INTERIM REPORT

KÄHRS HOLDING AB (PUBL) QUARTER 2 | 2016

Net sales
up 11 per cent quarter over quarter

Strong sales growth
in the Resilient Global segment

Operating profit EBIT
rose 17 per cent

Kährs Group

STRONG GROWTH OF OPERATING PROFIT, WHICH ROSE 17 PER CENT TO SEK 61 MILLION OR 8.1 PERCENT

SECOND QUARTER, APRIL – JUNE 2016

- Net sales totalled SEK 755 million (681), an increase of 11 per cent compared with the same period in 2015. Continued solid growth in the Nordics and Europe segments, combined with a strong increase in sales in the Resilient Global segment contributed to the performance during the quarter. Organic sales growth was 13 per cent, including a currency impact (net) of SEK -14 million
- Operating profit before depreciation, amortisation and non-recurring items (adjusted EBITDA) was SEK 84 million (76), corresponding to an operating margin of 11.1 per cent (11.2)
- Operating profit before non-recurring items (adjusted EBIT) for the second quarter increased by 17 per cent to SEK 61 million (52), corresponding to 8.1 per cent (7.6)
- Consolidated profit for the quarter was SEK 35 million (24) and was positively affected primarily by an increase in operating profit and lower financing costs compared with the same period in 2015

PERIOD JANUARY – JUNE 2016

- Net sales for the full period January – June amounted to SEK 1,450 million (1,368), an increase of 6 per cent compared with the previous year. Calculated in local currencies, organic growth was 7 per cent
- Operating profit before depreciation, amortisation and non-recurring items (adjusted EBITDA) for the period was SEK 159 million (153), corresponding to an operating margin of 11.0 per cent (11.2).
- Operating profit excluding non-recurring items (adjusted EBIT) for the period was SEK 114 million (104), corresponding to an operating margin of 7.9 per cent (7.6). For the period as a whole, profit improved by 10 per cent compared with the same period in 2015. Calculated in local currencies, the improvement in profit was SEK 6 million, or 6 per cent
- Consolidated profit for the period was SEK 68 million (59), an improvement of 15 per cent compared with the previous year

KEY PERFORMANCE INDICATORS FOR THE GROUP

SEKm	Apr-Jun 2016	Apr-Jun 2015	Jan-Jun 2016	Jan-Jun 2015	Jan-Dec 2015	Jul 2015-Jun 2016
Net Sales	755	681	1,450	1,368	2,724	2,806
Operating profit before depreciation/amortisation (EBITDA)	80	74	152	155	269	266
Operating profit excl. depreciation (EBITDA), %	10.6%	10.9%	10.5%	11.3%	9.9%	9.5%
Operating profit before depreciation/amortisation and non-recurring items (Adj. EBITDA)	84	76	159	153	314	320
Operating profit before depreciation/amortisation and non-recurring items (Adj. EBITDA), %	11.1%	11.2%	11.0%	11.2%	11.5%	11.4%
Operating profit excl. non-recurring items (adjusted EBIT)	61	52	114	104	217	227
Operating profit excl. non-recurring items (adjusted EBIT), %	8.1%	7.6%	7.9%	7.6%	8.0%	8.1%
Operating profit, (EBIT)	57	49	107	106	172	173
Operating profit (EBIT), %	7.5%	7.2%	7.4%	7.7%	6.3%	6.2%
Profit for the period	35	24	68	59	62	71
Profit for the period, %	4.6%	3.5%	4.7%	4.3%	2.3%	2.5%
Earnings per share before and after dilution, SEK	1.2	0.8	2.3	2.0	2.1	2.4
Net cash flows from operating activities	51	37	-15	25	183	143
Net debt	650	801	650	801	600	650
Equity ratio, %	21.0%	18.8%	21.0%	18.8%	18.0%	21.0%
Return on capital employed, %	18.7%	16.4%	18.7%	16.4%	21.1%	18.7%

Kährs Group

CHIEF EXECUTIVE'S COMMENTS

"Kährs Group is to be perceived as the innovative and design-driven flooring manufacturer in Europe, while being integral to leading design and interior design concepts.

STRONG SALES DEVELOPMENT AND INCREASED PROFIT SECOND QUARTER 2016

Kährs Group continued its stable performance during the second quarter in several of our core markets. As a result, the Group's sales and profitability both developed positively during the period.

● Net sales for the quarter improved compared with last year, reaching SEK 755 million, an increase of 11 per cent. In the Nordic region, the Swedish market reported the most favourable performance, though sales also demonstrated positive growth in the US and in most of our major markets in Europe, while sales growth in Russia and Finland continued to be weak. The Group's resilient flooring segment reported a strong second quarter. Total operating profit for the Group, excluding non-recurring items (adjusted EBIT), was SEK 61 million, an improvement of SEK 9 million compared with 2015 and an increase of 17 per cent.

In the Nordics segment we see continued strong sales growth in Sweden, which grew 21 per cent during the quarter. This growth was driven by a stable performance in all customer segments and product categories, as both the projects market and consumer sales in Sweden continue to look strong. In Norway, the market is driven by good consumer sales in the middle and upper price segments where, however, the projects market in the country is weaker. In Finland, the projects market remains cautious, which in turn leads to lower demand for hardwood flooring.

In the Europe segment we saw good growth in all major markets where Kährs operates such as Germany, Switzerland, France and the UK. In Germany, where growth was 7 per cent, we see a steadily growing projects market with a clear shift from 3-strip to more exclusive 1-strip products. The UK market is good and Kährs' sales growth was 16 per cent for the quarter. The strongest growth rate was in the projects market, especially in London.

The two largest markets in segment Other Markets developed differently during the quarter. The Russian market remained weak and sales dropped by 15 per cent. Low oil prices, high inflation and high interest rates have a clear negative impact on the projects market, which continued to slow down during the year. Meanwhile, in the US we see a strong underlying market with high demand in the retail segment. The projects market in the US also continued to improve in most regions. Kährs' US sales increased 28 per cent during the quarter.

The Resilient Global segment, which is driven primarily by the projects market, demonstrated robust growth during the quarter and rose 42 per cent. We saw the strongest sales growth in the US and Germany. We see continued great potential in this business as our environmental and quality profile, without PVC and plasticisers, are increasingly in demand for public facilities such as hospitals and schools.

