



ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2020 - GENERELL INFORMASJON

Enheten

Organisasjonsnummer:	820 350 022
Organisasjonsform:	Aksjeselskap
Foretaksnavn:	EKORNES QM HOLDING AS
Forretningsadresse:	Industrivegen 1 6222 IKORNES

Regnskapsår

Årsregnskapets periode:	01.01.2020 - 31.12.2020
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Konsern

Mørselskap i konsern:	Ja
Konsernregnskap lagt ved:	Ja

Regnskapsregler

Regler for små foretak benyttet:	Nei
Benyttet ved utarbeidelsen av årsregnskapet til selskapet:	Regnskapslovens alminnelige regler
Benyttet ved utarbeidelsen av årsregnskapet til konsernet:	IFRS

Årsregnskapet fastsatt av kompetent organ

Bekreftet av representant for selskapet:	kJETIL IVERSEN
Dato for fastsettelse av årsregnskapet:	23.03.2021

Grunnlag for avgivelse

År 2020: Årsregnskapet er elektronisk innlevert
År 2019: Tall er hentet fra elektronisk innlevert årsregnskap fra 2020

Det er ikke krav til at årsregnskapet m.v. som sendes til Regnskapsregisteret er undertegnet. Kontrollen på at dette er utført ligger hos revisor/enhetens øverste organ. Sikkerheten ivaretas ved at innsender har rolle/rettighet for innsending av årsregnskapet via Altinn, og ved at det bekreftes at årsregnskapet er fastsatt av kompetent organ.

Brønnøysundregistrene, 26.05.2022



Resultatregnskap

Beløp i: NOK	Note	2020	2019
RESULTATREGNSKAP			
Inntekter			
Salgsinntekt		0	0
Annen driftsinntekt		0	0
Sum inntekter		0	0
Kostnader			
Endring i beholdning av varer under tilvirkning og ferdig tilvirkede varer		0	0
Endring i beholdning av egentilvirkede anleggsmidler		0	0
Varekostnad		0	0
Lønnskostnad		0	0
Avskrivning på varige driftsmidler og immaterielle eiendeler		0	0
Nedskrivning av varige driftsmidler og immaterielle eiendeler		0	0
Annen driftskostnad		2 656 000	5 769 000
Sum kostnader		2 656 000	5 769 000
Driftsresultat		-2 656 000	-5 769 000
Finansinntekter og finanskostnader			
Inntekt på investering i datterselskap og tilknyttet selskap		168 010 000	201 361 000
Renteinntekt fra foretak i samme konsern			7 518 000
Annen renteinntekt		688 000	1 364 000
Agio		42 000	14 881 000
Sum finansinntekter		168 740 000	225 124 000
Rentekostnad til foretak i samme konsern			29 978 000
Annen rentekostnad		182 393 000	138 962 000
Sum finanskostnader		182 393 000	168 940 000
Netto finans		-13 653 000	56 184 000
Ordinært resultat før skattekostnad		-16 309 000	50 415 000
Skattekostnad på ordinært resultat		-24 000	11 091 000
Ordinært resultat etter skattekostnad		-16 285 000	39 324 000



Resultatregnskap

Beløp i: NOK	Note	2020	2019
Årsresultat		-16 285 000	39 324 000
Overføringer og disponeringer			
Overføringer til/fra annen egenkapital		-16 285 000	39 324 000
Sum overføringer og disponeringer		-16 285 000	39 324 000



Balanse

Beløp i: NOK	Note	2020	2019
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Finansielle anleggsmidler			
Investering i datterselskap		4 489 885 000	4 489 885 000
Sum finansielle anleggsmidler		4 489 885 000	4 489 885 000
Sum anleggsmidler		4 489 885 000	4 489 885 000
Omløpsmidler			
Varer			
Fordringer			
Andre fordringer		163 000	159 000
Konsernfordringer		256 041 000	256 567 000
Sum fordringer		256 204 000	256 726 000
Bankinnskudd, kontanter og lignende			
Bankinnskudd, kontanter og lignende		170 273 000	179 647 000
Sum bankinnskudd, kontanter og lignende		170 273 000	179 647 000
Sum omløpsmidler		426 477 000	436 373 000
SUM EIENDELER		4 916 362 000	4 926 258 000
BALANSE - EGENKAPITAL OG GJELD			
Egenkapital			
Innskutt egenkapital			
Selskapskapital		120 000	120 000
Overkurs		2 807 354 000	2 807 354 000
Sum innskutt egenkapital		2 807 474 000	2 807 474 000
Opptjent egenkapital			



Balanse

Beløp i: NOK	Note	2020	2019
Annen egenkapital		74 006 000	90 291 000
Sum opptjent egenkapital		74 006 000	90 291 000
Sum egenkapital		2 881 480 000	2 897 765 000
Gjeld			
Langsiktig gjeld			
Utsatt skatt		5 250 000	5 274 000
Sum avsetninger for forpliktelser		5 250 000	5 274 000
Annen langsiktig gjeld			
Obligasjonslån		2 001 348 000	1 981 555 000
Sum annen langsiktig gjeld		2 001 348 000	1 981 555 000
Sum langsiktig gjeld		2 006 598 000	1 986 829 000
Kortsiktig gjeld			
Leverandørgjeld		462 000	2 763 000
Annen kortsiktig gjeld		27 822 000	38 902 000
Sum kortsiktig gjeld		28 284 000	41 665 000
Sum gjeld		2 034 882 000	2 028 494 000
SUM EGENKAPITAL OG GJELD		4 916 362 000	4 926 259 000



Konsernets resultatregnskap

Beløp i: NOK	Note	2020	2019
RESULTATREGNSKAP			
Inntekter			
Salgsinntekt		3 481 709 000	3 169 006 000
Sum inntekter		3 481 709 000	3 169 006 000
Kostnader			
Varekostnad		910 103 000	845 614 000
Lønnskostnad		1 017 873 000	937 749 000
Avskrivning på varige driftsmidler og immaterielle eiendeler		303 219 000	289 468 000
Annen driftskostnad		874 848 000	860 609 000
Net other losses (gains)		12 300 000	605 000
Sum kostnader		3 118 343 000	2 934 045 000
Driftsresultat		363 366 000	234 961 000
Finansinntekter og finanskostnader			
Annen renteinntekt		12 022 000	32 241 000
Agio		13 033 000	73 763 000
Sum finansinntekter		25 055 000	106 004 000
Annen rentekostnad		210 333 000	213 614 000
Sum finanskostnader		210 333 000	213 614 000
Netto finans		-185 278 000	-107 610 000
Ordinært resultat før skattekostnad		178 088 000	127 351 000
Skattekostnad på ordinært resultat		35 709 000	26 705 000
Ordinært resultat etter skattekostnad		142 379 000	100 646 000
Årsresultat		142 379 000	100 646 000
Minoritetsinteresser		27 523 000	21 237 000
Årsresultat etter minoritetsinteresser		114 856 000	79 409 000
Andre resultatkomponenter for IFRS-foretak		-2 948 000	50 381 000
Sum resultatkomponenter for IFRS-foretak		-2 948 000	50 381 000



Konsernets resultatregnskap

Beløp i: NOK	Note	2020	2019
Totalresultat		139 431 000	151 027 000



Konsernets balanse

Beløp i: NOK	Note	2020	2019
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Konsesjoner, patenter, lisenser, varemerker og lignende rettigheter		44 967 000	47 844 000
Utsatt skattefordel		67 622 000	66 887 000
Goodwill		1 561 115 000	1 561 115 000
Brand name		1 561 515 000	1 602 188 000
Customer relations		1 221 969 000	1 268 969 000
Sum immaterielle eiendeler		4 457 188 000	4 547 003 000
Varige driftsmidler			
Tomter, bygninger og annen fast eiendom		1 001 664 000	1 047 684 000
Maskiner og anlegg		297 964 000	320 072 000
Driftsløsøre, inventar, verktøy, kontormaskiner og lignende		26 281 000	19 889 000
Right-of-use assets		152 909 000	131 177 000
Sum varige driftsmidler		1 478 818 000	1 518 822 000
Finansielle anleggsmidler			
Andre fordringer		20 862 000	16 870 000
Sum finansielle anleggsmidler		20 862 000	16 870 000
Sum anleggsmidler		5 956 868 000	6 082 695 000
Omløpsmidler			
Varer			
Varer		818 136 000	575 431 000
Sum varer		818 136 000	575 431 000
Fordringer			
Kundefordringer		415 585 000	381 933 000
Andre fordringer		80 267 000	82 810 000
Andre fordringer			0
Sum fordringer		495 852 000	464 743 000
Investeringer			



Konsernets balanse

Beløp i: NOK	Note	2020	2019
Andre markedsbaserte finansielle instrumenter		22 732 000	
Sum investeringer		22 732 000	
Bankinnskudd, kontanter og lignende			
Bankinnskudd, kontanter og lignende		454 624 000	312 804 000
Sum bankinnskudd, kontanter og lignende		454 624 000	312 804 000
Sum omløpsmidler		1 791 344 000	1 352 978 000
SUM EIENDELER		7 748 212 000	7 435 673 000
BALANSE - EGENKAPITAL OG GJELD			
Egenkapital			
Innskutt egenkapital			
Selskapskapital		120 000	120 000
Overkurs		2 807 354 000	2 807 354 000
Sum innskutt egenkapital		2 807 474 000	2 807 474 000
Opptjent egenkapital			
Annen egenkapital		262 006 000	149 817 000
Sum opptjent egenkapital		262 006 000	149 817 000
Minoritetsinteresser		500 030 000	493 924 000
Sum egenkapital		3 569 510 000	3 451 215 000
Gjeld			
Langsiktig gjeld			
Pensjonsforpliktelser		8 438 000	6 011 000
Utsatt skatt		841 897 000	878 950 000
Andre avsetninger for forpliktelser		3 586 000	4 351 000
Sum avsetninger for forpliktelser		853 921 000	889 312 000
Annen langsiktig gjeld			
Obligasjonslån		2 001 348 000	1 981 555 000
Gjeld til kredittinstitusjoner		500 000 000	500 000 000
Leasing - Non Current		119 341 000	100 440 000



Konsernets balanse

Beløp i: NOK	Note	2020	2019
Sum annen langsiktig gjeld		2 620 689 000	2 581 995 000
Sum langsiktig gjeld		3 474 610 000	3 471 307 000
Kortsiktig gjeld			
Leverandørgjeld		243 247 000	153 169 000
Betalbar skatt		62 718 000	27 282 000
Skyldige offentlige avgifter		77 439 000	63 198 000
Utbytte		9 241 000	10 545 000
Annen kortsiktig gjeld		272 567 000	222 200 000
Verdi terminkontrakter			2 552 000
Leasing - Current		38 880 000	34 205 000
Sum kortsiktig gjeld		704 092 000	513 151 000
Sum gjeld		4 178 702 000	3 984 458 000
SUM EGENKAPITAL OG GJELD		7 748 212 000	7 435 673 000



Skatteetaten

Vår dato 23.01.2020 Din/Deres dato 13.01.2020 Saksbehandler
Joakim Engebretsen

800 80 000 Din/Deres referanse Telefon
Skatteetaten.no AR354903272 92251412

Org.nr Vår referanse Postadresse
974761076 2020/5038206 Postboks 9200 Grønland
0134 OSLO

U.off. offl. § 13, fv. § 13

EKORNES QM HOLDING AS
c/o Regus, Postboks 354 Sentrum
0101 OSLO

Dispensasjon fra kravet om å utarbeide årsregnskap og årsberetning på norsk

Vi viser til Ekornes QM Holding AS' (org.nr. 820 350 022) søknad om dispensasjon fra kravet om å utarbeide årsregnskap og årsberetning på norsk.

Skattekontoret gir på bakgrunn av en konkret helhetsvurdering selskapet dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk, jf. regnskapsloven § 3-4 tredje ledd. Dispensasjonen forutsetter at engelsk språk benyttes i stedet ved utarbeidelsen, og at øvrige opplysninger som vedtaket baserer seg på, heller ikke endres vesentlig.

Kopi av dette brevet må sendes Regnskapsregisteret i Brønnøysund sammen med årsregnskapet. Det påligger den regnskapspliktige å dokumentere ved dette brev at tillatelsen er gitt.

Bakgrunn

Fra søknaden siteres:

Ekornes QM Holding AS søker herved om unntak fra plikten til å avlegge årsregnskap på norsk, jf. lov om årsregnskap m.v. nr. 56 1998 ("Regnskapsloven") § 3-4 tredje ledd.

Ekornes QM Holding AS ble etablert 4. januar 2018 med tanke på å kunne gjennomføre oppkjøp av Ekornes konsernet. De nye eierne av Ekornes er kinesiske Qumei Home Furnishing Group og Huatai Securities som eier henholdsvis 90,5 % og 9,5 % av konsernet gjennom Ekornes Holding AS. Norsk konsernspiss er Ekornes QM Holding AS, et heleid datterselskap av av Qumei Home Furnishing Group. Ekornes QM Holding AS eier 90,5% av aksjene i Ekornes Holding AS.

a) Ekornes Qm Holding AS og Konsernet – Kun utenlandske eiere og engelsk som arbeidsspråk

Konsernet har en hovedeier og en minoritetsaksjonær som begge er utenlandske. Konsernet Ekornes QM Holding konsolideres inn i konsernet Qumei Home Furnishing Group. Qumei er notert på Shanghai Børsen. Regnskapsrapportering på norsk har ingen verdi for selskapets aksjeeiere.



Styret i Ekornes QM Holding AS består utelukkende av utenlandske personer, hvorav en er kinesisk og en dansk. Selskapet har ingen ansatte og bistås i daglig drift av ledelsen i Ekornes AS som er morselskap i det operasjonelle underkonsernet.

Ekornes QM Holding AS er et rent holdingselskap. Som sådan har selskapet ingen egen virksomhet og heller ingen kunder eller leverandører. De motpartene selskapet har er profesjonelle tjenesteleverandører og finansielle aktører. Disse aktørene er vant med og har i mange tilfeller krav eller forventning om kommunikasjon på engelsk. Arbeidsspråket for selskapet og i selskapets styre er derfor også engelsk. Alle avtaler med tredjeparter er på engelsk. All selskapsdokumentasjon utformes på engelsk. Norsk språk benyttes i Ekornes QM Holding AS i dag utelukkende der dette følger av norske krav, f.eks. i forbindelse med registreringer i Foretaksregisteret, og utformes på bakgrunn av de opprinnelige engelskspråklige dokumentene.

I den grad selskapet må utforme årsregnskap og årsberetning på engelsk vil dette skape merarbeid og kostnader som er unødig sett fra selskapets ståsted. Da selskapet i tillegg ikke har ansatte i ledelsen eller organisasjonen for øvrig som håndterer slikt arbeid, må selskapet i stor grad basere seg på rådgivere for å håndtere alt av norsk dokumentasjon.

b) Ekornes Qm Holding konsernet - Rapporterer til Oslo Børs på engelsk

Ekornes QM Holding AS utstedte i april 2019 et obligasjonslån for å refinansiere konsernet. [...] Obligasjonslånet ble plassert med utgangspunkt i en engelskspråklig informasjonspakke. Ved notering av obligasjonslånet på Oslo Børs ble det utarbeidet et noteringssprospekt godkjent av Finanstilsynet på engelsk.

Verdipapirhandelloven § 5-13 åpner for at utsteder kan velge kun å rapportere på engelsk. Ekornes Qm Holding AS benytter den muligheten. Årsaken er at selskapet må rapportere samme informasjon på Oslo Børs og Shanghai Børsen (basert på det kinesiske morselskapets notering) for å sikre at obligasjonseiere på Oslo Børs og aksjeeiere på Shanghai Børsen får den samme informasjonen om Ekornes QM Holding konsernet.

Rapportering på norsk vil som beskrevet ovenfor ikke ha noen verdi for selskapets eiere og avvike fra all vesentlig dokumentasjon som er benyttet i forbindelse med plassering av obligasjonslånet, notering av obligasjonslånet og videre rapportering og offentliggjøring på Oslo Børs.

Det er også relevant at det allerede lages kinesiske oversettelser av informasjon som offentliggjøres på Oslo Børs. Avlegging av årsregnskap og årsberetning også på norsk vil øke risikoen for at det oppstår språklige avvik og usikkerhet i markedet, samt et betydelig merarbeid for Ekornes QM Holding AS, men også dets morselskap i Kina.

c) Driften utføres i underkonsernet Ekornes AS (Opco) – Rapporterer på Norsk og Engelsk



Driften i konsernet er knyttet til underkonsernet Ekornes AS. Ekornes AS utarbeider full årsrapport for konsernet og selskapet Ekornes AS på norske og engelsk for å sikre at långivere, kunder, leverandører, ansatte og lokalsamfunnet får nødvendig informasjon om driften. Vår hovedbankforbindelse [...] krever også at de hvert kvartal får konsernregnskapet knytte til *underkonsernet* Ekornes.

For norske formål er dermed hensynet til kommunikasjon ivarettatt. Det er Ekornes AS som har norske kunder, leverandører og dermed kreditorer som kan tenkes å ha et større behov for å motta regnskapsinformasjon på norsk. Som nevnt ovenfor har Ekornes QM Holding AS ikke slike kontraktsparter.

Skattekontorets vurdering

Etter regnskapsloven § 3-4 tredje ledd skal *"årsregnskapet og årsberetningen ... være på norsk. Departementet kan ved ... enkeltvedtak bestemme at årsregnskapet og/eller årsberetningen kan være på et annet språk."*

I Ot. prp. nr. 42 (1997-1998) Om lov om årsregnskap mv., er det uttalt følgende om regnskapslovens formål, jf. pkt. 1.1:

Regjeringen har som siktemål at regnskapsloven skal bidra til informative regnskaper for ulike grupper av regnskapsbrukere. Regnskapsbrukerne er dels investorer og kreditorer som tilfører kapital til foretakene, og dels andre grupper som har interesse av å vite hvordan foretaket drives, f.eks. de ansatte og lokalsamfunnet. Informasjonen til kapitalmarkedet skal gi grunnlag for riktig prising av finansielle objekter. Riktig prisdannelse på aksjer er en forutsetning for at ressursbruken i samfunnsøkonomien skal bli best mulig. Gode regnskaper vil også gjøre det vanskeligere for markedsdeltakere å ta ut spekulasjonsgevinster med basis i skjevt fordelt informasjon.

Det fremgår således at et av hovedformålene med regnskapsloven er å bidra til *"informative regnskaper for ulike grupper av regnskapsbrukere"*. Regnskapsbrukere vil omfatte, jf. uttalelsen i proposisjonen, blant andre investorer, kreditorer, ansatte, kunder og lokalsamfunnet.

Det er etter skattekontorets vurdering derfor avgjørende ved vurdering av om dispensasjon fra kravet til å utarbeide årsregnskap og/eller årsberetning på norsk kan gis, at det ikke foreligger mulige brukere av regnskapsinformasjon som blir vesentlig berørt negativt ved en eventuell dispensasjon.

Som nevnt ovenfor er det særlig hensynet til brukerne av regnskapsinformasjon som skal vurderes ved en dispensasjonssøknad. I dette tilfellet er det opplyst at selskapet er et rent holdingselskap, uten leverandører, kunder eller ansatte og at eierne og styremedlemmene er utenlandske. Selskapet rapporterer til Oslo Børs på engelsk. Underkonsernet Ekornes AS rapporterer på norsk og engelsk. Skattekontoret finner at disse forholdene samlet tilsier at dispensasjon fra kravet om å utarbeide årsregnskap og årsberetning på norsk kan gis for Ekornes QM Holding AS.



Vennligst oppgi vår referanse ved henvendelse i saken.

Med hilsen

Roar Thorbjørnsen
underdirektør
Innsats, storbedrift
Skatteetaten

Joakim Engebretsen

Dokumentet er elektronisk godkjent og har derfor ikke håndskrevne signaturer.



Stressless



Annual report

EKORNES QM HOLDING | 2020



2 Annual report Ekornes QM Holding 2020





Content

COMPANY

Company history and ownership	5
Group management	6 - 9
Board of directors in Ekornes AS	10 - 11

CORPORATE GOVERNANCE

Code of Conduct	12 - 13
Environmental Social and Governance	14 - 19

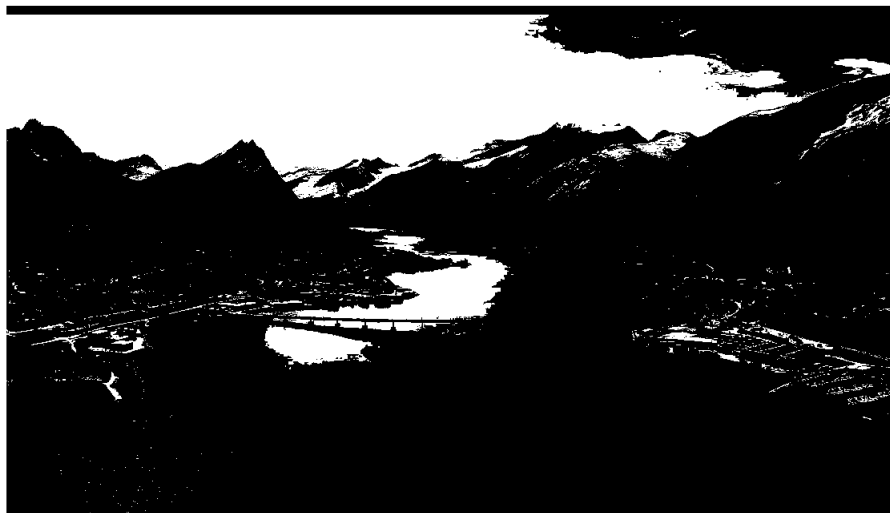
BOARD OF DIRECTORS' REPORT

Board of directors	22
Board of directors' report	23 - 30

FINANCIAL STATEMENTS

Consolidated financial statements	32 - 37
Notes to the consolidated financial statements	38 - 68
Financial statements Ekornes QM Holding AS	70 - 73
Notes to the financial statements Ekornes QM Holding AS	74 - 79
Statement pursuant to section 5-5 of the securities trading act	80
Independent auditor's report	82 - 87

COMPANY HISTORY AND OWNERSHIP



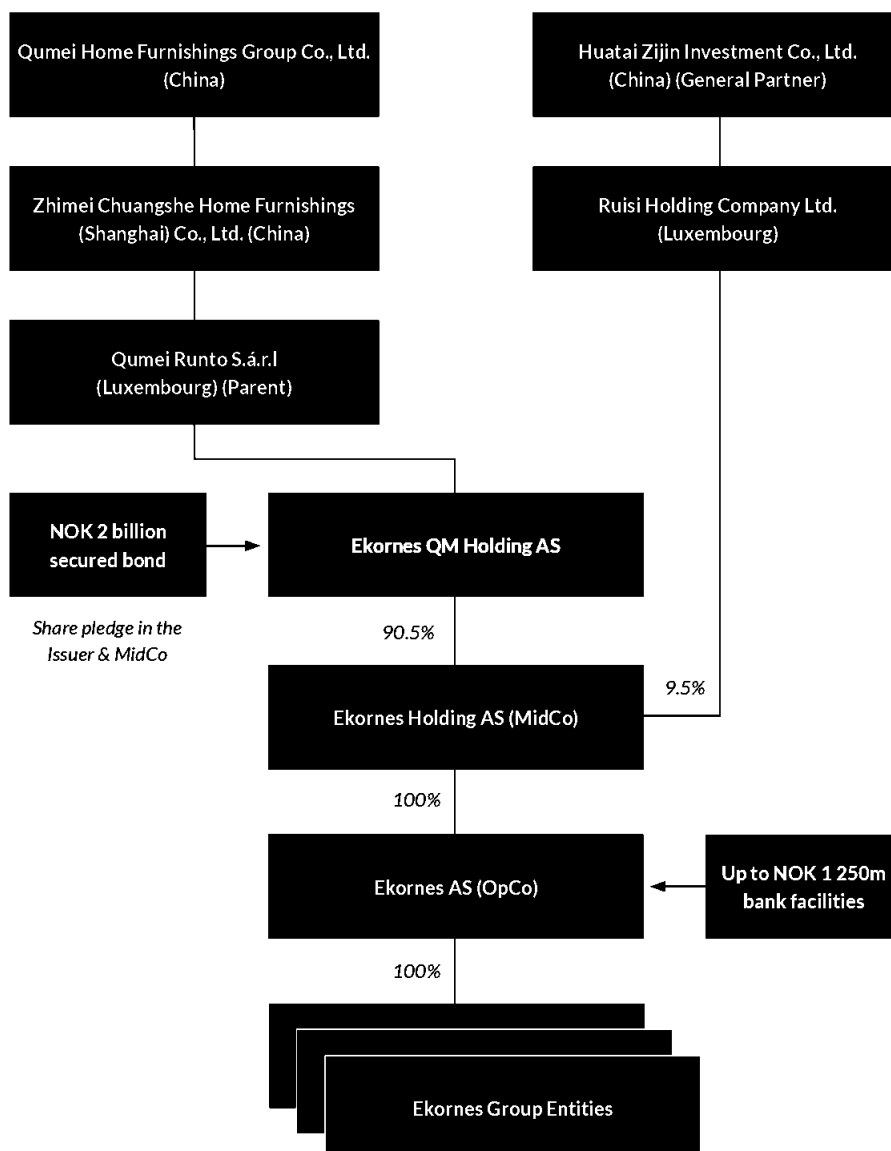
Ekornes QM Holding AS was founded 4 January 2018 with the purpose of acquiring the Ekornes Group. In May 2018, an offer was made to purchase the shares of all Ekornes shareholders. The share purchase was completed in August 2018 and Ekornes AS was delisted from the Oslo Stock Exchange in October 2018.

