

A close-up photograph of a tan leather chair, focusing on the stitching and texture of the leather. The chair is positioned on a light-colored wooden floor. The lighting is soft, highlighting the grain of the leather and the precision of the stitching.

**EKORNES®**

Ekornes QM Holding Group

Financial statements for the third quarter | 2022

# Highlights

## Third quarter and first nine months 2022 results

- Q3 2022 operating revenue of NOK 1 132 million, up 9% from Q3 2021
- Markets easing off, but continued revenue growth for Stressless® (+9%) and IMG (+18%). Svane® revenue decreased 17% compared to the corresponding period last year
- Q3 2022 EBIT of NOK 61 million (131), mainly impacted by higher cost to serve and unrealized FX losses
- Net cash flow from operations positive at NOK 17 million for the quarter (52), impacted by a working capital increase of NOK 92 million in the quarter
- Order receipts down 15% from Q2 2022 to NOK 886 million due to easing demand and a generally lower pace in the industry
- Order reserve down 25% from Q2 2022 to NOK 795 million due to lower demand and high level of deliveries



## Maintaining growth in softer markets

Increased geopolitical risk following the war in Ukraine, combined with a lasting impact from the Covid-19 pandemic, market uncertainty and cost inflation continued to impact Ekornes' development in the third quarter. Despite the softer market, both Stressless and IMG saw revenue increase by 9% and 18%, respectively, compared to the corresponding quarter last year. The increase was driven by higher prices and more orders delivered and invoiced during the period, confirming Ekornes' flexible operating model, robust and diversified distribution network and the strong market position for its brands.

The development in the US and selected Asian markets was good, while European markets were on the weaker side. With exposure primarily in the Nordics and Northern Europe, Svane® revenues were down 17% during the quarter.

The company experienced a softening trend in the order intake throughout the quarter. Levels are markedly down from the order intake seen during the pandemic, but still above pre-pandemic levels. Combined with a high delivery pace during the quarter, the order reserve has come down.

Addressing the weaker market sentiment, Ekornes is taking mitigating initiatives including capacity adjustments as well as repricing and renegotiations with suppliers. Moreover, with its flexible operating model, Ekornes is able to rapidly adapt to the prevailing market environment while maintaining reliable and timely deliveries. In addition, a significant share of Ekornes products is in the premium brand segment, where orders historically have been less impacted by market fluctuations.

Ekornes remains committed to offering innovative and relevant products to customers. This includes developing products in new categories under existing brands. The company's new Dining collection is being well received in the market, and new product lines in the motorized sofa segment are showing solid growth.

Operational efficiency remains high on the agenda for Ekornes. In addition to the continuous alignment of capacity to prevailing market conditions across segments and regions, the company is in the process of optimizing operations and leveraging synergies through cross-productional collaboration between productional sites. This implies concentrating automated, labour-intensive and other specialized processes to production units with comparative advantages, contributing to increased production and faster deliveries in a challenging supply chain.

Despite challenging and uncertain market conditions, Ekornes has managed to fulfil its ambition of timely and reliable deliveries of relevant products. With a robust distribution network and a favourable diversification of supply across markets, the company's market position remains healthy. Although demand is expected to ease off further, Ekornes has a robust product offering, and combined with a good pipeline of new products, the company is in a good position to handle possible changes to market conditions and to capitalize on future market opportunities.



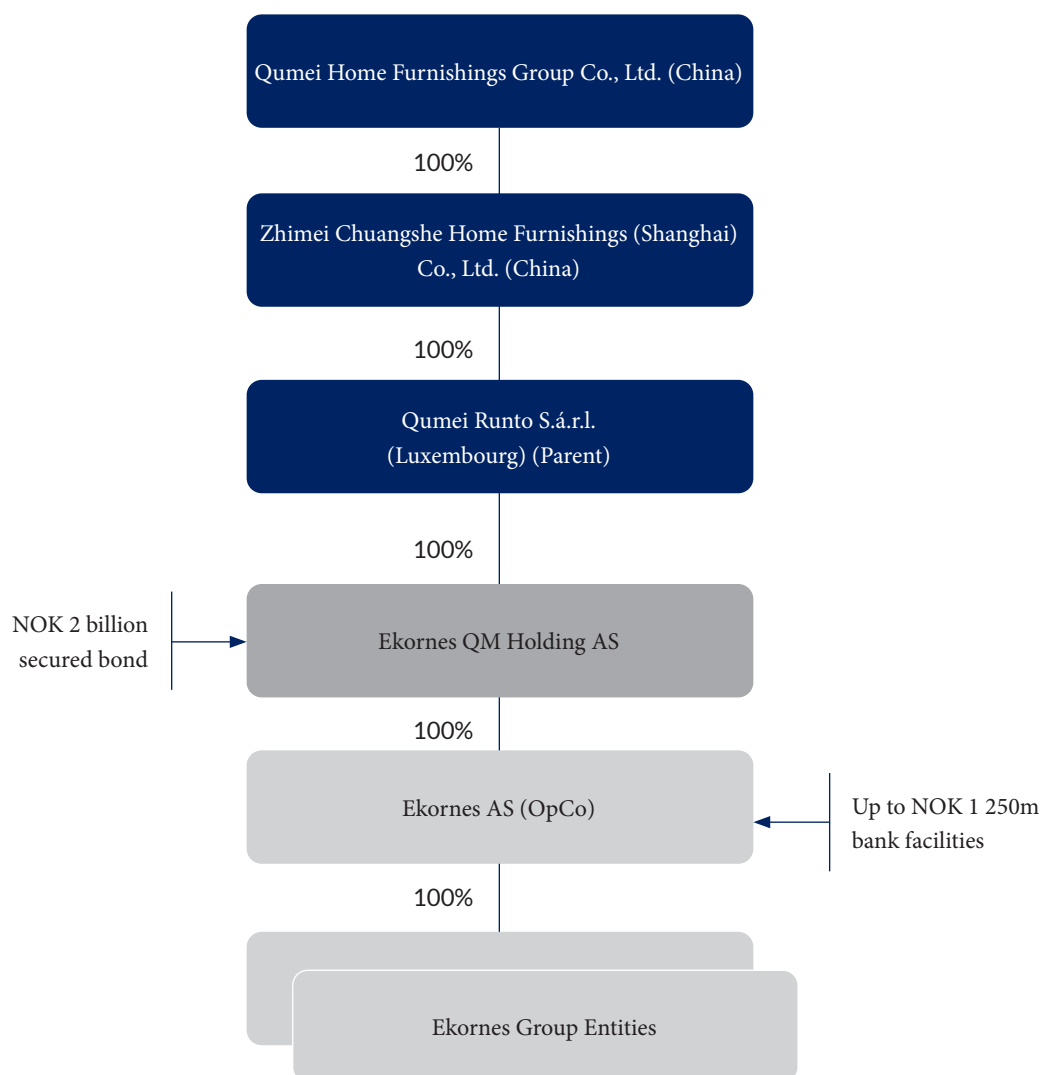
# Company history and ownership

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 wholly owned subsidiary of Qumei Home Furnishings Group. 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 30 September 2022. Ekornes QM Holding AS had as at 30 September 2022 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 30 September 2022)



