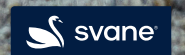


*Ekornes QM Holding Group  
Financial statements for  
the first quarter 2020*



# HIGHLIGHTS

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## HIGHLIGHTS

- **Good start to the year turned into COVID-19 pandemic response to safeguard people and operations**
- **First quarter with 10% growth in group operating revenue to NOK 884 million, driven by good sales in all segments and currency effects**
- **Stressless® operating revenue up 6% to NOK 681 million supported by positive US sales, IMG operating revenue up 28% to NOK 143 million driven by good sales across markets**
- **First quarter EBIT of NOK 0.4 million effected negatively by realized and unrealized losses of NOK 85 million on forward contracts**
- **Operating cash flow of NOK 73 million driven by solid underlying operations**
- **While first quarter order receipts were up 13% and the order reserve was up 23%, the COVID-19 pandemic has reduced demand and revenue expectations for the coming months significantly**
- **High operational and financial flexibility enabling swift response to extraordinary situation with capacity and cost reductions already implemented**
- **Stress tests on key financial indicators for 2020 are satisfactory for liquidity at low sales levels, solid group financial position at quarter-end**
- **Meeting customer demand, while safeguarding people, operations, partnerships are key priorities going forward, as well as protecting the financial solidity and flexibility of the group**

## GOOD START TO THE YEAR TURNED INTO COVID-19 PANDEMIC RESPONSE TO SAFEGUARD PEOPLE AND OPERATIONS

Ekornes sales were strong during the first quarter of 2020 with good performance in all segments. Growth was driven by significant sales growth across key markets for IMG, successful introduction of motorized products and the roll-out of the Studio Concept for Stressless®, launch of a new product portfolio for Svane® and positive currency effects. The order reserve at the end of the period was 23% higher compared to the same time last year. However, when the COVID-19 situation escalated in March, logistics and distribution “shut-down”, bringing deliveries of commissioned orders to a complete stop, increasing Ekornes’ inventories of finished goods.

When the COVID-19 pandemic emerged, Ekornes took immediate actions to manage the impact of the situation, prioritizing the safety of employees, channel partners, suppliers and other partners. As at 29 April, none of the employees are known to have been diagnosed as infected and all employees are instructed to adhere to the health authorities’ restrictions and guidelines. Ekornes is also using parts of its production and manufacturing capabilities to support the health system, with the Ekornes’ Stressless® manufacturing plant in Morganton, North Carolina, USA producing medical supplies and the Ekornes production plant at Ikorntnes in Norway producing infection control equipment.

Following the Coronavirus outbreak, shutdowns in dealer networks in key markets in Europe and North America accelerated, resulting in a significant drop in demand. Orders received in the last three weeks of March were down 38% year-over year, which will impact Q2 revenues negatively.

Ekornes reacted promptly to the situation, adjusting production capacity through lay-offs of 990 employees in Norway, dismissal of 200 people from its production facilities in Thailand and Vietnam and downscaling of the European sales organization by 70 people. In addition, all personnel not affected by lay-offs have agreed to a temporary salary reduction from 5%-10%. Group management agreed to a 20% temporary reduction in salary, including refraining from bonus in 2020. Ekornes kept the production going in March, although at a reduced rate, to supply customers globally and amid signs of slow improvement in the Asian markets.

Sales in April fell significantly. The drop in demand at the start of the second quarter indicates a significant decrease in revenue and orders and is expected to have a negative impact on cashflow from operations in the coming months.

Moving into a what is expected to be a more challenging environment, Ekornes has a solid financial position. At 31 March, equity ratio was 46.7% and cash holdings amounted to NOK 344 million. In addition, the Group had total undrawn short-term credit facilities of NOK 750 million. Total interest-bearing debt was at NOK 2 483 million.

Ensuring financial solidity and flexibility, including liquidity, are key priorities for the Group given the market uncertainty and reduced visibility. Along with already implemented capacity adjustments to align operational activity with lower demand and order reserve, the Group has implemented measures to reduce costs. In addition, Ekornes has established contingency plans to further adjust operations and expenditures should the situation require the Group to do so. Operational flexibility is high, and the share of operationally dependent costs in Ekornes is relatively high. Combined with financial flexibility, the Group can adapt to further changes in market conditions.

Due to the significant impact of the COVID-19 pandemic, governments in several countries introduce packages of financial support as a relief or support to affected businesses. Such support includes shorter notice period for lay-offs and improved salary support for the employees, improving operational flexibility further. Measures to strengthen liquidity by postponing VAT and other tax payments have also been introduced in several European countries, including Norway. Such measures will have a mitigating impact in coming months.

Further, the Group has no major financial obligations in the short term. Expansions of production facilities in Asia in recent years and the new production and distribution facility in Lithuania are finalized and no new projects with significant investment needs are imminent. Ekornes’ debt constitutes of a NOK 500 million bank loan and a NOK 2 billion bond, with maturities in September 2022 and October 2023, respectively.

The results of the performed stress tests on the key financial indicators for 2020 are satisfactory for Group liquidity and financial solidity at very low sales levels. However, with expected low earnings in the next months, the leverage ratio could be above the level outlined in the bond agreement at the end of second quarter 2020. The Group is monitoring the situation closely and considering relevant measures.

Ekornes aims to maintain production, serving markets in Asia and the dawning market recovery with relevant products delivered with short lead times. At the production facility in Norway, lay-offs are already discontinued, and the facility is currently operating at around 50% capacity utilization.

