Ekornes QM Holding Group

Financial statements for the third quarter | 2023

Highlights

Third quarter and first nine months 2023 results

- Q3 2023 operating revenue of NOK 953 million, down 16 % from Q3 2022
- Stressless® and Svane® revenues were down 21% and 8% year-over-year, respectively, while IMG revenues grew by 3%
- Q3 2023 operating earnings (EBIT) of NOK 93 million (61) and operating margin of 10% (5%), reflecting lower raw material prices, capacity adjustments and unrealized gains on currency forward contracts
- Net cash flow from operating activities positive at NOK 94 million (17), driven by a NOK 143 million reduction in working capital
- Strong financial position and sound liquidity, cash position of NOK 717 million as at 30 September 2023
- Q3 2023 order intake of NOK 876 million (886), decline from Q3 2022 partly mitigated by higher product prices and favourable currency impact
- Order reserve down 8% from Q2 2023 to NOK 637 million

IMPROVING PROFITABILITY

The furniture market remains subdued as high inflation, increasing interest rates and cost pressures continue to impact the industry. This has severely reduced consumers' disposable incomes, impacting demand for home furnishing products. However, inflation in core markets has started to ease and prices of input factors and transportation have stabilized at lower levels, indicating that the cost peak has passed.

Facing the challenging markets, overall sales during the third quarter continued to decline from the strong levels seen during the pandemic. However, there are large variations and volatility across markets. North America and the Asia-Pacific region demonstrated resilience, while Europe performed weaker than expected. Additionally, strong brands with a wide product offering and a diversified distribution network have somewhat dampened the impact from the current downturn. While sales of the premium Stressless® products declined, the attractive and lower-priced IMG brand grew revenues in the quarter, mainly driven by a strong ramp-up of production at the Thailand facility.

Ekornes has also implemented the improvement programme "Focus 23", initiated in January 2023. The programme includes a series of initiatives to control costs and secure future profitability. In the third quarter, the programme progressed as planned and Ekornes has reduced operational costs in line with the target of NOK 200 million in annual savings by year-end. This has positively impacted the operating margin, which stood at 10% for the third quarter. Operationally, Ekornes remains committed to maximizing efficiency across its production sites and during the quarter, capacity and efficiency at the Thailand facility improved. The company expects continued high activity in the region also in the fourth quarter.

The Group maintains a strong focus on portfolio optimization and adjusting inventory levels which were elevated during the Covid-19 pandemic. During the quarter, working capital was reduced by NOK 143 million from the end of the second quarter, bringing the total reduction year-to-date to NOK 310 million, exceeding the full-year target of NOK 300 million. Ekornes will continue its efforts to reduce the working capital, although at a slower pace as further inventory optimization is expected to take longer to materialize.
In September, Tine Hammernes Leopold took the position as new CEO. Leopold has more than 20 years of experience from the Orkla Group, specializing in developing strong consumer brands and achieving significant commercial success. Leopold will continue developing Ekornes' proud history, culture and strong furniture brands.

Despite macroeconomic headwinds, Ekornes improved performance in the third quarter, supported by strong brands, efficient production and a comprehensive distribution network. Adapting to softer markets, Ekornes has taken actions across operations. The initiatives are already proving effective and has supported profitability in the third quarter. However, entering the fourth quarter, current sales indicate continued challenging markets with uncertain outlook in the short and medium term. The company has a flexible operating model and is continuously evaluating further initiatives to align the business with prevailing demand, ensuring resilience and long-term competitiveness.