In autumn 2016, we will launch the vintage-style "Götaland" oak flooring collection, which is a sequel to the exclusive Småland collection launched in 2015. Both of these Kährs collections are designed and produced with a unique, individual character at our Nybro plant. For the US market, we have developed oak flooring with a color scheme and design adapted to local trends, all under the "Canvas" product name and the Kährs brand. We have continued to work diligently to develop an efficient and design-oriented production platform for the Group, which has now largely taken shape. We are also well-positioned in the important process of ensuring access to oak through our global purchasing organisation and geographical placement of production facilities.

In early June, the Board approved the new business plan that was formulated in the spring. It states that Kährs Group is to be perceived as the innovative and design-driven flooring manufacturer in Europe, while being integral to leading design and interior design concepts. We will focus on markets where Kährs has a leading or well-established position. The financial targets in the business plan focus on increasing sales each year by 2-4 per cent above market growth and on achieving an EBIT equivalent to 10 percent in 2018.

In summary, market expectations appear to be reasonably positive for the remainder of 2016 although external factors such as uncertainty regarding the Swedish property market, Brexit and the upcoming elections in the US may affect the market negatively. However, we have hopes of continued good sales growth and increased profitability during the second half of 2016.

Christer Persson
President and CEO

KÄHRS INTERIM REPORT
JANUARY – JUNE 2016

ABOUT KÄHRS GROUP

The Kährs company was founded in 1857 by Johan Kähr, who began to make wooden kitchen utensils; in 1919 AB Gustaf Kähr was formed with a focus on manufacturing hardwood flooring. In 2012 Kährs merged with Karelia-Upofloor and formed Kährs Group, a world-leading flooring company. The parent company, Kährs Holding AB, was founded in 1996 and has its registered office in Nybro, Sweden. The consolidated financial statements include the subgroups AB Gustaf Kähr, Karelia-Upofloor Oy and Oak Norge AS. Headquarters are located in Malmö. The Group has approximately 1,600 employees and annual sales of EUR 300 million.

The Group's main products are hardwood and resilient flooring for various applications and environments. The Group has global sales and the four operating segments are represented by three geographic segments for hardwood flooring, Nordics, Europe and Other Markets and one division for resilient flooring, Resilient Global. Production facilities are located in Sweden, Finland, Russia, Romania, Poland and Croatia (co-owned).

Chairman: Anders Wassberg

CEO: Christer Persson

MARKET

In general, the trend in the flooring market as a whole continues to be positive. In the European market we expect continued growth, with the strongest trend found in the UK, Sweden and Spain. The trend is expected to remain weak during the year in Finland and Russia, as well as in Switzerland, where demand in the lower price segments has slowed somewhat in recent years. The trend in the US market is expected to remain stable, with good growth moving forward. These trends roughly describe the markets in which Kährs Group is most active. Our expectations for the remainder of 2016 are also reasonably positive.

In the Nordic region, the Swedish market reported the most favourable performance. We are seeing increased demand from both new construction and the renovation market, and we see no signs of change in the market situation. In Norway, the market is buoyed by good consumer sales in the middle and upper price segments. However, the projects market in the country is weaker, though with some signs of recovery, especially in Oslo. Pressure on prices remains high. In Finland, demand for hardwood flooring is low since the market, particularly for projects, remains weak. However, increased activity is expected in both the retail segment and the projects market during the remainder of 2016 and in 2017.

Most markets in Central Europe show solid growth. Germany has a steadily growing projects market with a clear shift from 3-strip to 1-strip products, while the trend in the retail segment is somewhat weaker. The UK market is upbeat, with an estimated growth of 3-4 per cent and the fastest-growing segment is the projects market, with a focus on London. We also see stable growth in several of the Group's other markets in Europe, including France, Spain, and the Czech Republic. In Switzerland, however, the market is declining somewhat and some market participants are extremely aggressive in their pricing to protect their market position.

The Russian market shows weak growth in the second quarter and the market is expected to be weak during the remainder of 2016. Laminate flooring currently has the most favourable trend in Russia where consumers redirect their purchases towards less expensive products. Premium products also performed well since the price sensitivity of these consumers is low. The situation in Russia is offset in part by developments in other countries in the region, such as Kazakhstan and Ukraine.

North America had a robust underlying market with the strongest demand in the retail segment. The projects market in the US also continued to improve in most regions, with demand for hardwood flooring driven mainly by the condo and rental flat segment. The market as a whole is expected to grow by 6-7 per cent in 2016. In South America, where several countries are currently facing economic problems, we see no clear signs of improvement.

For the resilient flooring market we continue to see varying trends in our core markets. Nevertheless, the general picture is that demand for PVC-free products is growing as environmental and health effects are becoming increasingly important in procurement procedures. In Finland, the market is weak, but there are clear signs of growing renovation needs in public buildings. The market trend in Sweden remains positive and this is most evident in the healthcare sector, which has high environmental standards and noise absorption requirements. In Germany, Switzerland and the US, interest in environmentally friendly flooring is strong in the public sector, which provides positive momentum in these markets.

GROUP PERFORMANCE
APRIL–JUNE AND JANUARY–JUNE 2016

NET SALES

Second quarter

Total Group net sales amounted to SEK 755 million (681), an increase of SEK 74 million, or 11 per cent compared with the second quarter of 2015. Continued solid growth in the Nordics and Europe segments, combined with a strong increase in sales in the Resilient Global segment contributed to the performance during the quarter. The markets in China and the US also showed good growth in hardwood flooring in the second quarter.

Calculated in local currencies, sales growth was 13 per cent, including a currency impact (net) of SEK -14 million

Period January – June

Net sales for the Group during the January to June period amounted to SEK 1,450 million (1,368), an increase of 6 per cent compared with the corresponding period in 2015. The Europe and Resilient Global segments showed the highest growth of 13 per cent and 9 per cent, respectively.

Calculated in local currencies, organic growth was 7 per cent for January-June 2016.

