INTERIM REPORT

KÄHRS HOLDING AB (PUBL) QUARTER 2 | 2018

Net sales up
7 per cent for the quarter

Strong sales growth
in the Nordics and Resilient Global segments

Operating EBITA increased
by 1 per cent

Kährs Group

STRONG SALES GROWTH WITH STABLE UNDERLYING OPERATING PROFIT

SECOND QUARTER, APRIL – JUNE 2018

- Net sales totalled SEK 844 million (792), an increase of 7 per cent compared with the same period in 2017. Organic sales growth was 6 per cent
- Operating EBITA rose 1 per cent and totalled SEK 76 million (75), corresponding to an operating margin of 9.0 per cent (9.5). Market valuation of the Group's FX Futures had a negative impact on earnings of SEK 5 million
- Operating profit (EBIT) for the second quarter improved by SEK 24 million and totalled SEK 70 million (46), corresponding to 8.3 per cent (5.8). Profit was positively affected by higher net sales, stable overhead and lower items affecting comparability, 6 million (30) during the quarter. The negative impact on profit was primarily related to the market valuation of the company's FX Futures
- Consolidated profit for the quarter was SEK 27 million (35)
- Earnings per share totalled SEK 903 (1,111)

PERIOD JANUARY – JUNE 2018

- Net sales for the period January to June totalled SEK 1,677 million (1,574), an increase of 7 per cent compared with the same period in 2017. Organic sales growth was 6 per cent
- Operating EBITA declined by 6 per cent compared with the corresponding period in 2017 and totalled SEK 136 million (144), for an operating margin of 8.1 per cent (9.1). Profit was lower because of a somewhat lower gross margin, as well as the market valuation of the company's FX Futures, which had a negative impact on profit of SEK 16 million
- Operating profit (EBIT) for the period was SEK 130 million (109), corresponding to 7.8 per cent (6.9), including a negative impact for items affecting comparability of SEK 6 million (35)
- Consolidated profit for the period was SEK 41 million (80)
- Earnings per share totalled SEK 1,356 (2,655)

KEY PERFORMANCE INDICATORS FOR THE GROUP

SEKm	Apr-Jun 2018	Apr-Jun 2017	Jan-Jun 2018	Jan-Jun 2017	Jan–Dec 2017	Jul 2017-Jun 2018
Net Sales	844	792	1,677	1,574	3,072	3,175
EBITA	70	45	130	109	148	169
EBITA, %	8.3%	5.7%	7.8%	6.9%	4.8%	5.3%
Operating EBITA	76	75	136	144	276	268
Operating EBITA, %	9.0%	9.5%	8.1%	9.1%	9.0%	8.4%
Operating profit (EBIT)	70	46	130	109	148	169
Operating profit (EBIT), %	8.3%	5.8%	7.8%	6.9%	4.8%	5.3%
Operating profit excl. items affecting comparability (operating EBIT)	76	76	136	144	276	268
Operating profit excl. items affecting comparability (operating EBIT), %	9.0%	9.6%	8.1%	9.1%	9.0%	8.4%
Operating profit excl. depreciation and items affecting comparability (adjusted EBITDA)	100	99	183	192	367	358
Operating profit excl. depreciation and items affecting comparability (adjusted EBITDA), %	11.8%	12.5%	10.9%	12.2%	11.9%	11.3%
Profit for the period	27	35	41	80	86	47
Profit for the period, %	3.2%	4.4%	2.4%	5.1%	2.8%	1.5%
Earnings per share before and after dilution, SEK	903	1,111	1,356	2,655	2,860	1,560
Net cash flows from operating activities	73	41	24	31	238	231
Net debt	859	946	859	946	780	859
Equity ratio, %	18.1%	15.3%	18.1%	15.3%	15.0%	18.1%
Return on capital employed, %	18.7%	15.0%	18.7%	15.0%	19.4%	18.7%

Kährs Group

CHIEF EXECUTIVE'S COMMENTS

"Overall, we can conclude that 2018 is off to a good start and I confidently look forward to our continued journey. By focusing on the needs of our customers, we continually strengthen our market position."

STRONG SALES GROWTH WITH STABLE UNDERLYING OPERATING PROFIT

Kährs Group reported continued robust sales growth of 7 per cent in the second quarter. The Nordics and Resilient Global segments demonstrated the strongest growth, while sales for the Europe and Other Markets segments declined somewhat. Operating EBITA increased by 1 per cent during the quarter to SEK 76 million, corresponding to an operating margin of 9.0 per cent. However, the revaluation of our FX Futures portfolio had a negative impact on earnings.

● Net sales for the second quarter rose 7 per cent compared with the same period in 2017, reaching SEK 844 million. Both the projects market and the retail market showed stable growth, although demand continues to vary in our core markets. Profit before items affecting comparability (operating EBITA) was SEK 76 million, SEK 1 million higher than the second quarter in 2017 and an increase of 1 per cent. The underlying operating profit remains strong and higher net sales offset a somewhat lower gross margin, which is associated with a higher percentage of project sales. Once again, the revaluation of our FX Futures portfolio had a major impact on reported earnings for the quarter, SEK -5 million, since the SEK weakened against the majority of the currencies that we hedged. Consolidated EBIT totalled SEK 70 million (46).

The Nordics segment continued to experience favourable sales growth during the second quarter. We have a stable position in the segment in both the projects and retail markets, providing a strong foundation for continued growth. Net sales for the quarter reached SEK 420 million, an increase of 14 per cent compared with the corresponding period last year.

Net sales in the Europe segment declined 6 per cent compared with last year, reaching SEK 185 million for the quarter. In general, we see continued stability in the projects market in both Germany and the UK, while the retail market is more cautious and declined somewhat.

The trend in the Other Markets segment was weakly negative during the second quarter, with sales declining by 4 per cent to SEK 166 million. Our sales in Russia achieved strong growth in the quarter, driven by a favourable trend in the projects market, while in the US and China the sales performance was less favourable than during the same period the previous year.