Qumei Home Furnishings Group (90.5%) and Huatai Securities (9.5%), own the Ekornes Group through Ekornes Holding AS. The Norwegian ultimate parent company Ekornes QM Holding AS is a wholly owned subsidiary of Qumei Home Furnishing Group. Ekornes QM Holding AS owns 90.5% of the shares in Ekornes Holding AS. The Ekornes Group is the only operational part of the Ekornes QM Holding Group.

The consolidated financial statements comprise the financial statements of the parent company Ekornes QM Holding AS and its subsidiaries as at 31 December 2020. As at 31 December 2020, Ekornes QM Holding AS has 90.5% shareholding and voting rights in Ekornes Holding AS, who in its turn has 100% owner share and voting rights for all other consolidated companies.



GROUP STRUCTURE AND BOND TRANSACTION OVERVIEW:



GROUP MANAGEMENT



ROGER LUNDE (1970)

Group CEO

Education: Masters degree in Management & Economics from Växjö University (Sweden).

Experience: CEO in Brødrene Dahl AS, Senior Vice President in Kongsberg Oil & Gas, Chief Operating Officer in Scatec Solar AS, Executive Vice President for Lean Banking in DNB, Senior Vice President Operations in Aker Solutions, Logistics Director in Emo AS/ Rich Andvord AS.

CEO of Ekornes since February 2020



METTE TOFT BJØRGEN (1975)

EVP Finance CFO until 1 April 2021

Education: Masters of Economics and Business Administration at the Norwegian School of Economics (NHH).

Experience: CFO at Viken Skog SA, various positions within Portfolio Analysis, Strategy and Performance Management in Equinor (2003-2015), Investment Banking associate in Carnegie ASA.

CFO and member of Ekornes Group Management since October 2019.

Mette Toft Bjørgen has resigned her position at Ekornes AS and will leave the company in the spring of 2021.



FREDRIK ØDEGÅRD NILSEN (1988)

EVP Finance CFO from 1 April 2021

Education: Masters of Economics and Business Administration at the Norwegian School of Economics (NHH) and Master in Management at the University of Mannheim.

Experience: Various position at ISS Facility Services within Finance, Pricing and Business Development. CFO at Haut Nordic. Business Analyst at Ekornes.

EVP Finance CFO from 1 April 2021 and member of Ekornes Group Management since August 2020.



PETER BJERREGAARD (1965)

SVP Commercial North America

Education: Bachelor Business Administration, Various management course Henley Business University.

Experience: EVP Commercial for Stressless® in North America since 2004 and from 2017 also for IMG in North America. Prior to this senior Vice President ECCO Shoes (Several positions within the ECCO Organization), General Manager Bang & Olufsen Chicago.

SVP Commercial North America and member of Ekornes Group Management since March 2020.



JAMES THOMPSON (1979)

SVP Commercial Europe

Education: BA Business Studies (University of South Wales), C. Dir (CGTI).

Experience: Managing Director of Ekornes Ltd since 2017, prior to this 20 years management experience in retail and hospitality, including Director at Sandals, Harrods and Heal's, SVP Commercial Director Europe and MD Ekornes Ltd.

SVP Commercial Europe and a member of Ekornes Group Management since March 2020.



MARK KELSEY (1974)

SVP Commercial Asia Pacific (APAC)

Education: BSc in Physics from Imperial College, London.

Experience: More than 10 years at Ekornes (several positions including President Ekornes APAC and President Ekornes Asia), Country Manager UK & Ireland Fritz Hansen.

SVP Commercial APAC and a member of Ekornes Group Management since March 2020.



JAMES TATE (1978)

SVP IMG Business

Education: BSc (Macquarie University Sydney), Graduate Diploma in Management (University of London).

Experience: More than 10 years at Ekornes (various positions, including CEO for Stressless® UK/Ireland and Australia/New Zealand), Sales Director for Leggett & Platt Europe and furniture industry consultant.

SVP IMG Business since March 2020, and a member of Ekornes Group Management since autumn of 2017.



ØYSTEIN VIKINGSEN FAUSKE (1978)

SVP HR & Digitalization (CHRO & CDO) and SVP Product Development

Education: Master's degree in Industrial Economy and Technology Management (Norwegian University of Science and Technology) High Potentials Leadership Program (Harvard Business School)

Experience: COO (Operating Director) Sopra Steria Business Consulting Scandinavia, various management roles at Sopra Steria (including Head of Operational Strategy and Improvement and Head of IT-Advisory). Over 10 years consulting experience.

Director for ICT and Digitalisation, HR Director since 2017. Member of Ekornes Group Management since April 2016.

Øystein Vikingsen Fauske has resigned his position at Ekornes AS and left the company in February 2021.



GROUP MANAGEMENT



LARS WITTEMANN (1963)

SVP Sourcing & Supply Chain

Education: Handelsakademiet/BI Business School, MBA BI Norwegian Business School, Oslo.

Experience: VP Operations ASSA ABLOY Hospitality Division, General Manager at VingCard Elsafe in Norway and China.

SVP Sourcing & Supply Chain in Ekornes from November 2015. Member of Ekornes Group Management since March 2020.



SVEIN LUNDE (1961)

SVP Marketing & Commercial Excellence

Education: Dipl. Management.

Experience: Bank and travel industry. With Ekornes since 1994; Country Manager UK/Ireland, International Marketing Director and SVP Marketing.

SVP Marketing & Commercial Excellence since March 2020. Member of Ekornes Group Management since 2003.



OLA ARNE RAMSTAD (1962)

SVP Production Stressless®

Education: Administration (BI).

Experience: Started in production at Ekornes in 1984. Various positions within factory production management.

SVP Production Stressless® and member of Ekornes Group Management since March 2020.



OLE BASTIAN EMDAL (1980)

SVP Commercial Nordic

Education: Various management courses (BI Norwegian Management School).

Experience: 16 years experience from the furniture industry. Category Manager at Bohus (Retail), Category & Market Manager at Møbelringen (Retail), Sales & Market Manager at Martinsen AS (Wholesale), Owner, sales and purchasing at Vest Møbel AS, Owner and Managing Director at Stjernemadrassen.

SVP Commercial Nordic, and member of Group Management since March 2020.



TROND VEIBUST (1985)

SVP IT & Strategic Projects

Education: Msc in Accounting and Auditing, Norwegian School of Economics (NHH).

Experience: Employed in Ekornes since 2015 in various management roles. Worked in the financial services assurance practice in EY prior to joining Ekornes.

SVP IT & Strategic Projects and member of Ekornes Group Management since March 2020.



PÅL AAGE NORDAHL (1961)

Managing Director, Svane AS

Education: Hedmark College, graduate in finance and administration. Various leadership programs business and finance at Copenhagen Business School and Norwegian School of economics (NHH/Solstrand).

Experience: Partner and Sales Director Edge Innovation Group, Sales Director Cloetta AS, Sales Director and Business Development Director Ringnes AS (Carlsberg Group), Marketing Manager Mills DA, General Manager Bama Gruppen AS, Nordic Marketing Manager Chiquita Brands International.

Managing Director in Svane AS since February 2019, and member of Ekornes Group Management since March 2020.

THE BOARD OF DIRECTORS IN EKORNES AS



Ruihai Zhao (1965), Chair

Position: Chair and CEO of Qumei Group

Education: MBA (Cheung Kong Graduate School of Business, China), degrees in global business management from Tsinghua University, China and University of Minnesota, USA.

Experience: Founder and chair of Qumei Home Furnishings Group, with more than 30 years' experience of the furniture industry.



Lars I. Røiri (1961), Vice-chair

Position: CEO of Flokk Holding AS

Education: Master of Economics and Business Administration (BI Norwegian Business School).

Board memberships: Director of Cappelen Holding AS, Glamox AS and the Norwegian Federation of Industries' Design Industry Association.

Experience: Commercial management positions at Tomra ASA, Mølnlycke AB and Jordan AS, CEO of Coloplast AS and HÅG ASA. Membership of the boards of numerous companies, including Molift AS, Netonnet AB, Enghav AS and Design & Architecture Norway, and of the Norwegian Advisory Board of the private equity company Ratos.



Stian Ekornes (1963), Director

Position: Investor

Education: The Norwegian Merchants Institute (today BI Varehandel).

Experience: 30 years' experience of the furniture industry. Extensive experience as CEO, board chair and director within the furniture industry, chain management and property development.



Lei Yang (1983), Director

Position: Partner at Huatai Ruilian Fund Management Co, Ltd.

Education: BCOM Economics and Commerce (University of Melbourne, Australia)

Experience: Several senior positions in the financial sector, including a partnership with Huatai Ruilian Fund management and Head of Cross-Border Merger and Acquisition at Huatai United Securities. Was previously an investment analyst at China International Capital Corp (CICC) and JP Morgan.



Atle Berntzen (1967), Director (employee elected)

Position: Team leader and deputy manager, warehouse/goods inwards at Ekornes Beds AS.

Education: Upper secondary school (commercial studies major).

Experience: Sales person and warehouse operative at General Motors AS. Warehouse operative at Ekornes Beds AS.



Sveinung Utgård (1962), Director (employee elected)

Position: Production manager Foam dept. at J.E. Ekornes

Education: Electrical studies, Mechanical studies, Production and management studies, Nordvest Forum Changing Leadership course, Management development programme at J.E. Ekornes.

Board memberships: Employee-elected director of Møre Trafo AS, Municipal board member Sykkylven.

Experience: Production worker, Assembly operator at Formfin Møbler AS, Operator/electrical and manager at Møre Trafo AS. Shift leader at J.E. Ekornes.



Ove Per skåre, Director (employee elected)

Position: Work in upholstery department of J.E. Ekornes AS

Education: Diverse courses in Norwegian Confederation of Trade Unions.

Experience: Production worker in Velledalen Møbler AS; Foam production in Porolon AS; Foam, steal and upholstery department in J.E. Ekornes AS; UN Veteran served in Lebanon; Union representative and health & safety representative in J.E. Ekornes AS; board member of the Trade Union (ITAF).



CODE OF CONDUCT

In December 2013, Ekornes published an updated version of its Code of Conduct and anti-corruption policy. Both of these are presented below.

Anti-corruption policy – UNs Global Compact

Ekornes has endorsed the UN Global Compact since 2009. Through participation in the UN Global Compact, Ekornes is committed to operating its business responsibly in line with the UN Global Compact's ten principles, which also cover anti-corruption. Ekornes also encourages its business associates to comply with these principles. Ekornes has drawn up a new system with which to assess its suppliers' performance against the Global Compact's principles. The system went into effect in 2013.

The UN Global Compact is based on openness, both with respect to the company's dealings with all stakeholders and the challenges Ekornes meets at the local and global level. Since 2012 Ekornes has been a member of the UN Global Compact's Nordic network. Participation in the network enables Ekornes to exchange experiences with other businesses which have social responsibility high on the agenda.

Through the UN Global Compact, Ekornes is obligated to set goals for and work continuously to improve its practices in this area. Each year Ekornes reports its performance to the UN in the form of a Communication on Progress (COP). This may be found on the company's website under ir.ekornes.no/environmental-and-social-responsibilities.

Ekornes will conduct its business activities responsibly, and will operate in compliance with all relevant laws, regulations and strict ethical norms. We support, and strive to live up to the UN's Global Compact. This means that in all parts of our operations we will maintain high standards with regard to:

1. Respect for and compliance with the Universal Declaration of Human Rights.
2. Respect for workers' rights and needs.
3. Environmental responsibility.
4. Combatting corruption in Norway and abroad.

This document, "Ethical Values and Anti-Corruption Policy", as well as "Objectives and Values", have been distributed to all employees. These regulations have also been distributed to external relations and have been published on the company's website www.ekornes.no. Everyone within the company has a duty to follow up and comply with these regulations. Managers in all parts of the company have a special responsibility for their follow-up.

Code of Conduct for the Ekornes Group

1. 'Objectives and Values', company regulations, employment contracts and job descriptions also contain ethical rules with which the Ekornes Group complies. The rules contained in this overview should therefore not be considered exhaustive with respect to the Group's ethical standards.
2. A duty of confidentiality contained in company regulations, employment contracts or job descriptions does not prevent you from informing a superior should you become aware of breaches of regulations, legislation or rules laid down by the authorities. This also applies to internal guidelines, provisions or issues that might harm Ekornes' reputation or other parties' trust in Ekornes.
3. Ekornes shall comply with the laws, rules and regulations in the countries in which Ekornes companies have been established or in which business connections have been established.
4. In all contact with suppliers of raw materials, machinery, subsidiary materials and services of any kind, and contact with customers and other business connections, we shall aspire to honesty, integrity, openness, as well as correct and responsible business conduct. The objective is to arrive at the best offer for Ekornes.
5. Ekornes or employees of Ekornes shall not take part in "bribery" or its equivalent in order to achieve special advantages or access to such.
6. Business connections such as those mentioned above shall not be furnished with more information about Ekornes than they need to provide a satisfactory offer with respect to price, level of service, delivery times, technology and specifications, or what they need to exercise their business relationship with Ekornes.
7. Suppliers and business connections shall under no circumstances receive information about other suppliers and business connections via Ekornes.



8. Employees of Ekornes shall participate in trips, dinners and events arranged by suppliers and business connections only when there is a professional reason for the event/trip or it provides business-related opportunities. In cases of such participation the travel, entertainment and accommodation of employees of Ekornes shall always be paid by Ekornes.
9. Employees of Ekornes are not permitted to receive benefits or gifts (in the form of products, services or trips, etc) from business connections other than small promotional items of limited value. The same applies to private purchases of goods at discounts from suppliers to Ekornes without the approval of a superior. Individuals must also avoid becoming in any way beholden to customers or suppliers.
10. Suppliers and business connections shall be made aware of the contents of this document and also be made aware that any attempt to contravene these ethical rules could result in exclusion.

Accounting and internal control requirements

Ekornes requires transparency in all operations. All Ekornes entities shall therefore ensure that transactions are correctly registered and supported by proper documentation in accordance with local and international accounting principles. Anti-corruption law requires that Ekornes has in place effective internal accounting controls and maintains books and records that accurately reflect the companies' transactions. All entities within the Group must correctly account for income and expenditures, and must ensure that payments are not recorded falsely in company books.

All expenses shall be approved under standard company procedures, documented and recorded in accordance with appropriate accounting standards.

Organisation and follow-up

This document, "Ethical Values and Anti-Corruption Policy", as well as "Objectives and Values", have been distributed to all employees. These regulations have also been distributed to external relations and have been published on the company's website www.ekornes.no. Everyone within the company has a duty to follow up and comply with these regulations.

Managers in all parts of the company have a special responsibility for their dissemination and follow-up.

In the autumn of 2018, a new vision "We improve everyday living" and a new set of values was adopted. The new values are Honest, Authentic, Enthusiastic and Adaptable. These were communicated to all employees through staff meetings, internal communications channels and eLearning courses.





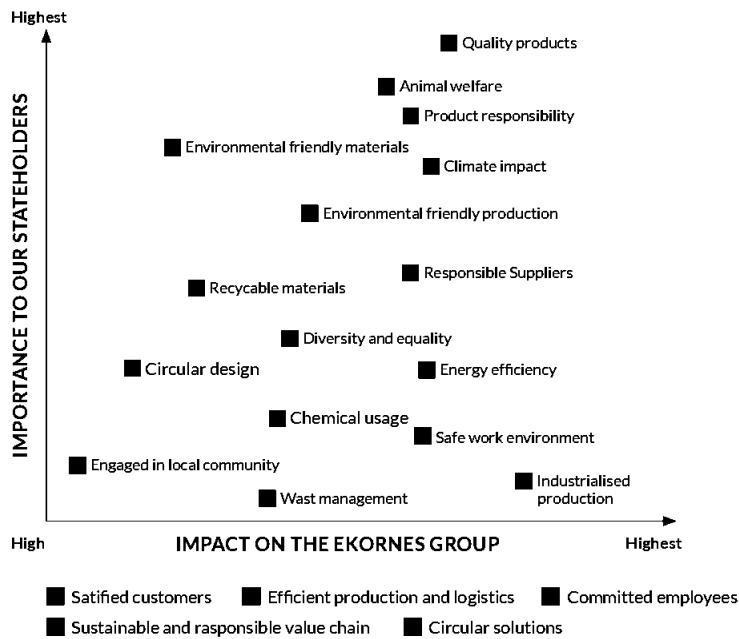
ENVIRONMENTAL SOCIAL AND GOVERNANCE

The Ekornes Group has made quality furniture for over 80 years. Through a focus on long lasting quality, the overall environmental impact of the products is reduced. A sustainable Ekornes is an Ekornes which shares the value it creates between its shareholders, employees and the communities affected by its operational activities. Ekornes has implemented numerous measures to reduce the company's environmental impact. New technologies, more environmentally friendly materials and new product solutions have resulted in one of the most efficient manufacturing environments in the furniture industry today.

The Ekornes Group has decided to develop a new sustainability strategy in 2021, working towards a more environmentally friendly value chain. Ekornes aims to take a leading position in creating a more sustainable value chain. Our effort will not alone change the world, but they will be a part of making a difference and setting new standards. Going towards 2030 the Ekornes Group will set both short- and long-term targets to enhance the sustainability work. The focus areas will be within sustainable manufacturing, environmentally friendly value chain and making good quality furniture to last for the generations to come.

Materiality analysis

The materiality analysis will set the direction for the new strategy and focus areas within the Group. The Groups materiality analysis identifies the focus areas and are illustrated in the matrix below. The position indicates the relation between the importance of stakeholders focus and the impact of our business. The analysis is based on experience from the industry, input from experts within the Ekornes Group and a desktop analysis of expectations from various stakeholders. The focus areas should not be perceived individually as they are highly connected to each other. The materiality analysis has covered 16 areas of materiality within the five focus areas: satisfied customers, efficient production and logistics, committed employees, sustainable and responsible value chain and circular solutions. These areas are aligned with the Group's overall strategy to grow the company by enhanced customer focus, optimal utilisation of its global production facilities and dedication to innovation and product development.



Ekornes continuously work on enhancing sustainable solutions in its value chain as well as working with new materials and technologies for a more sustainable future.



Pictured here is a Stressless® Flora sofa in a soft and comfortable fabric made from recycled bottles and upcycled marine PET. Offering products that are made with extra focus on the environment and sustainability - both in our choice of materials and in our production, is important for Ekornes and our customers.

Environmental policy

Ekornes has included core principles relating to the environment and corporate social responsibility in the document entitled "Objectives and Values", which is available to all employees and other stakeholders. The following core principles have been adopted and apply throughout the Ekornes Group:

- Ekornes shall be an environmentally friendly company.
- Ekornes' products shall have the smallest possible impact on the environment and pose no health risk.
- Ekornes aims to minimize the risk to health in the workplace.
- Ekornes invests to prevent damage to health and the environment.
- Environmental information shall be freely available, e.g. through environmental product declarations (EPD).
- Ekornes shall communicate factually and openly about the way it handles its environmental responsibility. These principles are specified in further detail in a separate environment policy, and in targets for the Group's various business units.

Environmental management and target management

To act in compliance with the internal environmental policy, it is necessary to be aware of associated risks and opportunities in the value chain. Together with internal conditions, this provides a basis for the Group's environmental activities. At the end of 2020 the Ekornes Thailand facility achieved ISO 9001:2015 certification. The Ekornes production facilities in Norway and USA have been certified in accordance with the ISO 9001:2015 and the ISO 14001:2015 standards for several years. The quality and environment work are followed up and verified through third-party audits.

Ekornes has over the last 5 years had the same environmental goals. These have been production specific to ensure that we have the best internal practices in our production. Reflecting on the UN Sustainability goals, Ekornes greatest focus has been towards the Sustainable development goal number 12: **Responsible consumption and production**.



