

# YEAR-END REPORT

**KÄHRS HOLDING AB (PUBL)** QUARTER 4 & FULL YEAR | 2017

**Net sales up**  
6 per cent in 2017

**Strong sales growth**  
in the Nordics and Resilient Global segments

**Operating EBITA for the year rose**  
by 22 per cent

**Kährs Group**



# STABLE CONCLUSION TO 2017 WITH STRONG PROFITABILITY GROWTH

## FOURTH QUARTER, OCTOBER – DECEMBER 2017

- Net sales totalled SEK 769 million (736), an increase of 4 per cent compared with the same period in 2016. Organic sales growth was 5 per cent
- Operating EBITA rose 30 per cent and totalled SEK 70 million (54), corresponding to an operating margin of 9.1 per cent (7.3)
- Operating profit (EBIT) improved by SEK 79 million during the fourth quarter and totalled SEK 55 million (-24), corresponding to 7.2 per cent (-3.3). The improvement for the quarter can be attributed to higher sales and gross margin, as well as lower items affecting comparability of SEK 15 million (78)
- Consolidated profit for the quarter was SEK 26 million (-30)
- Earnings per share totalled SEK 857 (-1,011)

## PERIOD

### JANUARY – DECEMBER 2017

- Net sales for 2017 totalled SEK 3,072 million (2,894), an increase of 6 per cent compared with the same period in 2016. Organic sales growth was 5 per cent
- Operating EBITA rose 22 per cent compared with the full-year 2016 and totalled SEK 276 million (227), corresponding to an operating margin of 9.0 per cent (7.8)
- Operating profit (EBIT) for the period was SEK 148 million (133), corresponding to 4.8 per cent (4.6), including a negative impact for items affecting comparability of SEK 128 million (94) 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 86 million (59)
- Earnings per share totalled SEK 2,861 (1,972)

## KEY PERFORMANCE INDICATORS FOR THE GROUP

SEK m	Oct-Dec 2017	Oct-Dec 2016	Jan-Dec 2017	Jan-Dec 2016
Net sales	769	736	3,072	2,894
EBITA	55	-24	148	133
EBITA, %	7.2%	-3.3%	4.8%	4.6%
Operating EBITA	70	54	276	227
Operating EBITA, %	9.1%	7.3%	9.0%	7.8%
Operating profit (EBIT)	55	-24	148	133
Operating profit (EBIT), %	7.2%	-3.3%	4.8%	4.6%
Operating profit excl. items affecting comparability (operating EBIT)	70	54	276	227
Operating profit excl. items affecting comparability (operating EBIT), %	9.1%	7.3%	9.0%	7.8%
Operating profit excl. depreciation and items affecting comparability (adjusted EBITDA)	90	81	367	320
Operating profit excl. depreciation and items affecting comparability (adjusted EBITDA), %	11.7%	11.0%	11.9%	11.1%
Profit for the period	26	-30	86	59
Profit/loss for the period, %	3.4%	-4.1%	2.8%	2.0%
Earnings per share before and after dilution, SEK	857	-1,011	2,861	1,972
Net cash flows from operating activities	167	130	238	187
Net debt	780	526	780	526
Equity ratio, %	15.0%	21.5%	15.0%	21.5%
Return on capital employed, %	19.4%	17.2%	19.4%	17.2%

# CHIEF EXECUTIVE'S COMMENTS



“

Kährs Group had a successful year in 2017 during which we further strengthened our competitive position in several markets. We launched an array of important initiatives over the course of the year to promote continued positive growth.”

## STABLE SALES AND STRONG OPERATING PROFIT FOR FOURTH QUARTER 2017

**The Kährs Group showed stable sales growth of 4 per cent in the fourth quarter of 2017. The Nordics and Resilient Global segments demonstrated the strongest growth, but the Europe segment also performed somewhat better than the previous year, while sales for Other Markets declined during the quarter. Consolidated operating EBITA increased by 30 per cent during the quarter to SEK 70 million, corresponding to a margin of 9.1 per cent.**

Net sales for the fourth quarter rose 4 per cent compared with last year, reaching SEK 769 million. Demand continues to vary in our seven core markets and we currently see the strongest growth primarily in the projects segment. Profit for the Group before items affecting comparability (operating EBITA) was SEK 70 million, SEK 16 million better than the fourth quarter in 2016 and an increase of 30 per cent. Sales growth combined with a stable operating gross margin and good cost control are the foundation of our continued development. EBIT for the quarter amounted to SEK 55 million (-24).

Our largest segment, the Nordics, which accounts for almost 50 per cent of sales, continued to demonstrate a favourable sales performance in the fourth quarter. Our positioning in both the projects market and the building trade continue to lay the foundation for our continued growth in the segment. Net sales for the quarter reached SEK 375 million, an increase of 9 per cent compared with the same period last year.

Net sales in the Europe segment rose 1 per cent compared with last year, reaching SEK 174 million for the quarter. Our core markets in the segment demonstrate stable growth, although sales are somewhat weaker in the UK. The majority of market growth in the segment is generated in

the projects market, while retail is somewhat weaker than during the first half of 2017.

The trend in the Other Markets segment was weak during the fourth quarter, with sales declining by 6 per cent to SEK 169 million. The negative trend in Russia and China during the quarter could not be fully offset by stable sales growth in the US.

The Resilient Global segment achieved strong sales growth during the fourth quarter, surging by 28 per cent to SEK 51 million. We saw good growth in all of our core markets except in Finland, where the market continued to be somewhat cautious.