Our Resilient Global segment achieved strong profitable sales growth during the second quarter, with an increase of 44 per cent to SEK 73 million. This increase compared with the previous year can be explained by robust growth in all of our prioritised resilient flooring markets, and we clearly see growing market demand for PVC-free products.

In early 2018 we have experienced some raw material-related challenges, including unfavourable weather conditions first with a long winter, followed by a very warm and dry spring. In general, we can conclude that material prices are rising and in the short term we can counteract this by raising prices to customers and by improving yield in production. In the slightly longer term, we will work on innovative product development to continually improve utilisation of the wood raw material.

We are currently engaged in a strategy project aimed at creating the next-generation Kährs – Kährs 2.0. This initiative involves issues such as product, the role of e-commerce in our sales, brands, acquisitions and the value chain. A global shift is underway regarding how business is conducted where digitalisation is a primary driving force, and it is crucial for Kährs that we stay on top of this trend and remain on the cutting edge in our industry.

Overall, we can conclude that 2018 is off to a good start, despite the disadvantages of unfavourable currency developments and some tendencies towards a slowdown in a few of our core markets. Nevertheless, I look forward to our continued journey with confidence, where our clear focus on design, quality, innovation and the needs of the customers continually strengthen our market position.

Christer Persson
President and CEO

KÄHRS INTERIM REPORT
JANUARY – JUNE 2018

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

We continue to see a relatively stable trend in the global flooring market. However, the differences in the core markets in which Kährs Group is active continue to be substantial.

The Swedish market continues to grow, driven by strong demand from new construction and renovation. Although the growth rate has slowed to some extent, it remains strong and we see no signs that the turbulence in the Swedish housing market has had a negative impact on the flooring market. Growth has returned in the Norwegian market and the premium segment is showing good progress. However, we see pressure on prices in the lower segments of the market, which is also affecting hardwood flooring substitutes. In Finland we see a favourable trend as the economy recovers. Consumers are more optimistic because of positive macro trends and Finnish growth is driven by new residential construction with a focus on multifamily housing.

The flooring markets in Central Europe and the UK are levelling off to some extent. We see regional differences in growth and demand, but the underlying economic situation in the eurozone continues to be strong. In Germany we have a stable underlying projects market, while the trend in the retail market is somewhat weaker. Hardwood flooring substitutes, especially LVT (Luxury Vinyl Tiles), are occupying an increasing amount of space in stores. The UK market shows moderate growth, but with continued uncertainty regarding consumer behaviour in relation to the upcoming Brexit in March 2019.

We continue to see a volatile market situation in Russia, where end consumers prefer less expensive flooring options such as laminates. A weaker than expected sales trend can be seen in the retail segment and the outlook continues to be uncertain. The projects market is somewhat cautious, but there are major opportunities to win projects in Moscow and other large cities as urbanisation continues.

The market in the US is growing and is primarily driven by major project investments, strong growth in the housing market and a stable underlying momentum in the retail market. Demand for both single-family homes and apartments continues to be strong.

For the resilient flooring market we see a favourable trend in the markets where Kährs Group operates. In the US the projects market is growing and construction is now resuming on many previously postponed projects. Interest in PVC-free flooring is strong and growth is expected to come primarily from the healthcare sector and schools. The market in Finland is recovering from low levels and renovations are expected to increase over the next few years. The market in Sweden is stable and is primarily driven by demand from large projects in the healthcare sector and also the projects market in Central Europe shows steady growth.

GROUP PERFORMANCE

JANUARY–JUNE 2018

GROUP

SEKm	Apr-Jun 2018	Apr-Jun 2017	Jan-Jun 2018	Jan-Jun 2017	Jan-Dec 2017	Jul 17-Jun 18
Net Sales	844	792	1,677	1,574	3,072	3,175
Organic growth, %	6	7	6	6	7	7
Operating EBITA	76	75	136	144	276	268
Operating EBITA, %	9.0	9.5	8.1	9.1	9.0	8.4
Operating profit, (EBIT)	70	46	130	109	148	169
Operating profit (EBIT), %	8.3	5.8	7.8	6.9	4.8	5.3

NET SALES

Second quarter

Total Group net sales amounted to SEK 844 million (792), an increase of SEK 52 million or 7 per cent compared with the same period last year. The Nordics and Resilient Global segments, which together accounted for 59 per cent of sales, both showed strong sales growth for the quarter of 14 per cent and 44 per cent, respectively. The trend for the Europe and Other Markets segments was not as favourable, declining 6 per cent and 4 per cent, respectively.

Calculated in local currencies, sales growth was 6 per cent.

Period: January – June

Consolidated net sales for the period amounted to SEK 1,677 million (1,574), an increase of SEK 103 million or 7 per cent compared with the first half of 2017. The Nordics and Resilient Global segments showed the highest growth of 13 per cent and 17 per cent, respectively. Europe improved somewhat compared with the previous year while the Other Markets segment had the weakest trend in the period and declined by 4 per cent.

Calculated in local currencies, sales growth was 6 per cent.

OPERATING PROFIT

Second quarter

Operating EBITA increased 1 per cent to SEK 76 million (75), corresponding to an operating margin of 9.0 per cent (9.5). Higher net sales combined with a somewhat lower gross margin and stable overhead resulted in a strong underlying operating profit. The monthly market valuation of the Group's FX Futures portfolio had a negative impact of SEK 5 million on operating EBITA for the quarter. However, this did not affect cash flow. The negative impact on earnings was due to the weakening of the SEK against most of the currencies that are hedged in accordance with the Kährs Group's hedging policy. Operating profit (EBIT) totalled SEK 70 million (46). Items affecting comparability declined during the quarter and amounted to SEK 6 million (30).

