

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 2023 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 2023.

The company Kährs was founded in 1857 by Johan Kähr, who started to produce wooden kitchen utensils. In 1919, the company changed its name 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 Finland Oy, Oak Norge AS and Kährs Sweden Holding AB. 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 six regions: Residential Nordics, Residential Europe, Residential North America, Residential Emerging Markets, Russia 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 with a strong range of wood floors along with PVC-free floors and Luxury Tile 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

2023 has been an extremely challenging year. The flooring industry was affected by geopolitical uncertainty, high inflation and rising interest rates, which had a strong negative effect on both new construction and the renovation market in 2023. In addition, Kährs' customers entered 2023 with well-stocked inventories and during the year actively worked to reduce these inventories, which further reduced demand for our flooring products. All of these factors led in 2023 to a drop in net sales for Kährs of 28 per cent to SEK 2.9 billion. Adjusted for currency effects, this corresponds organically to a decrease in sales of 30 per cent. Profitability in terms of EBIT amounted to 6.3 per cent (10.3), and the reduction is largely linked to under-absorption of fixed costs as a result of the sharp decline in sales.

Kährs' net sales of SEK 2.9 billion (4.0), which was an organic decrease of 30 per cent, was a result of the strong deterioration in demand in the housing segment during 2023. The sharpest reduction in sales occurred primarily in the Nordics and Europe. In the Nordics, the deterioration progressed gradually during the year as the number of completed new construction projects decreased and the number of new starts was at a historically low level. In Europe, the renovation sector affected Kährs the most, where reduced demand for renovating flooring together with reduced inventory levels at distributors and flooring stores led to reduced sales. Residential North America also contracted due to weak renovation demand. On the other hand, Kährs successfully sold flooring in new construction of primarily rental properties, which has reduced the loss of sales in North America.

In Emerging Markets, the Middle East in particular had strong demand, while weak development was evident primarily in China. During the year, Kährs continued to develop potential new customers in Emerging Markets. Since the outbreak of war on 24 February 2022, Russia has been isolated within Kährs. All financial flows and goods flows having stopped between Russia and the rest of Kährs, and the segment posted weak development in 2023. Russia has been a divestment object since Q3 2022, a process which is complicated and time-consuming. Due to the high uncertainty surrounding the divestment of the business, which must be approved by both the Swedish and the Russian authorities, it is difficult to assess whether a potential buyer will receive approval and within what time frame the divestment can take place. We have therefore chosen not to report our Russian operations yet under IFRS 5 Fixed assets held for sale.

Within the Commercial segment, which accounts for approximately 10 per cent of Kährs' total sales, demand from Finland in particular was weak due to the weak economy there. Other countries posted sales at the level of 2022, and we have not had the sharp decline in demand in the Commercial segment that we have seen in the Residential segment.

In 2023, costs stabilised for input materials after having risen sharply in 2022. Prices for primarily oak, softwood and transports from Asia have fallen once again as demand on the market has fallen. The sharp reduction in demand has forced Kährs to adapt production capacity and thereby reduce the number of employees in Sweden and Romania in particular.

With regard to innovation, there were no major innovative product launches in 2023. The focus has instead been on modernising and broadening the existing product offering within the wood and Luxury Tile families.

Cash flow was in focus in 2023, and particularly our operational working capital. During the first half of the year, it increased as a result of the reduced demand and the lead time in reducing the production rate, but during the second half of the year we started to see the effect from reduced inventory levels. These efforts to reduce the working capital will continue in 2024.

Significant events during the financial year

Due to the reduced demand, Kährs has been forced to reduce the workforce on several occasions during the year. In 2023, the total number of employees decreased by 353, of which 307 were collective bargaining employees and 46 were salaried employees. At the end of 2023, Kährs had 1,102 employees.

On 22 August, Kährs conducted a bonus issue of an additional 500,000 shares. In connection with this, the company repurchased 500,000 shares and paid out SEK 112 million to the company's shareholders, which reduced the company's liquidity by the corresponding amount. For more information, see Note C25 Equity.

Significant events after the balance sheet date

There have been no significant events after the balance sheet date.

Outlook for 2024

Our assessment is that demand will continue to be weak in the housing segment in 2024, even though we are seeing that inflation is coming down and interest rates will be lowered during the year. We believe that the renovation segment will pick up earlier, but it will take a little longer before the effects of increased new construction will be reflected in increased flooring sales.

It looks like the turnaround will come earlier in Europe, while the Nordic region will show weak development for most of 2024. North America's decline has not been as strong as the decline in Europe, so here the effects

of economic fluctuations are smaller. In the Commercial segment, demand is more stable, primarily within public buildings, and we have not seen here the same decline as in the Residential segment.

In 2023, Kährs adapted its capacity to the new market conditions, and we are well equipped for continued tough conditions in 2024, but we are also prepared for when the economy rebounds. 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.

With regard to financial reporting, this risk is assessed to primarily lie in significant errors in accounting, for example regarding the valuation of assets and liabilities and their impact on the Group's income and expenses. For more details, see also Note C3 Significant assessments, estimates and assumptions. Other risks include fraud and losses through embezzlement. Risk management is built into every process, and 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 the 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. Executive management is 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 fluctuations in the prices of raw material 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 and Gaza has had a limited impact on Kährs' operations. The Russian unit has been isolated within Kährs to operate solely within the borders of Russia 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 war started 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 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 monitoring and working with actively 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 performed 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 decision 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. 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 2023. The Group's interest rate risk refers to non-current 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 per 31 December 2023 was 10.016 per cent per annum (8.475). If the variable interest rate on the bond loan changes by +/- 100 points (1 percentage point), given that all other variables are constant, the annual result will be affected by approximately +/- SEK 14.7 million (14.7). The assessment is that the financing risk and the interest rate risk are low.

Corporate governance

In accordance with Chapter 6, section 6, second paragraph, points 2–6 and Chapter 7, section 31, second paragraph of the Swedish Annual Accounts Act, Kährs has chosen 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 34–36.

Sustainability Report

General information

This is Kährs' sustainability report for 2023. The sustainability report covers the entire Kährs Group, and subsidiaries are included in all key figures unless otherwise stated. This 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. The report covers the period 01/01/2023 to 31/12/2023, which corresponds to the financial year 2023 for Kährs BondCo AB.

Market position, strategy, business model and value chain

Kährs Group is the European leader in flooring, manufacturing its own multi-layer wood floors and PVC-free resilient floors. The company 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 Norway, the USA and Germany. Kährs Group's products are sold in almost 70 countries, and the Group employs its own staff in 15 countries. The company offers flooring solutions for every room and every need, and it targets groups that 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 also a leading brand in PVC-free resilient floors for public spaces, such as 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 we launched the first Nordic Swan Ecolabel collection in the product category.

Kährs' range also includes products in the categories Luxury Tiles, textile floor tiles, and a completely new type of functional, vinyl-free, bio-based floors within the category Luxury Tiles: Kährs Aware. These products are purchased from external manufacturers.

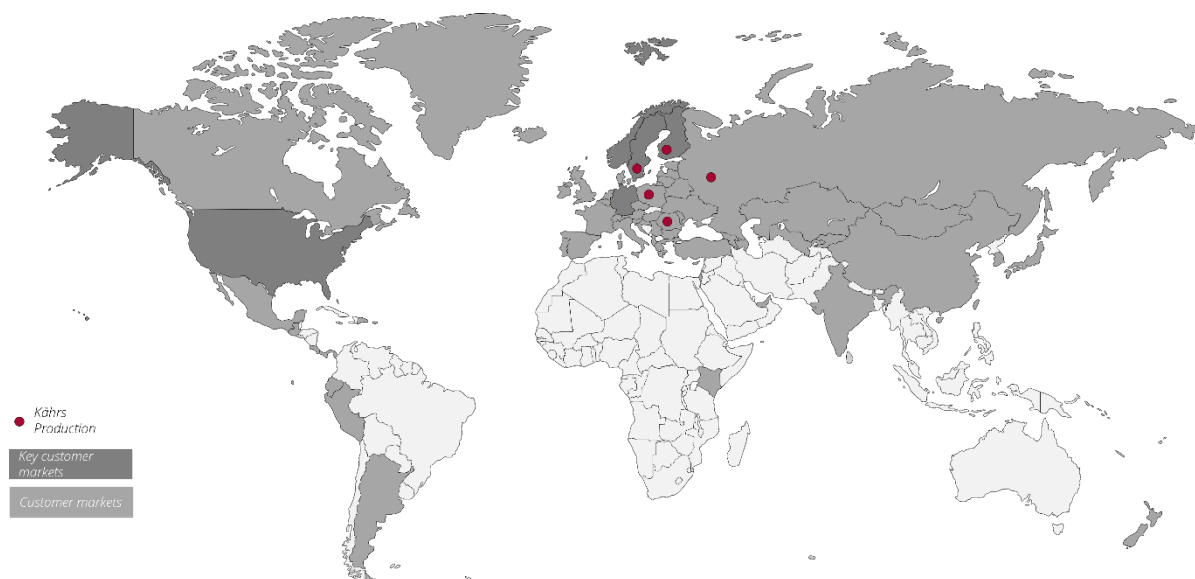
Over more than 160 years, Kährs Group has built a strong brand by offering innovative flooring solutions and maintaining close relationships with customers, suppliers and forestry owners, which has helped consolidate the company's strong position on the market. Kährs Group continually develops its products 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 routes. 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.

Our most significant markets:

Sweden (38%), USA (17%), Germany (6%), Finland (7%) and Norway (6%).

Kährs' headquarters are based in Nybro and Malmö, Sweden.



Sustainability reporting – CSRD

Kährs has the ambition to report fully in accordance with the Swedish Annual Accounts Act and the ESRS standard for the financial year 2024. Therefore, we will report here on what we have documented and implemented and what we are following up on in each area. Kährs' sustainability report has been a part of its Directors' Report since 2022.

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.

Global Sustainability Goals

The UN's Sustainable Development Goals (SDGs) are a universal call to action to eradicate poverty, protect the planet, and ensure that by 2030 all people can enjoy peace and prosperity. The 17 SDGs are integrated with each other, i.e., they take into account that actions in one area will affect outcomes in other areas and that development must balance social, economic and environmental sustainability. This is one way we integrate them into our business and sustainability strategy, goals and activities.

We have identified six SDGs that we will focus on where our operations have the greatest impact.

3 GOOD HEALTH AND WELL-BEING 	Our floors should help maintain a healthy indoor environment.	11 SUSTAINABLE CITIES AND COMMUNITIES 	We contribute to healthier products and construction projects through transparency, environmental certifications and certification systems.	13 CLIMATE ACTION 	We work actively to become climate positive and take urgent measures to help combat climate change.
5 GENDER EQUALITY 	We strive to achieve equality and strengthen the position of women.	12 RESPONSIBLE CONSUMPTION AND PRODUCTION 	We must ensure sustainable consumption and production patterns.	15 LIFE ON LAND 	We work with the protection, restoration & promotion of sustainable use of ecosystems, sustainable management of forests and stopping the loss of biodiversity.

The reporting points below are in accordance with the ESRS and contain the sustainability disclosures necessary for understanding the company's development, position and performance in accordance with the sustainability goals that we have chosen to work with.

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. Challenges that are specific to us, but also apply to the flooring and construction industry as a whole. 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 – align with our three challenges and help us identify Kährs-specific activities where we have been able to set goals to continue making positive changes and a difference in the flooring industry.

In 2023, we focused on continuing our efforts to anchor the sustainability strategy within the company and driving sustainability issues cross-functionally throughout the business. A result of this work is new internal governance of the sustainability work, including steering groups and working groups, as described below.



In 2023, we had a strong focus on setting an internal strategy and action plan to work even more actively with diversity, justice and inclusion, primarily by developing goals and initiatives, training our leaders, and working actively with follow-up tools for our employees. Furthermore, we have worked on developing new processes and implementing a new Supplier Relations Management (SRM) system to follow up on our suppliers according to the new rules under the Corporate Sustainability Due Diligence Directive (CSDDD). The CSDDD imposes stricter requirements on responsibility for the environment and human rights throughout the value chain, which means that companies need to follow up on their suppliers to assess and mitigate risk. Within the

framework of this work, we have introduced new policies, implemented SRM systems, implemented a new risk mitigation process and new internal governance, and visited suppliers where we identified higher risk based on the corruption index.

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 of Directors.

Environment and quality management system

All operations under the Kährs Group are covered by a joint quality and environmental management system in accordance with ISO 9001:2015 and 14001:2015 (so-called Multisite), 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.

Kährs' strategy, business model and value chain

Product group – wood floors

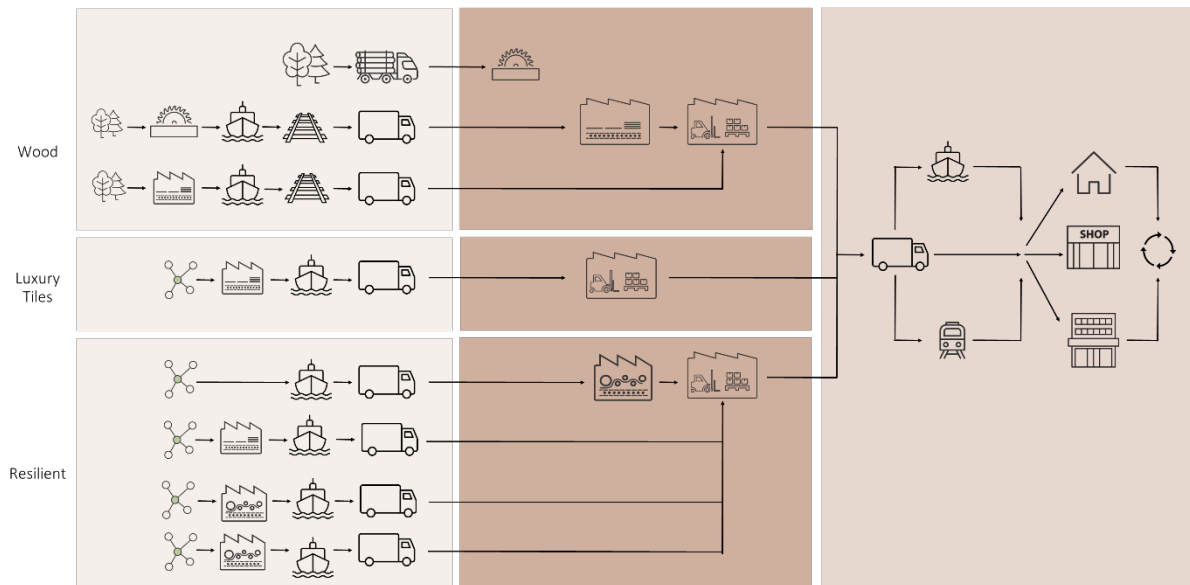
Kährs Group manufactures wood floors at five production facilities in Sweden (two plants), Romania, Russia and Poland. The sustainable supply of wood is extremely important, not only for Kährs Group, but also from a global environment perspective. We manufacture wood floors, so we use a significant amount 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.

Product group – resilient floors

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 was previously manufactured in-house, but the current production facility was dismantled in the second half of 2019, and the products are instead purchased from an external manufacturer.

The Quartz collection consists 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.

Kährs has Environmental Product Declarations (EPD). An extremely high proportion of the waste material from manufacturing of 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.



Stakeholders' interests and views

During the materiality assessment, we identified material stakeholders, taking into account the stakeholders' impact on Kährs, our impact on stakeholders, and stakeholders' materiality to companies in the same industry. We identified four important groups of stakeholders:

1. Consumers
2. Employees and co-workers
3. Suppliers and subcontractors
4. Investors

We asked identified stakeholders for their views on sustainability issues to identify material sustainability-related impacts via

- interviews for various functions throughout the company, and
- interviews among our key stakeholders: suppliers, subcontractors and investors.

Material impacts, risks and opportunities and their interaction with the strategy and business model

The double materiality analysis conducted in 2023 was the first steps in developing an overview of our material impacts, risks and opportunities. Our double materiality analysis is based on a series of workshops, interviews and internal documents. We are now working on defining the impacts, risks and opportunities within the ESRS areas to understand the interaction with our strategy and business model. Work will continue after this process to develop policies, objectives and measures to handle the results of the double materiality analysis. The double materiality analysis is shown below; it visualizes the subjects that are deemed to be material and of importance to Kährs' operations.



Environment

Climate change

Kährs has chosen to establish a sustainability-linked 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 this publicly.

Position Green performed the third-party review of climate calculations for Scope 1 (direct emissions of greenhouse gases from operations over which Kährs has direct control), Scope 2 (indirect emissions from purchased electricity, heating or cooling), Scope 3 (purchased materials, purchased goods, transport), SBTi validation and processes, and sustainably obtained forestry raw goods that were published at kahrgroup.com in November 2023: [Green bond verification](#).