The five following goals were set for the period ending in 2020:

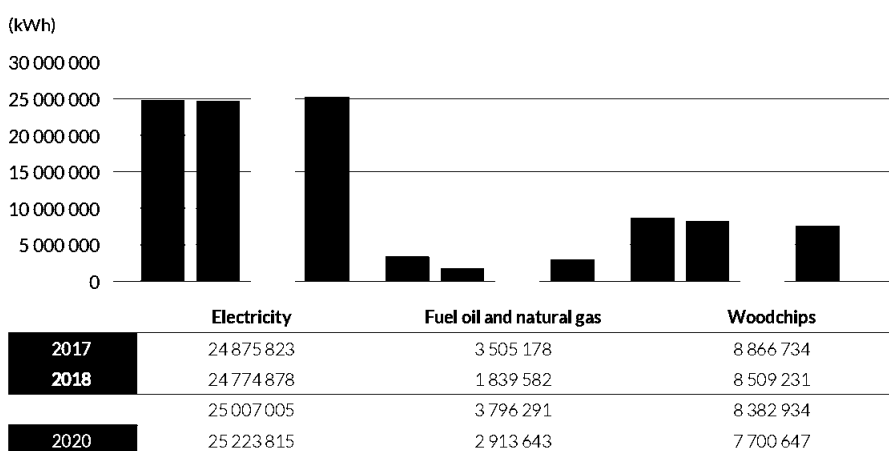
1. Reduce the electricity consumption at its Stressless® and Svane® production plants by 10 per cent by the end of 2020
2. Phase out the use of fossil oil for heating its Norwegian and American factories by 2020
3. Reduce the amount of waste not being utilized as byproducts or recycled with 20% in the Stressless® factories
4. Reduce the Groups greenhouse gas emissions from its own activities (scope 1 and 2) with 10% by 2020
5. No unwanted discharges to water by 2020.

The first target was **to reduce the electricity consumption at its Stressless® and Svane® production plants by 10 per cent by the end of 2020**. This goal was set as the production facilities demand high intake of electricity to produce high quality products. With several robots and production lines, electricity management is perceived as a measurable environmental impact target. The result of these 5 years of internal energy management has led to reducing several internal factors which affected the internal energy consumption. When comparing the same factories and buildings Ekornes has had a total electricity reduction of **10 percent**. Reaching our overall electricity target.

The Group's Norwegian plants largely use bioenergy for heating. Woodchips, which is a by-product from the manufacturing process, constitute the primary energy source for heating at the factories on the northwest coast of Norway, while the Svane® plant at Fetsund uses a combination of woodchips, electricity and gas. The factory in Lithuania primarily use geothermal heating. The factories in the USA, Thailand and Vietnam are less affected by ambient temperatures, and their energy consumption relates largely to their machine park. The use of daylight at the factories in Vietnam and Thailand has improved in the past year, which has reduced the need for artificial lighting. In recent years, the factory at Fetsund has switched to LED lighting in its premises, which has also reduced energy consumption. In 2019, Ekornes finalized its new factory in Lithuania. This facility has an A+ energy certification. This has been achieved through use of geothermal energy, its high level of insulation and exterior use of LED and sensor-controlled lightening. For all Ekornes Norwegian production facilities, the energy consumption is based on 100% renewable hydropower. This has been certified in accordance with the EU Renewable Directive.

The second target was **to phase out the use of fossil oil for heating its Norwegian and American factories by 2020**. This target was achieved in 2019 when Ekornes phased out fossil heating at the Aure sofa production facility. This factory was the last facility heated with fossil heating and is today heated with wooden offcuts from own production and electricity. Fossil fuel has remained only as emergency fuel for process heating in particularly cold periods at the Ikorannes and Lithuania factory. This target also reflected highly on the Norwegian governmental regulation to phase out all use of fossil oil for heating in Norway before the start of 2020. The fossil heating kept at the Ikorannes facility is compliant with the Norwegian regulations for process heating.

The graph below shows the Ekornes Group's consumption of electricity, woodchips, fuel oil and natural gas in kWh. The graphics illustrate a stable energy consumption with an increase in the use of fuel oil and natural gas. Fuel oil has been phased out and the increase reflects a higher usage of natural gas for heating at the Fetsund and Morganton facilities.



The third target was to **reduce the amount of waste not being utilized as byproducts or recycled with 20% in the Stressless® factories**. The waste management in the factories has been significantly strengthened, with internal routines but also the workers awareness both at home and at work. Ekornes has not reached its target to reduce the total amount for residual waste of its production due to enhanced production and product range.

Furniture production generates waste and Ekornes perceives it as a highly important environmental target to reduce the waste from its facilities. Efforts to reduce the volume of waste and to increase recycling are therefore important. Ekornes sorts all its waste at source in such a way that the bulk of the waste is reused, recycled or used for energy recovery at its own plants. For the Svane® and Stressless® factories, sorting and recycling accounted for 80 per cent of all recorded waste. This is a positive development from last year, when 77 per cent was recycled. Efforts are being made to convert the company's own waste into useful by-products that can be reincorporated into its manufacturing processes. As an example, foam offcuts are being reused as footrest cushions. In addition to reusing some by-products from production at Ekornes' own factories, other by-products can represent valuable raw materials for other enterprises. Hides are a valuable raw material, which Ekornes is continuously seeking to make maximum use of. Investments in new and modern technology have helped to reduce the volume of offcuts. Remaining leather offcuts are collected and sold to producers of small articles. To achieve its waste-reduction target, Ekornes monitors the volume of waste from its production facilities.

Going forward, Ekornes will continue enhancing the waste focus in the facilities with a new and easier recycling system which was launched in the end of 2020 at the Ikorannes factory in Norway. The plan is to implement this in the other factories in the next year.

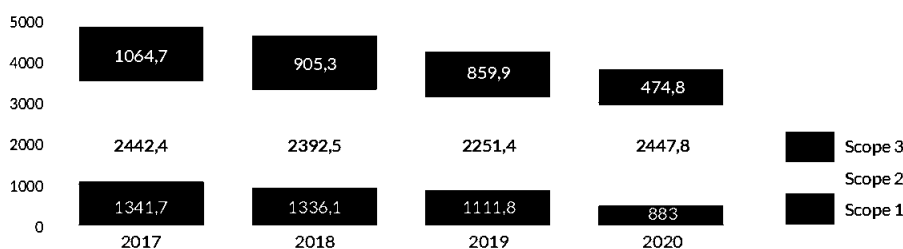
Ekornes strives for a total emission reduction for the group and its facilities. The fourth target was to reduce the Groups green-house gas emissions from its own activities (scope 1 and 2) with 10% by 2020.

The Group has experienced a reduction in total greenhouse gas emissions from 4307 Tco2e in 2014 to 3806 Tco2e in 2020. That is a reduction of nearly 12 percent. These numbers include all the production facilities. Therefore, the improvement is substantial as the Group has more factories in production in 2020 than 2014.



Through 2020, Ekornes' greenhouse gas emissions totaled an estimated 3806 tons of carbon equivalents. This is a reduction of nearly 11 per cent from last year, which is closely related to the travelling restrictions due to the COVID-19 pandemic. Ekornes aims to reduce the total greenhouse gas emissions due to business travels. This was also incorporated in the Groups travelling policy. The greatest reduction has been seen as a result of travelling restrictions during the ongoing pandemic. We expect less travelling also going forward after the pandemic, as there has been an adoption of new technology for business meetings and communication to partly replace the need to travel.

Ekornes reports its greenhouse gas emissions in three "scopes". For Ekornes, emissions in Scope 1 (direct emissions) derive from internal transport, heating with natural gas and oil, as well as carbon dioxide released during polyurethane foam production. Scope 2 encompasses indirect emissions deriving from the generation of electricity by a third party. Scope 3 is associated with the treatment of waste, air travel and authorized business use of motor vehicles. The table below shows a breakdown of annual emissions by "scope" and confirms a reduction in total greenhouse gas emissions from 2017 to 2020.



Direct emissions to air from the manufacturing process are primarily generated by oil and solid fuel boilers. Three of Ekornes' factories in Norway are subject to licenses granted by the local County Governor. There are also some emissions of diisocyanate gas and carbon dioxide from the production of foam at factories in Norway, Thailand and Vietnam. The Group's main facility is located at Ikornnes close to Sykkylvsfjorden. The company has therefore made discharges to water as a measurable parameter.

The fifth target is **no unwanted discharges to water by 2020**. Ekornes shall not have any unwanted incidents resulting in discharges to water. The production processes involving water consumption are performed in closed-loop systems. Discharges to water are normally channeled through our own and local authority waste treatment facilities, or it is delivered to an approved recipient. In recent years, the IMG factories in Thailand and Vietnam have increased the recirculation of water from their surface coating facilities to reduce their overall water consumption.

Transport is a significant environmental factor as the finished goods are transported globally. The Stressless® segment has therefore focused on increasing the share of finished goods that are transported by sea, rather than by road. The goal is set for 70 per cent of all such transport to be carried out by sea, while 30 per cent goes by road. In 2020, 68 per cent of the finished goods were shipped by sea. This is an increase from 61 percent the year before.

Sustainable production

Through engaging a sustainable production, the Ekornes Group will work to reduce the environmental impact of its products, measured over their entire lifespan. For Ekornes, a sustainable furniture is a furniture that is robust, durable and is only replaced by desire, not necessity. A high-quality furniture will potentially have a high second-hand value. In recent years, considerable resources have been devoted to increasing the focus on continuous improvement, and several improvement measures has been implemented in the production throughout 2020.

To adapt to market changes, Ekornes started in 2019 to produce its Stressless® and IMG products with flame retardant free foam. Ekornes also produce a separate line of products with flame retardant to specific market with special requirements for flame retardancy. Ekornes believes that measures to improve quality or reduce raw materials wastage are steps in the right direction. For the Ekornes Group, and the furniture industry in general, reducing the amount of chemicals used is an important area. Ekornes works actively to reduce and replace chemicals in components such as furniture leather, foamed plastics, textiles, wood coatings and adhesives. The Ekornes production facilities encourage employees to suggest improvements and set high focus on continuous improvement measures.

Ekornes constantly work to ensure that the company's products do not expose consumers to potentially hazardous chemicals. Ekornes also plays a key role in the efforts of the Federation of Norwegian Industries (Design Industry) to promote quality and environmental work. The company also participates in other industry projects to ensure sustainable production and circular economy. Ekornes is a member of the Leather Working Group (LWG), an international organization made up of stakeholders across the leather supply chain, working to promote environmental best practice and responsible leather manufacturing globally.

To achieve a sustainable manufacturing process, it is important to closely monitor and follow up the environmental performance. Ekornes' environmental policy is the foundation on which its environmental performance management rests.

Partnership

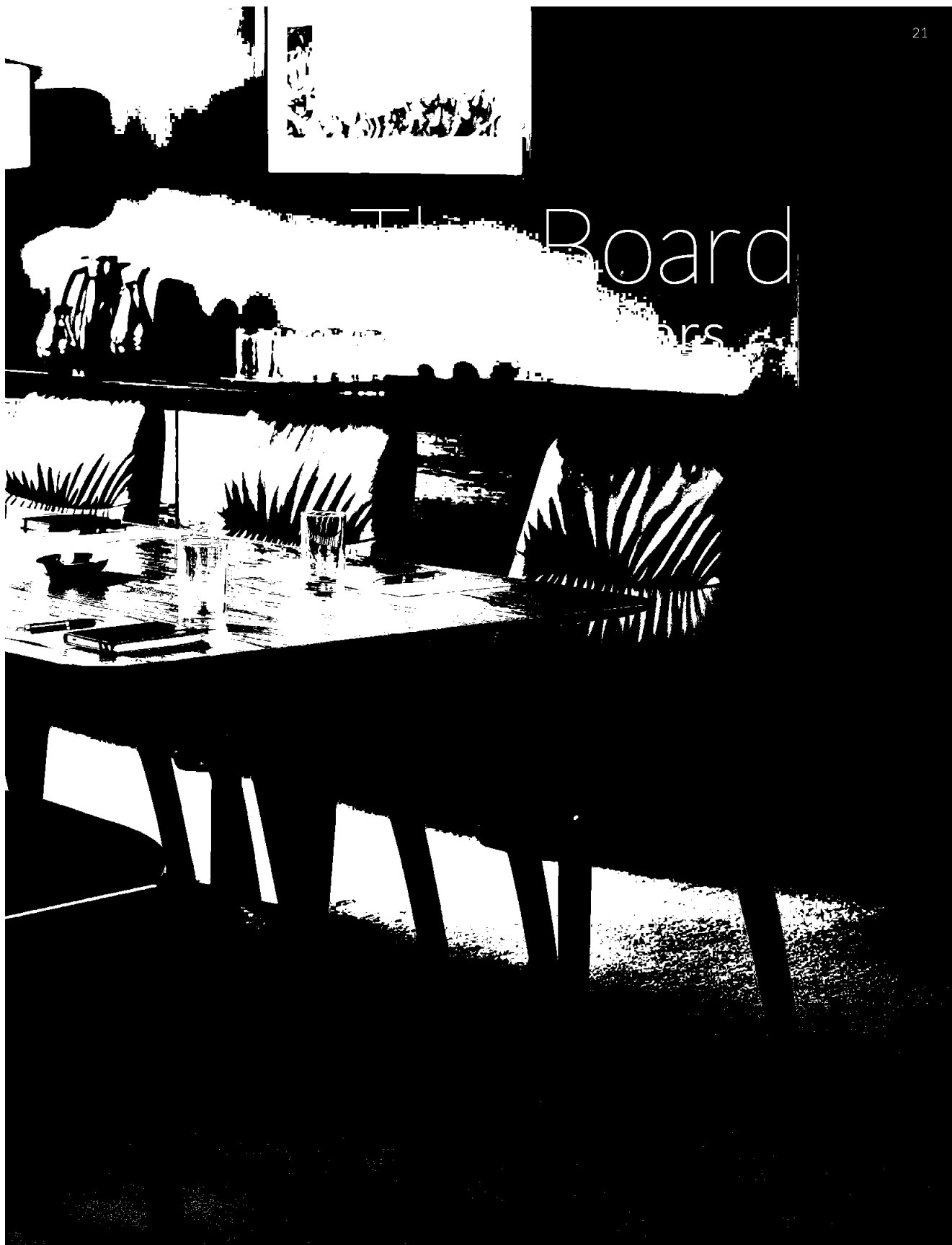
Ekornes rely on good partnerships with other organizations to develop the best practices within sustainable development. Ekornes has, since it was opened, been a partner of the United Future Lab Norway. The United Future Lab Norway is part of the UN's smart city program, United for Smart Sustainable Cities implementation program. The Future Lab has partnerships with representatives from private businesses, academia and public sector. Ekornes is a partner of the Future Lab to work together with other partners to reach the UN Sustainable Development Goals. Through participating on workshops, courses and focus groups Ekornes and the other partners work towards more sustainable solutions.



Social responsibility

Through its participation in the UN Global Compact, Ekornes has undertaken to operate its business responsibly in line with the UN Global Compact's 10 principles covering human rights, anti-corruption, labour rights and the environment. This commitment is laid down in Ekornes' "Objectives and Values" document, as well as its Code of Conduct. The UN Global Compact is based on openness both with respect to dialogue and learning in relation to all the company's stakeholders and the challenges Ekornes is facing both locally and globally. A summary of the work done by Ekornes with respect to the environment and social responsibility is reported annually to the Global Compact in the form of a "Communication on Progress" (COP), and both underpins and complements the information provided in this annual report. The COP report is the Group's reporting pursuant to section 3-3c of the Accounting Act. Ekornes' COP is available from the Global Compact's website or the company's website: www.ekornes.com/en/sustainability/sustainability







THE BOARD OF DIRECTORS



Ruihai Zhao (1965), Chair

Position: Chair and CEO of Qumei Group

Education: MBA (Cheung Kong Graduate School of Business, China), degrees in global business management from Tsinghua University, China and University of Minnesota, USA.

Experience: Founder and chair of Qumei Home Furnishings Group, with more than 30 years' experience of the furniture industry.



Mogens Falsig (1950), representative of Qumei, Europe

Position: Board member and CEO of Ekornes QM Holding AS and Ekornes Holding AS

Education: PhD in Chemistry, University of Aarhus, Denmark

Experience: More than 25 years' experience in Furniture industry.



REPORT OF THE BOARD OF DIRECTORS

2020 was an eventful year for Ekornes, marked by high uncertainty and dramatic short-term changes in commercial conditions. After a good start to the year, with strong sales and good order receipts, Ekornes' activity dropped significantly when the Covid-19 pandemic emerged.

Ekornes' number one priority after the outbreak was the safety of its employees and channel partners. The company took immediate actions to manage the impact of the situation, instructing all employees to adhere to the health authorities' restrictions and guidelines. The company also used parts of its production and manufacturing capabilities to support the health system, producing medical supplies and infection control equipment at its manufacturing plants in USA and Norway.

In an environment with significant changes in market conditions, Ekornes' priority has been to ensure production and its ability to serve markets and end customers with relevant products, while at the same time ensuring operational and financial flexibility to strengthen the company's resilience. Ekornes reacted promptly to the situation, demonstrating high operational and financial flexibility and the ability to adapt to rapid changes in market conditions, making the company well positioned to take advantage of emerging business opportunities.

Markets in lockdown mode resulted in significant changes in traditional consumer spending patterns, shifting from travel and leisure to home refurbishing and furniture as the "cocooning" effect led to an increased focus on home nesting, resulting in a major rebound in demand during the second half of the year. With a strong focus on security of supply and short delivery times, combined with close relations to its customers, Ekornes took advantage of the propitious market development seen in the second half of the year. Combined with successful campaigns and new product launches, Ekornes increased sales in all segments, ending the year with a solid order reserve.

With new and more contagious mutations of the Covid-19 virus emerging, and vaccination programme rollouts delayed, risk of further lockdowns remain in the short term. Ekornes therefore maintains its preparedness and contingency plans to handle upcoming challenges.

However, as markets gradually move back to normal, Ekornes' focus on customer collaboration and its ability to deliver relevant products with short delivery remains. Alongside continued development and introduction of new products, the company is well prepared to utilize emerging market opportunities also going forward.

Company history and ownership

Ekornes QM Holding AS was founded 4 January 2018 with the purpose of acquiring the Ekornes Group. In May 2018, an offer was made to purchase the shares of all Ekornes shareholders. The share purchase was completed in August 2018 and Ekornes AS was delisted from the Oslo Stock Exchange in October 2018.

Qumei Home Furnishings Group (90.5%) and Huatai Securities (9.5%), own the Ekornes Group through Ekornes Holding AS. The Norwegian ultimate parent company Ekornes QM Holding AS is a wholly owned subsidiary of Qumei Home Furnishing Group. Ekornes QM Holding AS owns 90.5% of the shares in Ekornes Holding AS. The Ekornes Group is the only operational part of the Ekornes QM Holding Group. Ekornes Group is consolidated from the acquisition date in August 2018, so only four months of revenue and cost related to Ekornes Group are included in the figures for 2018.

The consolidated financial statements comprise the financial statements of the parent company Ekornes QM Holding AS and its subsidiaries as at 31 December 2020. As at 31 December 2020, Ekornes QM Holding AS has 90.5% shareholding and voting rights in Ekornes Holding AS, who in its turn has 100% owner share and voting rights for all other consolidated companies.

Nature of the business and strategy

Ekornes owns and manages the brands Stressless®, IMG, Svane® and Ekornes®, and markets these through selected distributors in many countries.

Sales primarily target the home furnishings market, where Stressless® and IMG are marketed globally, while Svane® is marketed in the Nordic region and selected markets in Europe.

Stressless® is currently the most well-known furniture brand in Europe. Over 85 million people recognize the brand worldwide. Stressless® is the Group's premium segment brand, and investments are being made to expand consumer awareness of the brand name. IMG's goal, on the other hand, is to build up a strong brand awareness among furniture distributors, where it is positioned in a more mid-range price segment of the market than Stressless®.

The Group sells all its brands through selected distribution partners. These are primarily furniture chains and independent retailers, but other relevant distribution channels are also deployed.



The Group's corporate headquarters is located at Ikkornes in Sykkylven, Norway. The Group has sales offices in Norway, Denmark, Finland, Germany, UK, France, USA, China, Japan, Thailand, New Zealand and Australia. Production takes place at ten factories in Norway (5), Thailand (1), Vietnam (2), USA (1) and Lithuania (1).

As at 31 December 2020, Ekornes employed a total of 2 846 (2 287) people, of which about 40 % were employed in Norway.

Financial performance

Ekornes QM Holding AS (Group) generated operating revenue of NOK 3 482 million in 2020, up 10% from NOK 3 169 million in 2019.

Development for Ekornes was good in all major markets across segments, with a particularly strong increase in order receipts and sales during the second half of the year.

Underlying sales revenue from the Stressless® segment was NOK 2 539 million (2 402), revenue from IMG was NOK 672 million (551) while revenue from Svane® amounted to NOK 271 (215) million.

In 2020, research and development costs totaling NOK 39 million (NOK 35 million in 2019) were recognized in expenses. These costs relate to salaries and other expenses, as well as the depreciation of capitalized R&D costs. Costs directly associated with the development of a fixed operating asset are included in the capitalized value of the asset if all the criteria for capitalization have been met. Expenses that arise early in the project phase, as well as maintenance costs, are recognized in expenses as they arise. The Group did not capitalize development costs in 2020 (NOK 0 million in 2019).

Total operating expenses for the year amounted to NOK 3 118 million, up from NOK 2 934 in 2019. Cost of goods sold, and payroll expenses' share of total revenues were 26% and 29% respectively, slightly down from 2019. Other operating expenses, mainly costs related to sales and marketing, ended at NOK 875 million, or 25% of sales, down 2%-points from 2019.

EBIT for the full year 2020 totaled NOK 363 million compared with NOK 235 in 2019. This corresponds to an EBIT margin of 10.4%, up from 7.4% in 2019. The earnings increase is related to higher sales and improved operational efficiency, driven by higher capacity utilization and reduced costs.

Net financial items were negative at NOK 185 million (-108). This includes financial expenses of NOK 210 million (214), partly offset by net gains from foreign exchange of NOK 13 million (74) and financial income of NOK 12 million (32).

Profit before tax for the year came in at NOK 178 million (127). Tax amounted to NOK 36 million (27), which gave a net profit of NOK 142 million for 2020 (101).

Cash flow

Net cash flow from operating activities in 2020 was NOK 290 million. Cash flow is driven by good underlying operational performance, partly offset by paid taxes of NOK 38 million and an increase in net working capital* of NOK 186 million is mainly due to an inventory increase throughout the year.

Net cash flow from investing activities during the year amounted to NOK 78 million, all related to ongoing investments in day-to-day operations.

Net cash flow from financing activities during the year was negative NOK 71 million, related to payment of lease liabilities and dividend payments from Ekornes Holding AS to non-controlling interest Ruisi Holding Company.

Net change in cash and cash equivalents was positive by NOK 142 million during the year, and as at 31 December 2020, the total holding of cash and cash equivalents amounted to NOK 455 million. The board considers the Group's liquidity position to be satisfactory.

*Working capital = trade receivables + inventory – trade payables

Financial position

At the close of 2020, the Group's working capital totaled NOK 991 million, compared with NOK 804 million the year before. During the year, inventory rose by NOK 243 million, while receivables increased by 34 million. Trade payables increased by NOK 90 million.

