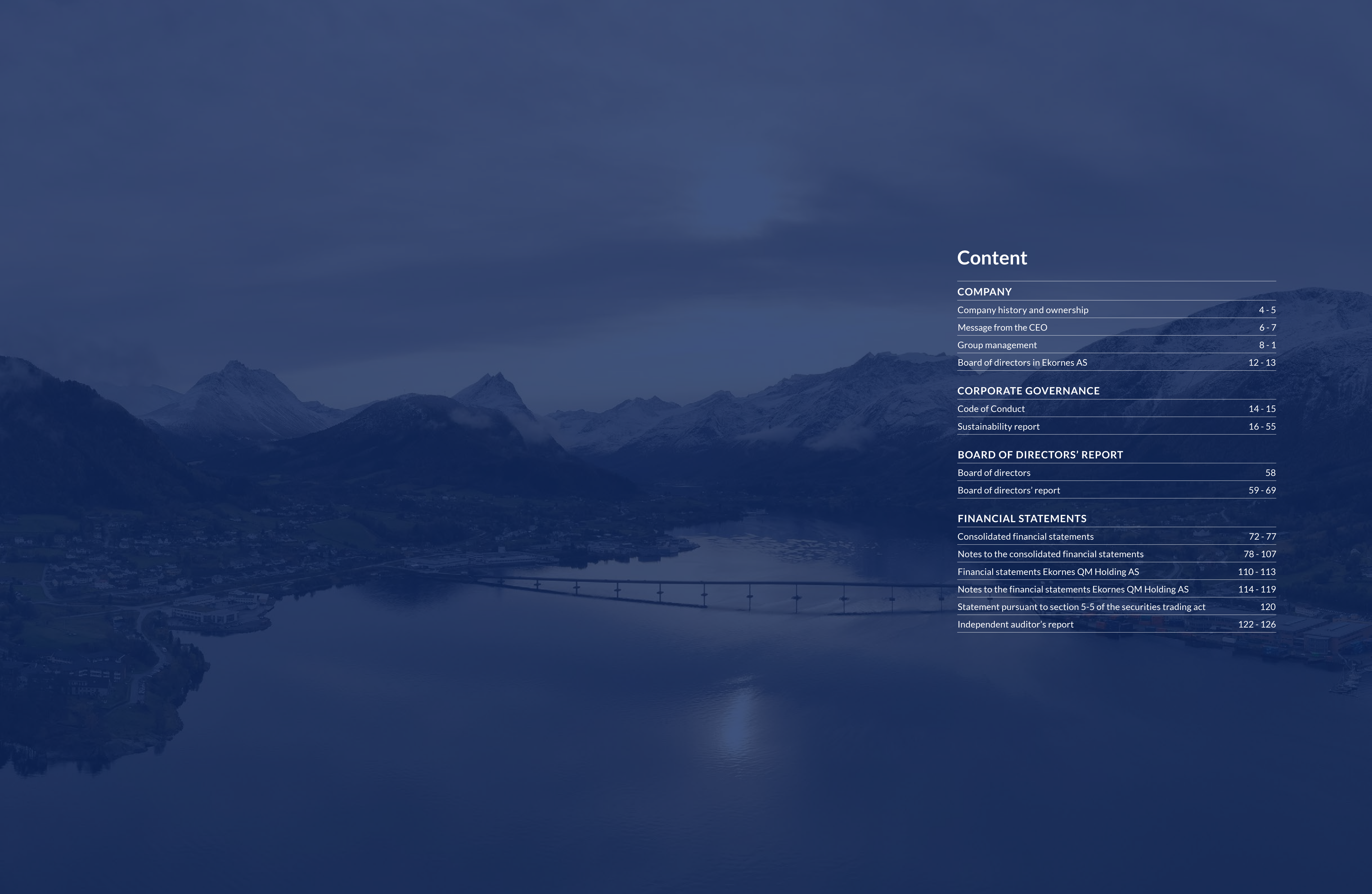
ANNUAL REPORT

2023

EKORNES
QM HOLDING



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Company history and ownership

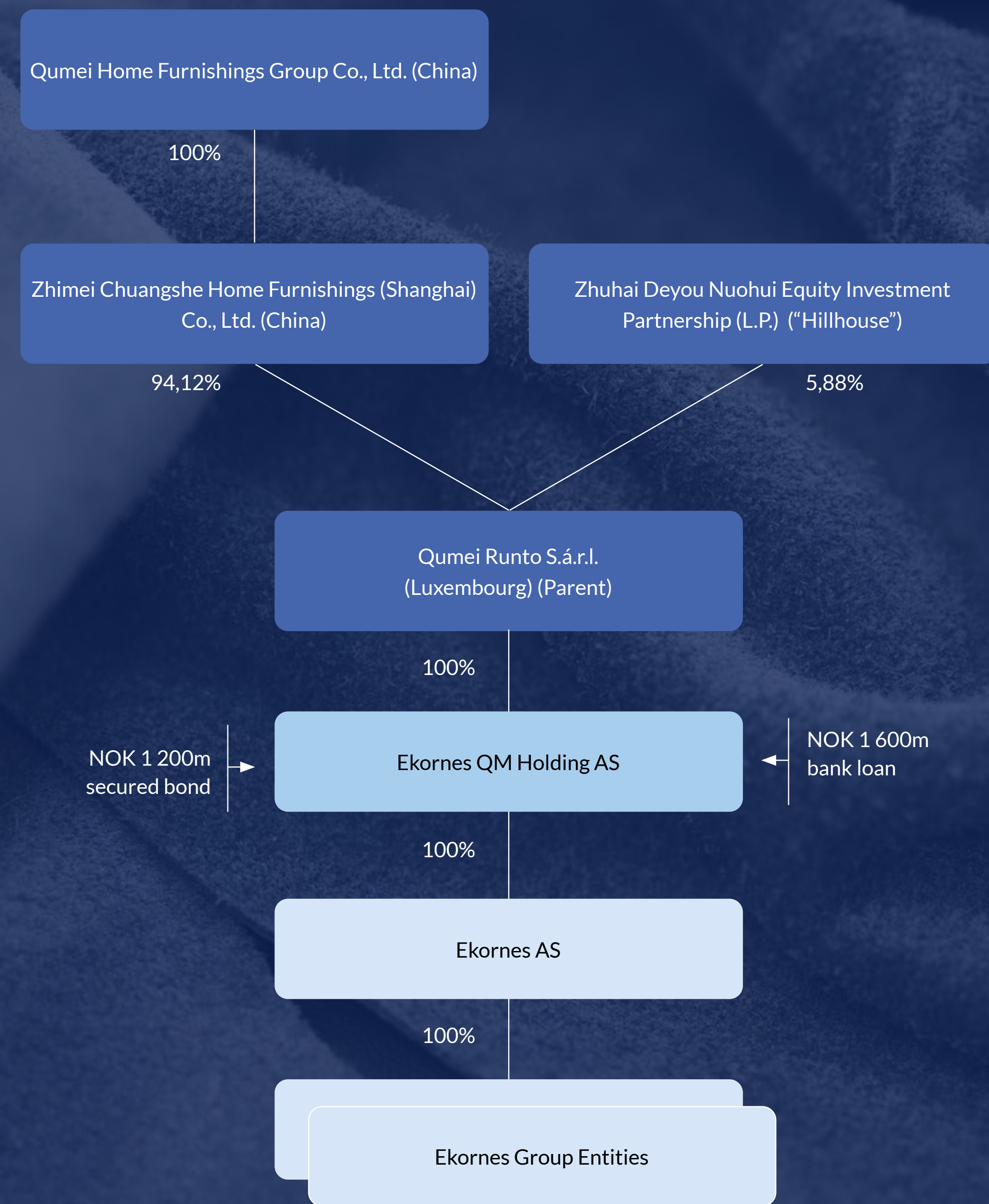
Ekornes QM Holding AS was founded 4 January 2018 with the purpose of acquiring the Ekornes Group. In May 2018, an offer was made to purchase the shares of all Ekornes shareholders. The share purchase was completed in August 2018 and Ekornes AS was delisted from the Oslo Stock Exchange in October 2018.

Norwegian ultimate parent company Ekornes QM Holding AS is a subsidiary of Qumei Home Furnishings Group. Qumei Group owns 94,12% of the shares in Qumei Runto S.à.r.l and Hillhouse owns the remaining shares.

Qumei Runto S.à.r.l owns 100% of the shares in Ekornes QM 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 2023.

Ekornes QM Holding AS had, as at 31 December 2023, 100% shareholding and voting rights in Ekornes AS who in its turn has a 100% ownership share and voting rights for all other consolidated companies.

Ownership chart as at 31 December 2023



Message from the CEO

Building on our proud heritage

In 2024, Ekornes is celebrating its 90-year anniversary since its founding by Jens. E. Ekornes in 1934. During almost a century of innovation and international expansion, Ekornes has today emerged as Norway's largest furniture manufacturer and a global provider of high-quality furniture built on solid brands: Stressless®, IMG and Svane®. Owing to strong commercial teams and an extensive network of department stores and furniture chains, our products are available in more than 4,000 outlets in 40 countries globally. In 2023, this translated into total revenues of NOK 4.2 billion despite challenging market conditions.

I was proud and humbled to take on the position as CEO in September 2023 and in the past months, I have grown to know a dedicated organization employing close to 2,800 highly skilled employees. Building on our strong legacy and through improving operational excellence, we are committed to delivering on Ekornes' vision to improve everyday living for people around the world with quality products.

Industrial strength in our DNA

Innovation, quality and industrialization have been the principles on which Ekornes has developed its business, demonstrated through our track record of successful international brand building.

The Svane® brand, which was established in 1937 has developed into one of the best-known brands in the Norwegian bed market with its unique IntelliGel® technology. The premium Stressless® brand, was brought to market with the introduction of the revolutionary Stressless® recliner in 1974, is now recognized by more than 85 million people worldwide. While the mid-segment IMG brand, which merged into Ekornes in 2014, has developed into a discovery brand operating in numerous markets and collaborating with multiple partners and chains around the world.

Today, we are developing and manufacturing products through a global production platform of eight production facilities in four countries. Our home turf remains Sykkylven, Norway, where our cornerstone Ikornnes factory is located. When it opened in 2004, it was one of the most advanced furniture factories in the world and through continuous improvements and disciplined investments, our production platform remains highly automated and utilizing robot technology, leveraging industrial strength.

Ability to adapt

During recent years, the furniture industry has experienced significant volatility and rapidly changing market conditions. Throughout this turbulent time, our flexible business model has proven effective in navigating unpredictable circumstances and adapting accordingly. When the Covid-19 pandemic hit, "home nesting" effects boosted sales to extraordinary levels and Ekornes scaled operations, increasing capacity by over 1,000 employees from 2019 to the peak in 2022. With disrupted supply chains, our ability to deliver high quality products with short delivery times became a competitive advantage and the company increased revenues considerably while gaining market shares.

In the post-pandemic period, demand normalized while soaring inflation reduced consumers' disposable income. Addressing the softer markets, we entered 2023 by announcing a series of operational and financial initiatives to reduce costs and safeguard profitability. The Ekornes organization once again proved its ability to adapt as we concluded the year with annual operating costs lowered by more than NOK 200 million and working capital reduced in excess of NOK 400 million. Maintaining a sharp focus on maximizing operational efficiency, we also concentrated production in Asia in our Thailand facility, while discontinuing operations in Vietnam. These efforts have yielded strong results as our footprint and activity steadily grows in the region.

The market for mid-market and premium furniture remains subdued amidst low consumer demand adding stress to the entire value chain. Succeeding in the current market requires even more from the organization. A transformation to sharpen our global product offering and to further modernize the development of the unique Ekornes brands. Building on our strong foundation, we will improve productivity by streamlining operations across the value chain and maintaining strict cost control, while upping the standards for execution quality and time-to-market for new products. These efforts will be accompanied by showing a winning culture, driven by the determination to offer relevant design products of exquisite quality, loved by customers and consumers worldwide.

Long-term resilience s

Our ambition is to deliver responsible and profitable growth over time. Although the length and magnitude of the current downturn is uncertain, demand for household and furniture products is expected to return in the longer term. In this context, our strategy is simple. We will improve our ability to deliver attractive brands with an optimal combination of high quality, functionality, and design, maximizing the comfort afforded by our armchairs, sofas, dining furniture and beds.

With efficient production, strong brands, and innovative product development, enabled by an extensive global network of partners and dealers, we are positioned to maintain a strong market position even in softer markets. Our vision remains firm. We will continue to improve everyday living for consumers all over the world – as we have done since 1934.

Tine Hammernes Leopold

CEO of Ekornes

Group management

TINE HAMMERNES LEOPOLD (1971)

CEO Ekornes Group

Education: Bachelor of Science Business Administration, California State University, Sacramento, 1993. Orkla and INSEAD executive leadership program..

Experience: More than 27 years executive and board experience in the leading Nordic branded consumer goods company Orkla. Currently holding position on Bord of Directors at Motek AS, since 2017.

CEO of Ekornes and member of Ekornes Group Management since September 2023.

FREDRIK ØDEGÅRD NILSEN (1988)

EVP & CFO

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.

CFO of Ekornes since April 2021 and EVP of Ekornes since September 2023. Member of Ekornes Group Management since August 2020.

LARS WITTEMANN (1963)

SVP Sourcing & Supply Chain

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

Experience: VP Operations ASSA ABLOY Hospitality Divisjon, 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.

JANNE STRØMMMEN (1972)

SVP Marketing

Education: MBA Brand Management at the Norwegian School of Economics (NHH) and Bachelor in Marketing at BI Norwegian Business School/Suffolk University Madrid, Spain.

Experience: Brand Marketing from Stokke, Devold and various advertising agencies. Before joining Ekornes she held the position as Global Brand Communication Director for Stokke.

SVP Marketing of Ekornes and member of Ekornes Group Management since January 2022.

TERJE VEBLUNGSNES (1964)

VP ICT & Digitalization

Education: Electrical Engineer.

Experience: Employed in Ekornes since 2021 as responsible for digitalization & transformation. Managed large scale national and international business transformations with focus on simplification, modernization and improvement of the value chain by standardizing processes and master data, building new competencies and implementing digital solutions.

Member of Ekornes Group Management since May 2023.

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.

Group management

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 member of Ekornes Group Management since March 2020.

MARK KELSEY (1974)

SVP Commercial Apac

Education: BSc in Physics from Imperial College, London.

Experience: More than 11 years at Ekornes (several positions including President Ekornes APAC and President Ekornes Asia), Country Manager UK & Ireland Fritz Hansen.

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

OLE BASTIAN EMDAL (1980)

SVP Operations & Product Development

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 Product Development of Ekornes since January 2022. Member of Group Management since March 2020.

GURI BRENNHOVD (1973)

SVP Commercial Nordic

Education: Bachelor in Sales and Marketing from Norwegian School of Management.

Experience: 25 years of experience from sales, category and marketing responsibility of well-known brands (Samsung, Electrolux, Sharp, Apple Computer and Expert Norge) within the retail/ consumer electronics industry. Her last position was as the Managing Director of Wilfa Norway.

SVP Commercial Nordic and member of Group Management since August 2022.

CHRISTIN KATHRIN NORDGÅRD (1966)

VP People & Culture

Education: Bachelor of Economics and Business Administration at the Norwegian School of Economics (NHH) and Master of Management Programs in Human Resource Management and Employment/Labour Law at BI Norwegian Business school.

Experience: Various positions at Trelleborg Offshore within Human Resources. Sales and consultancy at various Staffing- and recruitment companies. Project administration and expediting in Delivery Projects for the Offshore industry.

VP People & Culture of Ekornes since September 2022, member of Ekornes Group Management since September 2023.

PÅL AAGE NORDAHL (1961)

Managing Director Svane®

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 Ekornes Beds 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.

Yue Qiu (1990), Director

Position: Vice President in Hillhouse Capital.

Education: MSc in Finance and Private Equity from London School of Economics.

Board memberships: Board observer in Jiangxiaobai.

Experience: Senior Associate in the Carlyle Group London office, responsible for numerous private equity investments across Europe and APAC. Board observer in Brintons and Akari Care.

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.

Bente Johnsen, 1972, Director (employee elected)

Position: Seam operator at dep. Aure, Union representative at sewing department, dep. Aures.

Education: Studies in carpentry and upholstery, craft certificate as upholsterer.

Board memberships: Deputy chairman of ITAF (Ikornnes Treindustriarbeiderforbund/ Wooden Industry Workers' Union), director of Cooperation Committee for furniture and Lærdal.

Experience: I have various experience working as a florist, in the food and travel industry, as a caretaker at an assisted living facility and production worker at upholstery and sewing departments at Ekornes since 1997.

Ove Per Skåre (1956), Director (employee elected)

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

Education: Diverse courses in Norwegian Confederation of Trade Unions.

Experience: Prodcution 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 for the Ekornes Group

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.

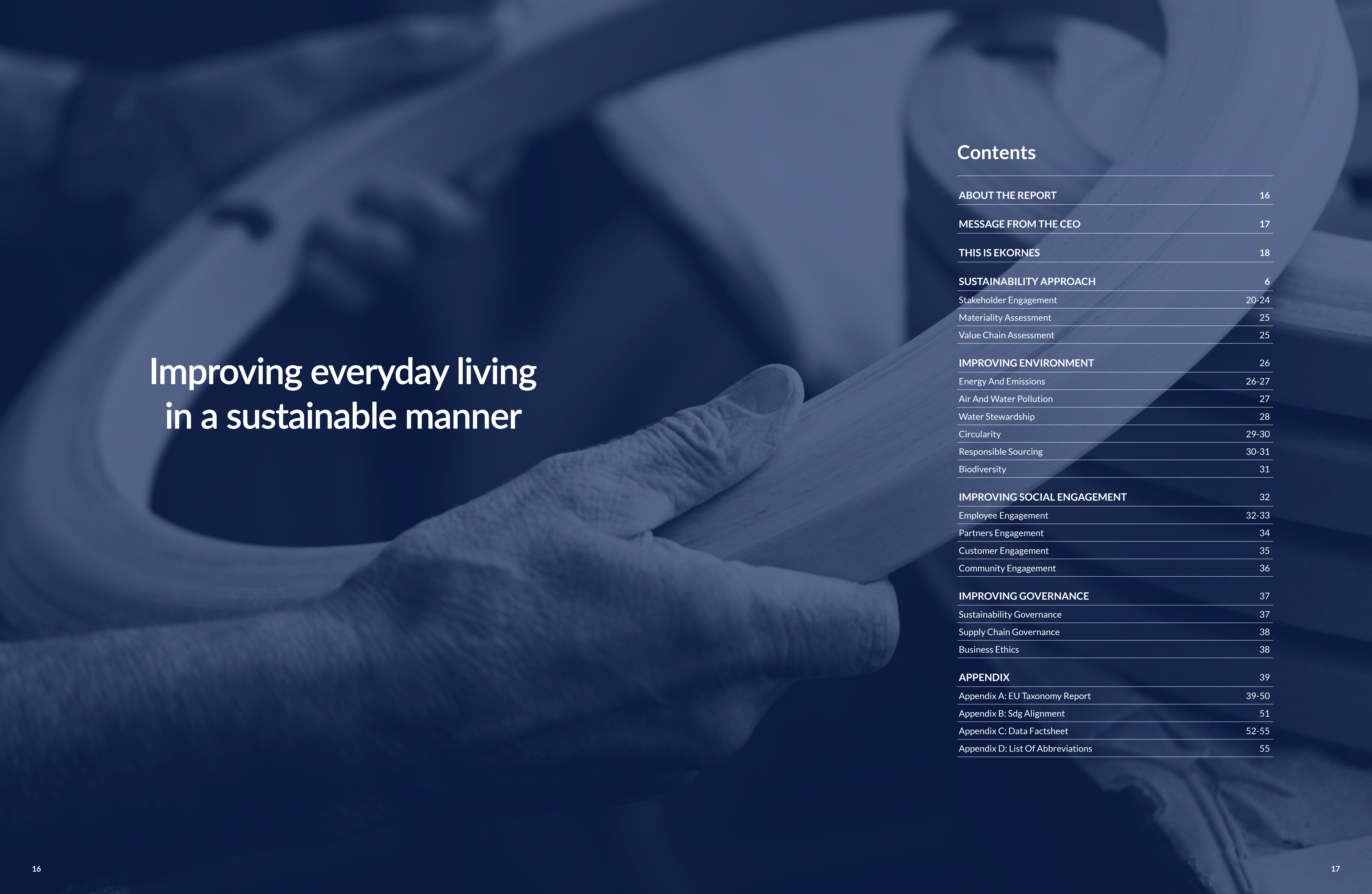
Accounting and internal control requirements

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.

Organization 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 IR.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.



Improving everyday living in a sustainable manner

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About the Report

Ekornes and sustainability

Ekornes Group's Sustainability Report for the financial year is structured broadly along the European Union's Corporate Sustainability Reporting Directive (CSRD) and the accompanying European Sustainability Reporting Standards (ESRS). The Group is in the transition process of adapting to the requirements of the CSRD and expects to be aligned with the ESRS from the financial year 2024. This report has been reviewed and approved by the Board of Directors.

The report has generally been prepared on a consolidated basis aligned with the consolidation of the Group's financial statements. Due to the availability of reliable data, some data for parts of the Group are only for the Norwegian operations. Ekornes is however working to collect the relevant data for all entities as part of its value chain assessment for the upcoming reporting cycles. Ekornes is in the process of ensuring compliance with the ESRS from the financial year 2024. The Group is therefore working to establish adequate data for every entity in the Group and each relevant part of the value chain for the upcoming 2024 sustainability reporting cycle.

Ekornes Group is a member of the UN Global Compact and this report represents the Group's communication on progress for 2023 to the UN Global Compact. The report also incorporates Ekornes Group's first disclosure as per the EU Taxonomy for the year 2023.

Message from the CEO

Dear Shareholders and Stakeholders,

I am pleased to communicate with you regarding Ekornes' steadfast commitment to sustainability and the ongoing efforts to embed sustainable practices throughout our operations. Sustainability lies at the heart of Ekornes' values and we recognize the critical role the industry plays in shaping the world around us. As a furniture company, we understand the importance of minimizing the environmental footprint and fostering positive social impact.

As part of the commitment to transparency and accountability, Ekornes is currently preparing for the Corporate Sustainability Reporting Directive (CSRD) disclosure in the next reporting cycle. This process includes conducting a Double Materiality Assessment to identify and address sustainability-related impacts, risks, and opportunities comprehensively. Additionally, we are actively reviewing and refining the sustainability strategy to ensure it remains robust and aligned with the values and objectives.

Our dedication to sustainability extends beyond compliance; the sustainability principles are deeply ingrained in the business practices and decision-making processes. We are committed to creating sustainable products that meet the needs of the customers while minimizing the environmental impact. By setting clear targets and continuously improving the practices, we aim to lead the way towards a more sustainable future for Ekornes and the broader community.

Thank you for your continued support and partnership as we strive to make a positive difference in the world through the sustainability initiatives.

Sincerely,

Tine Hammernes Leopold
CEO, Ekornes

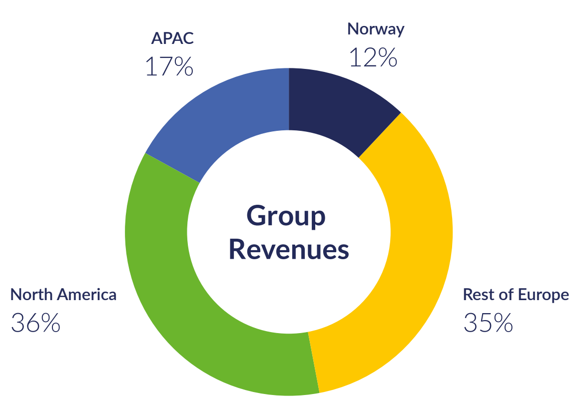
This is Ekornes

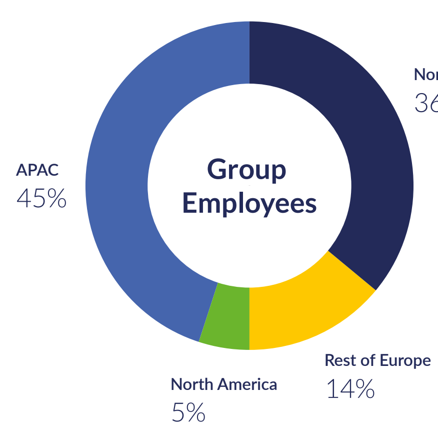
Ekornes, is a global furniture company and the largest furniture manufacturer in the Nordics, celebrating its 90th anniversary in 2024. The Group's headquarters is based on the west coast of Norway in Sykkylven. The Group houses Svane® and Stressless® brands that offer premium seating and sleep category furniture respectively. Ekornes also offers quality furniture with discovery brands and private-label with the IMG business. Ekornes Group manages the design, development, manufacturing, and distribution of its total operations. With a global presence spanning 48 markets, Ekornes boasts 19 sales offices across 13 countries and over 4,000 sales points worldwide, generating an annual revenue close to NOK 4.2 billion. The company operates eight factories situated in Norway, the US, Thailand, and Lithuania, employing approximately 2,800 individuals.