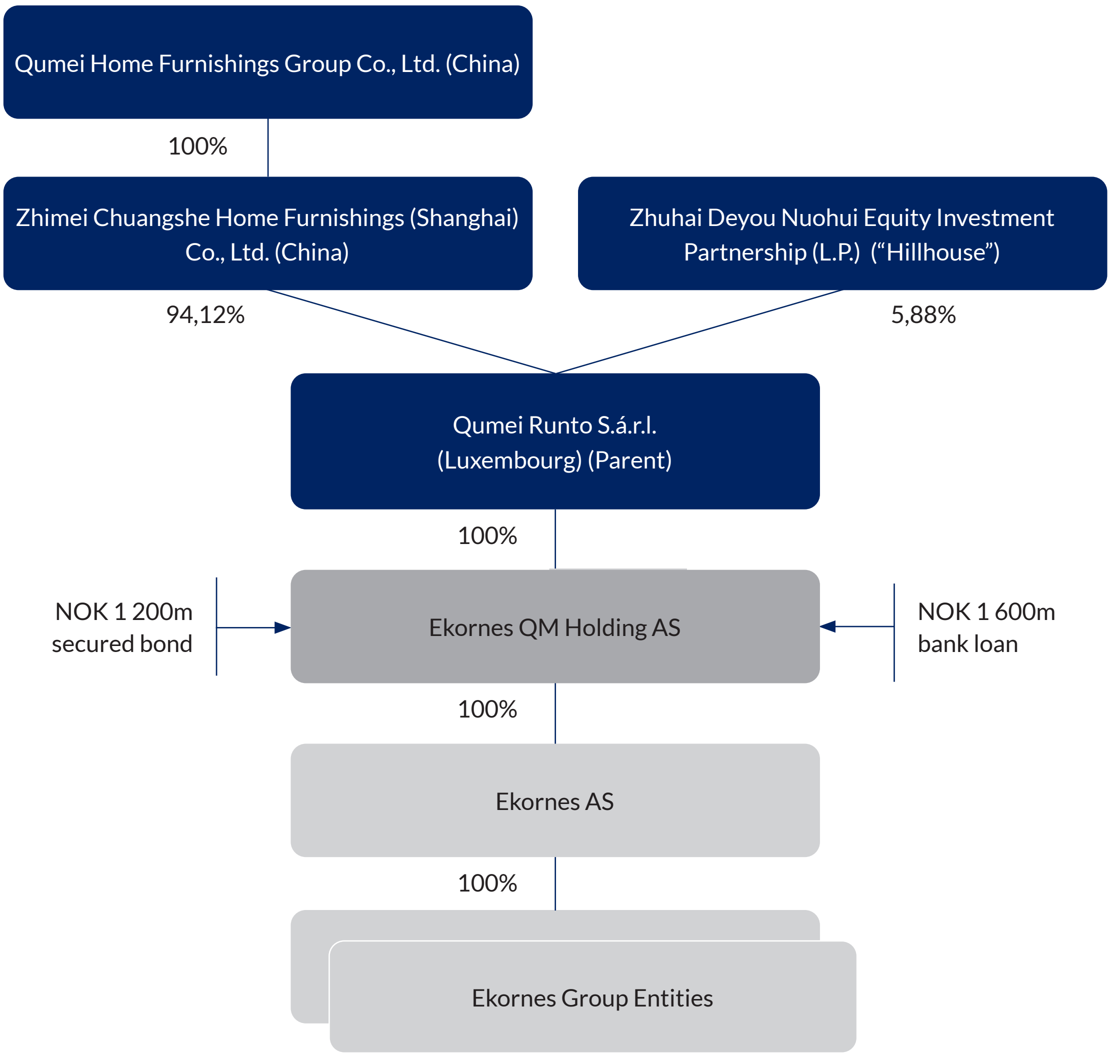
Company history and ownership

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

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

Qumei Runto S.à.r.l owns 100% of the shares in Ekornes QM Holding AS. The Ekornes Group is the only operational part of the Ekornes QM Holding Group. The consolidated financial statements comprise the financial statements of the parent company Ekornes QM Holding AS and its subsidiaries as at 30 September 2023. Ekornes QM Holding AS had as at 30 September 2023 100% shareholding and voting rights in Ekornes AS who in its turn has a 100% ownership share and voting rights for all other consolidated companies.

(Ownership chart as at 30 September 2023)



Key figures

		Q3 2023	Q3 2022	Q2 2023	YTD Q3 2023	YTD Q3 2022	Y2022
Gross operating revenue	**MNOK**	**953,4**	**1 132,1**	**1 007,0**	**3 095,0**	**3 852,4**	**4 928,2**
Stressless®	MNOK	672,1	851,3	744,5	2 312,4	2 860,2	3 645,9
IMG	MNOK	224,0	218,3	209,9	599,7	780,5	994,3
Svane®	MNOK	57,3	62,6	52,5	182,9	211,6	288,0
Gross operating earnings (EBITDA)	MNOK	173,7	140,8	63,9	285,7	617,7	675,0
Operating earnings (EBIT)	**MNOK**	**92,6**	**61,3**	**-16,8**	**44,8**	**381,2**	**355,5**
Operating margin (EBIT)	**%**	**9,7%**	**5,4%**	**-1,7%**	**1,4%**	**9,9%**	**7,2%**
Earnings before tax (EBT)	MNOK	4,4	57,7	-79,9	-150,9	305,2	165,1
Net earnings	**MNOK**	**6,8**	**46,2**	**-63,4**	**-114,4**	**241,6**	**138,6**
Net interest-bearing Debt (NIBD)	MNOK	2 064,8	2 703,8	2 149,3	2 064,8	2 703,8	2 628,6
Cash and Bank deposits end of period	MNOK	717,2	366,2	650,7	717,2	366,2	428,9

FINANCIAL REVIEW
(Figures in brackets represent the corresponding period in 2022).

THIRD QUARTER 2023 FINANCIAL REVIEW
Third quarter 2023 operating revenues came in at NOK 953 million, down 16% from the third quarter 2022. The reduction reflects softer post-pandemic demand as spending on household and furniture has normalized, driven by reduced purchasing power among consumers as overall living costs have increased. The decline is somewhat larger in terms of volume as selling prices have increased since the third quarter 2022, along with positive currency impact.

Sales revenue from the Stressless® segment was NOK 672 million, a decrease of 21% from the third quarter 2022, particularly impacted by slow markets in Europe and the Nordics. Revenue from IMG grew by 3% to NOK 224 million (218) following a further ramp-up in production at the Thailand facility. Revenue from Svane® decreased by 8% to NOK 57 million (63), impacted by fewer visitors in stores and reduced demand.

Cost of goods sold ended at NOK 312 million (363), with the improvement driven by reduced production capacity, consolidation of operations and lower raw material prices. Prices of input factors and transportation have stabilized at lower levels, positively impacting production costs.

Payroll expenses decreased by 15% to NOK 248 million (290) following workforce reductions under the "Focus 23" programme. The improvement also reflects the restructuring of operations with a higher share of the workforce outside Norway compared to one year earlier. Other operating expenses came in at NOK 245 million (315), a decrease of 22% due to reduced marketing expenses and lower transportation costs as shipping rates have continued to decline.

Net other gains amounted to NOK 24 million (-23), mainly related to unrealized gains on currency forward contracts. See note 3 in the financial statements for more information.

Total operating expenses for the period ended at NOK 861 million, down 20% from NOK 1 071 million in the third quarter 2022. Compared to the previous quarter, operating expenses were reduced by 16%.