Our goal is to continue to develop the company, strengthen our position and increase our premium sales. We must constantly improve in everything we do, while maintaining a clear focus on a number of strategic directions. We will have a superior product offering, driven by design and innovation. We will strengthen our competitiveness by developing our design capability and by having a good understanding of the various needs of our customers. We will simplify and improve everyday life for architects, designers and other decision-makers in the projects market and we will be the best in our sector in digital solutions.

Kährs Group had a successful year in 2017 during which we further strengthened our competitive position in several markets. We launched an array of important initiatives over the course of the year to promote continued positive growth, and along with the Group's talented and dedicated employees, we have an excellent foundation for a successful 2018.

**Christer Persson**  
President and CEO



# KÄHRS YEAR-END REPORT

## JANUARY-DECEMBER 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 is relatively stable, but we continue to see major differences in the Kährs Group's core markets.

The Swedish market is growing and is driven by continued strong growth in both new construction and renovation projects. In the current situation we see no effects on the flooring market related to the decline in housing prices in the metropolitan regions. In Norway the premium segment continues to perform well, as the Norwegian market continues to recover. Demand is strong for both flats and single-family homes. The market in Finland is also improving, currently driven by the need for multifamily housing. Retail in Finland continues to be somewhat cautious.

We can see clear differences between the markets in Central Europe and in the UK. Although the underlying financial situation in the eurozone is growing stronger, demand for hardwood flooring in Germany is somewhat weaker. It is increasingly clear that growth is generated in the projects market, while retail is more cautious. The market in the UK slowed somewhat during the fourth quarter, but we see continued robust demand from both projects and consumers. However, it is unclear how Brexit will affect the flooring market in the country moving forward. We have seen the strongest growth in the hardwood flooring market in Central Europe in countries such as Italy, France and Czech Republic.

The market situation in Russia continues to be unstable, where end consumers are switching to laminates and other less expensive flooring solutions. The retail segment and wholesalers see a weaker sales trend than was estimated and the outlook is uncertain.

The market situation in the US continues to be robust with 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. However, the US market is open to new flooring solutions and Luxury Vinyl Tiles (LVT) are currently demonstrating the highest growth rate in the market.

For the resilient flooring market we see varying trends in the core markets where the Kährs Group operates. The market in Sweden is stable and is primarily driven by demand from the healthcare sector. In Central Europe, growth is mainly in Germany and Switzerland with a robust projects market and the market in the US is driven by a growing focus on PVC-free flooring in public buildings. The Finnish market continues to be weak, but as previously we see a future need for renovations.

# GROUP PERFORMANCE

## JANUARY-DECEMBER 2017

GROUP	Oct-Dec 2017	Oct-Dec 2016	Jan-Dec 2017	Jan-Dec 2016
<b>SEK m</b>				
Net sales	769	736	3,072	2,894
Organic growth, %	5	8	5	7
Operating EBITA	70	54	276	227
Operating EBITA, %	9.1	7.3	9.0	7.8
Operating profit (EBIT)	55	-24	148	133
Operating profit (EBIT), %	7.2	-3.3	4.8	4.6

### NET SALES

#### Fourth quarter

Total Group net sales amounted to SEK 769 million (736), an increase of SEK 33 million or 4 per cent compared with the fourth 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.

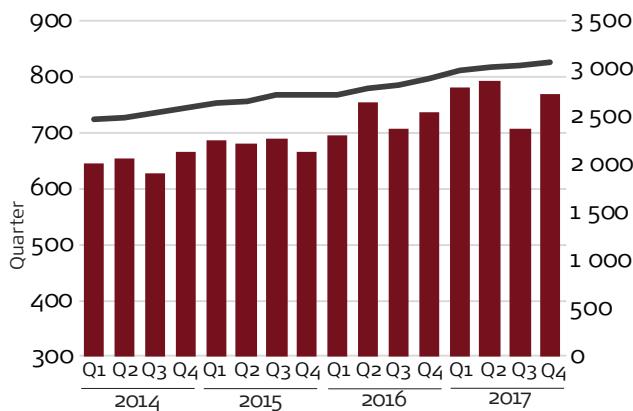
Calculated in local currencies, sales growth was 5 per cent.

#### Period: January – December

Net sales for the Group during the period amounted to SEK 3,072 million (2,894), an increase of 6 per cent compared with the corresponding period in 2016. The Nordics and Resilient Global segments showed the highest growth of 10 per cent and 13 per cent, respectively, while Other Markets relatively had the weakest trend in the period and were in line with the previous year.

Calculated in local currencies, sales growth was 5 per cent for full-year 2017.

### NET SALES



■ Net sales  
— Net sales, rolling 12 months

### OPERATING PROFIT

#### Fourth quarter

Operating EBITA totalled SEK 70 million (54), corresponding to an operating margin of 9.1 per cent (7.3) and an increase of 30 per cent. This improvement can be explained by higher net sales, an improved operating margin trend, and continued good control over our cost base. Operating profit (EBIT) totalled SEK 55 million (-24). This improvement of SEK 79 million can be attributed to higher net sales and gross margin, as well as lower items affecting comparability than the previous year. The items affecting comparability declined during the quarter by SEK 63 million to SEK 15 million (78).

Exchange rate effects had a negative impact on the Group's operating profit of SEK -3 million.

The Group's total depreciation and amortisation of property, plant and equipment for the fourth quarter amounted to SEK 21 million (26).