## Key figures

		Q3 2022	Q3 2021	Q2 2022	YTD Q3 2022	YTD Q3 2021	Y 2021
<b>Gross operating revenue</b>	<b>MNOK</b>	<b>1 132,1</b>	<b>1 040,5</b>	<b>1 232,7</b>	<b>3 852,4</b>	<b>3 143,8</b>	<b>4 317,9</b>
Stressless®	MNOK	851,3	780,5	903,1	2 860,2	2 317,4	3 166,6
IMG	MNOK	218,3	184,7	265,3	780,5	607,9	850,0
Svane®	MNOK	62,6	75,2	64,4	211,6	218,5	301,2
Gross operating earnings (EBITDA)	MNOK	140,9	216,5	167,3	617,8	657,6	833,3
<b>Operating earnings (EBIT)</b>	<b>MNOK</b>	<b>61,3</b>	<b>131,3</b>	<b>85,9</b>	<b>381,2</b>	<b>425,0</b>	<b>514,0</b>
<b>Operating margin (EBIT)</b>	<b>%</b>	<b>5,4%</b>	<b>12,6%</b>	<b>7,0%</b>	<b>9,9%</b>	<b>13,5%</b>	<b>11,9%</b>
Earnings before tax (EBT)	MNOK	57,7	89,4	84,1	305,2	297,2	338,1
<b>Net earnings</b>	<b>MNOK</b>	<b>46,2</b>	<b>72,3</b>	<b>66,8</b>	<b>241,6</b>	<b>239,5</b>	<b>273,9</b>
Net interest-bearing Debt (NIBD)	MNOK	2 703,8	2 810,7	2 686,3	2 703,8	2 810,7	2 747,9
Cash and Bank deposits end of period	MNOK	366,2	297,2	393,2	366,2	297,2	350,1

### FINANCIAL REVIEW

(Figures in brackets represent the corresponding period in 2021).

#### THIRD QUARTER 2022 FINANCIAL REVIEW

Third quarter 2022 operating revenues came in at NOK 1 132 million, up 9% from NOK 1 040 million in the third quarter 2021. The increase was driven by higher prices for products sold, combined with more orders delivered and invoiced in the quarter, enabled by the Group's flexible operating model and robust distribution network. Compared to the previous quarter, revenues were down 8% from NOK 1 233 million due to reduced consumer demand, influenced by soaring inflation and rising interest rates.

Underlying sales revenue from the Stressless® segment was NOK 851 million (781), up 9% from Q3 2021. Revenue from IMG increased by 18% to NOK 218 million (185). Svane® revenue for the third quarter decreased 17% compared to the corresponding period last year, ending at NOK 63 million (75).

Costs of goods sold ended at NOK 363 million (302), with the increase driven by higher prices on raw materials, in addition to higher production in Stressless® and IMG. Payroll expenses amounted to NOK 290 million, up from NOK 269 million during the third quarter of 2021, driven by a larger workforce and increased production. Other operating expenses came in at NOK 315 million during the quarter, an increase of 22% from NOK 258 million in Q3 2021. This increase was mainly due to higher transportation and marketing costs.

Net other losses amounted to NOK 23 million, mainly related to unrealized losses on currency forward contracts. This compares to a net gain of NOK 5 million in the third quarter 2021. The unrealized losses were primarily driven by a continued weakening of the NOK versus USD during the quarter. See note 3 in the financial statements for more information.

Total operating expenses for the period ended at NOK 315 million, up from NOK 258 million in the third quarter 2021, mainly due to overall higher cost levels. Ekornes is continuously implementing mitigating actions to offset the effects of its higher cost base, mainly by price increases and renegotiating with suppliers. As inflationary pressures and rising interest rates have led to lower consumer spending growth on household goods and furniture, Ekornes has reduced production to adapt to the situation. The current market development is being closely monitored, and the company is prepared to continuously adapt to prevailing market conditions.

Operating earnings (EBIT) for Q3 2022 came in at NOK 61 million (131), corresponding to an EBIT margin of 5.4%, compared to 12.6% in the corresponding period in 2021 and 7.0% in Q2 2022. The decrease is mainly attributable to higher operating expenses driven by continued cost inflation and unrealized losses on currency forward contracts.

For the third quarter 2022, net financial items were negative NOK 4 million (-42). This includes net foreign exchange gains of NOK 54 million (4) and financial income of NOK 10 million (2). Financial expenses amounted to NOK 67 million during the period (47). Earnings before tax for the quarter ended at NOK 58 million (89). Tax expense for the period is calculated to NOK 11 million (17), which resulted in a net profit for the quarter of NOK 46 million (72).

## FIRST NINE MONTHS 2022 FINANCIAL REVIEW

For the first nine months, Ekornes generated operating revenue of NOK 3 852 million (3 144). The increase in revenues compared to the same period in 2021 was largely due higher prices and increased sales, particularly during the record-strong first quarter, fuelled by continued demand for household furniture, combined with shutdowns in markets during parts of the first half year 2021. Sales were higher in all segments except Svane®. Underlying sales revenue from the Stressless® segment was NOK 2 860 million (2 317), revenue from IMG was NOK 781 million (608), while revenue from Svane® amounted to NOK 212 million (218).

Operating earnings (EBIT) for the first nine months of 2022 came in at NOK 381 million (425). The decrease from the first nine months of 2021 was mainly driven by a higher cost base and unrealized losses related to currency forward contracts. The decrease was partly offset by improved profitability from higher capacity utilization during the first quarter 2022.

Due to higher activity and increased production, payroll expenses increased to NOK 998 million during the period, from NOK 885 million for the first nine months of 2021. Other operating expenses, including transportation, sales and marketing costs, ended at NOK 963 million, compared to NOK 756 million in the first nine months of 2021.

Net financial items were negative at NOK 76 million (-128), driven by financial expenses of NOK 185 million (138).

Earnings before tax for the first nine months came in at NOK 305 million (297). Tax expense is calculated at NOK 64 million (58), which gave a net result of NOK 242 million (239).

## Order receipts and order reserve

		Q3 2022	Q3 2021	Q2 2022	YTD Q3 2022	YTD Q3 2021	Y 2021	CHANGE YTD 2022 / YTD 2021
Order receipts	MNOK	885,9	1 187,8	1 039,4	3 308,0	3 617,0	4 874,7	-8,5%
Order reserve	MNOK	794,7	1 309,7	1 052,7	794,7	1 309,7	1 379,6	-39,3%

Order receipts in the third quarter 2022 amounted to NOK 886 million, down 25% from NOK 1 188 million in the corresponding quarter in 2021. Demand eased significantly mid-way through Q2 2022, driven by reduced consumer sentiment. Order receipts in the second quarter 2022 were NOK 1 039 million.

As at 30 September 2022, Ekornes' combined order reserve was NOK 795 million, down from NOK 1 053 million at the end of the second quarter 2022, driven by significant deliveries during the quarter. The order reserve at the end of the third quarter 2021 was NOK 1 310 million.

# Balance Sheet

		30.9.2022	30.9.2021	30.6.2022	31.12.2021
Working capital*	MNOK	1 786,8	1 351,5	1 694,8	1 389,1
Bank deposits	MNOK	366,2	297,2	393,2	350,1
Total assets	MNOK	8 552,4	7 838,3	8 472,1	8 090,1
Interest-bearing loans	MNOK	3 070,0	3 108,0	3 079,5	3 097,9
Total liabilities	MNOK	5 000,4	4 799,8	5 059,2	5 007,2
Equity	MNOK	3 552,0	3 038,5	3 412,9	3 083,0
Equity ratio	%	41,5%	38,8%	40,3%	38,1%
Value of forward contracts	MNOK	-41,7	10,6	-25,3	4,1
Net interest-bearing Debt (NIBD)	MNOK	2 703,8	2 810,7	2 686,3	2 747,9

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

As at 30 September 2022, Ekornes had total assets of NOK 8 552 million, compared with NOK 8 472 million three months earlier. The increase is mainly due to higher working capital driven by increased inventory.