Operating earnings (EBIT) for the quarter came in at NOK 93 million (61), corresponding to an EBIT margin of 9.7%. This compares to 5.4% in the third quarter 2022 and negative 1.7% in the previous quarter. The improved margin reflects lower raw material prices, unrealized gains on currency forward contracts and realized effects from the "Focus 23" programme. This includes a lower cost base and reduced operational capacity. Ekornes remains committed to continuing to safeguard profitability by executing on organisational and financial initiatives.

Net financial items for the third quarter 2023 were negative NOK 88 million (-4), including financial expenses of NOK 88 million (67). Financial income amounted to NOK 24 million during the quarter (10), while net foreign exchange losses came in at 25 million (54 in gains).

Earnings before tax for the quarter ended at NOK 4 million (58). Tax benefit for the period is calculated at NOK 2 million, compared to tax expenses of NOK 11 million in the third quarter 2022. This gave a net profit for the quarter of NOK 7 million, compared to NOK 46 million in the corresponding period in 2022.

FIRST NINE MONTHS 2023 FINANCIAL REVIEW

For the first nine months, Ekornes generated operating revenue of NOK 3 095 million (3 852). The decline in revenues compared to the same period in 2022 largely reflects sales coming down from the elevated levels during the Covid-19 pandemic, and weaker consumer spending from higher interest rates and rising living costs. The lower sales volume was partly offset by increased product prices and growing sales of the dining segment and motorized products.

Underlying sales revenue from the Stressless® segment was NOK 2 312 million (2 860), revenue from IMG was NOK 600 million (781), while revenue from Svane® amounted to NOK 183 million (212).

Following capacity reductions, payroll expenses decreased to NOK 892 million during the period, from NOK 998 million for the first nine months of 2022. Cost of goods sold was NOK 1 071 million (1 219). Other operating expenses, including transportation and marketing costs, ended at NOK 792 million, compared to NOK 963 million in the corresponding period in 2022. The first nine months of 2023 also included restructuring costs related to the implementation of the "Focus 23" programme.

Operating earnings (EBIT) for the first nine months 2023 came in at NOK 45 million as the third quarter operating earnings exceeded the negative operating earnings for the first half of the year. This compares to NOK 381 million in the first nine months 2022. The weakened operating result is mainly attributed to lower sales in challenging markets, high raw material prices, changes in customer preferences shifting the product mix and unrealized losses on currency forward contracts. Ekornes started realizing effects from the improvement programme during the third quarter. The company expects further effects for the remainder of the year, continuing the positive trend.

Net financial items were negative at NOK 196 million (-76), driven by financial expenses of NOK 286 million (185). The increase reflects higher interest rates and expenses following the company's debt refinancing in the first quarter 2023.

Earnings before tax for the first nine months 2023 were negative at NOK 151 million (305). Tax benefit for the period is calculated at NOK 37 million compared to a tax expense of NOK 64 million in the same period in 2022. This gave a net loss of NOK 114 million for the first nine months 2023 compared to a net profit of 242 million for the same period in 2022.

Order receipts and order reserve

		Q3 2023	**Q3 2022**	**Q2 2023**	**YTD Q3 2023**	**YTD Q3 2022**	**Y2022**	**Change YTD Q3 2023/ Change YTD Q3 2022**
Order receipts	MNOK	875,6	885,9	938,3	3 016,8	3 308,0	4 350,7	-9 %
Order reserve	MNOK	637,3	794,7	694,2	637,3	794,7	750,7	-20 %

Order receipts in the third quarter 2023 amounted to 876 million, close to the same level of NOK 886 million in the third quarter 2022. Compared to the second quarter 2023, order receipts fell by 7%.

As at 30 September 2023, Ekornes' combined order reserve was NOK 637 million, down 20% from NOK 795 million at the end of the third quarter 2022. The order reserve at the end of the previous quarter was NOK 694 million.

Balance Sheet

		30.09.2023	30.09.2022	30.06.2023	31.12.2022
Working capital*	MNOK	1 171,4	1 786,8	1 313,9	1 481,5
Bank deposits	MNOK	717,2	366,2	650,7	428,9
Total assets	MNOK	8 054,5	8 552,4	8 211,1	8 104,9
Interest-bearing loans	MNOK	2 800,0	3 070,0	2 800,0	3 057,5
Total liabilities	MNOK	4 360,0	5 000,4	4 488,4	4 749,1
Equity	MNOK	3 694,5	3 552,0	3 722,7	3 355,9
Equity ratio	%	45,9 %	41,5 %	45,3%	41,4%
Value of forward contracts	MNOK	-10,0	-41,7	-43 ,0	-2,7
Net interest-bearing Debt (NIBD)	MNOK	2 082,8	2703,8	2149,3	2 628,6

* Working capital = trade receivables + inventory – trade payables

As at 30 September 2023, Ekornes had total assets of NOK 8 055 million, down 2% from 8 211 million three months earlier. The reduction mainly follows lower current liabilities, driven by payments of public charges and holiday allowances, and changes in value of currency forward contracts. Inventory and trade receivables decreased by NOK 85 million and NOK 42 million, respectively, while cash and bank deposits increased by NOK 66 million.

Total equity was NOK 3 695 million at the end of the quarter, corresponding to an equity ratio of 46%. This compares to NOK 3 723 million and 45% at the end of the previous quarter.