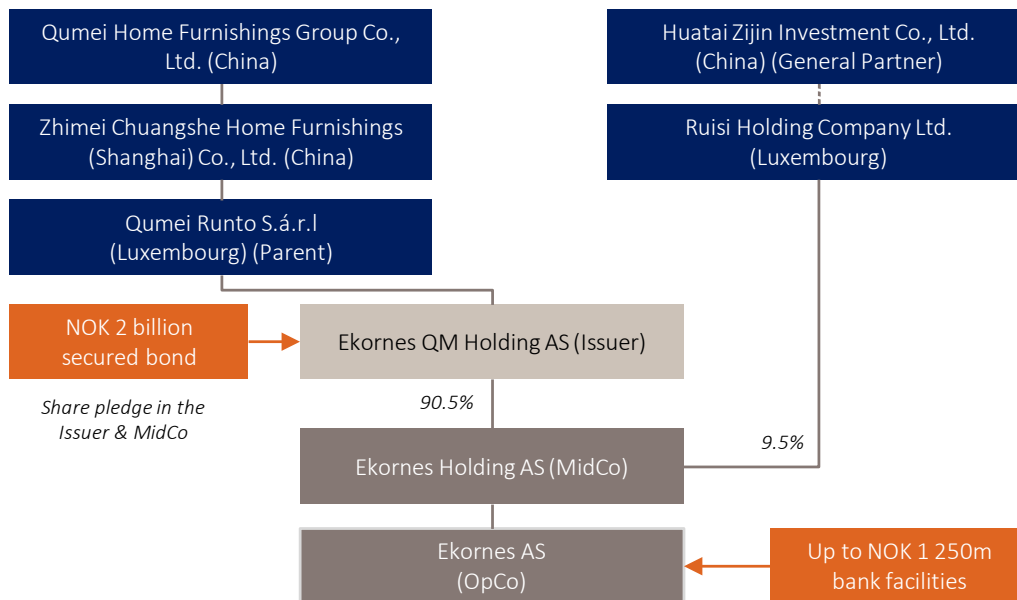
## COMPANY HISTORY AND OWNERSHIP

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

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

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

### GROUP STRUCTURE AND BOND TRANSACTION OVERVIEW



## KEY FIGURES

		Q1 2020	Q1 2019	Q4 2019	Y 2019
<b>Gross operating revenue</b>	<b>MNOK</b>	<b>883,7</b>	<b>808,5</b>	<b>900,9</b>	<b>3 169,0</b>
Stressless®	MNOK	680,5	639,5	672,8	2 402,4
IMG	MNOK	142,6	111,0	165,7	551,4
Svane®	MNOK	60,7	58,1	62,4	215,2
Gross operating earnings (EBITDA)	MNOK	74,4	161,0	132,3	524,3
<b>Operating earnings (EBIT)</b>	<b>MNOK</b>	<b>0,4</b>	<b>91,7</b>	<b>56,0</b>	<b>235,0</b>
<b>Operating margin (EBIT)</b>	<b>%</b>	<b>0,0%</b>	<b>11,3%</b>	<b>6,2%</b>	<b>7,4%</b>
Earnings before tax (EBT)	MNOK	16,0	148,7	-10,3	127,4
<b>Net earnings</b>	<b>MNOK</b>	<b>12,3</b>	<b>115,1</b>	<b>-94,6</b>	<b>100,6</b>
Net interest-bearing Debt (NIBD)	MNOK	2 139,1	2 310,6	2 163,2	2 163,2
Cash and Bank deposits end of period	MNOK	344,2	68,3	312,8	312,8

**THE FIRST QUARTER 2020 FINANCIAL REVIEW**

Operating revenue was NOK 883.7 million in the first quarter 2020, compared to NOK 808.5 million in the corresponding quarter last year. The higher revenues were driven by strong European growth for IMG, particularly in the Scandinavian markets, in addition to good performance for Stressless® in the US following successful launches of the new Stressless® Power platform. Revenues were also positively impacted by a weaker Norwegian krone during the quarter.

Underlying sales revenue from the Stressless® segment was NOK 680.5 million (639.5), revenue from IMG was NOK 142.6 million (111.0), while revenue from Svane® amounted to NOK 60.7 million (58.1).

EBIT for the first quarter 2020 came in at NOK 0.4 million (91.7). The lower earnings are mainly related to realized and unrealized losses on forward contracts of NOK 84.7 million during the quarter, compared to a gain of NOK 8.3 million in the corresponding quarter 2019.

For the first quarter 2020, net financial items ended at NOK 15.6 million (57.0). The decrease from last year is due to increased financial expenses which was NOK 56.0 million during the period (21.1). Net gains from foreign exchange amounted to NOK 66.3 million in the quarter (71.0).

Profit before tax for the quarter came in at NOK 16.0 million (148.7). Tax expense is calculated to NOK 3.6 million (33.6), which gave a net profit of NOK 12.3 million (115.1).

## ORDER RECEIPTS AND ORDER RESERVE

		Q1 2020	Q1 2019	Q4 2019	Y 2019	Change Y 2020/Y 2019
Order receipts	MNOK	949,5	839,4	810,3	3 200,5	13,1 %
Order reserve	MNOK	428,5	349,1	374,5	374,5	22,8 %

Order receipts in the first quarter 2020 amounted to NOK 949.5 million, up from NOK 810.3 million in the previous quarter, and up from NOK 839.4 million in the corresponding quarter in 2019. Compared to first quarter 2019, order receipts for Stressless® declined, while order receipts for IMG and Svane® increased.

As of 31 March 2020, Ekornes combined order reserve was NOK 428.5 million, up from NOK 374.5 million at the end of 2019 and up from NOK 349.1 million at the end of first quarter 2019, corresponding to an increase of 23% year-over-year.

## BALANCE SHEET

		31.3.2020	30.3.2019	31.12.2019
Working capital*	MNOK	962,5	849,7	804,2
Bank deposits	MNOK	344,2	68,3	312,8
Total assets	MNOK	7 842,7	7 410,3	7 435,7
Interest-bearing loans	MNOK	2 483,3	2 378,9	2 481,6
Total liabilities	MNOK	4 179,1	3 972,4	3 984,5
Equity	MNOK	3 663,6	3 437,9	3 451,2
Equity ratio	%	46,7 %	46,4 %	46,4%
Value of forward contracts	MNOK	-77,3	-8,6	-2,6
Net interest-bearing Debt (NIBD)	MNOK	2 139,1	2 310,6	2 163,2

\* Working capital = trade receivables + inventory – trade payables

As of 31 March 2020, Ekornes had total assets of NOK 7 842.7 million, compared with NOK 7 435.7 million three months earlier. Total equity was NOK 3 663.6 million, corresponding to an equity-ratio of 46.7%. Total interest-bearing debt amounted to NOK 2 483.3 million (2 481.6 million three months earlier).

In April 2019, Ekornes QM Holding AS issued a NOK 2.0 billion bond to refinance the Group. The bond was listed on Oslo Stock Exchange on 10 July under the name "Ekornes QM Holding AS 19/23 FRN FLOOR C" with the ticker: EKO01.

In addition to the bond, the Group has a long-term borrowing agreement with DNB. The loan is unsecured with no instalments until maturity in September 2022.

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

### Financial covenants

The bond agreement is subject to a set of financial covenants, including a minimum liquidity of NOK 125 million and a maximum leverage ratio of 5.25. The covenants are measured quarterly on 12 months rolling basis for Ekornes QM Holding Group. Leverage ratio at the end of the first quarter 2020 was 4.64.

