kährs Holding AB (publ) (not paid)	78,826	-

## Note P8 Tax

	2022	2021
Current tax	-8,146	-
Deferred tax, direct transaction costs, bond loans	659	-3,749
<b>Total income tax</b>	<b>-7,487</b>	<b>-3,749</b>

Reconciliation of effective tax rate	2022	2021
Profit before tax	-4,355	-8,430
Tax calculated using the Swedish tax rate of 20.6 per cent	897	1,737
Non-deductible expenses	-7,672	-1,737
Capitalised tax loss carryforward	-	-3,749
Temporary differences	-712	-
<b>Total income tax</b>	<b>-7,487</b>	<b>-3,749</b>

Deferred tax assets and tax liabilities attributable to:

	2022	
	Deferred tax assets	Deferred tax liabilities
<b>Temporary differences attributable to</b>		
Loss carryforwards	-	-
Provisions	-	-
	-	-

	2021	
	Deferred tax assets	Deferred tax liabilities
<b>Temporary differences attributable to</b>		
Loss carryforwards	-	-
	-	-

#### Reconciliation of deferred tax

	<b>2022</b>	
	Deferred tax assets	Deferred tax liabilities
<b>As at 1 January</b>	-	-
Tax expense/income recognised in the income statement	-7,487	-
<b>As at 31 December</b>	<b>-7,487</b>	-

#### Reconciliation of deferred tax

	<b>2021</b>	
	Deferred tax assets	Deferred tax liabilities
<b>As at 1 January</b>	-	-
Tax expense/income recognised in the income statement	-3,479	-
<b>As at 31 December</b>	<b>-3,479</b>	-

Deferred tax assets on loss carryforwards are recognised to the extent it is probable that future taxable profit will be available against which the loss can be utilised. There is no limit for carrying loss carryforwards. The parent company has no unrecognised deferred tax liabilities or tax assets for temporary differences.

#### Note P9 Financial assets

	<b>2022</b>	<b>2021</b>
<b>Financial assets</b>		
Shares in subsidiaries	1,400,000	-
Shareholder loan, Kährs Holding AB (publ) <sup>1</sup>	532,154	-
<b>Total</b>	<b>1,932,154</b>	-

<sup>1</sup> Of which capitalization of interest SEK 32,154 thousand

Shareholder loans are loans at a variable interest rate of 8.475 per cent. The shareholder loan matures on 31 December 2026.

Kährs BondCo AB's ownership shares are as follows as at 31 December 2022:

<b>Name</b>	<b>Type of business</b>	<b>Country</b>	<b>Currency</b>	<b>Share of capital and voting rights (%) 2022</b>	<b>Share of capital and voting rights (%) 2021</b>
<b><u>Participations in Group companies</u></b>					
Kährs Schweiz GmbH	Sales Holding company	CH	CHF	100	100
Gustaf Kähr Verwaltungen GmbH		DE	EUR	100	100
Kährs Parkett Deutschland GmbH & Co KG <sup>3)</sup>	Sales	DE	EUR	100	100
Ehrenborg AS <sup>2)</sup>	Sales	DK	DKK	-	100
Kährs Oy	Manufacturing	FI	EUR	100	100
Kährs France SARL	Sales	FR	EUR	100	100
Kährs Norge AS	Sales Holding company	NO	NOK	100	100
Oak Norge AS		NO	NOK	100	100
Ehrenborg AS <sup>1)</sup>	Sales	NO	NOK	-	100
Kährs Polska SP.Z.O.O	Manufacturing	PL	PLN	90	90
S.C Karelia-Upofloor S.R.L	Manufacturing Holding company	RO	RON	100	100
Deco Design SRL		RO	RON	100	100
Karelia-Upofloor CIS LLC	Manufacturing	RU	RUB	100	100
Kährs Oy	Sales	SE	SEK	100	100
AB Gustaf Kähr	Manufacturing	SE	SEK	100	100
Kährs AB	Sales	SE	SEK	100	100
Kährs (UK) Ltd.	Sales	UK	GBP	100	100
Kährs International Inc.	Sales	US	USD	100	100

<sup>1)</sup> Ehrenborg AS NO merged with Kährs Norge AS as of 1 January 2022

<sup>2)</sup> Ehrenborg AS DK will be liquidated on 1 September 2022.