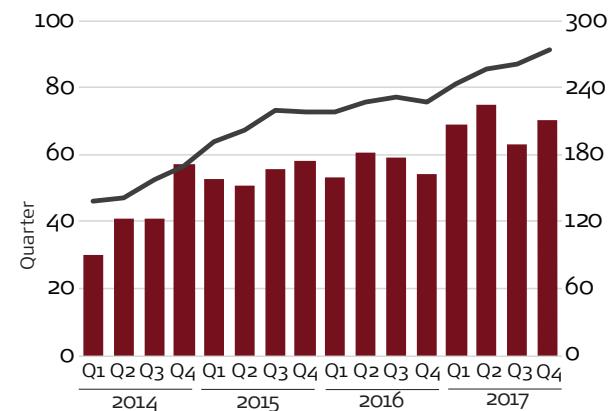
#### Period: January – December

Operating EBITA improved by 22 per cent and totalled SEK 276 million (227), corresponding to a margin of 9.0 per cent (7.8). Operating profit (EBIT) for the period was SEK 148 million (133), corresponding to 4.8 per cent (4.6). This SEK 15 million improvement in operating profit was achieved through higher net sales and an improved gross profit, even though the items affecting comparability were higher than the previous year at SEK 128 million (94) and were primarily related to a provision for tariff costs in the US, changes in production structure in Finland, and consultant fees for projects.

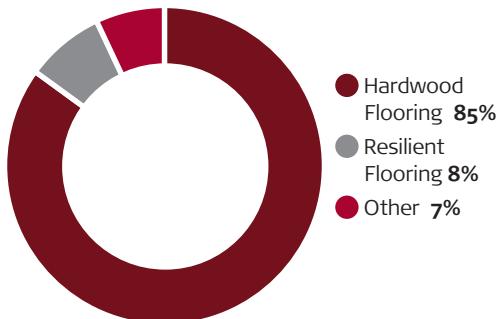
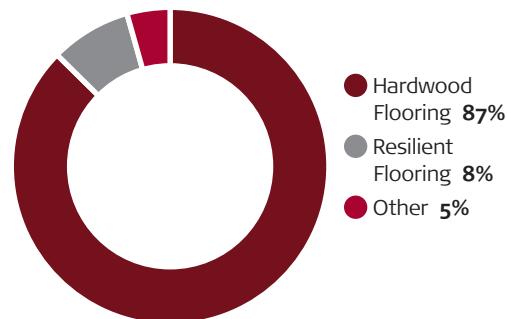
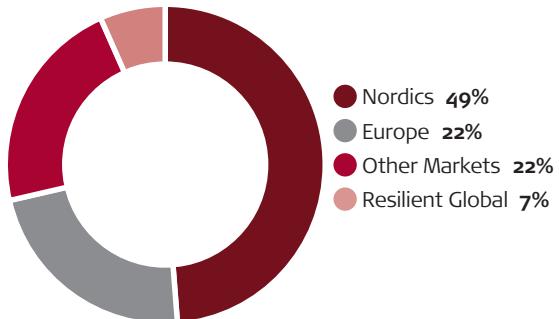
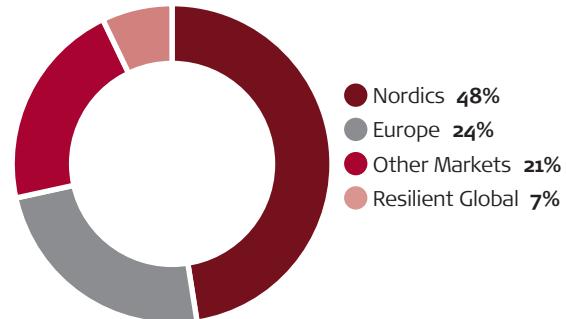
Exchange rate effects had a positive impact on the Group's operating profit of SEK 13 million.

The Group's total depreciation and amortisation of property, plant and equipment for the period amounted to SEK 92 million (93).

### OPERATING EBITA



■ Operating EBITA  
— Operating EBITA, rolling 12 months

NET SALES BY PRODUCT GROUP  
QUARTER 4, 2017NET SALES BY PRODUCT GROUP  
JANUARY-DECEMBER 2017NET SALES BY SEGMENT  
QUARTER 4, 2017NET SALES BY SEGMENT  
JANUARY-DECEMBER 2017

## NET SALES AND OPERATING PROFIT BY SEGMENT

### NORDICS

SEK m	Oct-Dec 2017	Oct-Dec 2016	Jan-Dec 2017	Jan-Dec 2016
Net sales	375	344	1,459	1,323
Organic growth, %	9	8	9	7
Operating EBIT	41	25	152	126
Operating EBIT, %	10.9	7.3	10.4	9.5
Operating profit (EBIT)	33	8	110	101
Operating profit (EBIT), %	8.8	2.3	7.5	7.6

#### Fourth quarter

The segment demonstrated robust sales growth of 9 per cent to SEK 375 million (344) for the fourth quarter. Sweden ended the year on a strong note with robust growth; the increase was driven by the new construction and renovation market. In Norway, Finland and Denmark the trend was more moderate and these countries had growth ranging between 2 and 5 per cent during the period. We see clear signs of improvement in these three markets.

Operating EBIT for the quarter was SEK 41 million (25), corresponding to an operating margin of 10.9 per cent (7.3).

#### Period: January – December

Sales in the segment rose 10 per cent and totalled SEK 1,459 million (1,323) during the period and operating EBIT totalled SEK 152 million (126), corresponding to an operating margin of 10.4 per cent (9.5).