Total interest-bearing debt at the end of the period amounted to NOK 2 782 million, in line with the preceding quarter. Ekornes refinanced its bond and bank debt in the first quarter 2023. The current debt structure includes a NOK 1.2 billion bond and a NOK 1.6 billion term loan with DNB and Sparebanken Møre. The bond matures in September 2026 and the bank loan in March 2026.

The bond was issued on 10 March 2023 by Ekornes QM Holding AS and partly refinanced the former NOK 2.0 billion bond which Ekornes exercised call options to redeem on 3 April 2023. The new bond was listed on the Oslo Stock Exchange on 29 June 2023 under the name "Ekornes QM Holding AS 23/26 FRN Floor C". Ekornes has call options to redeem the bond prior to maturity.

The new financing structure includes more equity, less bond debt and more bank debt and improves the Group's financial position.

Financial covenants

The bond agreement is subject to a set of financial covenants, including a minimum liquidity of NOK 350 million and a maximum leverage ratio of 8.0 at issuance until the first quarter 2024. The maximum allowed leverage ratio has a gradual step-down mechanism from 5.5 in the second quarter 2024 towards 4.5 by year-end 2024. The covenants are measured quarterly on a 12-month rolling basis for Ekornes QM Holding Group. The bond agreement also includes restrictions on dividend payments from Ekornes QM Holding AS and the company is currently not in a position to distribute any dividends. See note 6 for more information.

As at 30 September 2023, Ekornes was compliant with all covenant requirements in the bond agreement. The leverage ratio at the end of the third quarter 2023 was 6.59, well below the maximum allowed.

Cash flow

		Q3 2023	Q3 2022	Q2 2023	YTD Q3 2023	YTD Q3 2022	Y2022
Net cash flow from operating activities	MNOK	94,4	16,8	170,6	284,8	216,7	340,5
Net cash flow from investing activities	MNOK	-12,1	-20,0	-22,2	-55,7	-108,4	-145,3
Net cash flow from financing activities	MNOK	-16,4	-25,0	-15,9	59,2	-79,1	-112,0
Change in net cash & cash equivalents	**MNOK**	**65,9**	**-28,3**	**132,4**	**288,3**	**29,2**	**83,3**
Effect of exchange gains / (losses) on cash and cash equivalents	MNOK	0,5	1,3	-9,9	0,0	-13,1	-4,5
Net cash & cash equivalents at the start of the period	MNOK	650,7	393,2	528,2	428,9	350,1	350,1
Net cash & cash equivalents at the close of the period	**MNOK**	**717,2**	**366,2**	**650,7**	**717,2**	**366,2**	**428,9**

Net cash flow from operating activities in the third quarter 2023 was NOK 94 million (17), driven by a NOK 143 million reduction in working capital. This includes NOK 85 million in lower inventory, primarily in raw materials, and a reduction of NOK 42 million in trade receivables. The working capital reduction was partly offset by a NOK 115 million change in other time-limited records, mainly related to payment of holiday allowances and public charges. The amount also includes a reduction in current liabilities from the unrealized gain on forward currency contracts mentioned above.

Ekornes has a sharp focus on bringing down the working capital from the levels following the extraordinary demand boost during the Covid-19 pandemic, and current initiatives of optimizing the product portfolio are proving effective. Year-to-date, the company has reduced the working capital by NOK 310 million, exceeding the target of a NOK 300 million reduction by year-end. The company continues its efforts to reduce the working capital, although a slower pace is expected as further inventory optimization will take longer to materialize.

Net cash flow from investing activities was negative NOK 12 million in the quarter (-20), all related to ongoing investments in day-to-day operations. For the first nine months, net cash flow from investing activities was negative NOK 56 million (-108).

As part of the initiatives to safeguard operations through times of softer markets, Ekornes has temporarily reduced investments to ensure adequate cash flow generation. In the longer term, the investment level is expected to be higher to support product innovation and develop production facilities, enabling future profitable growth.

Net cash flow from financing activities was negative at NOK 16 million during the quarter, compared to negative NOK 25 million in the corresponding period in 2022. The amount is entirely due to payments of lease liabilities.

Net change in cash and cash equivalents was positive NOK 66 million during the quarter and at 30 September 2023, Ekornes had a strong cash position of NOK 717 million. This compares to NOK 366 million 12 months earlier and NOK 651 million at the end of the second quarter 2023.

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 2023	Q3 2022	Q2 2023	YTD Q3 2023	YTD Q3 2022	Y2022
Gross operating revenue	MNOK	672,1	851,3	744,5	2 312,4	2 860,2	3 645,9
Gross operating earnings (EBITDA)	MNOK	136,0	105,9	30,3	198,5	463,8	538,1
Operating earnings (EBIT)	**MNOK**	**78,2**	**48,0**	**-26,9**	**27,6**	**291,2**	**305,4**
Operating margin (EBIT)		11,6%	5,6%	-3,6%	1,2%	10,2%	8,4%

Stressless® experienced soft sales in the quarter as demand continued to be impacted by tightening consumer finances from high inflation and rising living costs. This was particularly evident in the Nordics and Europe, while North America and the Asia-Pacific region performed better. Consequently, third-quarter revenues decreased by 21% to NOK 672 million compared to the same period in 2022. Compared to the previous quarter, revenues were down 10%.

Operating earnings (EBIT) for the quarter increased to NOK 78 million (48), corresponding to an operating margin of 11.6% (5.6%). The improved margin reflects realized effects from cost reduction measures, lower transportation costs and unrealized gains on currency forward contracts. The market mix, with North America driving sales, also impacted the margin positively.