<sup>3)</sup> This consolidated statement also constitutes an exception for Kährs Parkett Deutschland GmbH & Co. KG, Tübingen/Germany in accordance with § 264b of the German Commercial Code (HGB).

**Shares in directly owned subsidiaries:**

<b>Name, corporate identity number, company's registered office</b>	<b>No. of shares</b>	<b>2022</b>	<b>2021</b>
Kährs Holding AB (556534-2481, Nybro, SE)	500,000	1,400,000	-
<b>Total</b>		<b>1,400 000</b>	<b>-</b>

## Note P10 Other current assets

	2022	2021
Current receivables, Kährs Holding AB (publ)	78,826	-
Current receivables, Saltri II LuxCo S.a.r.l	-	102,269
<b>Total at year end</b>	<b>78,826</b>	<b>102,269</b>

## Note P11 Cash and cash equivalents

Cash and cash equivalents in the balance sheet and the cash flow statement comprise solely cash at bank and in hand.

## Note P12 Trade payables and other current liabilities

	2022	2021
Audit costs	200	-
Accrued interest, bond loan	8,532	6,042
Current internal liability, global cash pool, Kährs Holding AB	66,854	-
Liability to Kährs Holding AB (publ)	-	181
Accrued costs related to the refinancing	-	2,282
<b>Total at year end</b>	<b>75,586</b>	<b>8,505</b>

## Note P13 Interest-bearing liabilities

On 7 December 2021, Kährs BondCo AB (publ) issued a five-year senior secured sustainability-linked bond (SLB) with an initial amount of SEK 1,450 million. The bond is an important milestone for the company that confirms its future long-term commitment to sustainability and ambitious goals. The bond loan runs between 7 December 2021 and 7 December 2026. The bond has been listed on the Frankfurt Open Market and Nasdaq Stockholm. The interest rate as at 31 December 2022 was 8.475 per cent (6.0).

<i>Non-current interest-bearing liabilities</i>	2022	2021
Bond loan (0–1 year)	-	-
Bond loan (1–2 years)	-	-
Bond loan (2–5 years)	1,434,988	1,431,800
<b>Total non-current interest-bearing liabilities</b>	<b>1,434,998</b>	<b>1,431,800</b>

### *Change in interest-bearing liabilities*

	Cash flow		Non-cash flow		
	Opening balance	Repayment	New borrowing	Other <sup>1)</sup>	Closing balance
<b>31/12/2022</b>					
Bond loan	1,431,800	-	-	3,198	1,434,998
<b>Total</b>	<b>1,431,800</b>	<b>-</b>	<b>-</b>	<b>3,198</b>	<b>1,434,998</b>

<sup>1)</sup> Allocation of direct transaction costs over the duration of the bond loan.

**Change in interest-bearing liabilities**

31/12/2021	Cash flow		Non-cash flow		Closing balance
	Opening balance	Repayment	New borrowing	Acquisition	Currency
Bond loan	-	-	1,431,800	-	-
<b>Total</b>	-	-	<b>1,431,800</b>	-	-

<b>Pledged assets for liabilities to credit institutions</b>	<b>2022</b>	<b>2021</b>
Pledged bank accounts	-	1,431,875
<b>Total</b>	-	<b>1,431,875</b>

<b>Contingent liabilities</b>	<b>2022</b>	<b>2021</b>
Pension commitment in addition to what is recorded under liabilities/provisions	-	-
Guarantees on behalf of subsidiaries	-	-
<b>Total</b>	-	-

**Note P14 Equity**

**Share capital**

	No. of shares	Nominal value	Share capital (SEK thousand)
<b>As at 1 January 2022</b>	<b>500,000</b>	<b>1</b>	<b>500</b>
<b>As at 31 December 2022</b>	<b>500,000</b>	<b>1</b>	<b>500</b>
	No. of shares	Nominal value	Share capital (SEK thousand)
<b>As at 1 January 2021</b>	-	-	-
<b>As at 31 December 2021</b>	<b>500,000</b>	<b>1</b>	<b>500</b>

The shares of Kährs BondCo AB (publ) are of one class. All shares have been paid in full and provide an equal right to dividends and a vote at an ordinary general meeting.