The three KPIs that we developed are also our three KPIs under our first focus area, Climate & 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

We have chosen to communicate our climate data according to a market-based method. The data below is in accordance with this and therefore the comparison figures from previous years are updated according to our choice of method.

KPI 1	Retroactively					Goal	
	Base year 2020 (tCO2e)	2023 (tCO2e)	% difference with base year	2022 (tCO2e)	% difference between 2022 and 2023	2030 (tCO2e)	Target in %/Base year
Scope 1 – Greenhouse gas emissions							
Gross greenhouse gas emissions Scope 1	2,658	899	-66%	1,159	-22%		
Scope 2 – Greenhouse gas emissions							
Market-based gross greenhouse gas emissions Scope 2	8,707	1,700	-80%	2,860	-41%		
Scopes 1 + 2							
Total market-based gross greenhouse gas emissions Scopes 1 + 2	11,365	2,599	-77%	4,019	-35%	568	-95%
Significant greenhouse gas emissions within Scope 3							
Total indirect gross emissions Scope 3	144,126					83,593	-42%
1. Purchased goods and services	64,970						
2. Capital goods	329						
3. Fuel and energy-related activities (not included in Scope 1 or Scope 2)	5,953						
4. Transport and distribution in earlier stages	24,017						
5. Waste generated in operations	2,831						
6. Business trips	64						
7. Employee commuting	2,040						
8. Assets leased in previous stages***	-	-	-	-	-	-	-
9. Transport in later stages	1,914						
10. Processing of sold products***	-	-	-	-	-	-	-

11. Use of products sold	4,824						
12. Final processing of sold products	36,212						
13. Assets that are leased in later stages***	-	-	-	-	-	-	-
14. Franchise agreement***	-	-	-	-	-	-	-
15. Investments***	-	-	-	-	-	-	-
Packaging	974						
Total emissions of greenhouse gases							
Total greenhouse gas emissions (market-based)	155,491					84,161	
	Retroactively						Goal
KPI 2	Base year 2020	2023	2022	2021	2025		
Science-based targets		We have collected Scope 3 data and set science-based targets that are in the SBTi validation process.	We have collected Scope 3 data and set science-based goals that will be validated by SBTi.	Commitment to developing science-based goals			
KPI 3							
Proportion of sustainable wood materials as a percentage of the total amount of wood material purchased	81%	84%	82%	82%	87%**		

* 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.

** Wood as a 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) certified, and PEFC controlled sources.

*** Not applicable

During 2024, the work connected to our climate footprint will be focused on collecting Scope 3 data for 2021 and 2022. The 2021 data is needed for Science Based Target Initiative validation together with Scope 3 for the base year 2020. In 2024, the focus will be on working further with our climate roadmap, with clear scenarios and initiatives for each function within the company. The climate roadmap clearly shows where we have our challenges, what we need to do to lower our footprint, and which function within the company is responsible.

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. According to our circular economy model, the wood material is used for biofuel upon reaching the end of the floor's life cycle, and the ash from the combustion is returned to the forest as a nutrient. Alternatively, the wood material can be reused for new wood-based products and continue to store carbon dioxide.

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.

In order to reduce our emissions of greenhouse gases, we are gradually changing our internal production transports to fossil-free operation. All outdoor trucks in Swedish production activities have been replaced or switched to fossil-free operation, and since 2021 all internal traffic at the production facilities in Sweden run on fossil-free fuel (HVO100) or electricity.

We have also focused on purchasing renewable energy for our international production facilities and warehouses, which has contributed to the lower Scope 2 emissions in 2023. We continue to use alternative and fossil-free fuels where possible, replacing oil with biogas for process heating in our Finnish production facility and replacing fossil-fuelled forklift trucks in our Romanian and Polish 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 Kährs 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 CO₂. 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. In 2020, Kährs' wood pellets were certified according to the Sustainable Biomass Program (SBP), and in 2022, Kährs received the Swedish Energy Agency's Sustainability Statement for all biofuels: bark, sawdust, chips, pellets.

Pollution

Policies related to pollution

These policy documents guide us in environmental governance issues:

- Code of Conduct
- Environmental Policy
- Sourcing Policy

Measures and resources related to pollution

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.

Air

The manufacture of wooden products is often an energy-efficient process that results in relatively small emissions of carbon dioxide, and the same applies to wooden floors and resilient floors within Kährs' operations.

Significant environmental aspects, on the other hand, are the transport that takes place in connection with harvesting and transport of materials in upstream processes, intermediate transports, and the distribution of finished products for sale. Transports (apart from internal transports that are operationally managed by Kährs) are difficult to influence and make better environmental choices for, but they can be optimized. Examples include train transports between Kährs' operations in Romania and Sweden and trials with biogas trucks in Kährs Sweden's raw material transport.

All internal vehicles powered by fossil diesel have been challenged by Kährs' climate program, and we have already seen a transition to biodiesel in Sweden as well as changes to gas or electric trucks in the other units in Kährs' factories in Europe.

Heat supply to our processes is completely bio-based (residual waste from wood) in our wooden floor factories, and in the resilient factory in Finland we have invested in a biogas plant which is phasing out the heat supply from oil.

The manufacturing processes at Kährs, in both wooden floor manufacturing and resilient floor manufacturing, generate air from dusty processing. This dust can be unhealthy for people and the environment if not cleaned. The dust is transported in pipelines to filter facilities that limit the emissions of dust at our factories. Preventive maintenance ensures that the filtration equipment functions satisfactorily. By measuring, examining and listening to the equipment, we can find faults early, prevent emissions and avoid costly repairs to the filters.

VOCs are volatile organic substances found in our additive materials (paint, oil, glaze, putty and glue) as well as in various chemicals used in cleaning and maintenance of machines. The largest amount of VOCs is consumed when cleaning with solvents in the production processes. Spent solvent is handled as hazardous waste and taken care of by approved contractors.

Emissions of VOCs mainly occur in the surface treatment process. Certain VOC-classified substances, such as those included in the curing of glue, are consumed when they react and are therefore not released during manufacturing. Kährs works actively to reduce the proportion of VOCs in chemicals in both development work and daily phasing out and substitution.

Water

Water is part of a closed cycle; therefore, it is important that the water we return to nature is clean. The largest share of our water use goes to watering timber and regulating the moisture content in the drying process.

Watering the timber prevents it from drying and cracking before it is sawn during the summer. At the sawmill in Blomstermåla, Sweden, water is taken from the Alsterån river for this purpose.

In Blomstermåla, there is no recirculation of the timber water; rather, it is infiltrated in an artificial infiltration bed and then led through a natural wetland before returning to Alsterån. In 2023, Kährs conducted tests where the used timber water was also directed through bio-towers filled with LECA balls for cleaning using a so-called aerobic process (absorption of sludge particles and dissolved organic substances). We will continue to evaluate this facility in 2024. Outgoing water to Alsterån is continuously tested by Kährs.

Water is also used to regulate the moisture content in the drying process and thereby prevent the sawn wood from drying too quickly. Water used for the dryers evaporates into the air.

Water is also used for both cooling certain processes and personal hygiene and is released directly to treatment plants. Process wastewater from surface treatment processes is always classified as hazardous waste.

Cleaning of gluing equipment in Sweden also gives rise to process wastewater. The polluted water contains difficult-to-degrade organic substances (TOC), which are not broken down in the municipality's sewage treatment plant. Therefore, all this process wastewater is treated in an internal treatment plant with

sedimentation and adsorption of pollutants before it is diverted to the municipal waste water network. Annually, approx. 150 m³ of treated process wastewater is diverted from the Nybro operations.

Rainwater and the storage of timber and biofuels also give rise to the release of stormwater and leachate, which leads to increased levels of oxygen-demanding substances and tannins (a substance that occurs when wood or other organic substances break down). In Nybro, Sweden, there is a vegetation and sedimentation filter to reduce the amount of organic material to the recipient.

In Satulung, Romania, rainwater/stormwater and wastewater are received in a separate treatment plant located within the area of operation.

Microplastics

Microplastics is a collective name for small plastic fragments that are up to five millimetres. Microplastics can be manufactured or formed during the wear and tear or degradation of plastic. They are often divided into two groups: primary and secondary. The primary group includes, for example, microplastics that have been produced intentionally to be used as raw material in the plastics industry as scrubbing material in various products or an additive. Secondary microplastics come from larger plastic and rubber objects that have been broken down into smaller particles. As a possible influencer, Kährs will review its upstream operations as well as its own production of plastic flooring (polymerization process).

Targets related to pollution

As part of our alignment with the CSRD, we are currently collecting the data required to align with the ESRS pollution requirements. We are working internally, based on the double materiality analyses, to develop targets and metrics related to pollution.

Pollution of air, water and land

As part of our alignment with the CSRD, we are currently collecting the data required to align with the ESRS pollution requirements.

Substances of concern and substances of very high concern

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').

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 routines for accepting new chemicals for use in its operations. The aim is to ensure that we use the most sustainable alternative that is available for each type of chemical.

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 such as Nordic Swan Ecolabel, M1, BASTA and SundaHus. Environmental labels help users choose products with low emissions, which is beneficial for a good indoor environment.

Potential financial impact of pollution-related effects, risks and opportunities

We are analysing the effects, risks and opportunities of pollution for our business and value chain. And as part of that process, we will review potential financial impacts.

Water resources and marine resources

Policies related to water resources and marine resources

The results of the materiality analysis are important given our approach to water use. Currently, we do not have a specific policy for water and marine resources. We are aware that, due to climate change, water shortages can affect our operations. Therefore, we will address this topic in our environmental policy, which we will revise and develop in 2024.

Measures and resources related to water resources and marine resources

The water consumption that is also mentioned in Kährs' environmental policy has been in focus. There are risks associated with the consumption of water in the event of a shortage of drinking water or during severe droughts that could affect river water used for watering timber. However, Kährs is a relatively small user of water. Savings in the use of water are possible, mainly through changing technology for cooling methods, which Kährs intends to investigate.

Objectives related to water resources and marine resources

Water consumption

Kährs uses water for, among other things, drying, watering, cooling, cleaning and hygiene in its floor factories. The total consumption of fresh water is approx. 60,000 m³, and of this approx. 26,000 m³ can be considered drinking water. The remainder is river water (fresh water). About 80% of drinking water consumption comes from municipal drinking water and 20% from own groundwater abstraction.

River water (fresh water) is taken from Alsterån in Blomstermåla for watering timber. Between 30,000 and 40,000 m³ is taken up annually, and approx. 60% returns to Alsterån (the remainder has either gone into the air or been absorbed/evaporated into timber, soil or air).

Rainwater/stormwater from Kährs' industrial areas can affect recipients outside Kährs' areas if these areas are contaminated. In Sweden, Nybro, the water is handled in sedimentation ponds and a vegetative sedimentation filter with ongoing controls. At Satulung in Romania, runoff goes to our own treatment plant. At Bialosliwie in Poland, which is a small facility, the stormwater drains into the ground. In Ikalis in Finland, stormwater is led to the municipality's treatment plant.

Potential financial impact of water and marine resource-related effects, risks and opportunities

We are analysing the effects, risks and opportunities in water and marine resources for our business and value chain. And as part of that process, we will review potential financial impacts.

Biodiversity and ecosystems

Transition plan and consideration of biodiversity and ecosystems in the strategy and business model

Our ambition for 2030 is to use to the greatest extent possible sustainably sourced renewable or recycled materials for our products and to have a positive impact by regenerating resources, protecting ecosystems, and improving biodiversity. This work involves identifying, preventing, reducing, and addressing potential negative impacts on biodiversity and ecosystems linked to our business. We are dependent on materials and ingredients to be able to manufacture our products. We will always work to find new ways to do more with less.

We are aware that our business model can generate a high impact on biodiversity, as wood products are one of the priority sectors assessed by the Taskforce on Nature-related Financial Disclosures (TNFD). Thanks to the adoption of the Kunning-Montreal Global Biodiversity Framework during the UN conference on biological

diversity, COP15, biodiversity and restoration of natural ecosystems are high on the agenda, and global goals have been set for 2030.

In December 2022, the UN conference on biological diversity, COP15, was held in Montréal, Canada, and the countries of the world agreed on a new global framework (Kunming-Montreal Global Biodiversity Framework) and a strategic plan for biodiversity. The new global framework contains goals that are expected to help reverse the negative trend in biodiversity and stop the extinction of animals and plants.

In addition to four goals to be achieved by 2050, the framework also contains 23 action-oriented targets. One of the most important targets is to protect 30 per cent of the Earth's surface at sea and on land by 2030. During 2023, the initiative worked to speed up the assessment of biodiversity in FSC-certified forests, on how those who have FSC certificates can demonstrate their impact on biodiversity and nature. This is an important link to put in place going forward as FSC is a certification body that is used in the timber and forestry industry to ensure sustainably sourced wood raw material.

With this in mind, as well as other global and EU documents outlining the importance of respect for planetary boundaries and nature restoration, we will work on a biodiversity and ecosystem transition plan for Kährs. We will continue to map our impact on biodiversity, set goals to reduce potential negative effects and plan future actions and integrate them into our operations.

The goals we are currently working on are linked to certified wood raw material that is integrated into our business plan and sustainability strategy.

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 pallets 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.

** 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.*

Policies for biodiversity and ecosystems

In our environmental policy, we have declared that we will work with our design, development and production processes to strive for a circular product life cycle, with innovative choices to drive and develop more sustainable products. Our Sustainability Commitment, which our business partners receive when we

enter into partnerships with them, communicates the importance of biodiversity and that we must work together to find circular solutions to use as little raw material as possible.

Actions and resources for biodiversity and ecosystems

We will continue to work in this area and develop a roadmap for biodiversity and ecosystems. The plan will include targets and initiatives for the continued prevention of biodiversity loss and deforestation as well as for sustainable forestry and regenerative commitments.

Biodiversity and ecosystem goals

Our commitments and goals:

- Continue to increase the share of sustainably sourced wood raw material and promote responsible forest management to eliminate deforestation and a deterioration of our forests.
- Work closely with forest owners when procuring raw materials to offer expertise, inspiration and advice in sustainable forestry, biodiversity and ecosystems.
- Offer and promote solutions, services, and inspiration and provide easy access to knowledge on how to extend the life of our products and materials.

Proportion of sustainably sourced wood raw material

Goal			Retroactively		
2025	2024	2023	2022	2021	2020
87%	85.6%	84%	82%	82.4%	80.5%

Impact measures related to biodiversity and ecosystem change

We are currently analysing whether and where our operations contribute to a negative impact in or near areas that are sensitive to biodiversity. Our impact through direct exploitation of natural resources (forests) is material to the business, and we continue to manage this by ensuring that our business acts responsibly, as described earlier.

Expected financial effects of risks and opportunities related to biodiversity and ecosystems

After the double materiality analysis, we are analysing the potential economic effects of impacts, risks and opportunities related to biodiversity and ecosystems. Through a series of workshops across the business, we gather the insights needed to develop policies, actions and goals that recognize our commitment to nature and align with CSRD.

Material impacts, risks and opportunities and their relationship to strategy and business model

The results of workshops on this topic throughout the company will provide us with goals and initiatives to feed into our overall strategic work for the company. A first step after internal workshops in biodiversity and ecosystems is to raise knowledge internally about how we work with sustainably sourced raw materials. A second is to highlight the problems associated with the risks we face in the area for key staff within the company; we do this by spending a half day in the forest, where our wood buyers and sustainability manager will highlight this subject.

Description of the work process to determine and assess material impacts, risks and opportunities for biodiversity and ecosystems

We have started the job of mapping our risks and opportunities linked to biodiversity and ecosystems in connection with the double materiality analysis.

	Topic	Sub-sub Topic	Impact Materiality	Financial Materiality
E4	Biodiversity & ecosystems	Land-use change, freshwater-use change and sea-use change		
		Direct exploitation	Material	
		Invasive alien species		
		Species population size, species global extinction risk		
		Land degradation, desertification, soil sealing		
		Impacts and dependencies on ecosystem services	Material	Material

- Direct impact factors leading to loss of biodiversity
 - Direct exploitation
- Consequences for and dependencies on ecosystem services

Resource use and circular economy

Conscious and circular design is a priority for our business, today and in the future. Product reuse and recycling reuse existing natural resources, limit the loss of biodiversity by reducing the extraction from and disturbance of landscapes and habitats, and limit negative environmental impact by reducing our dependence on the extraction of virgin material. This view is reflected in every aspect of our production and design processes. Our commitment to circularity begins with offering flooring solutions that are long-lasting, timeless and of high quality. Through constant innovation and collaboration, we continuously focus on responsible purchasing, minimize waste and extend the life and value of the materials we use.

At Kährs, we have assessed circularity through a double materiality assessment that takes into account resource inflows and use, outflows and waste.