During the quarter, store traffic in North America was still low and quarterly seasonality has returned, in contrast to the steady high demand experienced during the Covid-19 pandemic. Consumer finances are also stretched following numerous interest rate hikes. However, with inflation slowing in the region, interest rates may have peaked. Even though sales were down from last year, North America remains the best-selling market for Stressless®.

Market conditions in Europe were characterized by lower consumer activity and increased price sensitivity among customers, requiring discounting campaigns to drive sales. The older and wealthier customer segments seem to be less affected by the high living expenses, supporting the sale of premium Stressless® products. Dining products and power sofas also experienced an upturn in demand. Moreover, retailers' warehouse inventories are showing signs of easing after a period of intense focus on reducing in-house stock, which should have a positive impact going forward. The outlook in Europe is still uncertain and Ekornes has a strong focus on promotion initiatives and product development to stimulate growth in the region.

In the Nordics, markets for household and furniture continued to be challenging, with central banks increasing interest rates, reducing consumers' disposable income further. Although some customer segments are prioritizing lower-priced products, Stressless® delivered robust sales and kept its market share as the slowdown is seen across the industry. The dining collection continued to exhibit growth in the region. Supporting further growth of the dining products will continue in parallel with a strong focus on sharpening the product portfolio and keeping stringent cost control.

In Asia-Pacific, sales were down as the recovery in demand was weaker than expected and consumer finances are stressed in line with other regions. This was particularly the case for Australia and New Zealand where the share of mortgage holders struggling to pay rents is at its highest in 15 years. However, the consolidation of Stressless® and IMG operations in one common warehouse facility in Melbourne has improved efficiency and spring promotion campaigns have supported sales.

Meanwhile, Japan maintained healthy sales levels, although at a slower pace as retailers continue to take down inventory and customers remain somewhat hesitant to purchase durable goods. In China, consumers are cautious as the real estate debt crisis has increased uncertainty about the future. The strategic ambition of Stressless® in the Chinese market remains firm, building a broad network of mono-brand Stressless® showrooms, channelling traffic to major flagship stores. Year-to-date, 12 new stores have been opened in 11 cities and the future expansion plan is under development.

In a difficult market environment with constrained retail spending, third-quarter sales have stabilized at lower levels. Stressless® has taken action to reduce costs and adapt, including consolidation of operations and sharpening of the product portfolio. These initiatives, combined with lower prices of input factors and transportation, have yielded results and lifted the operating margin. These efforts will continue to further improve profitability through stringent cost control and operational improvements.

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

IMG

		Q3 2023	Q3 2022	Q2 2023	YTD Q3 2023	YTD Q3 2022	Y2022
Gross operating revenue	MNOK	224,0	218,3	209,9	599,7	780,5	994,3
Gross operating earnings (EBITDA)	MNOK	31,1	34,4	32,8	83,9	155,3	145,8
Operating earnings (EBIT)	**MNOK**	**8,7**	**13,5**	**10,2**	**16,2**	**93,7**	**62,0**
Operating margin (EBIT)		3,9%	6,2%	4,9%	2,7%	12,0%	6,2%

IMG delivered strong performance in the third quarter 2023, driven by a continued ramp-up in production at the facility in Thailand and increased order intake. IMG revenues for the quarter amounted to NOK 224 million (218), an increase of 3% from the corresponding period in 2022 and up 7% from the previous quarter.

Operating earnings (EBIT) for the segment ended at NOK 9 million, corresponding to an operating margin of 3.9% (6.2%). The quarterly figure included non-recurring costs associated with the consolidation of the Asian operations in Thailand which continued in the third quarter. The upgraded facility has ramped up production and the current capacity has reached the intended level, being utilized for both Stressless® and IMG operations. The company expects to finalize the consolidation process during the fourth quarter.

Driven by a strong third quarter, order intake year-to-date has surpassed levels from last year in all core markets. With increased available IMG capacity, the positive trend for the brand should continue.

In North America, IMG posted stable sales from the corresponding period last year, helped by successful launches of recliners and power sofas at furniture fairs. Growing the IMG footprint in the region remains the focus, where expanding the warehouse dealer market is the priority. Keeping costs at sustainable levels to navigate through the softer markets is also high on the agenda.

IMG also showed a positive trend in the Nordics, with increasing shares in most markets. The current dynamics with lower consumer purchasing power have led customers to seek more affordable alternatives, favouring the lower-priced IMG brand.

Moving into the fourth quarter, markets are expected to remain subdued, though with an extra sales peak during the "Black Friday" marketing campaigns. Product portfolio optimization remains high on the agenda alongside the continued streamlining of operations, supported by the modern facility in Thailand and consolidated IMG and Stressless® operations in other factories. Combined with a healthy backlog, the outlook is positive for the attractive IMG brand.

Svane®

		Q3 2023	Q3 2022	Q2 2023	YTD Q3 2023	YTD Q3 2022	Y2022
Gross operating revenue	MNOK	57,3	62,6	52,5	182,9	211,6	288,0
Gross operating earnings (EBITDA)	MNOK	7,1	0,8	1,5	5,5	0,1	-6,8
Operating earnings (EBIT)	**MNOK**	**6,3**	**0,1**	**0,7**	**3,1**	**-2,1**	**-9,9**
Operating margin (EBIT)		11,0%	0,2%	1,3%	1,7%	-1,0%	-3,4%

The challenging market for beds and mattresses continued to impact Svane® in the quarter, with operating revenues of NOK 57 million (63), down 8% from the third quarter 2022, but up 9% from the previous quarter. Operating earnings (EBIT), meanwhile, lifted to NOK 6 million compared to NOK 0.1 million in the same period in 2022. This gave an operating margin of 11.0% (0.2%), reflecting realized efficiencies and cost reductions through the "Focus 23" improvement programme.

