

INTERIM REPORT

KÄHRS HOLDING AB (PUBL) QUARTER 3 | 2017

Net sales up

3 per cent quarter over quarter

Strong sales growth

in the Nordics and Resilient Global segments

Operating EBITA rose

by 7 per cent

Kährs Group

CONTINUED STABLE SALES GROWTH AND IMPROVED OPERATING PROFIT

THIRD QUARTER, JULY – SEPTEMBER 2017

- Net sales totalled SEK 729 million (708), an increase of 3 per cent compared with the same period in 2016. Organic sales growth was 3 per cent
- Operating EBITA rose 7 per cent and totalled SEK 63 million (59), corresponding to an operating margin of 8.6 per cent (8.3)
- Operating profit (EBIT) for the third quarter decreased by SEK 66 million to SEK -16 million (50), corresponding to -2.2 per cent (7.1). The decline can be attributed to items affecting comparability of SEK 78 million (9) in the quarter, primarily related to a provision for tariff costs in the US of SEK 50 million, as well as changes in the production structure in Finland of SEK 13 million
- Consolidated profit for the quarter was SEK -20 million (21)
- Earnings per share amounted to SEK -662 (701)

PERIOD JANUARY – SEPTEMBER 2017

- Net sales for the period totalled SEK 2,303 million (2,158), an increase of 7 per cent compared with the same period in 2016. Organic sales growth was 4 per cent
- Operating EBITA rose 20 per cent compared with the same period in 2016 and totalled SEK 207 million (173), corresponding to an operating margin of 9.0 per cent (8.0)
- Operating profit (EBIT) for the period was SEK 93 million (157), corresponding to 4.0 per cent (7.3), including a negative impact for items affecting comparability of SEK 113 million (16) relating primarily to a provision for tariff costs in the US as well as changes in production structure in Finland
- Consolidated profit for the period was SEK 60 million (89)
- Earnings per share amounted to SEK 2,004 (2,984)

KEY PERFORMANCE INDICATORS FOR THE GROUP

SEK m	Jul-Sep 2017	Jul-Sep 2016	Jan-Sep 2017	Jan-Sep 2016	Jan-Dec 2016	Oct 2016- Sep 2017
Net sales	729	708	2,303	2,158	2,894	3,040
EBITA	-15	50	94	157	133	70
EBITA, %	-2.1%	7.1%	4.1%	7.3%	4.6%	2.3%
Operating EBITA	63	59	207	173	227	261
Operating EBITA, %	8.6%	8.3%	9.0%	8.0%	7.8%	8.6%
Operating profit (EBIT)	-16	50	93	157	133	69
Operating profit (EBIT), %	-2.2%	7.1%	4.0%	7.3%	4.6%	2.3%
Operating profit excl. items affecting comparability (operating EBIT)	62	59	206	173	227	260
Operating profit excl. items affecting comparability (operating EBIT), %	8.5%	8.3%	8.9%	8.0%	7.8%	8.6%
Operating profit excl. depreciation and items affecting comparability (adjusted EBITDA)	86	81	277	241	320	357
Operating profit excl. depreciation and items affecting comparability (adjusted EBITDA), %	11.8%	11.4%	12.0%	11.2%	11.1%	11.7%
Profit for the period	-20	21	60	89	59	30
Profit for the period, %	-2.7%	3.0%	2.6%	4.1%	2.0%	1.0%
Earnings per share before and after dilution, SEK	-662	701	2,004	2,984	1,972	993
Net cash flows from operating activities	40	72	71	57	187	201
Net debt	908	615	908	615	526	908
Equity ratio, %	13.7%	22.5%	13.7%	22.5%	21.5%	13.7%
Return on capital employed, %	8.0%	18.9%	8.0%	18.9%	17.2%	8.0%

CHIEF EXECUTIVE'S COMMENTS



“ We continue the journey by focusing on increasing the proportion of premium sales in our business. By actively driving design and innovation Kährs will further strengthen its position as market leader on several of our core markets.”

STABLE SALES GROWTH AND IMPROVED OPERATING PROFIT DURING THE THIRD QUARTER 2017

The Kährs Group continued to show stable sales growth in the third quarter of 2017 at 3 per cent. The resilient flooring segment demonstrated the strongest sales growth, followed by the Nordics segment, while the development for Other Markets was below the previous year. Consolidated operating EBITA increased by 7 per cent during the quarter to SEK 63 million, corresponding to a margin of 8.6 per cent.

● Net sales for the third quarter rose 3 per cent compared with last year, reaching SEK 729 million. The trend for demand varies in our core markets, where projects account for an increasing share of our sales, and our assessment is that we are continuing to capture market share. Profit for the Group before items affecting comparability (operating EBITA) was SEK 63 million, SEK 4 million better than the same period in 2016 and an increase of 7 per cent. Sales growth combined with a stable operating gross margin and good cost control contribute to our continued development. EBITA amounted to SEK -15 million (50) and the decline is explained by items affecting comparability of SEK 78 million (9).

Our largest segment, Nordics, demonstrated a favourable sales performance and our positioning in the projects market and the building trade continue to generate business and opportunities for further growth in the segment. Net sales reached SEK 325 million, an increase of 7 per cent compared with the same period last year.

Sales in the Europe segment increased by 1 per cent during the quarter and totalled SEK 181 million. We saw a favourable performance in several of our markets, though Switzerland in particular reported weaker sales. The majority of market growth in the segment is generated in new construction and

renovation projects, while the consumer market is somewhat more cautious.

The trend in the Other Markets segment was weak during the quarter, with sales declining by 8 per cent to SEK 163 million. The negative trend in Russia and China could not be fully offset by strong sales growth in the US.

Sales growth for the Resilient Global segment was strong with an increase of 25 per cent during the quarter and a favourable trend was seen in several of the markets.

We continue the journey by focusing on increasing the proportion of premium sales in our business. By actively driving design and innovation Kährs will further strengthen its position as market leader on several of our core markets. We will continue to develop our hardwood flooring, as well as our PVC-free resilient flooring, towards new objectives – always based on the needs and expectations of our customers.

Digitalisation is a natural component of life that will simplify things for our customers. We aim to simplify, improve and clarify our value proposition, and we continually work with our messaging and the opportunity to share information about our products in all environments and in every context. During the third quarter, we conducted a successful pilot project for a B2B e-commerce service and the next step will be to launch this on a broader front.