Total equity was NOK 3 552 million at the end of the quarter, corresponding to an equity ratio of 42%. This compares to NOK 3 413 million and 40% at the end of the previous quarter, where the change is due to increased retained earnings.

Total interest-bearing debt at the end of the period amounted to NOK 3 070 million, down from NOK 3 079 million at the end of the second quarter 2022, mainly due to a NOK 12.5 million instalment on bank loans. Interest-bearing debt includes unsecured bank loans with DNB and Sparebanken Møre totalling NOK 1 050 million. The bank loan facilities mature 15 April 2023.

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 2019 under the name “Ekornes QM Holding AS 19/23 FRN FLOOR C” with the ticker: EKO01. Ekornes has call options to redeem the bond with expiry dates in October 2022 and April 2023 before the bond matures in October 2023. Ekornes QM Holding AS has engaged DNB Markets and SEB as financial advisors and joint lead managers to explore a potential refinancing of its outstanding senior secured bond.

## 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 a 12-month rolling basis for Ekornes QM Holding Group.

In 2020, Ekornes experienced a significant impact on operations from March to May due to the lockdowns from the Covid-19 pandemic. During this period, Ekornes performed stress tests on key financial indicators with satisfactory results. However, with the outlook for a negative impact on earnings being substantial short to medium term and the risk of a covenant breach in the bond agreement, Ekornes entered an agreement with bondholders for amendments to covenants. However, due to the significant rebound during the second half of 2020 which continued throughout 2021 and into 2022, Ekornes' financial position as at 30 September 2022 was solid.

The bond agreement also includes restrictions on dividend payments from Ekornes QM Holding AS, and Ekornes QM Holding AS is not in position to distribute any dividends.

During the third quarter of 2022 and as at 30 September 2022, Ekornes was compliant with all covenant requirements in the bond agreement. The leverage ratio at the end of the third quarter 2022 was 3,45, well within prevailing requirements.

## Cash flow

		Q3 2022	Q3 2021	Q2 2022	YTD Q3 2022	YTD Q3 2021	Y 2021
Net cash flow from operating activities	MNOK	16,8	52,0	124,6	216,7	116,0	240,6
Net cash flow from investing activities	MNOK	-20,0	-27,5	-60,0	-108,4	-75,1	-109,4
Net cash flow from financing activities	MNOK	-25,0	-172,7	-26,7	-79,1	-204,0	-238,5
<b>Change in net cash &amp; cash equivalents</b>	<b>MNOK</b>	<b>-28,3</b>	<b>-148,1</b>	<b>37,9</b>	<b>29,2</b>	<b>-163,1</b>	<b>-107,4</b>
Effect of exchange gains / (losses) on cash and cash equivalents	MNOK	1,3	4,9	-12,7	-13,1	5,8	2,8
Net cash & cash equivalents at the start of the period	MNOK	393,2	440,5	368,0	350,1	454,6	454,6
<b>Net cash &amp; cash equivalents at the close of the period</b>	<b>MNOK</b>	<b>366,2</b>	<b>297,2</b>	<b>393,2</b>	<b>366,2</b>	<b>297,2</b>	<b>350,1</b>

Net cash flow from operating activities in the third quarter 2022 was NOK 17 million (52), following reduced earnings and a NOK 92 million increase in working capital. The company has initiated actions to reduce working capital and expects a reduction of approximately NOK 200 million over the next 12 months. Net cash flow from operating activities for the first nine months of 2022 was NOK 217 million (116), mainly driven by increased earnings.

Net cash flow from investing activities was negative NOK 20 million in the quarter (-27), all related to ongoing investments in day-to-day operations. Net cash flow from investing activities over the past 12 months are negative NOK 143 million. The company has a flexible operating model and is positioned to support continued growth of the fastest-growing segments and capture emerging market opportunities. Net cash flow from investing activities during the first nine months of 2022 was negative NOK 108 million (-75), where the increase from last year is due to capacity expansions during the first half of 2022.

Net cash flow from financing activities was negative at NOK 25 million during the quarter (-173), in line with the second quarter 2022. This includes a NOK 12.5 million payment of lease liabilities and a NOK 12.5 million instalment on short-term bank debt. The negative cash flow from the corresponding period last year includes Ekornes QM Holding AS' purchase of Huatai Securities' ownership share of 9.5% in Ekornes Holding AS of NOK 741 million, which was mainly funded by drawing NOK 600 million on short-term debt. Net cash flow from financing activities for the first nine months of 2022 was negative NOK 79 million (-204).

Net change in cash and cash equivalents was negative NOK 28 million during the quarter and as at 30 September 2022, Ekornes had a solid financial position with total holdings of cash and cash equivalents of NOK 366 million. This compares to NOK 297 million 12 months earlier and NOK 393 million at the end of the second quarter 2022.



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

## Stressless®

		Q3 2022	Q3 2021	Q2 2022	YTD Q3 2022	YTD Q3 2021	Y 2021
Gross operating revenue	MNOK	851,3	780,5	903,1	2 860,2	2 317,4	3 166,6
Gross operating earnings (EBITDA)	MNOK	105,9	175,8	114,9	463,9	520,4	648,3
<b>Operating earnings (EBIT)</b>	<b>MNOK</b>	<b>48,0</b>	<b>115,3</b>	<b>54,8</b>	<b>291,2</b>	<b>353,4</b>	<b>417,5</b>
Operating margin (EBIT)		5,6%	14,8%	6,1%	10,2%	15,2%	13,2%

Stressless® delivered solid sales in the third quarter and kept its strong position across key markets as a leading premium brand, despite a challenging market environment. With a continued strong operational performance, revenues increased by 9% to NOK 851 million compared to third quarter 2021. Total revenues for the first nine months of the year amounted to NOK 2 860 million, an increase of 23% compared to the corresponding period in 2021.

Operating earnings (EBIT) for the quarter ended at NOK 48 million, corresponding to an operating margin of 6% (15%). The decrease in margin mainly reflects higher costs, including raw material and transportation, and orders delivered ahead of price increases. As price increases normally take longer to come into effect than immediate cost increases, margins may be impacted in the short term. For the first nine months of the year, the operating margin was 10% (15%). With few signs of declining inflation, Ekornes is continuously evaluating its pricing strategy to optimize the balance between prices and sales volumes.

In North America, Stressless® showed an improved performance in the third quarter, from an already strong second quarter. Order intake saw a positive development after retailers had sold from inventories over the first half of the year, combined with positive effects from the reintroduction of discount campaigns. The US market remains impacted by high inflation and interest rates and tighter household finances. However, Stressless® has over the last two years strengthened its position as a premium brand in this region and keeps delivering robust sales despite the challenging market environment.

Third quarter sales in Europe came in at a stable, high level, where particularly Central Europe and the UK remain ahead of 2021 levels for the first nine months of the year. The European markets have been heavily impacted by macroeconomic uncertainties arising from the war in Ukraine combined with soaring energy prices which are reducing consumers' disposable income. Still, sales of Stressless® have normalized on levels well above 2019 sales, although behind the elevated demand experienced during the pandemic.