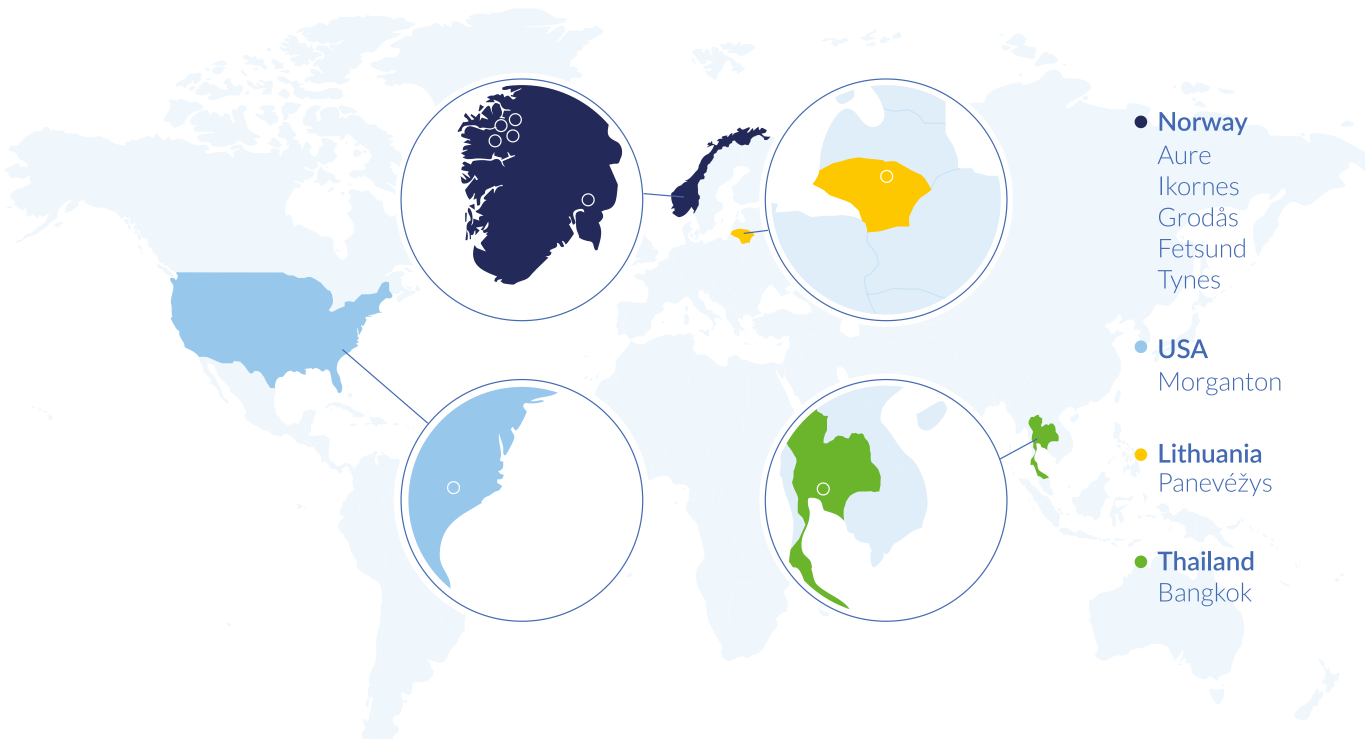
Product management and product development are centred in Norway, while production is strategically distributed across factories based on product lines, market proximity, and cost efficiency. Approximately 40% of Ekornes' workforce is located in Norway, with the rest stationed internationally at production sites and sales offices.

Sustainability Approach

For almost 90 years, the Ekornes Group has been synonymous with crafting quality furniture, always prioritizing unparalleled comfort. Sustainability principles are deeply ingrained in the brands and product design and form an integral component of the business operations. The Group's goal is to achieve more with less, continually producing enduring, high-quality products that minimize environmental impact throughout their lifecycle. Ekornes believes that a sustainable Ekornes shares the value it creates among its shareholders, employees, and the communities affected by its operations.







Ekornes' sustainability approach is currently governed by the Group's Environmental Policy. This policy sets out commitments, with clear ambitions and targets within climate and environmental-related matters such as:

- Continuously and transparently improve the environmental performance to reduce the impact on the environment;
- Adhere to all regulatory requirements by managing the environmental performance according to ISO 14001 standards;
- Choose proper materials with long life cycles and as much as possible from recycled resources and design the products with a circular perspective;
- Cooperate with research and development organisations, authorities and other organizations nationally and internationally; and
- Provide transparency on environmental information, for example through EPDs.

As a member of the United Nations Global Compact (UNGC), Ekornes align itself with the UN Sustainable Development Goals (SDGs) and utilize them as guiding principles for setting its sustainability targets. Recognizing sustainability as a fundamental aspect of the business, the company is in the process of reviewing its sustainability strategy and will adopt the Corporate Sustainability Reporting Directive (CSRD)and reporting standards in its upcoming reporting cycles.

Furthermore, the Group plans to conduct a Double Materiality Analysis (DMA) in 2024 to deepen the understanding of the significance of sustainability to the business model and strategy. The analysis will inform Ekornes' future strategic decisions, ensuring alignment with evolving sustainability standards and the commitment to responsible business practices.

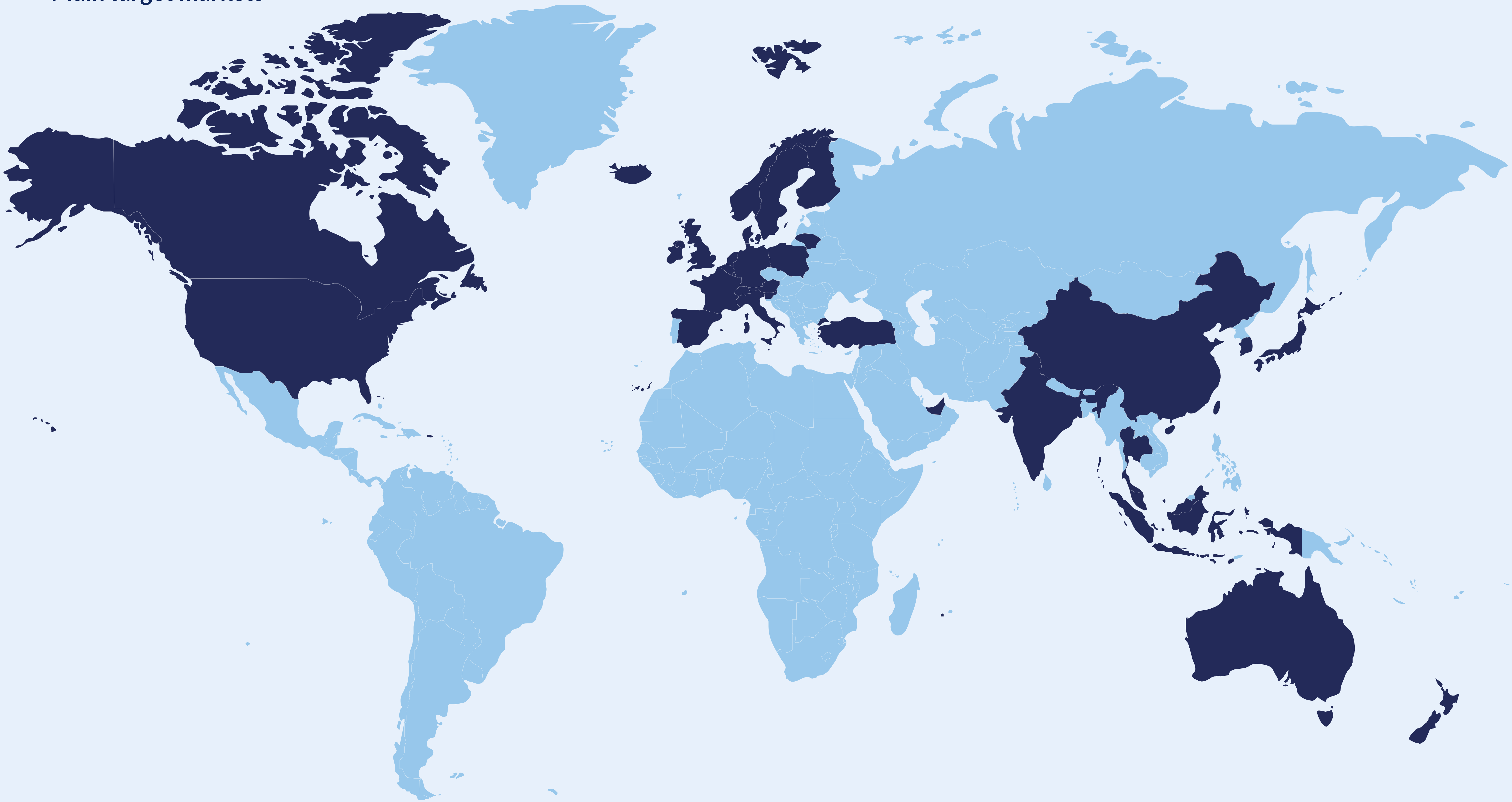
This year Ekornes also assessed its business activities in accordance with the requirements of EU taxonomy regulation. Further details on the assessment can be found in Appendix C of this report.

Stakeholder Engagement

Ekornes conducted a stakeholder analysis update in 2023, which encompasses eleven distinct categories of stakeholders, each with unique needs and expectations concerning the operations. These insights are integrated into the ISO 9001:2015 quality management system, which outlines specific impact areas to be addressed across all risk scenarios. Regular engagement with stakeholders takes place through various channels, with their feedback serving to enhance the performance and inform the quality management system.

As part of the Double Materiality Assessment (DMA) Group will be furthering the stakeholder engagement by involving them in the materiality process. Ekornes plans to reach out to selected external stakeholders to identify material sustainability-related impacts, risks, and opportunities. The findings may prompt adjustments to the stakeholder engagement practices moving forward, reflecting the dedication to responsive and responsible business practices.

Main target markets



Stakeholder	Needs and expectations	Engagement
Customers	The direct customers are dealers, who need the products delivered according to specifications and in accordance with laws, regulations and standards. Dealers expect products that enable profitability, good marketing support, communications, and efficient claims handling. They also recognise the growing demand for sustainable products from end consumers and expect products in line with that demand.	Ekornes conducts regular customer satisfaction surveys in all its target markets and has conducted special focus and insight interviews with selected customers in Germany, the US and the UK. The interview collected customer's views on the company's products, feedback and satisfaction level.
End-users	The dealers sell Ekornes' products to the end-users (consumers). Consumers need products without harmful chemicals and based on sustainable inputs. Consumers will have high expectations based on marketing and expect a healthy indoor environment and product that has been developed and produced sustainably.	For Ekornes, the retailers and wholesalers act as channels for communication with the consumers – the end-users of the products. Ekornes ensures communication with its end consumers through marketing including video and print advertisements. The Group also share its annual sustainability reports in the public domain on Ekornes' website.
Suppliers	Suppliers need prompt payment of deliveries and expect good communications, adequate specifications, and predictability. Ekornes expects suppliers to comply with its sustainability requirements like ethical forestry and upholding human and labour rights, as specified in the Supplier Code of Conduct	Ekornes conducts an annual supplier audit program that assesses suppliers' compliance with Ekornes' Supplier Code of Conduct and a self-assessment supplier program which includes sustainability sourcing certifications such as Forest Stewardship Council (FSC®) and the Leather Working Group (LWG).
Industry associations	Industry associations need adherence to agreements and tariffs and expect participation in expert groups, initiatives, projects, and events. Information sharing among peers is also expected and encouraged. Industry associations also expect Ekornes to maintain sustainable operations and to design and deliver sustainable product alternatives.	Ekornes is a member of multiple recognised industry associations including the sustainability committee of the Norwegian Industry Association. The Group ensure participation in annual product exhibitions and tradeshows in its location of operations. Ekornes also promotes industry-level innovation and research for sustainable product alternatives.
Authorities	Ekornes needs to comply with country-specific legal requirements related to environmental permits, land use, hazardous waste handling etc. In addition, the country-specific sustainability reporting requirements are becoming increasingly important such as CSRD and EU Taxonomy reporting in the EU.	Ekornes ensures all country-specific and regional requirements are met for environmental and social compliance. The Group has started reporting on EU Taxonomy regulations this year and is currently preparing to report in line with CSRD from FY 24 onwards.
Certification organisations	Quality control certifications such as ISO 14 001 and sustainability labels such as FSC® and LWG require adherence to standards, annual audits, transparency, and adequate handling of non-conformities.	Ekornes' four out of eight production facilities are FSC® certified and the Norwegian and American Stressless® production facilities are ISO 14001 certified. Ekornes compliance with all audit requirements and provides regular communication as required.
NGOs	These expect a transparent and proactive stance towards environmental, social and ethical matters.	Ekornes understand the importance of engagement with local communities and collaborates with various NGOs in its location of operations to extend philanthropic support. Ekornes also encourages an open dialogue with national and global NGOs towards a more sustainable value chain including its ongoing collaboration with the Rainforest association for a more transparent leather value chain.
Local communities	Their needs are focused on production without unlawful noise and pollution and expect support and engagement from the company, as well as support for voluntary organizations and clubs.	Ekornes works with local NGOs to understand the needs of the local communities, incorporates feedback and provides support in the form of charitable events.
Employees	The workforce needs proper working environments and salaries according to tariffs and agreements. They expect safe and stable jobs, respect for their expertise and personal development, as well as a good working environment. The employees also expect the company to have sustainable operations.	Ekornes strives to have close cooperation with employee trade unions on all matters, which ensures constructive dialogue and contributes positively to operations. The company ensure employee engagement in areas including inclusion and diversity, health and safety, training and remuneration.
Owners	Owners need delivery of the products at the right time and with the right quality, as well as high profitability.	The owners also expect the company to design and deliver sustainable products and reduce its impact on the environment. Ekornes' management keeps the company owners informed and updated on financial growth and sustainability performance. They are invited to quarterly earnings calls and are briefed about all key decisions.
Media	The media expect honest business practices that adhere to regional laws and regulations, avoidance of unnecessary pollution and clear and transparent communication.	Ekornes provides clear and transparent communication on all sustainability matters including reactive clarification as well as proactive measures to media houses as and when required.

Materiality Assessment

Ekornes has outlined three pillars for its overarching strategy, integrating sustainability ambitions into its core objectives. These pillars—Product, Planet, and People—drive the company's operational focus areas aimed at achieving its goals. Aligned with the Group's business priorities for enhanced customer focus, optimal utilization of global production facilities, and dedication to innovation, these focus areas serve as the cornerstone for sustainable growth. Further details on why these focus areas are important for Ekornes and its performance in these areas can be found in the subsequent chapters of this report.

Over time, these focus areas evolve into key sustainability targets and Key Performance Indicators (KPIs), enabling Ekornes to monitor progress toward its 2030 objectives. Material aspects related to the products encompass quality, product responsibility, environmentally friendly materials, circular design, and recyclable materials.

While the forthcoming Double Materiality Assessment (DMA) in 2024 will provide clarity on sustainability-related impacts, risks, and opportunities, Ekornes has a longstanding commitment to sustainability, evident in its provision of enduring, quality products rooted in circular design principles.

Value Chain Assessment

Ekornes sources its raw materials, including wood, leather hides, plastics, foam, steel, and textiles from around the world. These materials are sourced from various countries and are utilized in the manufacturing process across the company's eight production facilities.

Ekornes' markets, production and raw materials sourcing

Ekornes' material souring: **Type**	Sourcing region	Comments
Wood	Europe (Slovakia and Germany)	Use only materials certified by the Forest Stewardship Council (FSC®). Program to obtain FSC® Chain of Custody Certification to verify that FSC® materials have been used in the entire supply chain. As of 2023, 4 out of 8 Ekornes production plants have been FCS certified.
Leather	Brazil	Member of the Leather Working Group (LWG) to ensure full traceability and focus on animal welfare and deforestation.
Textiles	Norway, Belgium, China, Italy	The focus for Ekornes has been towards using durable textiles with high-quality standards, as well as Oeko-tex certified textiles. Environmental certificates are being prioritized and certification standards such as GOTS and GRS have been accepted in the Ekornes value chain.
Plastics	Norway and China	For Stressless®, most plastic components are designed and produced in Norway with the raw material being sourced from either Sweden, China or the US. For IMG, all plastic components are sourced from China.
Foam	Norway, Lithuania and Thailand	All foam is produced by Ekornes in either Norway, Lithuania or Thailand. For all other production facilities, foam is sourced from Norway. The chemicals used for foam production are mainly European-based.
Steel	Finland, Sweden and China	For Norway, Lithuania and the USA, production facilities, steel is mainly sourced from Finland and Sweden and for Thailand facilities, it is sourced from China. Only standard components such as steel pipes and wires are sourced from these countries and further processing is carried out within the prediction facilities respectively.
Electronics	China	All electronic components including batteries and motors for all Ekornes' production facilities are sourced from China.

Overall, Ekornes maintains a global supply chain for raw materials, ensuring sustainability, quality, and compliance with environmental standards throughout the production process.

Improving Environment

ENERGY AND EMISSIONS

A. Why it is important?

Ekornes recognises the importance of climate action and is committed to playing its role in addressing the issue. The company strives to reduce its energy consumption and resulting emissions related to the production processes by focusing on energy efficiency and renewable energy sources wherever possible. The Group's future success depends on its ability to produce long-lived quality furniture with the lowest climate footprint possible.

The major sources of GHG emissions in the operations are as follows:

- GHG emissions from production processes, primarily related to energy consumption and waste; and
- GHG emissions from the transportation of raw materials and finished products

Ekornes understands that a lack of energy security and carbon-related legislatures may pose a risk to business operations. For example, production costs may increase due to rising energy prices; limited availability of renewable energy; and increased carbon pricing on fossil fuel sources. Moreover, transportation and distribution costs may increase due to a lack of alternatives to fuels and through higher carbon taxes. Regulatory initiatives may also drive up the cost of emissions through regimes such as the EU ETS (Emission Trading Scheme), resulting in a direct impact on profitability if emissions are not reduced.

There could also be disruptions in the supply chain due to physical climate change, such as adverse weather events, droughts and so forth. Consumer demand is also shifting towards products with low carbon footprints. Failure to address this could result in lower demand for the Group's products, as well as increased costs related to the sourcing of inputs, adaption of production process and certification costs.

B. Actions

Ekornes understands that production processes can be energy-intensive and is taking measures to reduce its energy consumption and increase the percentage of renewable energy in the mix. It is worth noting that 50% of Ekornes' production capacity is located in Norway where the proportion of renewable energy in the energy mix is close to 98% .

In 2015, a target was set to reduce the electricity consumption at the Norwegian and American production plants. By 2023, a reduction of 15% has been achieved. Moving forward, with all plants included, the ambition has been expanded with a new goal to reduce the energy consumption per seat by 40% before 2030 at all Ekornes plants, with 2015 as a baseline.
The main levers to achieve this goal are:

- Evaluating sources for production of renewable energy production
- Using woodchips from the manufacturing process as bioenergy for heating
- Switching to LED lights
- Insulation
- Energy management systems

Case study:
Reducing emissions through transportation

Transport is another major factor that affects Ekornes' local carbon footprint in Norway. The Group together with its transportation supplier DB Schenker, made an agreement to secure a biofuel transportation line between Oslo and Ikornnes, which will indirectly reduce the carbon footprint. The transportation line was started in February 2023 in parallel with a third-party fuelling station in nearby Ålesund.

Ekornes has a development project with Norwegian Hydrogen regarding the use of hydrogen from the Hellesylt Hydrogen facility for the external transportation fleet when this facility is ready for operation.

Moreover in 2022, another ambitious research project in collaboration with external partners was launched for an autonomous vessel container transportation between Ikornnes harbour and Ålesund harbour. As a zero-emission vessel, this projects explores the possibility to reduce local emissions and lower the impact on local infrastructure from traditional transportation.

C. Targets

Ekornes' GHG emissions for the reporting period are as below:

SCOPE 1 EMISSIONS	691,6 tCO^2e
SCOPE 2 EMISSIONS (MARKET-BASED) 1	13.985,5 tCO^2e
SCOPE 2 EMISSIONS (LOCATION-BASED)2	7.184,7 tCO^2e
SCOPE 3 EMISSIONS	112.719,6 tCO^2e
TOTAL (MARKET-BASED)	127.396,6 tCO^2e
TOTAL (LOCATION-BASED)	120.595,8 tCO^2e

Note:

[1] Market-based emission - This method takes into account the purchasing decisions of the reporting entity regarding electricity procurement such as renewable energy certificates (RECs) or enters into power purchase agreements (PPAs) for renewable energy.

[2] Location-based emission - This method calculates emissions based on the average emissions intensity of the electricity consumed in a specific geographical location where the reporting entity operates.

In connection with the DMA and the overall process to adapt the Group's sustainability strategy, these targets will be subject to review, including the identification of clear drivers and levers that are ambitious and obtainable.

D. Data

Please refer to the Data Factsheet Appendix C.1 for detailed data on energy consumption and resulting GHG emissions respectively.

AIR AND WATER POLLUTION

A. Why is it important?

Ekornes' operations imply the use of chemicals in the production process and the safe treatment of such chemicals, as well as the prevention of release into the environment, is essential. Pollution of air and water is tightly regulated where the Group operates and the failure to contain pollution in compliance with laws and regulations may result in the loss of permits and fines for the Company. It is also important for the local communities where the Group operates that the operations are performed safely and soundly.

Ekornes' Environmental Policy includes a clear obligation to reduce the impact on the environment of its operations and to perform environmental management according to the principles of ISO 14001.

B. Actions

The Group's production complies with the comprehensive European chemical legislation Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH) guideline. As a global company, the Ekornes Group also comply with other important governmental regulations. Chemical usage is monitored, evaluated, and controlled by an internal resource group. During 2023 Ekornes performed 12 substitute changes on chemicals with a focus on health, safety and the environment.

C. Targets

As part of the upcoming DMA in 2024 and the ongoing sustainability strategy process, it is expected that clearer targets will be developed to reduce air and water pollution from any Ekornes facility.

WATER STEWARDSHIP

A. Why is it important?

Water is an important resource for production. Cognisant of the potential impact on the water resources where the Group operates production facilities, the measurement of water consumption was initiated at several locations during 2022, aiming to set water usage reduction targets in due course.

The contamination of water resources is another important matter, and Ekornes targets zero unwanted incidents resulting in discharges to water. The production processes involving water consumption are performed in closed-loop systems. Discharges to water are normally channelled through the own and local authority waste treatment facilities or are delivered to an approved recipient.

The Environmental Policy, as outlined previously, sets general obligations and goals related to environmental protection, which includes protecting water resources.

The ongoing DMA and sustainability strategy process is likely to result in clearer and more specific obligations relating to water stewardship.

B. Actions

Ekornes undertook the initiative to measure and monitor water consumption in selected production facilities in 2022. As part of the sustainability strategy revision in 2024, Ekornes intends to set clear targets for reducing water consumption from these production facilities. Furthermore, standalone efforts were undertaken in some other locations for example, at Ekornes' production facility in Thailand a project was implemented to increase the recirculation of water from its surface coating facilities to reduce overall water consumption.

C. Targets

As part of the upcoming DMA in 2024 and the ongoing sustainability strategy process, clear targets will be developed to reduce water consumption from any Ekornes facility.

CIRCULARITY

A. Why is it important?

Ekornes has always focused on producing high-quality products, with long-lasting comfort and good second-hand value. The Group has a circular perspective on product design, which means sourcing certified raw materials, designing the furniture with a focus on end-of-life separability, as well as recycling and reusing byproducts from the production processes.

Long-lasting products reduce life cycle emissions and environmental impacts. They also reduce the use of virgin raw materials, such as wood and leather, which has an incremental benefit in fighting climate change, protecting the environment and preserving biodiversity and ecosystems.

Ekornes is focused on constructing products that will meet the future demands for the separability of components when the products meet the end-of-life phase. A product that can be more easily recycled or reused promotes the circular economy and reduces waste.