	Topic	Sub-sub Topic	Impact Materiality	Financial Materiality
E5	Circular economy	Resource inflows, including resource use	Material	Material
		Resource outflows	Material	Material
		Waste	Material	Material

Policies related to resource use and circular economy

We recognize the connection between resource use and responsible business practices. Today, we consider both the efficiency and utilization of resources in our factories as well as the potential for circular models with our suppliers, customers and end users. The double materiality analysis carried out in 2023 was the first steps in the development of a comprehensive strategy for circularity. In the assessment, circular economy (E5) was identified as a topic of high materiality from a series of internal workshops, interviews and the review of internal documents and their adaptation to external standards. Work will continue after this process to develop policies, objectives and measures to handle the results of the double materiality analysis.

Actions and resources related to resource use and circular economy

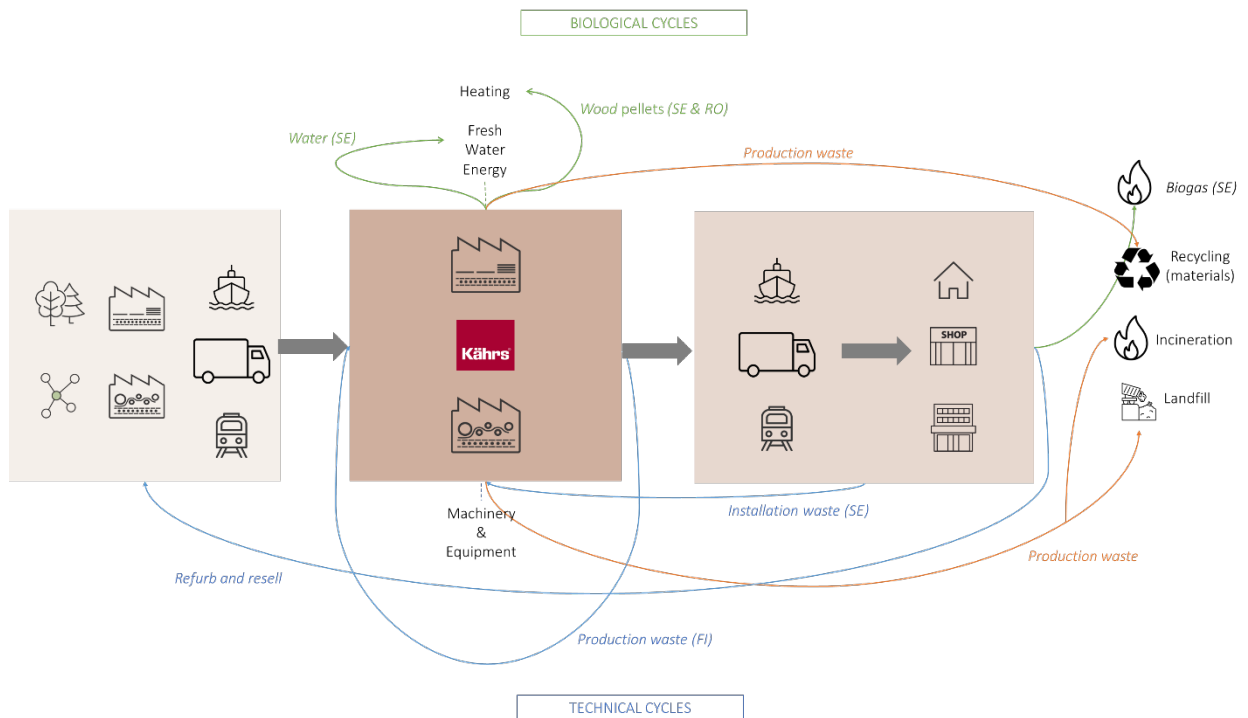
At our wooden floor manufacturing facility in Nybro, Sweden, manufactured goods that do not meet the quality assurance requirements are recycled, repaired and made available for purchase by the staff. Through a collaboration with the organization Samhall, second- and third-class quality floors, which would previously have been considered waste, are collected and resold as a white-label product.

Goals related to resource use and circular economy

Based on the results of the ongoing workshops to develop Kährs' strategy for circularity, a set of measurable targets and KPIs consistent with CSRD and the principles of circular design will be established. These metrics will be aligned with and included in Kährs' overall strategy as an important component to support our circular transformation.

Resource inflow

The next step in our journey towards increased circularity is to develop a strategy for increased circularity that is adapted to the impacts, risks and opportunities that we identify within the ESRS areas climate, pollution, water and nature. Driven by the Sustainability Governance Structure and the CSRD Steering Committee, a series of workshops is underway to collect and document the impacts, risks and opportunities related to circularity. These results will support and contribute to the strategic direction of Kährs, leading to a consistent and transparent set of policies and measures. As a starting point, this map of our resource inflows and outflows provides a basis for us to evaluate potential impacts, risks and opportunities for circularity.



Alongside our ambition to achieve SBTi validation this year, we are currently compiling 2023 data for material and resource use in our production and throughout our value chain. This should provide a breakdown of inflows and outflows related to Kährs' operations.

Resource outflow

Today, we analyse the waste generated in our operations: in the office, factories and warehouses. We have achieved a 20% reduction in waste-related emissions when comparing 2022 to 2023 – an indication of our continuous efforts to reduce the effects of waste.

Type of waste	Sum of tCO ₂ e
Cardboard waste, recycled	0.7
Commercial waste, landfill	115
Concrete waste, recycled	0.1
EE waste, recycled	0
Glass waste, recycled	0
Glass waste, recycled (US)	0
Hazardous waste, incinerated (Europe)	463.4
Hazardous waste, recycled	1.3
Hazardous waste, treated	2.9
Industrial inert waste, landfill	0
Metal waste, recycled	2.6
Metal waste, recycled (US)	0
Mixed waste, recycled	0.5
Organic waste, anaerobic digestion	0
Organic waste, composting	0
Organic waste, composting (US)	0.2
Organic waste, recycled	0
Organic waste, treated	0
Paper waste, recycled	0.5
Paper waste, recycled (US)	0.2
Plastic LDPE waste, recycled	0
Plastic waste, incinerated	780.9
Plastic waste, recycled	0.7
Plastic waste, recycled (US)	0.1
Residual waste, incinerated	20.3
Residual waste, incinerated (US)	0.9
Residual waste, landfill	0
Sorted waste, recycled	0.1
Waste water treatment	25.4
Water supply, groundwater	0
Water supply, surface	0
Wood waste, recycled	0.4
Total	1416.2

Note: Total waste-related emissions in 2022: 1,762 tCO₂e

Since 2010, Kährs has recycled production waste from its PVC-free elastic floors manufactured in Ikaalinen, Finland. Additionally, our vinyl flooring suppliers ensure that all production waste is collected and recycled within their manufacturing processes. In 2023, we launched a take-back program to recycle installation waste for our PVC-free resilient flooring in Sweden. Recirculation of installation waste takes place within the framework of the National Flooring Industry Association's national recycling system in Sweden and the Swedish flooring industry's common system for collecting installation waste. It is open to all of the association's affiliated resilient flooring manufacturers, and the material can be recycled and reused within our existing PVC-free flooring manufacturing. Another initiative to minimize waste is, at our production facilities in Nybro, Sweden and Satalung, Romania, to collect wood waste and recycle it into wood pellets and chips, which are used as energy sources. The wood pellets are either consumed within our production or sold as a commercial offering externally (see ESRS E1).

Despite the progress made so far, we are aware of our responsibility to implement circularity and circular business models in our own operations and value chain. Work is underway to manage the impacts, risks and opportunities of circularity through a powerful circularity strategy. Our commitment to reuse all our PVC-free resilient material, both from waste and from end-of-life products, to create new healthier spaces for people and the environment, is one of the first steps for Kährs.

Sustainability Manager Therese Gerdman explains: *"We are committed to becoming circular, and this is a step in that direction. We are particularly pleased to demonstrate that it is also possible to recycle installation waste from PVC-free resilient flooring."*

Potential financial effects from resource use and circular economy-related impacts, risks and opportunities

As previously mentioned, our circular economy strategy is still in development. An important part of this process is to analyse the potential financial effects and evaluate the impact on our business models of the policies, measures and goals aimed at managing the impact, risks and opportunities for our circular transition.

Social

Our own workforce

General information

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.

Employees

Gender distribution

	<i>Men</i>	<i>Women</i>
Board of Directors*	86%	14%
Group management	80%	20%
All employees	67%	33%

* Including two employee representatives

Risk management – social responsibility

Employees working in a manufacturing industry risk being injured as part of their day-to-day activities. To minimise these risks, we work with comprehensive safety programs at all our production units. All of our employees participate in a 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.

In 2016, the Kährs Group started an initiative, which we have called Safety First, to introduce a common strategy for safety across the entire Group. A number of activities are being carried out in stages at each production facility to increase the focus on and awareness for safety, including 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, approximately 2,500 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.

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,

Winningtemp is based on all employees receiving a few short questions every two weeks to answer via an app or email. An overall result of all responses is presented as a scale between 0 and 10, which measures how we experience our workplace.

Diversity, equality and inclusion

Over the past year, we have focused on diversity, equality and inclusion as we saw a great need to raise this area, partly as part of our social work under ESG and partly because we saw a gap in strategy, initiatives and goals in this area when we reported on sustainability for our owners. In 2023, we developed a strategy for how we want to work with culture as well as diversity, equality and inclusion. We developed a strategy and action plan with clear goals and initiatives based on the gaps and opportunities for improvement that we had identified. To fully understand where our organization was and how we were doing internally, we did in-depth interviews internally and exit interviews when people left and used our employee survey to fully understand where the organization was. While we were mapping our needs, some key people within the company also attended training in diversity, equality and inclusion in order to deepen the subject and be able to take it further within the organization. During the year we have had training in unconscious bias, and in 2024 we will hold a course on inclusive leadership. The ESG function within Kährs holds these courses.

Policies for our own workforce

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

Objectives for how material adverse impacts are to be managed, positive impacts are strengthened, and significant risks and opportunities are managed

- Secure a higher response rate in Winningtemp, our employee survey, to be able to form a fair picture of how people feel internally
- Work proactively to improve our culture and engagement across all functions, at all levels within the company. Through:
 - Interviews with employees internally to provide internal recognition
 - Colleagues and managers nominating who should receive extra attention for one month
 - Work culture as a building block in our KPI work tool Howwe
 - Increasing information flows internally so that we increase understanding, commitment and transparency
 - Internal course on Winningtemp to increase response rate
- Prioritising people and culture as part of our ESG strategy and agenda
- Following up on equality, inclusion and diversity in our employee survey Winningtemp

Goal:

eNPS – would you recommend Kährs to your friends

2027	2024	2023
13	0	-18

Temperature in Winningtemp, our employee survey

2027	2024	2023
8	7.5	7

Participation in Winningtemp, our employee survey

2027	2024	2023
90%	75%	55%

LTIFR (Lost Time Injury Frequency Rate) – number of work injuries per million hours worked

Goal		Retroactive	
2027	2023	2022	2021
5	9.2	8	7.5

Work-related injuries

Goal		Retroactive	
2027	2023	2022	2021
X	72	103	108

For the proportion of women and men in leadership positions, we are working to improve the gender balance and will set in Q2 2024 short and long-term goals to work towards.

Status, proportion of women and men in leadership positions

2023	2022	2021	2020
82%	82%	82.4%	80.5%

Information on the number of employees as per 31 December 2023, within the Kährs Group (number of people)

Country	Number of employees
Austria	1
Finland	94
France	6
Germany	19
Italy	1
Poland	32
Romania	224
Sweden	521
Norway	11
UK	7
Russia	238
Switzerland	4
Ukraine	1
USA	34
India	1

Employees in the value chain

General information

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 flooring. 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 fabric floor tiles, modulyss, in order to distribute its products on the Nordic project market.

Stakeholder interests and views

During the materiality assessment, we identified material stakeholders, taking into account the stakeholders' impact on Kährs, our impact on stakeholders, and stakeholders' materiality to companies in the same industry. We identified four important groups of stakeholders:

5. Consumers
6. Employees and co-workers
7. Suppliers and subcontractors
8. Investors

We asked identified stakeholders for their views on sustainability issues to identify material sustainability-related impacts via

- interviews for various functions throughout the company, and
- interviews among our key stakeholders: suppliers, subcontractors and investors.

Material impacts, risks and opportunities and their relationship to strategy and business model

The evaluation of our value chain is for us an important step in developing and strengthening the cooperation with our suppliers and producers. It allows us to better understand how they work and what their strengths and needs are in terms of our collaboration when it comes to sustainability. This is crucial as we define more sustainable products and implement a circular roadmap and initiatives for the future.

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.

There is a risk that purchases are made from suppliers who do not treat people with dignity and respect or who disregard the minimum requirements in national legislation and relevant ILO conventions; therefore, we work continuously to update policies, evaluate our suppliers, and have a close collaboration with them.

Policies for employees in the value chain

We have developed a framework for cooperation with suppliers and subcontractors that will take into account social issues regarding workers in the value chain. We want to ensure that they are treated as our own workers in areas such as human rights, diversity and equality, health and safety. In 2023, we implemented a new code of conduct that sets even higher requirements and complies with the new legislation that Kährs needs to comply with related to both the environment and human rights.

To minimise the risk of purchasing from suppliers who do not treat people with respect or disregard the minimum requirements in national legislation, we collect signed codes of conduct from our suppliers certifying that they have read and understood our requirements. We inspect all factories that manufacture finished products for our range, and these factories go through our supplier evaluation process, where we evaluate risk and work to minimise risk among our suppliers. In order to be able to do this methodically and administratively efficiently, we have implemented a new SRM system where we can follow up on our suppliers. We are documenting the process for how we analyse and minimise the risk associated with our suppliers during the first part of 2024.

The following documentation provides guidance on how we and our partners should act to protect human dignity and human rights:

- Code of Conduct
- Human Rights Policy
- Supplier Policy

Procedures for contacts with employees in the value chain regarding impacts

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.

Measures regarding material impacts for employees in the value chain and strategies to manage the material risks and exploit the material opportunities, as regards employees in the value chain, and the effectiveness of these measures

The risks we see are that if we do not work with our suppliers or have a process in place, we cannot ensure that they comply with the demands we have on them when it comes to human rights. Our strategy is that after having analysed and evaluated our suppliers, we lay a foundation to either be able to continue working with the supplier and help them become better in these areas or end the relationship. We already see that the working method we have introduced in evaluating our suppliers has opened up a better dialogue and understanding that we must work towards sustainability goals together and that we can help them not only with inspiration, but also with good examples, structure and the importance of this continued change work.

Objectives for how material adverse impacts are to be managed, positive impacts are strengthened, and significant risks and opportunities are managed

The first goal we are working on is to get answers from our largest suppliers, i.e., those we have spent the most on according to our SRM system, in order to be able to adequately follow up on them. With this approach we capture 90% of our suppliers.

Percentage of suppliers

2027	2024	2023
100%	80%	50%

In 2024, we will design precise targets linked to our suppliers and present them in next year's sustainability report. The parameters that we will probably use for our goals will be based on what our suppliers' risk assessments and whether they are good or very good supplier given our parameters.

Governance

Risk Management 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. 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, and we inspect every factory that manufactures finished products for our range and perform 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. 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.

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

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. In 2022, we introduced a new whistleblower service, WhistleB, which enables employees to anonymously and securely report any irregularities. The whistleblower service can be used to alert us to serious risks that could harm individuals, our company/organization, society or the environment. No reports of irregularities or corruption have been received in our whistleblower system.

% of employees trained in our whistleblowing system

2024	2023	2022
100%	95%	0%

Number of whistleblowing reports

2023	2022	2021
0	-	-

EU Taxonomy

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 six environmental objectives that Kährs evaluated within 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 climate change mitigation and adaptation. 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 objective *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 objective *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 of accounting in line with the EU taxonomy, turnover, capital expenditure and operating expenditure are defined as below. The definitions of capital expenditure and operating expenditure here differ from our ordinary financial reporting.

Turnover

The reporting of total turnover corresponds to net sales in the consolidated income statement on page 40 and Note C4 Segment reporting and C5 Revenue recognition.