<b>Earnings per share before and after dilution</b>	<b>2022</b>	<b>2021</b>
Earnings attributable to shareholders of the parent company	-11,842	-12,179
Weighted average number of outstanding ordinary shares	500,000	500,000
<b>Earnings per share before and after dilution, SEK</b>	<b>-24</b>	<b>-24</b>

**Dividend per share**

Dividend per share is calculated by dividing the dividend for the year issued to the shareholders in the parent company by the weighted average number of ordinary shares outstanding during the period.

<b>Dividend per share</b>	<b>2022</b>	<b>2021</b>
Dividend to shareholders of the parent company	-	-
Weighted average number of outstanding ordinary shares	500,000	500,000
<b>Dividend per share before dilution, SEK</b>	<b>-</b>	<b>-</b>

#### **Note P15 Reconciliation of profit before tax and net cash flow**

<b>Adjustment for non-cash items</b>	<b>2022</b>	<b>2021</b>
Unpaid Group contribution	-78,826	-
Interest income	-32,156	-
Interest expense	101,909	6,042
Accrual cost	13,181	-
Other	-3,365	-
<b>Total</b>	<b>743</b>	<b>6,042</b>

External interest expense paid during the period amounted to SEK 101,909 thousand (8,275).

External interest income received during the period amounted to SEK 32,156 thousand (0).

#### **Note P16 Proposed distribution of profit (SEK)**

<b>Distribution of profit parent company</b>	<b>2022</b>
Unrestricted equity in the parent company is:	
Retained earnings	487,821,111
Profit for the year	-11,841,422
<b>Total</b>	<b>475,979,689</b>

The Board of Directors and CEO propose:

be distributed to shareholders	
be carried forward	475,979,689
<b>Total</b>	<b>475,979,689</b>

<b>Distribution of profit parent company</b>	<b>2021</b>
Unrestricted equity in the parent company is:	
Retained earnings	102,269,000
	-12,178,889
Profit for the year	
<b>Total</b>	<b>90,090,111</b>

The Board of Directors and CEO propose:

be carried forward	90,090,111
<b>Total</b>	<b>90,090,111</b>

## Financial definitions and key performance indicators

### Alternative key performance indicators

Kährs uses a number of alternative key performance indicators that are not defined in IFRS or in the Swedish Annual Accounts Act in order to present the Group's operations in a fair way. The alternative performance indicators used by Kährs are defined below.

#### Return on equity

Profit after tax over a 12-month rolling period as a percentage of average equity, excluding non-controlling interests.

#### Return on capital employed

Operating profit (EBIT) over a 12-month rolling period in relation to average capital employed. Employed capital is defined as net debt per share capital plus shareholder loans.

#### Depreciation/amortisation

Depreciation/amortisation of intangible assets and property, plant and equipment.

#### EBITA

Operating profit after depreciation, amortisation and impairment, but before any deductions for the impairment of goodwill, as well as amortisation and impairment of other intangible assets arising in connection with company acquisitions.

#### Investments

Investments in non-current assets.

#### Non-recurring items

Non-recurring profit items that have a material effect on profit and that are of significance to an understanding of the underlying development of the operations.

#### Net sales

The Group's accumulated income net of bonuses and discounts given, VAT and other tax linked to sales.

#### Net operating capital

Inventories and accounts receivable reduced by trade payables.

#### Net debt

Interest-bearing liabilities net (excluding shareholder loans and lease liabilities), less assets, cash and cash equivalents.

#### Net debt/EBITDA ratio

Net debt excluding finance leases in relation to adjusted EBITDA, over a 12-month rolling period.

#### Operating EBIT

Operating profit before non-recurring items.

#### Operating EBITA

EBITA before non-recurring items.

**Organic growth**

Change in sales in comparable units after adjustments for acquisitions and exchange rate effects.