The Norwegian market continued to be highly competitive, with retailers' margins being squeezed by marketing campaigns and cost pressure. Consumer spending on beds and mattresses remains constrained by increasing living costs, but the middle and high-end segments have outperformed the cheaper products during the third quarter. Ekornes has adapted accordingly by focusing efforts and stimulating sales of the premium Svane® products which carry the highest margin, and downscaled production of the lowest-priced products. This gave results through an increased operating margin in the quarter.

The weak trend in Denmark and Sweden, with low store traffic, continued in the third quarter. In response, Svane® has several targeted discount campaigns planned for the fourth quarter, including the "Black Friday" period.

In Central Europe, sales of Svane® products declined somewhat as activity in stores remains low. As in Norway, the high-end products performed better, and activity is expected to pick up in the remainder of the year as the sale of mattresses is on a positive trend.

In Finland, sales were impacted by low spending on furniture. However, Svane® entered new retail agreements for fresh products and will launch robust campaigns for its best-selling products in the fourth quarter, expected to increase its market position in the area.

Outlook

The furniture market remains subdued as consumer finances continue to be constrained by rising living expenses. With a slower post-pandemic pace, market volatility has increased. Seasonality of sales has returned, where the third quarter usually posts somewhat lower sales compared to other quarters.

Entering the fourth quarter, current order intake indicates the trend of weak demand continuing. Although the demand for quality furniture is expected to return in the longer term, the length and magnitude of the current downturn remain uncertain. This has implications on operations and profitability. The company is continuously evaluating initiatives to align business with prevailing demand, ensuring resilience and long-term competitiveness.

In current markets, a key success factor is Ekornes' strong diversification of markets and its relevant product offering. While third quarter sales showed large market variations, the IMG brand demonstrated resilience with increased sales while Stressless® performed weaker. The market and product variations are expected to continue in the fourth quarter, as markets in the northern hemisphere enter the historically strong-selling Christmas season. The company is pushing marketing campaigns to stimulate sales of the high-margin products, such as classic recliners, expected to positively impact sales going forward.

Adapting to softer markets, Ekornes has made significant efforts to drive down the working capital from the elevated pandemic levels. Year-to-date, the company has reduced the working capital by NOK 310 million, exceeding the target of a NOK 300 million reduction by year-end. The company continues its efforts to reduce the working capital, although a slower pace is expected as further inventory optimization will take longer to materialize.

In parallel, operating expenses have been reduced as intended through the "Focus 23" programme. Combined with declining raw material and transportation prices, profitability has improved. Ekornes continues to execute on the measures in the improvement programme and is on track to reach the targeted effects by year-end. In addition, the company expects to close the final outstanding business in Vietnam in the fourth quarter, after a successful concentration of Asian operations to the upgraded facility in Thailand. This supports the strategic priority of maximizing operational efficiency across all operations.

As demand for furniture remains soft, Ekornes continues to leverage its strong brands of high-quality products and global distribution network. The Group has a flexible operating model, proven resilient in economic downturns, and a strong financial position with sound liquidity. The company is on track to improve profitability and ensure a resilient business model in the long term.

Related parties

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

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

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

H & S

As at 30 September 2023, Ekornes employed a total of 2 780 people, of which 37% 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 5 lost-time injuries in the third quarter 2023. This gives an H1-value for the period of 3,4% compared to 1,9% the same period the year before.

The Group had a sickness absence rate of 3,0% % in the third quarter 2023, compared to 3,4% in the second quarter 2023.

Risks and uncertainties

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

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

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

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

In response, the company launched in January 2023 several initiatives to protect profitability and stay competitive through the "Focus 23" programme. The objective of the programme is to increase margins and efficiency, reduce the company's cost base and to safeguard cash flow. Initiatives include portfolio optimization, renegotiations with partners and suppliers and rightsizing of operational capacity to align with prevailing consumer demand. Combined, the programme targets cost reductions of NOK 200 million by the end of 2023, ensuring a more resilient business model. There is no guarantee that the company achieves the targeted costs reductions within the indicated timeline. The demand level for Ekornes' products is continuously fluctuating and there is a risk of initiating further mitigating actions beyond those outlined above. The Group is closely following the implementation of the "Focus 23" programme and is continuously positioning itself to adjust production capacity to prevailing demand through its flexible operating model.

Ekornes has production facilities in Norway, Lithuania, Thailand and the USA. This implies that the company's market, currency and sourcing risks are naturally diversified, at the same time as the company's competitiveness is affected by changes in exchange rates versus the Norwegian krone. 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 2022 Annual Report scheduled published on ekornes.com/investor-relations.