We are constantly searching for the optimal model for our customers. In addition to our products, our level of service and our promises, we want to provide our customers with a positive experience and a sense of satisfaction. We believe this is done through commitment and dedication, with the objective of meeting the varying needs of individuals.

Christer Persson
President and CEO



KÄHRS INTERIM REPORT JANUARY–SEPTEMBER 2017

ABOUT THE 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, one of the leading flooring companies in Europe. The parent company, Kährs Holding AB, has its registered office in Nybro, Sweden. Headquarters are located in Malmö. The Group has approximately 1,700 employees and annual sales of more than SEK 3 billion.

The Group's main products are hardwood and resilient flooring for various applications and environments. Sales are global and the Group's four operating segments consist of three geographic segments for hardwood flooring, Nordics, Europe and Other Markets, as well as a segment for resilient flooring, Resilient Global. Production facilities are located in Sweden, Finland, Russia, Romania and Poland.

Chairman: Anders Wassberg

CEO: Christer Persson

MARKET

The trend on the global flooring market continued to be relatively stable after the summer, but we also see major differences in Kährs' core markets.

The Swedish market is growing and is primarily driven by demand from both new construction and renovation projects. In Norway, the trend is positive in the middle and upper segments of the market and the Norwegian market is recovering. We see strong demand for both single-family homes and apartments. The market in Finland is also improving and this is currently most apparent in the projects market for multifamily housing. The Finnish consumer market continues to be somewhat cautious.

We can see clear differences in the trends in the Central Europe and UK markets. Germany is undergoing moderate market growth that is generated in the projects market, while consumer demand is somewhat negative. The UK market continues to grow regarding both projects and consumers and we have not yet seen any negative effects on the flooring market associated with Brexit. In Switzerland, the market is showing weaker growth with a clear preference for European products compared with products manufactured in Asia.

The continued unstable market situation in Russia has led to stagnation in the construction and renovation segment. End consumers are switching to laminates and other less expensive flooring solutions. The retail segment and wholesalers see a weaker sales trend than expected and the outlook is uncertain. We expect the volatile market trend to continue.

The market situation in the US continues to be robust with a positive momentum in the projects market and more moderate growth in retail. Demand for both single-family homes and apartments continues to be strong, which will benefit operators positioned in relation to the projects market.

For the resilient flooring market we continue to see varying trends in the core markets where the Kährs Group operates. In Finland, the market is weak, but we see a growing need for renovation of hospitals and schools. The Swedish market is stable and is driven primarily by demand from the healthcare sector. In Central Europe, growth is mainly in Germany with a stable projects market and in the US we have a favourable market with a growing focus on PVC-free flooring in public buildings.

GROUP PERFORMANCE

JANUARY–SEPTEMBER 2017

GROUP

SEK m	Jul-Sep 2017	Jul-Sep 2016	Jan-Sep 2017	Jan-Sep 2016	Jan-Dec 2016	Oct 16-Sep 17
Net sales	729	708	2,303	2,158	2,894	3,040
Organic growth, %	3	4	4	6	7	5
Operating EBITA	63	59	207	173	227	261
Operating EBITA, %	8.6	8.3	9.0	8.0	7.8	8.6
Operating profit (EBIT)	-16	50	93	157	133	69
Operating profit (EBIT), %	-2.2	7.1	4.0	7.3	4.6	2.3

NET SALES

Third quarter

Total Group net sales amounted to SEK 729 million (708), an increase of SEK 21 million or 3 per cent compared with the third quarter of 2016. The improvement can be explained by a solid trend in our largest segment for hardwood flooring, Nordics, as well as strong sales in Resilient Global, while sales in Other Markets had the weakest trend for the period.

Calculated in local currencies, sales growth was 3 per cent.

Period January – September

Net sales for the Group during the January to September period amounted to SEK 2,303 million (2,158), an increase of 7 per cent compared with the corresponding period in 2016. The Nordics and Resilient Global segments showed the highest growth of 7 per cent and 25 per cent, respectively, while Other Markets had the weakest trend in the period and declined by 8 per cent.

Calculated in local currencies, organic growth was 4 per cent for the period.

OPERATING PROFIT

Third quarter

Operating EBITA totalled SEK 63 million (59), corresponding to an operating margin of 8.6 per cent (8.3) and an increase of 7 per cent. This improvement can be explained by higher sales, a stable operating margin trend, and good control over our cost base. The operating result for the quarter (EBIT) was SEK -16 million (50). This decrease of SEK 66 million can be attributed to items affecting comparability of SEK 78 million (9) related to a provision for tariff costs in the US for the period 2002-2006 of SEK 50 million, as well as changes in the production structure in Finland of SEK 13 million. Exchange rate effects had an impact on the Group's operating profit of SEK 4 million.

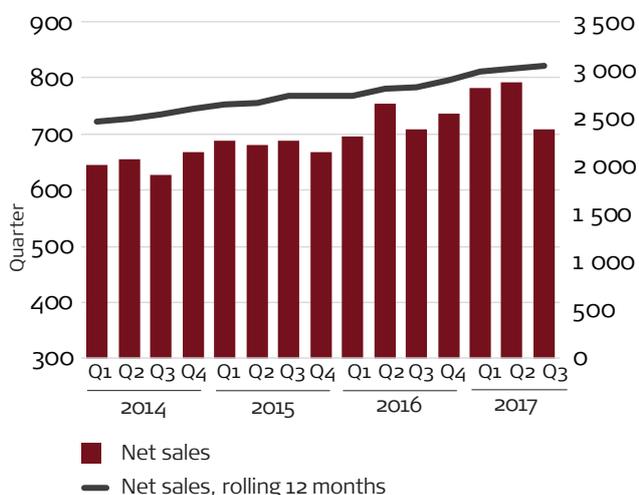
The Group's total depreciation and amortisation of property, plant and equipment for the third quarter amounted to SEK 23 million (22).