The wide product offering of Stressless® is a key success factor in the European markets, where classic recliners posted stable sales accompanied by growing demand for power sofas. In addition, Stressless® Dining maintains its positive development with strong growth as the rollout of the collection to other markets continues. To further optimize operational efficiency, Ekornes continued to utilize IMG capacity for the most labour-intensive processes, such as the assembly of Stressless® power sofas. This resulted in reduced lead times, supporting stable and reliable deliveries in the quarter.

In Australia and New Zealand, sales were somewhat down from a strong second quarter after the impact from uncertain market conditions with declining house prices and geopolitical issues. Sales were, however, in line with the same quarter last year, positively affected by the absence of Covid-19 related restrictions and by successful discount campaigns. Following the opening of several new stores and a strong labour market, the outlook is positive in these markets.

After comprehensive Covid-19 related lockdowns in the first half of the year, the Chinese markets have gradually started opening during the third quarter but with some cities still remaining in lockdown. Traffic in stores remained, however, well below normalized levels, which resulted in reduced sales compared to the corresponding period in 2021. Furthermore, order intake in the quarter was impacted by retailers having already placed orders ahead of price increases effectuated at the end of the second quarter. On the positive side, the third quarter included the opening of six new showrooms in major cities as well as the launch of Stressless® Emily and Mary which strengthened the sales platform in China.

Going forward, China is expected to continue loosening restrictions and several showroom openings are planned to widen the Stressless® distribution network. Combined with the return of furniture exhibitions, the strategic ambitions of Stressless® remain firm in the Chinese market.

In Japan, Stressless® showed a very positive development both relative to the previous quarter and the corresponding period last year. The development was driven by the lifting of Covid-19 related restrictions, opening of new showrooms in Tokyo and Osaka and successful discount campaigns. Inflation is a key concern also in the Japanese markets, exemplified by transportation costs rising close to 40% since the third quarter last year. To offset the increased cost base, Stressless® implemented a price increase at the end of the third quarter in this market. With its strong position as a premium brand in the Japanese market, Stressless® is expected to continue its positive development, although at a somewhat slower pace due to reduced demand and tighter consumer finances.

With continued geopolitical tension from the war in Ukraine and inflationary pressure persisting, the market conditions for the entire furniture industry remain challenging. To adapt to the situation, Stressless® has implemented mitigating actions such as price increases, renegotiating with suppliers and capacity reductions, enabled by a flexible operating model. Against this backdrop, Stressless® continues its strong performance with sales stabilizing at more normalized levels, driven by a wide product offering and a diversified distribution network.

Going forward, supporting the market development of the fast-growing segments such as power products and the Dining collection, along with launching new, relevant products are top priorities for Stressless®. With a strong market position and close collaboration with retailers, the premium brand is expected to continue its robust performance despite tougher market conditions.



## IMG

		Q3 2022	Q3 2021	Q2 2022	YTD Q3 2022	YTD Q3 2021	Y 2021
Gross operating revenue	MNOK	218,3	184,7	265,3	780,5	607,9	850,0
Gross operating earnings (EBITDA)	MNOK	34,4	33,7	57,8	155,3	128,2	177,9
<b>Operating earnings (EBIT)</b>	<b>MNOK</b>	<b>13,5</b>	<b>9,8</b>	<b>37,2</b>	<b>93,7</b>	<b>65,3</b>	<b>93,0</b>
Operating margin (EBIT)		6,2%	5,3%	14,0%	12,0%	10,7%	10,9%

Third quarter 2022 revenue for IMG came in at NOK 218 million (185), representing 18% growth from the comparable period in 2021. Compared to the previous quarter, revenue was down 18%. For the first nine months, revenues ended at NOK 781 million (608), corresponding to an increase of 28% from last year.

IMG's growth continued to be driven by North America. The performance in Asia Pacific was heavily influenced by the lack of sales in China due to the ongoing impact of Covid-19 related restrictions during the quarter. Europe experienced steady growth off a small base, with the Nordics remaining a challenging region.

Orders were soft in the third quarter, as most major markets dealt with a variety of consumer challenges. Heavily overstocked retail inventories are a particular issue in North America, with general negative consumer sentiment towards furniture weighing on orders in all regions relative to recent years. As consumers continue to divert disposable income to other sectors the outlook remains soft for the fourth quarter and into 2023.

Compared to 2021, IMG's orders for the third quarter were down 18%. For the first nine months of the year, orders were 22% behind the corresponding figure for 2021. The decrease is driven by a slowdown in ordering from larger scale retailers in key markets due to high inventories and slowing demand.

The weaker order situation resulted in a continued decline in the order reserve during the third quarter. IMG has taken further steps to match the capacity utilization to orders across the three production facilities. Mitigating the situation somewhat is the continual development of new distribution in both established and new markets, as is the continued work on new product concepts for the fourth quarter and 2023 release.

IMG's operating results remained strong as revenue development continued positively as outlined. Year-to-date, IMG's result stood at NOK 94 million, up 44% from the comparable period in 2021.

Despite this, IMG is undertaking cost control measures as the trading environment continues to tighten, and a lighter cost base will be required in the coming quarters to maintain a solid performance. IMG's strong revenue development and high order reserve over long periods of 2022 provide a strong foundation to tackle the situation.

The focus for the coming quarters will be to match capacity utilization and costs to the development in revenues, whilst continuing the focus on new market development and new product releases. The outlook is more challenging, but IMG is still well placed to adapt accordingly.



## Svane®

		Q3 2022	Q3 2021	Q2 2022	YTD Q3 2022	YTD Q3 2021	Y 2021
Gross operating revenue	MNOK	62,6	75,2	64,4	211,6	218,5	301,2
Gross operating earnings (EBITDA)	MNOK	0,8	7,4	-4,9	0,1	10,7	9,5
<b>Operating earnings (EBIT)</b>	<b>MNOK</b>	<b>0,1</b>	<b>6,5</b>	<b>-5,6</b>	<b>-2,1</b>	<b>8,1</b>	<b>5,9</b>
Operating margin (EBIT)		0,2%	8,7%	-8,7%	-1,0%	3,7%	2,0%

The weak trend for Svane® continued in the third quarter, as demand for the brand remains impacted by reduced consumer spending on durable goods with overall living costs rising. Operating revenues amounted to NOK 63 million, representing a 17% decrease from the third quarter 2021 and 3% down from the previous quarter. For the first nine months of the year, revenues came in at NOK 212 million (219), 3% down from 2021. Operating earnings (EBIT) for the third quarter were NOK 0.1 million, down from NOK 7 million in the corresponding period last year, mainly due to a higher cost base.

The Norwegian market saw a weak development in the third quarter, characterized by low foot traffic in stores and large price increases for all products. With consumers' disposable income under pressure, demand has shifted away from premium products such as Svane® towards low-cost alternatives. Continued price increases for raw materials and transportation have put the profitability of the brand further under pressure. In such a challenging market environment, Ekornes has initiated comprehensive actions to reduce costs, such as capacity reductions and renegotiations with suppliers.

Central Europe experienced the same trend in the quarter, with fewer shoppers in stores and reduced consumer confidence, particularly for beds. Mattresses continued their positive sales development.

The Finnish and Swedish markets developed positively in the quarter, driven by new contracts with large retailers on the back of a renewed strategy in these markets. With an improved product offering in place that better matches market preferences, the positive trend is expected to continue in the fourth quarter.

In Denmark, sales of Svane® continued to decline in the quarter. Efforts are ongoing to reverse the trend, such as reviewing the product offering and distribution network.