The loan agreement with DNB is subject to a set of financial covenants, including a minimum equity ratio of 30% of total consolidated balance and maximum NIBD/EBITDA ratio of 3.5. The covenants are measured on 12 months rolling basis for Ekornes group.

During first quarter of 2020 and at 31 March 2020, the group was compliant with all covenants under the bank- and the bond agreements. 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.

## CASH FLOW

		Q1 2020	Q1 2019	Q4 2019	Y 2019
Net cash flow from operating activities	MNOK	73,3	61,5	120,3	371,0
Net cash flow from investing activities	MNOK	-20,9	-33,8	-17,1	-95,2
Net cash flow from financing activities	MNOK	-19,9	-67,0	-101,7	-75,9
Net change in cash & cash equivalents	MNOK	32,4	-39,3	1,4	200,0
Cash & cash equivalents at the start of the period	MNOK	312,8	107,6	306,2	107,6
<b>Cash &amp; cash equivalents at the close of the period</b>	<b>MNOK</b>	<b>344,2</b>	<b>68,3</b>	<b>312,8</b>	<b>312,8</b>

Net cash flow from operating activities in the first quarter of 2020 was NOK 73.3 million (61.5), driven by solid underlying operations.

Net cash flow from investing activities in the quarter amounted to NOK 20.9 million, all related to ongoing investments in day-to-day operations. Net cash flow from financing activities in the quarter was negative NOK 19.9 million, related to payment of lease liabilities and dividend.

Net change in cash and cash equivalents was positive by NOK 32.4 million in the quarter, and as at 31 March 2020 total holding of cash and cash equivalents amounted to NOK 344.2 million.



## SEGMENTS

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



### Stressless®

		Q1 2020	Q1 2019	Q4 2019	Y 2019
Gross operating revenue	MNOK	680,5	639,5	672,8	2 402,4
Gross operating earnings (EBITDA)	MNOK	42,1	139,2	106,1	433,2
<b>Operating earnings (EBIT)</b>	<b>MNOK</b>	<b>-13,4</b>	<b>85,5</b>	<b>48,9</b>	<b>209,0</b>
Operating margin (EBIT)		-2,0 %	13,4 %	73 %	8,7 %

The sale of Stressless® improved in most markets in the first quarter of 2020. The positive development was mainly related to successful introduction of motorized products and the roll-out of the Studio Concept for a more updated and contemporary display of the Stressless® products. However, the segment experienced challenges related to COVID-19 during the quarter, first in Asia and gradually in Europe and North America. As the virus spread, markets shut down, deliveries of commissioned orders stopped, and large orders to Germany, France and the US never reached dealers and end-consumers. In addition, as a large part of the dealer network shut down, intake of new orders dropped, which will impact revenues in the second quarter significantly. Operating revenue for Stressless® ended at NOK 680.5 million for the first quarter 2020, compared with NOK 639.5 million in the first quarter 2019. Revenues were positively impacted by successful launch of the new Stressless® Power platform in the US and a strong response to the promotions run in November and December 2019.

EBIT was negative at NOK 13.4 million (85.5), corresponding to an operating margin of -2.0% (13.4%). The weaker performance is mainly due to unrealized loss related to forward currency contracts. In 2019 and 2020, the Group entered into new forward contracts, and all realized and unrealized gains and losses associated with these contracts are recognised in net other losses/(gains). In first quarter 2020, these new contracts resulted in a NOK 9.9 million realized loss and an unrealized loss of NOK 74.8 million.

Stressless® has over time lost market shares to motorized products which has become an important feature in sofas and recliners. Priorities to improve commercial conditions include product development and innovation, optimized distribution, closer customer partnerships and targeted market initiatives with updates and relevant customer offerings. New ranges of motorized products have been developed and the first collection of motorized sofas launched in Europe and the US in the fourth quarter was well received.

Germany is by far the most important market in Europe, where Stressless® have had a falling sales trend for several years. Market studies of sales drivers identified gaps in the Stressless® product portfolio and price positioning, which to a large extent will be covered by the introduction of new products. It also uncovered areas for improvement in relationship with the dealers and consumers, and a comprehensive new sales strategy is being implemented.

Sales in the Nordic markets was high in January, especially in Denmark and Finland, but levelled off as the market situation worsened. Stressless® Dining has been a substantial contributor to sales in Norway and Denmark.

Despite the COVID-19 situation evolving in March, sales development in the US was strong in first quarter 2020, with revenues increasing by 28% year-over-year, primarily driven by the successful launch of motorized products and specific buying programs run towards the end of 2019. The launch of motorized products and expectations to new products also gave a lift in new orders, which grew by 3% compared to the same period last year. Before COVID-19 the order income was up 20% year-over-year.

In Asia-Pacific, Stressless® sales were impacted by mostly closed markets in February, with China affected already from the start of the year. With the COVID-19 gradually easing Asian markets show signs of recovery.

To address a situation with a significant share of the dealer network shut down, Ekornes has expanded its e-Commerce platform into nine new countries during the quarter. Combined with live streaming services to increase customer reach effects have been positive, albeit small.





## IMG

		Q1 2020	Q1 2019	Q4 2019	Y 2019
Gross operating revenue	MNOK	142,6	111,0	165,7	551,4
Gross operating earnings (EBITDA)	MNOK	27,4	24,9	31,0	115,5
<b>Operating earnings (EBIT)</b>	<b>MNOK</b>	<b>10,1</b>	<b>10,2</b>	<b>8,5</b>	<b>49,3</b>
Operating margin (EBIT)		7,1 %	9,2 %	5,1 %	8,9 %

IMG has a good quarter with solid growth in both revenue and order receipts. Operating revenue was NOK 142.6 million for the first quarter, an increase of 28% from the first quarter 2019. The increase was driven by good underlying sales growth across most key markets, as well as positive currency effects.

However, due to the outbreak of COVID-19, order receipts slowed significantly across all markets, and during the final two weeks of the quarter, order receipts was down 48% and 73% respectively from the corresponding weeks last year.

EBIT was NOK 10.1 million (10.2), corresponding to an operating margin of 7.1% (9.2%). The cost base for IMG is primarily in EUR and USD, while revenues include many other currencies. Thus, profit margins have been negatively impacted by the strengthening of USD and EUR in the quarter.

In Europe, and particularly in the Nordic markets, the year started strongly with double digit growth in both revenue and order receipts compared to 2019. In mid-March trade declined due to the COVID-19 situation and lockdown of many European countries. In North America revenues were driven by expansion into new states and areas. As for other markets, order receipts came down towards the end of the quarter along with the escalation of the COVID-19 situation.