As at 31 December 2020, Ekornes had total assets of NOK 7 748, compared with NOK 7 436 million the year before. Book value of properties, plants and equipment amounted to NOK 1 479 million. Total intangible assets totaled NOK 4 457 million, of which goodwill accounted for NOK 1 561 million.



Total equity was NOK 3 570 million, corresponding to an equity ratio of 46.1%, which is the same level as the year before. Total interest-bearing debt amounted to NOK 2 501 million, up from NOK 2 481 million at the end of 2019.

Ekornes has short-term credit facilities with DNB and Sparebanken Møre of NOK 500 million and NOK 250 million respectively, of which NOK 750 million were available at 31 December 2020.

Ekornes also has a long-term borrowing agreement with DNB. The loan of NOK 500 million is unsecured with no instalments until maturity in September 2022. Interest expenses are paid quarterly. At 31 December 2020, the Group was compliant with all applicable covenants under the bank agreements.

Financial covenants and bond agreement

In April 2019, Ekornes QM Holding AS issued a stock exchange bond to refinance the Ekornes QM Holding Group. The bond agreement is subject to a set of financial covenants, including a minimum liquidity of NOK 125 million and a maximum leverage ratio of 5.25. The covenants are measured quarterly on a 12-month rolling basis for Ekornes QM Holding Group.

Following the outbreak of the Covid-19 pandemic in March 2020, Ekornes experienced an immediate and significant drop in order receipts and sales. Due to the new situation, Ekornes performed stress tests on key financial indicators, with satisfactory results. However, with the outlook for a negative impact on earnings being substantial short- to mid-term and the risk of a covenant breach in the bond agreement by the end of second quarter 2020, Ekornes entered an agreement with bondholders for amendments to covenants until June 2021. See note 12 in the financial statements for 2020 for more details.

At 31 December 2020, the Group was compliant with all applicable covenants under the bond agreements. The leverage ratio was 3.77.

Dividend

The bond agreement includes restrictions on dividend payments from the issuer, and Ekornes QM Holding AS is not in position to distribute any dividends for the financial year 2020.

Allocation of net profit

It is proposed that the company Ekornes QM Holding AS's net deficit for the year, in the amount of NOK 16.3 million be transferred from other equity. The company's equity and liquidity are deemed to be satisfactory.

Going concern

In accordance with section 3-3 of the Norwegian Accounting Act, it is hereby confirmed that the financial statements have been prepared on the assumption that the entity is a going concern. The board considers that the annual financial statements for Ekornes QM Holding AS and the Group provide a true and fair picture of the company's results for the 2020 financial year and the company and Group's financial position at the close of the year.

Risk exposure and risk management

Market and business risk

Ekornes seeks to develop products and concepts that can provide international market opportunities. Distribution of sales across several markets offers possibilities for continued growth, at the same time as it spreads market risk and reduces the Group's dependence on individual markets and individual customers. Ekornes' business risk relates to economic cycles, market conditions, political and legislative changes and changes in the competitive climate, as well as the general pattern of consumption in the markets in which it operates. The Group competes in a fragmented international market, with many players on both the production and the distribution side. The most significant structural changes with respect to the players' size have been, and remain, on the distribution side. In several markets, the extensive formation of retail chains has taken place. Online selling is also changing the distribution environment to a greater and greater extent. With respect to furniture manufacturing, a growing proportion takes place in low-cost countries in Europe and Asia. Ekornes is aware of the challenges these changes entail and seeks to respond through continuous improvements in its production processes, sourcing, market concepts, product development and business relations.



Financial risk

Financial risk for Ekornes relates primarily to fluctuations in exchange rates (the NOK against other countries' currencies) and to credit risk, i.e., the ability of the Group's customers to repay what they owe.

Foreign exchange risk

Ekornes' competitiveness is over time affected by movements in the value of the NOK in relation to other currencies. The Group sells its products internationally and bills its customers largely in the respective countries' domestic currencies.

The Group manages all matters relating to foreign currencies and foreign exchange risk from its head office. Currency hedging is an integrated part of the operational activities. As part of the Group's efforts to reduce its currency risk/exposure, it also seeks to purchase goods and services for use in Norway from abroad, where this is cost-effective. This, combined with the Group's distribution, sales and marketing activities, along with the associated administrative organization required, provides a natural operational hedge for the exchange rate risk (natural hedging) associated with part of its cash flow.

In addition to natural hedging, the Group makes use of forward contracts for further currency hedging. This does not reduce the long-term foreign exchange risk, but provides predictability within the hedging period.

Customer and credit risk

The Group's customers are largely furniture retailers, and there are more than 4,000 customers, with largest individual customer representing around 4 % of total revenues. The Group's customer and credit risk is considered low. Trade receivables are followed up on an ongoing basis, to detect payment irregularities and limit bad debts.

Interest rate risk

The Group's interest rate risk is associated with both short-term and long-term borrowings, as well the bond issued in April 2019. Loans at floating interest rates constitute an interest rate risk for the Group's cash flows. The Group has a stable financial structure.

Operational risk

At any given time, Ekornes is exposed to the risk of unforeseen operational problems, which may lead to higher operating costs and lower earnings than predicted and expected. To reduce the financial consequences of unforeseen events, the Group has insurance covering losses deriving from major incidents or lengthy business interruptions.

To ensure operational efficiency, the Group has good systems and routines for maintenance, training and quality assurance – all factors which help to reduce the risk of operational non-conformances. IMG is considered to represent a slightly higher operational risk than Stressless® production.

Supplier risk

An important element in Ekornes' strategy for ensuring efficient operations is reliable access to raw materials and other input factors of consistent quality. The Group seeks to always have at least two or three actual or potential suppliers for its strategically most important input factors. In some cases, however, this is neither possible nor expedient. The objective is nevertheless that sole-supplier situations should be the exception, and preferably be avoided altogether.

Segments and markets

The division into product areas is based on Ekornes' management and internal reporting structures and coincides with the division into segments.

Stressless®

Following a good start to the year, with strong sales and good order receipts, the Stressless® segment experienced a significant drop in activity during the first months following the outbreak of the Covid-19 pandemic, with restrictions impacting logistics and markets closing down. However, with markets in lockdown, traditional consumer spending on travel and leisure gradually shifted towards home refurbishing and furniture.



Stressless® has over time focused on improving commercial conditions, including product development and innovation, optimized distribution, closer customer partnerships and targeted market initiatives with updated and relevant customer offerings. The "cocooning" and "home nesting" effects contributing to an overall increase in demand for home refurbishing and furniture throughout the year, combined with new ranges of motorized products and increased promotional activities, sales of Stressless® products substantially increased and the order receipts for 2020 were up 10% from 2019.

Full year operating revenue for Stressless® ended at NOK 2 539 million, compared with NOK 2 402 million in 2019, representing a 6% revenue growth. EBIT came in at NOK 276 million (209), corresponding to an operating margin of 10.9% (8.7%).

Despite periods of lockdowns in core markets throughout the year, the overall development in Europe was good, with sales ending up 11% from last year. Following a weak first half year, the second half of 2020 exceeded expectations on all levels.

Sales development in the Nordic markets was strong throughout the year and bounced back quickly after the first lockdown in March and April. This was especially seen in Denmark and Norway, with highest demand for recliner and dining categories. The new 2021 collection was well received, especially the new sofa collection, and combined with campaigns during the period, the order reserve is strong entering 2021.

Germany is the single most important market for Ekornes in Europe. In recent years, Stressless® has had a falling sales trend in this market. Studies have identified gaps in the Stressless® product portfolio and also uncovered areas for improvement in relationships with dealers and consumers.

To ensure a position as a reliable provider of relevant product offerings, Ekornes has focused on strengthening relations to its customers, including running joint campaigns. This has delivered good results. Reception of new models have been good with strong sales of power models within the sofa category. With a robust supply chain in place, the business remains competitive also going forward. The key focus will be the introduction of new products to new markets, while continuing to develop the commercial platform.

The US furniture market also benefited from consumers' inability to travel and from less discretionary spending on entertainment. Supported by success from power sofas, Stressless® order receipts in the US markets increased nearly 10% year-over-year. Indeed, operational challenges, particularly related to logistics, have delayed the launch of new products.

Entering 2021, the US furniture market remains strong, although demand is expected to subside as vaccines are distributed and Americans slowly can get back to normal discretionary spending. Ekornes' main focus is to maintain the momentum for power offerings and there are high expectations for the new power recliners expected to hit retail floors in the second quarter of 2021.

Overall performance in the Asian market was good in 2020. As for other markets, volatility has been high due to market lockdowns. However, as markets gradually move back to normal, order receipts picked up significantly towards the end of the year.

Despite the challenges seen in 2020, the positive development in China continues. Being highly dependent on customers' ability to see products in the stores, Ekornes' priority is to strengthen the product presence among retailers, combined with initiatives to increase the number of retailers in current markets and to find new dealers in uncovered areas and cities. During 2020, 33 new mono brand stores were opened, and at the end of 2020 there were 74 Stressless® stores in the Chinese market. Ekornes has ambitions to significantly expand its dealer network, primarily by utilizing the dealer network of Ekornes' main shareholder, Qumei Home Furnishing Group. Qumei products are currently distributed through more than 800 independent dealers, of which a significant share already has indicated interest in distributing Stressless® products.

IMG

IMG recorded revenues of NOK 672 million in 2020, an increase of 22% compared to 2019. Operating earnings (EBIT) came in at NOK 75 million, a 53% increase from NOK 49 million in 2019.

Following an imminent drop in sales after the Covid-19 outbreak in March, activity rebounded significantly during the second half of the year. Combined with good delivery capabilities, strong promotional execution, and delivering on new large key accounts, IMG managed to commercialize on the arising market opportunity in a good way.

IMG has extended the growth seen in 2019, with orders rising by 42% to NOK 798 million.



Performance was driven by all markets, especially North America, Scandinavia and Australia. Results in Asia also improved, particularly throughout the second half of the year. In the third quarter, IMG entered a white label agreement with US wholesaler Costco, to promote and sell selected IMG recliner models in the US market. The Costco agreement is an important first step in IMG's white label strategy, and the company is in negotiations for similar arrangements with leading distributors in other markets.

Combined with capacity restraints, challenges related to logistics when receiving and sending goods, have become an increasing issue within the furniture industry during Covid-19. IMG has over time worked extensively to address these challenges, including the establishment of the production and distribution hub in Lithuania. Lead times from Lithuania and Vietnam are regarded as satisfactory and represent a competitive advantage versus competitors.

Svane®

Operating revenue ended at NOK 271 million, up from NOK 215 million in 2019. Operating earnings (EBIT) ended at NOK 15 million, a NOK 25 improvement from the NOK -10 million result in 2019.

As for chairs and sofas, Ekornes experienced a significant increase in demand also in the bed and mattress markets due to the increased focus on home refurbishment during the Covid-19 pandemic. Due to the pandemic, Svane® experienced challenges in both the distribution and retail part of the value chain. However, through close collaboration with major clients, Svane® has executed well and maintained competitive delivery times. Along with successful campaigns and new product launches, this continues to be an advantage for Svane® in a highly competitive market.

Development was strong for Svane® in all markets. In Norway, the new collection was well received in the market, combined with a good ability to deliver sales. In Denmark, demand for mattress concepts remains strong, while the situation for complete bed concepts is somewhat more challenging. In Germany, the positive development continued driven by strong overall demand and supported by successful campaigns.

In addition to higher sales driving revenues, Svane®'s earnings improvement is the result of recent years' programme to improve operational efficiency and profitability, including product development, brand renewal, production optimization and cost reductions.

Production

Due to the severe fluctuations in market conditions following the Covid-19 outbreak, capacity utilization at Ekornes' production facilities has varied significantly throughout the year. However, the company has high operational flexibility to adapt swiftly to changes in market conditions.

Stressless® has a design capacity to produce 1,450 seats per day. However, the design capacity varies with the number of models being produced and will also be affected by the production of new models as they normally will have a longer production time in the beginning.

To meet demand during the market rebound seen during the second half of the year, production ran at full capacity in all Ekornes' production facilities. Production capacity may be increased by increasing the number of employees. This applied to both Stressless®, IMG and Svane®.

Related parties

The Group's related parties comprise members of the board and management, as well as companies those individuals control or have a significant influence over.

Ruihai Zhao, who chairs the board of directors, is one of the primary shareholders of Qumei Home Furnishings Group. IMG sells furniture in the Chinese market through Qumei's stores in China. The agreement regulating these transactions has been entered into at market terms and based on the arm's length principle.

No other material transactions with related parties took place during the reporting period.

The working environment and the employees

As at 31 December 2020, Ekornes employed a total of 2 846 people, of which about 40% were employed in Norway.

Ekornes gives high priority to the safety of its workforce and aims for zero work-related personal injuries. The Group is working actively in the areas of prevention and emergency preparedness to reduce the number of personal injuries incurred. There were 17 lost-time injuries in 2020, up from 18 injuries in 2019. This gives an H1-value for the period of 3.4, compared to 4.0 the year before.



The Group had a sickness absence rate of 2.5% in 2020, a 0.7 percentage point reduction from 2019.

The working environment is considered to be good, and efforts for improvements are made on an ongoing basis. Group climate survey will be performed during 2021. The Group's various working environment committees held regular meetings in 2020. A number of issues have been discussed in the committees, which have resulted in recommendations of improvements to the related departments.

The cooperation with employee trade unions has been constructive and contributed positively to operations.

Equal opportunities and discrimination

Ekornes recognizes that its employees are the company's most important resource. The Group therefore wishes to promote a healthy, safe and fair working environment, offering equal opportunities regardless of gender, ethnicity or religion, in line with prevailing legislation and regulations.

The Group has endorsed the UN Global Compact since 2009. It therefore has a duty to integrate the Global Compact's 10 principles into its business strategy and promote those principles with respect to its workforce and business partners. In 2014, Ekornes drew up a new code of conduct encompassing general principles for ethical business practice and personal behaviour, as well as corporate social responsibility, that form the basis for the attitudes and values underpinning the Group's corporate culture. Furthermore, The Group attaches considerable importance to environmental protection, and has drawn up a separate environment policy which is set out in the document "Objectives and Values". The policies are available from the company's website www.ekornes.com/sustainability.

An account of how these principles and guidelines are integrated into the Group's business strategy, day-to-day operations and relations with its various stakeholders, is included as a separate Environment and social responsibility in the 2020 annual report.

Shares and shareholders

At the close of 2020, Ekornes QM Holding AS had a total of 30 000 outstanding shares, all of which were held by one shareholder. The company's ultimate owner is Qumei Home Furnishing Group, with 100% ownership.

Subsequent events

No significant events have occurred between the balance sheet date and the date of publication of the financial statements which have materially affected the Company's financial position, and which should have been reflected in the financial statements here presented.

Outlook

Ekornes' long-term ambition is to grow revenues profitably and responsibly. To achieve this the company works continuously with improving commercial conditions and operational efficiency.

Following the outbreak of the COVID-19 pandemic, Ekornes' main priority was the health and security of its employees and partners, in addition to maintaining operational and financial flexibility. Throughout the year, the company demonstrated a good ability to adapt to changes in market conditions: Entering 2021 the company has a solid financial position and production is high at all facilities with capacity ramping up, both through expansions and higher employment.

Following a period of easing measures to address the COVID-19 situation and a cross-market rebound in demand and sales for Ekornes, COVID-19 continues to create uncertainty related to the future market development. With more contagious mutations of the COVID-19 spreading, and vaccination programs delayed, risk of further lockdowns remain in the short term. In the somewhat longer term, as vaccines are distributed, recent months' high demand driven by the "cocooning" and "home nesting" effects are expected to subside as consumers slowly move back to "normalized" consumer patterns.

However, Ekornes' focus on the ability to deliver relevant products with short delivery times remains. Alongside continued innovation and product development, strengthened customer collaboration and efficient operations, combined with the recent rebuild and extension of production capacity, Ekornes is well prepared to utilize emerging market opportunities also going forward.



Oslo, 25 March 2021

The Board of Directors of Ekornes QM Holding AS

Ruihai Zhao
Chair

Mogens Falsig
Director and CEO



Brønnes QM Holding Group
Consolidated
financial statements



CONSOLIDATED INCOME STATEMENT

(Figures in NOK 000)	Notes	Y 2020	Y 2019
Operating revenues	1	3 481 709	3 169 006
Cost of goods sold	8	910 103	845 614
Payroll expenses	2, 14, 15	1 017 873	937 749
Depreciation and write downs	7, 18	303 219	289 468
Other operating expenses	5, 9, 15, 19	874 848	860 609
Net other losses (gains)	20	12 300	605
Total operating expenses		3 118 343	2 934 045
OPERATING EARNINGS		363 366	234 961
Financial income and expenses			
Financial income	4	12 022	32 241
Net gains (losses) on foreign exchange	4	13 034	73 764
Financial expenses	4	210 333	213 614
Net financial items		-185 277	-107 609
Earnings before tax		178 089	127 351
Tax expense	13	35 709	26 705
EARNINGS FOR THE YEAR		142 379	100 646
Earnings are attributable to:			
Controlling interests		114 857	79 409
Non-controlling interests		27 523	21 237
Basic earnings per share	11	4 745,98	3 354,86
Diluted earnings per share	11	4 745,98	3 354,86

The following notes form an integral part of the consolidated financial statements.



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Figures in NOK 000)	Y 2020	Y 2019
Earnings for the year	142 379	100 646
Other comprehensive income		
<i>Items which may be reclassified to profit and loss</i>		
Translation differences	-2 995	50 237
Translation difference - net financing subsidiaries	61	184
Change in deferred tax - net financing subsidiaries	-13	-41
Total other comprehensive income	-2 948	50 381
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	139 432	151 027

The following notes form an integral part of the consolidated financial statements.



CONSOLIDATED BALANCE SHEET

(Figures in NOK 000)	Notes	31.12.2020	31.12.2019
ASSETS			
Non-current assets			
Buildings and sites	7	1 001 596	1 041 353
Machinery and equipment	7	278 713	309 787
Operating movables and fixtures	7	26 281	19 889
Assets under construction	7	19 319	16 615
Right-of-use assets	18	152 909	131 177
Total property, plant and equipment		1 478 818	1 518 822
Software and licences	7	44 967	47 844
Brand name	7	1 561 515	1 602 188
Goodwill	7	1 561 115	1 561 115
Customer relations	7	1 221 969	1 268 969
Deferred tax assets	13	67 622	66 887
Total non-current intangible assets		4 457 189	4 547 004
Other receivables and investments		20 861	16 869
Total non-current financial assets		20 861	16 869
Total non-current assets		5 956 868	6 082 695
Current assets			
Inventory	8	818 136	575 431
Trade receivables	9	415 585	381 933
Value of forward contracts	20	22 732	0
Other short-term receivables	6	80 267	82 809
Cash and bank deposits	10	454 624	312 804
Total current assets		1 791 344	1 352 977
TOTAL ASSETS		7 748 212	7 435 673

The following notes form an integral part of the consolidated financial statements.



CONSOLIDATED BALANCE SHEET (contd.)

(Figures in NOK 000)	Notes	31.12.2020	31.12.2019
Contributed equity			
Share capital	11, 16	120	120
Premium paid		2 807 354	2 807 354
Total contributed equity		2 807 474	2 807 474
Retained earnings			
Translation difference		61 455	64 123
Other equity		200 551	85 694
Total retained earnings		262 006	149 817
Owners of the company		3 069 480	2 957 291
Non-controlling interests		500 030	493 924
Total equity		3 569 510	3 451 215
Non-current liabilities			
Pension liabilities	14	8 438	6 011
Provisions		3 586	4 351
Deferred tax	13	841 897	878 950
Lease liabilities	18	119 341	100 440
Interest-bearing debt - Bond	12	2 001 348	1 981 555
Interest-bearing debt - Bank	12	500 000	500 000
Total non-current liabilities		3 474 610	3 471 307
Current liabilities			
Trade payables		243 247	153 169
Public charges payable		77 439	63 198
Tax payable	13	62 718	27 282
Forward currency contracts	20	0	2 552
Dividend		9 241	10 545
Other current liabilities	6	272 567	222 200
Lease liabilities	18	38 880	34 205
Total current liabilities		704 092	513 151
Total liabilities		4 178 702	3 984 457
TOTAL EQUITY AND LIABILITIES		7 748 212	7 435 673

The following notes form an integral part of the consolidated financial statements.

Oslo, 25 March 2021

The board of Ekornes QM Holding AS

Ruihai Zhao
Chair

Mogens Falsig
Director and CEO



CONSOLIDATED STATEMENT OF CASH FLOW

(Figures in NOK 000)	Notes	Y 2020	Y 2019
Cash flows from operating activities			
Earnings before tax (EBT)		178 089	127 351
Tax paid for the period	13	-38 202	-101 886
Depreciation and write downs	7, 18	303 219	289 468
Change in inventory	8	-242 705	-18 262
Change in trade receivables	9	-33 652	-2 445
Change in trade payables		90 078	-4 873
Change in other time limited records		33 655	81 682
Net cash flow from operating activities		290 483	371 036
Cash flows from investing activities			
Proceeds from sale of PP&E	7	2 737	2 314
Payments for purchase of PP&E	7	-80 435	-97 495
Net Cash flows from investing activities		-77 698	-95 181
Cash flows from financing activities			
Payment of lease liabilities	18, 21	-48 547	-36 468
Payment of dividend	21	-22 442	-11 495
Issue of long-term debt - Bond	21	0	1 981 555
Issue of/repayment of internal loan	21	0	-1 897 582
Issue of/repayment of net short-term debt to credit institutions	21	0	-111 878
Net cash flow from financing activities		-70 988	-75 868
Change in net cash & cash equivalents		141 797	199 987
Effect of exchange gains / (losses) on cash and cash equivalents		24	5 222
Net cash & cash equivalents at the start of the period	10	312 804	107 595
Net cash & cash equivalents at the close of the period	10	454 624	312 804
Restricted cash at the end of the period		152 315	146 104
Unrestricted cash at the end of the period		302 309	166 700

In the statement of cash flow, cash and bank deposits are recognised as cash.

In April 2019, Ekornes QM Holding AS issued a stock exchange bond to refinance the Group and part of the condition is to have a minimum liquidity in Ekornes QM Holding of NOK 125.000.000,-. The rest of the restricted cash at 31. December 2020 are related to the payment of employee tax deductions.

The following notes form an integral part of the consolidated financial statements.