### EUROPE

SEK m	Oct-Dec 2017	Oct-Dec 2016	Jan-Dec 2017	Jan-Dec 2016
Net sales	174	173	740	723
Organic growth, %	1	8	3	9
Operating EBIT	13	13	66	69
Operating EBIT, %	7.5	7.5	8.9	9.5
Operating profit (EBIT)	10	6	49	57
Operating profit (EBIT), %	5.7	3.5	6.6	7.9

#### Fourth quarter

Net sales for the segment amounted to SEK 174 million (173) for the quarter, an increase of 1 per cent. The majority of the markets in which the Kährs Group is active, including France, Germany and Switzerland, showed a stable trend during the period, while the UK 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, while retail is somewhat more cautious.

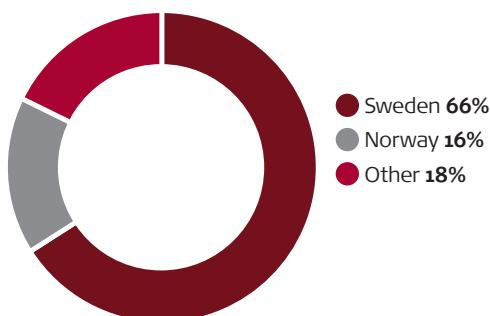
Operating EBIT was SEK 13 million (13) for the fourth quarter, corresponding to an operating margin of 7.5 per cent (7.5).

#### Period: January – December

Sales in the segment rose 2 per cent and totalled SEK 740 million (723) during the year and the segment's operating EBIT was SEK 66 million (69), corresponding to an operating margin of 8.9 per cent (9.5).

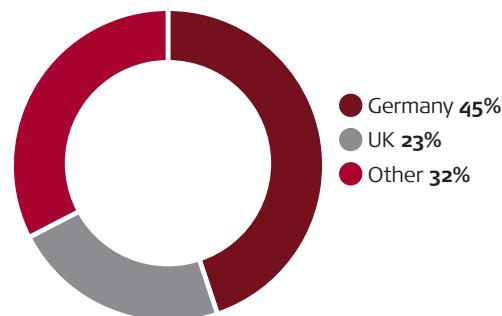
### NET SALES BY MARKET

SEGMENT NORDICS – 375 SEK m  
QUARTER 4, 2017



### NET SALES BY MARKET

SEGMENT EUROPE – 174 SEK m  
QUARTER 4, 2017



## NET SALES AND OPERATING PROFIT BY SEGMENT, CONT.

### OTHER MARKETS

SEK m	Oct-Dec 2017	Oct-Dec 2016	Jan-Dec 2017	Jan-Dec 2016
Net sales	169	179	654	654
Organic growth, %	-3	17	-5	4
Operating EBIT	11	14	27	21
Operating EBIT, %	6.5	7.8	4.1	3.2
Operating profit (EBIT)	8	-38	-39	-34
Operating profit (EBIT), %	4.7	-21.2	-6.0	-5.2

#### Fourth quarter

Net sales for the Other Markets segment amounted to SEK 169 million (SEK 179) for the period, a decrease of 6 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 the previous year, though this decline was offset in part by a solid trend in the CIS countries. The market trend in the US sales continues to be favourable and the Kährs Group demonstrated stable sales growth in the last quarter of the year.

Operating EBIT for the period was SEK 11 million (14), corresponding to an operating margin of 6.5 per cent (7.8).

#### Period: January – December

During full-year 2017 the segment achieved sales on a par with the previous year, totalling SEK 654 million (654). Operating EBIT for the period was SEK 27 million (21), corresponding to an operating margin of 4.1 per cent (3.2).

### RESILIENT GLOBAL

SEK m	Oct-Dec 2017	Oct-Dec 2016	Jan-Dec 2017	Jan-Dec 2016
Net sales	51	40	219	194
Organic growth, %	28	-16	11	-1
Operating EBIT	5	2	31	11
Operating EBIT, %	9.8	5.0	14.2	5.7
Operating profit (EBIT)	4	0	28	9
Operating profit (EBIT), %	7.8	0.0	12.8	4.6

#### Fourth quarter

Net sales for the Resilient Global segment amounted to SEK 51 million (40) for the fourth quarter, an increase of 28 per cent. Sales for resilient flooring continued to be extremely strong in Sweden, although the US and Germany also showed good growth during the period. The increased demand for PVC-free flooring is becoming pronounced in the core markets where the Kährs Group operates. In Finland, however, we saw continued weak demand and sales in the quarter.

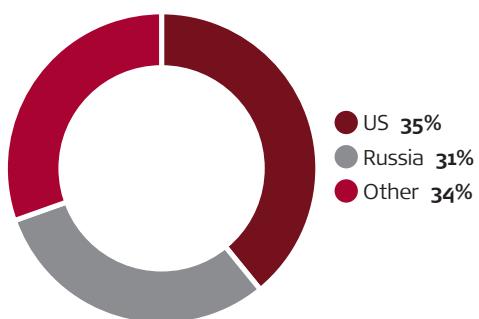
Operating EBIT for the segment was SEK 5 million (2) for the quarter, corresponding to an operating margin of 9.8 per cent (5.0).

#### Period: January – December

Sales in the Resilient Global segment rose 13 per cent and totalled SEK 219 million (194) during the period and operating EBIT totalled SEK 31 million (11), corresponding to an operating margin of 14.2 per cent (5.7).