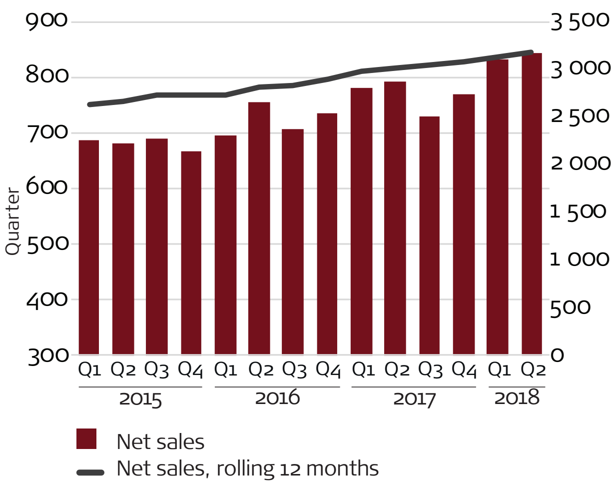
The Group's total depreciation and amortisation of property, plant and equipment for the quarter amounted to SEK 23 million (24).

Period: January – June

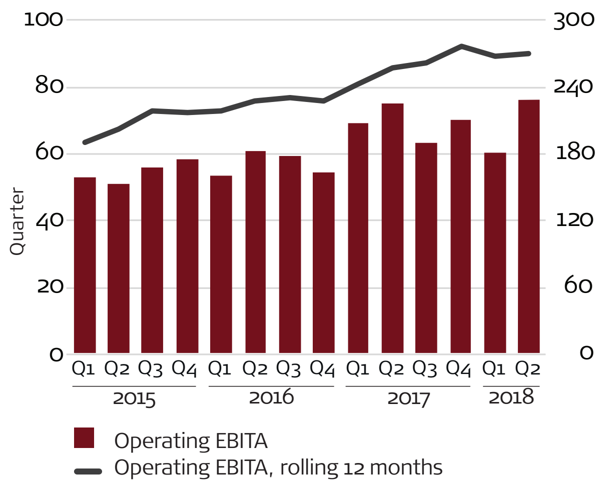
Operating EBITA deteriorated by 6 per cent and totalled SEK 136 million (144), corresponding to a margin of 8.1 per cent (9.1). Operating profit (EBIT) for the period was SEK 130 million (109), corresponding to 7.8 per cent (6.9). This SEK 21 million improvement in operating profit was achieved through higher net sales at a lower gross margin and a stable cost base, at the same time that items affecting comparability declined compared with the previous year. The items affecting comparability amounted to SEK 6 million (35) and were primarily related to consultant fees for projects.

The Group's total depreciation and amortisation of property, plant and equipment for the period amounted to SEK 47 million (49).

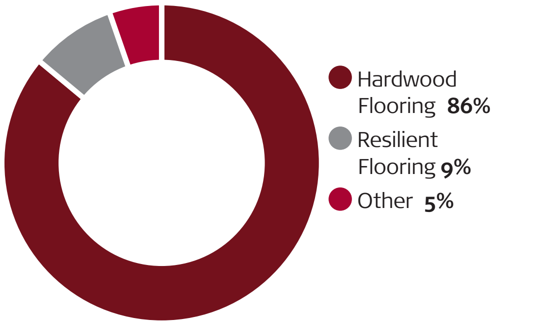
NET SALES



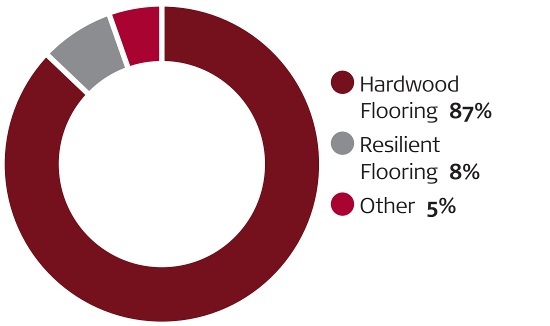
OPERATING EBITA



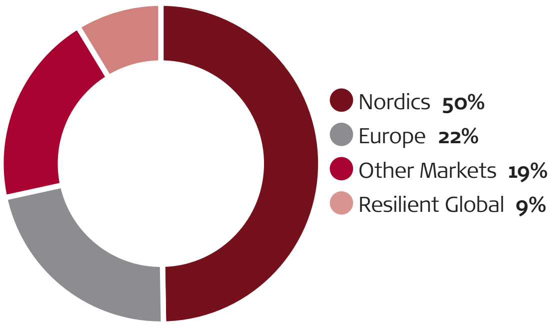
NET SALES BY PRODUCT GROUP QUARTER 2, 2018



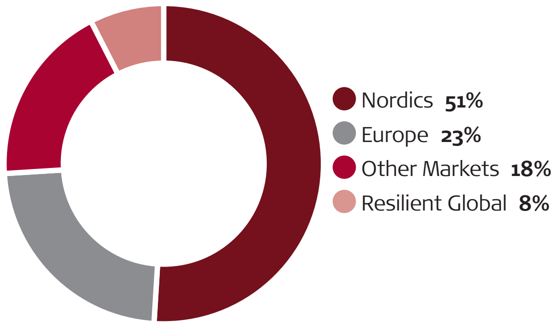
NET SALES BY PRODUCT GROUP PERIOD: JANUARY–JUNE 2018



NET SALES BY SEGMENT QUARTER 2, 2018



NET SALES BY SEGMENT PERIOD: JANUARY–JUNE 2018



NET SALES AND OPERATING PROFIT BY SEGMENT

NORDICS

SEKm	Apr-Jun 2018	Apr-Jun 2017	Jan-Jun 2018	Jan-Jun 2017	Jan-Dec 2017	Jul 17-Jun 18
Net Sales	420	370	855	759	1,459	1,555
Organic growth, %	12	11	11	11	9	9
Operating EBIT	39	42	73	84	152	141
Operating EBIT, %	9.2	11.4	8.5	11.1	10.4	9.0
Operating profit (EBIT)	37	26	70	65	110	115
Operating profit (EBIT), %	8.7	7.0	8.2	8.6	7.5	7.4

Second quarter

The segment demonstrated robust sales growth of 14 per cent to SEK 420 million (370) for the second quarter. Sweden demonstrated continued strong growth and once again, new construction market was the main driver of this sales growth. The trend in other markets in the segment was more moderate, but we see clear signs of an improved market situation in both Norway and Finland.