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Figures in NOK 000)	Share capital	Premium paid	Translation difference	Other	Total	Non-controlling interests	Total equity
Equity 31.12.2018	120	2 807 354	20 473	6 285	2 834 232	296 796	3 131 028
Earnings for the period				79 409	79 409	21 237	100 646
Reclassifications Other comprehensive income 2018			-1 945		-1 945	1 945	0
Other comprehensive income			45 595		45 595	4 786	50 381
Dividend					0	-22 040	-22 040
Debt conversion					0	191 201	191 201
Equity 31.12.2019	120	2 807 354	64 123	85 694	2 957 291	493 924	3 451 215
Equity 31.12.2019	120	2 807 354	64 123	85 694	2 957 291	493 924	3 451 215
Earnings for the period				114 857	114 857	27 523	142 379
Other comprehensive income			-2 668		-2 668	-280	-2 948
Dividend*					0	-21 137	-21 137
Equity 31.12.2020	120	2 807 354	61 455	200 551	3 069 480	500 030	3 569 510

*Dividend from Ekornes Holding AS

On 11 June 2020 an ordinary General Assembly was held in Ekornes Holding AS. The general meeting resolved to approve the year-end financial statements for the Company, directors' report and audit statement for 2019. The Board furthermore resolved, in accordance with the proposal of the Board, that NOK 21.1 million will be distributed as a dividend to Ruisi Holding Company and a group contribution of NOK 201.4 million will be distributed to Ekornes QM Holding AS. The group contribution to Ekornes QM Holding is eliminated in the group financial statement of Ekornes QM Holding. The dividend of NOK 21.1 million will be paid to the non-controlling interest Ruisi Holding. As at 31 December 2020, NOK 9.2 million remained unpaid.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

REPORTING ENTITY AND PRESENTATION

Ekornes QM Holding AS is a limited company registered in Norway, with main office located in Oslo.

The consolidated financial statements comprise Ekornes QM Holding AS and consolidated subsidiaries (Ekornes QM Holding Group). The Group Ekornes QM Holding include the group Ekornes and its holding companies. Ekornes is the largest furniture manufacturer in Norway, and owns the brands Ekornes®, Stressless®, Svane® and IMG.

Stressless® is one of the world's most well-known brands within the furniture industry, while Ekornes®, Stressless® and Svane® are the most well-known furniture brands in Norway. IMG is best known in Australia and the USA. Manufacture takes place at the Group's ten factories. The Group has five factories in Norway, one in the USA, one in Thailand, two in Vietnam and one factory in Lithuania, opened in 2019. Products are sold in large parts of the world through own sales companies or through importers. Ekornes' business idea is to develop and manufacture products that are outstanding with respect to comfort and functionality, and whose price and design appeal to a wide audience.

Ekornes QM Holding AS' consolidated financial statements for 2020 were approved at a board meeting on 25 March 2021. The consolidated financial statements were proposed for final adoption at the ordinary General Meeting on 25 March 2021.

Presentation

The functional currency is determined for each company in the Group, based on the currency in the primary economic environment in which each individual company operates. Ekornes QM Holding AS' functional currency is Norwegian Kroner (NOK). The presentation currency for the consolidated financial statements of Ekornes QM Holding is Norwegian Kroner (NOK).

The consolidated financial statements have been prepared in accordance with equitable accounting principles for similar transactions and events under otherwise same conditions. The accounting principles have been applied consistently by all group companies.

STATEMENT OF COMPLIANCE

The Ekornes QM Holding AS's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) which have been adopted by the EU and are mandatory for financial years beginning on or after 1 January 2020, and Norwegian disclosure requirements listed in the Norwegian Accounting Act as of 31.12.2020.

CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

No changes in IFRS effective for the 2020 financial statements are relevant this financial year.

MAIN ACCOUNTING PRINCIPLES

(A) PRINCIPLES FOR CONSOLIDATION

The consolidated financial statements comprise the financial statements of the parent company and its subsidiaries as at 31 December 2020. As at 31 December 2020, Ekornes QM Holding AS has 90,5 per cent shareholding and voting rights in Ekornes Holding AS, who in its turn has 100 per cent owner share and voting rights for all other consolidated companies.

See Note 17 for a list of subsidiaries included in the consolidated financial statements of Ekornes QM Holding AS.

(i) Acquisitions

The purchase of subsidiaries is recognized in accordance with the acquisition method at the date on which the group obtains control. Both consideration and assets acquired are measured at fair value. Any excess value attributable to goodwill is tested annually for impairment. Transaction costs are recognized as expense in the consolidated financial statements.

(ii) Subsidiaries

Subsidiaries are entities controlled by the group. Control exists when the group has the power, directly or indirectly, to govern the financial and operating policies of an entity to obtain benefits from its activities. In assessing control, potential



voting rights that may be exercised or converted are taken into account. Subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Ekornes has no associates or jointly controlled enterprises.

(iii) Elimination of transactions at consolidation

Translation differences arising from the translation of net investments in foreign operations are recognized in the statement of comprehensive income. Foreign exchange gains or losses from receivables and liabilities against a foreign activity, the settlement of which is neither planned nor probable in the foreseeable future, are considered as part of the net investment in the foreign operation and are incorporated in the statement of comprehensive income and presented as translation differences in equity.

For all foreign operations, the translation differences are presented on separate line under equity (reserve for translation differences). Additional compensation that is to be considered as settlement of future services under IFRS are recognized as expense in the period over which the additional compensation can be earned.

(B) DERIVATIVES

The Group makes use of derivatives to hedge currency risks arising from its operational, financing and investment activities. In accordance with its treasury policy, Ekornes does not hold or issue derivative financial instruments for trading purposes. Derivatives are recognized at their fair value on acquisition. Gains or losses deriving from reassessment to changed fair value are recognized in profit and loss immediately.

(C) BUSINESS COMBINATIONS

The acquisition method is used to account for all business combinations, independent of equity instruments or other assets acquired.

The consideration transferred for the acquisition of a subsidiary comprises:

- fair value of the assets transferred
- liabilities related to previous owner of the acquired activity
- equity interests issued by the group
- fair value of any assets or liabilities arising from a contingent consideration arrangement, and
- fair value of any existing owner interests in the subsidiary

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination, with few exemptions, are initially measured at fair value at the time of acquisition. The group incorporates any non-controlling owners in the acquired activity at acquisition either at fair value or in the non-controlling owners' proportional share of the acquired entity's net identifiable assets. The method to be used is assessed from acquisition to acquisition. Acquisition costs are recognized in the income statement as incurred.

The positive difference between

- consideration
 - value of non-controlling owners in the acquired entity, and
 - fair value at the time of acquisition of previous shares in the acquired entity and fair value of net identifiable assets acquired
- are recognized as goodwill.

When the settlement of part of the cash consideration has been postponed, the future payments are discounted to the present value at the date of measurement. The discount rate used is the entity's incremental borrowing interest, which is the interest of a similar borrowing that could be provided from an independent financial institution under comparable conditions.

Contingent consideration is classified either as equity or financial liability. Amounts classified as financial liability are recalculated to fair value with changes in fair value included in the income statement.

If the business combination takes place in several steps, the buyer's previously held equity in the entity is reassessed to fair value at the acquisition date. Any gains or losses arising from such reassessment are recognized in profit or loss.



(D) PROPERTY, PLANT AND EQUIPMENT

(i) Own assets

Items of property, plant and equipment are stated in the balance sheet at acquisition cost less accumulated depreciation (see below) and impairment losses (see accounting policy I). The acquisition cost of self-constructed assets includes the cost of materials, direct labor and an appropriate proportion of production overheads. When substantial parts of a non-current tangible asset have different useful lives, they are deemed to be separate components for accounting purposes.

(ii) Subsequent costs

In the acquisition cost of an item of property, plant or equipment, Ekornes includes the cost of replacement of parts of any such item, when the expenditure is expected to bring future economic benefits to the Group, and the cost of the replaced parts can be measured reliably. The carrying amount of the replaced part is deducted. All other expenses are recognized in profit and loss as they accrue.

(iii) Depreciation

Ordinary depreciations are charged linearly to profit or loss over estimated useful life for each individual operating asset. Land is not depreciated.

(E) INTANGIBLE ASSETS

Intangible assets that are purchased separately are initially measured at cost recognized as intangible asset when the group has control of the asset, future economic benefits are expected to flow to the group and the cost can be reliably measured. For intangible assets included in a business combination cost has been measured at fair value at the transaction date. Subsequently, intangible assets are recognized at cost less accumulated amortization and possible impairment. Intangible assets with definite lifetime are depreciated over useful life. Useful life and depreciation method for intangible assets with definite life are assessed at least once a year. Linear depreciation is used for the intangible assets, as this is considered the best way to reflect the use of the assets. Profit or loss from disposal of intangible assets are calculated as the difference between net sales revenue and the recognized value of the asset and is reported as part of other income or other expenses in the operating result of the income statement.

(i) Research and Development

Expenses relating to research activities are recognized in profit and loss as they incur. Development costs are capitalized to the extent that the product or process is technically and commercially feasible, and Ekornes has sufficient resources to complete their development. Capitalized costs include materials costs, direct payroll costs and a share of directly attributable overheads. Capitalized development costs are recognized at acquisition cost less accumulated depreciation and write-downs. Capitalized development costs are depreciated linearly over the asset's estimated useful life.

(ii) Capitalized licenses and software

Expenses relating to the purchase of new software are capitalized as an intangible asset if these expenses are not part of the acquisition cost of a piece of hardware. Software is normally depreciated linearly over its expected useful life. Expenses incurred as a result of maintenance or to retain the software's future utility are charged to expenses unless the changes in the software increase its future economic utility.

(iii) Goodwill

Goodwill is recognised as the aggregate of the consideration transferred and the amount of any non-controlling interest and deducted by the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. Goodwill is not depreciated but is tested at least annually for impairment. In connection with this, goodwill is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from synergies from the business combination.

(iv) Customer relations and brands

The value of customer relations and brands arising from the acquisition of subsidiaries is valued at acquisition cost less accumulated depreciation, which is allocated linearly over expected useful life. Costs relating to the in-house development and maintenance of brand names and other intangible assets are recognized as expenses in the income statement in the period they are incurred. Any acquisition of such assets is recognized in the balance sheet.



(F) TRADE AND OTHER RECEIVABLES

Trade and other receivables are stated at cost less a provision for bad debts.

(G) INVENTORY

Inventory is recognized at the lower of acquisition cost and net sales price. Net sales price is the estimated sales price under ordinary operating conditions, less estimated expenses for completion, marketing and distribution. Acquisition cost is based on the first-in/first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their present location and condition. Self-produced goods include variable costs and fixed overheads which can be allocated on the basis of normal operating capacity.

(H) CASH AND CASH EQUIVALENTS

Cash includes cash in hand and bank deposits. Cash equivalents are short-term liquid investments which may be immediately converted into a predetermined amount of cash and with a maximum term of three months (see Note 10).

(I) IMPAIRMENTS

An impairment arises when the book value of an asset or cash-generating entity (assessment entity) exceeds its recoverable value. Impairment write-downs are recognized in profit and loss. The recoverable amount is defined as the higher of the asset or cash-generating entity's fair value less sales costs and value in use.

(J) EQUITY

Dividends are recognized as a liability in the period in which they are approved. Any proposed dividend remains part of equity until the date of its final approval.

Translation differences

Translation differences arise in connection with exchange-rate differences of consolidated foreign entities. Exchange-rate differences in monetary amounts (liabilities or receivables) which are in reality a part of a company's net investment in a foreign entity are also included as translation differences. If a foreign entity is sold, the accumulated translation difference linked to the entity is reversed and recognised in the statement of comprehensive income in the same period as the gain or loss on the sale is recognised.

Non-controlling interests

Non-controlling interests represent equity interests in subsidiaries held by other owners than Ekornes QM Holding AS. Non-controlling interests are reported as a separate section of the Group's equity in accordance with IFRS 10 Consolidated Financial Statements. Results attributed to non-controlling interests are based on ownership interest, or other method of allocation if required by contract.

(K) EMPLOYEE BENEFITS

(i) Defined-contribution pension plans

Liabilities in respect of contributions to defined-contribution pension plans are recognized as an expense in profit and loss as they accrue.

(ii) Defined-benefits pension plans

Net liabilities in respect of defined-benefit pension plans are calculated separately for each plan. This is achieved by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. These future benefits are discounted to determine their present value, and the fair value of any plan assets is deducted to arrive at a net liability. When the benefits of a plan are improved, the portion of the increased benefit relating to past accruals is recognized as an expense in profit and loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognized immediately in profit and loss. Actuarial gains and losses are recognized directly in equity when they arise.



(iii) Employee bonus payments (see also Note 14)

Most group employees are entitled to a bonus based on the profitability of the segment in which they are employed. The bonus is calculated as a percentage of each employee's monthly salary. Bonuses earned are paid in cash and are considered to be a purely cash bonus. The fair value of accrued bonuses is recognized as an expense in profit and loss, and as a liability in the balance sheet.

(L) PROVISIONS

A provision is recognized when Ekornes has incurred an obligation (legal or self-imposed) as a result of a past event, and it is probable (more probable than not) that this obligation will come to a financial settlement and the amount payable can be reliably measured. If the effect is substantial, the provision is calculated by discounting expected future cash flows by a discount rate before tax that reflects the market's pricing of the time value of the money and, if relevant, risks specifically linked to the obligation.

(i) Warranties

Costs relating to warranties are recognized on the date a claim is made.

(ii) Restructuring

Provisions for restructuring are recognized when the Group has approved a detailed and formal restructuring plan, and the restructuring process has either started or has been publicly announced.

(M) REVENUE

(i) Revenue

IFRS 15 requires that the Group, for each contract with a customer, identify delivery liabilities, determine the transaction price, match the transaction price to the delivery liabilities if the contract encompasses more than one delivery liability, decide if operating revenues must be recognized over time or on one date, and recognize operating revenues on the date of or over the period for the fulfilment of the delivery liability concerned.

The Group sells its products through sales companies it has established in the most important markets, while production takes place at factories which supply the sales companies. Goods produced are sent directly from the factory to the customer, with the exception of US and Asian customers where goods are sent to a dedicated storage facility. For IMG, goods are sent from factories in Vietnam and Thailand directly to the customer or to storage facilities owned by IMG's own sales companies. The goods sent from the factories to dedicated storage facilities abroad are treated as goods in transit. IMG has both production to order and off-the-shelf production.

The Group's most important delivery liability derives from products made to the customer's specification and orders. To determine at when the delivery liability is fulfilled and control of the delivered products are transferred to the customer, Ekornes use the principles of Incoterms. Thus, it is the Incoterms principles that determine when the delivery liability is fulfilled, and control of the products are transferred to the customer. When control is achieved by the customer, all risks related to the products are transferred from Ekornes to the customer as well. At the point when the delivery liability is fulfilled, control is transferred and the customer bears the risks with the products, the Group recognizes operating revenues.

The Group's most important discretionary judgement with respect to applying IFRS 15 relates to the calculation of the transaction price. This is because the price to the customer includes several different discounts and bonuses. The estimation of bonuses for the year in particular reacquire the exercise of discretionary judgement.

A breakdown of The Group's operating revenues by segment and customer location may be found in Note 1 "Product areas, segments and markets".

(ii) Government grants

Grants that compensate the Group for the acquisition cost of an asset are recognized as a reduction in the asset's acquisition value. Grants that compensate for expenses incurred are recognized as a cost reduction in the financial statements covering the same period as the expenses they are intended to cover.



(N) LEASES

At the inception of a contract, The Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

IFRS 16 requires all leases except short-term leases and small asset leases to be recognized on the balance sheet as a right-of-use asset and a lease liability. The right-of-use asset is recognized according to the underlying asset, i.e. included in Property, plant and equipment. The lease liability is included in non-current liabilities, with the short-term portion included in current liabilities.

The right-of-use asset is depreciated over the lease term. Contractual payments represent a combination of interest on the liability and repayment of the principal amount.

Lease amounts representing variable payments based on such factors as specific cost elements in related services or usage, lease amounts for short-term leases of a duration of up to 12 months as well as lease amounts for low value leases covering such elements as PCs and other office equipment, is expensed as Other expenses over the lease term.

(O) TAX

Tax on the year's profit comprises tax payable and deferred tax. Tax is included in profit and loss with the exception of tax that is recognized directly in equity or in other comprehensive income. Tax payable comprises the expected tax payable on the year's taxable earnings at the rate applicable on the balance sheet date, plus any corrections in tax payable for previous years. Deferred tax is calculated on temporary differences between the recognized values of assets and liabilities in the financial statements and their value for tax purposes.

The following temporary differences are not taken into account:

Initial recognition of assets or liabilities which affect neither profit/loss in the accounts or for tax purposes, as well as differences relating to investments in subsidiaries that are not expected to be reversed in the foreseeable future. Deferred tax liabilities and assets are measured on the basis of expected future tax rates applicable to group companies in which temporary differences have arisen. Deferred tax liabilities and assets are recognized at nominal value. Deferred tax assets are capitalized only to the extent that it is probable that the asset may be utilized in connection with future taxable profits. Deferred tax assets are reduced to the extent that it is no longer probable that the tax assets will be utilized.

(P) SEGMENT REPORTING

Under IFRS, a business segment is defined as a part of the Group engaged in business operations capable of generating revenues and expenses, including revenues and expenses deriving from transactions with other group segments, and whose operating profit/loss is reviewed regularly by the enterprise's highest decision-maker for the purpose of determining which resources shall be appropriated to the segment and evaluating its earnings.

Ekornes carries out its business within the segments/product areas:

- Stressless®, which covers furniture within the product area Stressless®
- Svane®, which covers mattresses and furniture within the Svane® product area
- IMG, which covers furniture from the IMG product area

The division into product areas is based on the Group's management and internal reporting structure. Note 1 includes a numerical list of the segments that comply with Ekornes' internal segment reporting.

(Q) STATEMENTS OF CASH FLOWS

Ekornes QM Holding group uses the indirect method to present cash flows from operating activities. Interest received as well as interest paid are included in cash flows from operating activities. Dividends paid are included in cash flows from financing activities.



NOTE 1 Business areas – segments – markets

The division into product areas is based on the Group's management and internal reporting structures, and coincides with the division into segments.

Ekornes QM Holding Group's business is divided into the segments/product areas:

- Stressless®, which covers the Stressless® product area
- Svane®, which covers the Svane® product area
- IMG, which covers furniture produced by IMG

The Group's administration expenses and other shared overheads are allocated to the segments. Internal pricing between the segments is based on arm's length prices at corresponding terms as transactions with independent third parties. Management regularly monitors the business segments' profit/loss and uses this information to perform analyses of their performance and to make decisions regarding resource allocation. Each segment's performance is assessed on the basis of its operating profit and is measured consistently with the operating profit in the consolidated financial statements.

Information relating to the Group's reportable business segments is presented below:

(Figures in 000 NOK)	Y 2020	Y 2019
Operating revenues by product area		
Stressless®	2 539 120	2 402 399
IMG	671 658	551 417
Svane®	270 932	215 190
Total	3 481 709	3 169 006

EBITDA per segment

Stressless®	502 072	433 167
IMG	149 932	115 540
Svane®	17 878	-6 729
Other/eliminations*	-3 297	-17 693
Total	666 585	524 286

* Other / eliminations contain results from activities carried out by the parent company and other non-production-oriented companies in the group.

EBIT per segment

Stressless®	276 108	208 957
IMG	75 381	49 264
Svane®	15 174	-10 001
Other/eliminations*	-3 297	-13 259
Total	363 366	234 961

* Other / eliminations contain results from activities carried out by the parent company and other non-production-oriented companies in the group.

Operating revenues by market

Norway	503 420	431 633
Other Nordic	204 289	171 774
Central Europe	639 962	578 025
Southern Europe	195 554	215 868
UK/Ireland	229 739	210 174
USA/Canada/Mexico	1 054 833	990 048
Japan	138 179	139 788
Australia	286 005	219 275
China	110 347	113 572
Other Markets	119 383	98 849
Total	3 481 709	3 169 006

NOTE 2 Personnel expenses

(Figures in NOK 000)	2020	2019
Payroll expenses	847 308	773 279
Employer's national insurance contributions	102 449	100 177
Pensions	39 683	35 379
Other personnel costs	28 433	28 914
Total personnel expenses	1 017 873	937 749
Average number of full-time equivalents	2 372	2 176

NOTE 3 Uncertain estimates

When preparing the year-end financial statements, management has made use of estimates based on its best judgement and assumptions considered to be realistic. However, changes in the market or other situations may arise that could alter certain estimates, thereby affecting the company's assets, liabilities, equity and earnings.

The company's most significant accounting estimates relate to the following items:

- Depreciation and write-downs on property, plant & equipment
- Valuation of goodwill

Impairment assessments (see note 7 for further descriptions)

The Group has made significant investments in tangible fixed assets, intangible assets and goodwill. Valuation and remaining economic life of fixed assets and intangible assets are based on future expectations and will always involve discretionary assessments with inherent estimation uncertainty. Goodwill is assessed for impairment annually or when there are indications of impairment, while other assets are assessed when there are indications of impairment. Factors indicating impairment and triggering requirements for testing the value of assets include: significant reduction in market values, significantly weaker results in relation to historical results or in relation to expected results, significant changes in the use of assets or in the overall business strategy, including assets that are decommissioned or discontinued and assets that are damaged or decommissioned, significant negative developments in the industry or economies, substantial reduction of market share, significant adverse regulatory decisions and court decisions, and significant cost overruns when developing assets.

According to IAS 36 Impairment of Assets, the recoverable amount of assets is the higher of value in use and fair value less costs to sell. Value in use, especially when using discounted cash flow methods, must be largely based on management's discretionary estimates and expectations, including determining appropriate cash-generating units, discount rates, estimating future performance, asset revenue-generating capacity, margins, required maintenance investments, and future market conditions assumptions. The effects of recession and increased macroeconomic risk can affect estimates of future earnings and the discount rate used to estimate the recoverable amount of the assets.

For the assessment of impairment of goodwill, discounted cash flow models have been used to determine recoverable amount, based on the latest financial budgets and forecasts approved by the management. A forecast period of five years is assumed, during which the last year has been used as a basis for calculating a terminal value based on Gordon's growth model. Future developments in volume, sales prices and operating margins are important factors in the Group's impairment assessments. Expectations of future cash flows will vary over time as a result of changes in market conditions, demand and the competitive situation, and long-term estimates of key assumptions in the individual countries and regions will be uncertain.



NOTE 4 Net financial items

(Figures in NOK 000)	2020	2019
Interest income	11 185	31 679
Financial income	837	562
Total financial income	12 022	32 241
Gain/(loss) on foreign exchange	13 034	73 764
Interest expenses*	204 572	209 577
Financial expenses	5 761	4 037
Total financial expense	210 333	213 614
Total financial items	-185 277	-107 609

*Transactions cost amortized

In April 2019, Ekornes QM Holding AS issued a stock exchange bond to refinance the Group. The bond was listed on Oslo Stock Exchange 10 July, Oslo Stock Exchange – Bond "FRN Ekornes QM Holding AS Senior Secured Callable Bond Issue 2019/2023". See note 12 for more information.

Transaction costs related to the issue of the bond has been amortized over the period from the settlement date to the maturity date of the bond. The effective interest method has been used in calculating the amortised cost of the financial liability and in the allocation and recognition of the interest expense in profit or loss over the period.