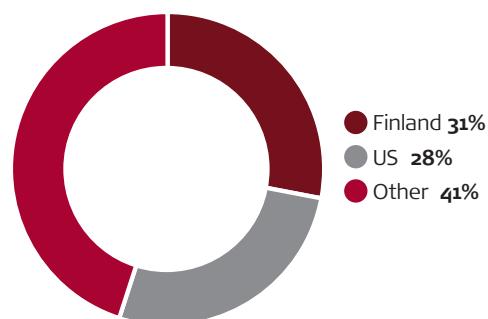
### NET SALES BY MARKET

SEGMENT OTHER MARKETS – 169 SEK m  
QUARTER 4, 2017



### NET SALES BY MARKET

SEGMENT RESILIENT GLOBAL – 51 SEK m  
QUARTER 4, 2017



## CASH FLOW AND INVESTMENTS

### Fourth quarter

Cash flow from operating activities was SEK 167 million (130). Total working capital decreased by SEK 89 million (123) during the quarter. Net working capital was SEK 35 million higher as at 31 December 2017 compared with the same date in 2016, totalling SEK 810 million (775). More capital is tied up in inventories, while trade receivables increased somewhat due to higher net sales. Trade payables were SEK 36 million higher than they were at the same point in time the previous year.

Investments for the fourth quarter amounted to SEK 39 million (25) and mainly related to production equipment.

### Period: January – December

Cash flow from operating activities for 2017 was SEK 238 million (187). Working capital increased by SEK 19 million, compared with an increase of SEK 18 million for the same period in 2016.

Investments for the January to December period amounted to SEK 75 million (78) and primarily related to production equipment.

## NET FINANCIAL EXPENSES

### Fourth quarter

Net financial expenses amounted to SEK 13 million (13) for the fourth quarter of 2017.

### Period: January – December

Net financial expenses amounted to SEK 28 million (56) for the period.

## FINANCIAL POSITION

The Group's total assets amounted to SEK 2,185 million as at 31 December 2017 (2,196) and the equity ratio was 15.0 per cent (21.5).

The Group's net debt was SEK 780 million as at 31 December 2017, compared with SEK 526 million as at 31 December 2016. This increase is related to an increase in the Company's loans from banks of SEK 300 million during the

### NET DEBT

SEK m	31 Dec 2017	30 Sep 2016	31 Dec 2016
Shareholder loans	-	-	220
Liabilities to credit institutions	1,002	1,030	785
Other	5	6	5
<b>Total interest-bearing liabilities</b>	<b>1,007</b>	<b>1,036</b>	<b>1,010</b>

### Less

Shareholder loans	-	-	-220
Cash and cash equivalents including Interest-bearing receivables	-227	-128	-264
<b>Net debt</b>	<b>780</b>	<b>908</b>	<b>526</b>
Interest coverage ratio, times	13.1	13.7	11.9
Net debt/EBITDA ratio, times	2.1	2.6	1.7

second quarter of 2017, at the same time that the Company repaid its shareholder loans of SEK 231 million. In addition, shareholders were paid a dividend of SEK 219 million. Net debt in relation to adjusted EBITDA was 2.1 times (1.7) as at 31 December 2017, with the interest coverage ratio 13.1 times (11.9).

Cash and cash equivalents as at 31 December 2017 totalled SEK 226 million, compared with SEK 264 million as at 31 December 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 321 million as at 31 December 2017, which provides good stability moving forward.

## TAX EXPENSE

Tax expense for the fourth quarter of 2017 amounted to SEK 16 million (-7) and for the January to December period SEK 34 million (18).

# OTHER INFORMATION

## 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 2016.

## PARENT COMPANY

Net sales in the parent company for the period January to December 2017 totalled SEK 0 million (0) with a profit after tax of SEK 16 million (65). The parent company's income statement and balance sheet are presented on pages 16–17 in this year-end report.

## EMPLOYEES

As at 31 December 2017 the Group had 1,717 employees, an increase of 52 compared with 31 December 2016 (1,665). This increase mainly relates to production personnel at our plants 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](http://www.kahrsgroup.com).

Reporting calendar:

● <b>Annual Report 2017</b>	<b>April 2018</b>
● <b>Interim Report Q1, 2018</b>	<b>27 April 2018</b>
● <b>Annual General Meeting 2018</b>	<b>April 2018</b>
● <b>Interim Report Q2, 2018</b>	<b>20 July 2018</b>
● <b>Interim Report Q3, 2018</b>	<b>25 October 2018</b>

## 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 year-end 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, 16 February 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 year-end 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 Friday 16 February 2018.

This year-end report has not been reviewed by the company's auditors.

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Corporate Identity number:  
556534-2481