For the remainder of the year, demand for beds is expected to remain impacted by strong inflation and constrained consumer finances. To adapt to the situation, Svane® is focusing on reducing costs while launching tailored marketing and discount campaigns to boost sales. In addition, further improving the Svane® offering while launching new products under the Stressless® brand is expected to provide a strong foundation going forward.



# Outlook

Ekornes' long-term ambition is to grow revenues profitably and responsibly.

While the company delivered record sales for the first half of the year, the third quarter saw sales come down to more normalized levels. Year-to-date performance still remains ahead of last year and has stabilized above pre-pandemic levels, driven by a strong operational performance and a diversified distribution network.

Continued inflationary pressure and rising living costs have impacted demand for consumer goods, reducing consumer spending on household goods and furniture. Ekornes mitigates the effects through repricing efforts, renegotiating with suppliers and adjusting capacity. With its flexible operating model, Ekornes is positioned to rapidly adapt to prevailing market environment while maintaining reliable and timely deliveries.

In challenging market conditions, a key success factor is Ekornes' favourable geographical diversification of supply and demand. While the sales trend has been weak in Europe, the markets in North America and Asia have proven to be more robust, a trend expected to continue for the remainder of the year. Meanwhile, Stressless® has strengthened its market position as a premium brand during the pandemic, demonstrated by resilient performance even as markets normalize. With a wide and relevant product offering, combined with growth of power products and the Dining collection, the brand is well positioned to utilize market opportunities as they appear going forward.

Ekornes' financial position is solid, with strong liquidity and a sound capital structure. The company intends to optimize the long-term financing structure to maintain financial flexibility. Ekornes QM Holding AS has engaged DNB Markets and SEB as financial advisors and joint lead managers to explore a potential refinancing of its outstanding senior secured bond.

Ability to deliver relevant products with short delivery times is core to Ekornes and has been crucial for the performance throughout the pandemic. The company continues to focus highly on innovation and is continuously developing new products and concepts. Ongoing rollouts are already showing good results and the company plans for additional releases going forward. Combined with flexible long-term financing capacity, this enables the company to capture future market opportunities.

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

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

As at 30 September 2022, Ekornes employed a total of 3 317 people, of which about 40% were employed in Norway.

Ekornes gives high priority to the safety of its workforce and aims for zero work-related personal injuries. The Group is working actively in the areas of prevention and emergency preparedness to reduce the number of personal injuries incurred. There were 3 lost-time injuries in the third quarter 2022. This gives an H1-value for the period of 1,9 compared to 2,5 the same period the year before.

The Group had a sickness absence rate of 3,4% in the third quarter 2022, compared to 6,0% in the same quarter in 2021. For the first nine months, absence rate was 4,2%, compared to 3,5% in 2021.

## Risks and uncertainties

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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.

Following outbreaks of Covid-19 in 2020, Ekornes experienced a severe demand drop during the first months of the pandemic. The sharp short-term sales decline proved the increased need for resilience in an uncertain world. Due to the pandemic's effect on economies, markets and people, 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 throughout 2021 and into 2022. At the same time, the SARS-CoV-2 virus is still present and impacts both markets and operations with shutdowns and restrictions.

In general, Ekornes is exposed to risk on both the sales and purchasing sides of business in several different geographic markets. When parts of the dealer network were shut down in the first half year 2020, Ekornes accelerated initiatives to address sales and distribution risk, including introducing an e-commerce platform in cooperation with its dealer network. The company also took actions to secure access to critical components, establishing relations with alternative suppliers, and increasing inventory as a buffer to secure operations.

As a consequence of the pandemic, logistics and transportation have become increasing challenges for the furniture industry, impacting both the ability to bring products to market and secure access to input factors. Ekornes has taken actions to secure access to crucial raw materials and transportation services. However, the situation is expected to increase prices further. Ekornes follows the situation closely and regularly reviews its pricing strategy to account for an overall increased cost base.

Furthermore, the Russian invasion of Ukraine in late February has led to increased geopolitical tension and put additional pressure on an already constrained supply chain. Ekornes has reduced exposure to Russia and Ukraine, both on the supplier and demand side, and is therefore less impacted by the prolonged conflict. The company follows the wide international community and condemns Russia's invasion of Ukraine and chose to stop all distribution of furniture to Russia and Belarus.

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" effects from the pandemic seems to be subsiding. As a result, Ekornes must be prepared for lower economic activity that may affect demand for its products, its sales channels and for other parts of the value chain. The Group has a flexible operating model and is positioned to adjust production capacity to prevailing demand.

Moreover, Ekornes has production facilities in Norway, Lithuania, Vietnam, 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.

For more information on the Group's risk factors and risk management, reference is made to the company's 2021 Annual Report.

## Events after the balance sheet date

No significant events have occurred between the balance sheet date and the date of publication of the financial statements which have materially affected the Company's financial position, and which should have been reflected in the financial statements presented here. No material events have occurred from the balance sheet date until the publication of the financial statements that have had any material impact on the Group's financial position and that should have been reflected in the published financial statements.

Oslo, October 27th 2022  
The board of Ekornes QM Holding AS

Ruihai Zhao  
Chair

Mogens Falsig  
Director and CEO





## Consolidated income statement

(Figures in MNOK, except per share data)	Note	Q3 2022	Q3 2021	Q2 2022	YTD Q3 2022	YTD Q3 2021	Y 2021
<b>Gross operating revenue</b>	<b>2</b>	<b>1 132,1</b>	<b>1 040,5</b>	<b>1 232,7</b>	<b>3 852,4</b>	<b>3 143,8</b>	<b>4 317,9</b>
Cost of goods sold		363,5	302,0	387,7	1 219,2	861,3	1 205,3
Payroll expenses		290,2	268,8	344,0	998,1	884,5	1 209,6
Depreciation and write downs	5	79,5	85,2	81,3	236,4	232,5	319,3
Other operating expenses		315,1	258,0	289,1	963,2	755,9	1 082,8
Net other losses (gains)	3	22,6	-4,9	44,7	54,1	-15,5	-13,2
<b>Total operating expenses</b>		<b>1 070,8</b>	<b>909,2</b>	<b>1 146,8</b>	<b>3 471,1</b>	<b>2 718,7</b>	<b>3 803,8</b>
<b>Operating earnings (EBIT)</b>		<b>61,3</b>	<b>131,3</b>	<b>85,9</b>	<b>381,2</b>	<b>425,0</b>	<b>514,0</b>
Financial income		10,0	1,9	6,2	20,4	5,5	9,0
Net gains (losses) on foreign exchange		53,7	3,7	52,8	88,3	4,9	6,1
Financial expenses		67,4	47,5	60,9	184,7	138,3	191,1
<b>Net financial items</b>		<b>-3,7</b>	<b>-41,9</b>	<b>-1,8</b>	<b>-76,1</b>	<b>-127,8</b>	<b>-176,0</b>
<b>Earnings before tax (EBT)</b>		<b>57,7</b>	<b>89,4</b>	<b>84,1</b>	<b>305,2</b>	<b>297,2</b>	<b>338,1</b>
Calculated tax cost (Income)		11,4	17,0	17,3	63,5	57,7	64,1
<b>Net earnings</b>		<b>46,2</b>	<b>72,3</b>	<b>66,8</b>	<b>241,6</b>	<b>239,5</b>	<b>273,9</b>
<b>Earnings are attributable to:</b>							
Controlling interests		46,2	66,5	66,8	241,6	211,8	246,2
Non-controlling interests		0,0	5,8	0,0	0,0	27,7	27,7
Earnings per share		1 541,1	2 411,5	2 226,2	8 054,7	7 982,4	9 131,5
Earnings per share (diluted)		1 541,1	2 411,5	2 226,2	8 054,7	7 982,4	9 131,5