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/amortisation, 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 Intangible assets, C15 Property, plant and equipment, owned, and C31 Property, plant and equipment, 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:

Turnover

Räkenskapsåret 2023	År		Kriterier för väsentligt bidrag							Kriterier avseende att inte orsaka betydande skada (DNSH)									
	Kod (2)	Omsättning (3)	Andel av omsättning , år 2023 (4)	Begränsning av klimatförändringar (5)	Anpassning till klimatförändringar (6)	Vatten och marina resurser (7)	Cirkulär ekonomi (8)	Föröreningar (9)	Biologisk mångfald och ekosystem (10)	Begränsning av klimatförändringar (11)	Anpassning till klimatförändringar (12)	Vatten och marina resurser (13)	Cirkulär ekonomi (14)	Föröreningar (15)	Biologisk mångfald och ekosystem (16)	Minimi-skydds-åtgärder (17)	Taxonomi-förenlig andel av omsättningen, år 2022 (18)	Kategori möjliggörande verksamhet (19)	Kategori omställningsv erksamhet (20)
Ekonomska verksamheter (1)		Mkr	%	J/N N/EL	J/N N/EL	J/N N/EL	J/N N/EL	J/N N/EL	J/N N/EL	J/N	J/N	J/N	J/N	J/N	J/N	J/N	%	E	T
A. VERKSAMHETER SOM OMFATTAS AV TAXONOMIN																			
A.1 Miljömässigt hållbara (taxonomiförenliga) verksamheter																			
De miljömässigt hållbara (taxonomiförenliga) verksamheternas omsättning (A.1)																			
Varav möjliggörande verksamheter	-	0%	0%	0%	0%	0%	0%	0%	0%	-	-	-	-	-	-	-	-	E	
Varav omställningsverksamheter	-	0%	0%	0%	0%	0%	0%	0%	0%	-	-	-	-	-	-	-	-		T
A.2 Verksamheter som omfattas av taxonomin men som inte är miljömässigt hållbara (ej taxonomiförenliga)																			
				EL: N/EL	EL: N/EL	EL: N/EL	EL: N/EL	EL: N/EL	EL: N/EL										
Omsättning hos de verksamheter som omfattas av taxonomin men som inte är miljömässigt hållbara (ej taxonomiförenliga) (A.2)	-	0%	0%	0%	0%	0%	0%	0%	0%								-		
Totalt (A.1 + A.2)	-	0%	0%	0%	0%	0%	0%	0%	0%								-		
B. VERKSAMHETER SOM INTE OMFATTAS AV TAXONOMIN																			
Omsättningen hos verksamheter som inte omfattas av taxonomin (B)	2 897	100%																	
Totalt (A + B)	2 897	100%																	

J = Verksamheten omfattas av och är förenlig med taxonomin för det relevanta miljömålet
N = Verksamheten omfattas av men är inte förenlig med taxonomin för det relevanta miljömålet
N/EL = Omfattas ej, verksamheten omfattas inte av taxonomin och är inte förenlig med det relevanta målet
EL = Verksamhet som omfattas av taxonomin för det relevanta målet
T = Omställningsverksamheter
E = Möjliggörande
CCM = Begränsning av klimatförändringar
CCA = Anpassning till klimatförändringar
WTR = Hållbar användning och skydd av vatten och marina resurser
CE = Övergång till en cirkulär ekonomi
PPC = Förebyggande och kontroll av föroreningar
BIO = Skydd och återställande av biologisk mångfald och ekosyste

Fördelning av andel av omsättningen/total omsättning		
	Andel taxonomi-förenligt per mål	Andel som omfattas-av taxonomin per mål
CCM	0,0%	0,0%
CCA	0,0%	0,0%
WTR	0,0%	0,0%
CE	0,0%	0,0%
PPC	0,0%	0,0%
BIO	0,0%	0,0%

Capital expenditure (CAPEX)

Räkenskapsåret 2023	År		Kriterier för väsentligt bidrag							Kriterier avseende att inte orsaka betydande skada (DNSH)									
	Kod (2)	Kapital-utgifter (3)	Andel av kapital-utgifter, år 2023 (4)	Begränsning av klimatförändringar (5)	Anpassning till klimatförändringar (6)	Vatten och marina resurser (7)	Cirkulär ekonomi (8)	Föröreningar (9)	Biologisk mångfald och ekosystem (10)	Begränsning av klimatförändringar (11)	Anpassning till klimatförändringar (12)	Vatten och marina resurser (13)	Cirkulär ekonomi (14)	Föröreningar (15)	Biologisk mångfald och ekosystem (16)	Minimi-skydds-åtgärder (17)	Taxonomi-förenlig andel av kapitalutgifter , år 2022 (18)	Kategori möjliggörande verksamhet (19)	Kategori omställningsv erksamhet (20)
Ekonomska verksamheter (1)		Mkr	%	J/N N/EL	J/N N/EL	J/N N/EL	J/N N/EL	J/N N/EL	J/N N/EL	J/N	J/N	J/N	J/N	J/N	J/N	J/N	%	E	T
A. VERKSAMHETER SOM OMFATTAS AV TAXONOMIN																			
A.1 Miljömässigt hållbara (taxonomiförenliga) verksamheter																			
Kapitalutgifter för de miljömässigt hållbara (taxonomiförenliga) verksamheterna (A.1)																			
Varav möjliggörande verksamheter	-	0%	0%	0%	0%	0%	0%	0%	0% #	-	-	-	-	-	-	-	0%		
Varav omställningsverksamheter	-	0%	0%	0%	0%	0%	0%	0%	0% #	-	-	-	-	-	-	-	0%	E	T
A.2 Verksamheter som omfattas av taxonomin men som inte är miljömässigt hållbara (ej taxonomiförenliga)																			
				EL: N/EL	EL: N/EL	EL: N/EL	EL: N/EL	EL: N/EL	EL: N/EL										
Transport med motorcyklar, personbilar och lätta motorfordon	CCM 6.5	14	15,0%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								14,2%		
Förvärv och ägande av byggnader	CCM 7.7	14	14,9%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								33,6%		
Kapitalutgifter för verksamheter som omfattas av taxonomin men som inte är miljömässigt hållbara	28	29,9%	29,9%	0%	0%	0%	0%	0%	0%								47,8%		
Totalt (A.1 + A.2)	28	29,9%	29,9%	0%	0%	0%	0%	0%	0%								47,8%		
B. VERKSAMHETER SOM INTE OMFATTAS AV TAXONOMIN																			
Kapitalutgifter hos verksamheter som inte omfattas av taxonomin (B)	64	70,1%																	
Totalt (A + B)	92	100,0%																	

J = Verksamheten omfattas av och är förenlig med taxonomin för det relevanta miljömålet
N = Verksamheten omfattas av men är inte förenlig med taxonomin för det relevanta miljömålet
N/EL = Omfattas ej, verksamheten omfattas inte av taxonomin och är inte förenlig med det relevanta målet
EL = Verksamhet som omfattas av taxonomin för det relevanta målet
T = Omställningsverksamheter
E = Möjliggörande
CCM = Begränsning av klimatförändringar
CCA = Anpassning till klimatförändringar
WTR = Hållbar användning och skydd av vatten och marina resurser
CE = Övergång till en cirkulär ekonomi
PPC = Förebyggande och kontroll av föroreningar
BIO = Skydd och återställande av biologisk mångfald och ekosyste

Fördelning av andel av kapitalutgifter/totala kapitalutgifter		
	Andel taxonomi-förenligt per mål	Andel som omfattas-av taxonomin per mål
CCM	0,0%	29,9%
CCA	0,0%	0,0%
WTR	0,0%	0,0%
CE	0,0%	0,0%
PPC	0,0%	0,0%
BIO	0,0%	0,0%

Operating expenses (OPEX)

Räkenskapsåret 2023	År		Kriterier för väsentligt bidrag						Kriterier avseende att inte orsaka betydande skada (DNSH)								Taxonomi-förenlig andel av driftsutgifter, år 2022 (18)	Kategori möjliggörande verksamhet (19)	Kategori omställningsv verksamhet (20)
Ekonomiska verksamheter (1)	Kod (2)	Drifts-utgifter (3)	Andel av driftsutgifter , år 2023 (4)	Begränsning av klimat-förändringar (5)	Anpassning till klimat-förändringar (6)	Vatten och marina resurser (7)	Cirkulär ekonomi (8)	Föröre-ningar (9)	Biologisk mångfald och ekosystem (10)	Begränsning av klimat-förändringar (11)	Anpassning till klimat-förändringar (12)	Vatten och marina resurser (13)	Cirkulär ekonomi (14)	Föröre-ningar (15)	Biologisk mångfald och ekosystem (16)	Minimi-skydds-åtgärder (17)	%	E	T
		Mkr	%	J/N N/EL	J/N N/EL	J/N N/EL	J/N N/EL	J/N N/EL	J/N N/EL	J/N	J/N	J/N	J/N	J/N	J/N	J/N			
A. VERKSAMHETER SOM OMFATTAS AV TAXONOMIN																			
A.1 Miljömässigt hållbara (taxonomiförenliga) verksamheter																			
Driftsutgifter för de miljömässigt hållbara (taxonomiförenliga) verksamheterna (A.1)																			
Varav möjliggörande verksamheter		-	0%	0%	0%	0%	0%	0%	0%	#	-	-	-	-	-	-	0%	E	
Varav omställningsverksamheter		-	0%	0%	0%	0%	0%	0%	0%	#	-	-	-	-	-	-	0%		T
A.2 Verksamheter som omfattas av taxonomin men som inte är miljömässigt hållbara (ej taxonomiförenliga)																			
				EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL										
Driftsutgifter för verksamheter som omfattas av taxonomin men som inte är miljömässigt hållbara (ej taxonomiförenliga) (A.2)		0	0%	0%	0%	0%	0%	0%	0%								0%		
Totalt (A.1 + A.2)		0	0%	0%	0%	0%	0%	0%	0%								0%		
B. VERKSAMHETER SOM INTE OMFATTAS AV TAXONOMIN																			
Driftsutgifter hos verksamheter som inte omfattas av taxonomin (B)		14	100%																
Totalt (A + B)		14	100%																

J = Verksamheten omfattas av och är förenlig med taxonomin för det relevanta miljömålet
N = Verksamheten omfattas av men är inte förenlig med taxonomin för det relevanta miljömålet
N/EL = Omfattas ej, verksamheten omfattas inte av taxonomin och är inte förenlig med det relevanta målet
EL = Verksamhet som omfattas av taxonomin för det relevanta målet
T = Omställningsverksamheter
E = Möjliggörande
CCM = Begränsning av klimatförändringar
CCA = Anpassning till klimatförändringar
WTR = Hållbar användning och skydd av vatten och marina resurser
CE = Övergång till en cirkulär ekonomi
PPC = Förebyggande och kontroll av föroreningar
BIO = Skydd och återställande av biologisk mångfald och ekosyste

Fördelning av andel av driftsutgifter/totala driftsutgifter

	Andel taxonomi-förenligt per mål	Andel som omfattas-av taxanomin per mål
CCM	0,0%	0,0%
CCA	0,0%	0,0%
WTR	0,0%	0,0%
CE	0,0%	0,0%
PPC	0,0%	0,0%
BIO	0,0%	0,0%

Nuclear energy and fossil gas-related activities

Within the EU taxonomy, companies must also make clear their involvement in nuclear energy and fossil gas-related activities. Kährs has no such operations.

Activities linked to nuclear power and fossil gas

Rad	Kärnenergirelaterade verksamheter	
1.	Företaget utför, finansierar eller är exponerat mot forskning, utveckling, demonstration och utbyggnad av innovativa elproduktions-anläggningar som producerar energi från kärnenergiprocesser med minimalt avfall från bränslecykeln.	Nej
2.	Företaget utför, finansierar eller är exponerat mot uppförande och säker drift av nya kärntekniska anläggningar för produktion av el eller processvärme, inbegripet för fjärrvärme eller industriella processer, såsom vätgasproduktion, samt för säkerhetsupp-graderingar av dessa, med hjälp av bästa tillgängliga teknik.	Nej
3.	Företaget utför, finansierar eller är exponerat mot säker drift av befintliga kärntekniska anläggningar som producerar el eller processvärme, inbegripet för fjärrvärme eller industriella processer, såsom vätgasproduktion från kärnenergi, samt säkerhetsuppgraderingar av dessa.	Nej
Fossilgasrelaterade verksamheter		
4.	Företaget utför, finansierar eller är exponerat mot uppförande eller drift av elproduktionsanläggningar som producerar el med hjälp av fossila gasformiga bränslen.	Nej
5.	Företaget utför, finansierar eller är exponerat mot uppförande, renovering och drift av anläggningar för kombinerad produktion av värme/kyla och el med hjälp av fossila gasformiga bränslen.	Nej
6.	Företaget utför, finansierar eller är exponerat mot uppförande, renovering och drift av värmeproduktionsanläggningar som producerar värme/kyla med hjälp av fossila gasformiga bränslen.	Nej

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 the corporate governance at Kährs BondCo AB (publ) for the 2023 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 governance 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 19 May 2023 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 19 May 2023 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 2023 financial year, Kährs BondCo AB's Board of Directors held five minuted Board meetings. Anders Wassberg, Jan Johansson, Lisa Göttler, Mats Therman, Christoffer Marköö and Jonas Köhlin participated in all five Board meetings.

During the 2023 financial year, Kährs Holding AB's Board of Directors held nine minuted Board meetings. Anders Wassberg, Jan Johansson, Lisa Göttler, Christoffer Marköö and Mats Therman participated in all nine Board meetings. Jonas Köhlin participated in eight Board meetings. Employee representative Jakob Jakobsson participated in all nine Board meetings during the financial year. Employee representative Ola Sjöviill attended six Board meetings, and employee representative Stefan Karlsson attended three board meetings.

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 20 June 2023. 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 1.5 million (2.4). As at 31 December 2023, SEK 2.4 million has been reserved for Board fees in accordance with the resolution passed by the AGM of Kährs Holding on fees for 2023. Fees are scheduled for payment after the 2024 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 2023, 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

Net sales for the Group during the year amounted to SEK 2,897 million (4,002), which corresponds to an organic decrease of 30 per cent caused by a weak market affected by, among other things, high inflation and interest rates. In addition, the retail chain has reduced its stock levels, which were too high at the beginning of the year. Residential Nordic and Europe are the regions that saw the biggest decline in sales.

Operating profit

Operating profit/loss (EBIT) for 2023 totalled SEK 182 million (411), corresponding to a margin of 6.3 per cent (10.3). Operating profit before non-recurring items (operating EBIT) amounted to SEK 233 million (443), which equates to a margin of 8.0 per cent (11.1). Operating profit before depreciation, amortisation and non-recurring items (adjusted EBITDA) amounted to SEK 395 million (615), which equates to an EBITDA margin of 13.6 per cent (15.4). The non-recurring items of SEK 51 million (32) refer to costs in connection with the conversion of operations in Russia, SEK 59 million; conversion of operations in Sweden, SEK 13 million; income linked to the received electricity subsidy, SEK 20 million; and acquisition///-related overheads + SEK 1 million. Profit for the year amounted to SEK 30 million (226). Consolidated depreciation on fixed assets was SEK 162 million (172).

Net sales per region

Residential Nordics

Net sales for the region Residential Nordics totalled SEK 1,211 million (1,833) in 2023. This resulted in a reduction of 34 per cent, which was also the organic sales reduction. During 2023, increased interest expenses and inflationary pressure have contributed to reduced consumer demand. Demand from the construction sector was stable in the first half of the year but weakened in the second half of the year. Our assessment is that in 2023 we have retained our Nordic market shares.

Residential Europe

Net sales for the region Residential Europe totalled SEK 687 million (1,029) in 2023. This was a decrease in sales of 33 per cent compared to the previous year, of which -38 per cent was organic and adjusted for currency changes. In 2023, demand decreased as a result of macro factors in the environment such as uncertainty around energy prices as well as high interest rates and inflation, which affected both the new construction and renovation segments.

Residential North America

Net sales for the region Residential North America amounted to 351 million (383) in 2023. This is a decrease in sales of 8 per cent, of which -14 per cent was organic and adjusted for currency exchange rates. In 2023, renovation sales in particular decreased in North America. Higher interest rates have led to fewer visits to stores. New construction of primarily rental units continued to be good, and Kährs has had good sales development in this sector. Kährs also worked actively to bring in new customers.

Residential Emerging Markets

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

Russia

Net sales for the region Russia totalled SEK 190 million (293) in 2023. It was a decrease of 35 per cent, of which organically -25 per cent adjusted for currency changes. Demand was weak in the first half of the year and then recovered in the second half of the year. The organic growth change can largely be explained by a very large demand just after the outbreak of war in February 2022, which had an effect on the entire 2022 sales.

Commercial

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

Sales in Sweden and Central Europe are on par with the previous year, while we have weaker sales in Finland and Norway. The USA has developed better than the previous year.

For more information on net sales per region, see note C5 Revenue recognition.

Net financial expenses

Net financial expenses amounted to a total of SEK 142 million (130), of which external interest expenses were SEK 148 million (108).

Tax

The tax expense for the Group totalled SEK 10 million (55), which corresponds to a tax rate of 26 per cent (20).

Cash flow

Cash flow from operating activities in 2023 amounted to SEK 107 million (217). Adjusted for currency effects, working capital increased by SEK 104 million (234) during the year. This is mainly due to a reduction in current liabilities such as trade payables, personnel-related liabilities, bonus liabilities to customers, and VAT liabilities. Total cash flow for the year amounted to SEK -122 million (80).