NOTE 5 Other operating expenses

Total other operating expenses amount to NOK 874.8 million. Of this amount the following is related to remuneration to auditor, both group auditor and other auditors:

(Figures in NOK 000)	2020	2019
Breakdown of auditing fees		
Statutory auditing services	9 053	13 515
Other certification services	658	3 050
Other non-auditing services	814	732
Tax advisory services	1 508	577
Total	12 033	17 874

Auditing fees are stated ex. VAT



NOTE 6 Other receivables and other liabilities

(Figures in NOK 000)		
Other receivables	31.12.2020	31.12.2019
Premium and contribution fund	1 891	2 467
Other receivables related to the production cycle	13 854	2 938
Prepayments to suppliers	7 418	9 439
Accrued expenses	23 068	29 273
Prepaid tax and VAT refunds due	26 065	32 449
Other	7 972	6 244
Total other receivables	80 267	82 809

Other current liabilities	31.12.2020	31.12.2019
Salaries payable	158 008	122 589
Accrued bonus/market support to customers	37 032	20 199
Accrued other marketing costs	6 673	5 985
Accrued cash discounts to customers	4 017	4 480
Accrued commission to sales staff	4 886	4 771
Accrued administrative costs	8 780	7 009
Advances from customers (contract liabilities)	5 484	8 279
Accrued interest Bond	27 757	38 810
Other	19 930	10 077
Total other liabilities	272 567	222 200



NOTE 7 Property, Plant, Equipment and Intangible assets

(Figures in NOK 000)	Sites and buildings	Machinery and equipment	Operating movables	Asset under construction	Total	Software and licenses
Acquisition value 31.12.2019	1 777 206	1 147 313	116 968	16 615	3 058 101	230 800
Currency difference 31.12.2019	2 598	-1 579	1 158	1 183	3 361	-13
+ additions	18 590	42 287	11 588	1 685	74 150	12 136
+/- reclassification	-2 652	-1 618	2 532	12	-1 726	177
- disposals	-480	-44 407	-7 363	-176	-52 426	-440
Acquisition value 31.12.2020	1 795 261	1 141 997	124 883	19 319	3 081 460	242 660
Accumulated dep. and write-downs 31.12.2019	735 852	837 526	97 079	0	1 670 457	182 955
Currency difference 31.12.2019	-690	-1 491	-17	0	-2 197	1
+ depreciations	58 928	70 380	8 676	0	137 984	14 965
+/- reclassification	-10	86	-125	0	-49	100
- Acc. depreciation on operating assets sold	-416	-43 217	-7 011	0	-50 644	-328
Accumulated dep. And write-downs 31.12.2020	793 665	863 283	98 602	0	1 755 552	197 693
Book value 31.12.2020	1 001 596	278 713	26 281	19 319	1 325 908	44 967
Acquisition value 31.12.2018	1 690 790	1 112 020	122 621	89 559	3 014 990	281 961
Currency difference 31.12.2018	2 457	2 477	603	-560	4 977	33
+ additions	86 554	61 520	9 262	-71 201	86 134	10 752
+/- reclassification	-679	-1 999	-162	-1 183	-4 024	3 183
- disposals	-1 916	-26 705	-15 355	0	-43 977	-65 129
Acquisition value 31.12.2019	1 777 206	1 147 313	116 968	16 615	3 058 101	230 800
Accumulated dep. and write-downs 31.12.2018	679 365	789 815	102 960	0	1 572 140	233 153
Currency difference 31.12.2018	648	2 691	410	0	3 749	1
+ depreciations	57 031	72 105	7 904	0	137 041	14 930
+/- reclassification	-679	1	-162	0	-841	0
- Acc. depreciation on operating assets sold	-513	-27 087	-14 033	0	-41 633	-65 129
Accumulated dep. And write-downs 31.12.2019	735 852	837 526	97 079	0	1 670 457	182 955
Book value 31.12.2019	1 041 353	309 787	19 889	16 615	1 387 644	47 844

Estimated useful lives are as follows:

- Buildings 25-50 years
- Machinery & equipment 5-12 year
- Operating movables and fixtures 2-10 years
- Licences and patents 5 years
- Software 3 years
- No depreciation of Land property



NOTE 7 Property, Plant, Equipment and Intangible assets (contd.)

Intangible assets from the purchase price allocations

Goodwill is not depreciated in the consolidated financial statements, but is tested annually for impairment.

Customer relationships and brand names are depreciated on a straight-line basis over estimated lifetime. Estimated lifetime customer relationships are rated at 25 years for the Stressless® segment and 20 years for the IMG segment. For brands, the estimated lifetime is estimated at 50 years for the Stressless® segment and 20 years for the IMG segment. Depreciation expense is included in ordinary depreciation in the income statement.

In connection with the purchase price allocation, excess values were identified related to brand names, customer relationships, real estate and fixed assets.

(Figures in NOK 000)	Goodwill	Customer relationships	Brand name	Total
Acquisition value 1.1.2020	1 561 115	1 302 291	1 656 419	4 519 825
Accumulated depreciation 31.12.2019	0	78 033	54 231	132 264
The period's depreciation	0	62 993	40 673	103 666
Accumulated depreciation 31.12.2020	0	141 026	94 904	235 930
Accumulated currency translation differences 31.12.2019	0	44 711	0	44 711
Currency translation differences in 2020	0	15 993	0	15 993
Accumulated currency translation 31.12.2020	0	60 704	0	60 704
Book value 31.12.2020	1 561 115	1 221 969	1 561 515	4 344 599
Split per segment				
Stressless®	676 614	769 450	1 339 360	2 785 424
IMG	884 501	452 519	222 155	1 559 175
Book value 31.12.2020	1 561 115	1 221 969	1 561 515	4 344 599
Acquisition value 1.1.2019	1 645 575	1 302 291	1 656 419	4 604 285
Accumulated depreciation 31.12.2018	0	19 008	13 558	32 566
The year's depreciation	0	59 025	40 673	99 698
Accumulated depreciation 31.12.2019	0	78 033	54 231	132 264
Currency translation differences	0	44 711	0	44 711
Reassessment PPA	-84 460	0	0	-84 460
Book value 31.12.2019	1 561 115	1 268 969	1 602 188	4 432 273
Split per segment 31.12.2019				
Stressless®	676 614	792 882	1 367 458	2 836 954
IMG	884 501	476 088	234 730	1 595 318
Book value 31.12.2019	1 561 115	1 268 969	1 602 188	4 432 273

NOTE 7 Property, Plant, Equipment and Intangible assets (contd.)

Impairment assessment goodwill

The Group has performed an impairment assessment of goodwill at 31 December 2020 in accordance with IAS 36 and based on the methods as described in the standard. Book value of goodwill was NOK 1 561 millions at 31 December 2020, and was allocated to the two operating segments Stressless® and IMG at the acquisition date as presented in the table. The operating segments represent the lowest level within the entity at which the goodwill is monitored for internal management purposes. Each segment comprise several production and sales companies which are closely integrated and dependent of each other. Thus, management consider each of the operating segments as a joint group of cash generating units when performing impairment assessment for goodwill.

When performing impairment testing and measuring recoverable amount, value in use is calculated for each segment. Management projections are based on budget for 2021, approved by the Board of Directors and a forecast period of five years. Cash flow projections beyond the forecast period is estimated by extrapolating the projections using a steady growth rate for subsequent years equivalent to the expected inflation rate of 2,0%. When calculating value in use the future expected cash flows after tax are discounted applying an appropriate discount rate (WACC) after tax of 8,2% for both segments.

The most important assumptions when estimating future cash flows is management projections of revenue growth and operating margin. In the forecast period, the average expected growth rate is expected to be 7% for Stressless® and 10% for IMG. EBITDA-margin are in the forecast periode expected to be in line with budgeted margins per segment, Stressless® with an EBITDA-margin of 15% and IMG with 19%.

Based on management impairment assessment at 31 December 2020, recoverable amount is higher than carrying amount for both Stressless® and IMG, and the Group has concluded that it will not be necessary to make any impairments in the financial statements for 2020. Management has performed sensitivity analysis for changes in key assumptions when estimating recoverable amount. The outcome of the sensitivity analysis performed at 31 December 2020 is presented in the table below.

(Figures in NOK 000)			
Potential impairment at following changes		Stressless®	IMG
Growth in sales in forecast periode	-1 %	0	0
EBITDA-margin	-1 %	0	0
Discount rate (WACC)	+1 %	0	-72 703

Intangible assets

These are some of the company's most important intangible assets:

- Registered trademarks (Ekornes®, Stressless®, IMG og Svane®)
- Registered domains
- Patents
- Registered designs
- Distribution network (international)
- Market concept
- Product concepts
- Manufacturing expertise
- International marketing
- International sourcing

With the exception of some patents and domains, none of these assets has been included in the balance-sheet.



NOTE 8 Inventory

(Figures in NOK 000)	31.12.2020	31.12.2019
Inventory finished goods	281 547	223 313
Inventory semi-finished	66 299	49 192
Inventory raw materials	470 290	302 926
Total	818 136	575 431

All amounts are net after write-downs of NOK 12.8 millioner. Write downs of inventories at NOK 1.7 Million have been recognised as cost of goods sold in 2020.

NOTE 9 Accounts receivable

Trade receivables		
(Figures in NOK 000)	31.12.2020	31.12.2019
Receivables related to revenue from contracts with customers - external	424 740	388 987
Total accounts receivables (Gross)	424 740	388 987
Allowance for expected credit losses	9 155	7 054
Total accounts receivables (Net)	415 585	381 933

The change in provisions for bad debts is as follows:

(Figures in NOK 000)	2020	2019
Opening balance	7 054	5 728
Actual bad debts in the year	2 071	608
Change in bad debt provisions	4 172	1 934
Closing balance	9 155	7 054

Accounts receivables are non-interest bearing and no customer accounts for more than 5 per cent of sales revenues. Bad debts are classified as other operating expenses in profit and loss. See Note 20 for details of credit and foreign exchange risks relating to trade receivables.

NOTE 10 Cash and bank deposits

(Figures in NOK 000)	31.12.2020	31.12.2019
Cash and bank deposits	454 624	312 804

In the statement of cash flow, cash and bank deposits are recognised as cash. Total restricted cash is NOK 152.3 million at 31.12.2020. In April 2019, Ekornes QM Holding AS issued a stock exchange bond to refinance the Group and part of the condition is to have a minimum liquidity in Ekornes QM Holding of NOK 125 million. The rest of the restricted cash, NOK 27,3 million at 31 December 2020 are related to the payment of employee tax deductions.

All the Norwegian subsidiaries in the Ekornes Group and its subsidiaries in Finland, Lithuania, Denmark, France and the UK participate in a multi-currency group account scheme, with the parent company Ekornes AS as the principal account holder. The parent company agrees permitted drawdowns on the group accounts for each individual subsidiary. All participants are jointly and severally liable for the amount at any time outstanding on the group account. The parent company has entered into agreements with respect to credit facilities with DNB and Sparebank Møre. See also Note 12.

As of 31.12.2020, the Group had the following foreign currency exposure with respect to its group account:

Currency	Amount in 000 currency	Exchange rate 31.12.2020	Amount in 000 NOK
NOK	334 877	1,000	334 877
JPY	79 565	0,083	6 592
GBP	54	11,666	628
Total deposits in group account			342 096
AUD	-9 075	6,585	-59 753
EUR	-5 060	10,505	-53 154
USD	-2 537	8,538	-21 659
DKK	-7 951	1,412	-11 226
SEK	-11 152	1,0419	-11 619
SGD	-376	6,462	-2 428
NZD	-328	6,171	-2 022
Total drawn down on group account			-161 861
Total group account			180 235

NOTE 11 Earnings per share

	2020	2019
Profit for the period	142 379 448	100 645 817
Opening No. of shares	30 000	30 000
Closing No. of shares	30 000	30 000
Weighted average number of shares	30 000	30 000
Basic earnings per share	4 745,98	3 354,86
Diluted earnings per share	4 745,98	3 354,86

There are no instruments with a diluting effect.

NOTE 12 Interest-bearing loans and credits facilities

The Group regularly assesses its capital structure and risk profile

(Figures in NOK 000)

Short-term borrowing agreement 31 December 2020	Credit facility	Amount drawn	Available
DNB	500 000	0	500 000
Sparebank Møre	250 000	0	250 000
Total	750 000	0	750 000

Long-term borrowing agreement 31 December 2020

The Group has a long-term borrowing agreement with DNB. The loan of NOK 500 000 is unsecured. No instalments are payable before maturity in September 2022. Interest expenses are paid quarterly.

Senior Secured Bond at 31 December 2020

In April 2019, Ekornes QM Holding AS issued a stock exchange bond to refinance the Group. The bond was listed on Oslo Stock Exchange 10 July under the name "Ekornes QM Holding AS 19/23 FRN FLOOR C", Ticker: EKO01.

No instalments are payable before maturity in October 2023 and interest expenses are paid quarterly. NIBOR is adjusted at the end of each quarter and at 31. December 2020 the coupon was 7.28%. For first quarter 2021 the coupon is 7.50%.

Currency	NOK
Issue Amount	2 000 000
Nibor 3M	0,28 %
Margin	7,00 %
Coupon	7,28 %
Tenor / redemption:	54 months / 4,5 years
Settlement Date:	02.04.2019
Maturity Date:	02.10.2023

The changes in interest-bearing debt through the period 1. January to 31. December 2020 are as follows:

(Figures in NOK 000)

External interest-bearing debt	Bond and loan DnB
Opening balance 1. January	2 481 555
Capitalization	19 794
Closing balance external debt 31. December	2 501 348
Total interest-bearing debt	2 501 348

The bond was initially measured at fair value minus directly attributable transaction costs. Subsequent to initial recognition, the bond is measured at amortized cost using the effective interest method. The effective interest method amortisation is included as finance cost in the income statement. The increase in the balance of the bond obligation is related to change in the capitalized cost and an increase in the face value of the bond from 100 to 101 due to the renegotiation of the bond terms, as described below. The total face value payable to the bondholders at maturity date increased from 2 000 MNOK to 2 020 MNOK due to the renegotiation of the bond terms. The change in the balance of the bond does not have cash effect in 2020.

During 2020 and at 31 December 2020, the company was in compliance with the covenants under the bank-agreement in DnB, Sparebank Møre and the bond agreement.



NOTE 12 Interest-bearing loans and credits facilities (contd.)

Financial covenants related to the bond

The bond agreement is subject to a set of financial covenants, including a minimum liquidity of NOK 125 million and a maximum leverage ratio of 5.25. The covenants are measured quarterly on 12 months rolling basis for Ekornes QM Holding Group. Following a good start of the year with strong sales, Ekornes experienced a significant impact on operations when the majority of the western world in mid-March was put in lockdown due to Covid-19. Due to the new situation, Ekornes performed stress tests on key financial indicators, with satisfactory results. However, with the outlook for a negative impact on earnings short- to mid-term, the leverage ratio could be above the level outlined in the bond agreement by the end of second quarter 2020, and the company reached out to bond holders, requesting amendments to covenants.

The following was agreed:

Leverage ratio

With effect from 30 June 2020 until and including 30 June 2021, the Leverage Ratio shall not exceed 9.00:1 (previously 5.25:1). The Leverage Ratio testing in the same period shall be suspended if the Liquidity exceeds NOK 200 million. Normal Leverage Ratio testing shall resume as at 30 September 2021. Net debt / Adj. EBITDA starting at 5.25x for year 1 and 2, 5.00x for year 3, 4.50x for year 4 and 4.00x for year 5, with equity cure (max. 3 times) counting as EBITDA for the for the subsequent three quarterly reporting periods.

Escrow Account

By 30 June 2020 at the latest, the Issuer shall transfer NOK 125 million (an amount equal to the Minimal Liquidity requirement, and to be included in the calculation of Liquidity) to an Escrow Account, pledged and blocked in favor of the Bond Trustee. The amount on the Escrow Account shall be released on 1 October 2021 subject to no continuing Event of Default.

Redemption of Bonds

The Outstanding Bonds will mature in full on the Maturity Date and shall be redeemed by the Issuer on the Maturity Date at a price equal to 101 (previously 100) per cent of the Nominal Amount. Adjustments of call and put options will be adjusted in line with new redemption price. The bond agreement also includes restrictions on dividend payments from Ekornes QM Holding AS, and Ekornes QM Holding AS is not in position to distribute any dividends.

Leverage ratio at the end of 2020 was 3,77



NOTE 13 Tax related costs

(Figures in NOK 000)

Tax expense included in net result:	2020	2019
Period taxes:		
Tax payable in the period	80 855	44 328
Deferred tax		
Changes in deferred tax liability	-45 145	-17 622
Tax expense	35 709	26 705
Reconciliation of effective tax rate:		
Earnings before tax	178 089	127 351
Tax calculated at 22% (22 %)	39 180	28 017
Effect of other tax rates	-2 147	-6 705
Permanent differences	247	4 916
Adjustment in respect of current income tax of previous years	-1 570	0
Other	0	478
Tax expense	35 709	26 705
Net deferred tax at 31.12:		
Deferred tax assets	67 622	66 887
Deferred tax liabilities	841 897	878 950
Net deferred tax	-774 275	-812 063

The Group recognises deferred tax assets and liabilities net only if the Group has a legal right to set them off against each other, and only deferred tax assets and liabilities within the same tax regime.

As at 31 December 2020, the Group had a tax-loss carryforward of NOK 17.2 million. NOK 16.6 million of this was capitalised as at 31 December 2020. Deferred tax assets relating to tax-loss carryforwards in one of our subsidiaries have not been recognised as at 31 December 2020 since the company does not expect to utilise the loss in the foreseeable future.

Net deferred tax at 31.12	2020	2019
Intangible assets	-701 165	-726 521
Property, plant & equipment	-116 658	-128 096
Inventory	29 587	24 618
Receivables	99	24
Pensions	2 932	-118
Provisions	-88	2 534
Other items	-5 558	-1 092
Tax-loss carried forward	16 577	16 588
Net deferred tax at 31.12	-774 275	-812 063



NOTE 13 Tax related costs (contd.)

The Group's carry forward tax deficit at 31.12.2020 has the following maturity:

	31.12.2020	31.12.2019
2020	0	2 720
2021	0	2 142
2022	0	4 542
2023	83	1 543
2024	3 263	254
No final maturity date	13 812	10 045
Total tax loss carryforward	17 158	21 247

Tax payable in the balance sheet	31.12.2020	31.12.2019
Tax payable for the year	80 855	44 328
Tax payable paid during the year	38 202	17 046
Tax payable in the balance sheet	62 718	27 282

Taxes from Consolidated Statement of Comprehensive Income	2020	2019
Translation differences	5 201	12 749
Tax on translation differences for loans to subsidiaries	-13	-41
Total transferred over comprehensive income	5 188	12 709

NOTE 14 Employee benefits

Board of Directors' declaration on the remuneration policy applying to senior executives

A major element of the remuneration policy established with respect to Ekornes QM Holding AS and its subsidiaries is that executives should be offered competitive terms, with a salary comparable to similar positions in their national labour markets. The Company has established performance-related bonus schemes that form a major part of the overall compensation package offered to profit-centre managers. Salary and other remunerations are mainly adjusted in accordance with developments in salary/price levels in the country in which the position is located.

Pension commitments

A Group pension scheme (defined contribution plan) has been established for employees of the Group's Norwegian companies and in most of its foreign subsidiaries. The Group also has certain pension liabilities expensed continuously. For accounting purposes, pension schemes are treated in accordance to IAS 19. Norway's new AFP early retirement scheme is deemed to be a defined benefit multi-enterprise scheme. In principle, the liability shall be calculated and recognised. However, the scheme's current administrator is, for practical reasons, unable to perform these calculations. Until these calculations are made, the new AFP early retirement scheme must be recognised as a defined contribution scheme. See table below.

Mandatory occupational pension scheme

Pursuant to the Norwegian Mandatory Occupational Pensions Act, all the Group's Norwegian subsidiaries must establish a pension scheme for their employees. These companies have pension schemes that comply with Norwegian law.

Pension costs

The pension costs of the Group for the financial year was NOK 39.7 million, which is almost entirely comprised of defined contribution pension; only two companies in the Group operate with defined benefit pension; Ekornes K.K in Japan and Ekornes S.A.R.L in France.

Pension liabilities (Figures in NOK 000)	31.12.2020	31.12.2019
Accumulated pension liabilities	8 438	6 011

The pension liability relates to two of the Group's non-Norwegian subsidiaries.

Bonus-based incentives

Ekornes QM Holding Group has bonus-based remuneration for all employees in the operating companies who do not have any other personal bonus scheme. The bonus-based remuneration will be based on achieved results for 2020. The bonus is paid on a pro rata basis according to the number of months employed during the year. Only those employed as at 31 December 2020, as well as those retiring during 2020, are entitled to receive a bonus for 2020. For accounting purposes, the bonus is treated as a cash bonus.

See Note 15 for details of remuneration and salary paid to group management.

NOTE 15 Related parties

The Group's related parties comprise members of the board and management, as well as companies those individuals control or have a significant influence over.

Ruihai Zhao, who chairs the board of directors, is one of the primary shareholders of Qumei Home Furnishings Group. IMG sells furniture in the Chinese market through Qumei's stores in China. The agreement regulating these transactions has been entered into at market terms and on the basis of the arm's length principle.

Individual bonus agreements were entered into with group management for 2020. The bonuses payable to group management are included in salary in the table below.

The following tables show the remuneration to the key members of Group Management, as well as to the members of the boards of operating company Ekornes AS and the Group.

Remuneration to key members of Group Management in 2020

(Figures in NOK 000)	Salary	Benefits in kind	Pension cost	Total remuneration
Roger Lunde (Group CEO) - From February 2020	3 658	26	71	3 754
Olav Holst-Dyres (Old Group CEO)*	4 480	34	10	4 524
Mette Toft Bjørgen (Group CFO)	2 509	22	81	2 611
James Tate (SVP IMG Business)	3 415	205	465	4 085
Total remuneration	14 061	287	626	14 975

*CEO Olav Holst-Dyrnes resigned in 2020 and served as CEO for six years. Olav Holst-Dyrnes had an agreement which gave him the right to a compensation after termination of employment that equals 100% of the salary the first 12 months.

Remuneration to Board Members in 2020

(Figures in NOK 000)		Board remuneration
Ruihai Zhao	Chair	1 100
Lars Ivar Røiri	Vice-chair	1 000
Stian Ekornes	Director	350
Lei Yang	Director	175
Sveinung Utgård	Director (employee elected)	130
Per Ove Skåre	Director (employee elected)	130
Atle Berntzen	Director (employee elected)	130
Total remuneration		3 015



NOTE 15 Related parties (cont.)