NET SALES AND OPERATING PROFIT BY SEGMENT

Nordics

The segment demonstrated an increase in sales of 11 per cent to a total of SEK 347 million (314) for the second quarter of the year. Sweden reported growth of 21 per cent compared with the second quarter of 2015 and the improvement can be attributed to robust demand in all customer segments. Sales in Norway also rose, albeit at a slower pace than in Sweden, driven by good consumer sales in the middle and upper price segments. The pressure on prices is high in the lower price segments. Finland reported a continued negative trend for hardwood flooring and activities in the projects market were limited during the second quarter. However, we should see a moderate recovery in the projects market in the latter part of 2016. For the January-June period, net sales for the segment amounted to SEK 676 million (646), an increase of 5 per cent.

Operating profit before non-recurring items (adjusted EBIT) for the quarter was SEK 40 million (32), corresponding to 11.5 per cent (10.2) and for the period as a whole SEK 64 million (60), or 9.5 per cent (9.3).

Europe

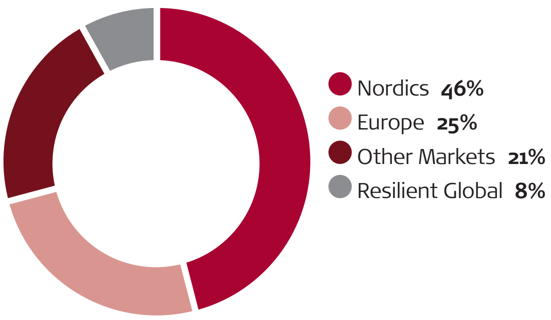
Net sales for the segment amounted to SEK 188 million (168) for the quarter, an increase of 12 per cent. All of the major countries in the Europe segment, including Germany, Switzerland, France and the UK, showed strong sales growth in the second quarter. In Germany, sales growth was 7 per cent and we see a steadily growing projects market with a clear shift from less expensive 3-strip products to more exclusive 1-strip products. The UK market is good and Kährs increased sales by 16 per cent for the quarter. We see the strongest growth in the projects market, while customers in the retail segment are somewhat more cautious. For the January-June period, net sales for the segment amounted to SEK 371 million (329), an increase in sales of 13 per cent.

Operating profit before non-recurring items (adjusted EBIT) was SEK 15 million (7) for the quarter, corresponding to 8.0 per cent (4.2) and for the period as a whole SEK 35 million (18), or 9.4 per cent (5.5).

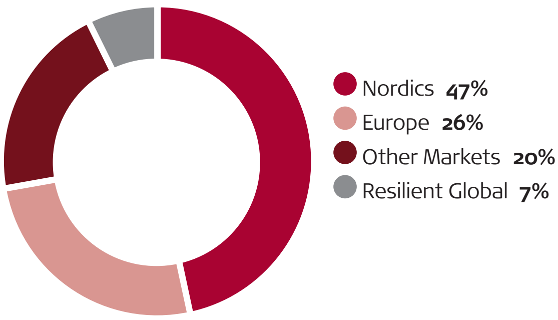
Other Markets

Net sales for Other Markets amounted to SEK 159 million (156) for the quarter, an increase of 2 per cent. The two largest markets in the segment, Russia and the US, developed in different directions. The Russian market was weak and

NET SALES BY SEGMENT QUARTER 2, 2016



NET SALES BY SEGMENT JANUARY–JUNE 2016



sales dropped by 15 per cent. Continued low oil prices, high inflation and high interest rates have had a clear negative impact on the projects market, which continued to weaken. Meanwhile, in the US we see a strong underlying market with high demand in the retail segment. The US projects market also continued to grow strongly in several regions. Kährs' US sales increased in total with 28 per cent during the quarter. For the January-June period, net sales for the segment amounted to SEK 297 million (296), a marginal increase compared with the previous year.

Operating profit before non-recurring items (adjusted EBIT) was SEK -1 million (10), corresponding to -0.6 per cent (6.4) and for the period as a whole SEK 3 million (18), or 1.0 per cent (6.1).

Resilient Global

Sales for Resilient Global, which account for about 7 per cent of consolidated net sales, amounted to SEK 61 million (43) for the second quarter, an increase of 42 per cent. The largest markets in the Resilient Global segment, Finland, Sweden, the US and Germany, have continued to have varying market conditions in the second quarter. We saw the strongest sales growth during the quarter in the US and Germany. In the largest market for the Group, Finland, we saw, however, a continued cautious projects market and sales were down 6 per cent compared with the same period last year. The sales trend in Sweden was somewhat weaker in the second quarter and sales were down 2 per cent. For the period as a whole, sales totalled SEK 106 million (97), corresponding with an increase of 9 per cent.

Operating profit before non-recurring items (adjusted EBIT) was SEK 7 million (3), corresponding to 11.5 per cent (7.0) and for the period as a whole SEK 12 million (8), or 11.3 per cent (8.2).

OPERATING PROFIT

Second quarter

Operating profit (EBIT) for the second quarter amounted to SEK 57 million (49), a SEK 8 million improvement largely attributable to higher sales. Operating profit excluding non-recurring items (adjusted EBIT) was SEK 61 million (52) or 8.1 per cent (7.6). Operating profit before depreciation, amortisation, and non-recurring items (adjusted EBITDA) reached SEK 84 million (76), or 11.1 per cent (11.2). Profit for the quarter totalled SEK 35 million (24).

The Group's total depreciation and amortisation of non-current assets for the second quarter amounted to SEK 22 million (25).

Period January – June

Operating profit (EBIT) for the January to June period amounted to SEK 107 million (106), a 1 per cent improvement. Operating profit excluding non-recurring items (adjusted EBIT) was SEK 114 million (104), corresponding to an operating margin of 7.9 per cent (7.6). For the period as a whole, adjusted EBIT increased by 10 per cent compared with the same period in 2015. Operating profit before depreciation and amortisation, and excluding non-recurring items (adjusted EBITDA) was SEK 159 million (153), corresponding to an operating margin of 11.0 per cent (11.2). Net profit for the period amounted to SEK 68 million (59), mainly attributable to increased net sales, continued good cost control and lower financial expenses.

The Group's total depreciation and amortisation of non-current assets for January-June amounted to SEK 45 million (48).