In Asia-Pacific, the first quarter ended with healthy growth across the region, with Australia delivering above expectations. Increased activity in China and the rest of Asia towards the end of the quarter was evident after these markets were mostly shut in February.

Going forward, focus will be support of large private label customers, maintaining large scale. Despite the COVID-19 situation, IMG maintains production due to its high order backlog from the turn-of-the-year. Through its global market exposure IMG has a great opportunity to serve customers with a broad product range, and short lead time delivery, either by container from Asia or from the facility in Lithuania.



## Svane®

		Q1 2020	Q1 2019	Q4 2019	Y 2019
Gross operating revenue	MNOK	60,7	58,1	62,4	215,2
Gross operating earnings (EBITDA)	MNOK	4,0	-2,5	3,2	-6,7
<b>Operating earnings (EBIT)</b>	<b>MNOK</b>	<b>3,4</b>	<b>-3,3</b>	<b>2,4</b>	<b>-10,0</b>
Operating margin (EBIT)		5,6%	-5,7%	3,8%	-4,6%

Svane® continued the positive development from 2019 into the first quarter of 2020, with increased sales driven by a successful launch of a new product portfolio in main markets.

Operating revenue for Svane® ended at NOK 60.7 million for the first quarter 2020, compared with NOK 58.1 million in the first quarter 2019.

Over the last year, measures have been initiated to improve operational efficiency and profitability, including product development, brand renewal, production optimization and costs reductions. The turnaround efforts of Svane® are proving results, and the segment posts positive result for third quarter in a row. EBIT was positive NOK 3.4 million in the quarter, compared to a loss of NOK 3.3 million in the first quarter last year.

Following a successful launch of new products with selected new customers, a strong sales development in Central Europe and an uplift in Finland and Denmark were observed in the quarter. In addition, participation in customers' seasonal campaigns increased, together with strengthened product quality and delivery capabilities. In Norway, a new collection was launched with increased degree of product and price differentiation and strengthened cooperation with key clients.

At the end of the quarter several of Svane®'s retailers closed down due to the COVID-19 situation, which is expected to impact sales in the second quarter. As a response and to lift sales, Svane® works closely with key customers to participate in campaign programs. In addition, Svane® has initiated a project in Germany to address the online market for mattresses.



## OUTLOOK

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*Ekornes' long-term ambition is to grow profitably. However, in the current situation with high uncertainty and limited market visibility, ensuring financial solidity and flexibility, including liquidity, are key priorities for the Group, in addition to meeting customer demand while safeguarding people, operations, partnerships.*

*Following the sudden shift from a good start of the year to the significant slowdown caused by the COVID-19 outbreak, the Group took immediate and swift actions to address the challenges, proving the will and ability to act and at the same time revealing operational and financial flexibility to adapt to new realities.*

*Along with already implemented capacity adjustments to align operational activity with lower demand and expected reduction in order reserve, Ekornes implemented measures to reduce costs going forward. In addition, Ekornes has established contingency plans to further adjust the operations and expenditures should the situation require the Group to do so.*

*Due to expected low earnings in the coming months, the leverage ratio could be above the level outlined in the bond agreement at the end of second quarter. The Group is monitoring the situation closely and considering relevant measures.*

*Ekornes has a solid financial position with satisfactory liquidity and no major financial obligations in the short term, and the results of stress tests on the key financial indicators for 2020 are satisfactory for Group liquidity and financial solidity even at low sales levels.*

## H & S

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As at 31 March 2020, Ekornes employed a total of 2 240 people, of which about 46% were employed in Norway. Due to the Covid-19 situation, Ekornes has taken measures including lay-offs, dismissals and furlough to meet the current market situation. For more information see the separate Covid-19 section above.

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 7 lost-time injuries in the first quarter 2020, same number of injuries as the corresponding quarter in 2019. This gives an H1-value for the period of 5.7 compared to 6.2 the same period the year before.

The Group had a sickness absence rate of 3.7% in the first quarter 2020, a 0.1 percentage point increase from the same quarter in 2019.

## RELATED PARTIES

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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 Qumeis stores in China. The agreement regulating these transactions has been entered into at market terms and based on the arm's length principle.

No other material transactions were undertaken with related parties in the quarter.

## RISKS AND UNCERTAINTIES

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As previously described in this report, the outbreak of the COVID-19 pandemic has largely increased the uncertainty in the business outlook for Ekornes for 2020. The spreading of the virus has made authorities in many countries enact strong measures that will affect global and local economic activity, and trade flows and the supply chain remains exposed to restrictions on travels and product shipments.

Lower economic activity and consumer spending is likely to affect demand in the furniture industry, which in turn will affect demand for Ekornes' products, its sales channels and other parts of the value chain. Ekornes has experienced a severe demand drop at the start of the second quarter and a series of operational and financial mitigating actions have been implemented. Parts of the dealer network were shut down in the first quarter and Ekornes has consequently expanded its e-Commerce platform into nine new countries during the first quarter. The length and depth of the COVID-19 situation remain uncertain, and thus, represents a risk of low activity and profitability beyond 2020.

In general, Ekornes is exposed to risk on both the sales and purchasing sides of business in a number of different geographic markets. Furthermore, Ekornes has production facilities in Norway, Lithuania, Vietnam, Thailand and the USA. This means that the company's market, currency and sourcing risks have a certain natural diversification, at the same time as its competitiveness is affected by changes in exchange rates against the NOK. The Group seeks to minimize this risk by making use of various forms of hedging, such as currency hedging. 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.

Product development and the launch of new concepts is one 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, as exemplified by the outbreak of COVID-19 pandemic, which could result in higher operating costs and lower earnings than predicted and expected.

Reference is otherwise made to the 2019 annual report for more detailed information about the Group's risk factors and risk management.