Operating EBIT for the quarter was SEK 39 million (42), corresponding to an operating margin of 9.2 per cent (11.4). The decline in EBIT is attributable to the market valuation of the Group's FX Futures.

Period: January – June

Net sales in the segment rose 13 per cent to SEK 855 million (759) during the first half of the year and operating EBIT totalled SEK 73 million (84), corresponding to an operating margin of 8.5 per cent (11.1). The decline in EBIT can be explained by SEK 8 million of the market valuation of unrealised FX Futures.

EUROPE

SEKm	Apr-Jun 2018	Apr-Jun 2017	Jan-Jun 2018	Jan-Jun 2017	Jan-Dec 2017	Jul 17-Jun 18
Net Sales	185	197	387	385	740	742
Organic growth, %	-9	14	-2	4	3	0
Operating EBIT	15	19	31	37	66	60
Operating EBIT, %	8.2	9.6	7.9	9.6	8.9	8.0
Operating profit (EBIT)	13	14	29	31	49	47
Operating profit (EBIT), %	7.0	7.1	7.5	8.1	6.6	6.3

Second quarter

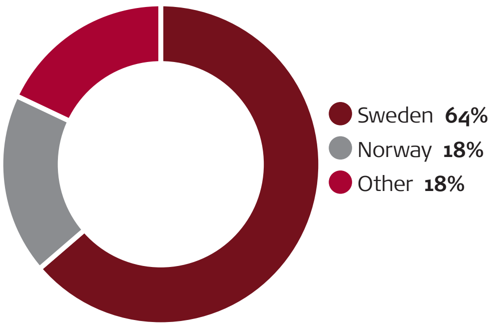
Net sales for the segment amounted to SEK 185 million (197) for the quarter, a decline of 6 per cent. Of our core markets in the segment, Germany and the UK demonstrated somewhat weaker sales during the period; in both of these countries we saw a weaker retail market, while the projects market demonstrated a stable trend.

Operating EBIT was SEK 15 million (19) for the second quarter, corresponding to an operating margin of 8.2 per cent (9.6). SEK 1 million of the decline in EBIT is attributable to the market valuation of the Group's FX Futures.

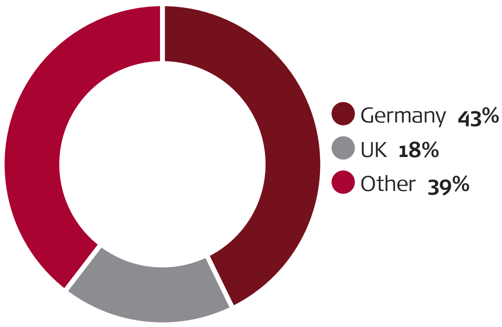
Period: January – June

The segment demonstrated weak sales growth during the period of SEK 387 million (385) and the operating EBIT of the segment was SEK 31 million (37), corresponding to an operating margin of 7.9 per cent (9.6). SEK 4 million of the decline in EBIT is attributable to the market valuation of the Group's FX Futures.

NET SALES BY MARKET
NORDICS SEGMENT - SEK 420m
QUARTER 2, 2018



NET SALES BY MARKET
EUROPE SEGMENT - SEK 185m
QUARTER 2, 2018



NET SALES AND OPERATING PROFIT BY SEGMENT, CONT.

OTHER MARKETS

SEKm	Apr-Jun 2018	Apr-Jun 2017	Jan-Jun 2018	Jan-Jun 2017	Jan-Dec 2017	Jul 17-Jun 18
Net Sales	166	174	309	322	654	641
Organic growth, %	0	11	1	-4	-5	-2
Operating EBIT	6	9	11	11	27	27
Operating EBIT, %	3.5	5.2	3.5	3.4	4.1	4.2
Operating profit (EBIT)	5	2	10	3	-39	-32
Operating profit (EBIT), %	3.0	1.1	3.2	0.9	-6.0	-5.0

Second quarter

Net sales for the Other Markets segment amounted to SEK 166 million (SEK 174) for the period, a decrease of 4 per cent. Sales in Russia demonstrated a favourable trend in the quarter and we saw strong sales growth in the Russian projects market in particular. In the US and China we saw weaker sales in the quarter that could not be fully offset by a favourable trend in other markets within the segment.

Operating EBIT for the period was SEK 6 million (9), corresponding to an operating margin of 3.5 per cent (5.2). Market valuation of the Group's FX Futures had a negative impact on EBIT of SEK 1 million for the period.

Period: January – June

During the period, sales for the segment totalled SEK 309 million (322), a decline of 4 per cent. Operating EBIT for the period was SEK 11 million (11), corresponding to an operating margin of 3.5 per cent (3.4).

RESILIENT GLOBAL

SEKm	Apr-Jun 2018	Apr-Jun 2017	Jan-Jun 2018	Jan-Jun 2017	Jan-Dec 2017	Jul 17-Jun 18
Net Sales	73	51	126	108	219	237
Organic growth, %	40	39	17	-2	11	20
Operating EBIT	16	6	22	12	31	41
Operating EBIT, %	21.7	11.8	17.3	11.1	14.2	17.2
Operating profit (EBIT)	15	4	21	10	28	39
Operating profit (EBIT), %	20.4	7.8	16.6	9.3	12.8	16.4

Second quarter

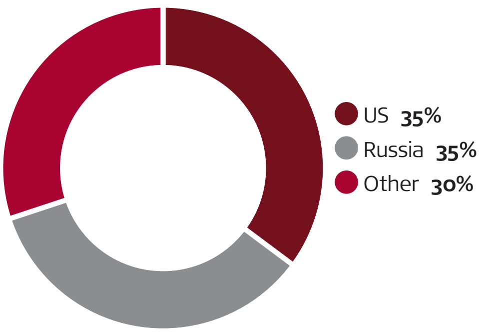
Net sales for the Resilient Global segment amounted to SEK 73 million (51) for the second quarter, an increase of 44 per cent compared with the corresponding period in 2017. We see strong momentum in the markets in which we are active, with growing interest in and demand for PVC-free products. All of our prioritised markets demonstrated good sales growth during the quarter, especially in the US, Sweden and Finland.