NET FINANCIAL EXPENSES

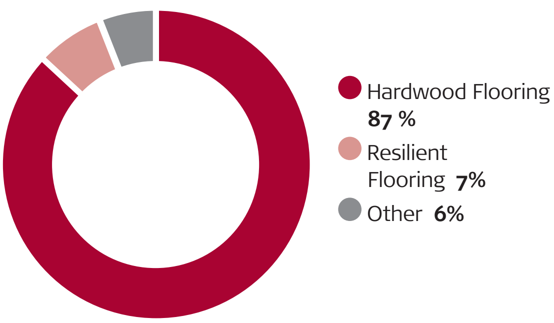
Second quarter

Net financial expenses amounted to SEK 14 million (19) for the second quarter of 2016. The positive effect for the quarter mainly relates to lower interest expense for external financing since the Group refinanced in the summer of 2015.

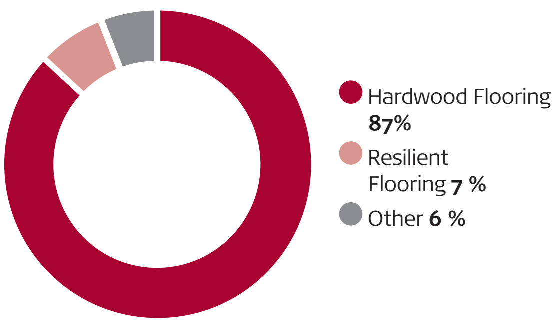
Period January – June

Net financial expenses amounted to SEK 22 million (34) for the period and can be explained by lower interest expense for the company's external financing.

NET SALES BY PRODUCT GROUP QUARTER 2, 2016



NET SALES BY PRODUCT GROUP JANUARY–JUNE 2016



TAX EXPENSE

Tax expense for the second quarter of 2016 amounted to SEK 8 million (6) and for the January to June period SEK 17 million (13).

CASH FLOW AND INVESTMENTS

Second quarter

Operating cash flow from operating activities was SEK 51 million (37). The improved operating profit, lower interest expense and increased working capital explain the change in operating cash flow compared with the second quarter of 2015. Working capital increased by SEK 27 million (8) during the quarter. Net working capital was SEK 64 million higher as at 30 June compared with the same date in 2015, totalling SEK 858 million (794). In particular, more capital is tied up in inventories and trade receivables as at 30 June than at the corresponding point in time in 2015 due to the build-up of stock in preparation for the planned summer closing of the factories, as well as a higher sales rate than the previous year.

Investments for the quarter amounted to SEK 19 million (42). The major investments in supply have been carried out and investment levels will decrease and focus more on maintenance and ongoing operation.

Period January – June

Operating cash flow from operating activities during the entire period amounted to SEK -15 million (25). Working capital increased by SEK 149 million, compared with an increase of SEK 74 million for the same period in 2015.

Investments for the January to June period amounted to SEK 31 million (65).

FINANCIAL POSITION

The Group's total assets amounted to SEK 2,164 million as at 30 June 2016 (2,002 as at 31 December 2015) and the equity ratio was 21.0 per cent (18.8).

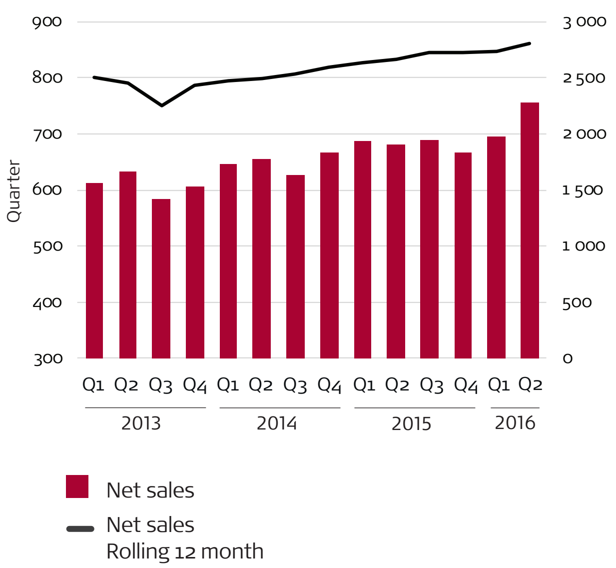
The Group's net debt was SEK 650 million as at 30 June 2016, compared with SEK 600 million as at 31 December 2015. Net debt in relation to adjusted EBITDA was 2.1 times (1.9) as at 30 June, with the interest coverage ratio 10.7 times (7.1).

The Group's cash and cash equivalents as at 30 June 2016 was SEK 134 million, compared with SEK 179 million as at 31 December 2015. As at 30 June the Group utilised SEK 50 million of the existing RCF facility of SEK 100 million. The Group also utilised SEK 55 million of the existing CAPEX facility of SEK 100 million. Consequently, available liquidity for the Group is SEK 229 million as at 30 June 2016.

EMPLOYEES

As at 30 June 2016 the Group had 1,616 employees, an increase of 67 compared with 31 December 2015 (1,549).

NET SALES



OPERATING PROFIT EXCL. NON-RECURRING ITEMS (ADJ. EBIT)

SEGMENT DEVELOPMENT

NORDICS

SEKm	Apr-Jun 2016	Apr-Jun 2015	Jan-Jun 2016	Jan-Jun 2015	Jan-Dec 2015	Jul 2015-Jun 2016
Segment revenue						
External customers	347	314	676	646	1,225	1,255
Operating profit excl. non-recurring items (adj. EBIT)	40	32	64	60	101	105
Operating profit excl. non-recurring items (adj. EBIT), %	11.5%	10.2%	9.5%	9.3%	8.2%	8.4%
Operating profit, (EBIT)	39	31	61	61	78	78
Operating profit (EBIT), %	11.2%	9.9%	9.0%	9.4%	6.4%	6.2%

EUROPE

SEKm	Apr-Jun 2016	Apr-Jun 2015	Jan-Jun 2016	Jan-Jun 2015	Jan-Dec 2015	Jul 2015-Jun 2016
Segment revenue						
External customers	188	168	371	329	675	717
Operating profit excl. non-recurring items (adj. EBIT)	15	7	35	18	65	82
Operating profit excl. non-recurring items (adj. EBIT), %	8.0%	4.2%	9.4%	5.5%	9.6%	11.4%
Operating profit, (EBIT)	13	5	32	18	56	70
Operating profit (EBIT), %	6.9%	3.0%	8.6%	5.5%	8.3%	9.8%