## CHANGE OF LEADERSHIP FOR EKORNES

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*Roger Lunde is appointed new CEO of Ekornes to succeed Olav Holst-Dyrnes, who has led the Norwegian furniture group for six years. Roger Lunde assumed his new position on 24 February 2020.*

*The new CEO has extensive operational and management experience from international industrial and commercial activities. He comes from the position of CEO of Brødrene Dahl AS. Roger Lunde holds a degree in economics and has previously held management positions in several international groups with Norwegian roots, including the Kongsberg Group, Scatec Solar, DNB and Aker Solutions.*

*Olav Holst-Dyrnes, who now resigns, has served as CEO for six years. He has led Ekornes through a demanding and successful restructuring and through the change of ownership, which in 2018 resulted in Qumei Home Furnishing Group becoming the company's main shareholder.*

## EVENTS AFTER THE BALANCE SHEET DATE

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*It is under a separate section informed about the effects of the Covid-19 situation for the Group to date in 2020.*

*On March 18, Ekornes announced lay-off of all employees at the production facilities at Ikornnes, effective from 1 April to 31 May. On 14 April parts of the layoffs were discontinued, and the operations are now running at 50% capacity utilization.*

*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 here presented.*

*Oslo, April 29th, 2020  
The board of Ekornes QM Holding AS*

*Ruihai Zhao  
Chair*

*Mogens Falsig  
Director and CEO*



## CONSOLIDATED INCOME STATEMENT

<i>(Figures in MNOK, except per share data)</i>	Note	Q1 2020	Q1 2019	Q4 2019	Y 2019
<b>Gross operating revenue</b>	2	<b>883,7</b>	<b>808,5</b>	<b>900,9</b>	<b>3 169,0</b>
<i>Cost of goods sold</i>		224,4	193,5	272,7	845,6
<i>Payroll expenses</i>		266,7	247,2	251,0	937,7
<i>Depreciation and write downs</i>	5	74,1	69,2	76,4	289,5
<i>Other operating expenses</i>		233,4	215,1	247,0	860,6
<i>Net other losses (gains)</i>	3	84,7	-8,3	-2,2	0,6
<b>Total operating expenses</b>		<b>883,4</b>	<b>716,8</b>	<b>844,9</b>	<b>2 934,0</b>
<b>Operating earnings (EBIT)</b>		<b>0,4</b>	<b>91,7</b>	<b>56,0</b>	<b>235,0</b>
<i>Financial income</i>		5,3	7,1	7,7	32,2
<i>Net gains (losses) on foreign exchange</i>		66,3	71,0	-12,5	73,8
<i>Financial expenses</i>		56,0	21,1	61,5	213,6
<b>Net financial items</b>		<b>15,6</b>	<b>57,0</b>	<b>-66,5</b>	<b>-107,6</b>
<b>Earnings before tax (EBT)</b>		<b>16,0</b>	<b>148,7</b>	<b>-10,3</b>	<b>127,4</b>
<i>Calculated tax cost (Income)</i>	9	3,6	33,6	84,3	26,7
<b>Net earnings</b>		<b>12,3</b>	<b>115,1</b>	<b>-94,6</b>	<b>100,6</b>
<b>Earnings are attributable to:</b>					
<i>Controlling interests</i>		7,8	104,8	-89,5	79,4
<i>Non-controlling interests</i>		4,5	10,4	-5,1	21,2
<i>Earnings per share</i>		411,6	3 837,5	-3 154,2	3 354,9
<i>Earnings per share (diluted)</i>		411,6	3 837,5	-3 154,2	3 354,9

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<i>(Figures in MNOK)</i>	Note	Q1 2020	Q1 2019	Q4 2019	Y 2019
<b>Net earnings</b>		<b>12,3</b>	<b>115,1</b>	<b>-94,6</b>	<b>100,6</b>
<b>Other income and expenses:</b>					
<b>Items which can be reclassified to earnings and loss:</b>					
<i>Translation differences</i>	5,9	200,0	0,6	24,9	50,4
<b>Total other income and expenses</b>		<b>200,0</b>	<b>0,6</b>	<b>24,9</b>	<b>50,4</b>
<b>Total comprehensive income</b>		<b>212,4</b>	<b>115,7</b>	<b>-69,7</b>	<b>151,0</b>

## CONSOLIDATED BALANCE SHEETS

<i>(Figures in MNOK)</i>	Note	31.3.2020	31.3.2019	31.12.2019
<b>ASSETS</b>				
<b>Non-current assets</b>				
<i>Buildings and sites</i>		1 047,4	1 067,7	1 041,4
<i>Machinery and equipment</i>		305,8	324,6	309,8
<i>Operating movables and fixtures</i>		24,1	20,1	19,9
<i>Assets under construction</i>		16,1	21,5	16,6
<i>Right-of-use assets</i>	7	141,1	113,7	131,2
<b>Total property, plant &amp; equipment</b>		<b>1 534,4</b>	<b>1 547,6</b>	<b>1 518,8</b>
<i>Software and licenses</i>		49,0	48,8	47,8
<i>Brand name</i>	5	1 592,0	1 632,7	1 602,2
<i>Goodwill</i>	5	1 561,1	1 645,6	1 561,1
<i>Customer relations</i>	5	1 451,3	1 269,0	1 269,0
<i>Deferred tax assets</i>		74,6	81,8	66,9
<b>Total non-current intangible assets</b>		<b>4 728,0</b>	<b>4 677,9</b>	<b>4 547,0</b>
<i>Other receivables and investments</i>		19,2	16,9	16,9
<b>Total non-current financial assets</b>		<b>19,2</b>	<b>16,9</b>	<b>16,9</b>
<b>Total non-current assets</b>		<b>6 281,6</b>	<b>6 242,4</b>	<b>6 082,7</b>
<b>Current assets</b>				
<i>Inventory</i>		654,6	587,6	575,4
<i>Trade receivables</i>		483,9	405,4	381,9
<i>Other short-term receivables</i>		78,4	106,6	82,8
<i>Cash and bank deposits</i>		344,2	68,3	312,8
<b>Total current assets</b>		<b>1 561,1</b>	<b>1 167,9</b>	<b>1 353,0</b>
<b>TOTAL ASSETS</b>		<b>7 842,7</b>	<b>7 410,3</b>	<b>7 435,7</b>