**Earnings per share after tax before dilution**

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

**Earnings per share after tax after dilution**

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

**Interest coverage ratio**

Adjusted EBITDA, over a 12-month rolling period, divided by interest paid.

**Operating profit (EBIT)**

Profit before financial items and tax.

**Operating margin (EBIT) as a percentage**

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

**Operating profit (EBITDA)**

Operating profit before depreciation and amortisation.

**Adjusted EBITDA**

Operating profit before depreciation, amortisation and non-recurring items.

**Equity/assets ratio**

Adjusted equity as a percentage of total assets.

For untaxed reserves – the proportion in adjusted equity; tax expense has been calculated at a rate of 20.6 per cent.

**Total operating capital**

Inventories, accounts receivable, derivatives and other non-current assets reduced by trade payables, tax liabilities, derivatives and other current liabilities.

For further information on the calculation basis for alternative key figures, see [www.kahrsgroup.com](http://www.kahrsgroup.com).



The consolidated accounts and annual accounts have been approved for publication by the Board of Directors on 17 April 2023. The Board of Directors and CEO hereby certify that the consolidated accounts and annual accounts were prepared in accordance with International Financial Reporting Standards (IFRS), as approved by the EU, and generally accepted accounting principles, and provide a true and fair view of the Group's and parent company's financial position and results, and that the Directors' Reports for the Group and the parent company give a true and fair view of the development of the Group's and the parent company's operations, position and results, and describe significant risks and uncertainties facing the parent company and the companies included in the Group.

Nybro on the date specified by our electronic signature.

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Anders Wassberg  
*Chair of the Board*

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Jan Johansson  
*Board member*

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Lisa Göttler  
*Board member*

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Mats Therman  
*Board member*

---

Christoffer Marköö  
*Board member*

---

Jonas Köhlin  
*Board member*

---

Johan Magnusson  
*CEO and Group President*

Our audit report has been submitted on the date indicated by our electronic signature.

Deloitte AB

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Maria Ekelund  
*Authorised Public Accountant*

## AUDITOR'S REPORT

**To the general meeting of the shareholders of Kährs BondCo AB (publ)  
corporate identity number 559339-3621**

### Report on the annual accounts and consolidated accounts

#### *Opinions*

We have audited the annual accounts and consolidated accounts of Kährs BondCo AB (publ) for the financial year 2022-01-01 - 2022-12-31.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2022 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2022 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act.

The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

#### *Basis for Opinions*

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the *Auditor's Responsibilities* section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

#### *Other matters*

No consolidated accounts were reported in the previous annual report, whereupon an audit of the comparative figures for the consolidated financial statements for the financial year 2021 has therefore not been performed.

Except for this, the audit of the annual accounts for the financial year 2021 were performed by another auditor who submitted an auditor's report dated April 21, 2022, with unmodified opinions in the Report on the annual accounts.

#### *Key Audit Matters*

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

#### *Identification of surplus values*

##### **Risk description**

Kährs BondCo AB has completed acquisitions with a total purchase price of SEK 551 million. Accounting for acquisitions involves significant estimates and judgments by management to determine the fair value of acquired assets and assumed liabilities.

Incorrect estimates and assessments could have a significant impact on the Group's earnings and financial position.

##### **Our audit procedures**

Our audit included the following procedures, but was not limited to these:

» Review and assessment of management's method to determine the fair value of the acquired assets and the assumed liabilities.

» Review of the purchase price allocation including significant judgements and estimates made by group management for valuation of acquired assets and the assumed liabilities.

» Review of the completeness in relevant disclosures to the financial reports with the assistance of our accounting experts.

For further information, please refer to the Group's accounting principles in Note C2 on pages 33-40 and information on acquisitions in Note C30 on pages 68-69.

#### *Responsibilities of the Board of Directors and the Managing Director*

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

### ***Auditor's responsibility***

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

A further description of our responsibilities for the audit of the annual accounts and consolidated accounts is located at the Swedish Inspectorate of Auditors website: <https://www.revisorsinspektionen.se/revisornsansvar>. This description forms part of the auditor's report.