OTHER MARKETS

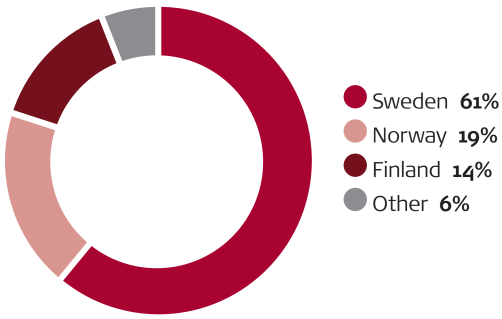
SEKm	Apr-Jun 2016	Apr-Jun 2015	Jan-Jun 2016	Jan-Jun 2015	Jan-Dec 2015	Jul 2015-Jun 2016
Segment revenue						
External customers	159	156	297	296	630	631
Operating profit excl. non-recurring items (adj. EBIT)	-1	10	3	18	41	26
Operating profit excl. non-recurring items (adj. EBIT), %	-0.6%	6.4%	1.0%	6.1%	6.5%	4.1%
Operating profit, (EBIT)	-2	10	2	19	31	14
Operating profit (EBIT), %	-1.3%	6.4%	0.5%	6.4%	4.9%	2.1%

RESILIENT GLOBAL

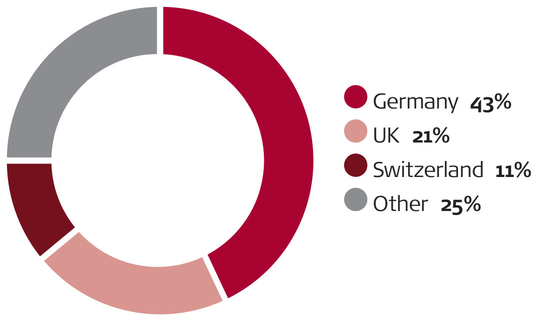
SEKm	Apr-Jun 2016	Apr-Jun 2015	Jan-Jun 2016	Jan-Jun 2015	Jan-Dec 2015	Jul 2015-Jun 2016
Segment revenue						
External customers	61	43	106	97	194	203
Operating profit excl. non-recurring items (adj. EBIT)	7	3	12	8	10	14
Operating profit excl. non-recurring items (adj. EBIT), %	11.5%	7.0%	11.3%	8.2%	5.2%	6.9%
Operating profit, (EBIT)	7	3	12	8	7	11
Operating profit (EBIT), %	11.5%	7.0%	11.3%	8.2%	3.6%	5.4%

NET SALES PER SEGMENT AND MARKET APRIL–JUNE 2016

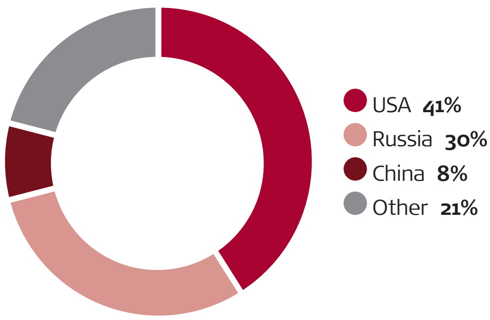
NORDICS - 347 SEKm



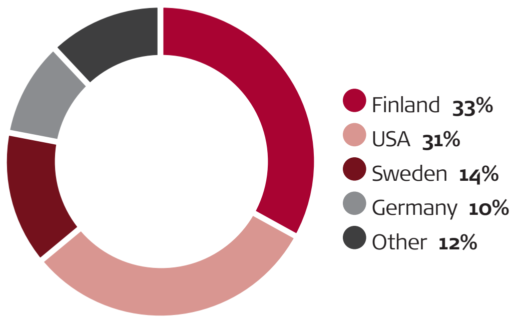
EUROPE - 188 SEKm



OTHER MARKETS - 159 SEKm



RESILIENT GLOBAL - 61 SEKm



GENERAL INFORMATION

ACCOUNTING PRINCIPLES 2016

This interim report is prepared in accordance with the Swedish Annual Accounts Act and IAS34, Interim Financial Reporting. For information regarding the accounting policies applied, see the Consolidated Financial Statements for fiscal year 2015.

RELATED-PARTY TRANSACTIONS

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

RISKS AND UNCERTAINTIES

Kährs is a global company with operations in many countries and as such exposed to a number of commercial and financial risks. Accordingly, risk management is an important process for Kährs in its work to achieve established targets. Efficient risk management is an ongoing process conducted within the framework of business controlling, and is a continuing review of the operations and forward-looking assessments of the business. Kährs long-term risk exposure is not assumed to deviate from the inherent exposure associated with Kährs' ongoing business operations.

PARENT COMPANY

Net sales in the parent company for January to June 2016 totalled SEK 0 million (0) with a profit after tax of SEK 11 million (-17). The improvement in earnings in the parent company is related to lower financing costs. The parent company's income statement and balance sheet are presented on pages 16–17 in this interim report.

EVENTS AFTER BALANCE SHEET DATE

No significant events in addition to those included in this report have occurred after the balance sheet date.

FINANCIAL REPORTING CALENDAR 2016

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

Reporting calendar:

Interim Report Q2, 2016	**12 August 2016**
Interim Report Q3, 2016	**11 November 2016**
Year-end Report 2016	**13 February 2017**

GOVERNING TEXT

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

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

Nybro, 12 August 2016
KÄHRS HOLDING AB (PUBL)

Anders Wassberg
Chairman

Carl Johan Falkenberg
Member

Sven-Gunnar Schough
Member

Hannu Paitula
Member

Bertel Langenskiöld
Member

Eva Lindqvist
Member

Johanna Arantola-Hattab
Member

Stefan Karlsson
Employee representative

Jakob Jakobsson
Employee representative

Christer Persson
President and CEO

The information in this interim report is that which Kährs Holding AB (publ) is required to disclose under the Swedish Securities Market Act and/or the Financial Instruments Trading Act. The information was submitted for publication at 3 p.m. CET on Friday 12 August 2016.