# FINANCIAL STATEMENTS

## CONSOLIDATED INCOME STATEMENT

SEK m	note	Oct-Dec 2017	Oct-Dec 2016	Jan-Dec 2017	Jan-Dec 2016
Net sales	2	769	736	3,072	2,894
Cost of goods sold	3	-592	-572	-2,414	-2,261
<b>Gross profit</b>		<b>177</b>	<b>164</b>	<b>658</b>	<b>633</b>
Selling and distribution expenses	3	-78	-90	-326	-317
Administrative expenses	3	-49	-74	-141	-112
Other operating income		0	1	6	2
Other operating expenses		5	0	-49	-47
Share of results of associated companies		-	-25	-	-26
<b>Operating profit (EBIT)</b>		<b>55</b>	<b>-24</b>	<b>148</b>	<b>133</b>
Financial income		18	1	19	2
Financial expenses		-31	-14	-47	-58
<b>Profit before tax</b>		<b>42</b>	<b>-37</b>	<b>120</b>	<b>77</b>
Tax		-16	7	-34	-18
<b>Profit for the period</b>		<b>26</b>	<b>-30</b>	<b>86</b>	<b>59</b>
<b>Attributable to:</b>					
Shareholders of the parent company		26	-30	86	59
Non-controlling interests		0	0	0	0
<b>Total</b>		<b>26</b>	<b>-30</b>	<b>86</b>	<b>59</b>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SEK m	Oct-Dec 2017	Oct-Dec 2016	Jan-Dec 2017	Jan-Dec 2016
<b>Profit for the period</b>	<b>26</b>	<b>-30</b>	<b>86</b>	<b>59</b>
<b>Other comprehensive income</b>				
Items that may be reclassified in the income statement:				
Translation differences	8	11	-10	54
<b>Other comprehensive income, net of tax</b>	<b>8</b>	<b>11</b>	<b>-10</b>	<b>54</b>
<b>Total comprehensive income for the period</b>	<b>34</b>	<b>-19</b>	<b>76</b>	<b>113</b>
<b>Attributable to:</b>				
Shareholders of the parent company	34	-19	76	113
Non-controlling interests	0	0	0	0
<b>Total</b>	<b>34</b>	<b>-19</b>	<b>76</b>	<b>113</b>

Earnings per share before and after dilution, SEK 857 -1,011 2,861 1,972

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

SEK m	note	31 Dec 2017	30 Sep 2016	31 Dec 2016
<b>ASSETS</b>				
<b>Non-current assets</b>				
Intangible assets		1	0	1
Tangible assets		619	599	664
Other financial assets		8	7	7
Deferred tax assets		71	93	83
<b>Total non-current assets</b>		<b>699</b>	<b>699</b>	<b>755</b>
<b>Current assets</b>				
Inventories		795	762	734
Trade receivables		416	508	406
Derivatives		2	2	1
Other current assets		47	54	36
Cash and cash equivalents		226	128	264
<b>Total current assets</b>		<b>1,486</b>	<b>1,454</b>	<b>1,441</b>
<b>TOTAL ASSETS</b>		<b>2,185</b>	<b>2,153</b>	<b>2,196</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Share capital		1	1	1
Reserves		-128	-136	-118
Retained earnings including profit for the period		455	430	589
<b>Total</b>		<b>328</b>	<b>295</b>	<b>472</b>
Attributable to non-controlling interests		1	0	0
<b>Total equity</b>		<b>329</b>	<b>295</b>	<b>472</b>
<b>Non-current liabilities</b>				
Interest-bearing liabilities	4	1,005	1,034	1,008
Provisions for pensions		1	1	1
Other provisions		63	66	18
Deferred tax liabilities		24	12	8
<b>Total non-current liabilities</b>		<b>1,093</b>	<b>1,113</b>	<b>1,035</b>
<b>Current liabilities</b>				
Interest-bearing liabilities	4	2	2	2
Other provisions		50	53	38
Trade payables		401	358	365
Income tax payable		10	21	3
Derivatives		-	-	4
Other current liabilities		300	311	277
<b>Total current liabilities</b>		<b>763</b>	<b>745</b>	<b>689</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>2,185</b>	<b>2,153</b>	<b>2,196</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS

SEK m	note	Oct-Dec 2017	Oct-Dec 2016	Jan-Dec 2017	Jan-Dec 2016
<b>Operating activities</b>					
Profit before tax		42	-37	120	77
Other non-cash items	5	45	56	177	166
<b>Cash flow before interest and tax</b>		<b>87</b>	<b>19</b>	<b>297</b>	<b>243</b>
Interest received		1	1	1	1
Interest paid		-9	-7	-28	-27
Income tax paid		-1	-6	-13	-12
<b>Net cash flow from operating activities before change in working capital</b>		<b>78</b>	<b>7</b>	<b>257</b>	<b>205</b>
<b>Change in working capital</b>					
Change in inventories		-32	7	-60	-23
Change in operating receivables		99	90	-22	-45
Change in operating liabilities		22	26	63	50
<b>Net cash flows from operating activities</b>		<b>167</b>	<b>130</b>	<b>238</b>	<b>187</b>
<b>Investing activities</b>					
Investment in tangible assets		-39	-25	-75	-78
Investment in financial assets		-1	1	-1	-2
Proceeds from sale of tangible assets		0	0	11	0
<b>Net cash flows from investing activities</b>		<b>-40</b>	<b>-24</b>	<b>-65</b>	<b>-80</b>
<b>Financing activities</b>					
Dividend		-	-	-219	-
Proceeds from borrowings		-	-	300	25
Repayment of borrowings		-30	-25	-291	-50
<b>Net cash flows from financing activities</b>		<b>-30</b>	<b>-25</b>	<b>-210</b>	<b>-25</b>
<b>Cash flow for the period</b>					
Cash and cash equivalents at beginning of period		128	182	264	179
Exchange-rate differences in cash and cash equivalents		1	1	-1	3
<b>Cash and cash equivalents at end of period</b>		<b>226</b>	<b>264</b>	<b>226</b>	<b>264</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