## CONSOLIDATED BALANCE SHEETS

<i>(Figures in MNOK)</i>	Note	31.3.2020	31.3.2019	31.12.2019
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
<b>Contributed equity</b>				
Share capital	8	0,1	0,1	0,1
Premium paid		2 807,4	2 807,4	2 807,4
<b>Total contributed equity</b>		<b>2 807,5</b>	<b>2 807,5</b>	<b>2 807,5</b>
<b>Retained earnings</b>				
Translation difference		245,1	21,0	64,1
Other equity		93,5	111,0	85,7
<b>Total retained earnings</b>		<b>338,6</b>	<b>132,1</b>	<b>149,8</b>
Owner of the company		3 146,1	2 939,5	2 957,3
Non-controlling interests		517,5	498,4	493,9
<b>Total equity</b>		<b>3 663,6</b>	<b>3 437,9</b>	<b>3 451,2</b>
<b>Non-current liabilities</b>				
Pension liabilities		7,0	4,7	6,0
Provisions		5,2	4,4	4,4
Deferred tax	9	932,6	974,0	878,9
Lease liabilities	7	104,2	86,6	100,4
Interest-bearing debt - Bond	6	1 983,3	0,0	1 981,6
Interest-bearing debt - Bank	6	500,0	500,0	500,0
<b>Total non-current liabilities</b>		<b>3 532,3</b>	<b>1 569,7</b>	<b>3 471,3</b>
<b>Current liabilities</b>				
Interest-bearing debt - Related parties	6	0,0	1 832,4	0,0
Trade payables		176,0	143,2	153,2
Public charges payable		54,3	51,9	63,2
Tax payable		32,4	78,1	27,3
Forward currency contracts	3	77,3	8,6	2,6
Interest-bearing debt - Bank	6	0,0	46,5	0,0
Dividend		1,3	0,0	10,5
Lease liabilities	7	37,2	27,9	222,2
Other current liabilities		268,4	213,9	34,2
<b>Total current liabilities</b>		<b>646,9</b>	<b>2 402,6</b>	<b>513,2</b>
<b>Total liabilities</b>		<b>4 179,1</b>	<b>3 972,4</b>	<b>3 984,5</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>7 842,7</b>	<b>7 410,3</b>	<b>7 435,7</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS

<i>(Figures in MNOK)</i>	Q1 2020	Q1 2019	Q4 2019	Y 2019
<b>Cash flows from operating activities</b>				
Earnings before tax (EBT)	16,0	148,7	-10,3	127,4
Tax paid for the period	-15,9	-39,1	-22,1	-101,9
Depreciation and write downs	74,1	69,2	76,4	289,5
Change in inventory	-79,1	-30,4	60,5	-18,3
Change in trade receivables	-102,0	-25,9	-12,1	-2,4
Change in trade payables	22,8	-14,8	-7,4	-4,9
Change in other time limited records	157,4	-46,2	35,2	81,7
<b>Net cash flow from operating activities</b>	<b>73,3</b>	<b>61,5</b>	<b>120,3</b>	<b>371,0</b>
<b>Cash flows from investing activities</b>				
Proceeds from sale of PP&E	0,8	0,0	2,2	2,3
Payments for purchase of PP&E	-21,7	-33,8	-19,4	-97,5
<b>Net Cash flows from investing activities</b>	<b>-20,9</b>	<b>-33,8</b>	<b>-17,1</b>	<b>-95,2</b>
<b>Cash flows from financing activities</b>				
Payment of lease liabilities	-10,7	0,0	-11,7	-36,5
Payment of dividend	-9,2	0,0	-10,6	-11,5
Change in net long-term debt - Bond	6	0,0	1,5	1 981,6
Change in internal loan	6	0,0	0,0	-1 897,6
Change in net short-term debt to credit institutions	6	0,0	-80,8	-111,9
<b>Net cash flow from financing activities</b>	<b>-19,9</b>	<b>-67,0</b>	<b>-101,7</b>	<b>-75,9</b>
<b>Change in net cash &amp; cash equivalents</b>	<b>32,4</b>	<b>-39,3</b>	<b>1,4</b>	<b>200,0</b>
Effect of exchange gains / (losses) on cash and cash equivalents	-1,0	0,0	5,2	5,2
Net cash & cash equivalents at the start of the period	312,8	107,6	306,2	107,6
<b>Net cash &amp; cash equivalents at the close of the period</b>	<b>344,2</b>	<b>68,3</b>	<b>312,8</b>	<b>312,8</b>
Restricted cash at the end of the period	137,3	12,6	146,1	146,1
Unrestricted cash at the end of the period	206,9	55,7	166,7	166,7

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

In April 2019, Ekornes QM Holding AS issued a stock exchange bond to refinance the Group and part of the condition is to have a minimum liquidity in Ekornes QM Holding AS of NOK 125 million. The rest of the restricted cash at 31 March 2020 are related to the payment of employee tax deductions.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Figures in MNOK)	Share capital	Premium paid	Translation difference	Other	Sum	Non-controlling interests	Total equity
<b>Equity 31.12.2018</b>	<b>0,1</b>	<b>2 807,4</b>	<b>20,5</b>	<b>6,3</b>	<b>2 834,2</b>	<b>296,8</b>	<b>3 131,0</b>
Earnings for the year	0,0	0,0	0,0	79,4	79,4	21,2	100,6
Recl. Other comprehensive income 2018	0,0	0,0	-1,9	0,0	-1,9	1,9	0,0
Other comprehensive income	0,0	0,0	45,6	0,0	45,6	4,8	50,4
Dividend*	0,0	0,0	0,0	0,0	0,0	-22,0	-22,0
Debt conversion	0,0	0,0	0,0	0,0	0,0	191,2	191,2
<b>Equity 31.12.2019</b>	<b>0,1</b>	<b>2 807,4</b>	<b>64,1</b>	<b>85,7</b>	<b>2 957,3</b>	<b>493,9</b>	<b>3 451,2</b>
<b>Equity 31.12.2019</b>	<b>0,1</b>	<b>2 807,4</b>	<b>64,1</b>	<b>85,7</b>	<b>2 957,3</b>	<b>493,9</b>	<b>3 451,2</b>
Earnings for the period	0,0	0,0	0,0	7,8	7,8	4,5	12,3
Other comprehensive income	0,0	0,0	181,0	0,0	181,0	19,0	200,0
<b>Equity 31.3.2020</b>	<b>0,1</b>	<b>2 807,4</b>	<b>245,1</b>	<b>93,5</b>	<b>3 146,1</b>	<b>517,5</b>	<b>3 663,6</b>

### \*Dividend from Ekornes Holding AS

On 28 May 2019 an ordinary General Assembly was held in Ekornes Holding AS. The general meeting resolved to approve the year-end financial statements for the Company, directors' report and audit statement for 2018. The Board furthermore resolved, in accordance with the proposal of the Board, that NOK 217.0 million will be distributed as a dividend.

On 17 December 2019 an extraordinary General Assembly was held in Ekornes Holding AS. The general assembly resolved, in accordance with the proposal of the Board, that NOK 15.0 million will be distributed as a supplementary dividend.

(Figures in NOK 000)		Annual general assembly	Extraordinary general assembly	Total
Ekornes QM Holding AS	905 %	196 385	13 575	209 960
Ruisi Holding Company Limited	95 %	20 615	1 425	22 040
<b>Total</b>	<b>100,0 %</b>	<b>217 000</b>	<b>15 000</b>	<b>232 000</b>

The dividend of NOK 22.0 million will be paid to the non-controlling interest Ruisi Holding. As at 31 March 2020, NOK 1.3 million remained unpaid.