Period January – September

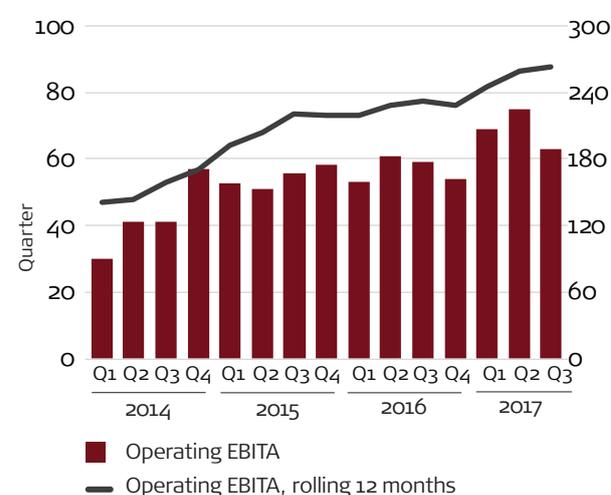
Operating EBITA was SEK 207 million (173), corresponding to an operating margin of 9.0 per cent (8.0). Operating profit (EBIT) for the period was SEK 93 million (157), corresponding to 4.0 per cent (7.3). The decline in operating profit of SEK 64 million was affected by items affecting comparability of SEK 113 million (16) in the period. The items affecting comparability are largely related to three provisions: SEK 50 million for tariff costs in the US, SEK 27 million for the closure of the factory in Tuupovaara, Finland, and SEK 13 million for the closure of the distribution centre in Heinola, Finland. Sales growth and the stable gross margin trend have driven the improvement in operating profit before items affecting comparability. Exchange rate effects had a positive impact on the Group's operating profit of SEK 10 million.

The Group's total depreciation and amortisation of property, plant and equipment for the period amounted to SEK 71 million (67).

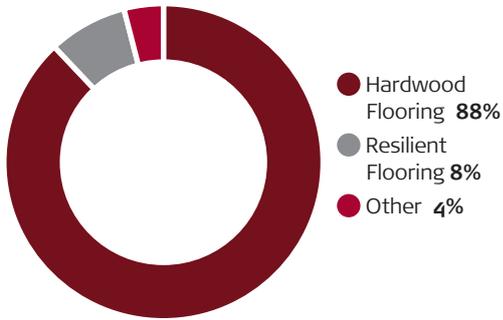
NET SALES



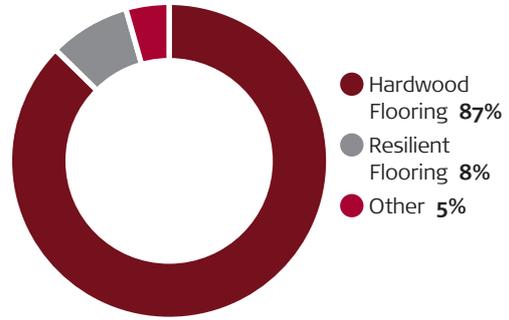
OPERATING EBITA



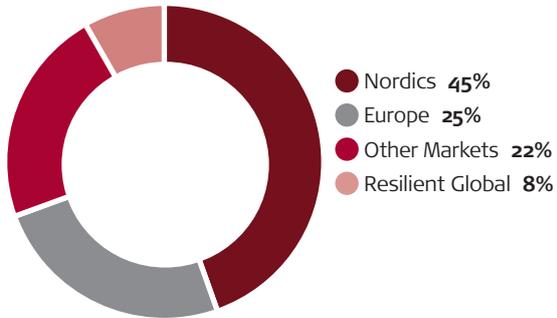
NET SALES BY PRODUCT GROUP
QUARTER 3, 2017



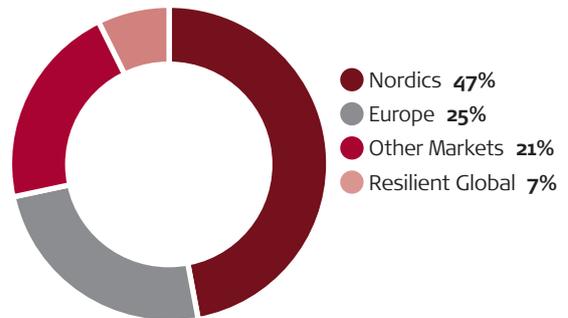
NET SALES BY PRODUCT GROUP
JANUARY-SEPTEMBER 2017



NET SALES BY SEGMENT
QUARTER 3, 2017



NET SALES BY SEGMENT
JANUARY-SEPTEMBER 2017



NET SALES AND OPERATING PROFIT BY SEGMENT

NORDICS

SEK m	Jul-Sep 2017	Jul-Sep 2016	Jan-Sep 2017	Jan-Sep 2016	Jan-Dec 2016	Oct 16-Sep 17
Net sales	325	303	1,084	979	1,323	1,429
Organic growth, %	6	7	10	6	7	10
Operating EBIT	33	37	111	101	126	136
Operating EBIT, %	10.2	12.2	10.2	10.3	9.5	9.5
Operating profit (EBIT)	18	32	53	93	101	61
Operating profit (EBIT), %	5.5	10.6	4.9	9.5	7.6	4.3

Third quarter

The segment demonstrated robust sales growth of 7 per cent to SEK 325 million (303) for the third quarter. Strong sales in both Sweden and Denmark in the period resulted in an increase driven by new construction and the renovation market. In Norway and Finland the trend was more moderate, but we see signs of improvement in both of these markets.

Operating EBIT for the quarter was SEK 33 million (37), corresponding to an operating margin of 10.2 per cent (12.2).

Period January – September

Sales in the segment rose 11 per cent and totalled SEK 1,084 million (979) during the period and operating EBIT totalled SEK 111 million (101), corresponding to an operating margin of 10.2 per cent (10.3).

EUROPE

SEK m	Jul-Sep 2017	Jul-Sep 2016	Jan-Sep 2017	Jan-Sep 2016	Jan-Dec 2016	Oct 16-Sep 17
Net sales	181	179	566	550	723	739
Organic growth, %	3	4	4	9	9	5
Operating EBIT	16	21	53	56	69	66
Operating EBIT, %	8.8	11.7	9.4	10.2	9.5	8.9
Operating profit (EBIT)	10	19	27	51	57	33
Operating profit (EBIT), %	5.5	10.6	4.8	9.3	7.9	4.5

Third quarter

Net sales for the segment amounted to SEK 181 million (179) for the quarter, an increase of 1 per cent. The majority of the larger markets in which the Kährs Group is active, including France, Germany and the UK, showed positive growth during the period, while Switzerland reported a somewhat weaker quarter with negative growth. A significant part of the market growth in these countries continues to be generated in the projects segment.