## Consolidated statement of comprehensive income

(Figures in MNOK)	Note	Q3 2022	Q3 2021	Q2 2022	YTD Q3 2022	YTD Q3 2021	Y 2021
<b>Net earnings</b>		<b>46,2</b>	<b>72,3</b>	<b>66,8</b>	<b>241,6</b>	<b>239,5</b>	<b>273,9</b>
<b>Other income and expenses:</b>							
<b>Items which can be reclassified to earnings and loss:</b>							
Translation differences	5	92,9	7,4	149,4	227,4	-11,9	-1,8
<b>Total other income and expenses</b>		<b>92,9</b>	<b>7,4</b>	<b>149,4</b>	<b>227,4</b>	<b>-11,9</b>	<b>-1,8</b>
<b>Total comprehensive income</b>		<b>139,2</b>	<b>79,7</b>	<b>216,2</b>	<b>469,1</b>	<b>227,6</b>	<b>272,1</b>

## Consolidated balance sheets

(Figures in MNOK)	Note	30.9.2022	30.9.2021	30.6.2022	31.12.2021
<b>ASSETS</b>					
<b>Non-current assets</b>					
Buildings and sites		913,2	958,3	924,8	945,7
Machinery and equipment		280,0	273,4	276,4	277,8
Operating movables and fixtures		29,3	23,5	28,9	24,5
Assets under construction		64,4	40,2	68,4	26,8
Right-of-use assets	7	223,9	134,4	225,7	217,3
<b>Total property, plant &amp; equipment</b>		<b>1 510,9</b>	<b>1 429,7</b>	<b>1 524,1</b>	<b>1 492,1</b>
Software and licenses		26,1	24,6	32,9	36,1
Brand name	5	1 490,3	1 531,0	1 500,5	1 520,8
Goodwill	5	1 561,1	1 561,1	1 561,1	1 561,1
Customer relations	5	1 285,7	1 178,9	1 230,9	1 162,4
Deferred tax assets		117,0	86,4	115,7	107,7
<b>Total non-current intangible assets</b>		<b>4 480,2</b>	<b>4 382,0</b>	<b>4 441,1</b>	<b>4 388,1</b>
Other receivables and investments		27,7	21,7	28,3	24,1
<b>Total non-current financial assets</b>		<b>27,7</b>	<b>21,7</b>	<b>28,3</b>	<b>24,1</b>
<b>Total non-current assets</b>		<b>6 018,8</b>	<b>5 833,5</b>	<b>5 993,6</b>	<b>5 904,3</b>
<b>Current assets</b>					
Inventory		1 407,8	1 156,9	1 334,3	1 272,3
Trade receivables		633,8	442,9	645,4	448,9
Forward currency contracts	3	0,0	10,6	0,0	4,1
Other short-term receivables		125,8	97,1	105,6	110,4
Cash and bank deposits		366,2	297,2	393,2	350,1
<b>Total current assets</b>		<b>2 533,6</b>	<b>2 004,8</b>	<b>2 478,5</b>	<b>2 185,8</b>
<b>TOTAL ASSETS</b>		<b>8 552,4</b>	<b>7 838,3</b>	<b>8 472,1</b>	<b>8 090,1</b>

## Consolidated balance sheets

(Figures in MNOK)	Note	30.9.2022	30.9.2021	30.6.2022	31.12.2021
<b>EQUITY AND LIABILITIES</b>					
<b>Equity</b>					
<b>Contributed equity</b>					
Share capital	8	0,1	0,1	0,1	0,1
Premium paid		2 807,4	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>2 807,5</b>
<b>Retained earnings</b>					
Translation difference		286,3	48,8	193,4	58,9
Other equity		458,3	182,1	412,0	216,6
<b>Total retained earnings</b>		<b>744,6</b>	<b>231,0</b>	<b>605,4</b>	<b>275,5</b>
<b>Total equity</b>		<b>3 552,0</b>	<b>3 038,5</b>	<b>3 412,9</b>	<b>3 083,0</b>
<b>Non-current liabilities</b>					
Pension liabilities		8,8	8,3	8,3	7,9
Provisions		3,5	3,2	3,3	3,0
Deferred tax		813,8	804,7	802,5	791,1
Lease liabilities	7	189,1	106,0	189,0	176,3
Interest-bearing debt - Bond	6	2 020,0	2 008,0	2 017,0	2 010,4
<b>Total non-current liabilities</b>		<b>3 035,3</b>	<b>2 930,1</b>	<b>3 020,2</b>	<b>2 988,6</b>
<b>Current liabilities</b>					
Trade payables		254,7	248,3	284,9	332,1
Public charges payable		66,5	63,0	91,2	84,3
Tax payable		114,4	111,0	97,7	116,4
Forward currency contracts		41,7	0,0	25,3	0,0
Interest-bearing debt - Bank	6	1 050,0	1 100,0	1 062,5	1 087,5
Lease liabilities	7	52,5	35,6	51,9	51,6
Other current liabilities		385,4	311,8	425,4	346,6
<b>Total current liabilities</b>		<b>1 965,1</b>	<b>1 869,7</b>	<b>2 039,0</b>	<b>2 018,5</b>
<b>Total liabilities</b>		<b>5 000,4</b>	<b>4 799,8</b>	<b>5 059,2</b>	<b>5 007,2</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>8 552,4</b>	<b>7 838,3</b>	<b>8 472,1</b>	<b>8 090,1</b>

## Consolidated statement of cash flows

(Figures in MNOK)	Q3 2022	Q3 2021	Q2 2022	YTD Q3 2022	YTD Q3 2021	Y 2021
<b>Cash flows from operating activities</b>						
Earnings before tax (EBT)	57,7	89,4	84,1	305,2	297,2	338,1
Tax paid for the period	-5,9	-30,5	-33,6	-99,7	-63,0	-90,1
Depreciation and write downs	79,5	85,2	81,3	236,4	232,5	319,3
Change in inventory	-73,5	-123,5	-124,9	-135,4	-338,8	-454,2
Change in trade receivables	11,6	72,2	37,4	-184,9	-27,3	-33,3
Change in trade payables	-30,1	12,7	-31,7	-77,4	5,1	88,9
Change in other time limited records	-22,4	-53,5	112,0	172,5	10,3	72,0
<b>Net cash flow from operating activities</b>	<b>16,8</b>	<b>52,0</b>	<b>124,6</b>	<b>216,7</b>	<b>116,0</b>	<b>240,6</b>
<b>Cash flows from investing activities</b>						
Proceeds from sale of PP&E	0,1	0,0	0,0	9,7	0,2	0,2
Payments for purchase of PP&E	-20,2	-27,5	-60,0	-118,2	-75,3	-109,7
<b>Net Cash flows from investing activities</b>	<b>-20,0</b>	<b>-27,5</b>	<b>-60,0</b>	<b>-108,4</b>	<b>-75,1</b>	<b>-109,4</b>
<b>Cash flows from financing activities</b>						
Payment of lease liabilities	-12,5	-12,8	-14,2	-41,6	-36,1	-58,1
Payment of dividend	0,0	-18,9	0,0	0,0	-26,9	-26,9
Repayment of borrowings	-12,5	0,0	-12,5	-37,5	0,0	-12,5
Proceeds from borrowings	0,0	600,0	0,0	0,0	600,0	600,0
Transactions with non-controlling interests	0,0	-741,0	0,0	0,0	-741,0	-741,0
<b>Net cash flow from financing activities</b>	<b>-25,0</b>	<b>-172,7</b>	<b>-26,7</b>	<b>-79,1</b>	<b>-204,0</b>	<b>-238,5</b>
<b>Change in net cash &amp; cash equivalents</b>	<b>-28,3</b>	<b>-148,1</b>	<b>37,9</b>	<b>29,2</b>	<b>-163,1</b>	<b>-107,3</b>
Effect of exchange gains / (losses) on cash and cash equivalents	1,3	4,9	-12,7	-13,1	5,8	2,8
Net cash & cash equivalents at the start of the period	393,2	440,5	368,0	350,1	454,6	454,6
<b>Net cash &amp; cash equivalents at the close of the period</b>	<b>366,2</b>	<b>297,2</b>	<b>393,2</b>	<b>366,2</b>	<b>297,2</b>	<b>350,1</b>
Restricted cash at the end of the period*	141,4	141,7	159,3	141,4	141,7	153,0
Unrestricted cash at the end of the period	224,8	155,6	233,9	224,8	155,6	197,1