Operating EBIT for the segment was SEK 16 million (6) for the quarter, corresponding to an operating margin of 21.7 per cent (11.8). The market valuation of the Group's FX Futures had an impact of SEK 0 million on EBIT for the segment during the period.

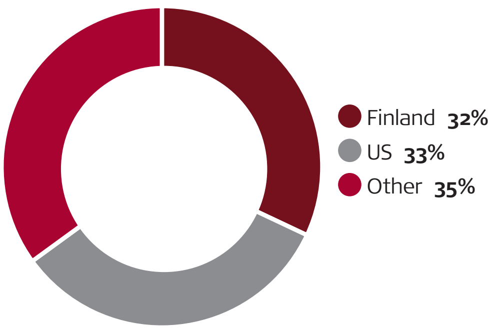
Period: January – June

Sales in the Resilient Global segment rose 17 per cent and totalled SEK 126 million (108) during the period and operating EBIT totalled SEK 22 million (12), corresponding to an operating margin of 17.3 per cent (11.1).

NET SALES BY MARKET
OTHER MARKETS SEGMENT - SEK 166m
QUARTER 2, 2018



NET SALES BY MARKET
RESILIENT GLOBAL SEGMENT - SEK 73m
QUARTER 2, 2018



CASH FLOW AND INVESTMENTS

Second quarter

Cash flow from operating activities was SEK 73 million (41) and total working capital increased by SEK 2 million (22) during the quarter. Net working capital was SEK 47 million higher as at 30 June 2018 compared with the same date in 2017, totalling SEK 956 million (909). More capital is tied up in both trade receivables and inventories, at the same time that trade payables rose, which is a natural aspect of the Group's seasonal variation.

Investments for the second quarter amounted to SEK 46 million (12), mainly related to production equipment in Nybro, including construction of a pellet facility.

Period: January – June

Cash flow from operating activities for the first half of the year was SEK 24 million (31). Working capital increased by SEK 129 million during the period, compared with an increase of SEK 109 million for the same period in 2017.

Investments for the January to June period amounted to SEK 68 million (22), mainly related to production equipment in Nybro, including construction of a pellet facility.

NET FINANCIAL EXPENSES

Second quarter

Net financial expenses amounted to SEK 36 million (0) for the second quarter of 2018. Interest expense for external bank loans totalled SEK 10 million (6). Some of the company's loans are denominated in NOK, GBP and USD and when converting these loans to SEK as at 30 June 2018, an unrealised currency loss of SEK 19 million was recognised as a financial expense.

Period: January – June

Net financial expenses amounted to SEK 78 million (6) for the first half of 2018. An unrealised currency loss of SEK 42 million when converting loans was recognised as a financial expense for the period.

NET DEBT

SEKm	30 Jun 2018	30 Jun 2017	31 Dec 2017
Liabilities to credit institutions	987	1,032	1,002
Other	2	6	5
Total interest-bearing liabilities	**989**	**1,038**	**1,007**
Less			
Cash and cash equivalents including Interest-bearing receivables	-130	-92	-226
Net debt	**859**	**946**	**781**
Interest coverage ratio, times	10.5	13.6	13.1
Net debt/EBITDA ratio, times	2.4	2.7	2.1

FINANCIAL POSITION

The Group's total assets amounted to SEK 2,299 million as at 30 June 2018 (2,135) and the equity ratio was 18.1 per cent (15.3).

The Group's net debt was SEK 859 million as at 30 June 2018, compared with SEK 946 million as at 30 June 2017. Net debt in relation to adjusted EBITDA was 2.4 times (2.7) as at 30 June 2018, with the interest coverage ratio 10.5 times (13.6).

Cash and cash equivalents for the Group as at 30 June 2018 totalled SEK 130 million, compared with SEK 92 million as at the corresponding date in 2017. The Group has utilised SEK 125 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 250 million as at 30 June 2018, which provides good flexibility and capacity moving forward.

TAX EXPENSE

Tax expense for the second quarter of 2018 amounted to SEK 7 million (11) and for the January to June period SEK 11 million (23).

OTHER INFORMATION

EVENTS DURING THE QUARTER

The Group's sales company for hardwood flooring in the US, Kährs International Inc., reached a settlement in June with the US Customs and Border Protection (CBP) regarding customs clearance costs for the years 2002-2006. A provision was previously made to fully cover the settlement amount, for which reason it will have no further impact on consolidated profit.

EVENTS AFTER BALANCE SHEET DATE

No significant events have occurred after the balance sheet date.

RELATED-PARTY TRANSACTIONS

Transactions with related parties are priced in accordance with 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 is 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 2017.

PARENT COMPANY

Net sales in the parent company for April to June 2018 totalled SEK 0 million (0) with a profit after tax of SEK -18 million (8). Net sales in the parent company for January to June totalled SEK 0 million (0) with a profit after tax of SEK -34 million (12). The parent company's income statement and balance sheet are presented on pages 16–17 in this interim report.

EMPLOYEES

As at 30 June 2018 the Group had 1,748 employees, an increase of 31 compared with 31 December 2017 (1,717). This increase mainly relates to personnel in Sweden and Romania.

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:

Interim Report Q3, 2018	**25 October 2018**
Year-end Report full-year 2018	**12 February 2019**

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, 20 July 2018
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 8 a.m. CET on Friday 20 July 2018.