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 30th, 2023
The board of Ekornes QM Holding AS

Ruihai Zhao	Mogens Falsig
Chair	Director and CEO

Consolidated income statement

(Figures in MNOK, except per share data)	Note	Q3 2023	Q3 2022	Q2 2023	YTD Q3 2023	YTD Q3 2022	Y2022
Gross operating revenue	**2**	**953,4**	**1 132,1**	**1 007,0**	**3 095,0**	**3 852,4**	**4 928,2**
Cost of goods sold		311,6	363,5	361,9	1 070,9	1 219,2	1 632,2
Payroll expenses		247,7	290,2	300,5	891,9	998,1	1 289,0
Depreciation and write downs	5	81,1	79,5	80,6	240,9	236,4	319,6
Other operating expenses		244,8	315,1	257,2	791,5	963,2	1 308,7
Net other losses (gains)	3	-24,3	22,6	23,5	54,9	54,1	23,3
Total operating expenses		**860,8**	**1 070,8**	**1 023,8**	**3 050,2**	**3 471,1**	**4 572,7**
Operating earnings (EBIT)		**92,6**	**61,3**	**-16,8**	**44,8**	**381,2**	**355,5**
Financial income		24,3	10,0	17,4	58,3	20,4	33,9
Net gains (losses) on foreign exchange		-24,9	53,7	2,5	32,5	88,3	39,5
Financial expenses		87,6	67,4	83,0	286,5	184,7	263,7
Net financial items		**-88,2**	**-3,7**	**-63,1**	**-195,7**	**-76,1**	**-190,3**
Earnings before tax (EBT)		**4,4**	**57,7**	**-79,9**	**-150,9**	**305,2**	**165,1**
Calculated tax cost (Income)		-2,4	11,4	-16,5	-36,5	63,5	26,6
Net earnings		**6,8**	**46,2**	**-63,4**	**-114,4**	**241,6**	**138,6**
Earnings per share		226,5	1 541,1	-2 112,0	-3 812,9	8 054,7	4 618,6
Earnings per share (diluted)		226,5	1 541,1	-2 112,0	-3 812,9	8 054,7	4 618,6

Consolidated statement of comprehensive income

(Figures in MNOK)	Note	Q3 2023	Q3 2022	Q2 2023	YTD Q3 2023	YTD Q3 2022	Y2022
Net earnings		**6,8**	**46,2**	**-63,4**	**-114,4**	**241,6**	**138,6**
Other income and expenses:							
Items which can be reclassified to earnings and loss:							
Translation differences	5	-35,0	92,9	41,7	101,1	227,4	134,3
Total other income and expenses		**-35,0**	**92,9**	**41,7**	**101,1**	**227,4**	**134,3**
Total comprehensive income		**-28,2**	**139,2**	**-21,6**	**-13,3**	**469,1**	**272,9**

Consolidated balance sheets

(Figures in MNOK)	Note	30.09.2023	30.09.2022	30.06.2023	31.12.2022
ASSETS					
Non-current assets					
Buildings and sites		925,1	913,2	935,0	945,2
Machinery and equipment		240,4	280,0	255,4	283,1
Operating movables and fixtures		25,5	29,3	27,9	28,6
Assets under construction		22,6	64,4	36,2	5,8
Right-of-use assets		218,5	223,9	226,2	213,4
Total property, plant & equipment		**1 432,0**	**1 510,9**	**1 480,7**	**1 476,0**
Software and licenses		51,2	26,1	45,5	47,6
Brand name	5	1 449,7	1 490,3	1 459,8	1 480,2
Goodwill	5	1 561,1	1 561,1	1 561,1	1 561,1
Customer relations	5	1 224,1	1 285,7	1 268,3	1 194,2
Deferred tax assets		130,9	117,0	140,3	96,8
Total non-current intangible assets		**4 417,0**	**4 480,2**	**4 475,0**	**4 379,8**
Other receivables and investments		24,7	27,7	26,2	23,1
Total non-current financial assets		**24,7**	**27,7**	**26,2**	**23,1**
Total non-current assets		**5 873,6**	**6 018,8**	**5 982,0**	**5 878,9**
Current assets					
Inventory		863,6	1 407,8	948,2	1 197,2
Trade receivables		483,5	633,8	525,5	474,2
Other short-term receivables		116,6	125,8	104,7	125,7
Cash and bank deposits		717,2	366,2	650,7	428,9
Total current assets		**2 180,9**	**2 533,6**	**2 229,2**	**2 226,0**
TOTAL ASSETS		**8 054,5**	**8 552,4**	**8 211,1**	**8 104,9**

Consolidated balance sheets

(Figures in MNOK)	Note	30.09.2023	30.09.2022	30.06.2023	31.12.2022
EQUITY AND LIABILITIES					
Equity					
Contributed equity					
Share capital	7	0,2	0,1	0,2	0,1
Premium paid		3 159,3	2 807,4	3 159,3	2 807,4
Total contributed equity		**3 159,5**	**2 807,5**	**3 159,5**	**2 807,5**
Retained earnings					
Translation difference		294,3	286,3	329,3	193,2
Other equity		240,8	458,3	234,0	355,2
Total retained earnings		**535,1**	**744,6**	**563,3**	**548,4**
Total equity		**3 694,5**	**3 552,0**	**3 722,7**	**3 355,9**
Non-current liabilities					
Pension liabilities		7,7	8,8	7,8	7,4
Provisions		3,9	3,5	4,1	3,6
Deferred tax		786,0	813,8	803,5	783,8
Lease liabilities		174,1	189,1	181,9	171,8
Interest-bearing debt - Bond	6	1 188,3	2 020,0	1 187,5	0,0
Interest-bearing debt - Bank	6	1 593,7	0,0	1 594,4	0,0
Total non-current liabilities		**3 753,6**	**3 035,3**	**3 779,3**	**966,6**
Current liabilities					
Trade payables		175,8	254,7	159,8	189,9
Public charges payable		52,9	66,5	72,8	65,6
Tax payable		13,1	114,4	19,7	47,6
Forward currency contracts	3	10,0	41,7	43,0	2,7
Interest-bearing debt - Bank	6	0,0	1 050,0	0,0	1 037,5
Interest-bearing debt - Bond	6	0,0	0,0	0,0	2 020,0
Lease liabilities		61,3	52,5	63,9	58,1
Other current liabilities		293,3	385,4	349,9	361,1
Total current liabilities		**606,4**	**1 965,1**	**709,1**	**3 782,5**
Total liabilities		**4 360,0**	**5 000,4**	**4 488,4**	**4 749,1**
TOTAL EQUITY AND LIABILITIES		**8 054,5**	**8 552,4**	**8 211,1**	**8 104,9**