These are all supported by consumer demand trends towards durable products, high recycling content and l ow life-cycle environmental and climate footprints.
The Environmental Policy sets out specific obligations for the selection of materials with a long shelf life and from recycled materials to the highest extent possible. Moreover, there is an obligation to use a circular design when developing new products. The Policy also sets out an obligation to ensure that the products have proper environmental declarations.

B. Actions

Pursuant to its obligations and its overall business strategy, Ekornes has several ongoing initiatives and processes:

- A process for obtaining FSC® Chain of Custody Certification to verify that FSC® materials have been used in the entire supply chain, from forest to finished product. The Tynes facility was certified in 2022, ensuring that only certified laminated wood components are used in production.
- Collaboration with the styropor supplier, Vartdal, to develop recycled styropor packaging – Styrepor® Ccycled™, as the first furniture manufacturer in Europe. Compared with conventional Styropor®, the production of Styropor® Ccycled™ saves at least 50 percent of CO_2 emissions.

- The use of recycled plastic materials in the plastic bags used in the Stressless packaging. The policy is that all packaging shall contain recycled materials, including cardboard, EPS and plastic. The enhanced recycling rate matches governmental requirements in several of the selling markets.
- Washable and removable covers for the Stressless® Dining products. Using 3D knitting technology, the climate footprint of these covers has been reduced by 15 %, compared to traditional upholstery production.
- A project to utilize byproducts from the furniture production. Offcuts of foamed plastics are of the resources that are recycled on-site, directly into the production cycle. The offcuts are collected, shredded and remoulded.
- Ekornes participates in an external initiative called TEKSTUR, which focuses on recycling textile fibres from production processes to mitigate waste and enhance recycling rates. TEKSTUR is a collaborative effort among various furniture manufacturers aimed at repurposing textiles generated within their production cycles. The project was initiated with an initial investment of 750,000 NOK from the local county government.
- Investments in modern technology to reduce the volume of offcuts. The remaining leather offcuts are collected and sold to producers of small articles or offered to voluntary initiatives to ensure the use of this byproduct.

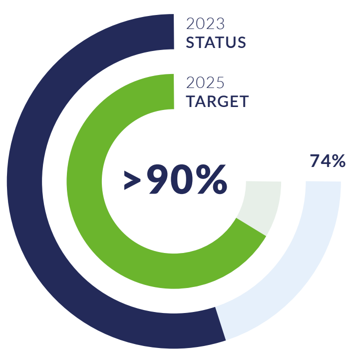
- The production of the Stressless® Dining chairs is completely separable. Plastic construction, foam, steel and textiles can all be separated at the end of life of the product. A separable product improves the possibility to repair specific parts if needed.
- Furniture testing following the requirements for strength, stability and security set by the Norwegian "Møbelfakta". This is a Norwegian industry initiative to promote high furniture standards. Quality Certification of furniture requires extensive quality testing by an accredited furniture testing laboratory according to specifications in accordance with international standards. These standards meet European requirements. Furthermore, Ekornes tests towards international requirements to ensure that the products are compliant in all markets. All new products are tested at accredited laboratories, but Ekornes also performs internal testing prior to official testing. Quality requirements in the various commodity and component categories is done in interdisciplinary collaboration with manufacturing and purchasing.

Moreover, Ekornes is also a member of Europur Circular Group, an organisation for producers of polyurethane foam and the European Committee for Standardisation for the development of an international standard for circular furniture.

C. Targets

The existing targets relate to the recycling rate, which refers to the amount of recycled materials in the production.

Recycling rate
Stressless® & Svane®



D. Data

Please refer to the Data Factsheet Appendix C.2 for detailed data on waste generated and recycling rates.

RESPONSIBLE SOURCING

A. Why is it important?

Ekornes recognizes the critical importance of responsible sourcing in operations. As a company deeply rooted in both environmental stewardship and social responsibility, it understands that the sourcing of materials such as wood, leather, textiles, plastics, foam, and steel has significant implications for both the planet and the communities involved. Therefore, the Group commits to ensuring that all the raw materials are ethically and sustainably sourced.

B. Actions

As discussed earlier in the chapter 'Sustainability Approach' Ekornes has conducted a details Value Chain Assessment of key materials for Ekornes:

- Leather – Ekornes faces potential impacts from the EU Deforestation Regulation (EUDR), particularly in the leather value chain. The company sources leather from several countries, primarily obtaining hides from Brazil. Ekornes actively engages with suppliers to address animal welfare and deforestation concerns. Traceability has become a focus area, with participation in initiatives like the Leather Working Group (LWG) aimed at enhancing traceability and sustainability within the leather supply chain.
- Wood – Wood sourcing predominantly occurs in European forests, notably Slovakia and Germany. Since 2021, Ekornes has committed to using only materials certified by the Forest Stewardship Council (FSC®) to ensure sustainability. The company is in the process of obtaining FSC® Chain of Custody Certification to verify the use of FSC® materials throughout the supply chain. The Tynes facility in Norway has already received certification, enabling the production of fully certified laminated wood components. Geopolitical risks and changes in world trade patterns impact wood availability, prompting Ekornes to cease sourcing from Russia in 2022 due to corruption concerns.
- Textile – Textile sourcing spans Norway, Belgium, China, and Italy, with an emphasis on durable textiles meeting high-quality standards. Ekornes prioritizes environmental certifications such as Oeko-tex, with recent focus on standards like Global Organic Textile Standard (GOTS) and Global Recycled Standard (GRS) in the value chain.

Moreover, Ekornes collaborates with several NGOs to achieve sustainable and responsible value chains for both furniture and the key inputs to furniture production.

These include:

- The Forest Stewardship Council – A global network of stakeholders that unite to set the standard for responsible forestry and ensure, healthy, sustainable forests for all. Ekornes only uses wood certified by the FSC® and has an ongoing process to certify the relevant parts of the organisation according to the FSC® standards.
- The Leather Working Group – An organisation that focuses on sustainable value chains in the leather industry. LWG provides auditing tools to assess the environmental performance of leather manufacturing facilities and certify them according to their standards.

BIODIVERSITY

A. Why is it important?

As a furniture company, Ekornes is reliant on materials such as wood, leather, and textiles, it recognizes that healthy ecosystems and diverse habitats are fundamental to the continued availability and quality of these resources. By preserving biodiversity, Ekornes ensure the long-term viability of the supply chain and mitigate the risks associated with resource depletion and environmental degradation.

As a global company, Ekornes understands the interconnectedness of ecosystems and the impact that biodiversity loss can have on communities worldwide. Therefore, Ekornes actively supports initiatives aimed at conserving biodiversity, whether through responsible land management practices, supporting conservation projects, or sourcing materials from suppliers committed to protecting natural habitats. By prioritizing biodiversity conservation, Ekornes not only safeguards the health of the planet but also contributes to the resilience and sustainability of the communities.

B. Actions

As part of the upcoming DMA in 2024 and the ongoing sustainability strategy process, it is expected that clearer targets will be developed in the areas of biodiversity conservation and land restoration.

Improving Social Engagement

EMPLOYEE ENGAGEMENT

A. Why is it important?

Ekornes has 2,784 employees in 19 countries and production facilities at eight locations in four countries. The workforce is diverse and multicultural and represents the Group's most important resource. The employees' alignment with Ekornes' culture, history and strategy is what will drive the Group forward.

To ensure such alignment, Ekornes needs to offer a healthy and safe working environment to all. The focus on maintaining strong credentials in avoiding accidents and incidents and ensuring the health and well-being of the employees is therefore a prerequisite for the Group to maintain a strong operating performance.

Offering fair and equal opportunities regardless of gender, ethnicity or religion is a requirement for operations across the world and is key to attracting talented people. Ekornes places significant emphasis on training and upskilling its workforce to ensure consistency and maintain high-quality standards in furniture production.

This is anchored in the UN Global Compact principles and clearly stated in the company's Code of Conduct:

- Protection of internationally proclaimed human rights
- Uphold the freedom of association and recognize the right to collective bargaining
- Elimination of all forms of forced and compulsory labour
- Abolishment of child labour
- Elimination of discrimination in employment and occupation

Ekornes places great emphasis on meeting the objective of the Norwegian Anti-Discrimination Act and Accessibility Act (Likestillings- og diskrimineringsloven). The company makes an annual statement of equality and non-discrimination for the legal companies Ekornes AS and Ekornes Beds AS in Norway, which is available from the company's website www.ekornes.com/nb-no/samfunnsansvar.

B. Actions

Engagement with own workforce

Ekornes strives to have close cooperation with employee trade unions on all matters, which ensures constructive dialogue and contributes positively to operations. The employees have three representatives on the Board of Directors.

The Group conducts regular internal employee surveys/ work environment surveys, targeting feedback on the work environment and the treatment of the employees from a diversity and inclusion perspective.

Inclusion and Diversity

The Group has facilitated arrangements to enable people with disabilities to enjoy equal treatment and provide individual adaptation, contributing to lower absentee rates. One way of providing individual adaptation is through the green working stations. These working stations are designed to ease work for employees with smaller disabilities.

Employee Composition

Ekornes has 2,784 employees in 19 countries, out of which a total of 36% of the employees are in Norway. The workforce composition is outlined in Appendix C.3. For some categories, the details are for the Norwegian operations only. The Group plans to have a full and detailed overview of the group-wide employees in place during 2024.

Management diversity metrics

The composition of the senior management is shown below:

Training and skills development indicators

Prioritising the personal growth and development of the employees is a key success factor for Ekornes. The Group provides regular training for its employees.
The training courses are online based and cover a wide range of health and safety matters, where all employees are obligated to take courses annually. Such matters include:

- Safety awareness training
- Human rights training
- Anti-corruption and anti-bribery training

Health and safety management

Ekornes gives high priority to the safety of its workforce and aims for zero work-related personal injuries. The Group has a well-established Health, Safety and Environmental (HSE) Policy and objectives as described below:

Group's HSE Policy:

- Ekornes shall provide a working environment that subjects people and the environment with as little disadvantages, injuries and pollution as possible.
- Ekornes shall be a company where employees thrive and enjoy an open working environment which promote the employees possibility to utilize own ideas, experiences and qualifications.
- HSE shall be an integrated element in all planning and execution of activities in Ekornes.
- All Ekornes employees are responsible to know about and actively participate in the HSE work.
- All Ekornes managers have a particular responsibility for arranging and follow up the HSE work.
- Ekornes' HSE work shall adhere to the requirements in all relevant laws and regulations.

The policy also states the ideal outcomes of the health and safety management system at Ekornes. The table below gives a glimpse of Ekornes' health and safety goals as per its HSE policy and performance during the reporting period.

S.No.	Objective	Performance in 2023
1.	Ekornes shall have zero injuries and accidents	15 lost-time injury in the reporting period
2.	Sick leave shall not exceed 5 % in Norway and the industry average in other countries	Global sick leave absence recorded at 3.7% in 2023
3.	Have zero impositions from external controls/ inspections through proactive HSE management	5 impositions in the reporting period

Case Study:
Health and Safety Process in Lithuanian production facility

The company provides comprehensive introductory training to all new employees on their first working day, covering essential information such as health and safety instructions, procedural rules, and fire safety protocols. Periodic training sessions, including health and safety and fire safety updates, are conducted annually and whenever new requirements emerge for all staff members. Employees working with chemical products or non-mechanized feed undergo additional training, scheduled yearly for existing employees, upon onboarding for new hires, and in response to any new regulatory mandates.

Furthermore, supplementary training is provided whenever near misses occur or when new equipment, tools, or procedures are introduced. Department leaders assume responsibility for on-the-job training of new employees, ensuring competency and adherence to safety protocols before entrusting them with responsibilities. A competency matrix is developed for each department and employee to facilitate skill development and monitoring. The company collaborates with various institutions including Vilnius Coding School, the Employment Service, the State Social Insurance Fund Board, and the State Tax Inspectorate to promote ongoing employee skill enhancement and professional development opportunities.

Incidents of discrimination and human rights violations
The company recorded zero incidents of discrimination and human rights violations during 2023. There were no complaints filed through any of the channels for people to raise concerns. There were no material fines, penalties or compensation paid for damages because of human rights violations.

PARTNERS ENGAGEMENT

A. Why is it important?
One of Ekornes' main areas of focus within the sustainability strategy is traceability and transparency as part of the need to provide consumers with documentation that the products have been made responsibly and with as low environmental and carbon footprint as possible.

Moreover, supply chain stability is paramount to the operations and direct engagement with suppliers is required to safeguard a smooth production process. The supply chain is also an integral part of the strategy to promote circular designs and circular products.

As a member of the UN Global Compact, the Group is committed to ensure that basic and internationally recognised human and labour rights are respected throughout the value chain.

Ekornes has a Supplier Code of Conduct and works systematically to ensure the principles of the Code are followed by suppliers and partners. The Code includes a requirement for suppliers to have management systems that ensure compliance, specifying requirements relating to internationally recognized principles for labour, such as health and safety, freedom of association and collective bargaining, child labour, and forced labour, as well as requirements for minimum wages, working hours and regular employment.

The Code covers key human rights principles such as no tolerance for discrimination and inhumane treatment, as well as anti-corruption and anti-bribery provisions.

B. Actions
All suppliers are risk and precision evaluated annually. The supplier risk assessment is a part of the basis for the annual supplier audit programme. These audits are social audits which reflect the Ekornes Supplier Code of Conduct.

Ekornes conducts detailed due diligence analysis for wood and leather sourcing. Additionally, textile and electronics are recognised as high-risk categories and are chosen as the focus areas under transparency and workers in the value chain category for the reporting period.

The annual supplier audit evaluation has several parameters that are considered concerning their risks to the company:
- Economic significance to Ekornes
- Single, dual or plural sourcing possibilities
- Criticality of supplies
- Acceptance of the Ekornes Supplier Code of Conduct
- Country of administration or production (risks based on Corruption Perceptions Index (CPI) score; Environmental Performance Index (EPI) score; and Human Development Index (HDI) rank and child labour risks from UNICEF)
- Delivery precision and quality criteria related to Transparency Act risk requirements

The audit program is set based on an overall score. The audits are generally performed by third parties, but Ekornes also performs its audits through the use of the internal audit group. Since Ekornes is also a member of LWG, the Group also relies on the audits performed by LWG on the leather suppliers.

The annual supplier audit programme serves as the primary method to engage with business partners and their employees. Every year, some suppliers are chosen for physical visits based on the overall risk assessment that is conducted at an enterprise level. Some audits are self-directed audits performed by the suppliers themselves.

C. Targets
The Group targets zero human rights violations in its supply chain. In addition, the ambition is to conduct at least one on-site audits of suppliers on human rights.

Partner engagement	Unit	2021	2022	2023
On site audits on human rights	#	3	2	1
Self-directed audits on human rights	#	0	2	109*
Human rights violations recorded	#	0	0	0

*Note: The number of self-directed audits for 2023 includes the self-assessment for supplier as well.

CUSTOMER ENGAGEMENT

A. Why is it important?
The Group's direct customers are generally retailers and wholesalers. Engagement on product design, comfort and quality is naturally essential for Ekornes' commercial success. The retailers and wholesales also act as important channels for communication to the Group from the consumers – the ultimate end-users of the products. The ability to have the right products that meet the consumers' demands is the Group's primary criteria for success. Market trends are important to pick up, such as a growing need for products to be produced responsibly with low environmental and carbon footprints. This drives much of the Group's activities related to energy use, GHG emission reductions, circular design and product quality, as well as management of the supply chain.

Ekornes recognizes the evolving consumer preferences towards more sustainable products, and is dedicated to meeting these expectations by offering environmentally friendly alternatives to the customers worldwide. Company is committed to aligning the practices with sustainability goals and continuously striving to enhance the sustainability of the products. By embracing innovative approaches and leveraging the global network, Ekornes aims to provide consumers with choices that not only meet their needs but also contribute positively to the planet. As Ekornes continues on this journey, sustainability remains a cornerstone of the commitment to delivering quality and comfort, ensuring a brighter and more sustainable future for generations to come.

B. Actions
Ekornes conducts regular customer satisfaction surveys in several markets. In 2023, the Group also conducted focus and insight interviews with selected customers in Germany, the US and the UK. The interview collected customer's views on the company's products, feedback and satisfaction level.

There is an ongoing dialogue with customers on sustainability preferences and targets. Ekornes is continuously trying to integrate customer feedback and preferences by moving away from Expanded Polystyrene (EPS), ensuring all wood used in FSC® is certified, all textiles used are Oeko-tex certified, etc.

COMMUNITY ENGAGEMENT

A. Why is it important?

As a furniture company, Ekornes recognizes the paramount importance of engaging with the communities surrounding the production facilities. Ekornes recognizes that the operations impact these communities in various ways, and is committed to fostering strong relationships and collaboration with them. By actively involving local stakeholders, Ekornes gain valuable insights into their needs and concerns, allowing us to tailor the manufacturing processes to better align with their values and priorities.

Additionally, the engagement with local communities not only demonstrates the dedication to corporate social responsibility but also contributes to social cohesion, economic development, and environmental stewardship in these areas. Through these partnerships, Ekornes strives to build trust, foster goodwill, and leave a positive and enduring impact on the regions where operating.

B. Actions

Following are some case examples of Ekornes' community support projects from its various production facilities:

Case examples from Morganton, USA facility:

The Group supports students at Western Piedmont Community College through training and internship programs tailored for sewing, upholstery, and various industrial positions. It collaborates with Work in Burke, a consortium of leaders and business owners, convening to address ongoing issues such as sourcing, recycling, employment, transportation, environmental concerns, and community development.

The company also engages with NCSSM (North Carolina School of Science and Mathematics), a prestigious institution attended by the top 100 students globally. Projects assigned to these students, in collaboration with area businesses, aim to tackle ongoing challenges. The company also sponsors an annual Christmas float for the community parade, designed by NCSSM students.

During the pandemic, the company assisted local hospitals by manufacturing masks, gowns, and other protective equipment, addressing the critical demand to combat the issue. It extends its support to Shriners Hospital for Children, a non-profit organization dedicated to serving children in need, through annual contributions. The Group aids local elementary schools by providing pencil cases for students, produced through its own sewing development and training program.

Case example from the Lithuania facility:

The company actively supports various community initiatives, including the Red Nose Project, providing assistance to volunteers at children's hospitals, and the Red Cross Project, which offers aid to volunteers. During Christmas, employees generously donated warm gloves and caps for individuals in Ukraine. Social institutions receive ongoing support, with retirement homes receiving turkeys for Christmas dinners, contributions to the Blue-Yellow organization through the purchase of Kiev cutlets and borsch, and donations to animal shelters comprising food and necessary supplies. The company also backs community events such as the Panevèzys town festival and organizes excursions for schoolchildren and kindergartners, offering insights into chair history and factory tours. Additionally, participation in significant events like Lithuania's largest bike ride, "Velomaratonas," underscores the company's commitment to community engagement. The upcoming spring will see the launch of the "Plant the Tree" campaign, further demonstrating its dedication to environmental stewardship.

Improving Governance

SUSTAINABILITY GOVERNANCE

A. Why is it important?

Sustainability has been integrated into the business since its inception almost 90 years ago. Ekornes has always sought to make products that last for generations by using solid materials and excellent craftsmanship. Today, this is more important than ever.

Ekornes is a member of the UN Global Compact, implementing global and general principles for labour rights, human rights, anti-corruption and sustainable production that protects the environment.

B. Actions

Ekornes has an extensive set of policies to ensure that the material sustainability matters are managed in line with the above principles:

Ekornes Code of Conduct – The Code covers all areas of ethical business conduct and anti-corruption, as well as accounting and internal control.

Supplier Code of Conduct – The Code covers all areas of labour and human rights, child labour, discrimination, health & safety, living wages, environmental regulations and corruption and bribery. It is based on the principles of the UN Global Compact, as well as international standards and benchmarks.

Environmental Policy – The Policy outlines Ekornes' commitments to increase resource efficiency and product longevity through circular designs, and transparency in environmental reporting and sets clear targets for key parameters relating to climate change and environmental impacts.

Oversight over sustainability matters

The Board of Directors has oversight of Ekornes' approach to and management of sustainability matters and considers this as an integral part of the corporate strategy. The composition of the Board of Directors is detailed in the Annual Report (page 12-13) and the roles and responsibilities of the board members are outlined on page (12-13).

Integration with management

The overall responsibility for the implementation of sustainability-related policies and actions and the performance measurement lies with the CEO and the CFO. The Group is also in the process of refining and strengthening its sustainability governance process in line with the CSRD requirements. The responsibilities are further disseminated through the line management, with operational resources allocated to follow-up and reporting. Sustainability issues are evaluated continuously, and any non-conformities are reported in the system. KPIs are evaluated together with production management monthly.

Risk Management

Ekornes has a risk management system where risks are evaluated on several levels. The mapping of environmental risks is evaluated at least annually at department levels and is used for audits, controls and inspections from authorities and third parties. Ekornes also performs an internal Strength, Weakness, Opportunities and Threats (SWOT) analysis, where sustainability matters are part of several aspects of the analysis.

Ekornes engages external advisors within the legal, financial, tax, insurance and risk areas as needed. In parallel, banks and other capital providers conduct their due diligence processes with the support of independent advisors.

SUPPLY CHAIN GOVERNANCE

A. Why is it important?

Ekornes has endorsed the UN Global Compact since 2009 and has been a member of the UN Global Compact's Nordic network since 2012. Participation in the network enables Ekornes to exchange experiences with other businesses with social responsibility high on the agenda. In line with the UNGC obligations, Ekornes' Supplier Code of Conduct also states clear expectations regarding human and labour rights.

Supply chain governance is of particular importance to Ekornes to ensure that materials and inputs are only sourced from suppliers that adhere to the Group's principles with regard to human rights, labour rights and business conduct.

B. Actions

Ekornes regularly conducts risk-based due diligence on the supply chain as part of its strategy to only source materials and inputs from suppliers that adhere to the Group's principles about human rights, labour rights and business conduct. As Ekornes offers furniture with the highest quality and the lowest possible climate and environmental footprint as possible, a key factor is to source materials from responsible sources. Additional due diligence is therefore conducted for specific product inputs, such as wood, leather hides, textiles and electronics. These are integrated into the annual supplier audit program and are conducted in cooperation with organisations such as the Forest Stewardship Council (FSC®) and the Leather Working Group (LWG).

Risks related to the supply chain are evaluated on an annual basis and generate a supplier audit program for the following year. The audit programme also addresses aspects of business ethics such as bribery and corruption.

Ekornes has worked for several years with risk management of supplied components. The Group's continuous work with risk management in the value chain and the obligation to report on the Norwegian Transparency Act ("åpenhetsloven") can be found at www.ekornes.com/en/sustainability.

BUSINESS ETHICS

Ekornes conducts its business activities responsibly and operates in compliance with all relevant laws, regulations and strict ethical norms. This is the Group's license to operate as a global and recognised manufacturer of high-quality furniture.

The main principles are found in the Company's Code of Conduct, which states clear requirements for:

- A duty of confidentiality
- Compliance with the laws, rules and regulations in the countries where Ekornes companies have been established or in which business connections have been established
- Aspirations to honesty, integrity, openness, as well as correct and responsible business conduct in all contact with suppliers of raw materials, machinery, subsidiary materials and services of any kind, and in contact with customers and other business connections
- Ekornes or employees of Ekornes not to take part in bribery or its equivalent to achieve special advantages or access to such
- Confidential information to ensure that suppliers and business connections under no circumstances receive information about other suppliers and business connections via Ekornes
- Regulations on the receipt of gifts, trips and similar arrangements
- Transparency in all operations, including requirements to ensure that transactions are correctly registered and supported by proper documentation in accordance with local and international accounting principles.

The managers in all parts of the company have a responsibility for the dissemination and follow-up of the Code of Conduct.

Anti-corruption and anti-bribery

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. No anti-corruption violations or whistleblower incidents were recorded in the reporting year.