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

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Kährs Group

FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

SEKm	note	Apr-Jun 2018	Apr-Jun 2017	Jan-Jun 2018	Jan-Jun 2017	Jan-Dec 2017	Jul 2017-Jun 2018
Net Sales	2	844	792	1,677	1,574	3,072	3,175
Cost of goods sold	3	-658	-637	-1,314	-1,245	-2,414	-2,483
Gross profit		**186**	**155**	**363**	**329**	**658**	**692**
Selling and distribution expenses	3	-78	-79	-158	-163	-326	-321
Administrative expenses	3	-33	-31	-60	-60	-141	-141
Other operating income		1	5	1	7	6	0
Other operating expenses		-6	-4	-16	-4	-49	-61
Operating profit (EBIT)	2	**70**	**46**	**130**	**109**	**148**	**169**
Financial income		0	2	0	1	19	18
Financial expenses		-36	-2	-78	-7	-47	-118
Profit before tax		**34**	**46**	**52**	**103**	**120**	**69**
Tax		-7	-11	-11	-23	-34	-22
Profit for the period		**27**	**35**	**41**	**80**	**86**	**47**
Attributable to:							
Shareholders of the parent company		27	35	41	80	86	47
Non-controlling interests		0	0	0	0	0	0
Total		**27**	**35**	**41**	**80**	**86**	**47**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SEKm	Apr-Jun 2018	Apr-Jun 2017	Jan-Jun 2018	Jan-Jun 2017	Jan-Dec 2017	Jul 2017-Jun 2018
Profit for the period	**27**	**35**	**41**	**80**	**86**	**47**
Other comprehensive income						
Items that may be reclassified in the income statement:						
Translation differences	8	-18	46	-6	-10	42
Items that may not be reclassified in the income statement:						
Actuarial gains and losses on pensions	0	0	0	0	0	0
Other comprehensive income, net after tax	**35**	**17**	**87**	**74**	**76**	**89**
Total comprehensive income for the period	**35**	**17**	**87**	**74**	**76**	**89**
Attributable to:						
Shareholders of the parent company	35	17	87	74	76	89
Non-controlling interests	0	0	0	0	0	0
Total	**35**	**17**	**87**	**74**	**76**	**89**
Earnings per share before and after dilution, SEK	**903**	**1,111**	**1,356**	**2,655**	**2,860**	**1,560**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

SEKm	note	30 Jun 2018	30 Jun 2017	31 Dec 2017
ASSETS				
Non-current assets				
Intangible assets		1	1	1
Tangible assets		644	635	619
Other financial assets		9	7	8
Deferred tax assets		83	81	74
Total non-current assets		**737**	**724**	**702**
Current assets				
Inventories		840	785	795
Trade receivables		531	473	416
Derivatives		7	4	2
Other current assets		54	57	47
Cash and cash equivalents		130	92	226
Total current assets		**1,562**	**1,411**	**1,486**
TOTAL ASSETS		**2,299**	**2,135**	**2,188**
EQUITY AND LIABILITIES				
Equity				
Share capital		1	1	1
Reserves		-82	-125	-128
Retained earnings including profit for the period		496	450	455
Total		415	326	328
Attributable to non-controlling interests		1	0	1
Total equity		**416**	**326**	**329**
Non-current liabilities				
Interest-bearing liabilities	4	988	1,036	1,005
Provisions for pensions		1	1	1
Other provisions		69	18	63
Deferred tax liabilities		23	14	24
Total non-current liabilities		**1,081**	**1,069**	**1,093**
Current liabilities				
Interest-bearing liabilities	4	1	2	2
Other provisions		43	57	50
Trade payables		415	349	401
Income tax payable		17	12	11
Derivatives		15	-	-
Other current liabilities		311	320	302
Total current liabilities		**802**	**740**	**766**
TOTAL EQUITY AND LIABILITIES		**2,299**	**2,135**	**2,188**

CONSOLIDATED STATEMENT OF CASH FLOWS

SEKm	note	Apr-Jun 2018	Apr-Jun 2017	Jan-Jun 2018	Jan-Jun 2017	Jan-Dec 2017	Jul 2017-Jun 2018
Operating activities							
Profit before tax		34	44	52	102	120	70
Other non-cash items	5	56	30	131	59	177	249
Cash flow before interest and tax		**90**	**74**	**183**	**161**	**297**	**319**
Interest received		0	0	0	0	1	1
Interest paid		-9	-6	-18	-12	-28	-34
Income tax paid		-6	-5	-12	-9	-15	-18
Net cash flow from operating activities before change in working capital		**75**	**63**	**153**	**140**	**255**	**268**
Change in working capital							
Change in inventories		-40	-25	-45	-51	-60	-54
Change in operating receivables		19	14	-126	-90	-22	-58
Change in operating liabilities		19	-11	42	32	65	75
Net cash flows from operating activities		**73**	**41**	**24**	**31**	**238**	**231**
Investing activities							
Investment in tangible assets		-46	-12	-68	-22	-75	-121
Investment in financial assets		0	0	0	0	-1	-1
Proceeds from sale of tangible assets		0	0	0	0	11	11
Net cash flows from investing activities		**-46**	**-12**	**-68**	**-22**	**-65**	**-111**
Financing activities							
Dividend		-	-219	-	-219	-219	-
Proceeds from borrowings		-	300	-	300	300	-
Repayment of borrowings		-30	-261	-55	-261	-291	-85
Net cash flows from financing activities		**-30**	**-180**	**-55**	**-180**	**-210**	**-85**
Cash flow for the period		**-3**	**-151**	**-99**	**-171**	**-37**	**35**
Cash and cash equivalents at beginning of period		131	245	226	264	264	92
Exchange-rate differences in cash and cash equivalents		2	-2	3	-1	-1	3
Cash and cash equivalents at end of period		**130**	**92**	**130**	**92**	**226**	**130**

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 2018	**1**	**-**	**-128**	**455**	**328**	**1**	**329**
Profit for the period	-	-	-	41	41	0	41
Other comprehensive income	-	-	46	0	46	0	46
As at 30 June 2018	**1**	**-**	**-82**	**496**	**415**	**1**	**416**

SEKm	Share capital	Contributions of other capital	Reserves	Retained earnings	Total	Non-controlling interests	Total equity
As at 1 January 2017	**1**	**-**	**-118**	**589**	**472**	**0**	**472**
Profit for the period	-	-	0	80	80	0	80
Other comprehensive income	-	-	-7	0	-7	0	-7
Transactions with shareholders:							
Dividend	-	-	-	-219	-219	-	-219
As at 30 June 2017	**1**	**-**	**-125**	**450**	**326**	**0**	**326**