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

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556534-2481

Kährs Group

FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

SEKm	note	Apr-Jun 2016	Apr-Jun 2015	Jan-Jun 2016	Jan-Jun 2015	Jan-Dec 2015	Jul 2015-Jun 2016
Net sales	2	755	681	1,450	1,368	2,724	2,806
Cost of goods sold	3	-590	-542	-1,135	-1,077	-2,152	-2,210
Gross profit		**165**	**139**	**315**	**291**	**572**	**596**
Selling and distribution expenses	3	-78	-82	-156	-162	-317	-311
Administrative expenses	3	-26	-17	-49	-37	-99	-111
Other operating income		1	14	1	20	26	7
Other operating expenses		-5	-5	-4	-6	-7	-5
Share of results of associated companies		0	0	0	0	-3	-3
Operating profit	2	**57**	**49**	**107**	**106**	**172**	**173**
Financial income		0	1	2	2	23	23
Financial expenses		-14	-20	-24	-36	-120	-108
Profit before tax		**43**	**30**	**85**	**72**	**75**	**88**
Income tax expense		-8	-6	-17	-13	-13	-17
Profit for the period		**35**	**24**	**68**	**59**	**62**	**71**
Attributable to:							
Shareholders of the parent company		**35**	**24**	68	59	62	71
Non-controlling interests		**0**	**0**	0	0	0	0
Total		**35**	**24**	**68**	**59**	**62**	**71**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SEKm	Apr-Jun 2016	Apr-Jun 2015	Jan-Jun 2016	Jan-Jun 2015	Jan-Dec 2015	Jul 2015-Jun 2016
Profit for the period	**35**	**24**	**68**	**59**	**62**	**71**
Other comprehensive income						
Items that may be reclassified in the income statement:						
Translation differences	18	-15	27	-4	-54	12
Other comprehensive income, net of tax	**18**	**-15**	**27**	**-4**	**-54**	**12**
Total comprehensive income for the period	**53**	**9**	**95**	**55**	**8**	**83**
Attributable to:						
Shareholders of the parent company	53	9	95	55	8	83
Non-controlling interests	0	0	0	0	0	0
Total	**53**	**9**	**95**	**55**	**8**	**83**
Earnings per share before and after dilution, SEK	1.2	0.8	**2.3**	**2.0**	**2.0**	**2.4**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

SEKm	note	30 Jun 2016	30 Jun 2015	31 Dec 2015
ASSETS				
Non-current assets				
Intangible assets		1	1	1
Tangible assets		649	784	646
Investments in associated companies		8	11	7
Other financial assets		5	6	5
Deferred tax assets		84	87	87
Total non-current assets		**747**	**889**	**746**
Current assets				
Inventories		745	719	683
Trade receivables		473	413	325
Derivatives		-	-	4
Other current assets		65	63	65
Cash and cash equivalents		134	74	179
Total current assets		**1,417**	**1,269**	**1,256**
TOTAL ASSETS		**2,164**	**2,158**	**2,002**
EQUITY AND LIABILITIES				
Equity				
Share capital		0	0	0
Reserves		-145	-122	-172
Retained earnings including profit for the period		599	528	531
Total		454	406	359
Non-controlling interests		0	0	0
Total equity		**454**	**406**	**359**
Non-current liabilities				
Interest bearing liabilities	4	1,000	1,062	991
Provisions for pensions		1	1	1
Other provisions		2	3	2
Deferred tax liabilities		10	13	11
Total non-current liabilities		**1,013**	**1,079**	**1,005**
Current liabilities				
Interest bearing liabilities	4	2	4	2
Other provisions		23	23	20
Trade payables		360	338	332
Income tax payable		11	1	1
Derivatives		8	7	6
Other current liabilities		293	300	277
Total current liabilities		**697**	**673**	**638**
TOTAL EQUITY AND LIABILITIES		**2,164**	**2,158**	**2,002**

CONSOLIDATED STATEMENT OF CASH FLOWS

SEKm	Apr-Jun 2016	Apr-Jun 2015	Jan-Jun 2016	Jan-Jun 2015	Jan-Dec 2015	Jul 2015-Jun 2016
Operating activities						
Profit before tax	43	30	85	72	75	88
Other non cash items	43	34	67	62	141	146
Cash flow before interest and tax	**86**	**64**	**152**	**134**	**216**	**234**
Interest received	0	1	0	2	2	0
Interest paid	-7	-14	-14	-28	-44	-30
Income tax paid	-1	-6	-4	-9	-6	-1
Net cash flow from operating activities before change in working capital	**78**	**45**	**134**	**99**	**168**	**203**
Change in working capital						
Change in inventories	-39	-43	-63	-28	9	-26
Change in operating receivables	-39	23	-142	-98	-17	-61
Change in operating liabilities	51	12	56	52	23	27
Net cash flows from operating activities	**51**	**37**	**-15**	**25**	**183**	**143**
Investing activities						
Investment in tangible assets	-19	-42	-31	-65	-118	-84
Investment in financial assets	0	0	0	0	-10	-10
Proceeds from sale of property, plant and equipment	0	0	0	0	9	9
Proceeds from sale of financial assets	0	0	0	0	1	1
Net cash flows from investing activities	**-19**	**-42**	**-31**	**-65**	**-118**	**-84**
Financing activities						
Change in bank overdraft facility	0	6	0	33	-18	-51
Proceeds from borrowings	25	0	25	0	813	838
Repayment of borrowings	-25	0	-25	0	-758	-783
Net cash flows from financing activities	**0**	**6**	**0**	**33**	**37**	**4**
Cash flow for the period	**32**	**1**	**-46**	**-7**	**102**	**63**
Cash and cash equivalents at beginning of period	101	71	179	80	80	74
Exchange-rate differences in cash and cash equivalents	1	2	1	1	-3	-3
Cash and cash equivalents at end of period	**134**	**74**	**134**	**74**	**179**	**134**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

SEKm	Share capital	Contributions of other capital	Reserves	Retained earnings	Total	Non-controlling interests	Total equity
As at 1 January 2016	**0**	**0**	**-172**	**531**	**359**	**0**	**359**
Profit for the period	-	-	-	68	68	0	68
Other comprehensive income	-	-	27	-	27	0	27
Per 30 June 2016	**0**	**0**	**-145**	**599**	**454**	**0**	**454**