## **Report on other legal and regulatory requirements**

### ***Opinions***

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Kährs BondCo AB (publ) for the financial year 2022-01-01 - 2022-12-31 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit to be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

### ***Basis for Opinions***

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the *Auditor's Responsibilities* section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

### ***Responsibilities of the Board of Directors and the Managing Director***

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend

is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

### ***Auditor's responsibility***

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibilities for the audit of the annual accounts and consolidated accounts is located at the Swedish Inspectorate of Auditors website: <https://www.revisorsinspektionen.se/revisornsansvar>. This description forms part of the auditor's report.

## **The auditor's examination of the ESEF report**

### ***Opinions***

In addition to our audit of the annual accounts and consolidated accounts, we have also examined that the Board of Directors have prepared the annual accounts and consolidated accounts in a format that enables uniform electronic reporting (the ESEF report) pursuant to Chapter 16, Section 4a of the Swedish Securities Market Act (2007:528) for Kährs BondCo AB for the financial year 2022-01-01 – 2022-12-31.

Our examination and our opinion relate only to the statutory requirements.

In our opinion, the ESEF report has been prepared in a format that, in all material respects, enables uniform electronic reporting.

### *Basis for opinion*

We have performed the examination in accordance with FAR's recommendation *RevR 18 Examination of the ESEF report*. Our responsibility under this recommendation is described in more detail in the Auditor's responsibility section. We are independent of Kährs BondCo AB in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Responsibilities of the Board of Directors*

The Board of Directors are responsible for the preparation of the ESEF report in accordance with the Chapter 16, Section 4a of the Swedish Securities Market Act (2007:528), and for such internal control that the Board of Directors determine is necessary to prepare the ESEF report without material misstatements, whether due to fraud or error.

### *Auditor's responsibility*

Our responsibility is to obtain reasonable assurance whether the ESEF report is in all material respects prepared in a format that meets the requirements of Chapter 16, Section 4a of the Swedish Securities Market Act (2007:528), based on the procedures performed.

RevR 18 requires us to plan and execute procedures to achieve reasonable assurance that the ESEF report is prepared in a format that meets these requirements.

Reasonable assurance is a high level of assurance, but it is not a guarantee that an engagement carried out according to RevR 18 and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the ESEF report.

The firm applies International Standard on Quality Management 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

The examination involves obtaining evidence, through various procedures, that the ESEF report has been prepared in a format that enables uniform electronic reporting of the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the report, whether due to fraud or error. In carrying out this risk assessment, and in order to design audit procedures that are appropriate in the circumstances, the auditor considers those elements of internal control that are relevant to the preparation of the ESEF report by the Board of Directors, but not for the purpose of expressing an opinion on the effectiveness of those internal controls. The examination also includes an evaluation of the appropriateness and reasonableness of assumptions made by the Board of Directors and the Managing Director.

The procedures mainly include a validation that the ESEF report has been prepared in a valid XHTML format and a reconciliation of the ESEF report with the audited annual accounts and consolidated accounts.

Furthermore, the procedures also include an assessment of whether the consolidated statement of financial performance, financial position, changes in equity, cash flow and disclosures in the ESEF report have been marked with iXBRL in accordance with what follows from the ESEF regulation.

## **The auditor's report on the statutory sustainability report**

The Board of Directors is responsible for that the statutory sustainability report for 2022 on pages 8-20 has been prepared in accordance with the Annual Accounts Act.

Our examination has been conducted in accordance with FAR's standard *RevR 12 The auditor's opinion regarding the statutory sustainability report*. This means that our examination of the statutory sustainability report is substantially different and less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with a sufficient basis for our opinion.

A statutory sustainability report has been prepared.

## **The auditor's examination of the corporate governance statement**

The Board of Directors is responsible for that the corporate governance statement on pages 21-23 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR's auditing standard *RevR 16 The auditor's examination of the corporate governance statement*. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared.

Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

Deloitte AB, was appointed auditor of Kährs BondCo AB by the general meeting of the shareholders on the 2022-07-15 and has been the company's auditor since 2022-07-15.

Malmö at April 27, 2023

Deloitte AB

*Signature on Swedish original*

Maria Ekelund

Authorized public accountant