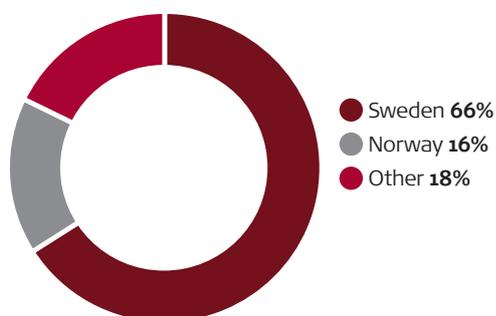
Operating EBIT was SEK 16 million (21) for the third quarter, corresponding to an operating margin of 8.8 per cent (11.7).

Period January – September

Sales in the segment rose 3 per cent and totalled SEK 566 million (550) during the period and the segment's operating EBIT was SEK 53 million (56), corresponding to an operating margin of 9.4 per cent (10.2).

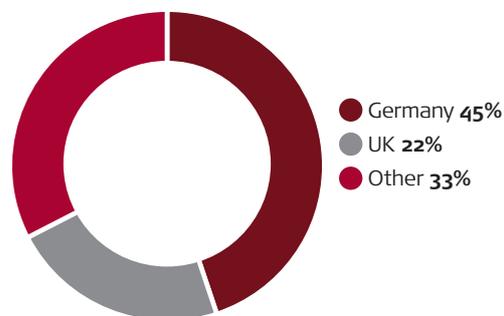
NET SALES BY MARKET

SEGMENT NORDICS - 325 SEKm
QUARTER 3, 2017



NET SALES BY MARKET

SEGMENT EUROPE - 181 SEKm
QUARTER 3, 2017



NET SALES AND OPERATING PROFIT BY SEGMENT, CONT.

OTHER MARKETS

SEK m	Jul-Sep 2017	Jul-Sep 2016	Jan-Sep 2017	Jan-Sep 2016	Jan-Dec 2016	Oct 16-Sep 17
Net sales	163	178	485	475	654	664
Organic growth, %	-8	-1	-5	4	4	-2
Operating EBIT	5	4	16	7	21	30
Operating EBIT, %	3.1	2.2	3.3	1.5	3.2	4.5
Operating profit (EBIT)	-51	2	-7	4	-34	-45
Operating profit (EBIT), %	-31.3	1.1	-1.4	0.8	-5.2	-6.8

Third quarter

Net sales for Other Markets amounted to SEK 163 million (178) for the quarter, a decrease of 8 per cent. The two largest markets in the segment, Russia and the US, continued to develop in different directions. The Russian market is weak and sales dropped compared with the same period last year. The market trend in the US continues to be favourable and the Kährs Group demonstrated robust sales growth in the third quarter.

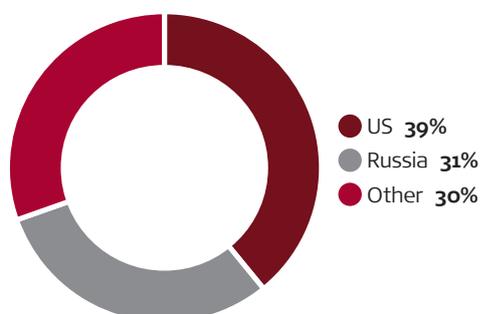
Operating EBIT for the period was SEK 5 million (4), corresponding to an operating margin of 3.1 per cent (2.2)

Period January – September

Sales in the segment rose 2 per cent to SEK 485 million (475) during the period and with an operating EBIT of SEK 16 million (7), corresponding to an operating margin of 3.3 per cent (1.5).

NET SALES BY MARKET

SEGMENT OTHER MARKETS - 163 SEKm
QUARTER 3, 2017



RESILIENT GLOBAL

SEK m	Jul-Sep 2017	Jul-Sep 2016	Jan-Sep 2017	Jan-Sep 2016	Jan-Dec 2016	Oct 16-Sep 17
Net sales	60	48	168	154	194	208
Organic growth, %	24	-6	7	3	-1	3
Operating EBIT	8	-3	26	9	11	28
Operating EBIT, %	13.3	-6.3	15.5	5.8	5.7	13.5
Operating profit (EBIT)	7	-3	20	9	9	20
Operating profit (EBIT), %	11.7	-6.3	11.9	5.8	4.6	9.6

Third quarter

Net sales for the Resilient Global segment amounted to SEK 60 million (48) for the third quarter, an increase of 25 per cent. Sales for resilient flooring were extremely strong in Sweden and the US, while Germany also showed good growth during the period. Demand for PVC-free flooring is becoming increasingly pronounced in the core markets where the Kährs Group operates. In Finland, however, we saw continued weak growth in the segment.

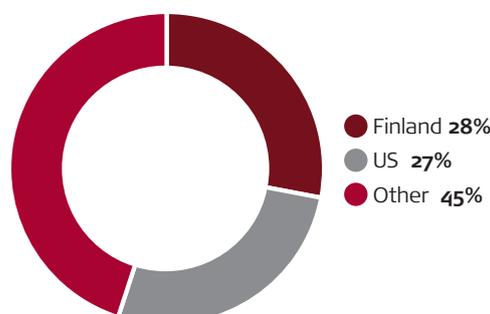
Operating EBIT was SEK 8 million (-3) for the quarter, corresponding to an operating margin of 13.3 per cent (-6.3).

Period January – September

Sales in the resilient flooring segment rose 9 per cent to SEK 168 million (154) for the period and operating EBIT totalled SEK 26 million (9), corresponding to an operating margin of 15.5 per cent (5.8).

NET SALES BY MARKET

SEGMENT RESILIENT GLOBAL - 60 SEKm
QUARTER 3, 2017



CASH FLOW AND INVESTMENTS

Third quarter

Cash flow from operating activities was SEK 40 million (72). Total working capital decreased by SEK 1 million (8) during the quarter. Net working capital was SEK 70 million higher as at 30 September compared with the same date in 2016, totalling SEK 912 million (842). More capital is tied up in inventories due to the purchase of oak logs, while trade receivables have increased because of an expected seasonal variation in sales. Trade payables are SEK 26 million higher than they were at the same point in time last year.

Investments for the third quarter amounted to SEK 14 million (22) and mainly related to production equipment.

Period January – September

Cash flow from operating activities during the entire period amounted to SEK 71 million (57). Working capital increased by SEK 108 million, compared with an increase of SEK 141 million for the same period in 2016.

Investments for the January to September period amounted to SEK 36 million (53) and primarily related to production equipment.