SEK m	Share capital	Contributions of other capital	Reserves	Retained earnings	Total	Non-controlling interests	Total equity
<b>As at 1 January 2017</b>	<b>1</b>	<b>-</b>	<b>-118</b>	<b>589</b>	<b>472</b>	<b>0</b>	<b>472</b>
Profit for the period	-	-	-	60	60	0	60
Other comprehensive income	-	-	-18	0	-18	0	-18
<b>Transactions with shareholders:</b>							
Dividend	-	-	-	-219	-219	0	-219
<b>As at 30 September 2017</b>	<b>1</b>	<b>-</b>	<b>-136</b>	<b>430</b>	<b>295</b>	<b>0</b>	<b>295</b>

SEK m	Share capital	Contributions of other capital	Reserves	Retained earnings	Total	Non-controlling interests	Total equity
<b>As at 1 January 2016</b>	<b>1</b>	<b>-</b>	<b>-172</b>	<b>530</b>	<b>359</b>	<b>0</b>	<b>359</b>
Profit for the period	-	-	-	59	59	0	59
Other comprehensive income	-	-	54	0	54	0	54
<b>As at 31 December 2016</b>	<b>1</b>	<b>-</b>	<b>-118</b>	<b>589</b>	<b>472</b>	<b>0</b>	<b>472</b>

## PARENT COMPANY INCOME STATEMENT

SEK m	Oct-Dec 2017	Oct-Dec 2016	Jan-Dec 2017	Jan-Dec 2016
Net sales	-	-	-	-
Cost of goods sold	-	-	-	-
<b>Gross profit</b>	-	-	-	-
Selling and distribution expenses	-	-	-	-
Administrative expenses	-2	-1	-6	-6
Other operating income	6	6	23	21
Other operating expenses	-23	-8	-48	-24
<b>Operating profit (EBIT)</b>	<b>-19</b>	<b>-3</b>	<b>-31</b>	<b>-9</b>
Financial income	23	8	72	48
Financial expenses	-15	-10	-38	-34
Group contribution received	15	75	15	75
<b>Profit excluding tax</b>	<b>4</b>	<b>70</b>	<b>18</b>	<b>80</b>
Income tax expense	-1	-13	-2	-15
<b>Profit for the period</b>	<b>3</b>	<b>57</b>	<b>16</b>	<b>65</b>

## PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME

SEK m	Oct-Dec 2017	Oct-Dec 2016	Jan-Dec 2017	Jan-Dec 2016
<b>Profit for the period</b>	<b>3</b>	<b>57</b>	<b>16</b>	<b>65</b>
<b>Other comprehensive income</b>				
Items that may be reclassified in the income statement:				
Translation differences	-	-	-	-
<b>Other comprehensive income, net of tax</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income for the period</b>	<b>3</b>	<b>57</b>	<b>16</b>	<b>65</b>

## PARENT COMPANY STATEMENT OF FINANCIAL POSITION

SEK m	note	31 Dec 2017	30 Sep 2017	31 Dec 2016
<b>ASSETS</b>				
<b>Non-current assets</b>				
Financial assets	6	1,409	1,426	1,195
Deferred tax assets		-	-	2
<b>Total non-current assets</b>		<b>1,409</b>	<b>1,426</b>	<b>1,197</b>
<b>Current assets</b>				
Other current assets		1	37	31
Cash and cash equivalents		175	86	216
<b>Total current assets</b>		<b>176</b>	<b>123</b>	<b>247</b>
<b>TOTAL ASSETS</b>		<b>1,585</b>	<b>1,549</b>	<b>1,444</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Share capital		1	1	1
Retained earnings including profit for the period		163	160	366
<b>Total equity</b>		<b>164</b>	<b>161</b>	<b>367</b>
<b>Non-current liabilities</b>				
Interest-bearing liabilities		1,017	1,047	800
<b>Total non-current liabilities</b>		<b>1,017</b>	<b>1,047</b>	<b>800</b>
<b>Current liabilities</b>				
Trade payables		20	8	9
Income tax payable		2	1	-
Other current liabilities		382	332	268
<b>Total current liabilities</b>		<b>404</b>	<b>341</b>	<b>277</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,585</b>	<b>1,549</b>	<b>1,444</b>

# 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 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 company 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, 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 2016 financial statements for more information.

### NET SALES BY SEGMENT, EXTERNAL CUSTOMERS

SEK m	Oct-Dec 2017	Oct-Dec 2016	Jan-Dec 2017	Jan-Dec 2016
Nordics	375	344	1,459	1,323
Europe	174	173	740	723
Other Markets	169	179	654	654
Resilient Global	51	40	219	194
<b>Net sales Group, external customers</b>	<b>769</b>	<b>736</b>	<b>3,072</b>	<b>2,894</b>

### OPERATING EBIT BY SEGMENT

SEK m	Oct-Dec 2017	Oct-Dec 2016	Jan-Dec 2017	Jan-Dec 2016
Nordics	41	25	152	126
Europe	13	13	66	69
Other Markets	11	14	27	21
Resilient Global	5	2	31	11
<b>Operating EBIT</b>	<b>70</b>	<b>54</b>	<b>276</b>	<b>227</b>

## NOTE 2. SEGMENT

### OPERATING PROFIT (EBIT) BY SEGMENT

SEK m	Oct-Dec 2017	Oct-Dec 2016	Jan-Dec 2017	Jan-Dec 2016
Nordics	33	8	110	101
Europe	10	6	49	57
Other Markets	8	-38	-39	-34
Resilient Global	4	0	28	9
<b>Operating profit (EBIT)</b>	<b>55</b>	<b>-24</b>	<b>148</b>	<b>133</b>

## NOTE 3. ITEMS AFFECTING COMPARABILITY

SEK m	Oct-Dec 2017	Oct-Dec 2016	Jan-Dec 2017	Jan-Dec 2016
<b>Operating profit excl. items affecting comparability (operating EBIT)</b>	<b>70</b>	<b>54</b>	<b>276</b>	<b>227</b>
Production footprint changes	-2	-24	-43	-39
Provision for legal dispute in the US	-	-43	-50	-43
Other items affecting comparability	-13	-11	-35	-12
<b>Operating profit (EBIT)</b>	<b>55</b>	<b>-24</b>	<b>148</b>	<b>133</b>

The items affecting comparability of SEK 15 million (78) during the fourth quarter were primarily related to consultant fees for projects.