Investments

Investments during the year amounted to SEK 62 million (49). 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 2,275 million as at 31 December 2023 (2,800), and the equity/assets ratio was 4.2 per cent (8.2).

The Group's net debt, excluding lease liabilities, amounted to SEK 1,216 million as at 31 December 2023, compared with SEK 1,080 million as at December 2022.

Cash and cash equivalents in the Group

Consolidated cash and cash equivalents amounted to SEK 224 million as at 31 December 2023, compared with SEK 356 million as at 31 December 2022. 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 874 million (1,006) as at 31 December 2023, 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 1,102 (1,455), which includes 642 (774) employees outside Sweden. The reduction in the number of employees is mainly a consequence of the lower demand and production rate.

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 13 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 Kährs Sweden Holding AB, Kährs Finland Oy, and Oak Norge AS.

The Group's profit and financial position

Overview (SEK million)	2023	2022	2021 (4 months)
Net sales	2,897	4,002	1,147
Operating profit before non-recurring items (Operating EBIT)	233	443	80
Operating profit (EBIT)	182	411	75
Profit for the year	30	226	34
Cash flow from operating activities	107	217	216
Investments	62	49	48
Total cash flow	-122	80	-153
Cash and cash equivalents	224	356	268
Net debt	1,305	1,197	436
Net working capital	979	980	699
Equity/assets ratio	4.2%	8.2%	35.1%
Return on capital employed	11.1%	24.4%	58%
Employees at end of period	1,102	1,455	1,483

Parent company's profit and financial position

Overview (SEK million)	2023	2022	2021 (4 months)
Operating profit (EBIT)	0	0	0
Profit for the year	-13	-12	-12
Cash and cash equivalents	523	500	1,432 375
Net debt	1,438	1,434	0
Equity/assets ratio	16.8%	24.2%	5.9%
No. of shares	500,000	500,000	500,000
Employees at end of period	-	-	-

See the notes on pages 99–100 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 2023. The profit at the disposal of the Annual General Meeting comprises the Parent Company's unrestricted equity, SEK 351,275,250 and includes profits carried forward of SEK 363,979,689 and profit for the year of SEK -12,704,439. The Board of Directors proposes that the profits at the disposal of the Annual General Meeting be distributed as follows:

<u>be carried forward</u>	<u>SEK 351,275,250</u>
Total unrestricted equity in the parent company	SEK 351,275,250

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	2023	2022
Net sales	C4, C5	2,897,070	4,001,658
Cost of goods sold	C7,C8	-2,239,225	-3,046,873
Gross profit		657,845	954,785
Selling and distribution expenses	C7,C8	-343,784	-394,277
Administration expenses	C7, C8, C9	-143,090	-149,590
Other operating income	C10	21,583	6,485
Other operating expenses	C11	-10,081	-6,496
Operating profit		182,473	410,907
Financial income	C12	20,822	7,734
Financial expenses	C12	-162,916	-137,445
Profit before tax		40,379	281,196
Income tax	C13	-10,320	-55,465
Profit for the year		30,059	225,731
Profit/loss for the year attributable to:			
Parent company's shareholders		29,324	225,020
Non-controlling interests		735	711
Total		30,059	225,731
Earnings per share before and after dilution, SEK	C25	59	450

Consolidated Statement of Comprehensive Income

SEK thousand	Note	2023	2022
Profit for the year		30,059	225,731
Other comprehensive income			
Items that may be reclassified to the income statement:			
Translation differences	C25	-52,577	91,807
Items that cannot be reclassified in the income statement:			
Actuarial gains and losses for pensions	C26	34	74
Total		-52,543	91,881
Comprehensive income for the year		-22,484	317,612
Comprehensive income for the year attributable to:			
Parent company's shareholders		-23,480	316,713
Non-controlling interests		996	899
Total comprehensive income		-22,484	317,612

Consolidated statement of financial position

SEK thousand	Note	31/12/2023	31/12/2022
ASSETS			
Non-current assets			
Intangible assets	C14	161,847	179,506
Property, plant and equipment, owned	C15	525,578	583,986
Property, plant and equipment, right-of-use	C31	86,020	114,200
Other financial assets	C16, C17	27,495	31,182
Deferred tax assets	C13	39,447	28,456
Total non-current assets		840,387	937,330
Current assets			
Inventories	C22	890,304	961,386
Accounts receivable	C19, C17	252,329	397,305
Derivatives	C18	-	4,118
Other current assets	C20	67,799	143,437
Cash and cash equivalents	C21	224,294	356,224
Total current assets		1,434,726	1,862,470
TOTAL ASSETS		2,275,113	2,799,800

Consolidated Statement of Financial Position

SEK thousand	Note	31/12/2023	31/12/2022
EQUITY AND LIABILITIES			
Equity			
Share capital	C25	500	500
Reserves	C25	-85,703	-32,865
Retained earnings, including profit for the year		176,686	259,328
Total		91,483	226,963
Non-controlling interests		4,229	3,233
Total equity		95,712	230,196
Non-current liabilities			
Interest-bearing liabilities	C16, C24	1,485,166	1,505,625
Provisions for pensions	C26	688	734
Other provisions	C27	3,093	3,671
Deferred tax liabilities	C13	81,709	81,972
Total non-current liabilities		1,570,656	1,592,002
Current liabilities			
Interest-bearing liabilities	C16, C24	44,664	47,624
Other provisions	C27	28,536	19,611
Trade payables	C23	163,232	377,809
Current tax liabilities		40,656	32,747
Derivatives	C18	5,914	-
Other current liabilities	C23	325,743	499,811
Total current liabilities		608,745	977 602
TOTAL EQUITY AND LIABILITIES		2,275,113	2 799,800

Consolidated Statement of Changes in Equity

SEK thousand	Share capital	Reserves ¹⁾	Retained earnings	Total	Non-controlling interests	Total equity
As at 1 January 2023	500	-32,865	259,328	226,963	3,233	230,196
Profit for the period	-	-	29,324	29,324	735	30,059
Other comprehensive income	-	-52,838	34	-52,804	261	-52,543
Total comprehensive income	-	-52,838	29,358	-23,480	996	-22,484
Transactions with shareholders:						
Bonus issue	500	-	-500	-	-	-
Cancellation of treasury shares	-500	-	500	-	-	-
Repurchase of own shares	-	-	-112,000	-112,000	-	-112,000
As at 31 December 2023	500	-85,703	176,686	91,483	4,229	95,712

¹⁾Specification of reserves can be found in Note C25 Equity

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

¹⁾ Specification of reserves can be found in Note C25 Equity

²⁾ For more details see Note C30 Acquisitions during the year

Consolidated Statement of Cash Flows

SEK thousand	Note	2023	2022
Operating activities			
Profit before tax		40,379	281,196
Adjustment for non-cash items	C28	330,996	289,859
Cash flow before interest and tax		371,375	571,055
Interest received		7,005	2,908
Interest paid		-146,142	-103,404
Tax paid		-21,078	-20,025
Cash flow from operating activities before changes in working capital		211,160	450,534
Change in working capital			
Change in inventories		71,082	-246,303
Change in operating receivables		224,732	-111,437
Change in operating liabilities		-399,787	124,077
Cash flow from operating activities		107,187	216,871
Investing activities			
Acquisition of subsidiaries	C30	-	-1,286,193
Acquisition of property, plant and equipment	C15	-61,948	-49,419
Acquisition of financial assets	C15, C17, C30	-	-2,697
Disposal of non-current assets	C14, C15	-	623
Cash flow from investing activities		-61,948	-1,337,686
Financing activities			
Dividend		-112,000	-
Unconditional shareholder contributions		-	397,731
Loans raised	C24	50,000	1,450,000
Repayment of loans raised		-50,000	-590,759
Payment of lease liabilities	C24	-55,529	-56,443
Cash flow from financing activities		-167,529	1,200,529
Cash flow for the year		-122,290	79,714
Cash and cash equivalents, opening balance	C21	356,224	267,751
Exchange rate differences in cash and cash equivalents	C21	-9,640	8,759
Cash and cash equivalents, closing balance		224,294	356,224

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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

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 16 April 2024. The annual report and consolidated financial statements will be presented for adoption at the Annual General Meeting on 16 May 2024.

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 delivers sustainable flooring solutions to approximately 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 1,102 employees and an annual turnover of SEK 2,9 billion. The Group has production facilities in Sweden, Finland, Russia, Romania and Poland. www.kahrsgroup.com

Note C2 Basis for preparation and summary of significant accounting policies

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 and is treated in the same manner as net investment in a foreign operation. 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 2023.

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' annual reports 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 twelve months after the balance sheet date. The recovery or settlement of current assets and current liabilities is expected to be carried out earlier than twelve months after the balance sheet date.

New or amended accounting standards applicable in 2023

The following amended standards were applicable from 1 January 2023: IFRS 17 Insurance Contracts, IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, IAS 12 Income Taxes, IAS 1 Presentation of Financial Statements, and IFRS Practice Statement 2, Disclosure of Accounting policies. The amended accounting standards have had no material impact on Kährs' financial statements.

New or amended accounting standards applicable in 2024 or later

The following new or amended accounting standards have been published, but are not obligatory for 2023 and have not been applied in advance by Kährs: IAS 1 Presentation of Financial Statements regarding classification of liabilities as current or non-current and IFRS 16 Leases (reporting of lease liabilities in a sale and leaseback transaction).

As per 31 December 2023, the following changes to accounting standards have been published but not yet adopted by the EU: IAS 21 The Effects of Changes in Foreign Exchange Rates, IAS 7 Statement of Cash Flows, and IFRS 7 Financial Instruments: Disclosures.

These new or amended standards are not expected to have any material impact on Kährs' financial statements in 2024 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, reference is therefore made to the consolidated income statement, reports on comprehensive income and financial position, cash flow, Notes C5 Revenue recognition, C14 Intangible assets, C15 Property, plant and equipment, owned, and C31 Property, plant and equipment, right of use regarding investments and depreciation/amortisation and Note C28 Reconciliation of profit before tax and net cash flow 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.

IT Software

Acquired software licenses and development expenses are capitalised on the basis of the costs incurred for their acquisition and implementation. The expense is amortised over the useful life according to the straight-line method.

Other intangible assets

Trademarks, customer relationships and customer contracts are included in the category other intangible assets. Intangible assets are recognised at cost less amortisation and reduction in value. The amortisation of intangible assets is carried out linearly over the estimated useful life of the asset. 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 more information, see Note C14 Intangible assets.

The following depreciation/amortisation periods apply:

	Period
Goodwill	Not depreciable/amortisable
Trademarks	Not depreciable/amortisable
Customer relationships	8 years
Customer support	1 year
IT Software	3–5 years

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/amortisation

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/amortisation is applied to all assets where the useful life can be determined.

The following depreciation/amortisation 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 2023 or 2022 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.

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. For more information, see Note C31 Property, plant and equipment, right of use.

Revenue

Revenue recognition

Kährs manufactures and sells wood and resilient floors, primarily to distributors and the project markets. Kährs' product range include parquet floors and other wood floors, resilient floors and other products. Sales revenue is recognised net of value-added tax, specific sales taxes, returns and trade discounts. Kährs' product groups include Intra-group sales, which have been eliminated in the consolidated accounts. See Note C5 Revenue recognition for more details.

Sales of finished products including accessories

Sales of products are recognised at a specific point in time, for example 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 calculated volume discount is revised quarterly.

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 refund to the customer. 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.

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 assessed 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

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. The assessment is also made that there is good scope for cash-generating units to experience deterioration in the estimates without this leading to an impairment need. For more information on the impairment test, see C14 Intangible assets".

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 Inventories.

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. At the end of the year, the Russian assets in the Kährs BondCo Group had a value of SEK 139 million, and based on the bids received from potential stakeholders, it was assessed on 31 December 2023 that no additional 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 2024 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 Other provisions.

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, reference is therefore made to the consolidated income statement, reports on comprehensive income and financial position, cash flow, Notes C5 Revenue recognition, C14 Intangible assets , C15 Property, plant and equipment, owned and C31 Property, plant and equipment, right of use, and Note C28 Reconciliation of profit before tax and net cash flow .

Sales by country where the customers operate:

Country	2023	2022
Sweden	1,067,940	1,438,685
USA	424,520	448,799
Germany	266,801	443,939
Finland	173,925	265,065
Russia	166,245	252,419
Norway	154,022	289,121
Switzerland	108,267	155,924
UK	103,575	128,491
Other countries	431,775	579,215
Total	2,897,070	4,001,658

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	2023	2022
Sweden	416,810	435,207
Romania	88,677	97,952
Russia	50,980	93,301
Finland	28,605	34,693
Poland	9,430	12,653
USA	6,105	11,121
Other countries	10,991	13,259
Total	611,598	698,186

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

Note C5 Revenue recognition

Net sales by region, external customers	2023	2022
Residential Nordics	1,211,133	1,832,617
Residential West & South Europe	687,463	1,028,591
Residential North America	350,930	383,000
Residential Emerging Markets	80,026	87,107
Russia	189,665	293,287
Commercial	272,853	298,600
Other	105,000	78,456
Consolidated net sales, external customers	2,897,070	4,001,658

Net sales per product group	2023	2022
Parquet and other wood floors	2,080,849	3,123,214
Resilient Flooring (plastic floors)	556,854	598,083
Other products	259,368	280,361
Total	2,897,070	4,001,658

The table below shows opening and closing balances, as well as changes during the year for contract liabilities to customers. For more information, see C23 Trade payables and other current liabilities.

Contract liabilities to customers	Prepayments from customers	Customer bonuses/ product discounts	Total
As at 1 January 2023	5,719	123,570	129,289
Gross increase during the year	77,317	155,771	233,088
Paid/agreed with customers	-	-209,947	-209,947
Revenue recognised during the year	-78,580	-	-78,580
As at 31 December 2023	4,456	69,394	73,850

Contract liabilities to customers	Prepayments from customers	Customer bonuses/ product discounts	Total
As at 1 January 2022	10,538	101,430	111,968
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
As at 31 December 2022	5,719	123,570	129,289

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.

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

Kährs has not issued any guarantees nor any other commitments to the benefit of Board members and senior executives. In the 2023 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 Payroll costs and number of employees.

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

	2023	
	Salaries and benefits (of which bonuses)	Pension costs
Board and CEO	7,231 (500)	1,566
Other employees	482,370 (14,327)	61,490
Group	489,601 (14,827)	63,056
	2022	
	Salaries and benefits (of which bonuses)	Pension costs
Board and CEO	7,557 (1,499)	1,509
Other employees	534,133 (19,966)	69,097
Group	541,490 (21,465)	70,606

Staff costs including social security costs per function in the income statement

	2023	2022
Cost of goods sold	424,018	447,489
Selling and distribution expenses	205,433	158,533
Administration expenses	65,418	61,285
Total	694,869	667,307

Gender distribution in the Group Board and other senior executives

2023		
	Total on balance sheet date	Of whom men
Board members	6	5
CEO and other senior executives	11	9
Group	17	14

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

Average number of employees

2023		
	Average number of employees	Of whom men
Sweden	570	397
Russia	238	155
Romania	221	137
Finland	95	68
USA	34	21
Poland	32	12
Germany	23	18
Norway	11	8
UK	7	4
France	6	3
Switzerland	3	3
Denmark	1	1
Italy	1	1
India	1	1
Ukraine	1	1
Austria	1	1
Group	1,245	831

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

Note C8 Remuneration to senior executives

	2023	2022
Remuneration to senior executives in the Group		
Salaries and other benefits	24,991	31,004
Pensions and allowance for healthcare	4,688	4,782
Total	29,679	35,786

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 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.

Expensed remuneration to the Board amounted to SEK 2,140 thousand (1,540) for the 2023 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 chair of the Board before payment is made.

Remuneration and other benefits, 2023	Salaries/B oard fees	Other remuneration benefits	Variable remuneration	Pension costs	Share- related benefits	Total
Board:						
Anders Wassberg (chair)	600	-	-	-	-	600
Jan Johansson	300	-	-	-	-	300
Mats Therman	300	-	-	-	-	300
Lisa Goettler	300	-	-	-	-	300
Christopher Marköö	300	-	-	-	-	300
Jonas Köhlin	300	-	-	-	-	300
Stefan Karlsson (employee representative)	7	-	-	-	-	7
Ola Sjövall (employee representative)	13	-	-	-	-	13
Jakob Jakobsson (employee representative)	20	-	-	-	-	20
Senior executives:						
CEO	4,401	190	500	1,566	0	6,657
Other senior executives (10)	17,888	1,421	591	3,122	0	23,022
Total	24,429	1,611	1,091	4,688	0	31,819

Remuneration and other benefits 2022	Salaries/Board fees	Other remuneration benefits	Variable pension costs	Share-related benefits	Total
Board:					
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
Senior executives:					
CEO	4,250	195	1,499	1,509	7,453
Other senior executives (9)	18,140	1,012	5,908	3,273	28,333
Total	23,930	1,207	7,407	4,782	37,326

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 the employer 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 2023: Andreas Larsson, Charlotta Persell (9 months), Anna Roth (3 months), Kyösti Puurunen (3 months), Johan Lundgren, Jonas Bäck, Sara Olofsson, Carl-Henrik Stenemark, Rober Bieger, Sean Brennan and Chris Dillon (1 month).