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 on 30 September 2022 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 equity	Sum	Non-controlling interests	Total equity
<b>Equity 31.12.2020</b>	<b>0,1</b>	<b>2 807,4</b>	<b>61,5</b>	<b>200,6</b>	<b>3 069,5</b>	<b>500,0</b>	<b>3 569,5</b>
Earnings for the period	0,0	0,0	0,0	246,2	<b>246,2</b>	27,7	<b>273,9</b>
Other comprehensive income	0,0	0,0	-2,6	0,0	<b>-2,6</b>	0,7	<b>-1,8</b>
Dividend	0,0	0,0	0,0	0,0	<b>0,0</b>	-17,6	<b>-17,6</b>
Acquisition of non-controlling interests	0,0	0,0	0,0	-230,2	<b>-230,2</b>	-510,8	<b>-741,0</b>
<b>Equity 31.12.2021</b>	<b>0,1</b>	<b>2 807,4</b>	<b>58,9</b>	<b>216,6</b>	<b>3 083,0</b>	<b>0,0</b>	<b>3 083,0</b>
<b>Equity 31.12.2021</b>	<b>0,1</b>	<b>2 807,4</b>	<b>58,9</b>	<b>216,6</b>	<b>3 083,0</b>	<b>0,0</b>	<b>3 083,0</b>
Earnings for the period	0,0	0,0	0,0	241,6	<b>241,6</b>	0,0	<b>241,6</b>
Other comprehensive income	0,0	0,0	227,4	0,0	<b>227,4</b>	0,0	<b>227,4</b>
<b>Equity 30.9.2022</b>	<b>0,1</b>	<b>2 807,4</b>	<b>286,3</b>	<b>458,3</b>	<b>3 552,0</b>	<b>0,0</b>	<b>3 552,0</b>

## Notes to the consolidated financial statements

### NOTE 1 Accounting principles

The consolidated financial statements for the third quarter 2022, closed as at 30 September 2022 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 2021. The 2021 annual report, which contains the Group's consolidated financial statements and the financial statements for the parent company Ekornes QM Holding AS, may be found on the company's website [www.ekornes.com/en/investor-relations/reports](http://www.ekornes.com/en/investor-relations/reports).

The accounting principles used in the preparation of these interim financial statements are the same as those applied to the consolidated financial statements for 2021.

## 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
- IMG, which covers the IMG product area
- Svane®, which covers the Svane® 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)	Q3 2022	Q3 2021	Q2 2022	YTD Q3 2022	YTD Q3 2021	Y 2021
<b>Revenues per segment</b>						
Stressless®	851,3	780,5	903,1	2 860,2	2 317,4	3 166,6
IMG	218,3	184,7	265,3	780,5	607,9	850,0
Svane®	62,6	75,2	64,4	211,6	218,5	301,2
<b>Total</b>	<b>1 132,1</b>	<b>1 040,5</b>	<b>1 232,7</b>	<b>3 852,4</b>	<b>3 143,8</b>	<b>4 317,9</b>
<b>EBITDA per segment</b>						
Stressless®	105,9	175,8	114,9	463,9	520,4	648,3
IMG	34,4	33,7	57,8	155,3	128,2	177,9
Svane®	0,8	7,4	-4,9	0,1	10,7	9,5
Other/eliminations *	-0,3	-0,4	-0,5	-1,6	-1,7	-2,4
<b>Total</b>	<b>140,9</b>	<b>216,5</b>	<b>167,3</b>	<b>617,8</b>	<b>657,6</b>	<b>833,3</b>
<b>EBIT per segment</b>						
Stressless®	48,0	115,3	54,8	291,2	353,4	417,5
IMG	13,5	9,8	37,2	93,7	65,3	93,0
Svane®	0,1	6,5	-5,6	-2,1	8,1	5,9
Other/eliminations *	-0,3	-0,4	-0,5	-1,6	-1,7	-2,4
<b>Total</b>	<b>61,3</b>	<b>131,3</b>	<b>85,9</b>	<b>381,2</b>	<b>425,0</b>	<b>514,0</b>
<b>Operating revenues by market</b>						
Norway	135,8	123,1	119,4	439,9	421,3	581,2
Other Nordic	38,6	45,3	56,1	160,8	167,4	230,6
Central Europe	180,3	159,8	210,9	631,6	513,6	730,2
Southern Europe	59,1	41,6	79,9	225,3	198,2	256,2
United Kingdom/Ireland	81,3	85,0	77,8	271,1	179,2	265,3
USA/Canada/Mexico	455,3	371,8	503,3	1 556,7	1 089,0	1 485,3
Japan	35,6	40,0	30,8	96,7	99,0	140,4
Australia	90,6	103,7	103,8	284,3	270,8	352,9
China	40,4	38,5	23,8	108,4	111,8	150,5
Other Markets	15,2	31,7	26,8	77,5	93,4	125,2
<b>Total</b>	<b>1 132,1</b>	<b>1 040,5</b>	<b>1 232,7</b>	<b>3 852,4</b>	<b>3 143,8</b>	<b>4 317,9</b>

\* Other/eliminations contain results from activities carried out by the parent company Ekornes QM Holding AS

## 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. 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.

### Forward contracts

In 2021 and first nine months of 2022, 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). In third quarter, these contracts resulted in a NOK 6,3 million in realised loss and an unrealised loss of 16,3 million. All contracts that are open as at 30 September 2022 fall due for payment in the next 12 months. As at 30 September 2022, the market value of existing forward currency contracts came to negative NOK 41,7 million.

(Figures in MNOK)

Total net other gains/(losses) comprises:	Q3 2022	Q3 2021	YTD Q3 2022	YTD Q3 2021
Realised gains/(losses) on new forward contracts	-6,3	7,2	-8,3	27,6
Change in value of realised and unrealised contracts	-16,3	-2,8	-45,8	12,1
<b>Net other gains/(losses)</b>	<b>-22,6</b>	<b>4,9</b>	<b>-54,1</b>	<b>15,5</b>

The following net foreign exchange volume was undertaken in first nine months of 2022:

Currency	Volume in Currency (Million)	Average exchange rate (in NOK)
AUD	21,6	6,44
DKK	49,5	1,38
EUR	29,2	10,25
GBP	12,9	11,92
USD	17,1	8,77

## NOTE 4 No. of employees

	30.9.2022	30.9.2021	30.6.2022	31.12.2021
Employees in Norway	1 346	1 293	1 380	1 322
Employees abroad	1 971	1 927	2 017	1 999
<b>Total</b>	<b>3 317</b>	<b>3 220</b>	<b>3 397</b>	<b>3 321</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 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. 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").