APPENDIX

Appendix A: EU Taxonomy Report

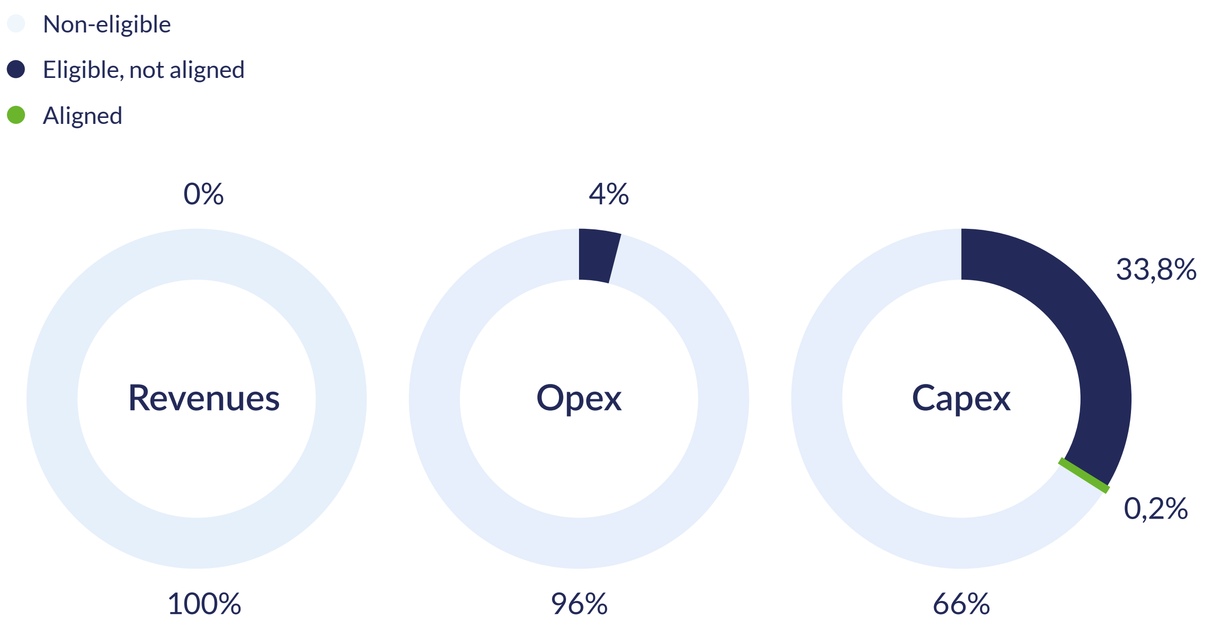
The EU taxonomy is a cornerstone of the EU's sustainable finance framework and an important market transparency tool. The taxonomy is a classification system that defines criteria for economic activities that are aligned with a net zero trajectory by 2050 and the broader environmental goals other than climate.

On January 1, 2023, the new Sustainable Finance Act (Lov om offentliggjøring av bærekraftsinformasjon i finanssektoren mv.) implementing the EU Taxonomy Regulation into Norwegian legislation came into effect. Following this the Ekornes Group is required to report on the EU Taxonomy for the financial year 2023 and the reporting is performed as a consolidated Group.

The report is prepared in accordance with the Taxonomy Regulation EU (2020/852) and the supplementing delegated acts; "Climate Delegated Act" (2021/2800), "Disclosure Delegated Act" (2021/4987) and Complementary Climate Delegated Act (2022/1214). Delegated regulation (EU) 2023/2485 of 27 June 2023 amending the Climate Delegated Act for existing activities for the first two environmental objectives are also applied when preparing the report. New activities following this act and the "Environmental Delegated Act" (2023/2486) establishing the technical screening criteria for environmental goals 3-6 has not been effectuated for the financial year 2023 and is not applied when preparing the report.

When assessing the activities an overall initial assessment was prepared on a Group level including all activities from the EU Taxonomy for the first two environmental objectives. Based on the initial assessment a smaller list of activities was distributed to relevant stakeholders across the Group for input. All input is documented with reference to underlying documentation to ensure accuracy and to avoid any double counting when allocating to the key performance indicators.

In the following section, Ekornes present the share of the Group turnover, capital expenditure (CapEx) and operating expenditure (OpEx) for the reporting period 2023, which are related to Taxonomy-eligible, eligible but not aligned, and aligned economic activities related to the first two environmental objectives (climate change mitigation and climate change adaption). For details and templates, see the chapter "KPI's and accounting policies" below.



As the delegated acts are limited to specific activities, a large part of the Ekornes Groups activities is Taxonomy-non-eligible. The reason is that the main activities in the Ekornes Group is not yet included in the EU Taxonomy. It is expected to be considered in future revisions of the delegated acts.

Definitions

Taxonomy-eligible economic activity means an economic activity that is described in the delegated acts supplementing the Taxonomy Regulation, irrespective of whether that economic activity meets any or all the technical screening criteria laid down in those delegated acts.

An economic activity is Taxonomy-aligned where it complies with the technical screening criteria as defined in the Climate Delegated Act and it is carried out in compliance with the minimum safeguards regarding human and consumer rights, anti-corruption and bribery, taxation, and fair competition. To meet the technical screening criteria, an economic activity contributes substantially to one or more environmental objectives while not doing significant harm to any of the other environmental objectives.

Taxonomy-non-eligible economic activity means any economic activity that is not described in the delegated acts supplementing the Taxonomy Regulation.

Taxonomy-eligible and Taxonomy-aligned economic activities

The Ekornes Group have examined all economic activities carried out by the group to see which of these are eligible and also aligned in accordance with Annexes I and II to the Climate Delegated Act.

The table below includes the activities that qualify as eligible. Information on the extent to which the economic activities are also aligned is assessed in each activities section below and in the KPI templates presented in the chapter "KPIs and accounting policies". The activities primarily contribute to climate change mitigation. Ekornes mainly incurs CapEx and insignificant amounts of OpEx for these activities.

Sector	ID	Activity
Energy	4.16	Installation and operation of electric heat pumps
Energy	4.24	Production of heat/cool from bioenergy
Transport	6.2	Freight rail transport
Transport	6.5	Transport by motorbikes, passenger cars and light commercial vehicles
Transport	6.6	Freight transport services by road
Construction and real estate	7.2	Renovation of existing buildings
Construction and real estate	7.3	Installation, maintenance, and repair of energy efficiency equipment
Construction and real estate	7.5	Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings
Construction and real estate	7.7	Acquisition and ownership of buildings
Information and communication	8.2	Data-driven solutions for GHG emissions reductions

4.16 Installation and operation of electric heat pumps

One Ekornes production plant has invested in a new electric heat pump in 2023. According to the vendors specifications the global warming potential does not exceed 675 and the ecodesign requirements under Directive 2009/125/EC are met, meaning that the activity fulfils the substantial contribution criteria.

However, based on the available information Ekornes was not able to accurately assess if the equipment and components used when manufacturing the heat pump are aligned with the circular economy criteria. Therefore, it is assumed that the activity is not aligned.

4.24 Production of heat/cool from bioenergy

In the factory at Ikornnes Ekornes has a facility producing heat using wood pellets. In 2023 Ekornes incurred CapEx for a new boiler related to this facility. The wood pellets are purchased from an external vendor. This vendor only source forest biomass from Norway but have no records of where their vendors source the wood. Therefore, company is not able to assess if the activity complies with the substantial contribution criteria and have assessed the activity as not aligned.

6.2 Freight rail transport

In Australia, rail is part of a logistical solution where Ekornes use a third party to organize rail freight. However, the trains and wagons do not have zero direct tailpipe CO2 emissions meaning that the activity is not aligned.

6.5 Transport by motorbikes, passenger cars and light commercial vehicles

The Group has several leasing agreements for vehicles in category N1. Several new agreements were signed in 2023 and are classified as right-of-use assets according to IFRS 16, meaning that they are a part of CapEx in 2023.

Of 14 new agreements, 8 are assessed as low- and zero-emission light duty vehicles. However, Ekornes was not able to accurately assess if the vehicles are aligned with the do no significant harm criterion for circular economy. The vendors have some available information about the recycling rate but not specifically concerning the vehicles in question. Some of the vehicles had available information but was below the required recycling rate. Based on this Ekornes concludes that the entire activity is not aligned.

6.6 Freight transport services by road

Most of the freight transport is purchased by third parties but the Group also owns some vehicles. In 2023 one new leasing agreement for a truck was signed in Thailand and a new truck was purchased in Norway. None of the trucks align with the substantial contribution criteria as they are not zero-emission heavy-duty vehicles or low-emission heavy-duty vehicles. Therefore, the activity is not aligned.

7.2 Renovation of existing buildings

In 2023 the Group has installed new windows in one of its buildings incurring CapEx. The energy performance has not been evaluated before or after the renovation and company is not able to assess the substantial contribution criteria. Based on this Ekornes has classified the activity as not aligned.

7.3 Installation, maintenance, and repair of energy efficiency equipment

The Group has incurred CapEx and some immaterial OpEx, on several of its locations, related to maintenance of air conditioning and HVAC systems, more efficient lighting, and new air conditioning systems. Group identified six different cases and none of them are defined as one of the individual measures specified in the substantial contribution criteria. The activity is not aligned.

7.5 Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings

In 2023 façade elements for sun shading has been installed in the administration building in Ikornnes. The cost is capitalized. The investment has a solar shading function and is therefore aligned with the substantial contribution criteria. No material physical climate risk is identified and therefore it can be considered the activity as compliant with the do no significant harm criteria. Based on this the activity is assessed as aligned.

7.7 Acquisition and ownership of buildings

The Group has carried out a warehouse consolidation project in Australia in 2023 entering a new lease agreement for a warehouse. The leasing agreement is capitalized as a right-of-use asset in the consolidated financial statement according to IFRS 16.

The warehouse is a non-residential building. The building is made to mirror or exceed current energy rating in Australia. This was achieved through accumulation of efforts, e.g. energy efficiency of windows, zoning of heating and cooling. But there is no certificate or measurement system establishing the overall energy efficiency. The vendor has stated that the facility is designed in accordance with an Environmentally Sustainable Design (ESD) Report which utilizes the Built Environment Sustainability Scorecard (BESS) benchmark. The facility has achieved a score classified as best practice.

However, company has not been able to identify a clear link between the EU standards and established Australian standards making the overall assessment difficult. As a cautionary measure the activity is therefore assessed as not aligned.

8.2 Data-driven solutions for GHG emissions reductions
In 2023 the Group has incurred some OpEx related to the use of IT solutions for collecting and modelling GHG emissions. Based on the available information company was not able to conclude that the solutions demonstrate substantial emission savings compared to alternative solutions on the market. Therefore, the activity is not aligned.

Minimum safeguards
The final step to Taxonomy-alignment is compliance with the minimum safeguards (MS). The MS include all procedures implemented to ensure that economic activities are carried out in alignment with:

- the OECD Guidelines for Multinational Enterprises (OECD MNE Guidelines);
- the UN Guiding Principles on Business and Human Rights (UNGPs), including the principles and rights set out in the eight fundamental conventions identified in the Declaration of the International Labor Organization on Fundamental Principles and Rights at Work;
- and the International Bill of Human Rights.

In the absence of further guidance from the European Commission, Ekornes based the MS assessment on the "Final Report on Minimum Safeguards" published by the Platform on Sustainable Finance (PSF) in October 2022.

The scope of the MS covers the following four topics:
- Human rights (including labor and consumer rights);
- corruption and bribery;
- taxation; and
- fair competition.

Ekornes follow a two-dimensional assessment approach to assess compliance with MS. On the one hand, adequate processes have been implemented to prevent negative impacts (procedural dimension). On the other hand, outcomes are monitored to check whether the processes are effective (outcome dimension).

Ekornes Group understands that the behavior of all employees and other actors along the value chain plays a central role in complying with MS. Ekornes takes the responsibility as a global actor in the furniture business seriously, by following the ethical business conduct principles for the daily business activities that are manifested in the Group's Code of Conduct which covers or anchors, among others, all four topics of the MS. Moreover, the Ekornes Group is a signatory of the United Nations Global Compact since 2009 and is committed to integrating the 10 principles of ethical business conduct into the business strategy and operations.

Regarding the supply chain and business relationships, Ekornes expects the same ethical business conduct as for the own entities. Therefore, the MS requirements are an integral part of the business contracts and the Supplier's Code of Conduct. The Supplier's Code of Conduct aims to promote and enforce practices relating to human rights, ethics, and the protection of the environment and safety. Company expects each of the suppliers to respect the Group's ethical principles and to ensure that this Code of Conduct is respected by all employees and subcontractors. Moreover, the supplier selection and evaluation processes include human rights, anti-corruption and anti-bribery due diligence.

Human rights (Including labor and consumer rights)

The Final Report on Minimum Safeguards from the Platform on Sustainable finance has a note that several countries, including Norway, has adopted a national level mandatory human rights and environmental due diligence legislation. The Norwegian Transparency Act entered into force in July 2022 to ensure to 'promote enterprises' respect for fundamental human rights and decent working conditions. The law ensures the public access to information about companies' impact on human rights and decent working conditions. Based on the actions Ekornes has conducted through the legislative requirements, Ekornes considered to be compliant with the requirements of the Minimum safeguards of the EU Taxonomy. Ekornes works with human rights and the transparency act is available through the company website.

Based on the UNGPs and the OECD MNE Guidelines, including the OECD Due Diligence Guidance for Responsible Business Conduct, Ekornes has implemented a six-step approach to identify, prevent and, if necessary, mitigate and remediate any actual and potential negative impacts on human rights.

Human rights statement, describing the strategy, the high-impact areas and the processes and measures to prevent negative human rights impacts, is publicly available on the website. the strategy for combating human rights violations is based on a thorough impact analysis that takes account of geographical and sectoral specifications. The impact analysis includes the own business units, subsidiaries and business partners, and the value chain. Human rights impacts were then prioritized, and processes have been adjusted or implemented to tackle the significant risks. Measures to prevent and mitigate actual and potential adverse human rights impacts were identified and implemented. the processes ensure that remedial action is taken promptly in the event of an acute human rights violation and, if necessary, compensation is provided to affected individuals. The effectiveness of the processes is monitored by internal reviews regularly. Any person who feels that their human rights have been violated by the activities of Ekornes internally can contact us through the whistleblower channel. Any reaction to the business or an actor in the value chain can contact us through the transparency act channel. This is monitored by an internal team of supply chain experts, monitoring, and auditing both internal and external processes of the value chain.

In 2023, there was no complaints made related to human rights cases internally. Moving forward Ekornes will focus on communicating and creating awareness about the internal whistleblowing channel. Additionally, Ekornes conducted a self-assessment for all suppliers in the value chain. 17 companies were selected to be followed up regarding human rights and focusing on systems and mechanisms for identifying human rights risks and violation in the value chain.

Corruption and Bribery

Ekornes has zero tolerance for corruption and bribery. the control mechanisms to prevent corruption and bribery in the business units and value chains are based on a risk assessment, including geographical and sectoral criteria. Anti-corruption is an integral part of the Code of Conduct and internal control.

In the financial year 2023, no relevant court cases have been identified in relation to corruption and bribery.

Taxation

Ekornes has a global presence and must comply with several taxation systems globally. In line with the ethical business values, tax governance and tax compliance are important elements of the oversight, and company is committed to complying with all relevant tax laws and regulations. Therefore, in line with the Group's strategy, the tax strategy is transparent, sustainable in the long term and complies with the Code of Conduct.

Fair Competition

Ekornes carries out the activities in a manner consistent with all applicable competition laws and regulations, considering the competition laws of all jurisdictions in which the activities might have anti-competitive effects. With the Code of Conduct, company pursues the goal of achieving and maintaining lively competition in a free market environment for the entire Ekornes Group by establishing a corresponding corporate culture.

KPI's and accounting policies
The key performance indicators ("KPIs") include the turnover KPI, the CapEx KPI and the OpEx KPI. For presenting the Taxonomy KPIs, Ekornes uses the mandatory templates provided in the delegated acts. Since the KPIs need to include an assessment of Taxonomy-alignment for the first time for the reporting period 2023, company does not present comparative figures on alignment.

The Groups consolidated financial statements have been prepared in accordance with IFRS Accounting Standards which have been adopted by the EU, refer to detailed accounting principles in "Notes to the consolidated financial statements".

Proportion of turnover from products or services associated with Taxonomy-aligned economic activities – disclosure covering year 2023

Financial year 2023	Year			Substantial contribution criteria						DNSH criteria ("Does Not Significantly Harm") (8)									
Economic Activities (1)	Code (2)	Turnover (3)	Proportion of Turnover, year 2023 (4)	Climate Change Mitigation (5)	Climate Change Adaptation (6)	Water (7)	Pollution (8)	Circular Economy (9)	Biodiversity (10)	Climate Change Mitigation (11)	Climate Change Adaptation (12)	Water (13)	Pollution (14)	Circular Economy (15)	Biodiversity (16)	Minimum Safeguards (17)	Proportion of Taxonomy-aligned (A.1.) or -eligible (A.2.) turnover, year 2022 (18)	Category enabling activity (19)	Category transitional activity (20)
Text		MNOK	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)		-	0 %																
A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (7)																			
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		-	0 %																
A. Turnover of Taxonomy-eligible activities (A.1+A.2)		-	0 %																
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
Turnover of Taxonomy-non-eligible activities		4 219	100 %																
TOTAL		4 219	100 %																

Comparative figures are not reported for 2022, due to 2023 being the first year of reporting.

Proportion of OpEx from products or services associated with Taxonomy-aligned economic activities – disclosure covering year 2023

Financial year 2023	Year			Substantial contribution criteria						DNSH criteria ("Does Not Significantly Harm") (22)									
Economic Activities (1)	Code (2)	OpEx (3)	Proportion of OpEx, year 2023 (4)	Climate Change Mitigation (5)	Climate Change Adaptation (6)	Water (7)	Pollution (8)	Circular Economy (9)	Biodiversity (10)	Climate Change Mitigation (11)	Climate Change Adaptation (12)	Water (13)	Pollution (14)	Circular Economy (15)	Biodiversity (16)	Minimum Safeguards (17)	Proportion of Taxonomy-aligned (A.1.) or -eligible (A.2.) turnover, year 2022 (18)	Category enabling activity (19)	Category transitional activity (20)
Text		MNOK	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		0	**0 %**	0 %															
				EL; N/EL															
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		-	0 %																
Freight rail transport	CCM 6.2	1	0 %	EL															
Transport by motorbikes, passanger cars and light commercial vehicles	CCM 6.5	0	0 %	EL															
Installation, maintenance and repair of energy efficiency equipment	CCM 7.3	1	0 %	EL															
Data-driven solutions for GHG emissions reductions	CCM 8.2	1	0 %	EL															
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		4	0 %	0 %															
A. OpEx of Taxonomy eligible activities (A.1+A.2)		**4**	**4%**	**0 %**															
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
OpEx of Taxonomy-non-eligible activities		90	96 %																
TOTAL		93	**100 %**																

Comparative figures are not reported for 2022, due to 2023 being the first year of reporting.

Proportion of OpEx from products or services associated with Taxonomy-aligned economic activities – disclosure covering year 2023

Financial year 2023		Year		Substantial contribution criteria						DNSH criteria ("Does Not Significantly Harm") (22)									
Economic Activities (1)	Code (2)	OpEx (3)	Proportion of OpEx, year 2023 (4)	Climate Change Mitigation (5)	Climate Change Adaptation (6)	Water (7)	Pollution (8)	Circular Economy (9)	Biodiversity (10)	Climate Change Mitigation (11)	Climate Change Adaptation (12)	Water (13)	Pollution (14)	Circular Economy (15)	Biodiversity (16)	Minimum Safeguards (17)	Proportion of Taxonomy-aligned (A.1.) or -eligible (A.2.) turnover, year 2022 (18)	Category enabling activity (19)	Category transitional activity (20)
Text		MNOK	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings	**CCM 7.5**	**0**	**0 %**	**Y**	**Y**					**Y**	**Y**	**N/A**	**N/A**	**N/A**	**N/A**	**Y**		**E**	
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		0	**0 %**	0 %															
Of which enabling		0	0 %	0 %															
Of which transitional			%	%															
A2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (15)																			
				EL; N/EL															
Installation and operation of electric heat pumps	CCM 4.16	0	0 %	EL															
Production of heat/cool from bioenergy	CCM 4.24	0	0 %	EL															
Transport by motorbikes, passenger cars and light commercial vehicles	CCM 6.5	5	5 %	EL															
Freight transport services by road	CCM 6.6	1	1 %	EL															
Renovation of existing buildings	CCM 7.2	0	0 %	EL															
Installation, maintenance and repair of energy efficiency equipment	CCM 7.3	0	0 %	EL															
Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings	CCM 7.5	0	0 %	EL															
Acquisition and ownership of buildings	CCM 7.7	25	26 %	EL															
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		32	34 %	34 %															
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
CapEx of Taxonomy-non-eligible activities		62	66 %																
TOTAL		94	100 %																

Comparative figures are not reported for 2022, due to 2023 being the first year of reporting.

Turnover KPI

The proportion of Taxonomy-aligned economic activities in the total turnover has been calculated as the part of net turnover derived from products and services associated with Taxonomy-aligned economic activities (numerator) divided by the net turnover (denominator), in each case for the financial year from 1 January 2023 to 31 December 2023.

The denominator of the turnover KPI is based on the consolidated net turnover in accordance with paragraph 82(a) of IAS 1.

The numerator of the turnover KPI is defined as the net turnover derived from products and services associated with Taxonomy-aligned economic activities. No such activities are identified.

CapEx KPI

The CapEx KPI is defined as Taxonomy-aligned CapEx (numerator) divided by the total CapEx (denominator).

Total CapEx consists of additions to tangible and intangible fixed assets during the financial year, before depreciation, amortization, and any remeasurements, including those resulting from revaluations and impairments, as well as excluding changes in fair value. It includes acquisitions of tangible fixed assets (IAS 16), intangible fixed assets (IAS 38) and right-of-use assets (IFRS 16). Goodwill is not included in CapEx, because it is not defined as an intangible asset in accordance with IAS 38. CapEx for the reporting period 2023 is the sum of additions in note 11 and new leasing agreements in note 12.

The numerator consists of Taxonomy-aligned CapEx that is directly related to assets associated with Taxonomy-aligned activities or CapEx related to output from Taxonomy-aligned activities. This includes activity 7.5.

OpEx KPI

The OpEx KPI is defined as Taxonomy-aligned OpEx (numerator) divided by the total OpEx (denominator).

Total OpEx consists of direct non-capitalised costs that relate to research and development, building renovation measures, short-term leases as well as all forms of maintenance and repair. This includes:

Research and development expenditure ecognized as an expense during the reporting period in the income statement. In line with the consolidated financial statements (paragraph 126 of IAS 38), this includes all non-capitalised expenditure that is directly attributable to research or development activities.

The volume of non-capitalised leases was determined in accordance with IFRS 16 and includes expenses for short-term leases and low-value leases. Even though low-value leases are not explicitly mentioned in the Disclosures Delegated Act, company has interpreted the legislation as to include these leases.

Maintenance and repair expenditures were determined based on the maintenance and repair costs incurred during the year. The related cost items can be found in various line items in the income statement, including production costs (maintenance in operations), sales and distribution costs (maintenance logistics) and administration costs (such as maintenance of IT systems). This also includes building renovation measures.

In general, this includes costs for services and material costs for daily servicing, as well as for regular and unplanned maintenance and repair measures. These costs are directly allocated to the PP&E. This does not include expenditures relating to the day-to-day operation of PP&E, such as raw materials, cost of employees operating the machinery, electricity or fluids that are necessary to operate PP&E. Amortisation and depreciation are also not included in the OpEx KPI. Other operating expenses directly linked to activities with turnover and activities related to selling, general, and administration are not considered as applicable for the calculation of the OpEx KPI. The relevant costs are related to note 5, 6 and 12 in the consolidated financial statements.

The numerator consists of Taxonomy-aligned OpEx that is directly related to costs associated with Taxonomy-aligned activities or OpEx related to output from Taxonomy-aligned activities. No such activities are identified.