## NOTE 1 ACCOUNTING PRINCIPLES

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*The consolidated financial statements for the first quarter 2020, closed as at 31 March 2020, have been prepared in accordance with International Financial Reporting Standards (IFRS) as approved by the EU, and include Ekornes QM Holding AS and its subsidiaries. The interim report has not been audited. The interim report does not include all the information required of a complete set of year-end financial statements and should therefore be read in conjunction with the consolidated financial statements for 2019. The Group's consolidated financial statements and the financial statements for the parent company Ekornes QM Holding AS for 2019, may be found on the company's website [ir.Ekornes.com](http://ir.Ekornes.com).*

*The accounting principles used in the preparation of these interim financial statements are the same as those applied to the consolidated financial statements for 2019.*

## NOTE 2 BUSINESS AREAS – SEGMENTS - MARKETS

### Segments

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 the IMG product area

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 MNOK)	Q1 2020	Q1 2019	Q4 2019	Y 2019
<b>Revenues per segment</b>				
Stressless®	680,5	639,5	672,8	2 402,4
IMG	142,6	111,0	165,7	551,4
Svane®	60,7	58,1	62,4	215,2
<b>Total</b>	<b>883,7</b>	<b>808,5</b>	<b>900,9</b>	<b>3 169,0</b>
<b>EBITDA per segment</b>				
Stressless®	42,1	139,2	106,1	433,2
IMG	27,4	24,9	31,0	115,5
Svane®	4,0	-2,5	3,2	-6,7
Other/eliminations *	1,0	-0,6	-8,1	-17,7
<b>Total</b>	<b>74,4</b>	<b>161,0</b>	<b>132,3</b>	<b>524,3</b>
<b>EBIT per segment</b>				
Stressless®	-13,4	85,5	48,9	209,0
IMG	10,1	10,2	8,5	49,3
Svane®	3,4	-3,3	2,4	-10,0
Other/eliminations *	0,2	-0,6	-3,8	-13,3
<b>Total</b>	<b>0,4</b>	<b>91,7</b>	<b>55,9</b>	<b>235,0</b>
<b>Operating revenues by market</b>				
Norway	133,3	122,0	130,2	431,6
Other Nordic	47,3	52,9	47,6	171,8
Central Europe	191,7	181,2	160,2	578,0
Southern Europe	49,9	62,5	60,1	215,9
United Kingdom/Ireland	61,3	55,3	53,8	210,2
USA/Canada/Mexico	271,5	218,8	287,4	990,0
Japan	28,2	26,3	35,9	139,8
China	17,6	20,6	37,5	113,6
Other Markets	82,9	68,9	88,3	318,1
<b>Total</b>	<b>883,7</b>	<b>808,5</b>	<b>900,9</b>	<b>3 169,0</b>

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

## NOTE 3 CURRENCY

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. IMG and Svane® have no currency hedging. 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.

### New forward contracts

In 2019 and 2020, the Group entered into new forward contracts, and all realised and unrealised gains and losses associated with these contracts are recognised in net other losses/(gains). In first quarter 2020, these new contracts resulted in a NOK 9.9 million realised loss and a unrealised loss of 74.8 million. All new contracts that are open as at 31 March 2020 fall due for payment in the next 12 months. As at 31 March 2020, the market value of existing forward currency contracts came to NOK -77.3 million.

### Figures in MNOK

Total net other losses/(gains) comprises:	31.3.2020	31.12.2019
Realised losses/(gains) on new forward contracts	9,9	21,7
Change in value of realised and unrealised contracts	-74,8	21,1
<b>Net other losses/(gains)</b>	<b>84,7</b>	<b>0,6</b>

### The following net foreign exchange volume was undertaken in first quarter 2020:

Currency	Volume in Currency (Million)	Average exchange rate (in NOK)
AUD	4,0	6,0561
DKK	16,0	1,3255
EUR	10,4	9,8945
GBP	2,7	11,1578
USD	4,8	8,5791

## NOTE 4 NO. OF EMPLOYEES

	31.3.2020	31.12.2019
Employees in Norway	1 022	1 025
Employees abroad	1 217	1 202
<b>Total</b>	<b>2 240</b>	<b>2 227</b>

## NOTE 5 GOODWILL, CUSTOMER RELATIONS AND BRAND NAMES

In connection with the purchase price allocation following the acquisition of Ekornes AS in September 2018, excess values were identified related to brand names, customer relationships, real estate and fixed assets.

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 10 years for the IMG segment. For brands, the estimated lifetime is estimated at 50 years for the Stressless segment and 10 years for the IMG segment. Depreciation expense is included in ordinary depreciation in the income statement. Goodwill is not depreciated in the consolidated financial statements but is tested annually for impairment.

The customer related assets are allocated to the main markets for each segment based on their relative share of revenue. For Stressless, the main markets are USA, Germany and France, while for IMG the main markets are USA, Australia and Norway. The deferred tax liabilities have been calculated based on the applicable legal tax rate for each country. In addition, the customer relations and related deferred tax have been allocated to the main markets and denominated in their functional currencies. Changes in currency rates will cause translation differences, related to the book value of the customer relations and the corresponding DTL, which will be recognized through other comprehensive income ("OCI").