The items affecting comparability during the period January–December of SEK 128 million (94) are primarily related to three

items: provision for tariff costs in the US of SEK 50 million, costs for changes in production structure in Finland of SEK 40 million, and consultant fees for projects of SEK 22 million.

## NOTE 4. INTEREST-BEARING LIABILITIES

SEK m	31 Dec 2017	30 Sep 2017	31 Dec 2016
<b>Non-current liabilities</b>			
Shareholder loans <sup>1</sup>	-	-	220
Finance lease	2	3	3
Loan Facility A	165	195	225
Loan Facility B	647	647	470
Financing costs <sup>2</sup>	-15	-17	-15
Revolving Credit Facility (RCF)	150	150	50
Utilised investment credit	55	55	55
Other loans	1	1	0
<b>Total non-current interest-bearing liabilities</b>	<b>1,005</b>	<b>1,034</b>	<b>1,008</b>
<b>Current liabilities</b>			
Finance lease	1	1	1
Other loans	1	1	1
<b>Total current interest-bearing liabilities</b>	<b>2</b>	<b>2</b>	<b>2</b>
<b>Total interest-bearing liabilities</b>	<b>1,007</b>	<b>1,036</b>	<b>1,010</b>

<sup>1</sup> Shareholder loans to Nanna II S.C.A., interest compounded annually

<sup>2</sup> Accrued financing costs spread over the term of the loans

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

SEK m	Oct-Dec 2017	Oct-Dec 2016	Jan-Dec 2017	Jan-Dec 2016
Depreciation, amortisation and impairment of property, plant and equipment	21	26	92	93
Provision for legal dispute in the US	-	43	50	43
Profit from disposal of associated companies	-	26	-	26
Other items that do not affect cash flow	24	-39	35	4
<b>Total adjustment for items that do not affect cash flow</b>	<b>45</b>	<b>56</b>	<b>177</b>	<b>166</b>

## NOTE 6. FINANCIAL ASSETS (PARENT COMPANY)

SEK m	31 Dec 2017	30 Sep 2017	31 Dec 2016
<b>Financial assets</b>			
Shares in subsidiaries	593	593	593
Shareholder loan, AB Gustaf Kähr <sup>1</sup>	343	325	325
Shareholder loan, Karelia Upofloor Oy <sup>1</sup>	364	402	277
Shareholder loan, Oak Norge A/S <sup>1</sup>	109	106	-
<b>Total</b>	<b>1,409</b>	<b>1,426</b>	<b>1,195</b>

<sup>1</sup> 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	31 Dec 2017	30 Sep 2017	31 Dec 2016
<b>Shares in directly owned subsidiaries</b>			
<b>Name, corporate identity number, company domicile</b>	<b>Number of shares</b>		
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	0	0
<b>Total</b>	<b>593</b>	<b>593</b>	<b>593</b>

## CONSOLIDATED KEY PERFORMANCE INDICATORS

SEK m	Oct-Dec 2017	Oct-Dec 2016	Jan-Dec 2017	Jan-Dec 2016
Net sales	769	736	3,072	2,894
EBITA	55	-24	148	133
EBITA, %	7.2%	-3.3%	4.8%	4.6%
Operating EBITA	70	54	276	227
Operating EBITA, %	9.1%	7.3%	9.0%	7.8%
Operating profit (EBIT)	55	-24	148	133
Operating profit (EBIT), %	7.2%	-3.3%	4.8%	4.6%
Operating profit excl. items affecting comparability (operating EBIT)	70	54	276	227
Operating profit excl. items affecting comparability (operating EBIT), %	9.1%	7.3%	9.0%	7.8%
Operating profit excl. depreciation and items affecting comparability (adjusted EBITDA)	90	81	367	320
Operating profit excl. depreciation and items affecting comparability (adjusted EBITDA), %	11.7%	11.0%	11.9%	11.1%
Profit for the period	26	-30	86	59
Profit/loss for the period, %	3.4%	-4.1%	2.8%	2.0%
Earnings per share before and after dilution, SEK	857	-1,011	2,861	1,972
Net cash flows from operating activities	167	130	238	187
Investments	39	25	75	78
Total cash flow	97	81	-37	82
Total assets	2,185	2,196	2,185	2,196
Cash and cash equivalents at end of period	226	264	226	264
Net working capital	810	775	810	775
Net debt	780	526	780	526
Equity	328	472	328	472
Capital employed	780	746	780	746
Equity ratio, %	15.0%	21.5%	15.0%	21.5%
Return on Equity, %	21.5%	14.2%	21.5%	14.2%
Return on capital employed, %	19.4%	17.2%	19.4%	17.2%
Interest coverage ratio, times	13.1	11.9	13.1	11.9
Net debt/EBITDA ratio, times	2.1	1.7	2.1	1.7
Number of employees, end of period	1,717	1,665	1,717	1,665

# 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](http://www.kahrsgroup.com)