Appendix B: SDG Alignment

Ekornes' Sustainability Focus Areas		SDGs Impacted	Ekorens' Contribution
Improving Environment	Energy and Emissions		Ekornes is working relentlessly to reduce its energy consumption and resulting GHG emissions. The company is also taking initiatives to reduce water consumption and limit any air and water pollution. Ekornes' products are designed with circularity and sustainability in focus. The company adheres to sustainability standards for sourcing production materials such as wood, leather and textiles.
	Air and Water Pollution		
	Water Stewardship		
	Circularity		
	Responsible Sourcing		
	Biodiversity		
Improving Social Engagement	Employees Engagement		Ekornes has a strategic priority to ensure the well-being of its employees, partners, customers and communities around. The company takes care of health and safety, diversity and inclusion and ensures a zero-tolerance policy against any form of discrimination. Ekornes works in collaboration with its suppliers and dealers to ensure the availability of sustainable products.
	Partners Engagement		
	Customer Engagement		
	Community Engagement		
Improving Governance	Sustainability Governance		Ekornes has a special focus on sustainability governance and upholding business ethics in the company. It has policies against corruption and bribery and ensures adherence of human and labour rights across the supply chain.
	Supply Chain Governance		
	Business Ethics		

Appendix C: Data Factsheet
C.1: GHG Emission Data

ESRS E1 - CLIMATE CHANGE		
Category	**Unit**	**2023**
Scope 1		
Transportation		
Diesel (NO)	tCO2e	0
Transportation Total	tCO2e	0
Stationary combustion		
Natural gas (US)	tCO2e	90.9
Burning oil	tCO2e	14.8
Propane (NO)	tCO2e	486.3
Stationary combustion Total	tCO2e	592
Chemical-process		
Process CO2	tCO2e	99.6
Chemical-process Total	tCO2e	99.6
Scope 2 (Location based)		
Electricity location-based		
Electricity Nordic mix	tCO2e	608.6
Electricity USA	tCO2e	224.3
Electricity Lithuania	tCO2e	91.2
Electricity Thailand	tCO2e	6143.1
Electricity Vietnam	tCO2e	117.1
Electricity location-based Total	tCO2e	7184.3
District heating location		
District heating NO/Aalesund	tCO2e	0.4
District heating location Total	tCO2e	0.4
Scope 2 (Market based)		
Electricity Nordic mix	tCO2e	7129.2
Electricity USA	tCO2e	269.9
Electricity Lithuania	tCO2e	325.7
Electricity Thailand	tCO2e	6143.1
Electricity Vietnam	tCO2e	117.1
Electricity market-based Total	tCO2e	13985
District heating location		
District heating NO/Aalesund	tCO2e	0.4
District heating location Total	tCO2e	0.4

ESRS E1 - CLIMATE CHANGE		
Scope 3		
Waste		
Special waste, treated	tCO2e	2.7
Special waste, treated	tCO2e	970.3
Special waste, treated	tCO2e	3.6
Residual waste, landfill	tCO2e	36.1
Wood waste, recycled	tCO2e	34.6
Wood waste, recycled	tCO2e	0.5
Wood waste, recycled	tCO2e	35.7
Residual waste, incinerated	tCO2e	357.9
Plastic waste, recycled	tCO2e	0.6
Hazardous waste, recycled	tCO2e	17.5
Paper waste, recycled	tCO2e	2.3
Metal waste, recycled	tCO2e	0.3
Waste Total	tCO2e	1462
Business travel		
Mileage all. car (NO)	tCO2e	10
Air travel, domestic	tCO2e	53.6
Air travel, intercontinental	tCO2e	155.8
Air travel, continental	tCO2e	111037.6
Car, rental (fuel unknown)	tCO2e	0.5
Business travel Total	tCO2e	111257.5

C.2: Waste Data

ESRS E5 - RESOURCE USE AND CIRCULAR ECONOMY	Unit	2021	2022	2023	Change
Waste					
Hazardous waste generated	Mt	165	150	97.0	-55%
Hazardous waste diverted from disposal	Mt	165	150	97.0	-55%
Non-hazardous waste generated	Mt	5,011	4,383	5,503	20%

C.3: Employee Data

ESRS S1 - OWN WORKFORCE	Unit	2021	2022	2023	Change
Characteristics of own workforce					
Total number of employees (headcount)	#	3221	2945	2784	-6%
Number of employees (headcount) at top management level	#	n.a.	12	12	0%
- Female	%	n.a.	17%	33%	49%
- Male	%	n.a.	83%	67%	-24%
Employees by region					
Norway	#	1288	1266	1011	-25%
International	#	1933	1679	1773	5%
Norway	%	40%	43%	36%	-18%
International	%	60%	57%	64%	10%
Employees - by age (only Norway)					
< 30	#	n.a.	217	114	-90%
30-50	#	n.a.	543	438	-24%
> 50	#	n.a.	507	459	-10%
< 30	%	n.a.	8%	13%	37%
30-50	%	n.a.	46%	47%	2%
> 50	%	n.a.	44%	40%	-10%
Health and safety metrics					
Number of recordable work-related accidents for own workforce (TRI)	#	66	66	56	-18%
Rate of recordable work-related accidents for own workforce (TRIF)	# / mn hrs	9.2	9.4	7.8	-21%
Serious incidents (SI)	#	30	33	15	-120%
Serious incidents frequency (SIF)	# / mn hrs	4.2	4.7	2.6	-81%
Hours worked for own workforce	Mill. hrs	7.1	7.0	6	-23%

C.4: Governance Data

ESRS 2 – BUSINESS CONDUCT	2021	2022	2023	Change
Male board members	6	7	6	-17%
Female board members	0	0	1	100%
Total board members	6	7	7	0%
Independent board members	5	6	6	0%
Share of female board members	0%	0%	14%	100%
Share of independent board members	83%	86%	86%	0%

Appendix D: List of abbreviations

CEO	Chief Executive Officer
CPI	Corruption Perceptions Index
CSRD	Corporate Sustainability Reporting Directive
DMA	Double Materiality Assessment
EEA	European Economic Area
EPD	Environmental Product Declarations
EPI	Environmental Performance Index
EPS	Expanded Polystyrene
ESRD	European Sustainability Reporting Standards
EU	European Union
EUDR	European Union Deforestation Regulation
EU ETS	European Union Emission Trading Scheme
EU Taxonomy	European Union Taxonomy
FSC	Forest Stewardship Council
GHG	Green House Gases
GOTS	Global Organic Textile Standard
GRS	Global Recycled Standard
HDI	Human Development Index
ISO	International Standards Organisation
KPI	Key Performance Indicator
LED	Light Emitting Diode
LWG	Leather Working Group
NGO	Non-Governmental Organisation
NOK	Norwegian Krone
SDG	Sustainable Development Goals
SWOT	Strengths, Weaknesses, Opportunities and Threats
REACH	Registration, Evaluation, Authorisation and Restriction of Chemicals
UK	The United Kingdom
UNGC	United Nations Global Compact
UNICEF	United Nations International Children's Emergency Fund
USA	The United States of America

The Board of Directors

Ekornes QM Holding AS

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), representitative of Qumei, Europe

Position: Board member and CEO of Ekornes QM 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

While demand for home furniture increased significantly during the Covid-19 pandemic from 2020 and into 2022, demand gradually softened during 2022. Entering 2023, the furniture industry was in a new post-pandemic phase with sales well below the elevated levels experienced during the pandemic. In addition, the late effects of the pandemic, combined with Russia's war in Ukraine have led to high inflation driving prices of input materials. Combined with central banks pursuing tight monetary policies in response to inflation, this has resulted in higher costs for the industry and impacted demand due to lower consumer spending.

Reduced demand for furniture driven by a general slowdown in the global economy had a negative impact on Ekornes' sales, and revenues decreased 14% compared to 2022. The lower volume combined with cost inflation particularly within raw materials and transportation impacted earnings in 2023.

Adapting to the situation, the Group started 2023 by implementing initiatives to reduce costs and safeguard profitability. Production capacity was aligned with the current market sentiment and operations in Asia were restructured by discontinuing operations in Vietnam and concentrating production into the Thailand facility. Throughout the year, Ekornes reduced costs in line with the target of NOK 200 million in annual savings. Ekornes also has a sharp focus on optimizing capital allocation, and for the full year working capital was reduced by NOK 420 million.

As order intake for Stressless® weakened in the fourth quarter 2023, Ekornes initiated further operational capacity adjustments in January 2024, announcing temporary redundancies at the Stressless® facilities in Norway.

Ekornes remains committed to offering relevant and high-quality products through its strong brands. To enhance the service level and accelerate time to market for new products, the company continuously executes on its organizational restructuring and development programme "One Ekornes". Under the programme, the company has organized the product development and production departments into one unit. While this is expected to stimulate innovation and improve the product offering, the ambition to utilize the qualities and uniqueness of Ekornes' brands remains firm. This includes launching new products under the globally recognized premium Stressless® brand, such as the Stressless® Sky mattress, refining the established and affordable IMG brand and optimizing products of the high-quality Svane® brand.

In June, the company announced the appointment of Tine Hammernes Leopold as new CEO. Leopold comes from the position as CEO for Pierre Robert Group and has more than 20 years of executive and board experience in Nordic-based branded consumer goods companies. With her proven track of delivering successful commercial progress and long-term value, the Group is pleased to have Leopold lead Ekornes and continue developing the company.

Entering 2024, current sales indicate challenging markets with an uncertain outlook in the short and medium term. The company has a flexible operating model and is continuously evaluating further initiatives to align the business with prevailing demand. Combined with strong brands, efficient production and a comprehensive distribution network, Ekornes is well positioned to ensure long-term competitiveness.

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.

Norwegian ultimate parent company Ekornes QM Holding AS is a subsidiary of Qumei Home Furnishings Group. The Qumei group owns 94.12% of the shares in Qumei Runto S.à.r.l and Hillhouse owns the remaining shares.

Qumei Runto S.à.r.l owns 100% of the shares in Ekornes QM 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 2023.

Ekornes QM Holding AS had as at 31 December 2023 100% shareholding and voting rights in Ekornes AS who in turn has a 100% ownership 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 Central Europe.

Stressless® is the Group's premium brand, and investments are made to maintain and expand consumer awareness. IMG's goal, on the other hand, is to build a strong awareness among furniture distributors, positioning itself in the mid-range price segment.

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 are located at Ikornnes in Sykkylven, Norway. The Group has sales offices in Norway, Denmark, Finland, Germany, the UK, France, the USA, China, Japan, Thailand, New Zealand and Australia.

Production takes place at eight factories as follows: Norway (5), Thailand (1), the USA (1) and Lithuania (1).

As at 31 December 2023, Ekornes employed a total of 2 784 people, of which 36% were employed in Norway.

Financial performance

Ekornes QM Holding Group generated operating revenue of NOK 4 219 million in 2023, down 14% from NOK 4 928 million in 2022. The decline in revenues compared to 2022 largely reflects sales coming down from the elevated levels during the Covid-19 pandemic, and weaker consumer spending from higher interest rates and rising living costs. The lower sales volume was partly offset by increased product prices and growing sales of the dining segment and motorized products.

Revenue was down in all segments. Underlying sales revenue from the Stressless® segment was NOK 3 142 million (3 646), revenue from IMG was NOK 825 million (994), while revenue from Svane® amounted to NOK 253 million (288). Total operating expenses for the year amounted to NOK 4 114 million, a 10% decline from NOK 4 573 million in 2022, mainly reflecting lower capacity and lower activity.

Cost of goods sold decreased 9% to NOK 1 481 million (1 632), corresponding to a 35% share of total revenues (33%). The increase is due to lower production volumes and high raw material costs.

Following capacity reductions, payroll expenses amounted to NOK 1 171 million during the year, down from NOK 1 289 million in 2022.

Other operating expenses, including transportation and marketing costs, ended at NOK 1 105 million, compared to NOK 1 309 million in 2022. 2023 included restructuring costs related to the implementation of the "Focus 23" programme. As a share of operating revenues, other operating expenses were 26%, in line with 2022.

In 2023, research and development costs totalling NOK 44.0 million (49.6) were recognised 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 recognised in expenses as they arise. Capitalized development costs totalled NOK 0.0 million in 2023 (0.0).

Operating earnings (EBIT) for the year came in at NOK 105 million. This compares to NOK 355 million in 2022. This corresponds to an EBIT margin of 2.5%, down from 7.2% in 2022. The weakened operating result is mainly attributed to lower sales in challenging markets, high raw material prices, shifting product mix and realized losses on currency forward contracts. Ekornes experienced benefits from the improvement programme during the second half of the year.

Net financial items were negative at NOK 249 million (-190). These include financial expenses of NOK 385 million (264). The increase reflects higher interest rates and expenses following the company's debt refinancing in the first quarter 2023.

Earnings before tax were negative at NOK 144 million for the full year 2023 This compares to NOK 165 million In 2022. Tax benefit for the period is calculated at NOK 3 million compared to a tax cost of NOK 27 million in 2022. This gave a net loss for 2023 of NOK 141 million compared to a net profit of 139 million for 2022.

Cash flow

Net cash flow from operating activities in 2023 was NOK 452 million, compared with NOK 341 million in 2022, mainly driven by a NOK 420 million reduction in working capital. This includes NOK 482 million in lower inventory, primarily raw materials and work-in-progress goods.

Ekornes has a sharp focus on bringing down the working capital from the levels seen during the extraordinary demand boost in the Covid-19 pandemic, and initiatives to right-size operations and optimize the company's product portfolio have proved effective. The company continuously works to align working capital with prevailing market conditions.

Net cash flow from investing activities during the year was negative at NOK 67 million (-145), mainly related to ongoing investments in day-to-day operations and necessary maintenance. As part of the initiatives to safeguard operations through times of softer markets, Ekornes has temporarily reduced investments to ensure adequate cash flow generation. In the longer term, the investment level is expected to be higher to support innovation and develop production facilities, enabling future profitable growth.

Net cash flow from financing activities was positive at NOK 23 million, compared to negative NOK 112 million. During the year Ekornes executed a refinancing of the company, replacing debt with a new NOK 1.2 billion bond and a NOK 1.6 billion credit facility. In addition, the company issued new share capital, receiving proceeds of NOK 352 million. Lease payments for the year amounted to NOK 72 million.

The net increase in cash and cash equivalents during the year was NOK 408 million, and as at 31 December 2023, the total holding of cash and cash equivalents stood at NOK 835 million, up from NOK 429 million one year earlier. The board considers the Group's liquidity position to be satisfactory.

At the close of 2023, the Group's working capital* totalled NOK 1 061 million, compared with NOK 1 482 million the year before. During the year, inventory decreased by NOK 482 million, while trade receivables increased by NOK 44 million. Trade payables decreased by NOK 18 million.

As at 31 December 2023, Ekornes had total assets of NOK 7 960 million, compared with NOK 8 105 million 12 months earlier. Book value of properties, plants and equipment amounted to NOK 1 383 million. Total intangible assets totalled NOK 4 356 million, of which brand name and goodwill accounted for NOK 1 440 million and NOK 1 561 million, respectively.

Total equity amounted to NOK 3 616 million, corresponding to an equity ratio of 45%, up from 41% the year before.

As at 31 December 2023, total interest-bearing debt amounted to NOK 2 800 million, down from NOK 3 058 million at the end of 2022. This included a NOK 2 020 million bond loan and NOK 1 038 million in bank loan facilities with DNB and Sparebanken Møre. Available short-term credit facilities amounted to NOK 150 million. In March 2023, Ekornes successfully refinanced outstanding debt with a NOK 1 200 million bond loan and bank facility of NOK 1 600 million through a syndicate with DNB and Sparebanken Møre. The new financing structure strengthens the financial position and supports the strategy for long-term profitable growth.

*Working capital = trade receivables + inventory – trade payables

Financial covenants and bond agreement

The new bond agreement is subject to a set of financial covenants, including a minimum liquidity of NOK 350 million and a maximum leverage ratio of 8.0 until the first quarter 2024. The maximum allowed leverage ratio has a gradual step-down mechanism from 5.5 in the second quarter 2024 towards 4.5 by Q1 2025.

The covenants are measured quarterly on a 12-month rolling basis for Ekornes QM Holding Group. Based on current projections, the company expects to be within the allowance the next 12 months.

Ekornes was compliant with all covenant requirements in the bond agreement as at 31 December 2023. The leverage ratio at the end of the year 2023 was 5.06, well below the maximum allowed.

See note 18 for more information on interest-bearing loans and credit facilities as at 31 December 2023.

Dividend

The bond and bank agreements include restrictions on dividend payments from the issuer, and Ekornes QM Holding AS is not in position to distribute any dividends for the financial year 2023.

Allocation of net profit

It is proposed that the company Ekornes QM Holding AS's net loss for the year, in the amount of NOK 75,4 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 2023 financial year and the company and Group's financial position at the close of the year.

Risk exposure and risk management

Ekornes' business risk relates to fluctuations in the economic cycle, changes in market conditions, competitors, political and legal conditions as well as general patterns of consumption in the markets in which the Group operates.

During the Covid-19 pandemic, Ekornes initiated a series of operational and financial actions to mitigate market, operational and financial risk. However, due to the "home nesting" effect with increased consumer spending on home refurbishment and furniture, the company experienced a significant rebound in demand during the second half of 2020, continuing well into 2022. At the same time, the SARS-CoV-2 virus impacted both markets and operations with shutdowns and restrictions.

During the pandemic, logistics and transportation became increasingly challenging for the furniture industry, impacting both the ability to bring products to market and secure access to input factors. An already stressed value chain became increasingly stretched by the resurgence of post-pandemic economic activity, as well as the Russian invasion of Ukraine February 2022.

The result has been rising inflationary pressures, not least from energy prices, which in turn is being combatted by central banks worldwide through rising interest rates. With higher prices and increasing interest rates impacting overall consumer spending, and a shift in spending away from home refurbishing and furniture, the "home nesting" effect from the pandemic has evaporated. As a result, Ekornes is facing lower economic activity that affects demand for its products, its sales channels and impacts other parts of the value chain.

In response, the company implemented in 2023 several initiatives to protect profitability and stay competitive through the "Focus 23" programme. The objective was to increase margins and efficiency, reduce the company's cost base and to safeguard cash flow. Initiatives included portfolio optimization, renegotiations with partners and suppliers and rightsizing of operational capacity to align with prevailing consumer demand. Combined, the programme has exceeded the target in Focus2023 with NOK 200 million in run-rate cost reductions and reduced working capital by more than NOK 300 million in 2023, ensuring a more resilient business model.

The demand for Ekornes' products is continuously fluctuating and there is a risk of initiating further mitigating actions beyond those outlined above. Order intake in the beginning of 2024 suggests a continued weak market development going forward and the Group will continuously adjust its production capacity to prevailing demand through its flexible operating model.

Ekornes has production facilities in Norway, Lithuania, Thailand and the USA. This implies that the company's market, currency and sourcing risks are naturally diversified, at the same time as the company's competitiveness is affected by changes in exchange rates versus the NOK. The Group seeks to minimize this risk by various forms of hedging, including currency forward contracts.

Product development and the launch of new concepts are part of Ekornes' growth strategy. How the market responds to new products is always uncertain. In addition, there is always a risk of unforeseen operational problems which may result in costs and earnings deviating from predictions.

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 regulations 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 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, when 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 the largest individual customer representing around 3% 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 borrowings and the bond. 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-conformance. IMG's production is considered to represent a slightly higher operational risk than Stressless® production.

Supplier risk

A crucial element in Ekornes' strategy for ensuring efficient operations is reliable access to raw materials and other input factors of consistent quality, including securing distribution and transportation capacity. 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®

The somewhat weak development seen toward the end of 2022 continued in 2023 and overall revenue for the Stressless® segment was down 14%.

Tightening consumer finances from high inflation and rising living costs reduced consumers' purchasing power, impacting overall furniture demand and high-end products in particular. This development was particularly evident for Stressless in the Nordic and Europe markets, while development in North America and the Asia-Pacific region was somewhat better.

Full-year operating revenue for Stressless® ended at NOK 3 142 million, down from NOK 3 646 in 2022.

Operating earnings (EBIT) came in at NOK 91 million (305), corresponding to an operating margin of 2.9% (8.4%). The weaker margin mainly reflects higher costs, particularly for input factors, combined with an unfavourable product mix following changes to consumer patterns after the Covid-19 pandemic. However, prices on input factors have somewhat eased throughout the year and combined with positive effects from cost-reducing initiatives, Stressless® margins improved during the second half of the year.

Ekornes is continuously evaluating its product portfolio and pricing strategy to optimize the balance between prices and sales volumes.

Following a sharp decline in order intake across markets during the first three months of the year, the development in North America and the Asian markets improved throughout the year, while the development in the European markets remained weak, a trend expected to continue for the first half year of 2024.

The weak development in European markets seen towards the end of the previous year continued in 2023 and Stressless® order intake for Europe as a whole was down 19% compared to the year before. High overall inflation and the increased cost of living has impacted consumer spending, reducing visitors in stores. Lower consumer activity and increased price sensitivity among customers has required discounting campaigns to drive sales.

The Nordic markets continued to be impacted by high inflation and higher interest rates, causing lower purchasing power, with furniture and interior amongst the retail categories being the hardest hit. The high-end segment where Stressless® operates is even more impacted as consumers trade down to the mid and low segments. The higher interest rates have also brought housing sales to record low levels, impacting furniture sales further. Consequently, 2024 is expected to remain tough on the furniture business as capital-intensive products are expected to face difficult times.

To drive sales of recliners, Ekornes has introduced new models and refreshed classic models, initiatives expected to have a positive impact on sales in the coming months. While the overall economic outlook in Europe remains uncertain, these measures are expected to stimulate growth and improve sales performance.

In North America sales have come down from the elevated levels experienced during the pandemic, where North America was the main driver of strong sales. High inflation and tight household finances have led to somewhat lower activity and sales. However, with inflation slowing in the region, interest rates may have peaked. Shipping rates to the US markets have also continued to decline, positively affecting cost levels. Over the years Stressless® has gained a strong market position in the region, and even though sales were down from last year, North America remains the best-selling market for Stressless®.

In Asia-Pacific, order intake softened during the year with an overall decline of some 12%. Sales were down as the recovery in demand was weaker than expected and consumer finances are stressed in line with other regions. This was particularly the case for Australia and New Zealand where the share of mortgage holders struggling to pay rents is at its highest in 15 years.

Entering the year, markets were still impacted by Covid-19 related restrictions. However, market activity picked up and traffic in stores rose as restrictions were gradually lifted throughout the year. The trend on order intake was further supported by successful launches of new products in stores and at furniture fairs, particularly in Japan.

In China, consumer spending continues to recover after three years of the Covid-19 pandemic. However, consumers are cautious as the national debt crisis caused by the weak real estate market impacts the Chinese economy. Despite the challenging environment, Ekornes delivered increased revenues from this market. With the continuous development of the Chinese economy and the rise of young consumers, imported furniture has increased its penetration from wealthy families to include middle-class families as well. The market is growing, but market competition is also more intense. The strategic ambition for Stressless® in the Chinese market remains firm, building a broad network of mono-brand Stressless® showrooms, and during 2023, 12 new stores were opened in 11 cities and the future expansion plan is under development.

The ability to deliver relevant products with short delivery times is core to Ekornes and has been crucial for the performance of the Group, supported by a comprehensive distribution network and a favourable diversification of raw material sourcing and market presence. However, to optimize production and maintain economies of scale, Ekornes will focus on product portfolio refinement to improve margins going forward.

Continuously developing the product line of the world-famous Stressless® brand is a main priority. Efforts are ongoing to revamp existing recliners while at the same time introducing new innovative products. Furthermore, Stressless® will focus on maintaining and utilizing its strong market position in core markets to expand and grow sales. Together with a proven and flexible operating model, Stressless® is building a solid foundation for long-term profitable growth.

IMG

Following a weak start of the year compared to a strong 2022, IMG order intake gradually picked up throughout 2023, ending the year with a 3% increase. The performance was especially driven by orders from Europe, which continues to gather momentum as an expansion region for IMG. Gross operating revenues for the year ended at NOK 825 million, compared with NOK 994 million in 2022.

Operating earnings ended at NOK 12 million (62), corresponding to a margin of 1.4% (6.2%). In addition to the lower revenues, earnings were impacted by non-recurring costs associated with the consolidation of Asian operations in Thailand. However, operational optimization and combining production of Stressless® and IMG are expected to positively contribute to cost reductions going forward.

Following a slow start to the year, IMG sales in North America gradually picked up, stabilizing at levels from the year before, mainly driven by large orders from major retailers. The region also benefitted from production picking up pace at the Thailand facility, helped by successful launches of new recliners and power sofas.

Economically, the US picture is mixed. Consumer activity in general remains strong while furniture retail continues to lag other retail sectors. Power products are the primary movers within upholstery retail and Ekornes' portfolios include several entries in this segment.

Growing the IMG footprint in the region remains the focus, where expanding the warehouse dealer market is the priority.

In the Nordics, Ekornes sees a good development for IMG as supplier to the mid-price level for traditional furniture markets. The trend is positive with increasing market shares in most markets in the region. However, the development going forward is expected to be challenging for the retail market and particularly for high capital investment products like furniture. Interest rates in the Nordics continued to increase during the fourth quarter 2023, and the full effect will be seen in the first half of 2024. Main priorities for Ekornes going forward are to prepare for new product launches and maintain market positions.

Australia is the largest market for IMG in the Asia-Pacific region. Compared to a strong performance in recent years, the development in 2023 was somewhat subdued, with order intake down some 15% year over year. Going forward, Australian furniture markets are expected to remain weak as high inflation reduces consumer spending. Profit margins, however, increased steadily throughout 2023, mainly driven by strategic price increases and promotional offer management. Alongside easing Covid-19 restrictions, the Chinese marked saw a gradual recovery in demand throughout the year, with a positive development in Japan and India further supporting sales.