<i>(Figures in MNOK)</i>	Goodwill	Customer relationships	Brand name	Total
<b>Acquisition value 31.12.2019</b>	<b>1 561,1</b>	<b>1 302,3</b>	<b>1 656,4</b>	<b>4 519,8</b>
<b>Accumulated depreciation 31.12.2019</b>	<b>0,0</b>	<b>78,0</b>	<b>54,2</b>	<b>132,3</b>
<i>Depreciation in the period</i>	0,0	15,6	10,2	25,8
<b>Accumulated depreciation 31.3.2020</b>	<b>0,0</b>	<b>93,7</b>	<b>64,4</b>	<b>158,1</b>
<b>Accumulated currency translation differences 31.12.2019</b>	<b>0,0</b>	<b>44,7</b>	<b>0,0</b>	<b>44,7</b>
<i>Change currency translation differences in the period</i>	0,0	197,9	0,0	197,9
<b>Accumulated currency translation 31.3.2020</b>	<b>0,0</b>	<b>242,6</b>	<b>0,0</b>	<b>242,6</b>
<b>Book value 31.3.2020</b>	<b>1 561,1</b>	<b>1 451,3</b>	<b>1 592,0</b>	<b>4 604,4</b>
<b>Split per segment</b>				
<i>Stressless®</i>	676,6	927,9	1 360,4	2 965,0
<i>IMG</i>	884,5	523,3	231,6	1 639,4
<b>Book value 31.3.2020</b>	<b>1 561,1</b>	<b>1 451,3</b>	<b>1 592,0</b>	<b>4 604,4</b>
	Goodwill	Customer relationships	Brand name	Total
<b>Acquisition value 31.12.2019</b>	<b>1 645,6</b>	<b>1 302,3</b>	<b>1 656,4</b>	<b>4 604,3</b>
<b>Accumulated depreciation 31.12.2018</b>	<b>0,0</b>	<b>19,0</b>	<b>13,6</b>	<b>32,6</b>
<i>The year's depreciation</i>	0,0	59,0	40,7	99,7
<b>Accumulated depreciation 31.12.2019</b>	<b>0,0</b>	<b>78,0</b>	<b>54,2</b>	<b>132,3</b>
<i>Currency translation differences</i>	0,0	44,7	0,0	44,7
<i>Reassessment PPA</i>	-84,5	0,0	0,0	-84,5
<b>Book value 31.12.2019</b>	<b>1 561,1</b>	<b>1 269,0</b>	<b>1 602,2</b>	<b>4 432,3</b>
<b>Split per segment</b>				
<i>Stressless®</i>	676,6	792,9	1 367,5	2 837,0
<i>IMG</i>	884,5	476,1	234,7	1 595,3
<b>Book value 31.12.2019</b>	<b>1 561,1</b>	<b>1 269,0</b>	<b>1 602,2</b>	<b>4 432,3</b>

## NOTE 6 INTEREST-BEARING LOANS AND CREDIT FACILITIES

The Group regularly assesses its capital structure and risk profile. In April 2019, Ekornes QM Holding AS issued a stock exchange bond to refinance the Ekornes QM Holding Group. As a result, the loan from Qumei Runto S.A.R.L. to Ekornes QM Holding AS of NOK 1 832,4 million including accrued interest as of 31 March 2019, was paid in full in April 2019.

(Figures in MNOK)

Short-term borrowing agreement 31 March 2020	Credit facility	Amount drawn	Available
DNB	500,0	0,0	500,0
Sparebank Møre	250,0	0,0	250,0
<b>Total</b>	<b>750,0</b>	<b>0,0</b>	<b>750,0</b>

### Long-term borrowing agreement 31 March 2020

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

### Senior Secured Bond at 31 March 2020

In April 2019, Ekornes QM Holding AS issued a stock exchange bond to refinance the Group. The bond was listed on Oslo Stock Exchange 10 July 2019:

<b>Bond</b>	FRN Ekornes QM Holding AS Senior Secured Callable Bond Issue 2019/2023
<b>Ticker:</b>	EKO01
<b>Currency</b>	NOK
<b>Issue Amount</b>	2 000
<b>NIBOR 3M</b>	1,86% (1.66% from 2. April 2020)
<b>Margin</b>	7,00%
<b>Coupon</b>	8,86% (8.06% from 2. April 2020)
<b>Tenor / redemption:</b>	54 months /4,5 years
<b>Settlement Date:</b>	02.4.2019
<b>Maturity Date:</b>	02.10.2023

### Covenants:

The bond agreement is subject to a set of financial covenants, including a minimum liquidity of NOK 125 million and a maximum leverage ratio of 5.25. The covenants are measured quarterly on 12 months rolling basis for Ekornes QM Holding Group. Leverage ratio at the end of the first quarter 2020 was 4.64.

The loan agreement with DNB is subject to a set of financial covenants, including a minimum equity ratio of 30% of total consolidated balance and maximum NIBD/EBITDA ratio of 3.5. The covenants are measured on 12 months rolling basis for Ekornes group.

During first quarter of 2020 and at 31 March 2020, the group was compliant with all covenants under the bank- and the bond agreements. 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.



## NOTE 7 LEASING

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. Some of the office and warehouse space leases have extension options and this has been considered.

(Figures in MNOK)

Right of use assets	Total
<b>Balance at 1.1.2020</b>	<b>131,2</b>
Depreciations	-10,1
Additions	0,3
Disposals	0,0
Currency exchange differences	19,7
<b>Balance at 31.3.2020</b>	<b>141,1</b>
<b>Lease liabilities</b>	
<b>Maturity analysis - contractual undiscounted cash flows</b>	
Within one year	40,4
One to two years	30,2
Two to three years	18,1
Three to four years	16,7
Four to five years	12,7
More than five years	40,6
<b>Total undiscounted lease liabilities at 31.3.2020</b>	<b>158,6</b>
<b>Lease liabilities included in the statement of financial position at 31.3.2020</b>	
<b>Current</b>	<b>37,2</b>
<b>Non-current</b>	<b>104,2</b>

## NOTE 8 SHARES AND SHAREHOLDERS

As of 31 March 2020, Ekornes QM Holding AS's registered share capital comprised 30 000 ordinary shares. All shares have a face value of NOK 4.00. All shares in the company have equal voting and dividend rights. All shares give equal rights to the company's net assets.

Ekornes QM Holding AS has no treasury shares as of 31 March 2020.

As at 31 March 2020, the company's sole shareholder was

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

As at 31 March 2020, the board has been granted the following authorizations:

The board has been granted no authorizations.

## NOTE 9 DEFERRED TAX

*In connection with the purchase price allocation following the acquisition of Ekornes AS, excess values were identified related to brand names, customer relationships, real estate and fixed assets. Deferred tax relating to allocated excess values at the time of acquisition was estimated and capitalized with NOK 878.7 million at 31 December 2019. We have also NOK 0.2 million in other deferred tax at 31.12.2019. Total NOK 878.9 million at 31 December 2019*

*The customer related assets are allocated to the main markets for each segment based on their relative share of revenue. For Stressless, the main markets are USA, Germany and France, while for IMG the main markets are USA, Australia and Norway. The deferred tax liabilities have been calculated based on the applicable legal tax rate for each country. In addition, the customer relations and related deferred tax have been allocated to the main markets and denominated in their functional currencies. Changes in currency rates will cause translation differences, related to the book value of the customer relations and the corresponding deferred tax liabilities, which will be recognized through other comprehensive income ("OCI").*

**(Figures in MNOK)**

<b>Deferred tax liabilities 31.12.2019</b>	<b>878,9</b>
<i>Change taxes recognized through income statement</i>	-3,3
<i>Change taxes recognized through other comprehensive income ("OCI").</i>	57,0
<b>Deferred tax liabilities 31.3.2020</b>	<b>932,6</b>



# **EKORNES®**

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