Remuneration to members of Group Management in 2019

(Figures in NOK 000)	Salary	Benefits in kind	Pension cost	Total remuneration
Olav Holst-Dyrnes (Group CEO)	3 737	45	79	3 861
Mette Toft Bjørgen (Group CFO) - From 1 October 2019	595	9	20	624
Trine-Marie Hagen (Group CFO) - Until 15 Aug 2019	1 912	32	53	1 996
Øystein Vikingsen Fauske (EVP HR and Digitalisation – CHRO & CDO)	1 960	20	79	2 060
James Tate (SVP IMG Business)	2 440	62	389	2 891
Total remuneration	10 643	168	621	11 433

Remuneration to Board Members in 2019

(Figures in NOK 000)		Board remuneration
Ruihai Zhao	Chair	0
Nora Førisdal Larssen*	Chair	175
Lars Ivar Røiri	Director	675
Stian Ekornes	Director	350
Lei Yang	Director	175
Kjersti Kleven*	Director	175
Tine Gottlob Wollebekk*	Director	175
Nils Gunnar Hjellegjerde*	Director	175
Atle Berntzen	Director (employee elected)	130
Sveinung Utgård***	Director (employee elected)	65
Ove Skåre***	Director (employee elected)	65
Tone Helen Hanken**	Director (employee elected)	65
Knut Ove Rygg**	Director (employee elected)	98
Arnstein Edgard Johannessen**	Director (employee elected)	65
Total remuneration		2 388

* Member of Board of Directors until 5 June 2019

** Member of Board of Directors until 2 October 2019

*** Member of Board of Directors from 2 October 2019



NOTE 16 Shares and shareholders

The Norwegian ultimate parent company Ekornes QM Holding AS is a wholly owned subsidiary of Qumei Home Furnishing Group Co., Ltd in China. Qumei Home Furnishing Group Co., Ltd is listed on Shanghai Stock exchange.

As of 31 December 2019 and 31 December 2020, Ekornes QM Holding's registered share capital comprised 30 000 ordinary shares. All shares have a face value of NOK 4.00. All shares in the company have equal voting and dividend rights. All shares give equal rights to the company's net assets. Ekornes QM Holding AS has no treasury shares as of 31 December 2019 or 31 December 2020.

The calculation of earnings per share and diluted earnings per share is shown in Note 11 Earnings per share.

As at 31 December 2019 and 31 December 2020, the company's sole shareholder was

Shareholder	Country	No. of shares held	Percentage
Qumei Runto S.A.R.L.	Luxembourg	30 000	100 %

As at 31 December 2019 and 31 December 2020, the board has been granted the following authorisations:

The board has been granted no authorisations.



NOTE 17 Group entities

*The following subsidiaries are included in Ekornes QM Holding AS's consolidated financial statements.

Ekornes QM Holding AS has a 90.5% interest in Ekornes Holding AS, the other 9.5% is owned by Ruisi Holding Company Limited. Ekornes Holding AS has 100% voting and ownership in all other group companies through Ekornes AS.

Company	Primary business activity	Registered office	Domicile
Ekornes Holding AS	Holding company	Oslo	Norway
Ekornes AS	HQ/Sales	Ikornnes	Norway
J. E. Ekornes AS	Production	Ikornnes	Norway
J. E. Ekornes ApS	Sales	Odense	Denmark
Ekornes K.K	Sales	Tokyo	Japan
OY Ekornes AB	Sales	Helsinki	Finland
Ekornes Inc.	Sales	Somerset, NJ	US
Ekornes Ltd.	Sales	London	UK
Ekornes Möbelvertriebs GmbH	Sales	Hamburg	Germany
Ekornes S.A.R.L	Sales	Pau	France
Ekornes Iberica SL	Sales	Barcelona	Spain
Ekornes Singapore PTE. Ltd.	Sales	Singapore	Singapore
Ekornes Pty Ltd	Sales	Sydney	Australia
Ekornes Asia Pacific Co Ltd	Sales	Bangkok	Thailand
Ekornes China Co, Ltd.	Sales	Shanghai	China
J. E. Ekornes USA, Inc	Production	Morganton, NC	USA
Ekornes Taiwan Ltd.	Sales	Taipei	US
Ekornes Hong Kong Co, Ltd	Sales	Hong Kong SDR.	China
Ekornes Beds AS	Production and sales	Fetsund	Norway
Ekornes Beds GmbH	Sales	Hamburg	Germany
IMG Group AS	Holding og Sales	Sykkylven	Norway
IMG Holdco AS	Holding	Sykkylven	Norway
IMG Europe GmbH	Sales	Hamburg	Germany
IMG (Vietnam) Co., Ltd.	Production and sales	Binh Duong	Vietnam
IMG Australia PTY Ltd	Sales	Melbourne	Australia
IMG Contract PTY Ltd	Sales	Melbourne	Australia
Ekornes (THAILAND) LIMITED	Production and sales	Chachoengsao	Thailand
IMG New Zealand Limited	Sales	Auckland	New Zealand
Ekornes Lithuania UAB	Production and sales	Panevezys	Lithuania
International Mobel Group USA, Inc.	Sales	Corona, CA	US

Changes in group structure in 2020

Ekornes AS and Ekornes Skandinavia AS have merged. Ekornes AS had 100% voting and ownership of Ekornes Skandinavia AS. Ekornes AS took over the entire business operations, comprising assets, rights and liabilities from Ekornes Skandinavia AS. The merger was undertaken with effect for accounting purposes from 1 January 2020. The purpose of the merger was to simplify the Group structure.

IMG Group AS, IMG Skandinavia AS and IMG AS have merged. IMG Group AS had 100% voting and ownership of IMG Skandinavia AS and IMG AS. IMG Group AS took over the entire business operations, comprising assets, rights and liabilities from IMG Skandinavia AS and IMG AS. The merger was undertaken with effect for accounting purposes from 1 January 2020. The purpose of the merger was to simplify the Group structure.

NOTE 18 Leasing agreements

The Group has entered into several different operational leasing agreements. The leasing agreements are primarily associated with non-Norwegian subsidiaries. The operating movables and machinery are leased in a 3-5-year period, while several of the office and warehouse have a longer time frame.

Practical expedients applied

The Group has elected to apply the practical expedient and does not recognise lease liabilities or right-of-use assets for leases presented in the table below:

- Short-term leases (defined as 12 months or less) or
- Low value assets (< NOK 25 000)

Variable lease payments

In addition to the lease liabilities below, the Group is committed to pay variable lease payments for some of their leases. The variable lease payments are expensed as incurred.

Extension options

Several agreements involve a right of renewal which may be exercised during the last period of the lease terms. The Group assesses at the commencement whether it is reasonably certain to exercise the renewal right.

Restrictions

The leases do not contain any restrictions on the Group's dividend policy or financing. The Group does not have significant residual value guarantees related to its leases to disclose.

(Figures in NOK 000)	Operating movables	Machinery and equipment	Office, warehouse and sites	Total
Right-of-use assets				
Acquisition cost 1 January 2020	16 528	1 645	147 443	165 617
Addition of right-of-use assets	5 540	2 525	62 634	70 699
- New leasing agreements	6 089	2 525	53 403	62 016
- Existing leasing agreements adjusted or extended	-549	0	9 231	8 682
Disposals	-1 676	0	0	-1 676
Currency exchange differences	412	28	-2 101	-1 661
Acquisition cost 31 December 2020	20 804	4 198	207 976	232 978
Accumulated depreciation 1 January 2020	-5 290	-544	-28 605	-34 439
Depreciation	-6 384	-1 071	-39 104	-46 558
Disposals	1 013	0	0	1 013
Currency exchange differences	-84	0	0	-84
Accumulated depreciation 31 December 2020	-10 746	-1 615	-67 709	-80 069
Carrying amount of right-of-use assets 31 December 2020	10 059	2 583	140 267	152 909



NOTE 18 Leasing agreements (contd.)

Lease liabilities:

Undiscounted lease liabilities and maturity of cash outflows	Total
Less than one year	42 390
One to five years	91 335
More than five years	37 891
Total undiscounted lease liabilities at 31 December 2020	171 617
Total lease liabilities at 31 December 2020	158 221
Current lease liabilities	38 880
Non-current lease liabilities	119 341
Total cash outflows for leases	48 547
Interest expense on lease liabilities	4 173
Short term leases and low-value leases recognised on a straight-line basis as expense	6 825

NOTE 19 Research & development

In 2020, research and development costs totalling NOK 38.5 million (NOK 35.0 million in 2019) were recognised in expenses. These costs relate to salaries and other expenses, as well as the depreciation of capitalised R&D costs.

Costs directly associated with the development of a fixed operating asset are included in the capitalised value of the asset if all the criteria for capitalisation have been met. Expenses that arise early in the project phase, as well as maintenance costs, are recognised in expenses as they arise. Capitalised development costs totalled NOK 0 million in 2020 (NOK 0.0 million in 2019).

NOTE 20 Financial risk

The Group operates in many markets, on both the sales and purchasing sides. This means the company has a natural spread with respect to its market, foreign exchange and sourcing risk. For The Group, financial risk is largely associated with fluctuations in exchange rates (NOK vs other countries' currencies), interest rate risk deriving from changes in interest rates and credit risk in the form of the ability of the Group's customers to pay what they owe (trade receivables).

Customer and credit risk

The Group sells its products to distributors through its own sales companies and the customers are generally furniture retailers. The Group has more than 4,000 customers, with the largest group of stores accounting for around 6 per cent of sales revenues. The largest single customer accounts for around 1.0 per cent of total sales revenues. Routines have been established to ensure that sales are made to creditworthy customers and within specific credit limits to lessen market and credit risk. Customer and credit risk is considered low. Outstanding receivables are followed up on an ongoing basis and efforts are made to keep them at a reasonable level. An analysis of expected losses is carried out at the close of each reporting period. The estimation reflects the probability-weighted outcome, the time-value of money and reasonable and verifiable information about events and actual conditions available on the reporting date. Trade receivables will generally be written off if they have fallen due for payment one year or more in the past and no debt recovery process is ongoing. Based on the fact that The Group generally has B2B customers, few receivables overdue and historically few bad debts, the assessment of expected losses has not led to any material change in the provision for bad debts as at 31 December 2020. The deposition matrix will be based on historical experiences, updated with today's expectations for the future customized to the customers characteristics (Segment, geography, maturity on customer relations). The table below shows details of the Group's exposure to credit risk on trade receivables using a provision matrix.

31.12.2020 (Figures in NOK 000)	Total	Not due	<30 d	30-60d	60-90d	>90d
Trade receivables - gross	424 740	346 587	52 375	11 449	3 799	10 529
Expected default rate	2,2%	0,4%	0,4%	0,4%	0,4%	73,0%
Expected credit losses	9 155	1 232	186	41	14	7 682

31.12.2019 (Figures in NOK 000)	Total	Not due	<30 d	30-60d	60-90d	>90d
Trade receivables - gross	388 987	312 894	64 008	4 464	2 095	5 527
Expected default rate		1,0%	1,0%	2,6%	18,0%	50,0%
Expected credit losses	7 024	3 129	640	114	377	2 764

Interest-rate risk

Interest-rate risk is the risk of fluctuations in future cash flows from a financial instrument as a result of changes in market rates. The Group's exposure to interest rates is primarily related to its short-term and long-term borrowings at floating interest rates. Loans at floating interest rates represent an interest-rate risk for the Group's cash flow, which is partly offset by the opposite effect of cash and cash equivalents at floating interest. The borrowing portfolio is currently at a floating rate of interest, which means the Group is affected by changes in interest rates. At the close of 2020, the Group had total interest-bearing debt of NOK 2 501 million. The Group has a stable financing structure. Lenders are well-reputed Norwegian banks and a bond listed on Oslo Stock exchange. The table below shows sensitivity to a potential change in interest rates on that part of the Group's affected borrowings. The estimate is based on actual loans at the end of 2020, and by keeping all other variables remaining constant the Group's profit/loss and equity before tax will be affected as follows by changes in debt instruments at floating interest rates.

(Figures in NOK 000)	Increase/decrease in base points	Effect on profit/loss before tax	Effect before tax on equity
31.12.2020	100	25 013	25 013
31.12.2019	100	24 760	24 760

NOTE 20 Financial risk (contd.)

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group manages this risk by ensuring, as far as possible, that it always has sufficient liquidity available to meet its obligations both under normal and challenging circumstances, and without incurring unacceptable losses or risk of damaging the Group's reputation. At the close of 2020, the Group had cash reserves of NOK 454,6 million in the form of bank deposits, of which NOK 27,3 million was restricted to the payment of employees' tax deductions and NOK 125 million restricted is part of the bond condition is to have a minimum liquidity in Ekornes QM Holding AS. In addition, the Group had unused drawing rights of NOK 750,0 million. The board considers the Group's liquidity situation to be satisfactory. The table below shows a maturity analysis for the Group's financial liabilities based on contractual, non-discounted payments. When a counterparty has a choice about when an amount is to be paid, the liability is included at the earliest date the business can expect to receive payment. Financial liabilities which must be repaid upon demand are included in the "<1 year" column.

31.12.2020 (Figures in NOK 000)	Remaining term					Total
	<1 year	1-2 years	2-3 years	3-5 years	>5 years	
Financial liabilities						
Interest-bearing debt - Bond	150 000	150 000	2 170 000	0	0	2 470 000
Interest-bearing debt - Bank	8 550	506 413	0	0	0	514 963
Dividend	9 241	0	0	0	0	9 241
Leasing	42 390	33 445	29 945	27 945	37 891	171 617
Trade payables and other liabilities	515 814	1 793	1 793	0	8 438	527 838
Total	725 996	691 651	2 201 738	27 945	46 329	3 693 659

31.12.2019 (Figures in NOK 000)	Remaining term					Total
	<1 year	1-2 years	2-3 years	3-5 years	>5 years	
Financial liabilities						
Interest-bearing debt - Bond	175 200	175 200	175 200	2 146 000	0	2 671 600
Interest-bearing debt - Bank	15 350	15 350	511 513	0	0	542 213
Dividend	10 545	0	0	0	0	10 545
Leasing	37 184	27 726	17 798	26 426	37 856	146 990
Trade payables and other liabilities	375 369	2 175	2 175	0	6 011	385 731
Derivatives						
Forward currency contracts	2 552	0	0	0	0	2 552
Total	616 200	220 451	706 686	2 172 426	43 867	3 759 630

NOTE 20 Financial risk (contd.)

Foreign exchange risk

The Group sells its products internationally, and bills its customers primarily in the respective countries' own currencies. The Group manages all matters related to currency and foreign exchange risk from head office. Currency hedging is an integral part of the Group's operational activities.

As part of the company's efforts to reduce its foreign exchange risk/currency exposure the Group also seeks to purchase goods and services for use in Norway on international markets, where cost-effective. Together with the Group's distribution, sales and marketing activities, and associated administrative organization, this provides natural operational hedging of the company's foreign exchange risk (natural hedging) for part of its cash flow. In addition to natural hedging, the company uses forward contracts for additional currency hedging. This does not reduce the long-term foreign exchange risk, but provides predictability within the hedging horizon. According to the group's strategy, 80 per cent of the expected currency exposure in the coming six-month period is hedged in currencies where the expected annual exposure exceeds NOK 75 million, and correspondingly for 50 per cent of the expected exposure in the coming 6-12-month period. Financial risk is primarily associated with fluctuations in exchange rates and the ability of the Group's customers to pay what they owe. The Group's competitiveness is affected, over time, by movements in the value of the NOK in relation to other currencies. The Group actively seeks to limit this risk.

The following average exchange rates applied to forward contracts exercised in 2020:

Valuta/ Currency	Volume (in NOK 000)	Volume (in Currency 000)	Average exchange rate (in NOK)
AUD	88 396	14 340	6,16
DKK	67 564	49 763	1,36
EUR	360 992	35 460	10,18
GBP	122 395	10 680	11,46
USD	145 369	16 370	8,88

New forward contracts

In 2020, the Group entered into forward contracts, and all realised and unrealised gains and losses associated with these contracts are recognised in net other losses/(gains). In 2020, these contracts resulted in a NOK 37.6 million realised loss and NOK 25,3 millioner in positive change in value of realised and unrealised contracts. All contracts that are open as at 31 December 2020 fall due for payment in the next 12 months. As at 31 December 2020, the market value of existing forward currency contracts came to NOK 22,7 million.

(Figures in NOK 000)		
Market value of forward contracts	31.12.2020	31.12.2019
Share in 2020	0	-2 552
Share in 2021	22 732	0
Total	22 732	-2 552

Total net other losses/(gains) comprises:	2020	2019
Realised losses/(gains) on new forward contracts	-37 584	-21 675
Change in value of realised and unrealised contracts	25 283	21 070
Net other losses/(gains)	12 300	605



NOTE 20 Financial risk (contd.)

Classifications of financial assets and financial liabilities 31 December 2020

(Figures in NOK 000)	Fair value through profit and loss	Amortised cost Bank and receivables	Amortised cost Other financial liabilities
Cash & cash equivalents	0	454 624	0
Forward currency contracts	22 732	0	0
Stocks & shares in other enterprises	1 333	0	0
Trade & other current receivables	0	495 852	0
Non-current receivables	0	19 528	0
Long-term debt to credit institutions	0	0	500 000
Long-term debt related to bond issued	0	0	2 001 348
Trade & other current payables	0	0	665 212
TOTAL	24 065	970 004	3 166 560

Classifications of financial assets and financial liabilities 31 December 2019

(Figures in NOK 000)	Fair value through profit and loss	Amortised cost Bank and receivables	Amortised cost Other financial liabilities
Cash & cash equivalents	0	312 804	0
Forward currency contracts	-2 552	0	0
Stocks & shares in other enterprises	1 333	0	0
Trade & other current receivables	0	464 742	0
Non-current receivables	0	15 536	0
Long-term debt to credit institutions	0	0	500 000
Long-term debt related to bond issued	0	0	1 981 555
Trade & other current payables	0	0	510 599
TOTAL	-1 218	793 082	2 992 154

NOTE 21 Reconciliation for liabilities arising from financing activities

Reconciliation of changes in liabilities arising from financing activities is shown in the tables below:

(Figures in NOK 000)	01.01. 2020	Cash flows	Non-cash changes				31.12. 2020
			Implemen- tation IFRS 16	Annual meeting	Debt conversion	Other	
Interest-bearing debt - Bond	1 981 555	0	0	0	0	19 794	2 001 348
Interest-bearing debt - Bank	500 000	0	0	0	0	0	500 000
Lease liabilities	134 645	-48 547	0	0	0	72 123	158 221
Payment of dividend	10 545	-22 442	0	21 137	0	0	9 241
Total liabilities from financing activities	2 626 745	-70 988	0	21 137	0	91 916	2 668 810

(Figures in NOK 000)	01.01. 2019	Cash flows	Non-cash changes				31.12. 2019
			Implemen- tation IFRS 16	Annual meeting	Debt conversion	Other	
Interest-bearing debt - Bond	0	1 981 555	0	0	0	0	1 981 555
Interest-bearing debt - Related parties	2 088 782	-1 897 582	0	0	-191 201	0	0
Interest-bearing debt - Bank	500 000	0	0	0	0	0	500 000
Interest-bearing debt - Bank	111 878	-111 878	0	0	0	0	0
Lease liabilities	0	-36 468	171 114	0	0	0	134 645
Payment of dividend	0	-11 495	0	22 040	0	0	10 545
Total liabilities from financing activities	2 700 660	-75 868	171 114	22 040	-191 201	0	2 626 745

Debt conversion

On 28 September 2018, Ekornes Holding AS entered into two loan agreements with respectively Ekornes QM Holding AS and Ruisi Holding Company Limited (Luxembourg) in connection with the acquisition Ekornes AS. As part of the settlement of the financing structure set up by the group in relation the acquisition of Ekornes AS, the board carried out a share capital increase towards Ekornes QM Holding AS and Ruisi Holding Company Limited (Luxembourg), by increasing the par value of the Company's shares with NOK 1. The payment for the share capital increase was settled by way of setting off the outstanding amount under the Loan Agreements. For the non-controlling interest the debt conversion amounts to TNOK 191 201.

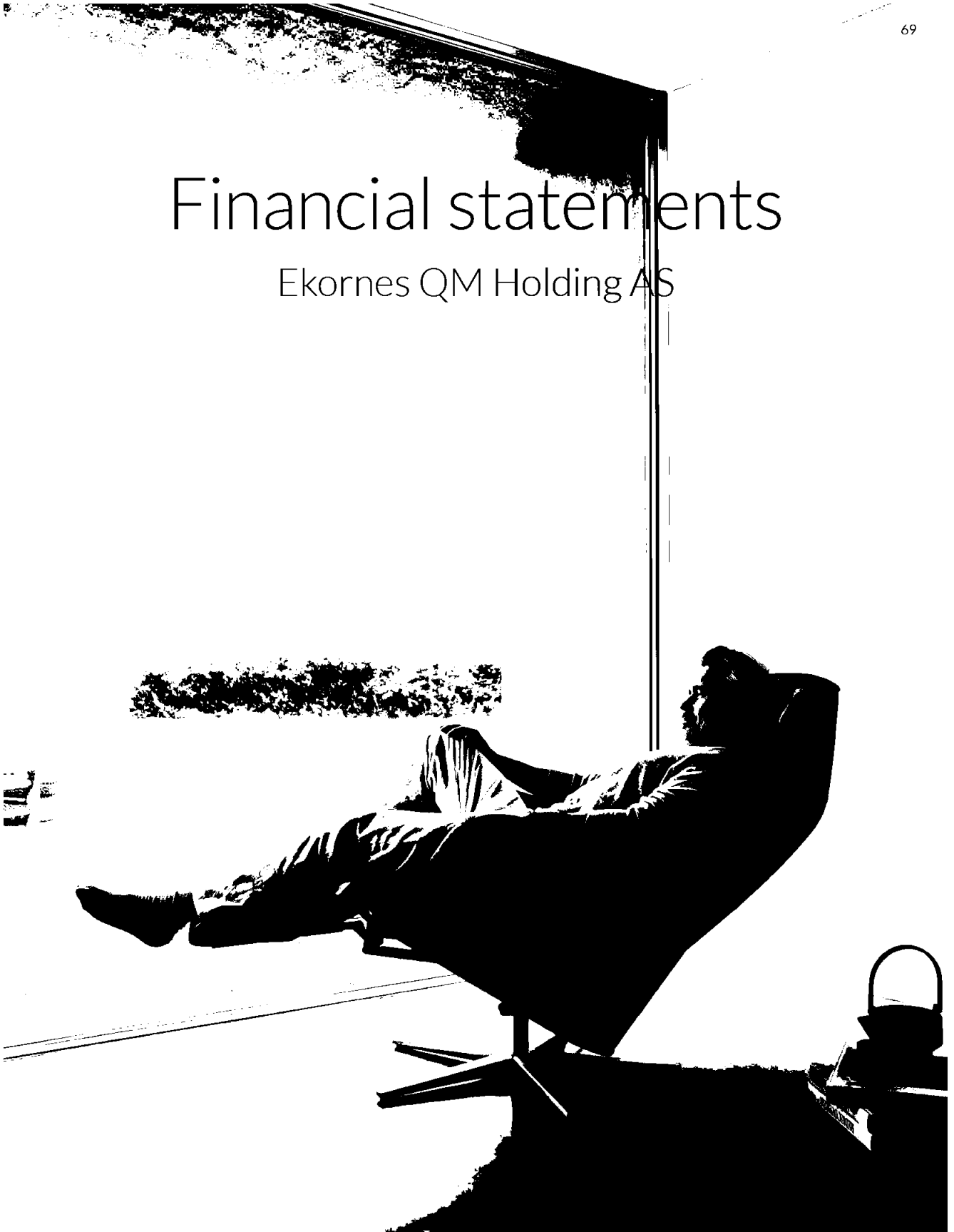
NOTE 22 Subsequent events

No significant events have occurred between the balance sheet date and the date of publication of the financial statements which have materially affected the Group's financial position and which should have been reflected in the financial statements here presented.