SEKm	Share capital	Contributions of other capital	Reserves	Retained earnings	Total	Non-controlling interests	Total equity
As at 1 January 2015	**0**	**0**	**-118**	**469**	**351**	**0**	**351**
Profit for the period	-	-	0	59	59	0	59
Other comprehensive income	-	-	-4	0	-4	0	-4
Per 30 June 2015	**0**	**0**	**-122**	**528**	**406**	**0**	**406**

SEKm	Share capital	Contributions of other capital	Reserves	Retained earnings	Total	Non-controlling interests	Total equity
As at 1 January 2015	**0**	**0**	**-118**	**469**	**351**	**0**	**351**
Profit for the period	-	-	0	62	62	0	62
Other comprehensive income	-	-	-54	0	-54	0	-54
Per 31 December 2015	**0**	**0**	**-172**	**531**	**359**	**0**	**359**

PARENT COMPANY INCOME STATEMENT

SEKm	Apr-Jun 2016	Apr-Jun 2015	Jan-Jun 2016	Jan-Jun 2015	Jan-Dec 2015	Jul 2015-Jun 2016
Net sales	-	-	-	-	-	-
Cost of goods sold	-	-	-	-	-	-
Gross profit	**-**	**-**	**-**	**-**	**-**	**-**
Selling and distribution expenses	-	-	-	-	-	-
Administrative expenses	-2	-1	-3	-2	-3	-4
Other operating income	4	5	9	9	17	18
Other operating expenses	-5	-6	-10	-10	-23	-20
Operating profit (EBIT)	**-3**	**-2**	**-4**	**-3**	**-9**	**-6**
Financial income	17	9	32	18	47	19
Financial expenses	-6	-15	-14	-37	-100	-40
Group contribution received	-	-	-	-	62	62
Profit excluding tax	**8**	**-8**	**14**	**-22**	**0**	**35**
Income tax expense	-2	2	-3	5	0	-8
Profit for the period	**6**	**-6**	**11**	**-17**	**0**	**28**
Attributable to shareholders of the parent company	**6**	**-6**	11	-17	0	28
Total	**6**	**-6**	**11**	**-17**	**0**	**28**

PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME

SEKm	Apr-Jun 2016	Apr-Jun 2015	Jan-Jun 2016	Jan-Jun 2015	Jan-Dec 2015	Jul 2015-Jun 2016
Profit for the period	**6**	**-6**	**11**	**-17**	**0**	**28**
Other comprehensive income						
Items that may be reclassified in the income statement:						
Translation differences	-	-	-	-	-	-
Other comprehensive income, net of tax	**-**	**-**	**-**	**-**	**-**	**-**
Total comprehensive income for the period	**6**	**-6**	**11**	**-17**	**0**	**28**
Attributable to shareholders of the parent company	6	-6	11	-17	0	28
Total	**6**	**-6**	**11**	**-17**	**0**	**28**
Earnings per share before and after dilution, SEK	**0.2**	**-0.2**	**0.4**	**-0.6**	**0.0**	**0.9**

PARENT COMPANY STATEMENT OF FINANCIAL POSITION

SEKm	30 Jun 2016	30 Jun 2015	31 Dec 2015
ASSETS			
Non-current assets			
Financial assets	1,170	1,066	1,166
Deferred tax assets	14	22	16
Total non-current assets	**1,184**	**1,088**	**1,182**
Current assets			
Other current assets	28	12	1
Cash and cash equivalents	90	-	105
Total current assets	**118**	**12**	**106**
TOTAL ASSETS	**1,302**	**1,100**	**1,288**
EQUITY AND LIABILITIES			
Equity			
Share capital	-	-	-
Retained earnings including profit for the period	313	286	302
Total	313	286	302
Non-controlling interests	-	-	-
Total equity	**313**	**286**	**302**
Non-current liabilities			
Interest bearing liabilities	809	725	806
Total non-current liabilities	**809**	**725**	**806**
Current liabilities			
Trade payables	9	1	11
Other current liabilities	171	88	169
Total current liabilities	**180**	**89**	**180**
TOTAL EQUITY AND LIABILITIES	**1,302**	**1,100**	**1,288**

NOTES

NOTE 1. ACCOUNTING POLICIES

This interim report is prepared in accordance with the Swedish Annual Accounts Act and IAS34, Interim Financial Reporting. For information regarding the accounting policies applied, see the Consolidated Financial Statements for fiscal year 2015.

The preparation of the financial reports in accordance with IFRS requires management to make judgments and estimates, as well assumptions, which affect the application of the accounting principles and the carrying amounts in the income statement and statement of financial position. Estimates and assumptions are based on historical experience and a number of factors that under current circumstances seem reasonable. The results of these estimates and assumptions are then used to determine the carrying amounts of assets and liabilities that otherwise are not clearly indicated by other sources. Actual outcomes may deviate from these estimates and judgments.

NOTE 2. SEGMENT

The information provided below is provided from the perspective of management, which means that it is presented in the manner used in internal reporting. Identification of reportable segments is based on internal reporting to the chief operating decision-maker. The Group has identified the CEO as the chief operating decision-maker. The Company's management and reporting are based on operating profit by operating segment, i.e., geographic region for Hardwood Flooring and global division for Resilient Flooring. The Group divides Hardwood Flooring into three geographic segments: Nordics, Europe and Other Markets. The largest markets in the Nordics are Sweden, Norway and Finland. In the Europe segment, the largest markets are Germany, the UK and Switzerland, and in the Other Markets segment, the largest markets are the US, Russia and China. Total assets/liabilities per segment are not reported to the chief operating decision-maker.