NET FINANCIAL EXPENSES

Third quarter

Net financial expenses amounted to SEK 9 million (21) for the third quarter of 2017.

Period January – September

Net financial expenses amounted to SEK 15 million (43) for the period.

FINANCIAL POSITION

The Group's total assets amounted to SEK 2,153 million as at 30 September 2017 (2,187) and the equity ratio was 13.7 per cent (22.5).

The Group's net debt was SEK 908 million as at 30 September 2017, compared with SEK 615 million as at 30 September 2016. Net debt in relation to adjusted EBITDA

NET DEBT

SEK m	30 Sep 2017	30 Sep 2016	31 Dec 2016
Shareholder loans	-	210	220
Liabilities to credit institutions	1,030	806	785
Other	6	5	5
Total interest-bearing liabilities	1,036	1,021	1,010
Less			
Shareholder loans	-	-210	-220
Cash and cash equivalents including interest-bearing receivables	-128	-196	-264
Net debt	908	615	526
Interest coverage ratio, times	13.7	11.6	11.9
Net debt/EBITDA ratio, times	2.6	1.9	1.7

was 2.6 times (1.9) as at 30 September, with the interest coverage ratio 13.7 times (11.6).

The Group's cash and cash equivalents as at 30 September 2017 was SEK 128 million, compared with SEK 182 million as at 30 September 2016. The Group has utilised SEK 150 million of the existing revolving credit facility (RCF) of SEK 200 million. The Group also utilised SEK 55 million of the existing investment credit facility of SEK 100 million. Consequently, available liquidity for the Group was SEK 222 million as at 30 September 2017, which provides good stability moving forward.

TAX EXPENSE

Tax expense for the third quarter of 2017 amounted to SEK -5 million (8) and for the January to September period SEK 18 million (25).

OTHER INFORMATION

EVENTS DURING THE QUARTER

Peter Ericsson was appointed new CFO for the Group as of 1 September. He is part of Group Management and he succeeded Torbjörn Clementz who has left the company.

EVENTS AFTER BALANCE SHEET DATE

Sven-Gunnar Schough has resigned as board member. No other significant events have occurred after the balance sheet date.

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

The Kährs Group 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, which is governed by the Group's risk policy, 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.

For information about the Group's risks, please see the Consolidated Financial Statements for fiscal year 2016.

PARENT COMPANY

Net sales in the parent company for January to September 2017 totalled SEK 0 million (0) with a profit after tax of SEK 13 million (8). The parent company's income statement and balance sheet are presented on pages 17–18 in this interim report.

EMPLOYEES

As at 30 September 2017 the Group had 1,751 employees, an increase of 106 compared with 30 September 2016 (1,645). This increase in personnel mainly relates to blue collar employees at our production plants.

FINANCIAL REPORTING CALENDAR

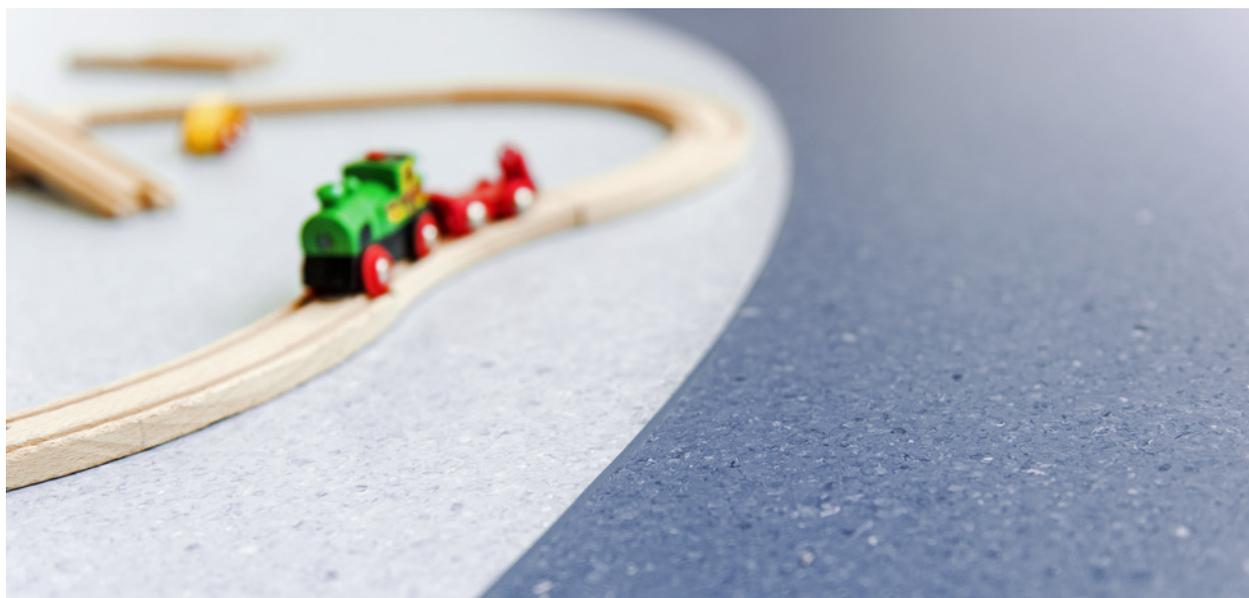
Kährs Holding AB (publ)'s interim reporting as well as its annual financial reports are available on the Kährs Group website www.kahrsgroup.com.

Reporting calendar:

● Year-end Report full-year 2017	13 February 2018
● Annual Report 2017	April 2018
● Interim Report Q1, 2018	9 May 2018
● Annual General Meeting 2018	May 2018

GOVERNING TEXT

This report has been translated from Swedish. 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, 13 November 2017
KÄHRS HOLDING AB (PUBL)

Anders Wassberg

Chairman

Carl Johan Falkenberg

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 obliged to make public pursuant to the EU Market Abuse Regulation (MAR). The information was submitted for publication at 3 p.m. CET on Monday 13 November 2017.