Financial statements

Ekornes QM Holding AS





INCOME STATEMENT FOR EKORNES QM HOLDING AS

(Figures in NOK 000)	Notes	2020	2019
Operating income and operating expenses			
Other operating expenses	6	2 656	5 769
Total operating expenses		2 656	5 769
Operating profit		-2 656	-5 769
Financial income and expenses			
Income from subsidiaries	7	168 010	201 361
Interest income from group companies	7	0	7 518
Other interest income	7	688	1 364
Net gains (losses) on foreign exchange	7	42	14 881
Interest expense to group companies	7	0	29 978
Other interest expenses	7	182 393	138 962
Net financial items		-13 653	56 184
Earnings before tax		-16 309	50 415
Tax expense	5	-24	11 091
Earnings after tax		-16 285	39 324
Brought forward			
Allocated to/from other equity		-16 285	39 324
Net brought forward		-16 285	39 324



BALANCE SHEET EKORNES QM HOLDING AS

ASSETS (Figures in NOK 000)	Notes	31.12.2020	31.12.2019
Financial fixed assets			
Investments in subsidiaries	1	4 489 885	4 489 885
Total financial fixed assets		4 489 885	4 489 885
Total fixed assets			
		4 489 885	4 489 885
Current assets			
Debtors			
Other short-term receivables		163	159
Receivables from group companies	2	256 041	256 566
Total receivables		256 204	256 726
Cash and bank deposits	8	170 273	179 647
Total current assets		426 477	436 372
Total assets		4 916 362	4 926 258

(Continued on next page)



BALANCE SHEET EKORNES QM HOLDING AS (contd.)

EQUITY AND LIABILITIES (Figures in NOK 000)	Notes	31.12.2020	31.12.2019
Equity			
Paid-up equity			
Share capital	3, 4	120	120
Share premium reserve	3	2 807 354	2 807 354
Total paid-up equity		2 807 474	2 807 474
Retained earnings			
Other equity	3	74 006	90 291
Total retained earnings		74 006	90 291
Total equity		2 881 480	2 897 765
Non-current liabilities			
Deferred tax	5	5 250	5 274
Bonds	8	2 001 348	1 981 555
Total non-current liabilities		2 006 598	1 986 829
Current debt			
Trade creditors		462	2 763
Other current debt	8	27 822	38 902
Total current debt		28 284	41 664
Total liabilities		2 034 883	2 028 493
Total equity and liabilities		4 916 362	4 926 258

Oslo, 25 March 2021

The board of Ekornes QM Holding AS

Ruihai Zhao
Chair

Mogens Falsig
Director and CEO



STATEMENT OF CASH FLOW EKORNES QM HOLDING AS

(Figures in NOK 000)	Note	2020	2019
Cash flow from operations			
Profit before income taxes		-16 309	50 415
Dividend/Group contribution not received		-168 010	-201 361
Gain / loss currency exchange		-42	-14 881
Change in trade payables		-2 301	2 763
Change in other accruals		8 711	20 297
Net cash flow from operations		-177 951	-142 767
Cash flow from investments			
Dividends from subsidiary		168 535	154 755
Net cash flow from investments		168 535	154 755
Cash flow from financing			
Issue of long-term debt - bond	8	0	2 000 000
Repayment of long-term debt		0	-1 832 388
Net cash flow from financing		0	167 612
Exchange gains / (losses) on cash and cash equivalents		42	6
Net change in cash and cash equivalents		-9 374	179 606
Cash and cash equivalents at the beginning of the period		179 647	41
Cash and cash equivalents at the end of the period		170 273	179 647

ACCOUNTING PRINCIPLES

BASIC PRINCIPLES – ASSESSMENT AND CLASSIFICATION

The financial statements comprise the income statement, the balance sheet, cash flow statement and notes to the financial statements. They have been prepared in accordance with the Norwegian Accounting Act and generally accepted accounting practice in Norway, as applicable at 31 December 2020. The notes are therefore an integral part of the financial statements for the year.

The financial statements are based on the fundamental principles of historic cost, comparability, going concern, congruence and prudence. Transactions are recognized at the value of the consideration on the date of the transaction. Revenues are recognized when they are earned and costs are matched with earned revenues.

The accounting principles are elaborated below. Assets/liabilities relating to the production cycle, and items falling due for payment within a year of the balance date, are classified as current assets/current liabilities. Current assets/current liabilities are valued at the lower/higher of acquisition cost and fair value. Fair value is defined as the estimated future sales price, less anticipated sales costs. Other assets are classified as non-current assets. Non-current assets are valued at acquisition cost. Non-current assets, whose value falls over time, are depreciated. If the value of an asset is impaired and the impairment is not expected to be of a temporary nature, the value of the non-current asset is written down. Similar principles normally also apply to liabilities.

FOREIGN CURRENCY

Transactions in foreign currencies are translated based on monthly exchange rates. Monetary items denominated in foreign currencies are translated at the rate of exchange on the balance sheet date. Translation differences are recognized in profit and loss as gain/loss on foreign exchange. Non-monetary assets and liabilities that are measured at historic cost in a foreign currency are translated at the exchange rate in effect when the transaction takes place. Non-monetary assets and liabilities that are recognized at fair value are translated to NOK at the exchange rate in effect when fair value is determined.

SUBSIDIARIES

Subsidiaries are valued at cost in the company accounts. The investment is valued as cost of the shares in the subsidiary, less any impairment losses. An impairment loss is recognized if the impairment is not considered temporary, in accordance with generally accepted accounting principles. Impairment losses are reversed if the reason for the impairment loss disappears in a later period.

Dividends, group contributions and other distributions from subsidiaries are recognized in the same year as they are recognized in the financial statement of the provider. If dividends / group contribution exceed withheld profits after the acquisition date, the excess amount represents repayment of invested capital, and the distribution will be deducted from the recorded value of the acquisition in the balance sheet for the parent company.

FINANCIAL LIABILITIES

Loans, borrowings and payables are recognized at fair value net of directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. The effective interest method amortisation is included as finance costs in the income statement. Payables are measured at their nominal amount when the effect of discounting is not material.

MAJOR INDIVIDUAL TRANSACTIONS

The effects of major individual transactions are shown on separate lines in the income statement and/or commented on in the notes.

RELATED PARTIES

Related parties are defined as group companies, major shareholders, directors of the Company or its subsidiaries, and senior executives. Agreements relating to the remuneration paid to the board of directors and senior executives are detailed in note 6.

DEFERRED TAX AND TAX EXPENSE

Deferred tax liabilities are calculated on the basis of temporary differences between the carrying values recognized in the financial statements for the year and the carrying values recognized for tax purposes. A nominal tax rate is used for calculation purposes. Positive and negative differences are set off against each other within the same period. A deferred tax asset arises if temporary differences give rise to a future tax deduction. The tax expense for the year comprises changes in deferred tax liabilities and deferred tax assets as well as tax payable for the financial year.



NOTE 1 Subsidiary

Ekornes QM Holding AS has 90,5% ownership and voting right in Ekornes Holding AS.

(Figures in NOK 000)	Location	Ownership/ voting right	Result last year (100%)	Equity 31.12 (100%)	Book value 31.12
Ekornes Holding AS	Oslo	90,5 %	131 033	4 905 310	4 489 885
Book value investments in subsidiaries at 31.12.20		90,5 %	131 033	4 905 310	4 489 885

NOTE 2 Balance with related parties

(Figures in NOK 000)	31.12.2020	31.12.2019
Other short term receivables		
Dividend Ekornes Holding AS	0	55 205
Group contribution Ekornes Holding AS	256 041	201 361
Total	256 041	256 566

Financial income and expenses from / to related parties are listed in note 7.

NOTE 3 Shareholders' equity

(Figures in NOK 000)	Share capital	Share premium	Other equity	Total
Equity 31.12.2019	120	2 807 354	90 291	2 897 765
Profit for the year			-16 285	-16 285
Equity 31.12.2020	120	2 807 354	74 006	2 881 480

NOTE 4 Share capital and shareholder information

As of 31 December 2020, Ekornes QM Holding's registered share capital comprised 30 000 ordinary shares. All shares have a face value of NOK 4.00. All shares in the company have equal voting and dividend rights. All shares give equal rights to the company's net assets. Ekornes QM Holding AS has no treasury shares as of 31 December 2020.

As at 31 December 2019 and 31 December 2020, the company's sole shareholder was:

Shareholder	Country	No. of shares held	Percentage
Qumei Runto S.A.R.L.	Luxembourg	30 000	100 %

As at 31 December 2019 and 31 December 2020, the board has been granted the following authorisations:

The board has been granted no authorisations.



NOTE 5 Taxes

(Figures in NOK 000)	2020	2019	
Components of the income tax expense			
Change of deferred tax	-24	11 091	
Tax expense	-24	11 091	
Basis for tax payable			
Profit before taxes	-16 309	50 415	
Permanent differences	16 201	0	
Temporary differences	108	-23 973	
Deficit to carry	0	-26 442	
Taxable income (basis for payable taxes in the balance sheet)	0	0	
Reconciliation of the tax expense			
Result before taxes	-16 309	50 415	
Calculated tax	-3 588	11 091	
Tax of permanent differences	3 564	0	
Sum	-24	11 091	
Effective tax rate in %	0,1 %	22,0 %	
Calculation of deferred tax/deferred tax benefit			
	31.12.20	31.12.19	Change
Other	23 865	23 973	-108
Total	23 865	23 973	-108
Deferred tax/(Deferred tax benefit) (22% / 22%)	5 250	5 274	-24



NOTE 6 Other operating expenses

The company has no employees. Neither the chairman of the Board, nor the general manager, has any bonus agreement or any severance pay agreement.

Expensed audit fee		
Breakdown of auditing fees (Figures in NOK 000)	2020	2019
Statutory auditing services	340	2 635
Other certification services	0	1 554
Other non-auditing services	6	7
Tax advisory services	226	0
Total	572	4 197

Auditing fees are stated including VAT.

NOTE 7 Specification of financial income and expenses

(Figures in NOK 000)		
Financial income	2020	2019
Dividend Ekornes Holding AS	0	0
Group Contribution Ekornes Holding AS	168 010	201 361
Interest income Ekornes Holding AS	0	7 518
Other interest expenses	688	1 364
Total financial income	168 698	210 243
Net gains (losses) on foreign exchange	42	14 881
Financial expenses		
Interest expenses Qumei Runto S.A.R.L.*	0	29 978
Interest expenses Bond	182 391	138 796
Other interest expenses	1	166
Total financial expenses	182 393	168 940

*The interest expense consists of interest on the loan between Ekornes QM Holding AS and Qumei Runto S.A.R.L and a termination fee of NOK 19.5 million. The loan to Qumei Runto S.A.R.L. was repaid in April 2019.



NOTE 8 Bond

Senior Secured Bond at 31 December 2020

In April 2019, Ekornes QM Holding AS issued a stock exchange bond to refinance the Group. The bond was listed on Oslo Stock Exchange 10 July under the name "Ekornes QM Holding AS 19/23 FRN FLOOR C", Ticker: EKO01.

No instalments are payable before maturity in October 2023 and interest expenses are paid quarterly. NIBOR is adjusted at the end of each quarter and at 31. December 2020 the coupon was 7.28%. For first quarter 2021 the coupon is 7.50%.

Bond details

Currency	NOK
Issue Amount	2 000 000
Nibor 3M	0,28 %
Margin	7,00 %
Coupon	7,28 %
Tenor / redemption:	54 months / 4,5 years
Settlement Date:	02.04.2019
Maturity Date:	02.10.2023

The bond was initially measured at fair value minus directly attributable transaction costs. Subsequent to initial recognition, the bond is measured at amortized cost using the effective interest method. The effective interest method amortisation is included as finance cost in the income statement.

Senior Secured Bond

Opening balance 1. January 2020	1 981 555
Capitalization	19 794
Closing balance 31. December 2020	2 001 348

The increase in the balance of the bond obligation is related to change in the capitalized cost and an increase in the face value of the bond from 100 to 101 due to the renegotiation of the bond terms, as described below. The total face value payable to the bondholders at maturity date increased from 2 000 MNOK to 2 020 MNOK due to the renegotiation of the bond terms. The change in the balance of the bond does not have cash effect in 2020.

Financial covenants

The bond agreement is subject to a set of financial covenants, including a minimum liquidity of NOK 125 million and a maximum leverage ratio of 5.25. The covenants are measured quarterly on 12 months rolling basis for Ekornes QM Holding Group. Following a good start of the year with strong sales, Ekornes experienced a significant impact on operations when the majority of the western world in mid-March was put in lockdown due to Covid-19. Due to the new situation, Ekornes performed stress tests on key financial indicators, with satisfactory results. However, with the outlook for a negative impact on earnings short- to mid-term, the leverage ratio could be above the level outlined in the bond agreement by the end of second quarter 2020, and the company reached out to bond holders, requesting amendments to covenants. The following was agreed:

Leverage ratio

With effect from 30 June 2020 until and including 30 June 2021, the Leverage Ratio shall not exceed 9.00:1 (previously 5.25:1). The Leverage Ratio testing in the same period shall be suspended if the Liquidity exceeds NOK 200 million. Normal Leverage Ratio testing shall resume as at 30 September 2021. Net debt / Adj. EBITDA starting at 5.25x for year 1 and 2, 5.00x for year 3, 4.50x for year 4 and 4.00x for year 5, with equity cure (max. 3 times) counting as EBITDA for the for the subsequent three quarterly reporting periods.



NOTE 8 Bond (contd.)

Escrow Account

By 30 June 2020 at the latest, the Issuer shall transfer NOK 125 million (an amount equal to the Minimal Liquidity requirement, and to be included in the calculation of Liquidity) to an Escrow Account, pledged and blocked in favor of the Bond Trustee. The amount on the Escrow Account shall be released on 1 October 2021 subject to no continuing Event of Default.

Redemption of Bonds

The Outstanding Bonds will mature in full on the Maturity Date and shall be redeemed by the Issuer on the Maturity Date at a price equal to 101 (previously 100) per cent of the Nominal Amount. Adjustments of call and put options will be adjusted in line with new redemption price. The bond agreement also includes restrictions on dividend payments from Ekornes QM Holding AS, and Ekornes QM Holding AS is not in position to distribute any dividends. During fourth quarter of 2020 and at 31 December 2020, the group was compliant with all covenants requirements in the bond agreement. Leverage ratio at the end of the third quarter 2020 was 3.77"

NOTE 9 Subsequent events

No significant events have occurred between the balance sheet date and the date of publication of the financial statements which have materially affected the Company's financial position and which should have been reflected in the financial statements here presented.



STATEMENT PURSUANT TO SECTION 5-5 OF THE SECURITIES TRADING ACT

We hereby confirm that the annual accounts for the Group and the company for 2020 to the best of our knowledge have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and the company taken as a whole.

The Directors' report gives a true and fair view of the development and performance of the business and the position of the Group and the company, as well as a description of the principal risks and uncertainties facing the Group.

Oslo, 25 March 2021

The Board of Directors of Ekornes QM Holding AS

Ruihai Zhao
Chair

Mogens Falsig
Director and CEO





To the General Meeting of Ekornes QM Holding AS

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Ekornes QM Holding AS, which comprise:

- The financial statements of the parent company Ekornes QM Holding AS (the Company), which comprise the balance sheet as at 31 December 2020, the income statement and statement of cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The consolidated financial statements of Ekornes QM Holding AS and its subsidiaries (the Group), which comprise the balance sheet as at 31 December 2020, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.
- The accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group as required by laws and regulations, and we have fulfilled our other ethical responsibilities in

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State authorised public accountants, members of The Norwegian Institute of Public Accountants, and authorised accounting firm

Independent Auditor's Report - Ekornes QM Holding AS



accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed the Key Audit Matter
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Impairment assessment intangible assets

Ekornes QM Holding Group («Group») has recognized goodwill of NOK 1 561 million, brand name of NOK 1 562 million and customer relationship of NOK 1 222 million in the balance sheet as of 31 December 2020. The goodwill and other intangible assets are related to the acquisition of Ekornes AS in August 2018. Goodwill with an indefinite useful life is subject to impairment assessments annually. The Board of Directors have carried out an impairment assessment as of 31 December 2020 and concluded with no recognition of impairment loss in the income statement for 2020.

Goodwill and other intangible assets are allocated to groups of cash generating units identified in accordance with two of the Group's operating segments, Stressless and IMG. The impairment assessment of goodwill showed that the recoverable amount was higher than carrying amount for both segments, and that consequently no impairment was required.

The valuations require that management apply judgement related to, among other, future cash flows and discount rate applied. We focus on this area due to the magnitude of the amount of goodwill and other intangible assets recognised and due to judgements made by management when determining the assumptions

We obtained and reviewed management's impairment assessment of goodwill. The documentation contained an assessment of the cash generating units and key assumptions applied by management. We considered whether the model contained the elements and methodology required by IFRS. We found the model to be reasonable and in accordance with our expectations.

Our procedures to evaluate management's impairment assessment included challenging key assumptions such as revenue growth, operating margins, reinvestments and changes in net working capital. We assessed the reasonableness of the prognosis for the two segments compared to historical performance, budgets approved by the Board, management forecast and long-term strategic plans. We also considered external available information relevant to the industry and our own knowledge of the industry. In order to assess the reasonableness of the discount rate applied by management, we compared key components with external market data.

All together, we found management's conclusion and assumptions to be within a reasonable range. However, we observed that goodwill for the IMG segment is sensitive to even small changes in some of the key assumptions in the discounted cash flow model.

Finally, we evaluated the adequacy of the disclosures to the financial statements and found them to appropriately explain management's valuation process and the uncertainties inherent in some of management's assumptions.

(2)

Independent Auditor's Report - Ekornes QM Holding AS



applied to support the valuation of goodwill and other intangible assets.

We refer to disclosures in note 3 for the Group's accounting policy for impairment of goodwill and other intangible assets, and to note 7 where the Board of Directors explain their valuation process for the Group's goodwill.

Other information

Management is responsible for the other information. The other information comprises information in the annual report, except the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (Management) are responsible for the preparation in accordance with law and regulations, including fair presentation of the financial statements of the Company in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for the preparation and fair presentation of the consolidated financial statements of the Group in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements of the Company use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations. The consolidated financial statements of the Group use the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report

(3)

Independent Auditor's Report - Ekornes QM Holding AS



that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's or the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other

(4)



Independent Auditor's Report - Ekornes QM Holding AS



matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the statements on Corporate Social Responsibility concerning the financial statements, the going concern assumption and the proposed allocation of the result is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the Company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Bergen, 25 March 2021
PricewaterhouseCoopers AS


Fredrik Gabrielsen
State Authorised Public Accountant





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To the General Meeting of Ekornes QM Holding AS

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Ekornes QM Holding AS, which comprise:

- The financial statements of the parent company Ekornes QM Holding AS (the Company), which comprise the balance sheet as at 31 December 2020, the income statement and statement of cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The consolidated financial statements of Ekornes QM Holding AS and its subsidiaries (the Group), which comprise the balance sheet as at 31 December 2020, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.
- The accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group as required by laws and regulations, and we have fulfilled our other ethical responsibilities in

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Independent Auditor's Report - Ekornes QM Holding AS



accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed the Key Audit Matter
<p><i>Impairment assessment intangible assets</i></p> <p>Ekornes QM Holding Group («Group») has recognized goodwill of NOK 1 561 million, brand name of NOK 1 562 million and customer relationship of NOK 1 222 million in the balance sheet as of 31 December 2020. The goodwill and other intangible assets are related to the acquisition of Ekornes AS in August 2018. Goodwill with an indefinite useful life is subject to impairment assessments annually. The Board of Directors have carried out an impairment assessment as of 31 December 2020 and concluded with no recognition of impairment loss in the income statement for 2020.</p> <p>Goodwill and other intangible assets are allocated to groups of cash generating units identified in accordance with two of the Group's operating segments, Stressless and IMG. The impairment assessment of goodwill showed that the recoverable amount was higher than carrying amount for both segments, and that consequently no impairment was required.</p> <p>The valuations require that management apply judgement related to, among other, future cash flows and discount rate applied. We focus on this area due to the magnitude of the amount of goodwill and other intangible assets recognised and due to judgements made by management when determining the assumptions</p>	<p>We obtained and reviewed management's impairment assessment of goodwill. The documentation contained an assessment of the cash generating units and key assumptions applied by management. We considered whether the model contained the elements and methodology required by IFRS. We found the model to be reasonable and in accordance with our expectations.</p> <p>Our procedures to evaluate management's impairment assessment included challenging key assumptions such as revenue growth, operating margins, reinvestments and changes in net working capital. We assessed the reasonableness of the prognosis for the two segments compared to historical performance, budgets approved by the Board, management forecast and long-term strategic plans. We also considered external available information relevant to the industry and our own knowledge of the industry. In order to assess the reasonableness of the discount rate applied by management, we compared key components with external market data.</p> <p>All together, we found management's conclusion and assumptions to be within a reasonable range. However, we observed that goodwill for the IMG segment is sensitive to even small changes in some of the key assumptions in the discounted cash flow model.</p> <p>Finally, we evaluated the adequacy of the disclosures to the financial statements and found them to appropriately explain management's valuation process and the uncertainties inherent in some of management's assumptions.</p>

(2)



Independent Auditor's Report - Ekornes QM Holding AS



applied to support the valuation of goodwill and other intangible assets.

We refer to disclosures in note 3 for the Group's accounting policy for impairment of goodwill and other intangible assets, and to note 7 where the Board of Directors explain their valuation process for the Group's goodwill.

Other information

Management is responsible for the other information. The other information comprises information in the annual report, except the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (Management) are responsible for the preparation in accordance with law and regulations, including fair presentation of the financial statements of the Company in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for the preparation and fair presentation of the consolidated financial statements of the Group in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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Independent Auditor's Report - Ekornes QM Holding AS



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Bergen, 25 March 2021
PricewaterhouseCoopers AS

Fredrik Gabrielsen
State Authorised Public Accountant