(Figures in MNOK)	Brand name	Goodwill	Customer relationships	Total
<b>Acquisition value 1.1.2022</b>	<b>1 656,4</b>	<b>1 561,1</b>	<b>1 302,3</b>	<b>4 519,8</b>
<b>Accumulated depreciation 1.1.2022</b>	<b>135,6</b>	<b>0,0</b>	<b>200,2</b>	<b>335,7</b>
The period's depreciation	30,5	0,0	46,6	77,1
<b>Accumulated depreciation 30.9.2022</b>	<b>166,1</b>	<b>0,0</b>	<b>246,7</b>	<b>412,8</b>
<b>Accumulated currency translation 1.1.2022</b>	<b>0,0</b>	<b>0,0</b>	<b>60,3</b>	<b>60,3</b>
The period's currency translation differences	0,0	0,0	169,9	169,9
<b>Accumulated currency translation 30.9.2022</b>	<b>0,0</b>	<b>0,0</b>	<b>230,1</b>	<b>230,1</b>
<b>Book value 30.9.2022</b>	<b>1 490,3</b>	<b>1 561,1</b>	<b>1 285,7</b>	<b>4 337,2</b>
<b>Split per segment</b>				
Stressless®	1 290,2	676,6	813,5	2 780,3
IMG	200,1	884,5	472,2	1 556,8
<b>Book value 30.9.2022</b>	<b>1 490,3</b>	<b>1 561,1</b>	<b>1 285,7</b>	<b>4 337,2</b>
	<b>Brand name</b>	<b>Goodwill</b>	<b>Customer relationships</b>	<b>Total</b>
<b>Acquisition value 1.1.2021</b>	<b>1 656,4</b>	<b>1 561,1</b>	<b>1 302,3</b>	<b>4 519,8</b>
<b>Accumulated depreciation 1.1.2021</b>	<b>94,9</b>	<b>0,0</b>	<b>141,0</b>	<b>235,9</b>
The period's depreciation	40,7	0,0	59,1	99,8
<b>Accumulated depreciation 31.12.2021</b>	<b>135,6</b>	<b>0,0</b>	<b>200,2</b>	<b>335,7</b>
<b>Accumulated currency translation 1.1.2021</b>	<b>0,0</b>	<b>0,0</b>	<b>60,7</b>	<b>60,7</b>
The period's currency translation differences	0,0	0,0	-0,4	-0,4
<b>Accumulated currency translation 31.12.2021</b>	<b>0,0</b>	<b>0,0</b>	<b>60,3</b>	<b>60,3</b>
<b>Book value 31.12.2021</b>	<b>1 520,8</b>	<b>1 561,1</b>	<b>1 162,4</b>	<b>4 244,4</b>
<b>Split per segment</b>				
Stressless®	1 311,3	676,6	731,9	2 719,7
IMG	209,6	884,5	430,5	1 524,6
<b>Book value 31.12.2021</b>	<b>1 520,8</b>	<b>1 561,1</b>	<b>1 162,4</b>	<b>4 244,4</b>



## NOTE 6 Interest-bearing loans and credit facilities

In April 2022, Ekornes successfully extended the existing bank loan facilities in DnB and Sparebank Møre until 15 April 2023. The loan extensions demonstrate the banks' continued support of Ekornes and offer the company the financial flexibility to capture future market opportunities and further optimize the long-term capital structure.

### Short-term borrowing agreement 30 September 2022

- The loan of NOK 300 million in DNB is unsecured. Quarterly instalments at NOK 12,5 million,- four times per year with the first instalment three months from disbursement date (27 July 2021) of the loan. Final maturity in April 2023. Interest expenses are paid quarterly.
- The loan of NOK 500 million in DNB is unsecured. No instalments are payable before maturity in April 2023. Interest expenses are paid quarterly.
- The loan of NOK 250 million in Sparebank Møre is unsecured. No instalments are payable before maturity in April 2023. Interest expenses are paid quarterly.

### Senior Secured Bond at 30 September 2022

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 2019 under the name "Ekornes QM Holding AS 19/23 FRN FLOOR C" with the ticker: EKO01. Ekornes has call options to redeem the bond with expiry dates in October 2022 and April 2023 before the bond matures in October 2023. Ekornes QM Holding AS has engaged DNB Markets and SEB as financial advisors and joint lead managers to explore a potential refinancing of its outstanding senior secured bond.

No instalments are payable before maturity in October 2023 and interest expenses are paid quarterly. NIBOR is adjusted at the end of each quarter and at 30 September 2022 the coupon was 8,68%. For fourth quarter 2022 the coupon is 9.9%.

#### (Figures in MNOK)

Bond	FRN Ekornes QM Holding AS Senior Secured Callable Bond Issue 2019/2023
Ticker:	EKO01
Currency	NOK
Issue Amount	2 000
NIBOR 3M	1,68%
Margin	7,00%
Coupon	8,68%
Tenor / redemption:	54 months /4,5 years
Settlement Date:	2.4.2019
Maturity Date:	2.10.2023

The bond was initially measured at fair value minus directly attributable transaction costs. Subsequent to initial recognition, the bond is measured at amortized cost using the effective interest method. The effective interest method amortisation is included as finance cost in the income statement. The nominal amount payable to the bondholders at maturity date is NOK 2 020 million, including a fee of NOK 20 million.

### 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 a 12-month rolling basis for Ekornes QM Holding Group.

In 2020, Ekornes experienced a significant impact on operations from March to May due to the lockdowns from the Covid-19 pandemic. During this period, Ekornes performed stress tests on key financial indicators with satisfactory results. However, with the outlook for a negative impact on earnings being substantial short to medium term and the risk of a covenant breach in the bond agreement, Ekornes entered an agreement with bondholders for amendments to covenants. However, due to the significant rebound during the second half of 2020 which has continued throughout 2021 and into 2022, Ekornes' financial position as at 30 September 2022 was solid. The bond agreement also includes restrictions on dividend payments from Ekornes QM Holding AS, and Ekornes QM Holding AS is not in position to distribute any dividends.

During the third quarter of 2022 and as at 30 September 2022, Ekornes was compliant with all covenant requirements in the bond agreement. The leverage ratio at the end of the third quarter 2022 was 3,45, well within prevailing requirements.

## 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)

<b>Right of use assets</b>	
<b>Balance at 31.12.2021</b>	<b>217,2</b>
Depreciations	-42,0
Additions	20,4
Disposals	0,0
Currency exchange differences	28,4
<b>Balance at 30.9.2022</b>	<b>223,9</b>
<b>Lease liabilities</b>	
Less than one year	53,3
One to five years	149,6
More than five years	60,3
<b>Total undiscounted lease liability at 30.9.2022</b>	<b>263,2</b>
<b>Lease liability included in the statement of financial position at 30.9.2022</b>	
Non-current	189,1
Current	52,5

## NOTE 8 Shares and sole shareholder

As of 30 September 2022, 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 30 September 2022.

**As of 30 September 2022, the company's sole shareholder was**

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

**As of 30 September 2022, the board has been granted the following authorizations:**

The board has been granted no authorizations.



**EKORNES®**

EKORNES QM Holding AS

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