IMG remains focused on right-sizing operations to match expected demand. Throughout the year Ekornes has put significant efforts into increasing operational efficiency and streamlining the product portfolio. Along with activity picking up in Asia, these efforts are expected to positively impact performance going forward.

Svane®

Low demand for beds and mattresses continued to weigh on Svane® performance during the year, with operating revenues ending at NOK 253 million, down 12% from NOK 288 million in 2022. Earnings improved, however, with EBIT ending at NOK 5 million compared to negative NOK 10 million in 2022.

The Norwegian market was characterized by demand for lower-priced products as customers' purchasing power has weakened, reducing demand for high-quality products in the Svane® product offering. The category is increasingly dominated by larger retailers' own brands with an increasing share of sales online, negatively impacting the development for branded products. Margin pressure remains within all segments, with a push for reduced prices as prices on components and other input materials are coming down.

However, the middle and high-end segments outperformed the cheaper products toward the end of the year, Ekornes adapted accordingly by focusing efforts and stimulating sales of the premium Svane® products which carry the highest margin, and downscaled production of the lowest priced products. Combined with strict cost focus, this resulted in a positive earnings development in the final quarter of the year.

In Central Europe, the market for beds and mattresses was characterized by lower traffic in stores, but higher revenues per visitor. Customers responded well to retailers' market activity supporting sales particularly in the low- to mid-price segment. Despite this, Svane® performed well in the high-end segment. A successful launch of new mattresses gives Svane® a positive outlook in Central Europe.

Sales in Danmark and Sweden were impacted by few visitors in stores and corresponding weak sales. Responding to the challenging market conditions, Svane® launched new products and targeted discount campaigns.

Entering 2024, the overall market for beds and mattresses is expected to come somewhat down. With continued demand for low-end products, focus on own brands among retailers, combined with fierce competition for market shares, margins are expected to come under pressure throughout the value chain.

Production

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

The overall capacity varies also 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.
Due to the slowdown in demand toward the end of 2022 and through 2023, Ekornes has executed two rounds of capacity reductions at some of the production facilities. Ekornes has also leveraged synergies through cross-productional collaboration between production sites. Production capacity may also be rightsized through adjustments in working hours or number of employees. This applies 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.

No material transactions were undertaken with related parties during the period.

The working environment and the employees

Ekornes recognizes that its employees are the Group'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. As at 31 December 2023, Ekornes employed a total of 2 784 people. Of the total number of employees, 64% work outside 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 14 lost-time injuries in 2023. This gives an H1-value for the period of 2.6 compared to 4.7 to the year before. The Group had a sickness absence rate of 3.7% in 2023, compared to 4.2% the year before.

See the chapter "Sustainability report" and section "Improving social engagement" for more information.

Sustainability

The Ekornes Group has made quality furniture for over 80 years. Sustainability has been part of our heritage and history throughout that time. We aim to make more from less and continue to produce long-lasting quality products that reduce the environmental footprint through the lifecycle. Our mindset is that a sustainable Ekornes shares the value it creates between its shareholders, employees and the communities affected by its operational activities.

Ekornes aims to take a leading position in creating a more sustainable value chain. Our efforts will not alone change the world, but we aim to make a difference and set new standards for our industry.

See the chapter "Sustainability report" for more information.

Report on corporate governance

Risk management and internal control

The board of directors places a high priority on managing risk and has and is responsible to ensure that the company has good risk management and internal controls in accordance with the regulations that apply to its business activities.

The board conducts an annual review of the company's most important areas of risk exposure, and its internal control arrangements. Ekornes' risk management is based on the principle that risk assessment is an integral part of all business activities. As a company with global operations, Ekornes is exposed to various risk factors of a financial and operational nature, which may affect business activities and the company's financial position.

The systems and procedures related to risk management and internal control shall ensure efficient operations, timely and correct financial reporting, and compliance with the laws and regulations to which the company is subject. The rules and guidelines take into account the extent and nature of the company's activities and the integration of stakeholder considerations in the company's value creation through its corporate values, ethical guidelines and corporate social responsibility policies.

The internal control systems relating to the field of accounting/finance comprise job descriptions, procedures, control routines and guidelines/templates for organizing and performing the company's financial reporting and for its content/quality. Together with supervision of the organization and performance of Health, Safety and Environment activities, this is intended to ensure that the company operates in compliance with relevant laws and regulations, and its internal rules and guidelines.

Evaluation of operational risk, which includes marketing and sales developments, production and developments in the raw materials markets, are among those areas that are continuously reported to and reviewed by the board of directors. Relevant areas of risk, including exchange rates, HSE, internal auditing, finance and IT, as well as strategic risk, are reviewed no less than once a year. Ekornes considers it important that the Group's values and ethical guidelines form an integral part of its business operations. The company guidelines, laid down in "Objectives and Values for the Ekornes Group" and "Code of Conduct", provide guidance for employees in order to reduce the possibility of the company being placed in situations that may harm its reputation or financial standing. It is expected that employees and business associates comply with them. In addition, routines have been established for the reporting and follow-up of wrongdoing and other causes for concern, and efforts are constantly being made to further develop and follow up the Group's corporate social responsibility.

Ekornes QM Holding AS and Ekornes AS have no provisions in the articles of association that regulate the appointment and replacement of members of the board of directors.

Ekornes QM Holding AS and Ekornes AS have no provisions in the articles of association, and have no mandates that authorize the board of directors to resolve that the Issuer shall buy back or issue own shares.

Management reports monthly to the board of directors on key operational developments, including project risk assessments, and on financial performance. In addition, quarterly financial reports are prepared and distributed to the financial market, in accordance with the Oslo Stock Exchange's recommendation.

The Transparency Act

The act relating to enterprises' transparency and work on fundamental human rights and decent working conditions (the Transparency Act) entered into force on 1 July 2022. The Transparency Act is applicable to the Ekornes Group, and the group must comply with the obligations of the Transparency Act as at 1 July 2022.

The core of the Transparency Act is the company's duty to carry out due diligence on fundamental human rights and decent working conditions in line with the OECD Guidelines for Multinational Enterprises. The duty to carry out due diligence requires the Company to identify, assess, prevent, and mitigate possible adverse impacts on fundamental human rights and decent working conditions. The due diligence shall include an assessment of the Company's own operations, its supply chains and business partners.

The Transparency Act further imposes an obligation on Ekornes to publish an account of the information the group has become aware of during its due diligence. The purpose is to ensure the public access to information about the Group's due diligence and the results thereof. The statement is available on https://www.ekornes.com/en/sustainability.

Insurance for board members and general manager

Ekornes has liability insurance for directors and officers in all Group companies and the insurance covers claims made anywhere in the world resulting from a claim first made against insured persons during the policy period. The limit of liability is NOK 100 million per claim and in the annual aggregate.

Shares and shareholders

At the close of 2023, Ekornes QM Holding AS had a total of 30 000 outstanding shares, all of which were held by one shareholder Qumei Runto S.á.r.l. in Luxembourg.

As at 31 December 2023, Ekornes QM Holding AS has 100% voting and ownership in all other Group companies through Ekornes AS.

Events after the balance sheet date

On 5 January 2024, Ekornes provided an operational update regarding Group initiatives to adapt to weakened demand for household appliances and furniture to secure a long-term sustainable and profitable business. The initiatives include rightsizing of operations in Norway through temporary redundancies of up to 10% of the 760 FTEs employed within production and assembly at the factories.

Although the demand for quality furniture is expected to return to normalized levels in the longer term, the length and magnitude of the current downturn remains uncertain. Ekornes has a flexible operating model and is continuously evaluating measures to ensure profitable growth.

No other 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 presented here.

Outlook

The post-pandemic slowdown in the furniture market continued through 2023 as consumer finances remain constrained from higher interest rates and the overall increase in the cost of living impacting spending capacity.

Throughout 2023, Ekornes has adapted to prevailing market conditions through several initiatives aimed at reducing cost and safeguarding profitability while delivering high-quality products timely and effectively.

These include capacity adjustments, portfolio optimization and efficiency gains, which have realized considerable cost reductions and released significant working capital.

However, with a weaker than expected second half of the fourth quarter and a slow start to 2024, the order reserve continues to decline. Although the demand for quality furniture is expected to return in the longer term, the length and magnitude of the current downturn remain uncertain. The company sees the next 6-12 months as challenging and is prepared to initiate further initiatives if required, ensuring resilience and long-term competitiveness.

A key priority in current market conditions is to offer relevant products through targeted and precise marketing campaigns. These include pushing sales of the high-margin products and continued optimization and simplification of the product portfolio, supporting further inventory reductions. However, a slower pace is expected as further optimizations will take longer to materialize.

The company also maintains its core focus on continuously improving operational efficiency across operations and organization, particularly for power products. The lineup has experienced strong growth since its introduction in 2019. However, the category is still in its early phase and with complex production and assembly processes, it will take time to reach efficiency and profitability as for traditional product portfolio. To support product innovation, increased efficiency and development of production facilities, Ekornes also expects the longer-term investment level to increase from today's temporarily reduced levels.

Product margins in 2023 were impacted by reduced efficiency from lower volumes and high costs. Going forward, margins are expected to gradually improve as inventories reach a healthier level and effects from implemented price increases and cost reductions materialize.

Ekornes has a strong balance sheet with sound liquidity. As demand for furniture and household remains subdued, the Group will leverage its flexible operating model and strong brands of high-quality products and global distribution network.

Oslo, 22 April 2024
The board of Ekornes QM Holding AS

Ruihai Zhao	Mogens Falsig
Chair	Director and CEO

Ekornes QM Holding Group

Consolidated financial statements

Consolidated income statement

(Figures in NOK 000)	Notes	Y 2023	Y 2022
Operating revenues	2	**4 219 006**	**4 928 153**
Cost of goods sold	14	1 480 731	1 632 158
Payroll expenses	3 , 4	1 170 811	1 289 020
Depreciation and write downs	11 , 12	324 021	319 551
Other operating expenses	5 , 6, 12	1 104 613	1 308 720
Net other losses (gains)	20	33 914	23 254
Total operating expenses		**4 114 090**	**4 572 702**
OPERATING EARNINGS	2	**104 916**	**355 451**
Financial income and expenses			
Financial income	7	91 994	33 905
Net gains (losses) on foreign exchange	7	44 784	39 459
Financial expenses	7	385 495	263 697
Net financial items		**-248 717**	**-190 333**
Earnings before tax		**-143 800**	**165 118**
Tax expense	8	-3 297	26 559
EARNINGS FOR THE YEAR		**-140 503**	**138 559**
Basic earnings per share	9	-4 683,4	4 618,62
Diluted earnings per share	9	-4 683,4	4 618,62

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

Consolidated statement of comprehensive income

(Figures in NOK 000)	Y 2023	Y 2022
Earnings for the year	**-140 503**	**138 559**
Other comprehensive income		
Items which may be reclassified to profit and loss		
Translation differences	48 848	134 326
Total other comprehensive income	**48 848**	**134 326**
Total Comprehensive Income For The Period	**-91 655**	**272 885**

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

Consolidated balance sheet

(Figures in NOK 000)	Notes	31.12.2023	31.12.2022
ASSETS			
Non-current assets			
Buildings and sites	11	897 837	945 227
Machinery and equipment	11	231 350	266 919
Operating movables and fixtures	11	24 269	29 259
Asset under construction	11	20 953	21 234
Right-of-use assets	12	208 686	213 383
Total property, plant and equipment		**1 383 094**	**1 476 023**
Software and licences	11	50 081	47 574
Goodwill	11	1 561 115	1 561 115
Customer relations	11	1 175 475	1 194 154
Brand name	11	1 439 495	1 480 168
Deferred tax assets	8	129 699	96 795
Total non-current intangible assets		**4 355 865**	**4 379 805**
Other receivables and investments		24 269	23 077
Total non-current financial assets		**24 269**	**23 077**
Non-current assets classified as held for sale	11	**16 835**	**0**
Total non-current assets		**5 780 064**	**5 878 906**
Current assets			
Inventory	14	715 538	1 197 183
Trade receivables	15	517 775	474 248
Value of forward contracts	20	20 735	0
Other short-term receivables	13	90 341	125 714
Cash and bank deposits	16	835 314	428 879
Total current assets		**2 179 703**	**2 226 024**
TOTAL ASSETS		**7 959 767**	**8 104 930**

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

Consolidated balance sheet (contd.)

(Figures in NOK 000)	Notes	31.12.2023	31.12.2022
Contributed equity			
Share capital	17	150	120
Premium paid		3 159 324	2 807 354
Total contributed equity		**3 159 474**	**2 807 474**
Retained earnings			
Translation difference		242 055	193 207
Other equity		214 671	355 174
Total retained earnings		**456 726**	**548 381**
Total equity		**3 616 200**	**3 355 855**
Non-current liabilities			
Pension liabilities	3	7 143	7 401
Provisions		5 545	3 631
Deferred tax	8	773 669	783 786
Lease liabilities	12	164 556	171 803
Interest-bearing debt - Bond	18	1 187 660	0
Interest-bearing debt - Bank	18	1 498 938	0
Total non-current liabilities		**3 637 512**	**966 621**
Current liabilities			
Trade payables		172 073	189 918
Public charges payable		59 878	65 552
Tax payable	8	33 786	47 626
Value of forward contracts	20	0	2 653
Interest-bearing debt - Bank	18	96 000	1 037 500
Interest-bearing debt - Bond	18	0	2 020 000
Other current liabilities	13	281 714	361 093
Lease liabilities	12	61 434	58 112
Total current liabilities		**704 884**	**3 782 453**
Liabilities classified as held for sale	**11**	**1 171**	**0**
Total liabilities		**4 343 567**	**4 749 075**
TOTAL EQUITY AND LIABILITIES		**7 959 767**	**8 104 930**

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

Oslo, 22 April 2024

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 2023	Y 2022
Cash flows from operating activities			
Earnings before tax (EBT)		-143 800	165 118
Tax paid for the period	8	-46 731	-139 776
Depreciation and write downs	11 , 12	324 021	319 551
Change in inventory	14	481 645	75 136
Change in trade receivables	15	-43 527	-25 348
Change in trade payables		-17 845	-142 217
Change in other time limited records		-101 592	88 059
Net cash flow from operating activities		**452 171**	**340 523**
Cash flows from investing activities			
Proceeds from sale of PP&E	11	779	9 748
Payments for purchase of PP&E	11	-68 232	-155 068
Net Cash flows from investing activities		**-67 453**	**-145 320**
Cash flows from financing activities			
Payment of lease liabilities	12 , 19	-71 643	-61 950
Proceeds from issue of share capital	17	352 000	0
Proceeds from bond borrowings	18	1 200 000	0
Repayment of bond borrowings	18	-2 020 000	0
Repayment of bank borrowings	18	-1 037 500	-50 000
Proceeds from bank borrowings	18	1 600 000	0
Net cash flow from financing activities		**22 857**	**-111 950**
Change in net cash & cash equivalents		**407 575**	**83 253**
Effect of exchange gains / (losses) on cash and cash equivalents		-1 140	-4 457
Net cash & cash equivalents at the start of the period	16	428 879	350 083
Net cash & cash equivalents at the close of the period	**16**	**835 314**	**428 879**
Restricted cash at the end of the period		21 932	149 299
Unrestricted cash at the end of the period		813 382	279 579

In the statement of cash flow, cash and bank deposits are recognised as cash. The restricted cash at 31 December 2023 are related to the payment of employee tax deductions in Norway.

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 equity
Equity 31.12.2021	**120**	**2 807 354**	**58 881**	**216 615**	**3 082 970**
Earnings for the period	0	0	0	138 559	**138 559**
Other comprehensive income	0	0	134 326	0	**134 326**
Equity 31.12.2022	**120**	**2 807 354**	**193 207**	**355 174**	**3 355 855**
Equity 31.12.2022	**120**	**2 807 354**	**193 207**	**355 174**	**3 355 855**
Earnings for the period	0	0	0	-140 503	**-140 503**
Other comprehensive income	0	0	48 848	0	**48 848**
Capital increase	30	351 970	0	0	**352 000**
Equity 31.12.2023	**150**	**3 159 324**	**242 055**	**214 671**	**3 616 200**

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 Ikornnes.

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 eight factories. The Group has five factories in Norway, one in the USA, one in Thailand and one factory in Lithuania. 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 2023 were approved at a board meeting on 22 April 2024. The consolidated financial statements were proposed for final adoption at the ordinary General Meeting on 26 April 2024.

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 equable 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 FRS Accounting Standards which have been adopted by the EU and are mandatory for financial years beginning on or after 1 January 2023, and Norwegian disclose requirements listed in the Norwegian Accounting Act as of 31.12.2023.

CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

No changes in IFRS effective for the 2023 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 2023. As at 31 December 2023, Ekornes QM Holding AS has 100% voting and ownership in all other group companies through Ekornes AS.

See Note 21 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.

For all foreign operations, the translation differences are presented on separate line under equity (reserve for translation differences).

(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) 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.

(D) 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.

(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.

(E) TRADE AND OTHER RECEIVABLES
Trade and other receivables are stated at cost less a provision for bad debts.

(F) 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.

(G) 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 at the higher of the asset or cash-generating entity's fair value less sales costs and value in use.

(H) 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.

(I) 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.

(J) REVENUE
(i) Revenue
IFRS 15 requires that the Group, for each contract with a customer, identify performance obligations, determine the transaction price, match the transaction price to the performance obligation if the contract encompasses more than one performance obligation, 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's most important performance obligation derives from products made to the customer's specification and orders. To determine at when the performance obligation 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 performance obligation 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. At the point when the performance obligation 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 requires the exercise of discretionary judgement.

A breakdown of The Group's operating revenues by segment and customer location may be found in Note 2 "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.

(K) LEASES
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.

(L) 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.

(M) 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 2 includes a numerical list of the segments that comply with Ekornes' internal segment reporting.

(N) 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 2 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 2023	Y 2022
Operating revenues by product area		
Stressless®	3 141 558	3 645 856
IMG	824 548	994 277
Svane®	252 901	288 021
Total	**4 219 006**	**4 928 153**
EBITDA per segment		
Stressless®	322 082	538 107
IMG	101 990	145 756
Svane®	8 315	-6 773
Other/eliminations *	-3 449	-2 088
Total	**428 937**	**675 002**
*Other / eliminations contain results from activities carried out by the parent company in the group.		
EBIT per segment		
Stressless®	91 444	305 368
IMG	11 700	62 041
Svane®	5 222	-9 869
Other/eliminations *	-3 449	-2 088
Total	**104 916**	**355 451**
* Other / eliminations contain results from activities carried out by the parent company in the group.		
Operating revenues by market		
Norway	489 961	571 429
Other Nordic	165 763	218 315
Central Europe	726 503	812 983
Southern Europe	279 144	281 147
UK/Ireland	321 941	363 632
USA/Canada/Mexico	1 499 873	1 888 112
Japan	129 544	130 845
Australia	308 733	372 786
China	179 977	159 542
Other Markets	117 567	129 362
Total	**4 219 006**	**4 928 153**

Note 3 Salary and personnel expenses

(Figures in NOK 000)	2023	2022
Payroll expenses	968 194	1 082 286
Employer's national insurance contributions	99 737	107 471
Pensions	53 371	61 302
Other personnel costs	49 508	37 961
Total personnel expenses	**1 170 811**	**1 289 020**
Average number of full-time equivalents	2 703	3 330

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. If the board terminates the CEO, 12 months' salary without holiday pay and pension will be paid after the ordinary notice period of 6 months.

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 53,4 (61,3) 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
The accumulated pension liabilities as at 31 December 2023 are related to the defined benefit plans in Japan and France. The pension liabilities are calculated by actuaries and presented below. Based on the limited participation and liabilities, the plans are considered of low materiality and significance for the Group.

(Figures in NOK 000)	31.12.2023	31.12.2022
Accumulated pension liabilities	7 143	7 401

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 2023. 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 2023, as well as those retiring during 2023, are entitled to receive a bonus for 2023. For accounting purposes, the bonus is treated as a cash bonus.

See Note 4 for details of remuneration and salary paid to CEO and board of directors.

Note 4 Remuneration to group management and board of directors

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. Ekornes AS had MNOK 33,1 in revenue related to sales to Qumei Home Furnishings Group in 2023.

Individual bonus agreements were entered into with group management for 2023. The bonuses payable to group management are included in salary in the table below. The following tables show the renumeration to CEO, as well as to the members of the boards of operating company Ekornes AS and the Group.

Remuneration to CEO in 2023

(Figures in NOK 000)	Salary	Benefits in kind	Pension cost	Total remuneration
Fredrik Ødegård Nilsen - Interim CEO to 10 September 2023	3 082	4	99	**3 142**
Tine Hammernes Leopold - Appointed from 11 September 2023	1 145	0	99	**1 244**
Total remuneration	**4 226**	**4**	**199**	**4 386**

Remuneration to CEO in 2022

(Figures in NOK 000)	Salary	Benefits in kind	Pension cost	Total remuneration
Roger Lunde	9 481	184	83	**9 749**
Fredrik Ødegård Nilsen - Interim CEO from 23 Nov 2022	292	10	5	**306**
Total remuneration	**9 773**	**194**	**88**	**10 056**

Remuneration to Board of directors

(Figures in NOK 000)	2023	2022
Total remuneration	**3 425**	**3 535**

NOTE 5 Other operating expenses

(Figures in NOK 000)

Breakdown of other operating expenses	2023	2022
Transport and other distribution cost	372 409	500 100
Marketing cost	167 533	213 348
Commission to representatives	85 968	101 890
Market support	70 690	74 067
ICT Cost	75 853	88 958
Maintanance expenses	42 499	52 650
Guarantee cost of returns/warranties	87 108	69 861
Other	202 553	207 846
Total	**1 104 613**	**1 308 720**

The following is related to renumeration to auditor, both group auditor and other auditors:

(Figures in NOK 000)

Breakdown of auditing fees	2023	2022
Statutory auditing services	9 954	9 962
Other certification services	564	44
Other non-auditing services	251	283
Tax advisory services	648	781
Total	**11 417**	**11 070**

Auditing fees are stated ex. VAT.

NOTE 6 Research & Development

In 2023, research and development costs totalling NOK 44,0 million (NOK 49,6 million in 2022) 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 2023 (NOK 0 million in 2022).

NOTE 7 Net financial items

(Figures in NOK 000)	2023	2022
Interest income	90 650	33 878
Financial income	1 344	27
Total financial income	**91 994**	**33 905**
Gain/(loss) on foreign exchange	**44 784**	**39 459**
Interest expenses*	382 573	259 436
Financial expenses	2 923	4 261
Total financial expense	**385 495**	**263 697**
Total financial items	**-248 717**	**-190 333**

***Refinancing bond and bank loan March 2023**
On 10 March 2023, Ekornes QM Holding AS issued a NOK 1 200 million senior secured floating rate bond issue due 10 September 2026 with ticker EKO02 (ISIN: NO0012855537). The net proceeds from the bond issue was used to refinance (in whole) the outstanding bond issue with ticker EKO01 (ISIN: NO0010848401) and general corporate purposes. In conjunction with the new bond issue, Ekornes bought back EKO01 bonds from existing bondholders participating in the new bond issue, at a price of 103% of par. Ekornes called the remaining EKO01 bonds at a price of 101,84% of par and the bond was repaid on 30 March 2023.

Ekornes QM Holding AS has in March 2023 obtained NOK 1 600 million in term loan from DNB and Sparebanken Møre to refinance its exisiting debt. The old loans were repaid to DNB and Sparebank Møre on 30 March 2023.

Transaction costs related to the issue of the bond and the bank loan has been amortized over the period from the settlement date to the maturity date of the bond and bank loan. 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 income statement over the period.

NOTE 8 Tax related costs

(Figures in NOK 000)

Tax expense included in net result:	2023	2022
Period taxes:		
Tax payable in the period	54 942	46 586
Deffered tax		
Changes in deferred tax liability	-58 239	-20 027
Tax expense	**-3 297**	**26 559**

Expensed tax payable is higher that the Group`s tax payable in the balance sheet as of 31. December 2023. This is because parts of the year`s tax payable in foreign subsidiaries has been paid in advance.

NOTE 8 Tax related costs (contd.)