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 report and bookkeeping 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.

	2023	2022
Deloitte		
Audit	4,051	3,218
Tax consultancy	44	-
Other advice	143	-
Total	4,238	3,218

Note C10 Other operating income

	2023	2022
Electricity support received	20,000	-
Gains from the sale of machinery and equipment	81	690
Reimbursement of contractual group health insurance (AGS) attributable to the years 2004–2008	-	2,679
Insurance benefits	25	1,304
Other	1,477	1,812
Total	21,583	6,485

Note C11 Other operating expenses

	2023	2022
Electricity derivatives at fair value	-10,032	-4,662
Gains from the sale of machinery and equipment	-49	-67
Other	-	-1,767
Total	-10,081	-6,496

Note C12 Financial income and expenses

	2023	2022
Financial income		
Interest income according to the effective interest method, assets measured at amortised cost	7,005	2,908
Exchange rate differences	13,817	4,826
Total financial income	20,822	7,734

Financial expenses

Interest expenses according to the effective interest method
from interest-bearing

liabilities recognised at amortised cost	-153,297	-112,177
Interest expense for lease liabilities	-5,537	-6,670
Exchange rate differences	-	-15,276
Other financial expenses	-4,082	-3,322
Total financial expenses	- 162,916	- 137,445
Net financial items	-142,094	-129,711

Note C13 Tax

	2023	2022
Current tax:		
Income tax for the year	-28,501	-44,326
Other taxes	-	-
Total current tax	-28,501	-44,326
Deferred tax:		
Origination and reversal of temporary differences	18,181	-11,139
Total deferred tax	18,181	-11,139
Total income tax	-10,320	-55,465
Reconciliation of effective tax rate	2023	2022
Profit before tax	40,379	281,196
Tax calculated using the Swedish tax rate of 20.6 per cent (20.6)	-8,318	-57,926
Difference between the Swedish and foreign tax rates	610	-1,593
Non-taxable income	1,203	33,406
Non-deductible expenses	-17,653	-38,776
Correction of tax expense from previous years	1,053	-
Tax effect related to loss relief	12,785	9,424
Total income tax	-10,320	-55,465

Tax related to items in other comprehensive income:

2023

	Before tax	Tax effect	After tax
Translation difference	-52,577	-	-52,577
Tax on actuarial gains	42	-8	34
Other comprehensive income	-52,535	-8	-52,543

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

2023

	Deferred tax assets	Deferred tax liabilities
Temporary differences attributable to:		
Property, plant and equipment, and intangible assets	3,780	26,620
Right-of-use assets	691	-
Inventories	5,712	-
Accounts receivable	1,988	-
Provisions	8,510	2,898
Untaxed reserves	-	52,191
Capitalised loss carryforward	18,766	-
Total	39,447	81,709

2022

	Deferred tax assets	Deferred tax liabilities
Temporary differences attributable to:		
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	-	46,083
Capitalised loss carryforward	5,330	-
Total	28,456	81,972

Reconciliation of deferred tax

2023

	Deferred tax assets	Deferred tax liabilities
As at 1 January	28,456	81,972
Tax expense/income recognised in the income statement	17,828	-353
Exchange rate difference	-6,837	90
As at 31 December	39,447	81,709

Reconciliation of deferred tax

2022

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

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 211,057 thousand (277,434), i.e., 70 per cent (92) of the total loss carryforwards with time limits of SEK 299,437 thousand (300,309), of which tax assets that have not been taken into consideration amount to SEK 88,380 thousand (66,312). 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	2023	2022
After 1 year	175,788	176,299
After 2 years	68,083	68,281
After 3 years	-	-
After 4 years	27,561	27,642
After 5 years	-	-
After 6 years or more	28,005	28,087
Total	299,437	300,309

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.

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 99,025 thousand (116,500), 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 one year, using the straight-line method.

The value of customer relations, SEK 0 thousand (0), 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.

2023	Goodwill	IT software	Other intangible assets	Total
Accumulated cost, opening balance	29,696	8,898	175,000	213,594
New acquisitions	-	1,418	-	1,418
Exchange rate differences	-	-352	-	-352
Accumulated cost, closing balance	29,696	9,964	175,000	214,660

2023	Goodwill	IT software	Other intangible assets	Total
Accumulated depreciation/amortisation, opening balance	-	-5,788	-28,300	-34,088
Depreciation/amortisation for the year	-	-1,583	-17,475	-19,058
Exchange rate differences	-	333	-	333
Accumulated amortisation, closing balance	-	-7,038	-45,775	-52,813

Carrying amount at end of year	29,696	2,926	129,225	161,847
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2022	Goodwill	IT software	Other intangible assets	Total
Accumulated cost, opening balance	29,696	5,316	175,000	210,012
New acquisitions	-	2,850	-	2,850
Exchange rate differences	-	732	-	732
Accumulated cost, closing balance	29,696	8,898	175,000	213,594

2022	Goodwill	IT software	Other intangible assets	Total
Accumulated depreciation/amortisation, opening balance	-	-4,940	-7,492	-12,432
Depreciation/amortisation for the year	-	-251	-20,808	-21,059
Exchange rate differences	-	-597	-	-597
Accumulated amortisation, closing balance	-	-5,788	-28,300	-34,088
 Carrying amount at end of year	 29,696	 3,110	 146,700	 179,506
Depreciation/amortisation per function in the income statement			2023	2022
Selling and distribution expenses			-17,475	-20,808
Administration expenses			-1,583	-251
Total amortisation			-19,058	-21,059

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

The annual impairment assessment for goodwill and trademarks 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. 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:

Goodwill	2023	2022
Kährs Holding AB	29,696	29,696
Trademarks		
Kährs Holding AB	30,200	30,200
Total	59,896	59,896

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:

	2023	2022
Estimated long-term growth rate	2.0%	2.0%
Estimated average gross margin	34.8%	33.4%
Estimated average operating margin	9.5%	10.0%
Weighted average discount rate before tax	16.2%	15.9%

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.

Company management assesses that no reasonable changes in the important assumptions lead to the calculated total recoverable amount for the cash flow-generating unit Kährs Holding AB being lower than its total carrying amount.

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.

Note C15 Property, plant and equipment, owned

2023	Land and buildings	Machinery and equipment	Work in progress	Total
Accumulated cost, opening balance	259,471	1,720,278	46,529	2,026,278
New acquisitions	759	3,830	57,359	61,948
Disposals	-	-12,361	-	-12,361
Reclassifications	277	42,020	-42,297	-
Exchange rate differences	-10,110	-31,494	-556	-42,160
Accumulated cost, closing balance	250,397	1,722,273	61,035	2,033,705

2023	Land and buildings	Machinery and equipment	Work in progress	Total
Accumulated depreciation/amortisation, opening balance	-96,955	-1,345,337	-	-1,442,292
Depreciation/amortisation for the year	-11,254	-80,841	-	-92,095
Disposals	0	12,356	-	12,356
Exchange rate differences	2,094	28,914	-	31,008
Accumulated depreciation/amortisation, closing balance	-106,115	-1,384,908	0	-1,491,023

2023	Land and buildings	Machinery and equipment	Work in progress	Total
Accumulated impairment, opening balance	-	-	-	-
Impairment for the year ¹	-12,063	-5,041	-	-17,104
Accumulated impairment, closing balance	-12,063	-5,041	-	-17,104

Carrying amount at end of year	132,219	332,324	61,035	525,578
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¹⁾ Refers to impairment of property, plant and equipment in Russia, of which buildings were SEK 12,063 thousand, machinery and equipment SEK 5,041 thousand.

2022	Land and buildings	Machinery and equipment	Work in progress	Total
Accumulated cost, opening balance	228,965	1,611,873	59,933	1,900,771
New acquisitions	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
Accumulated cost, closing balance	259,471	1,720,278	46,529	2,026,278

2022			Land and buildings	Machinery and equipment	Work in progress	Total
Accumulated balance	depreciation/amortisation,	openin	-71,958	-1,213,420	-	-1,285,378
Depreciation/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
Accumulated depreciation/amortisation, closing balance			-96,955	-1,345,337	0	-1,442,292
Carrying amount at end of year			162,516	374,941	46,529	583,986

Depreciation/amortisation per function in the income statement		2023	2022
Cost of goods sold		-80,963	-84,666
Selling and distribution expenses		-1,530	-2,327
Administration expenses		-9,602	-13,108
Total depreciation/amortisation		-92,095	-100,101

Impairment per function in the income statement		2023	2022
Cost of goods sold		-17,104	-
Selling and distribution expenses		-	-
Administration expenses		-	-
Total depreciation/amortisation		-17,104	-

For more information on the Group's lease commitments, refer to note C31 Property, plant and equipment, right of use.

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 15 per cent (12) of net sales in 2023. 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. 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 2023. Cash and cash equivalents in the Group totalled SEK 224 million (356) as per 31 December 2023. Consequently, available consolidated liquidity as per 31 December 2023 was SEK 874 million (1,007), allowing good flexibility moving forward. No covenants are linked to the loan. The Group's interest rate risk refers to non-current loans.

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

31/12/2023	<3 months	<1 year	1–2 years	2–5 years	<5 years	Total
Interest-bearing liabilities						
Bond loan	36,711	110,941	147,249	1,597,249	-	1,892,150
Lease liabilities	9,824	34,463	23,409	29,840	152	97,687
Other loans	49	150	199	2,429	-	2,827
Trade payables	163,232	-	-	-	-	163,232
Other financial liabilities	146,778	13,631	-	-	-	160,409
Total	356,594	159,184	170,857	1,629,518	152	2,316,305

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

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 2023 financial year amounted to 11.1 per cent (24.4).

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.

The tables below show the Group's annual exposure per currency for the full year 2023 and how a change in exchange rates of +/-10% affects the Group's net sales and adjusted EBITDA.

Annual exposure per currency, full year 2023

Currency	SEK thousand	Net sales		Net flow (adjusted EBITDA)	
		+10%	-10%	+10%	-10%
CHF	107,207	10,721	-10,721	9,253	-9,254
EUR	724,090	72,409	-72,409	-69,735	6,974
GBP	105,953	10,595	-10,595	9,055	-9,055
NOK	152,806	15,281	-15,281	127,813	-12,781
RUB	189,761	18,976	-18,976	28,683	-2,868
USD	441,534	44,153	-44,153	166,290	-16,629
Other currencies	73,201	7,320	-7,320	-123,005	12,301
Total	1,794,552	179,455	-179,455	313,138	-31,314

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.

Effects recalculation of the 2022 income statement to 2023 exchange rates

Currency	Net sales	EBIT	Profit after tax
CHF	17,839	765	663
EUR	64,086	3,983	4,826
GBP	7,900	218	181
NOK	-12,979	-764	-630
RUB	-53,558	-6,073	-4,819
USD	22,267	482	442
Other currencies	4,306	4,426	33,673
Total	49,861	3,037	3,931

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 2023, 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 2023	Average rate 2023	Closing rate 31 Dec 2022	Average rate 2022
CHF	11.9827	11.8173	11.2915	10.5950
EUR	11.0960	11.4765	11.1283	10.6317
GBP	12.7680	13.1979	12.5811	12.4669
INR	0.1207	0.1285	0.1262	0.1287
NOK	0.9871	1.0054	1.0572	1.0523
PLN	2.5570	2.5288	2.3741	2.2685
RON	2.2329	2.3191	2.2474	2.1557
RUB	0.1131	0.1253	0.1411	0.1512
USD	10.0416	10.6128	10.4371	10.1245

Interest rate risk

The Group's interest rate risk refers to non-current 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 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 per 31 December 2023 was 10.016 per cent per annum (8.475). If the variable interest rate on the bond loan changes by +/- 100 points (1 percentage point), given that all other variables are constant, the annual result will be affected by approximately +/- SEK 14.7 million (14.7). The 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 2023.

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.

31/12/2023

	Assets at fair value via the income statement	Assets measured at amortised cost	Total fair value	Carrying amount of financial assets
Assets				
Financial non-current assets ¹	-	27,262	27,262	27,262
Accounts receivable	-	252,088	252,088	252,088
Other current assets	-	27,455	27,455	27,455
Cash and cash equivalents	-	224,294	224,294	224,294
Total	-	531,099	531,099	531,099

¹ Comprises deposits SEK 27,262 thousand (24,569), endowment insurance SEK 3,184 thousand (5,354) and other items SEK 2 448 thousand

(1,025)

	Liabilities at fair value via the income statement	Liabilities measured at amortised cost	Total fair value	Carrying amount of financial liabilities
Liabilities in the balance sheet				
Interest-bearing liabilities	-	1,529,830	1,529,830	1,529,830
Trade payables	-	163,232	163,232	163,232
Derivative ¹	5,914	-	5,914	5,914
Other current liabilities	-	148,136	148,136	148,136
Total	5,914	1,841,198	1,847,112	1,847,112

¹) Consists only of electricity derivatives. For more information, see C18 Derivatives

31/12/2022

	Assets at fair value via the income statement	Loans and receivables	Total fair value	Carrying amount of financial assets
Assets				
Financial non-current assets ¹	-	30,948	30,948	30,948
Accounts receivable	-	397,031	397,031	397,031
Derivatives	4,118	-	4,118	4,118
Other current assets	-	15,029	15,029	15,029
Cash and cash equivalents	-	356,224	356,224	356,224
Total	4,118	799,232	803,350	803,350

¹ Comprises deposits SEK 24,569 thousand (18,612), endowment insurance SEK 5,354 thousand (5 788) and other items SEK 1,025 thousand (972)

²) Consists only of electricity derivatives. For more information, see C18 Derivatives

31/12/2022

	Liabilities at fair value via the income statement	Other Financial liabilities	Total fair value	Carrying amount of financial liabilities
Liabilities in the balance sheet				
Interest-bearing liabilities	-	1,553,665	1,553,665	1,553,665
Trade payables	-	377,809	377,809	377,809
Other current liabilities	-	232,134	232,134	232,134
Total	-	2,163,608	2,163,608	2,163,608

Note C18 Derivatives

The Group's electricity derivatives consist of:

	31/12/2023	
	Assets	Liabilities
Raw material derivatives	-	5,914
Total	-	5,914

	31/12/2022	
	Assets	Liabilities
Raw material derivatives	4,118	-
Total	4,118	-

No electricity derivatives are identified as hedging instruments in the hedge accounting. Electricity 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 electricity 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 electricity derivatives are measured in accordance with level 2.

Raw material derivatives

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

Note C19 Accounts receivable

	2023	2022
Accounts receivable	267,214	412,424
Provision for bad debt	-15,348	-15,382
Total accounts receivable	251,866	397,042

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 2023 accounts receivable due amounted to SEK 60,339 thousand (96,721), 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.

<i>Age analysis of accounts receivable before impairment</i>	2023	2022
Receivables not due	207,074	315,703
<30 days	30,041	50,643
30-90 days	8,387	37,952
91-180 days	1,698	1,162
>180 days	20,213	6,964
Amount at year end	267,413	412,424

As at 31 December 2023, the provision for bad debt amounted to SEK 15 348 thousand (15,382).

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

Age analysis of accounts receivable that are due and impaired	2023	%	2022	%
Receivables not due	884	0.4%	769	0.2%
<30 days	1,256	4.2%	921	1.8%
30–90 days	1,358	16.2%	6,419	16.9%
91–180 days	870	51.2%	565	48.6%
>180 days	10,980	54.3%	6,708	96.3%
Amount at year end	15,348	5.7%	15,382	3.7%

The provision for bad debt amounts to 5.7 per cent (3.7) of total accounts receivable and has changed as follows:

Provision for bad debt	2023	2022
Provision at start of year	15,382	12,660
Provision for expected losses	1,320	4,020
Incurred losses	2	-2,872
Unused amounts reversed	-1,335	-6
Exchange rate effects	-21	1,580
Amount at year end	15,348	15,382

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

	2023	2022
Recoverable VAT	15,559	63,795
Prepaid software licences	4,204	5,015
Prepaid operating expenses	17,461	22,374
Accrued interest income	-	423
Prepaid insurance	2,024	1,361
Employee receivables	451	2,692
Current tax assets	23,611	17,659
Other current receivables, interest-bearing	723	884
Other current receivables, non-interest-bearing	3,766	29,234
Amount at year end	67,799	143,437

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. Of the Group's total cash and cash equivalents of SEK 224,294 thousand, SEK 35,847 thousand refers to cash and cash equivalents linked to the Russian operations. For more information on financial risk management in cash and cash equivalents, see Note C16 Financial risk management.