For further information, please contact:

Christer Persson
President and CEO

Phone: +46 70 271 20 14

Email: christer.persson@kahrs.com

Peter Ericsson

CFO

Phone: +46 70 461 10 39

Email: peter.ericsson@kahrs.com

Address:

Kährs Holding AB (publ)

Dunderbergsgatan 10

382 28 Nybro

Sweden

Phone: +46 481 460 00

www.kahrsgroup.com

Corporate Identity number:

556534-2481

AUDITOR'S REVIEW REPORT

KÄHRS HOLDING AB (PUBL), CORPORATE IDENTITY NUMBER 556534-2481

Introduction

We have reviewed the condensed interim report for Kährs Holding AB (publ) as at September 30, 2017 and for the nine months period then ended. The Board of Directors and the Managing Director are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements, ISRE 2410 *Review of Interim Financial Statements Performed by the Independent Auditor of the Entity*. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and other generally accepted auditing standards in Sweden. The procedures

performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act regarding the Group, and in accordance with the Swedish Annual Accounts Act regarding the Parent Company.

Stockholm, 13 November, 2017

Ernst & Young AB

Rickard Andersson

Authorized Public Accountant

FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

SEK m	note	Jul-Sep 2017	Jul-Sep 2016	Jan-Sep 2017	Jan-Sep 2016	Jan-Dec 2016	Oct 2016- Sep 2017
Net sales	2	729	708	2,303	2,158	2,894	3,040
Cost of goods sold	3	-577	-554	-1,822	-1,689	-2,261	-2,395
Gross profit		152	154	481	469	633	645
Selling and distribution expenses	3	-85	-71	-248	-227	-317	-338
Administrative expenses	3	-32	-31	-92	-80	-112	-124
Other operating income		-1	0	6	1	2	7
Other operating expenses		-50	-1	-54	-5	-47	-96
Share of results of associated companies		-	-1	-	-1	-26	-25
Operating profit (EBIT)		-16	50	93	157	133	69
Financial income		0	-2	1	0	2	3
Financial expenses		-9	-19	-16	-43	-58	-31
Profit before tax		-25	29	78	114	77	41
Tax		5	-8	-18	-25	-18	-11
Profit for the period		-20	21	60	89	59	30
Attributable to:							
Shareholders of the parent company		-20	21	60	89	59	30
Non-controlling interests		0	0	0	0	0	0
Total		-20	21	60	89	59	30

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SEK m	Jul-Sep 2017	Jul-Sep 2016	Jan-Sep 2017	Jan-Sep 2016	Jan-Dec 2016	Oct 2016- Sep 2017
Profit for the period	-20	21	60	89	59	30
Other comprehensive income						
Items that may be reclassified in the income statement:						
Translation differences	-12	16	-18	43	54	-6
Other comprehensive income, net of tax	-12	16	-18	43	54	-6
Total comprehensive income for the period	-32	37	42	132	113	24
Attributable to:						
Shareholders of the parent company	-32	37	42	132	113	24
Non-controlling interests	0	0	0	0	0	0
Total	-32	37	42	132	113	24
Earnings per share before and after dilution, SEK	-662	701	2,004	2,984	1,972	993

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

SEK m	note	30 Sep 2017	30 Sep 2016	31 Dec 2016
ASSETS				
Non-current assets				
Intangible assets		-	1	1
Tangible assets		599	660	664
Investments in associated companies		-	7	-
Other financial assets		7	7	7
Deferred tax assets		93	87	83
Total non-current assets		699	762	755
Current assets				
Inventories		762	713	734
Trade receivables		508	461	406
Derivatives		2	-	1
Other current assets		54	69	36
Cash and cash equivalents		128	182	264
Total current assets		1,454	1,425	1,441
TOTAL ASSETS		2,153	2,187	2,196
EQUITY AND LIABILITIES				
Equity				
Share capital		0	0	0
Reserves		-136	-129	-118
Retained earnings including profit for the period		431	620	590
Total		295	491	472
Attributable to non-controlling interests		0	0	0
Total equity		295	491	472
Non-current liabilities				
Interest bearing liabilities	4	1,034	1,019	1,008
Provisions for pensions		1	1	1
Other provisions		66	2	18
Deferred tax liabilities		12	10	8
Total non-current liabilities		1,113	1,032	1,035
Current liabilities				
Interest bearing liabilities	4	2	2	2
Other provisions		53	22	38
Trade payables		358	332	365
Income tax payable		21	17	3
Derivatives		-	13	4
Other current liabilities		311	278	277
Total current liabilities		745	664	689
TOTAL EQUITY AND LIABILITIES		2,153	2,187	2,196

CONSOLIDATED STATEMENT OF CASH FLOWS

SEK m	note	Jul-Sep 2017	Jul-Sep 2016	Jan-Sep 2017	Jan-Sep 2016	Jan-Dec 2016	Oct 2016- Sep 2017
Operating activities							
Profit before tax		-24	29	78	114	77	41
Other non-cash items	5	73	43	132	110	166	188
Cash flow before interest and tax		49	72	210	224	243	229
Interest received		0	0	0	0	1	1
Interest paid		-7	-6	-19	-20	-27	-26
Income tax paid		-3	-2	-12	-6	-12	-18
Net cash flow from operating activities before change in working capital		39	64	179	198	205	186
Change in working capital							
Change in inventories		23	33	-28	-30	-23	-21
Change in operating receivables		-31	7	-121	-135	-45	-31
Change in operating liabilities		9	-32	41	24	50	67
Net cash flows from operating activities		40	72	71	57	187	201
Investing activities							
Investment in tangible assets		-14	-22	-36	-53	-78	-61
Investment in financial assets		0	-3	0	-3	-2	1
Proceeds from sale of tangible assets		11	0	11	0	0	11
Net cash flows from investing activities		-3	-25	-25	-56	-80	-49
Financing activities							
Dividend		-	-	-219	-	-	-219
Proceeds from borrowings		0	0	300	25	25	300
Repayment of borrowings		0	0	-261	-25	-50	-286
Net cash flows from financing activities		0	0	-180	0	-25	-205
Cash flow for the period		37	47	-134	1	82	-53
Cash and cash equivalents at beginning of period		92	134	264	179	179	182
Exchange-rate differences in cash and cash equivalents		-1	1	-2	2	3	-1
Cash and cash equivalents at end of period		128	182	128	182	264	128

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

SEK m	Share capital	Contributions of other capital	Reserves	Retained earnings	Total	Non-controlling interests	Total equity
As at 1 January 2017	0	0	-118	590	472	0	472
Profit for the period	-	-	0	60	60	0	60
Other comprehensive income	-	-	-18	0	-18	0	-18
Transactions with shareholders:							
Dividend	-	-	-	-219	-219	0	-219
As at 30 September 2017	0	0	-136	431	295	0	295