(Figures in NOK 000)

Reconciliation of effective tax rate:	2023	2022
Earnings before tax	**-143 800**	**165 118**
Tax calculated at 22% (22 %)	-31 636	36 326
Effect of other tax rates	26 280	929
Permanent differences	551	11 281
Adjustment in respect of current income tax of previous years	1 507	-21 976
Tax expense	**-3 297**	**26 559**
Deferred tax assets	129 699	96 795
Deferred tax liabilities	773 669	783 786
Net deferred tax	**-643 971**	**-686 991**

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 2023, the Group had a tax-loss carryforward of NOK 131.9 million. NOK 123 million of this was capitalised as at 31 December 2023. Deferred tax assets relating to tax-loss carryforwards in two of our subsidiaries have not been recognised as at 31 December 2023 since the companies does not expect to utilise the loss in the foreseeable future.

Net deferred tax	2023	2022
Intangible assets	-658 937	-657 504
Property, plant & equipment	-80 671	-95 964
Inventory	62 054	46 441
Receivables	1 902	1 998
Pensions	2 636	2 886
Provisions	11 202	8 475
Other items	-9 390	2 474
Tax-loss carried forward	27 233	4 204
Net Deferred tax at 31.12	**-643 971**	**-686 991**

The Group's carry forward tax deficit has the following maturity:	31.12.2023	31.12.2022
2027	0	4 776
No final maturity date	27 233	8 590
Total tax loss carryforward	**27 233**	**13 366**

NOTE 9 Earnings per share

	2023	2022
Profit for the period	-140 503 184	138 558 690
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	-4 683,44	4 618,62
Diluted earnings per share	-4 683,44	4 618,62

There are no instruments with a diluting effect.

NOTE 10 Estimation uncertainty

In the process of applying the Group's accounting policies in according to IFRS, management has made several judgements and estimates. All estimates are assessed to the most probable outcome based on the managements best knowledge. Changes in key assumptions may have significant effect and may cause material adjustments to the carrying amounts of assets and liabilities, equity and the profit for the year.

The group's most significant accounting estimates relate to the following items:
• Impairment assessment incl valuation of goodwill, write-downs on property, plant & equipment and intangible assets
• Write-down of inventory to net realisable value
• Provision for expected credit losses on trade receivables

Impairment assessments (see note 11 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.

Write-down of inventory to net realisable value
The cost of inventories may not be recoverable if those inventories are damaged, if they have become wholly or partially obsolete, or if their selling prices have declined. The cost of inventories may also not be recoverable if the estimated costs of completion or the estimated costs to be incurred to make the sale have increased. The practice of writing inventories down below cost to net realisable value is consistent with the view that assets should not be carried in excess of amounts expected to be realised from their sale or use.

A new assessment is made of net realisable value in each quarterly reporting. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realisable value because of changed economic circumstances, the amount of the write-down is reversed (i.e. the reversal is limited to the amount of the original write-down) so that the new carrying amount is the lower of the cost and the revised net realisable value.

Provision for expected credit losses of trade receivables
The Group uses a provision matrix to calculate expected credit losses for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and expected credit losses is a significant estimate. The amount of expected credit lossess is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

NOTE 11 Property, Plant, Equipment and Intangible assets

(Figures in NOK 000)	Sites and buildings	Machinery and equipment	Operating movables	Asset under construction	Total
Acquisition value 1.1.2023	**1 834 568**	**1 202 593**	**130 689**	**21 234**	**3 189 083**
+ additions	12 106	24 686	5 070	15 104	**56 967**
+/- reclassification*	-11 265	11 053	0	-15 513	**-15 725**
- disposals	-975	-37 429	-6 403	0	**-44 807**
Currency exchange differences	11 420	5 868	2 221	127	**19 636**
Acquisition value 31.12.2023	**1 845 854**	**1 206 770**	**131 576**	**20 953**	**3 205 154**
Accumulated dep. and write-downs 1.1.2023	**889 341**	**935 673**	**101 429**	**0**	**1 926 443**
Depreciations and write-downs in 2023	57 500	72 312	9 092	0	**138 904**
- Acc. depreciation on operating assets sold	-613	-34 272	-5 850	0	**-40 735**
Currency exchange differences	1 790	1 706	2 637	0	**6 133**
Accumulated dep. And write-downs 31.12.2023	**948 017**	**975 420**	**107 307**	**0**	**2 030 744**
Book value 31.12.2023	**897 837**	**231 350**	**24 269**	**20 953**	**1 174 409**

Held for sale
On 4 January 2023, Ekornes announced that the group will concentrate operations in Thailand, discontinue activities in Vietnam, and reduce the workforce by approximately 700 FTEs. Ekornes has made substantial investments in the production facility in Thailand to enable the concentration of all Asian operations at one location. The two factories in Vietnam including leasing agreements will be sold and are held for sale in balance sheet 31.12.2023:

Non-current assets classified as held for sale NOK 16,8 million. MNOK 15,75 is related to assets.
Liabilities classified as held for sale NOK 1,2 million.

Acquisition value 1.1.2022	**1 797 608**	**1 188 632**	**117 114**	**26 847**	**3 130 202**
+ additions	52 299	46 798	12 365	17 300	**128 763**
+/- reclassification	10 094	12 819	0	-22 913	**0**
- disposals	-34 342	-55 928	-1 785	0	**-92 055**
Currency exchange differences	8 909	10 270	2 995	0	**22 175**
Acquisition value 31.12.2022	**1 834 568**	**1 202 593**	**130 689**	**21 234**	**3 189 084**
Accumulated dep. and write-downs 1.1.2022	**851 945**	**910 795**	**92 635**	**0**	**1 855 375**
Depreciations and write-downs in 2022	59 515	77 966	9 078	0	**146 559**
+/- reclassification	0	0	0	0	**0**
- Acc. depreciation on operating assets sold	-24 694	-55 672	-1 970	0	**-82 336**
Currency exchange differences	2 575	2 585	1 685	0	**6 845**
Accumulated dep. And write-downs 31.12.2022	**889 341**	**935 673**	**101 429**	**0**	**1 926 444**
Book value 31.12.2022	**945 227**	**266 919**	**29 259**	**21 234**	**1 262 640**

Estimated useful lives are as follows:
- Buildings 25-50 years
- Machinery & equipment 5-16 year
- Operating movables and fixtures 2-10 years
- Licences and patents 5 years
- Software 3 years
- No depreciation of Land property

Depreciation method, useful life and residual value are reassessed annually.

NOTE 11 Property, Plant, Equipment and Intangible assets (contd.)

Intangible assets
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)	Software and licenses	Goodwill	Customer relationships	Brand name	Total
Acquisition value 1.1.2023	247 116	1 561 115	1 302 291	1 656 419	**4 766 941**
+ additions	11 265	0	0	0	**11 265**
Currency exchange differences	42	0	0	0	**42**
Acquisition value 31.12.2023	**258 423**	**1 561 115**	**1 302 291**	**1 656 419**	**4 778 248**
Accumulated dep. and write-downs 1.1.2023	**199 543**	**0**	**263 093**	**176 251**	**638 887**
Depreciations and write-downs in 2023	8 778	0	68 823	40 673	**118 274**
+/- reclassification	0	0	0	0	**0**
- Acc. depreciation on operating assets sold	0	0	0	0	**0**
Currency exchange differences	21	0	0	0	**21**
Accumulated dep. And write-downs 31.12.2023	**208 342**	**0**	**331 916**	**216 924**	**757 182**
Accumulated currency translation differences 1.1.2023	**0**	**0**	**154 956**	**0**	**154 956**
Currency translation differences in 2023	0	0	50 144	0	**50 144**
Accumulated currency translation 31.12.2023	**0**	**0**	**205 099**	**0**	**205 099**
Book value 31.12.2023	**50 081**	**1 561 115**	**1 175 475**	**1 439 495**	**4 226 166**

Depreciations and write-downs includes NOK 8,7 million i write-downs for "Software and licenses" in 2023.

PPA values split per segment	Goodwill	Customer relationships	Brand name	Total
Stressless®	676 614	757 556	1 255 065	**2 689 234**
IMG	884 501	417 919	184 430	**1 486 850**
Book value 31.12.2023	**1 561 115**	**1 175 475**	**1 439 495**	**4 176 085**

NOTE 11 Property, Plant, Equipment and Intangible assets (contd.)

(Figures in NOK 000)	Software and licenses	Goodwill	Customer relationships	Brand name	Total
Acquisition value 1.1.2022	**228 436**	**1 561 115**	**1 302 291**	**1 656 419**	**4 748 261**
+ additions	26 305	0	0	0	**26 305**
- disposals	-7 690	0	0	0	**-7 690**
Currency exchange differences	65	0	0	0	**65**
Acquisition value 31.12.2022	**247 116**	**1 561 115**	**1 302 291**	**1 656 419**	**4 766 941**
Accumulated depreciation 1.1.2022	**192 362**	**0**	**200 157**	**135 578**	**528 096**
Depreciations and write-downs in 2022	10 394	0	62 936	40 673	**114 003**
+/- reclassification	0	0	0	0	**0**
- Acc. depreciation on operating assets sold	-3 234	0	0	0	**-3 234**
Currency exchange differences	22	0	0	0	**22**
Accumulated depreciation 31.12.2022	**199 542**	**0**	**263 093**	**176 251**	**638 886**
Accumulated currency translation differences 1.1.2022	**0**	**0**	**60 261**	**0**	**60 261**
Currency translation differences in 2022	0	0	94 695	0	**94 695**
Accumulated currency translation 31.12.2022	**0**	**0**	**154 956**	**0**	**154 956**
Book value 31.12.2022	**47 574**	**1 561 115**	**1 194 154**	**1 480 168**	**4 283 011**

Depreciations and write-downs includes NOK 9,4 million i write-downs for "Software and licenses" in 2022.

PPA values split per segment	Goodwill	Customer relationships	Brand name	Total
Stressless®	676 614	759 132	1 283 163	**2 718 909**
IMG	884 501	435 022	197 005	**1 516 528**
Book value 31.12.2022	**1 561 115**	**1 194 154**	**1 480 168**	**4 235 437**

Impairment assessment goodwill
The Group has performed an impairment assessment of goodwill at 31 December 2023 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 2023, 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 2024 approved by the Board of Directors and a forecast period of four 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 10,1% 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 2025-2028, the average expected growth rate is expected to be 7,5% for Stressless® and 15% for IMG. EBITDA-margin are in the forecast periode expected to be in line with budgeted margins per segment, Stressless with a average EBITDA-margin of 15% and IMG with 19%.

Based on management impairment assessment at 31 December 2023, 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 2023. Management has performed sensitivity analysis for changes in key assumptions when estimating recoverable amount. The outcome of the sensitivity analysis performed at 31 December 2023 is presented in the table below.

NOTE 11 Property, Plant, Equipment and Intangible assets (contd.)

(Figures in NOK 000) Potential impairment at following changes in forecast period and terminal value		Stressless®	IMG
Growth in sales in forecast period	-1 %	0	-74 821
EBITDA-margin	-1 %	0	0
Dicount rate (WACC)	+1 %	0	-100 615

Intangible assets
These are some of the company's most important intangible assets:
- Registered trandemarks (Ekornes®, Stressless®, IMG og Svane®)
- Registered domains
- Patents
- Registered designs
- Distribution network (international)
- Market concept
- Product consepts
- 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 12 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) Right-of-use assets	Operating movables	Machinery and equipment	Office, warehouse and sites	Total
Acquisition cost 1.1.2023	**25 403**	**5 994**	**353 525**	**384 922**
Addition of right-of-use assets				
- New leasing agreements	4 889	133	24 611	**29 632**
- Excisting leasing agreements adjusted or extended	3 244	66	23 753	**27 062**
Disposals	0	0	-1 270	**-1 270**
Currency exchange differences	587	209	5 340	**6 136**
Acquisition cost 31.12.2023	**34 123**	**6 401**	**405 960**	**446 484**
Accumulated depreciation and impairment 1.1.2023	**17 188**	**4 267**	**150 084**	**171 539**
Depreciation	6 142	1 101	59 074	**66 316**
Disposals	0	0	-159	**-159**
Currency exchange differences	-59	-249	410	**101**
Accumulated depreciation and impairment 31.12.2023	**23 270**	**5 119**	**209 409**	**237 798**
Carrying amount of right-of-use assets 31.12.2023	**10 853**	**1 283**	**196 551**	**208 686**

NOTE 12 Leasing agreements (contd.)

(Figures in NOK 000) Right-of-use assets	Operating movables	Machinery and equipment	Office, warehouse and sites	Total
Acquisition cost 1.1.2022	**22 435**	**5 154**	**306 971**	**334 560**
Addition of right-of-use assets	3 592	915	37 893	**42 400**
- New leasing agreements	3 219	805	32 065	**36 090**
- Excisting leasing agreements adjusted or extended	373	109	5 828	**6 310**
Disposals	-569	-133	-2 936	**-3 638**
Currency exchange differences	-55	59	11 597	**11 600**
Acquisition cost 31.12.2022	**25 403**	**5 994**	**353 525**	**384 922**
Accumulated depreciation and impairment 1.1.2022	**13 123**	**2 832**	**101 284**	**117 239**
Depreciation	4 722	1 561	53 652	**59 935**
Disposals	-578	-109	-2 969	**-3 656**
Currency exchange differences	-79	-17	-1 882	**-1 978**
Accumulated depreciation and impairment 31.12.2022	**17 188**	**4 267**	**150 084**	**171 539**
Carrying amount of right-of-use assets 31.12.2022	**8 216**	**1 727**	**203 441**	**213 383**

Lease liabilities

Undiscounted lease liabilities and maturity of cash outflows	2023	2022
Less than one year	64 633	61 134
One to five years	154 149	148 773
More than five years	33 763	45 433
Total undiscounted lease liabilities	**252 545**	**255 340**
Total lease liabilities		
Current lease liabilities	61 434	58 112
Non-current lease liabilities	164 556	171 803
Total cash outflows for leases	71 643	61 950
Interest expense on lease liabilities	7 541	6 452
Short term leases and low-value leases recognized on a straight-line basis as expense	1 278	1 045

NOTE 13 Other receivables and other liabilities

(Figures in NOK 000)

Other receivables	31.12.2023	31.12.2022
Other receivables related to the production cycle	9 848	12 562
Prepayments to suppliers	2 321	9 827
Prepaid expenses	48 802	50 787
Prepaid tax and VAT refunds due	17 902	34 592
Other	11 469	17 945
Total other receivables	**90 341**	**125 714**

Other current liabilities	31.12.2023	31.12.2022
Salaries payable	135 928	185 650
Accrued bonus/market support to customers	43 134	45 061
Accrued other marketing costs	10 292	15 366
Accrued cash discounts to customers	3 272	3 621
Accrued commission to sales staff	5 498	4 570
Accrued administrative costs	11 303	10 378
Advances from customers (contract liabilities)	13 572	13 773
Accrued interest Bond	2 838	44 245
Accrued freight	7 510	14 556
Other	48 367	23 873
Total other liabilities	**281 714**	**361 093**

NOTE 14 Inventory

(Figures in NOK 000)	31.12.2023	31.12.2022
Inventory finished goods	295 153	438 980
Inventory semi-finished	70 600	110 112
Inventory raw materials	349 785	648 092
Total	**715 538**	**1 197 183**

All amounts are net after write-downs.

NOTE 15 Accounts receivable

(Figures in NOK 000)

Trade receivables	31.12.2023	31.12.2022
Receivables related to revenue from contracts with customers - external	535 025	487 094
Total accounts receivables (Gross)	**535 025**	**487 094**
Allowance for expected credit losses	17 250	12 846
Total accounts receivables (Net)	**517 775**	**474 248**

The change in provisions for bad debts is as follows:

(Figures in NOK 000)	2023	2022
Opening balance 1.1.	**12 846**	**12 929**
Actual bad debts in the year	780	2 086
Change in bad debt provisions	5 185	2 002
Closing balance 31.12.	**17 250**	**12 846**

Accounts receivables are non-interest bearing. The Group has more than 4,000 customers, with the largest group of stores accounting for around 5 per cent of sales revenues. The largest single customer accounts for around 3 per cent of total 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 16 Cash and bank deposits

(Figures in NOK 000)	31.12.2023	31.12.2022
Cash and bank deposits	835 314	428 879

In the statement of cash flow, cash and bank deposits are recognised as cash. Total restricted cash is NOK 21,9 million at 31.12.2023 (NOK 149,3 millon at 31.12.2022). The restricted cash at 31 December 2023 are related to the payment of employee tax deductions in Norway.

All the Norwegian subsidiaries in the Ekornes Group and its subsidiaries in Finland, Lithuania, Denmark, France, UK and the US 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. See also Note 18.

As of 31.12.2023, the Group had the following currency exposure with respect to its group account scheme:

Currency	Amount in 000 currency	Exchange rate 31.12.2022	Amount in 000 NOK
NOK	511 767	1,00	511 767
USD	4 772	10,17	48 546
GBP	1 058	12,93	13 683
DKK	6 547	1,51	9 875
JPY	47 678	0,07	3 428
SEK	615	1,01	623
Total deposits in group account scheme			**587 922**
EUR	-1 483	11,24	-16 673
AUD	-2 020	6,91	-13 962
SGD	-225	7,70	-1 732
NZD	-38	6,42	-245
Total drawn down on group account scheme			**-32 612**
Total group account			**555 310**

NOTE 17 Shares and shareholders

The Norwegian ultimate parent company Ekornes QM Holding AS is a subsidiary of Qumei Home Furnishing Group Co., Ltd in China. Qumei Home Furnishing Group Co., Ltd is listed on Shanghai Stock exchange. Qumei Group owns 94,12% of the shares in Qumei Runto S.à.r.l and Hillhouse investment owns the remaining shares.

As at 31 December 2022 and 31 December 2023, Ekornes QM Holding's registered share capital comprised 30 000 ordinary shares. Following a capital injection the face value of all shares increased from NOK 4.00 as at 31 December 2022 to a face value of NOK 5.00 as at 31 December 2023. 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 at 31 December 2022 or 31 December 2023.

The calculation of earnings per share and diluted earnings per share is shown in Note 9 Earnings per share.

As at 31 December 2022 and 31 December 2023, the company's sole shareholder was

Shareholder	Country	No. of shares held	Percentage
Qumei Runto S.à.r.l.	Luxembourg	30 000	100 %

As at 31 December 2022 and 31 December 2023, the board has been granted the following authorisations:
The board has been granted no authorisations.

NOTE 18 Interest-bearing loans and credits facilities

The Group regularly assesses its capital structure and risk profile. Total interest-bearing debt as at 31 December 2023 amounted to NOK 2 782.6 million (NOK 3 057,5 million in 2022). In March 2023, Ekornes successfully refinanced outstanding debt with a NOK 1 200 million bond loan and bank facility of NOK 1 600 million with DNB and Sparebank Møre.

The new financing structure strengthens the financial position and supports the strategy for long-term profitable growth.

Long-term borrowing agreement 31 December 2023
Ekornes QM Holding AS has in March 2023 obtained NOK 1 600 million in term loan from DNB and Sparebanken Møre to refinance its exisiting debt. The old loans were repaid to DNB and Sparebank Møre on 30 March 2023.

The loan is secured with a share pledge in Ekornes AS and material sales companies in Germany, UK and US. The loan has quarterly installments at NOK 32 million,- four times per year with the first instalment 30 June 2024. Interest expenses are paid quarterly. Final maturity in March 2026. NOK 96 million are classified as short term borrowing 31. December 2023.

Since the refinancing and as at 31 December 2023, Ekornes was compliant with all covenant requirements in the bank agreement. The leverage ratio for the bank loan at the end of the fourth quarter 2023 was 2.32 well below the maximum allowed. The calculation for the bank leverage ratio do not include the bond.

Ekornes AS has also NOK 175 million in undrawn overdraft facility in DNB and Sparebanken Møre at 31 December 2023.

Senior Secured Bond at 31 December 2023
On 10 March 2023, Ekornes QM Holding AS placed NOK 1,200 million in 3.5-year senior secured floating rate bonds due 10 September 2026 with ticker EKO02 (ISIN: NO0012855537). The net proceeds from the bond issue was used to refinance (in whole) the outstanding bond issue with ticker EKO01 (ISIN: NO0010848401) and general corporate purposes. The bond is secured with a share pledge in Ekornes QM Holding AS. No instalments are payable before maturity in September 2026 and interest expenses are paid quarterly. NIBOR is adjusted at the end of each quarter and at 31. December 2023 the coupon was 12,62%. From 11 March 2024 the coupon is 10,7%.

The application for the EKO02 bonds to be listed on the Oslo Stock Exchange was approved by the Financial Authority of Norway 29 June 2023. In conjunction with the new bond issue, Ekornes bought back EKO01 bonds from existing bondholders participating in the new bond issue, at a price of 103% of par. Ekornes called the remaining EKO01 bonds and the bond was repaid on 30 March 2023.

(Figures in NOK 000)

Currency	NOK
Issue Amount	1 200 000
Nibor 3M	4,62 %
Margin	8,00 %
Coupon	12,62 %
Tenor / redemption:	42 months /3,5 years
Settlement Date:	10.03.2023
Maturity Date:	10.09.2026

NOTE 18 Interest-bearing loans and credits facilities (contd.)

The changes in interest-bearing debt through the period 1. January to 31. December 2023 are as follows:

(Figures in NOK 000)

External interest-bearing debt	Bond	Bank loan	Total
Opening balance 1. January	**2 020 000**	**1 037 500**	**3 057 500**
Repayment of borrowings	-2 020 000	-1 037 500	-3 057 500
Bond issue/new borrowings	1 200 000	1 600 000	2 800 000
Net Amortization borrowing cost	-12 340	-5 062	-17 401
Closing balance external debt 31. December	**1 187 660**	**1 594 938**	**2 782 599**

NOK 96 million of the bank debt are classified as short term borrowing 31. December 2023. The bond and bank debt is measured at amortized cost using the effective interest method. The effective interest method amortisation is included as finance cost in the income statement.

Other current liabilites include accrued bond interest of 8.8 million and accrued bank interest of 0.6 million. The interest was paid in March 2024.

Financial covenants related to the bond
The bond agreement is subject to a set of financial covenants, including a minimum liquidity of NOK 350 million and a maximum leverage ratio of 8.0 at issuance. The maximum allowed leverage ratio has a gradual step-down mechanism towards 4.5 by first quarter 2025. The covenants are measured quarterly on a 12-month rolling basis for Ekornes QM Holding Group. 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.

Since the refinancing and on 31 December 2023, Ekornes was compliant with all covenant requirements in the bond agreement. According to bond terms the net Interest bearing debt (including leasing liabilities) is NOK 2 213.8 million at 31 December 2023 and 12-month rolling adjusted EBITDA is NOK 437.5 million. The leverage ratio at the end of the fourth quarter 2023 was 5.06 well below the maximum allowed.

NOTE 19 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)	Interest-bearing debt - Bond	Interest-bearing debt - Bank	Lease liabilities	Total liabilities from financing activities
Liabilities 1.1.2023	**2 020 000**	**1 037 500**	**229 916**	**3 287 415**
Financing activities with cash settlement	-820 000	562 500	-71 643	**-329 143**
Financing activities without cash settlement				
Changes in leases	0	0	67 717	**67 717**
Other	-12 340	-5 062	0	**-17 401**
Liabilities 31.12.2023	**1 187 660**	**1 594 938**	**225 990**	**3 008 588**
Hereof:				
Non-current liabilities	1 187 660	1 498 938	164 556	**2 851 155**
Current liabilities	0	96 000	61 434	**157 434**

(Figures in NOK 000)	Interest-bearing debt - Bond	Interest-bearing debt - Bank	Lease liabilities	Total liabilities from financing activities
Liabilities 1.1.2022	**2 010 444**	**1 087 500**	**227 911**	**3 325 855**
Financing activities with cash settlement	0	-50 000	-61 950	**-111 950**
Financing activities without cash settlement				
Changes in leases	0	0	63 955	**63 955**
Other	9 556	0	0	**9 556**
Liabilities 31.12.2022	**2 020 000**	**1 037 500**	**229 916**	**3 287 415**
Hereof:				
Non-current liabilities	0	0	171 803	**171 803**
Current liabilities	2 020 000	1 037 500	58 112	**3 115 612**

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 5 per cent of sales revenues. The largest single customer accounts for around 3 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 2023. The deposition matrix will be based on historical experiences, updated with todays expectations for the future customized to the customers characteristics (Segment, geography, maturity on customer relations). The table below show details of the Group's exposure to credit risk on trade receivables using a provision matrix.