SEKm	Share capital	Contributions of other capital	Reserves	Retained earnings	Total	Non-controlling interests	Total equity
As at 1 January 2017	**1**	**-**	**-118**	**589**	**472**	**0**	**472**
Profit for the period	-	-	0	85	85	0	85
Other comprehensive income	-	-	-10	0	-10	1	-9
Transactions with shareholders:							
Dividend	-	-	-	-219	-219	-	-219
As at 31 December 2017	**1**	**-**	**-128**	**455**	**328**	**1**	**329**

PARENT COMPANY INCOME STATEMENT

SEKm	Apr-Jun 2018	Apr-Jun 2017	Jan-Jun 2018	Jan-Jun 2017	Jan-Dec 2017	Jul 2017-Jun 2018
Net Sales	-	-	-	-	-	-
Cost of goods sold	-	-	-	-	-	-
Gross profit	**-**	**-**	**-**	**-**	**-**	**-**
Selling and distribution expenses	-	-	-	-	-	-
Administrative expenses	-3	-2	-8	-3	-6	-11
Other operating income	7	4	13	9	23	27
Other operating expenses	-12	-9	-18	-15	-48	-51
Operating profit (EBIT)	**-8**	**-7**	**-13**	**-9**	**-31**	**-35**
Financial income	11	25	31	39	71	63
Financial expenses	-27	-9	-61	-16	-35	-80
Group contribution received	-	-	-	-	15	15
Profit before tax	**-24**	**9**	**-43**	**14**	**20**	**-37**
Income tax expense	6	-1	9	-2	-4	-14
Profit for the period	**-18**	**8**	**-34**	**12**	**16**	**-30**
Attributable to shareholders of the Parent Company	-18	8	-34	12	16	-30
Total	**-18**	**8**	**-34**	**12**	**16**	**-30**

PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME

SEKm	Apr-Jun 2018	Apr-Jun 2017	Jan-Jun 2018	Jan-Jun 2017	Jan-Dec 2017	Jul 2017-Jun 2018
Profit for the period	**-18**	**8**	**-34**	**12**	**16**	**-30**
Other comprehensive income						
Items that may be reclassified in the income statement:						
Translation differences	-	-	-	-	-	-
Other comprehensive income, net after tax	**-**	**-**	**-**	**-**	**-**	**-**
Total comprehensive income for the period	**-18**	**8**	**-34**	**12**	**16**	**-30**
Earnings per share before and after dilution, SEK	**-598**	**270**	**-1,117**	**399**	**531**	**-985**

PARENT COMPANY STATEMENT OF FINANCIAL POSITION

SEKm	note	30 Jun 2018	30 Jun 2017	31 Dec 2017
ASSETS				
Non-current assets				
Financial assets	6	1,347	1,429	1,409
Deferred tax assets		-	-	-
Total non-current assets		**1,347**	**1,429**	**1,409**
Current assets				
Other current assets		34	23	1
Cash and cash equivalents		64	40	175
Total current assets		**98**	**63**	**176**
TOTAL ASSETS		**1,445**	**1,492**	**1,585**
EQUITY AND LIABILITIES				
Equity				
Share capital		1	1	1
Retained earnings including profit for the period		129	159	163
Total equity		**130**	**160**	**164**
Non-current liabilities				
Interest-bearing liabilities		1,000	1,051	1,017
Total non-current liabilities		**1,000**	**1,051**	**1,017**
Current liabilities				
Trade payables		9	11	20
Income tax payable		2	-	2
Other current liabilities		304	270	382
Total current liabilities		**315**	**281**	**404**
TOTAL EQUITY AND LIABILITIES		**1,445**	**1,492**	**1,585**

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 2017.

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 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 standards enter into effect in 2018 as well as in the coming financial year. The impact of implementation of IFRS 15 Revenue from contracts with customers and IFRS 9 Financial instruments is taken into account from 1 January 2018 and the new standards will not have a material impact on the Group's financial statements. An assessment of the impact of IFRS 16 Leasing, which comes into force on 1 January 2019, is ongoing.

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 2017 financial statements for more information.

NET SALES BY SEGMENT, EXTERNAL CUSTOMERS

SEKm	Apr-Jun 2018	Apr-Jun 2017	Jan-Jun 2018	Jan-Jun 2017	Jan-Dec 2017	Jul 2017-Jun 2018
Nordics	420	370	855	759	1,459	1,555
Europe	185	197	387	385	740	742
Other Markets	166	174	309	322	654	641
Resilient Global	73	51	126	108	219	237
Net sales Group, external customers	**844**	**792**	**1,677**	**1,574**	**3,072**	**3,175**

OPERATING EBIT BY SEGMENT

SEKm	Apr-Jun 2018	Apr-Jun 2017	Jan-Jun 2018	Jan-Jun 2017	Jan-Dec 2017	Jul 2017-Jun 2018
Nordics	39	42	73	84	152	141
Europe	15	19	31	37	66	60
Other Markets	6	9	11	11	27	27
Resilient Global	16	6	22	12	31	41
Operating EBIT	**76**	**76**	**136**	**144**	**276**	**268**

NOTE 2. SEGMENT CONT.

OPERATING PROFIT (EBIT) BY SEGMENT

SEKm	Apr-Jun 2018	Apr-Jun 2017	Jan-Jun 2018	Jan-Jun 2017	Jan-Dec 2017	Jul 2017-Jun 2018
Nordics	37	26	70	65	110	115
Europe	13	14	29	31	49	47
Other Markets	5	2	10	3	-39	-32
Resilient Global	15	4	21	10	28	39
Operating profit (EBIT)	**70**	**46**	**130**	**109**	**148**	**169**

NOTE 3. ITEMS AFFECTING COMPARABILITY

SEKm	Apr-Jun 2018	Apr-Jun 2017	Jan-Jun 2018	Jan-Jun 2017	Jan-Dec 2017	Jul 2017-Jun 2018
Operating profit excl. items affecting comparability (operating EBIT)	**76**	**76**	**136**	**144**	**276**	**268**
Production footprint changes	0	-25	-	-28	-43	-15
Provision for legal dispute in the US	-	-	-	-	-49	-49
Other items affecting comparability	-6	-5	-6	-7	-36	-35
Operating profit (EBIT)	**70**	**46**	**130**	**109**	**148**	**169**

The items affecting comparability of SEK 6 million (30) during the second quarter were primarily related to consultant fees for projects.