SEK m	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	-	-	0	89	89	0	89
Other comprehensive income	-	-	43	0	43	0	43
As at 30 September 2016	0	0	-129	620	491	0	491

SEK m	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	-	-	-	59	59	0	59
Other comprehensive income	-	-	54	0	54	0	54
As at 31 December 2016	0	0	-118	590	472	0	472

PARENT COMPANY INCOME STATEMENT

SEK m	Jul-Sep 2017	Jul-Sep 2016	Jan-Sep 2017	Jan-Sep 2016	Jan-Dec 2016	Oct 2016- Sep 2017
Net sales	-	-	-	-	-	-
Cost of goods sold	-	-	-	-	-	-
Gross profit	-	-	-	-	-	-
Selling and distribution expenses	-	-	-	-	-	-
Administrative expenses	-1	-2	-4	-5	-6	-5
Other operating income	8	6	17	15	21	23
Other operating expenses	-10	-6	-25	-16	-24	-33
Operating profit (EBIT)	-3	-2	-12	-6	-9	-15
Financial income	10	13	49	45	48	52
Financial expenses	-7	-15	-23	-29	-34	-28
Group contribution received	0	0	0	0	75	75
Profit excluding tax	0	-4	14	10	80	84
Income tax expense	1	1	-1	-2	-15	-14
Profit for the period	1	-3	13	8	65	70

PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME

SEK m	Jul-Sep 2017	Jul-Sep 2016	Jan-Sep 2017	Jan-Sep 2016	Jan-Dec 2016	Oct 2016- Sep 2017
Profit for the period	1	-3	13	8	65	70
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	1	-3	13	8	65	70

PARENT COMPANY STATEMENT OF FINANCIAL POSITION

SEK m	note	30 Sep 2017	30 Sep 2016	31 Dec 2016
ASSETS				
Non-current assets				
Financial assets	6	1,426	1,180	1,195
Deferred tax assets		-	14	2
Total non-current assets		1,426	1,194	1,197
Current assets				
Other current assets		37	31	31
Cash and cash equivalents		86	132	216
Total current assets		123	163	247
TOTAL ASSETS		1,549	1,357	1,444
EQUITY AND LIABILITIES				
Equity				
Share capital		0	0	0
Retained earnings including profit for the period		161	311	367
Total equity		161	311	367
Non-current liabilities				
Interest bearing liabilities		1,047	822	800
Total non-current liabilities		1,047	822	800
Current liabilities				
Trade payables		8	8	9
Income tax payable		1	-	-
Other current liabilities		332	216	268
Total current liabilities		341	224	277
TOTAL EQUITY AND LIABILITIES		1,549	1,357	1,444

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 2016.

The preparation of the financial reports in accordance with IFRS requires management to make judgments and estimates, as well as 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 seem reasonable under current circumstances. 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.

A number of new or amended IFRS enter into effect for the first time during the coming financial year and they have not been applied in advance during preparation of the consolidated financial statements. Analysis of the impact of implementation of IFRS 15 Revenue from contracts with customers and IFRS 9 Financial instruments continued in 2017. The preliminary assessment is that the new standards will not have a material impact on the Group's financial statements other than the expanded disclosure requirements. An assessment of the impact of IFRS 16 Leasing, which comes into force on 1 January 2019, has been initiated.

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 a global division for resilient flooring, Resilient

Global. 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. There are no internal sales between segments; please see the 2016 financial statements for more information.

NET SALES BY SEGMENT, EXTERNAL CUSTOMERS

SEK m	Jul-Sep 2017	Jul-Sep 2016	Jan-Sep 2017	Jan-Sep 2016	Jan-Dec 2016	Oct 2016- Sep 2017
Nordics	325	303	1,084	979	1,323	1,429
Europe	181	179	566	550	723	739
Other Markets	163	178	485	475	654	664
Resilient Global	60	48	168	154	194	208
Net sales Group, external customers	729	708	2,303	2,158	2,894	3,040

OPERATING EBIT BY SEGMENT

SEK m	Jul-Sep 2017	Jul-Sep 2016	Jan-Sep 2017	Jan-Sep 2016	Jan-Dec 2016	Oct 2016- Sep 2017
Nordics	33	37	111	101	126	136
Europe	16	21	53	56	69	66
Other Markets	5	4	16	7	21	30
Resilient Global	8	-3	26	9	11	28
Operating EBIT	62	59	206	173	227	260

NOTE 2. SEGMENT

OPERATING PROFIT (EBIT) PER SEGMENT

SEK m	Jul-Sep 2017	Jul-Sep 2016	Jan-Sep 2017	Jan-Sep 2016	Jan-Dec 2016	Oct 2016- Sep 2017
Nordics	18	32	53	93	101	61
Europe	10	19	27	51	57	33
Other Markets	-51	2	-7	4	-34	-45
Resilient Global	7	-3	20	9	9	20
Operating profit (EBIT)	-16	50	93	157	133	69

NOTE 3. ITEMS AFFECTING COMPARABILITY

SEK m	Jul-Sep 2017	Jul-Sep 2016	Jan-Sep 2017	Jan-Sep 2016	Jan-Dec 2016	Oct 2016- Sep 2017
Operating profit excl. items affecting comparability (operating EBIT)	62	59	206	173	227	260
Production footprint changes	-13	-9	-41	-15	-39	-65
Provision for legal dispute in the US	-50	-	-50	-	-43	-93
Other items affecting comparability	-15	0	-22	-1	-12	-33
Operating profit (EBIT)	-16	50	93	157	133	69

The items affecting comparability of SEK 78 million (9) in the third quarter were related to a provision for tariff costs in the US for the period 2002-2006 of SEK 50 million, as well as changes in the production structure in Finland of SEK 13 million.

The items affecting comparability during the January-September period are largely related to three items: the provision for tariff costs in the US of SEK 50 million, the closure of the factory in Tuupovaara, Finland, of SEK 27 million and the closure of the distribution centre in Heinola, Finland, SEK 13 million.