Note C22 Inventories

	2023	2022
Raw materials and consumables	224,584	209,658
Work in progress	205,759	141,480
Finished goods	459,961	610,248
Amount at year end	890,304	961,386

Impairment for obsolescence in outgoing inventory amounts to SEK 67,151 thousand (26,168). During the year there was a reversal of the impairment of inventories totalling SEK 2,714 thousand (7,500). 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. In addition to this, the inventory in Russia has been written down by SEK 26,085 thousand (-). This amount has been recognised in the income statement under the cost of goods sold. Approximately 45 per cent (48) of the inventories (mostly finished goods) is measured at fair value and 55 per cent (52) at historical cost.

Note C23 Trade payables and other current liabilities

	2023	2022
Trade payables	163,232	377,809
Employee liabilities	131,702	166,469
VAT liabilities	33,819	87,941
Customer liabilities	79,188	123,570
Accrued interest expense	10,086	8,915
Accrued licence fee Woodloc	5,508	7,936
Board fees including employer contributions	3,798	2,024
Consultancy costs	12,119	12,262
Special payroll tax	7,183	7,161
Accrued freight costs	14,435	17,635
Accrued customs duties	1,105	3,392
Accrued electricity costs	6,075	18,862
Other current liabilities	1,933	10,123
Other accruals and deferred income	18,792	33,520
Amount at year end	488,975	877,620

Note C24 Interest-bearing liabilities

The Group has a strong financial position and partially finances its operations through borrowing. The new arrangement consists of an RCF facility of SEK 650 million in Kährs Holding AB (publ) that matures on 12 May 2026, and a sustainability-linked bond loan of SEK 1,450 million in Kährs BondCo AB (publ) that matures on 7 December 2026. No part of the RCF facility was utilized as per 31 December 2023. The refinancing risk and interest risk are assessed to be low.

Non-current interest-bearing liabilities	2023	2022
Bond loan	1,438,404	1,434,998
Lease liabilities	46,762	70,627
Revolver credit facility	-	-
Total non-current interest-bearing liabilities	1,485,166	1,505,625
Current interest-bearing liabilities	2023	2022
Lease liabilities	42,434	45,440
Loan Facility B	-	-
Other loans	2,230	2,184
Total current interest-bearing liabilities	44,664	47,624
Total interest-bearing liabilities	1,529,830	1,553,249

¹ Accrued financing costs are allocated over the term of the bond loan

Change in interest-bearing liabilities

	Cash flow			Non-cash flow				Closing balance
	Opening balance	Repayment	Current borrowing	Acquisition	Amortization	Current		
31/12/2023								
Interest-bearing liabilities								
Bond loan	1,434,998	-	-	-	-	3,406	-	1,438,404
Bank loans	-	-	-	-	-	-	-	0
Lease liabilities	116,067	-26,871	-	-	-	-	-	89,196
Other loans	2,184	-	-	-	-	-	-	2,230
Total	1,553,249	-26,871	-	-	-	3,406	-	1,529,830

¹ Accrued financing costs are allocated over the term of the bond loan

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

¹ Accrued financing costs are allocated over the term of the bond loan

Lease liabilities

For more details see also Note C31 "Property, plant and equipment, right of use".

<i>Pledged assets for own liabilities</i>	2023	2022
Property mortgages ¹	46,000	46,000
Business mortgages ²	2,099,104	2,104,808
Other	-	445
Total	2,145,104	2 151,253

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

² 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)
As at 1 January 2023	500,000	500
As at 31 December 2023	500,000	500
	No. of shares	Share capital (SEK thousand)
As at 1 January 2022	500,000	500
As at 31 December 2022	500,000	500

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
As at 1 January 2023	-32,865	-32,865
Exchange rate translation differences	-52,838	-52,838
As at 31 December 2023	-85,703	-85,703
	Translation reserve	Total
As at 1 January 2022	-124,484	-124,484
Exchange rate translation differences	91,619	91,619
As at 31 December 2022	-32,865	-32,865

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>	2023	2022
Earnings attributable to shareholders of the parent company, SEK thousand	29,324	225,020
Weighted average number of outstanding ordinary shares	500,000	500,000
Earnings per share before and after dilution, SEK	59	450

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.

Own shares bought back

	Number of shares equity		Amount affecting equity	
	2023	2022	2023	2022
Internally repurchased own shares	-	-	-	-
This year's purchase	500,000	-	-112,000	-
This year's cancellations	-500,000	-	-	-
Outgoing repurchased own shares	-	-	-112,000	-

<i>Dividend per share</i>	2023	2022
Dividend to shareholders of the parent company	112,000	-
Weighted average number of outstanding ordinary shares	500,000	500,000
Dividend per share, SEK	224	-

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 2023 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 2,778 thousand (3,290). At the end of 2023, Alecta's surplus in its collective consolidation level amounted to 158 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 2023 relates to Kährs Germany.

Amounts recognised in the balance sheet are as follows:

	2023	2022
Present value of financed obligations	688	734
Fair value of the plan's assets	-	-
Deficit of financed plans	688	734
Present value of non-financed obligations	-	-
Net debt in the balance sheet	688	734

<i>Change in the defined-benefit obligations</i>	2023	2022
As at 1 January	734	675
Translation difference	42	85
Interest expense	11	11
Actuarial losses (+) / gains (-)	34	74
Payment of pension benefits	-133	-111
As at 31 December	688	734

<i>Change in the fair value of the plan's assets</i>	2023	2022
As at 1 January	-	-
Settlements	-	-
As at 31 December	-	-

<i>Significant actuarial assumptions</i>	2023	2022
Discount rate	3.35%	3.88%
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
As at 1 January 2023	16,882	6,400	23,282
Additional provisions	1,802	8,456	10,258
Utilisation during the year	-510	-1,401	-1,911
As at 31 December 2023	18,174	13,455	31,629

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

Other includes primarily an allowance for customs duties in the USA of SEK 0 thousand (9,948).

Provisions include:	2023	2022
Non-current	3,093	3,671
Current	28,536	19,611
Total	31,629	23,282

Note C28 Reconciliation of profit before tax and net cash flow

Adjustment for non-cash items	2023	2022
Depreciation and impairment of property, plant and equipment	109,638	100,101
Depreciation and impairment of right-of-use assets	50,640	50,997
Amortisation and impairment of intangible assets	19,058	21,059
Financial income	-15,797	-7,734
Financial expenses	157,891	137,445
Other provisions	9,566	-12,009
Total	330,996	289,859

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

No acquisitions have been made during the financial year 2023.

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 6.9 per cent (5.7). For additional information on accounting principles, see Note C2 Basis for preparation and summary of significant accounting policies -Leases and note C3 Significant assessments, estimates and assumptions - Valuation of right-of-use assets and lease liabilities.

	2023	2022
Depreciation of rights-of-use	-50,640	-50,997
Interest expense for lease liabilities	-5,537	-6,670
Gains at the end of leases	1	149
Current leases	-	-
Low-value leases	-	-
Total amount in the income statement	-56,176	-57,518

Right-of use assets, non-current 2023	Land and buildings	orklift trucks	Vehicles	Office equipment	Total
ccumulated cost, opening balance	175,863	42,014	29,824	2,933	250,634
Additional items	12,826	3,152	10,556	1,519	28,053
Disposals	-26,947	-6,493	-12,357	-1,649	-47,446
Exchange rate differences	-5,532	-3	-1,246	45	-6,736
ccumulated cost, closing balance	156,210	38,670	26,777	2,848	224,506

	Land and buildings	Forklift trucks	Vehicles	Office equipment	Total
2023					
Accumulated depreciation, opening balance	-87,646	-32,309	-14,601	-1,879	-136,435
Depreciation for the year	-32,583	-8,522	-8,746	-789	-50,640
Disposals	27,027	6,433	11,400	1,647	46,508
Exchange rate differences	1,745	34	356	-54	2,081
Accumulated depreciation, closing balance	-91,457	-34,363	-11,591	-1,075	-138,486

	Land and buildings	Forklift trucks	Vehicles	Office equipment	Total
2023					
Accumulated impairment, opening balance	-	-	-	-	-
Impairment for the year	-	-	-	-	-
Accumulated impairment, closing balance	-	-	-	-	-
Carrying amount at end of year	64,753	4,307	15,187	1,774	86,020

Right-of use assets, non-current

2022	Land and buildings	Forklift trucks	Vehicles	Machinery	Office equipment	Total
Accumulated cost, opening balanc	142,505	38,905	24,607	1,376	2,473	209,866
Additional items	31,938	3,150	10,888	-	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	-	2,933	250,634

2022	Land and buildings	Forklift trucks	Vehicles	Machinery	Office equipment	Total
Accumulated depreciation/amortisation, openir balance	-55,920	-22,849	-12,466	-1,312	-1,535	-94,082
Depreciation/amortisation 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	-	-60	-3,090
Accumulated depreciation/amortisation, closing balance	-87,646	-32,309	-14,601	-	-1,879	-136,435

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

Depreciation/amortisation per function in th income statement	2023	2022
Cost of goods sold	-10,930	-11,727
Selling and distribution expenses	-38,275	-37,859
Administration expenses	-1,435	-1,411
Total depreciation/amortisation	-50,640	-50,997

Financial expenses	2023	2022
Interest expense for lease liabilities	-5,537	-6,670

Lease liabilities	2023	2022
Non-current lease liabilities	46,762	70,627
Current lease liabilities	42,434	45,440
Total lease liabilities	89,196	116,067

Note C32 Events after the balance sheet date

No significant events have occurred after the end of the reporting period.

Parent Company Income Statement

SEK thousand	Note	2023	2022
Net sales		-	-
Cost of goods sold		-	-
Gross profit		-	-
Selling and distribution expenses		-	-
Administration expenses	P5	-200	-247
Other operating income		-	-
Other operating expenses		-	-
Operating profit		-200	-247
Financial income	P6	50,993	32,156
Financial expenses	P6	-142,439	-101,909
Profit after net financial items		-91,646	-70,000
Appropriations			
Allocation to tax allocation reserve		-19,015	-13,181
Group contributions received	P7	109,006	78,826
Profit before tax		-1,655	-4,355
Income tax	P8	-11,050	-7,487
Profit for the year		-12,705	-11,842
Attributable to shareholders		-12,705	-11,842
Total		-12,705	-11,842

Parent Company Statement of Comprehensive Income

SEK thousand	2023	2022
Profit for the year	-12,705	-11,842
Other comprehensive income		
Items that can be reclassified in the income statement		
Translation differences	-	-
Other comprehensive income, net of tax	-	-
Total comprehensive income for the year	-12,705	-11,842
Attributable to shareholders	-12,705	-11,842
Total	-12,705	-11,842

Parent Company Statement of Financial Position

SEK thousand	Note	31/12/2023	31/12/2022
ASSETS			
Non-current assets			
Financial assets	P9	1,400,000	1,400,000
Interest-bearing receivables	P10	583,125	532,154
Total non-current assets		1,983,125	1,932,154
Current assets			
Other current assets	P11	109,035	78,826
Cash and cash equivalents	P12	523	500
Total current assets		109,558	79,326
TOTAL ASSETS		2,092,683	2,011,480
Equity			
<i>Restricted equity</i>			
Share capital	P15	500	500
Statutory reserve		-	-
Total restricted equity		500	500
<i>Unrestricted equity</i>			
Retained earnings	P17	363,979	487,821
Profit for the year	P15	-12,705	-11,842
Total unrestricted equity	P15	351,274	475,979
Total equity	P15	351,774	476,479
Untaxed reserves			
Tax allocation reserve		32,196	13,181
Total untaxed reserves		32,196	13,181
Non-current liabilities			
Interest-bearing liabilities	P14	1,438,404	1,434,998
Deferred tax liabilities		2,389	3,090
Total non-current liabilities		1,440,793	1,438,088
Current liabilities			
Tax liabilities		19,897	8,146
Other current liabilities	P13	248,023	75,586
Total current liabilities		267,920	83,732
TOTAL EQUITY AND LIABILITIES		2,092,683	2,011,480

Parent company statement of changes in equity

SEK thousand	Share capital	Reserve fund	Total restricted equity	Retained earnings	Profit for the year	Total Unrestricted equity	Total equity
As at 1 January 2023	500	-	500	487,821	-11,842	475,979	476,479
Profit from previous year	-	-	-	-11,842	11,842	-	-
Profit for the year	-	-	-	-	-12,705	-12,705	-12,705
Bonus issue	500	-	-500	-	-	-	-
Cancellation of treasury shares	-500	-	500	-	-	-	-
Repurchase of own shares	-	-	-	-112,000	-	-112,000	-112,000
As at 31 December 2023	500	-	500	363,979	-12,705	351,274	351,774

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

Parent company statement of cash flows

SEK thousand	Note	2023	2022
Operating activities			
Profit before tax		-1,655	-4,355
Adjustment for non-cash items	P15	-277	743
Cash flow before interest and tax		-1,932	-3,612
Interest received		23	2
Interest paid		-137,331	-95,346
Cash flow from operating activities before changes in working capital		-139,240	-98,956
Change in working capital			
Changes in operating receivables		78,826	102,269
Changes in operating liabilities		1,754	227
Cash flow from operating activities		-58,660	3,540
Investing activities			
Acquisition of financial assets		-	-1,400,000
Cash flow from investing activities		-	-1,400,000
Financing activities			
Share capital paid in			
Change in current internal liabilities, global cash pool	P12	170,683	66,854
Unconditional shareholder contributions		-	397,731
Loans raised		-	-
Dividend		-112,000	-
Lending to related parties (Kährs Holding AB (publ))	P2, P9	-	-500,000
Cash flow from financing activities		58,683	-35,415
Cash flow for the year		23	-1,431,875
Cash and cash equivalents at start of year		500	1,432,375
Cash and cash equivalents at end of year		523	500

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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>	31/12/2023	31/12/2022
Kährs Holding AB (publ)	583,125	532,154
Total	583,125	532,154

Kährs BondCo AB (publ) has not issued any guarantees or any other commitments to the benefit of Board members and senior executives. In the 2023 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 Remuneration to senior executives Remuneration to senior executives.

Note P3 Payroll costs and number of employees

As at 31 December 2023, there are no employees in the parent company Kährs BondCo AB (publ).

Note P4 Remuneration to senior executives

Remuneration to the Board is shown in Note C8 Remuneration to senior executives.

Note P5 Remuneration to auditors

	2023	2022
Deloitte		
Audit	200	200
Total	200	200

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

Financial income	2023	2022
Interest income		
Interest income, external	23	2
Interest income, internal, Kährs Holding AB (publ)	50,970	32,154
Total financial income	50,993	32,156
Financial expenses	2023	2022
Interest expense		
Interest expenses, bond loans	-138,883	-97,838
Other financial expenses		
Transaction costs, bond loans	-3,556	-4,071
Total financial expenses	-142,439	-101,909
Net financial items	-91,446	-69,753

No impairment needs were recorded in 2023.

Note P7 Group contributions

Group contributions received	2023	2022
Kährs Holding AB (publ) (not paid)	47,103	78,826
AB Gustaf Kähr (not paid out)	61,903	-
Total	109,006	78,826

Note P8 Tax

	2023	2022
Current tax	-11,751	-8,146
Deferred tax, direct transaction costs, bond loans	701	659
Total income tax	-11,050	-7,487

Reconciliation of effective tax rate	2023	2022
Profit before tax	-1,655	-4,355
Tax calculated using the Swedish tax rate of 20.6 per cent	341	897
Non-deductible expenses	-12,092	-7,672
Other	701	-712
Total income tax	-11,050	-7,487

Deferred tax assets and tax liabilities attributable to:

	2023	
	Deferred tax assets	Deferred tax liabilities
Temporary differences attributable to		
Loss carryforwards	-	-
Provisions	-	2,389
	-	2,389
	2022	
	Deferred tax assets	Deferred tax liabilities
Temporary differences attributable to		
Provisions	-	3,090
	-	3,090

Reconciliation of deferred tax

	2023	
	Deferred tax assets	Deferred tax liabilities
As at 1 January	-	3,090
Tax expense/income recognised in the income statement	-	-701
As at 31 December	-	2,389

Reconciliation of deferred tax

	2022	
	Deferred tax assets	Deferred tax liabilities
As at 1 January	-	3,749
Tax expense/income recognised in the income statement	-	-659
As at 31 December	-	3,090

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

Financial assets	2023	2022
Shares in subsidiaries	1,400,000	1,400,000
Total	1,400,000	1,400,000

Kährs BondCo AB's ownership shares are as follows as at 31 December 2023:

Name	Type of business	Country	Currency	Capital and vote share (%) 2023	Capital and vote share (%) 2022
<u>Participations in Group companies</u>					
Kährs Schweiz GmbH	Sales Holding company	CH	CHF	100	100
Gustaf Kähr Verwaltungen GmbH		DE	EUR	100	100
Kährs Parkett Deutschland GmbH & Co KG ¹	Sales Holding company	DE	EUR	100	100
Kährs Oy ²		FI	EUR	-	100
Kährs Finland Oy ²	Manufacturing	FI	EUR	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
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
AB Gustaf Kähr	Manufacturing	SE	SEK	100	100
Kährs AB	Sales Holding company	SE	SEK	100	100
Kährs Sweden Holding AB ³		SE	SEK	100	-
Kährs (UK) Ltd.	Sales	UK	GBP	100	100
Kährs International Inc.	Sales	US	USD	100	100

¹) 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).