NET SALES BY SEGMENT, EXTERNAL CUSTOMERS

SEKm	Apr-Jun 2016	Apr-Jun 2015	Jan-Jun 2016	Jan-Jun 2015	Jan-Dec 2015	Jul 2015-Jun 2016
Nordics	347	314	676	646	1,225	1,255
Europe	188	168	371	329	675	717
Other Markets	159	156	297	296	630	631
Resilient Global	61	43	106	97	194	203
Net sales Group, external customers	**755**	**681**	**1,450**	**1,368**	**2,724**	**2,806**

OPERATING PROFIT EXCL. NON-RECURRING ITEMS (ADJ. EBIT) BY SEGMENT

SEKm	Apr-Jun 2016	Apr-Jun 2015	Jan-Jun 2016	Jan-Jun 2015	Jan-Dec 2015	Jul 2015-Jun 2016
Nordics	40	32	64	60	101	105
Europe	15	7	35	18	65	82
Other Markets	-1	10	3	18	41	26
Resilient Global	7	3	12	8	10	14
Operating profit excl. non-recurring items (adj. EBIT)	**61**	**52**	**114**	**104**	**217**	**227**

OPERATING PROFIT (EBIT) PER SEGMENT

SEKm	Apr-Jun 2016	Apr-Jun 2015	Jan-Jun 2016	Jan-Jun 2015	Jan-Dec 2015	Jul 2015-Jun 2016
Nordics	39	31	61	61	78	78
Europe	13	5	32	18	56	70
Other Markets	-2	10	2	19	31	14
Resilient Global	7	3	12	8	7	11
Operating profit (EBIT)	**57**	**49**	**107**	**106**	**172**	**173**

NOTE 3. NON-RECURRING ITEMS

SEKm	Apr-Jun 2016	Apr-Jun 2015	Jan-Jun 2016	Jan-Jun 2015	Jan-Dec 2015	Jul 2015-Jun 2016
Operating profit excl. non-recurring items (adjusted EBIT)	**61**	**52**	**114**	**104**	**217**	**227**
Production footprint changes	-3	-3	-6	2	-25	-33
Other non-recurring items	-1	0	-1	0	-20	-21
Operating profit (EBIT)	**57**	**49**	**107**	**106**	**172**	**173**

NOTE 4. INTEREST BEARING LIABILITIES

SEKm	30 Jun 2016	30 Jun 2015	31 Dec 2015
Non-current liabilities			
Shareholder loans [1]	205	189	199
Corporate bond	-	725	-
Financing costs [2]	-	-15	-
Finance lease	3	112	4
Utilized bank overdraft facility	-	50	-
Loan Facility A	250	-	275
Loan Facility B	453	-	452
Financing costs [3]	-17	-	-19
Revolving Credit Facility (RCF)	50	-	25
Utilized investment credit	55	-	55
Other loans	1	1	0
Total non-current interest bearing liabilities	**1,000**	**1,062**	**991**
Current liabilities			
Finance lease	1	3	1
Other loans	1	1	1
Total current interest bearing liabilities	**2**	**4**	**2**
Total interest bearing liabilities	**1,002**	**1,066**	**993**

[1] Shareholder to Nanna II S.C.A, interest compounded annually
[2] Accrued financing costs spread over the term of the bond loan
[3] Accrued financing costs spread over the term of the loans

CONSOLIDATED KEY PERFORMANCE INDICATORS

SEKm	Apr-Jun 2016	Apr-Jun 2015	Jan-Jun 2016	Jan-Jun 2015	Jan-Dec 2015	Jul 2015-Jun 2016
Net sales	755	681	1,450	1,368	2,724	2,806
Operating profit excl. depreciation and non-recurring items (adj. EBITDA)	84	76	159	153	314	320
Operating profit excl. depreciation and non-recurring items (adj. EBITDA), %	11.1%	11.2%	11.0%	11.2%	11.5%	11.4%
Operating profit excl. non-recurring items (adjusted EBIT)	61	52	114	104	217	227
Operating profit excl. non-recurring items (adjusted EBIT), %	8.1%	7.6%	7.9%	7.6%	8.0%	8.1%
Operating profit, (EBIT)	57	49	107	106	172	173
Operating profit (EBIT), %	7.5%	7.2%	7.4%	7.7%	6.3%	6.2%
Profit for the period	35	24	68	59	62	71
Profit for the period, %	4.6%	3.5%	4.7%	4.3%	2.3%	2.5%
Net cash flows from operating activities	51	37	-15	25	183	143
Investments	19	42	31	65	118	84
Total cash flow	32	1	-46	-7	102	63
Total assets	2,164	2,158	2,164	2,158	2,002	2,164
Cash and cash equivalents at end of period	134	74	134	74	179	134
Net working capital	858	794	858	794	676	858
Net debt	650	801	650	801	600	650
Equity	454	406	454	406	359	454
Capital employed	855	992	855	992	799	855
Equity ratio, %	21.0%	18.8%	21.0%	18.8%	18.0%	21.0%
Return on Equity, %	16.7%	15.0%	16.7%	15.0%	17.5%	16.7%
Return on capital employed, %	18.7%	16.4%	18.7%	16.4%	21.1%	18.7%
Interest coverage ratio, times	10.7	4.7	10.7	4.7	7.1	10.7
Net debt/EBITDA ratio, times	2.1	2.8	2.1	2.8	1.9	2.1
Number of employees, end of period	1,616	1,540	1,616	1,540	1,549	1,616

DEFINITIONS

OPERATING PROFIT (EBIT)
Earnings before financial items and tax

OPERATING MARGIN, EBIT IN PER CENT
Calculated as EBIT above as a percentage of net sales for the period

OPERATING PROFIT EBITDA
Operating profit before depreciation/amortization

ADJUSTED EBIT
Operating profit excl. non-recurring items

ADJUSTED EBITDA
Operating profit before depreciation/amortization and non-recurring items

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

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

NET DEBT/EBITDA RATIO
Net debt excluding financial leasing in relation to operating profit before depreciation/amortization and non-recurring items (Adjusted EBITDA)

NET WORKING CAPITAL
Inventories and trade receivables, less trade payables

RETURN ON EQUITY
Profit after tax for the period as a percentage of average equity excluding shares without controlling interests

RETURN ON CAPITAL EMPLOYED
Operating profit (EBIT) as a percentage of average capital employed. Capital employed refers to net debt plus share capital plus shareholder loans

EQUITY RATIO
Equity as a percentage of total assets

ABOUT KÄHRS HOLDING AB (PUBL)

Kährs Holding AB (publ) is a world-leading flooring manufacturer in hardwood and resilient flooring with a number of strong brands in its product portfolio, including Kährs, Karelia and Upofloor. The Company's innovations have shaped the industry throughout history and Kährs Group is dedicated to providing the market with innovative new flooring solutions. Kährs Group, which delivers products to more than 70 countries, is the market leader in Sweden, Finland, Norway and Russia and holds a strong position in other key markets, such as the UK and Germany. The Group has approximately 1,600 employees and annual sales of EUR 300 million.

www.kahrsgroup.com