NOTE 4. INTEREST BEARING LIABILITIES

SEK m	30 Sep 2017	30 Sep 2016	31 Dec 2016
Non-current liabilities			
Shareholder loans ¹	-	210	220
Finance lease	3	3	3
Loan Facility A	195	250	225
Loan Facility B	647	467	470
Financing costs ²	-17	-16	-15
Revolving Credit Facility (RCF)	150	50	50
Utilised investment credit	55	55	55
Other loans	1	0	0
Total non-current interest bearing liabilities	1,034	1,019	1,008
Current liabilities			
Finance lease	1	1	1
Other loans	1	1	1
Total current interest bearing liabilities	2	2	2
Total interest-bearing liabilities	1,036	1,021	1,010

¹ Shareholder loans to Nanna II S.C.A., interest compounded annually

² Accrued financing costs spread over the term of the loans

NOTE 5. ADJUSTMENT FOR ITEMS THAT DO NOT AFFECT CASH FLOW

SEK m	Jul-Sep 2017	Jul-Sep 2016	Jan-Sep 2017	Jan-Sep 2016	Jan-Dec 2016	Oct 2016- Sep 2017
Depreciation, amortisation and impairment of property, plant and equipment	23	22	71	67	93	97
Provision for legal dispute in the US	50	0	50	-	43	93
Profit from disposal of associated companies	-	-	-	-	26	26
Other items that do not affect cash flow	0	21	11	43	4	-28
Total adjustment for items that do not affect cash flow	73	43	132	110	166	188

NOTE 6. FINANCIAL ASSETS (PARENT COMPANY)

SEK m	30 Sep 2017	30 Sep 2016	31 Dec 2016
Financial assets			
Shares in subsidiaries	593	593	593
Shareholder loan, AB Gustaf Kähr ¹	325	308	325
Shareholder loan, Karelia Upofloor Oy ¹	402	279	277
Shareholder loan, Oak Norge A/S ¹	106	-	-
Total	1,426	1,180	1,195

¹ Shareholder loans carry a fixed interest rate of 5.5 per cent. Shareholder loans will mature on 30 June 2020 and on 31 December 2022.

SEK m	30 Sep 2017	30 Sep 2016	31 Dec 2016
Shares in directly owned subsidiaries			
Name, corporate identity number, company domicile	Number of shares		
AB Gustaf Kähr (556017-3600, Nybro, SE)	550,000	467	467
Karelia Upofloor Oy (1034286-4, Kuopio, FI)	120,288	126	126
Oak Norge AS (989 339 524, Oslo, NO)	1,050	-	-
Total	593	593	593

CONSOLIDATED KEY PERFORMANCE INDICATORS

SEK m	Jul-Sep 2017	Jul-Sep 2016	Jan-Sep 2017	Jan-Sep 2016	Jan-Dec 2016	Oct 2016- Sep 2017
Net sales	729	708	2,303	2,158	2,894	3,040
EBITA	-15	50	94	157	133	70
EBITA, %	-2.1%	7.1%	4.1%	7.3%	4.6%	2.3%
Operating EBITA	63	59	207	173	227	261
Operating EBITA, %	8.6%	8.3%	9.0%	8.0%	7.8%	8.6%
Operating profit (EBIT)	-16	50	93	157	133	69
Operating profit (EBIT), %	-2.2%	7.1%	4.0%	7.3%	4.6%	2.3%
Operating profit excl. items affecting comparability (operating EBIT)	62	59	206	173	227	260
Operating profit excl. items affecting comparability (operating EBIT), %	8.5%	8.3%	8.9%	8.0%	7.8%	8.6%
Operating profit excl. depreciation and items affecting comparability (adjusted EBITDA)	86	81	277	241	320	357
Operating profit excl. depreciation and items affecting comparability (adjusted EBITDA), %	11.8%	11.4%	12.0%	11.2%	11.1%	11.7%
Profit for the period	-20	21	60	89	59	30
Profit for the period, %	-2.7%	3.0%	2.6%	4.1%	2.0%	1.0%
Earnings per share before and after dilution, SEK	-662	701	2,004	2,984	1,972	993
Net cash flows from operating activities	40	72	71	57	187	201
Investments	14	22	36	53	78	61
Total cash flow	36	47	-135	1	82	-54
Total assets	2,153	2,187	2,153	2,187	2,196	2,153
Cash and cash equivalents at end of period	128	182	128	182	264	128
Net working capital	912	842	912	842	775	912
Net debt	908	615	908	615	526	908
Equity	295	491	295	491	472	295
Capital employed	908	825	908	825	746	908
Equity ratio, %	13.7%	22.5%	13.7%	22.5%	21.5%	13.7%
Return on Equity, %	7.6%	24.5%	7.6%	24.5%	14.2%	7.6%
Return on capital employed, %	8.0%	18.9%	8.0%	18.9%	17.2%	8.0%
Interest coverage ratio, times	13.7	11.6	13.7	11.6	11.9	13.7
Net debt/EBITDA ratio, times	2.6	1.9	2.6	1.9	1.7	2.6
Number of employees, end of period	1,751	1,645	1,751	1,645	1,665	1,751

FINANCIAL DEFINITIONS AND KEY PERFORMANCE INDICATORS

ALTERNATIVE PERFORMANCE INDICATORS

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

NET SALES

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

EBITA

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

OPERATING EBITA

EBITA before items affecting comparability.

OPERATING PROFIT EBITDA

Operating profit before depreciation/amortisation.

ADJUSTED EBITDA

Operating profit before depreciation/amortisation and items affecting comparability.

OPERATING PROFIT (EBIT)

Earnings before financial items and tax.

OPERATING MARGIN, EBIT IN PER CENT

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

OPERATING EBIT

Operating profit before items affecting comparability.

ORGANIC GROWTH

Sales growth excluding currency effects and acquisitions.

NET DEBT

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

NET DEBT/EBITDA RATIO

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

NET WORKING CAPITAL

Inventories and trade receivables, less trade payables.

RETURN ON EQUITY

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

RETURN ON CAPITAL EMPLOYED

Operating profit (EBIT), 12 months rolling, in relation to average capital employed. Capital employed refers to net debt plus share capital plus shareholder loans.

EQUITY RATIO

Equity as a percentage of total assets.

DEPRECIATION

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

INVESTMENTS

Investments in non-current assets.

INTEREST COVERAGE RATIO

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

EARNINGS PER SHARE AFTER TAX AND BEFORE DILUTION

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

EARNINGS PER SHARE AFTER TAX AND AFTER DILUTION

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

TOTAL WORKING CAPITAL

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

ITEMS AFFECTING COMPARABILITY

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

ABOUT KÄHRS HOLDING AB (PUBL)

Kährs Holding AB (publ) is a leading European 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 1,700 employees and annual sales of more than SEK 3 billion.

www.kahrsgroup.com