The items affecting comparability of SEK 6 million (35) during the period January-June were primarily related to consultant fees for projects.

NOTE 4. INTEREST-BEARING LIABILITIES

SEKm	30 Jun 2018	30 Jun 2017	31 Dec 2017
Non-current liabilities			
Finance lease	-	3	2
Loan Facility A	135	195	165
Loan Facility B	684	650	647
Financing costs [1]	-12	-18	-15
Revolving Credit Facility (RCF)	125	150	150
Utilised investment credit	55	55	55
Other loans	1	1	1
Total non-current interest-bearing liabilities	**988**	**1,036**	**1,005**
Current liabilities			
Finance lease	-	1	1
Other loans	1	1	1
Total current interest-bearing liabilities	**1**	**2**	**2**
Total interest-bearing liabilities	**989**	**1,038**	**1,007**

[1] Accrued financing costs spread over the term of the loans

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

SEKm	Apr-Jun 2018	Apr-Jun 2017	Jan-Jun 2018	Jan-Jun 2017	Jan-Dec 2017	Jul 2017-Jun 2018
Depreciation, amortisation and impairment of property, plant and equipment	24	24	47	48	92	91
Provision for legal dispute in the US	-	-	-	-	44	44
Other items that do not affect cash flow	32	6	84	11	41	114
Total adjustment for items that do not affect cash flow	**56**	**30**	**131**	**59**	**177**	**249**

NOTE 6. FINANCIAL ASSETS (PARENT COMPANY)

SEKm	30 Jun 2018	30 Jun 2017	31 Dec 2017
Financial assets			
Shares in subsidiaries	593	593	593
Shareholder loan, AB Gustaf Kähr [1]	343	325	343
Shareholder loan, Karelia-Upofloor Oy [1]	302	405	364
Shareholder loan, Oak Norge A/S [1]	109	106	109
Total	**1,347**	**1,429**	**1,409**

[1] Shareholder loans carry a fixed interest rate of 3.5 per cent. Shareholder loans will mature on 30 June 2020 and on 31 December 2022.

SEKm		30 Jun 2018	30 Jun 2017	31 Dec 2017
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	467
Karelia-Upofloor Oy (1034286-4, Kuopio, FI)	120,288	126	126	126
Oak Norge AS (989 339 524, Oslo, NO)	1,050	0	0	0
Total		**593**	**593**	**593**

CONSOLIDATED KEY PERFORMANCE INDICATORS

SEKm	Apr-Jun 2018	Apr-Jun 2017	Jan-Jun 2018	Jan-Jun 2017	Jan-Dec 2017	Jul 2017-Jun 2018
Net Sales	844	792	1,677	1,574	3,072	3,175
EBITA	70	45	130	109	148	169
EBITA, %	8.3%	5.7%	7.8%	6.9%	4.8%	5.3%
Operating EBITA	76	75	136	144	276	268
Operating EBITA, %	9.0%	9.5%	8.1%	9.1%	9.0%	8.4%
Operating profit (EBIT)	70	46	130	109	148	169
Operating profit (EBIT), %	8.3%	5.8%	7.8%	6.9%	4.8%	5.3%
Operating profit excl. items affecting comparability (operating EBIT)	76	76	136	144	276	268
Operating profit excl. items affecting comparability (operating EBIT), %	9.0%	9.6%	8.1%	9.1%	9.0%	8.4%
Operating profit excl. depreciation and items affecting comparability (adjusted EBITDA)	100	99	183	192	367	358
Operating profit excl. depreciation and items affecting comparability (adjusted EBITDA), %	11.8%	12.5%	10.9%	12.2%	11.9%	11.3%
Profit for the period	27	35	41	80	86	47
Profit for the period. %	3.2%	4.4%	2.4%	5.1%	2.8%	1.5%
Earnings per share before and after dilution. SEK	903	1,111	1,356	2,655	2,860	1,560
Net cash flows from operating activities	73	41	24	31	238	231
Investments	46	12	68	22	75	121
Total cash flow	-3	-151	-99	-171	-37	35
Total assets	2,299	2,135	2,299	2,135	2,188	2,299
Cash and cash equivalents at end of period	130	92	130	92	226	130
Net working capital	956	909	956	909	810	956
Net debt	859	946	859	946	780	859
Equity	415	326	415	326	328	415
Capital employed	859	946	859	946	780	859
Equity ratio, %	18.1%	15.3%	18.1%	15.3%	15.0%	18.1%
Return on Equity, %	12.7%	21.6%	12.7%	21.6%	21.5%	11.9%
Return on capital employed, %	18.7%	15.0%	18.7%	15.0%	19.4%	18.7%
Interest coverage ratio, times	10.5	13.6	10.5	13.6	13.1	10.4
Net debt/EBITDA ratio, times	2.4	2.7	2.4	2.7	2.1	2.4
Number of employees, end of period	1,748	1,740	1,748	1,740	1,717	1,748

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 Europe-leading flooring manufacturer in hardwood and resilient flooring with several strong brands in its product portfolio, including Kährs, Karelia and Upofloor. Kährs' innovations have shaped the industry throughout history and the company is dedicated to providing private, commercial and public spaces with environmentally sound and long-lasting flooring solutions. The Kährs Group, which delivers products to more than 70 countries, is the market leader in Sweden, Finland and Russia and holds a strong position in other key markets, such as Norway, the UK and Germany. The Group has approximately 1,700 employees and annual sales of more than SEK 3 billion.

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Kährs Group