(Figures in NOK 000)

31.12.2023	Total	Not due	<30 d	30-60d	60-90d	>90d
Trade receivables - gross	535 025	392 253	87 616	16 508	5 543	33 105
Expected default rate	3,2 %	0,2 %	0,4 %	1,2 %	29,8 %	43,2 %
Expected credit losses	17 250	768	335	196	1 650	14 300

31.12.2022	Total	Not due	<30 d	30-60d	60-90d	>90d
Trade receivables - gross	487 094	385 105	70 732	13 391	5 938	11 928
Expected default rate	2,6 %	1,1 %	0,4 %	1,1 %	40,0 %	50,0 %
Expected credit losses	12 846	4 065	290	152	2 375	5 964

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 2023, the Group had total interest-bearing debt of NOK 2 782,6 million. The Group has a stable financing structure. Lenders are well-reputed Norwegian banks and a bonbd 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 2023, 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
31.12.2023	100	28 000	28 000
31.12.2022	100	30 875	30 875

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 2023, the Group had cash reserves of NOK 835,3 million in the form of bank deposits, of which NOK 21,9 million was restricted to the payment of employees' tax deductions. In addition, the Group had unused drawing facility of NOK 175.0 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.

NOTE 20 Financial risk (contd.)

(Figures in NOK 000)	Remaining term (years)					
31.12.2023	<1	1 to 2	2 to 3	3 to 5	> 5	Total
Financial liabilities						
Interest-bearing debt - Bond	0	0	1 200 000	0	**0**	**1 200 000**
Interest-bearing debt - Bank	96 000	128 000	1 376 000	0	**0**	**1 600 000**
Leasing	61 487	53 164	41 277	60 266	**9 797**	**225 990**
Trade payables and other liabilities	513 664	2 773	2 773	0	**7 143**	**526 352**
Total	**671 151**	**183 936**	**2 620 049**	**60 266**	**16 940**	**3 552 342**

(Figures in NOK 000)	Remaining term (years)					
31.12.2022	<1	1 to 2	2 to 3	3 to 5	> 5	Total
Financial liabilities						
Interest-bearing debt - Bond	2 061 450	0	0	0	0	**2 061 450**
Interest-bearing debt - Bank	1 049 055	0	0	0	0	**1 049 055**
Leasing	61 134	52 548	39 537	56 687	45 433	**255 340**
Trade payables and other liabilities	616 562	1 816	1 816	0	7 401	**627 594**
Total	**3 788 201**	**54 364**	**41 353**	**56 687**	**52 834**	**3 993 439**

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 2023:

Valuta/ Currency	Volume (Figures in NOK 000)	Volume (Figures in Currency 000)	Average exchange rate (In NOK)
AUD	150 749	22 370	6,74
DKK	66 961	47 745	1,40
EUR	293 169	28 290	10,36
GBP	127 664	10 690	11,94
USD	150 247	14 930	10,06

NOTE 20 Financial risk (contd.)

New forward contracts
In 2022 and 2023, the Group entered into forward contracts, and all realised and unrealised gains and losses associated with these contracts are recognised in net other gains/(losses). All contracts that are open as at 31 December 2023 fall due for payment in the next 12 months. As at 31 December 2023, the market value of existing forward currency contracts came to NOK 20,7 million.

(Figures in NOK 000) Market value of forward contracts	31.12.2023	31.12.2022
Share in 2023	0	-2 653
Share in 2024	20 735	0
Total	**20 735**	**-2 653**

Total net other (losses)/gains comprises:	2023	2022
Realised (losses)/gains on new forward contracts	-57 302	-16 470
Change in value of realised and unrealised contracts	23 388	-6 784
Net other (losses)/gains	**-33 914**	**-23 254**

Classifications of financial assets and financial liabilities 31. December 2023

(Figures in NOK 000)	Fair value through profit and loss	Amortised cost Bank and receivables	Amortised cost Other financial liabilities
Cash & cash equivalents	0	835 314	0
Stocks & shares in other enterprises	1 633	0	0
Forward currency contracts	20 735	0	0
Trade & other current receivables	0	608 116	0
Non-current receivables	0	22 636	0
Long-term debt related to bond issued	0	0	1 187 660
Long-term debt to credit institutions	0	0	1 498 938
Short-term debt to credit institutions	0	0	96 000
Trade & other current payables	0	0	513 664
TOTAL	**22 368**	**1 466 066**	**3 296 263**

Classifications of financial assets and financial liabilities 31. December 2022

(Figures in NOK 000)	Fair value through profit and loss	Amortised cost Bank and receivables	Amortised cost Other financial liabilities
Cash & cash equivalents	0	428 879	0
Stocks & shares in other enterprises	1 333	0	0
Trade & other current receivables	0	599 962	0
Non-current receivables	0	21 744	0
Short-term debt related to bond issued	0	0	2 020 000
Forward currency contracts	2 653	0	0
Short-term debt to credit institutions	0	0	1 037 500
Trade & other current payables	0	0	616 562
TOTAL	**3 986**	**1 050 585**	**3 674 062**

NOTE 21 Group entities

The following subsidiaries are included in Ekornes QM Holding AS's consolidated financial statements. Ekornes QM Holding AS has 100% voting and ownership in all other group companies through Ekornes AS.

Company	Primary business activity	Registered office	Domicile
Ekornes AS	HQ , production and Sales	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	US
Ekornes Taiwan Ltd.	Sales	Taipei	Taiwan
Ekornes Hong Kong Co, Ltd	Sales	Hong Kong	China
Ekornes Beds AS	Production and sales	Fetsund	Norway
Ekornes Beds GmbH	Sales	Hamburg	Germany
IMG Holdco AS	Holding	Ikornnes	Norway
IMG (Vietnam) Co, Ltd	Production	Binh Duong	Vietnam
IMG Australia PTY Ltd	Sales	Melbourne	Australia
Ekornes (Thailand) Limited	Production	Chachoengsao	Thailand
IMG New Zealand Limited	Sales	Auckland	New Zealand
Ekornes Lithuania UAB	Production	Panevezys	Lithuania
International Mobel Group USA, Inc	Sales	Corona, CA	US

NOTE 22 Subsequent events

Addressing a situation of weakened demand for household and furniture products Ekornes implemented several initiatives to reduce costs and safeguard profitability through 2023. The trend of weak demand continued in the fourth quarter 2023 with reduced order intake for Stressless®, primarily in the Central-European markets.

Adapting to the situation, Ekornes on 5 January announced that the company will adjust operational capacity at the Stressless® facilities in Norway through temporary redundancies of up to 10% of the 760 FTEs employed within production and assembly at the factories, and initiated negotiations with union representatives.

No other 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 presented here.

Ekornes QM Holding AS

Financial statements

Income statement for Ekornes QM Holding AS

(Figures in NOK 000)	Notes	2023	2022
Operating income and operating expenses			
Other operating expenses	2	3 414	2 088
Total operating expenses		**3 414**	**2 088**
Operating profit		**-3 414**	**-2 088**
Financial income and expenses			
Income from subsidiaries	3	212 505	242 743
Other interest income	3	6 268	2 119
Other interest expenses	3 , 9	312 028	254 964
Net financial items		**-93 255**	**-10 102**
Earnings before tax		**-96 670**	**-12 191**
Tax expense	4	-21 267	-2 682
EARNINGS FOR THE YEAR		**-75 402**	**-9 509**
Brought forward			
Allocated to/from other equity	8	-75 402	-9 509
Net brought forward		**-75 402**	**-9 509**

Balance sheet for Ekornes QM Holding AS

ASSETS (Figures in NOK 000)	Notes	31.12.2023	31.12.2022
Assets			
Non-current assets			
Investments in subsidiaries	5	5 667 114	5 667 114
Deferred tax assets	4	20 111	0
Total non-current assets		**5 687 225**	**5 667 114**
Current assets			
Debtors			
Other short-term receivables		3 835	860
Receivables from group companies	6	559 248	346 743
Total receivables		**563 083**	**347 603**
Cash and bank deposits		**111 500**	**179 704**
Total current assets		**674 583**	**527 307**
Total assets		**6 361 808**	**6 194 421**

(Continued on next page)

Balance sheet for Ekornes QM Holding AS (contd.)

EQUITY AND LIABILITIES (Figures in NOK 000)	Notes	31.12.2023	31.12.2022
Equity			
Contributed equity			
Share capital	7 , 8	150	120
Share premium	8	3 159 324	2 807 354
Total contributed equity		**3 159 474**	**2 807 474**
Retained earnings			
Other equity	8	415 677	491 080
Total retained earnings		**415 677**	**491 080**
Total equity		**3 575 151**	**3 298 554**
Non-current liabilities			
Deferred tax	4	0	1 156
Interest-bearing debt - Bond	9	1 187 660	0
Interest-bearing debt - Bank	9	1 498 938	0
Total non-current liabilities		**2 686 599**	**1 156**
Current debt			
Trade creditors		304	500
Interest-bearing debt - Bond	9	0	2 020 000
Interest-bearing debt - Bank	9	96 000	0
Interest-bearing debt - Group companies	6	0	829 881
Other current debt		3 754	44 330
Total current debt		**100 058**	**2 894 711**
Total liabilities		**2 786 657**	**2 895 867**
Total equity and liabilities		**6 361 808**	**6 194 421**

Oslo, 22 April 2024

The board of Ekornes QM Holding AS

Ruihai Zhao
Chair

Mogens Falsig
Director and CEO

Statement of cash flow for Ekornes QM Holding AS

(Figures in NOK 000)	Note	2023	2022
Cash flow from operations			
Profit before income taxes		-96 670	-12 191
Dividend/Group contribution not received	3	-212 505	-242 743
Change in trade payables		-196	454
Change in other accruals		-60 499	89 831
Net cash flow from operations		**-369 870**	**-164 649**
Cash flow from investments			
Dividends from subsidiary		0	178 851
Net cash flow from investments		**0**	**178 851**
Cash flow from financing			
Proceeds from issue of share capital	7 , 8	352 000	0
Proceeds from bond borrowings	9	1 200 000	0
Repayment of bond borrowings	9	-2 020 000	0
Proceeds from bank borrowings	9	1 600 000	0
Repayment on borrowings from Ekornes AS	6	-829 881	0
Net cash flow from financing		**302 119**	**0**
Exchange gains / (losses) on cash and cash equivalents		**0**	**0**
Net change in cash and cash equivalents		-67 751	14 202
Cash and cash equivalents at the beginning of the period		179 251	165 502
Cash and cash equivalents at the end of the period		**111 500**	**179 251**

Note 1 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 2023. 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, congruenceand 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 recognised 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 recognised in the same year as they are recognised 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 recognised 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 2.

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 2 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.

The following is related to renumeration to auditor:

(Figures in NOK 000) Breakdown of auditing fees	2023	2022
Statutory auditing services	**960**	**948**
Other certification services	21	0
Other non-auditing services	18	0
Total	**999**	**948**

Auditing fees are stated including VAT.

Note 3 Net financial items

(Figures in NOK 000)	2023	2022
Financial income		
Group Contribution form Ekornes AS	212 505	242 743
Other interest income	6 268	2 119
Total financial income	**218 773**	**244 862**
Financial expenses		
Interest expenses Bond	202 922	188 669
Interest expenses Bank	86 760	0
Interest expenses to Ekornes AS*	20 185	66 293
Other interest expenses	2 162	2
Total financial expenses	**312 028**	**254 964**

Interest expenses to Ekornes AS*
In July 2021, Ekornes QM Holding acquired the remaining 9.5% of the shares in Ekornes Holding AS from Ruisi Holding Company Limited for NOK 741 million. Ekornes QM Holding AS and Ekornes Holding AS merged in december 2021. Ekornes QM Holding AS had 100% voting and ownership of Ekornes Holding AS. The transaction was funded with internal loan from Ekornes AS of NOK 741 million and with an interest rate of NIBOR 3 M and 6,5% margin. The loan including accrued interest was paid to Ekornes AS in March 2023.

Note 4 Tax related costs

(Figures in NOK 000)	2023	2022	
Components of the income tax expense			
Change of deferred tax	-21 267	-2 682	
Tax expense	**-21 267**	**-2 682**	
Basis for tax payable			
Profit before taxes	-96 670	-12 191	
Temporary differences	96 670	12 191	
Taxable income (basis for payable taxes in the balance sheet)	**0**	**0**	
Reconciliation of the tax expense			
Result before taxes	-96 670	-12 191	
Calculated tax	**-21 267**	**-2 682**	
Effective tax rate in %	22,0 %	22,0 %	
Calculation of deferred tax/deferred tax benefit	**31.12.2023**	**31.12.2022**	**Change**
Other	27 164	5 255	21 909
Accumulated loss to be brought forward	-118 579	0	-118 579
Total	**-91 414**	**5 255**	**-96 670**
Deferred tax/(Deferred tax benefit) (22% / 22%)	**-20 111**	**1 156**	**-21 267**

Note 5 Subsidiary

Ekornes QM Holding AS has 100% ownership and voting right in Ekornes AS.

(Figures in NOK 000)	Location	Ownership/ voting right	Ownership/ voting right	Equity 31.12 (100%)	Equity 31.12 (100%)
Ekornes AS	Ikornnes	100 %	137 418	1 352 987	5 667 114
Book value investments in subsidiaries at 31.12.2023		**100 %**	**137 418**	**1 352 987**	**5 667 114**

Note 6 Balance with related parties

(Figures in NOK 000) Other short term receivables	31.12.2023	31.12.2022
Group contribution from Ekornes AS	559 248	346 743
Total	**559 248**	**346 743**
Non-current liabilities		
Interest-bearing debt to Ekornes AS*	0	829 881
Total	0	829 881

Financial income and expenses from / to related parties are listed in note 3.

***Interest-bearing debt to Ekornes AS**
In July 2021, Ekornes QM Holding acquired the remaining 9.5% of the shares in Ekornes Holding AS from Ruisi Holding Company Limited for NOK 741 million. Ekornes QM Holding AS and Ekornes Holding AS merged in december 2021. Ekornes QM Holding AS had 100% voting and ownership of Ekornes Holding AS. The transaction was funded with internal loan from Ekornes AS of NOK 741 million and with an interest rate of NIBOR 3 M and 6,5% margin. The loan including accrued interest was paid to Ekornes AS in March 2023.

Note 7 Share capital and shareholder information

The Norwegian ultimate parent company Ekornes QM Holding AS is a subsidiary of Qumei Home Furnishing Group Co., Ltd in China. Qumei Home Furnishing Group Co., Ltd is listed on Shanghai Stock exchange. Qumei Group owns 94,12% of the shares in Qumei Runto S.à.r.l and Hillhouse investment owns the remaining shares.

As at 31 December 2022 and 31 December 2023, Ekornes QM Holding's registered share capital comprised 30 000 ordinary shares. Following a capital injection the face value of all shares increased from NOK 4.00 as at 31 December 2022 to a face value of NOK 5.00 as at 31 December 2023. 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 at 31 December 2022 or 31 December 2023.

As at 31 December 2022 and 31 December 2023, the company's sole shareholder was

Shareholder	Country	No. of shares held	Percentage
Qumei Runto S.á.r.l.	Luxembourg	30 000	100 %

As at 31 December 2022 and 31 December 2023, the board has been granted the following authorisations:
The board has been granted no authorisations.

Note 8 Shareholders' equity

(Figures in NOK 000)	Share capital	Share premium	Other equity	Total
Equity 31.12.2022	**120**	**2 807 354**	**491 080**	**3 298 554**
Profit for the year	0	0	-75 402	**-75 402**
Capital increase	30	351 970	0	**352 000**
Equity 31.12.2023	**150**	**3 159 324**	**415 677**	**3 575 151**

Note 9 Interest-bearing loans

In February 2023, Ekornes successfully refinanced outstanding debt with a NOK 1 200 million bond loan and bank facility of NOK 1 600 million with DNB and Sparebank Møre. The new financing structure strengthens the financial position and supports the strategy for long-term profitable growth.

Long-term borrowing agreement 31 December 2023
Ekornes QM Holding AS has in March 2023 obtained NOK 1 600 million in term loan from DNB and Sparebanken Møre to refinance its exisiting debt. The old loans were in Ekornes AS and was repaid to DNB and Sparebank Møre on 30 March 2023.

The loan is secured with a share pledge in Ekornes AS and material sales companies in Germany, UK and US. The loan has quarterly installments at NOK 32 million,- four times per year with the first instalment 30 June 2024. Interest expenses are paid quarterly. Final maturity in March 2026. NOK 96 million are classified as short term borrowing 31. December 2023.

Since the refinancing and as at 31 December 2023, Ekornes was compliant with all covenant requirements in the bank agreement. The leverage ratio for the bank loan at the end of the fourth quarter 2023 was 2.32 well below the maximum allowed. The calculation for the bank leverage ratio do not include the bond.

Senior Secured Bond at 31 December 2023
On 10 March 2023, Ekornes QM Holding AS placed NOK 1,200 million in 3.5-year senior secured floating rate bonds due 10 September 2026 with ticker EKO02 (ISIN: NO0012855537). The net proceeds from the bond issue was used to refinance (in whole) the outstanding bond issue with ticker EKO01 (ISIN: NO0010848401) and general corporate purposes. The bond is secured with a share pledge in Ekornes QM Holding AS. No instalments are payable before maturity in September 2026 and interest expenses are paid quarterly. NIBOR is adjusted at the end of each quarter and at 31. December 2023 the coupon was 12,62%. From 11 March 2024 the coupon is 10,7%.

The application for the EKO02 bonds to be listed on the Oslo Stock Exchange was approved by the Financial Authority of Norway 29 June 2023. In conjunction with the new bond issue, Ekornes bought back EKO01 bonds from existing bondholders participating in the new bond issue, at a price of 103% of par. Ekornes called the remaining EKO01 bonds and the bond was repaid on 30 March 2023.

Note 9 Interest-bearing loans (contd.)

(Figures in NOK 000)	
Currency	**NOK**
Issue Amount	1 200 000
Nibor 3M	**4,62 %**
Margin	8,00 %
Coupon	**12,62 %**
Tenor / redemption:	42 months /3,5 years
Settlement Date:	10.03.2023
Maturity Date:	**10.09.2026**

External interest-bearing debt	Bond	Bank loan	Total
Opening balance 1. January	**2 020 000**	**0**	**2 020 000**
Repayment of borrowings	-2 020 000	0	**-2 020 000**
Bond issue/new borrowings	1 200 000	1 600 000	**2 800 000**
Net Amortization borrowing cost	-12 340	-5 062	**-17 401**
Closing balance external debt 31. December	**1 187 660**	**1 594 938**	**2 782 599**

NOK 96 million of the bank debt are classified as short term borrowing 31. December 2023. The bond and bank debt is measured at amortized cost using the effective interest method. The effective interest method amortisation is included as finance cost in the income statement.

Financial covenants related to the bond
The bond agreement is subject to a set of financial covenants, including a minimum liquidity of NOK 350 million and a maximum leverage ratio of 8.0 at issuance. The maximum allowed leverage ratio has a gradual step-down mechanism towards 4.5 by first quarter 2025. The covenants are measured quarterly on a 12-month rolling basis for Ekornes QM Holding Group. 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.

Since the refinancing and on 31 December 2023, Ekornes was compliant with all covenant requirements in the bond agreement. According to bond terms the net Interest bearing debt (including leasing liabilities) is NOK 2 213.8 million at 31 December 2023 and 12-month rolling adjusted EBITDA is NOK 437.5 million. The leverage ratio at the end of the fourth quarter 2023 was 5.06 well below the maximum allowed.

Confirmation from the Board of Directors and CEO at Ekornes QM Holding AS

We confirm that, to the best of our knowledge, the financial statements for the period from 1 January to 31 December 2023 have been prepared in accordance with IFRS as adopted by EU, with such additional information as required by the Accounting Act, and give a true and fair view of the Company'sand the Group's consolidated assets, liabilities, financial position and results of operations.

We confirm that the Board of Directors' report provides a true and fair view of the development and performance of the business and the position of the Company and the Group, together with a description of the key risks and uncertainty factors that the company is facing.

Oslo, 22 April 2024

The Board of Directors of Ekornes QM Holding AS

Ruihai Zhao
Chair of the Board

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 2023, 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 2023, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flow for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion

- the financial statements comply with applicable statutory requirements,
- the financial statements give a true and fair view of the financial position of the Company as at 31 December 2023, 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, and
- the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as adopted by the EU.

Basis for Opinion

We conducted our audit in accordance with 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 relevant laws and regulations in Norway and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

To the best of our knowledge and belief, no prohibited non-audit services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided.

We have been the auditor of the Company for 6 years from the election by the general meeting of the shareholders on 28 September 2018 for the accounting year 2018.

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. The Group's business activities are largely unchanged compared to last year. Furthermore, *Impairment assessment of goodwill and intangible assets* has the same characteristics and risks as in the prior year, and therefore continues to be an area of focus this year.

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Statsautoriserte revisorer, medlemmer av Den norske Revisorforening og autorisert regnskapsførerselskap

Key Audit Matters	How our audit addressed the Key Audit Matter
Impairment assessment of goodwill and intangible assets The Group has recognised goodwill of NOK 1 561 115 thousand, brand name of NOK 1 439 495 thousand, and customer relations of NOK 1 175 475 thousand at 31 December 2023. Goodwill and other intangible assets are related to the acquisition of Ekornes AS in August 2018. Goodwill and other intangible assets with an indefinite useful life is subject to impairment assessments at least annually. No impairment loss was recognised in 2023 based on management's impairment assessment at the balance sheet date. Goodwill and other intangible assets are allocated to cash generating units identified in accordance with two of the Group's operating segments, Stressless and IMG. Management determined that the recoverable amount exceeded the carrying amount for both segments, and consequently that no impairment was required. Impairment assessments require application of management judgement related to, among other, future cash flows and discount rate applied. We focused on this area due to the magnitude of the amounts of goodwill and other intangible assets recognised, and due to the application of management judgement required when determining the assumptions applied to support the valuation of goodwill and other intangible assets. We refer to disclosures in note 11 to the consolidated financial statements for information on the Group's accounting policy for impairment of goodwill and other intangible assets, and explanation of management's valuation process.	We obtained and reviewed management's impairment assessment of goodwill and other intangible assets. The documentation contained an assessment of the cash generating units and key assumptions applied by management. We considered whether the model contained the expected elements and methodology. 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 prognoses for the two segments compared to historical performance, budgets approved by the Board of Directors, management forecast and long-term strategic plans. We also considered external available information relevant to the industry and our own knowledge of the industry. 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. We refer to disclosures in note 11 which show potential impairment at 1% change to key assumptions. Further, 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.

Other Information

The Board of Directors and the Managing Director (management) are responsible for the information in the Board of Directors' report and the other information accompanying the financial statements. The other information comprises information in the annual report, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the information in the Board of Directors' report nor the other information accompanying the financial statements.

In connection with our audit of the financial statements, our responsibility is to read the Board of Directors' report and the other information accompanying the financial statements. The purpose is to consider if there is material inconsistency between the Board of Directors' report and the other information accompanying the financial statements and the financial statements or our knowledge obtained in the audit, or whether the Board of Directors' report and the other information accompanying the financial statements otherwise appears to be materially misstated. We are required to report if there is a material misstatement in the Board of Directors' report or the other information accompanying the financial statements. We have nothing to report in this regard.

Based on our knowledge obtained in the audit, it is our opinion that the Board of Directors' report

- is consistent with the financial statements and
- contains the information required by applicable statutory requirements.

Our opinion on the Board of Director's report applies correspondingly to the statements on Corporate Governance and Corporate Social Responsibility.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation of financial statements of the Company that give a true and fair view in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for the preparation of the consolidated financial statements of the Group that give a true and fair view in accordance with IFRS Accounting Standards as adopted by the EU. Management is responsible 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 that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 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 and 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's 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.

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

Report on Compliance with Requirement on European Single Electronic Format (ESEF)

Opinion
As part of the audit of the financial statements of Ekornes QM Holding AS, we have performed an assurance engagement to obtain reasonable assurance about whether the financial statements included in the annual report, with the file name *52990054TSRF5YXFTY82-2023-12-31-en*, have been prepared, in all material respects, in compliance with the requirements of the Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation) and regulation pursuant to Section 5-5 of the Norwegian Securities Trading Act, which includes requirements related to the preparation of the annual report in XHTML format, and iXBRL tagging of the consolidated financial statements.

In our opinion, the financial statements, included in the annual report, have been prepared, in all material respects, in compliance with the ESEF regulation.

Management's Responsibilities
Management is responsible for the preparation of the annual report in compliance with the ESEF regulation. This responsibility comprises an adequate process and such internal control as management determines is necessary.

Auditor's Responsibilities
For a description of the auditor's responsibilities when performing an assurance engagement of the ESEF reporting, see: https://revisorforeningen.no/revisjonsberetninger

Bergen, 22 April 2024
PricewaterhouseCoopers AS

Jan Roger Hånes
State Authorised Public Accountant

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