²) As per 1 July 2023, Kährs Oy has been split into Kährs Oy and Kährs Finland Oy

³) Kährs Sweden Holding AB has been established as of 25 October 2023

Shares in directly owned subsidiaries:

Name, corporate identity number, company's registered office	No. of shares	2023	2022
Kährs Holding AB (556534-2481, Nybro, SE)	500,000	1,400,000	1,400,000
Total		1,400,000	1,400,000

Note P10 Interest-bearing receivables

	2023	2022
Shareholder loan, Kährs Holding AB (publ) ¹	583,125	532,154
Total	583,125	532,154

¹ Capitalization of interest SEK 50,971 thousand

Shareholder loans are loans at a variable interest rate of 10.016 per cent. The shareholder loan matures on 7 December 2026.

Note P11 Other current assets

	2023	2022
Current receivables, Group companies, Kährs Holding AB (publ)	47,103	78,826
Current receivables, Group companies, AB Gustaf Kähr	61,903	-
Prepaid operating expenses	29	-
Total at year end	109,035	78,826

Note P12 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 13 Other current liabilities

	2023	2022
Current operating debt, Group company, Kährs Holding AB	400	-
Current internal liability, global cash pool, Kährs Holding AB	237,537	66,854
Accrued audit fee	-	200
Accrued interest, bond loan	10,086	8,532
Total at year end	248,023	75,586

Note P14 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 2023 was 10.016 per cent (8.475).

<i>Non-current interest-bearing liabilities</i>	2023	2022
Bond loan (0–1 year)	-	-
Bond loan (1–2 years)	-	-
Bond loan (2–5 years)	1,438,404	1,434,988
Total non-current interest-bearing liabilities	1,438,404	1,434,998

Change in interest-bearing liabilities

	Cash flow		Non-cash flow		Closing Balance
	Opening balance	Repayment	New borrowing	Other ¹⁾	
31/12/2023					
Bond loan	1,434,998	-	-	3,406	1,438,404
Total	1,434,998	-	-	3,406	1,438,404

¹⁾ Allocation of direct transaction costs over the duration of the bond loan.

Change in interest-bearing liabilities

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

¹⁾ Allocation of direct transaction costs over the duration of the bond loan.

	2023	2022
<i>Pledged assets for liabilities to credit institutions</i>		
Shares in subsidiaries	1,400,000	1,400,000
Receivables in subsidiaries	583,125	532,154
Total	1,983,125	1,932,154

<i>Contingent liabilities</i>	2023	2022
Pension commitment in addition to what is recorded under liabilities/provisions	-	-
Guarantees on behalf of subsidiaries	-	-
Total	-	-

Note P15 Equity

Share capital

	No. of shares	Nominal value	Share capital (SEK thousand)
As at 1 January 2023	500,000	1	500
As at 31 December 2023	500,000	1	500

	No. of shares	Nominal value	Share capital (SEK thousand)
As at 1 January 2022	500,000	1	500
As at 31 December 2022	500,000	1	500

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.

<i>Earnings per share before and after dilution</i>	2023	2022
Earnings attributable to shareholders of the parent company	-12,705	-11,842
Weighted average number of outstanding ordinary shares	500,000	500,000
Earnings per share before and after dilution, SEK	-25	-24

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.

Dividend per share	2023	2022
Repurchase of own shares in the parent company	112,000	-
Weighted average number of outstanding ordinary shares	500,000	500,000
Dividend per share before dilution, SEK	224	-

Note P16 Reconciliation of profit before tax and net cash flow

Adjustment for non-cash items	2023	2022
Unpaid Group contribution	-109,006	-78,826
Interest income	-50,993	-32,156
Interest expense	142,439	101,909
Tax allocation reserve	19,015	13,181
Other	-1,732	-3,365
Total	-277	743

External interest expense paid during the period amounted to SEK 142,439 thousand (101,909).

External interest income received during the period amounted to SEK 50,993 thousand (32 156).

Note P17 Proposed distribution of profit (SEK)

Distribution of profit parent company	2023
Unrestricted equity in the parent company is:	
Retained earnings	363,979,689
Profit for the year	-12,704,439
Total	351,275,250

The Board of Directors and CEO propose:

be distributed to shareholders

be carried forward 351,275,250

Total **351,275,250**

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

The Board of Directors and CEO propose:

be carried forward 475,979,689

Total **475,979,689**

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.

The consolidated accounts and annual accounts have been approved for publication by the Board of Directors on 16 April 2024. 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.

Anders Wassberg
Chair of the Board

Jan Johansson
Board member

Lisa Göttler
Board member

Mats Therman
Board member

Christopher 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

Maria Ekelund
Authorised Public Accountant

AUDIT REPORT

To the general meeting of Kährs BondCo AB (publ)
CIN 559339-3621

Report on the annual report and consolidated financial statements

Opinions

We have performed an audit of the annual report and consolidated accounts for Kährs BondCo AB (publ) for the financial year 01/01/2023–31/12/2023.

According to our opinion, the annual report has been prepared in accordance with the Annual Accounts Act and gives a true and fair view in all material respects of the parent company's financial position as of 31 December 2023 and of its financial results and cash flow for the year according to the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and give a true and fair view in all material respects of the group's financial position as of 31 December 2023 and of its financial results and cash flow for the year according to International Financial Reporting Standards (IFRS), as adopted by the EU and the Annual Accounts Act.

The management report is compatible with the other parts of the annual report and consolidated accounts.

We therefore recommends that the general meeting approves the income statement and balance sheet for the parent company and report on results and report on financial position for the group.

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

Basis for the statements

We have performed the audit in accordance with International Standards on Auditing (ISA) and good auditing practice in Sweden. Our responsibilities according to these standards are described in more detail in the section *Auditor's responsibilities*. We are independent in relation to the parent company and the group in accordance with good auditing practice in Sweden and have otherwise completed our professional ethical responsibilities according to these requirements. This includes that, based on our to the best of knowledge and belief, no prohibited services referred to in the Auditors Regulation (537/2014/EU) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled company within the EU.

We consider that the audit evidence we have obtained is sufficient and appropriate as a basis for our statements.

Particularly significant areas

Particularly significant areas for the audit are the areas that according to our professional judgment were the most significant for the audit of the annual accounts and consolidated accounts for the period in question. These areas were addressed within the scope of the audit

of, and in our position on, the annual report and the consolidated accounts as a whole but we do not make separate statements about these areas.

Valuation of goodwill and trademarks

Description of particularly significant area

Kährs BondCo AB reports in the consolidated balance sheet as at 31 December 2023 goodwill of SEK 29,696 thousand and trademarks with an indefinite useful life of SEK 30,200 thousand.

The value of the recognised goodwill and trademarks is dependent on future returns and profitability in the cash-generating unit to which the goodwill and trademarks refer and is tested at least annually. Company management bases its impairment test on a number of assumptions and assessments such as revenue growth, operating margin development and cost of capital (WACC) as well as other conditions that are complex.

Incorrect assessments and assumptions can have a significant impact on the Group's results and financial position.

For more information, refer to Notes C2 and C14, which specify how the company management carried out its impairment test together with important assessments and assumptions.

Our Review Actions

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

» Review and assessment of Kährs BondCo AB's routines for impairment testing of goodwill and evaluation that the assumptions made are reasonable, that the routines are consistently applied, and that there is integrity in the calculations made;

» Assessment of input data in calculations;

» Assessment of the safety margins by performing sensitivity analyses; and

» Review of the completeness of relevant notes to the financial statements.

The Board of Directors and CEO of

The board and the managing director are responsible for preparing the annual accounts and consolidated accounts and ensuring that they give a true and fair view in accordance with the Annual Accounts Act and, for the consolidated accounts, in accordance with IFRS as adopted by the EU. The board and the managing director are also responsible for the internal control that they deem necessary to prepare an annual report and consolidated accounts that do not contain any material misstatements, whether due to irregularities or mistakes.

The board is responsible for the preparation of the annual report and consolidated accounts and the managing director for the assessment of the company's and the group's ability to continue operations. They disclose, when applicable, conditions that may affect the ability to continue operations and to use the going concern assumption. However, the going concern assumption is not applied to the board and the managing director intends to liquidate the company, cease operations or has no realistic alternative to doing any of this.

The board's audit committee shall, without affecting the board's responsibilities and duties in general, monitor the company's financial reporting, among other things.

Auditor's responsibilities

Our objective is to obtain a reasonable degree of certainty as to whether the annual accounts and the consolidated accounts as a whole do not contain any material misstatements, whether due to irregularities or errors and to provide an auditor's report that contains our statements. Reasonable assurance is a high degree of assurance but is no guarantee that an audit performed in accordance with ISA and good auditing practice in Sweden will always detect a material misstatement if one exists. Misstatements may arise due to irregularities or mistakes and are considered material if individually or collectively they can reasonably be expected to influence the financial decisions that users make based on the annual report and consolidated accounts.

A further description of our responsibility for the audit of the annual report and consolidated accounts can be found on the Swedish Inspectorate of Auditors' website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

Report on other requirements according to laws and other constitutions

Opinions

In addition our audit of the annual report and consolidated accounts, we have also carried out an audit of the board's and the CEO's management of Kährs BondCo AB (publ) for the year 2023 and of the proposal for dispositions regarding the company's profit or loss.

We recommend that the general meeting allocate the profit according to the proposal in the Directors' Report and discharge the members of the board and the managing director from liability for the financial year.

Basis for the statements

We have performed the audit in accordance with good auditing practice in Sweden. Our responsibilities according to this are described in more detail in the section *Auditor's responsibilities*. We are independent in relation to the parent company and the group in accordance with good auditing practice in Sweden and have otherwise completed our professional ethical responsibilities according to these on the Swedish Inspectorate of Auditors' website requirements.

We consider that the audit evidence we have obtained is sufficient and appropriate as a basis for our statements.

The Board of Directors and CEO of

It is the board that is responsible for the proposal for dispositions regarding the company's profit or loss. In the case of a proposal for a dividend, this includes, among other things, an assessment of whether the dividend is justifiable taking into account the requirements that the company's and the group's nature of operations, scope and risks place on the size of the parent company's and the group's equity capital, consolidation needs, liquidity and position in general.

The board is responsible for the company's organization and the management of the company's affairs. This includes, among other things, continuously assessing the company's financial situation and ensuring that the company's organisation is designed so that the accounting, fund management and the company's financial affairs in general are controlled in a reassuring manner. The managing director shall manage the day-to-day management in accordance with the board's guidelines and instructions and, among other things, take the measures necessary for the company's accounting to be completed in accordance with the law and for the fund management to be managed in a reassuring manner.

Auditor's responsibilities

Our objective regarding the audit of the management and thus our statement on discharge from liability is to obtain audit evidence in order to be able to assess with a reasonable degree of certainty whether any board member or the managing director in any material respect:

- has taken any action or been guilty of any negligence that may give rise to liability for compensation against the company, or
- acted in any other way in violation of the Companies Act, the Annual Accounts Act or the articles of association.

Our objective regarding the audit of the proposal for disposition of the company's profit or loss and thereby our statement regarding this is to assess with a reasonable degree of certainty whether the proposal is aligned with the Swedish Companies Act.

Reasonable assurance is a high degree of assurance, but no guarantee that an audit carried out in accordance with good auditing practice in Sweden will always discover actions or omissions that may give rise to liability for compensation against the company or that a proposal for dispositions of the company's profit or loss is not compatible with the Swedish Companies Act.

Further description of our responsibility for the audit of the annual report and consolidated accounts can be found on the Swedish Inspectorate of Auditors' website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

The auditor's statement on the ESEF report

Statement

In addition to our audit of the annual accounts and consolidated accounts, we have also carried out an audit of whether the board and the managing director have prepared the annual accounts and consolidated accounts in a format that enables uniform electronic reporting (ESEF report) according to Chapter 16, section 4a of the Securities Market Act (2007:528) for Kährs BondCo AB for the financial year 01/01/2023–12/31/2023.

Our review and our statement relate only to the statutory requirement.

In our opinion, the ESEF report has been drawn up in a format that essentially enables uniform electronic reporting.

Basis for the statement

We have performed the review in accordance with FAR's recommendation *RevR 18 Auditor's review of the ESEF report*. Our responsibilities according to this are described in more detail in the section *Auditor's responsibilities*. We are independent in relation to

Kährs BondCo AB in accordance with good auditing practice in Sweden and have otherwise completed our professional ethical responsibilities according to these requirements.

We consider that the audit evidence we have obtained are sufficient and appropriate as a basis for our statements.

The Board of Directors and CEO of

The board and the managing director are responsible for the ESEF report being drawn up in accordance with Chapter 16, section 4a of the Securities Market Act (2007:528), and because there is such an internal control as the board and the managing director deem necessary to prepare the ESEF report without material errors, whether these are due to irregularities or mistakes.

Auditor's responsibilities

Our task is to state with reasonable certainty whether the ESEF report is materially prepared in a format that meets the requirements in Chapter 16, section 4 a of the Securities Market Act (2007:528) based on our review.

RevR 18 requires that we plan and perform our audit procedures to obtain reasonable assurance that the ESEF report has been prepared in a format that meets these requirements.

Reasonable assurance is a high degree of assurance but is no guarantee that an review performed in accordance with RevR 18 and good auditing practice in Sweden will always detect a material misstatement if one exists. Misstatements may arise due to irregularities or mistakes and are considered material if individually or collectively they can reasonably be expected to influence the financial decisions that users make based on the ESEF report.

The audit firm applies the International Standard on Quality Management 1, which requires the firm to design, implement and manage a system of quality management including guidelines or procedures regarding compliance with professional ethical requirements, standards of professional practice and applicable requirements in laws, and other regulations .

The review includes, through various measures, obtaining evidence that the ESEF report has been prepared in a format that enables uniform electronic reporting of annual accounts and consolidated accounts. The auditor chooses which measures are to be carried out, including by assessing the risks of material inaccuracies in the reporting, whether these are due to irregularities or mistakes. In this risk assessment, the auditor takes into account the parts of the internal control that are relevant to how the board and the CEO prepare the basis for the purpose of designing audit measures that are appropriate in the circumstances, but not for the purpose of making a statement about the effectiveness of the internal control . The review also includes an evaluation of the appropriateness and reasonableness of the board's and CEO's assumptions.

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

Furthermore, the audit also includes an assessment of whether the group's profit and loss, balance sheet and equity statements, cash flow analysis and notes in the ESEF report have been marked with iXBRL in accordance with that set out in the ESEF regulation.

Auditor's statement regarding the statutory sustainability report

The board is responsible for the sustainability report for the year 2023 on pages 8-30 and that the report has been prepared in accordance with the Annual Accounts Act.

Our review has taken place in accordance with FAR's recommendation *RevR 12 The auditor's opinion on the statutory sustainability report*. This means that our review of the sustainability report has a different focus and a significantly smaller scope

compared to the focus and scope of an audit according to International Standards on Auditing and good auditing practice in Sweden. We believe that this audit provides us with a sufficient basis for our statement.

A sustainability report has been drawn up.

Auditor's review of the corporate governance report

The board is responsible for the corporate governance report on pages 34-36 and that it is prepared in accordance with the Annual Accounts Act.

Our review has taken place in accordance with FAR's statement *RevR 16 The auditor's review of the corporate governance report*. This means that our review of the corporate governance report has a different focus and a significantly smaller scope compared to the focus and scope of an audit according to International Standards on Auditing and good auditing practice in Sweden. We believe that this review provides us with a sufficient basis for our statements.

A corporate governance report has been prepared. Information in accordance with Chapter 6, section 6, second paragraph, points 2–6 of the Swedish Annual Accounts Act and Chapter 7 section 31, second paragraph of the same act are compatible with the other parts of the annual accounts and consolidated accounts and are in accordance with the Swedish Annual Accounts Act.

Deloitte AB was appointed Kährs BondCo AB's auditor by the general meeting on 19 May 2023 and has been the company's auditor since 15 July 2022.

Malmö on the date specified by our electronic signature.

Deloitte AB

Maria Ekelund
Authorised Public Accountant