Consolidated statement of cash flows

(Figures in MNOK)	Note	Q3 2023	Q3 2022	Q2 2023	YTD Q3 2023	YTD Q3 2022	Y2022
Cash flows from operating activities							
Earnings before tax (EBT)		4,4	57,7	-79,9	-150,9	305,2	165,1
Tax paid for the period		-18,9	-5,9	-14,3	-43,4	-99,7	-139,8
Depreciation and write downs		81,1	79,5	80,6	240,9	236,4	319,6
Change in inventory		84,6	-73,5	145,2	333,6	-135,4	75,1
Change in trade receivables		42,0	11,6	26,2	-9,3	-184,9	-25,3
Change in trade payables		16,0	-30,1	1,2	-14,1	-77,4	-142,2
Change in other time limited records		-114,8	-22,4	11,6	-71,9	172,5	88,1
Net cash flow from operating activities		**94,4**	**16,8**	**170,6**	**284,8**	**216,7**	**340,5**
Cash flows from investing activities							
Proceeds from sale of PP&E		0,1	0,1	0,5	0,8	9,7	9,7
Payments for purchase of PP&E		-12,2	-20,2	-22,7	-56,4	-118,2	-155,1
Net Cash flows from investing activities		**-12,1**	**-20,0**	**-22,2**	**-55,7**	**-108,4**	**-145,3**
Cash flows from financing activities							
Payment of lease liabilities		-16,4	-12,5	-15,9	-47,8	-41,6	-62,0
Proceeds from issue of share capital		0,0	0,0	0,0	352,0	0,0	0,0
Proceeds from bond borrowings	6	0,0	0,0	0,0	1 200,0	0,0	0,0
Repayment of bond borrowings	6	0,0	0,0	0,0	-2 020,0	0,0	0,0
Proceeds from bank borrowings	6	0,0	-12,5	0,0	-1 025,0	-37,5	-50,0
Repayment of bank borrowings	6	0,0	0,0	0,0	1 600,0	0,0	0,0
Net cash flow from financing activities		**-16,4**	**-25,0**	**-15,9**	**59,2**	**-79,1**	**-112,0**
Change in net cash & cash equivalents		**65,9**	**-28,3**	**132,4**	**288,3**	**29,2**	**83,3**
Effect of exchange gains / (losses) on cash and cash equivalents		0,5	1,3	-9,9	0,0	-13,1	-4,5
Net cash & cash equivalents at the start of the period		650,7	393,2	528,2	428,9	350,1	350,1
Net cash & cash equivalents at the close of the period		**717,2**	**366,2**	**650,7**	**717,2**	**366,2**	**428,9**
Restricted cash at the end of the period*		15,2	141,4	15,3	15,2	141,4	149,3
Unrestricted cash at the end of the period		702,0	224,8	635,4	702,0	224,8	279,6

In the statement of cash flow, cash and bank deposits are recognized as cash. The restricted cash on 30 September 2023 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
Equity 31.12.2021	**0,1**	**2 807,4**	**58,9**	**216,6**	**3 083,0**
Earnings for the period	0,0	0,0	0,0	138,6	**138,6**
Other comprehensive income	0,0	0,0	134,3	0,0	**134,3**
Equity 31.12.2022	**0,1**	**2 807,4**	**193,2**	**355,2**	**3 355,9**
Equity 31.12.2022	**0,1**	**2 807,4**	**193,2**	**355,2**	**3 355,9**
Earnings for the period	0,00	0,00	0,00	-114,4	**-114,4**
Other comprehensive income	0,00	0,00	101,1	0,00	**101,1**
Proceeds from issue of share capital	0,0	352,0	0,00	0,00	**352,0**
Equity 30.9.2023	**0,2**	**3 159,3**	**294,3**	**240,8**	**3 694,5**

Notes to the consolidated financial statements

NOTE 1 Accounting principles

The consolidated financial statements for the third quarter 2023, closed as at 30 September 2023 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 2022. The 2022 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.

The accounting principles , significant estimates, and areas where judgement is applied by the company are in conformity with those described in the financial statements for 2022.

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 2023	Q3 2022	Q2 2023	YTD Q3 2023	YTD Q3 2022	Y2022
Revenues per segment						
Stressless®	672,1	851,3	744,5	2 312,4	2 860,2	3 645,9
IMG	224,0	218,3	209,9	599,7	780,5	994,3
Svane®	57,3	62,6	52,5	182,9	211,6	288,0
Total	**953,4**	**1 132,1**	**1 007,0**	**3 095,0**	**3 852,4**	**4 928,2**
EBITDA per segment						
Stressless®	136,0	105,9	30,3	198,5	463,8	538,1
IMG	31,1	34,4	32,8	83,9	155,3	145,8
Svane®	7,1	0,8	1,5	5,5	0,1	-6,8
Other/eliminations *	-0,5	-0,3	-0,7	-2,2	-1,6	-2,1
Total	**173,7**	**140,8**	**63,9**	**285,7**	**617,7**	**675,0**
EBIT per segment						
Stressless®	78,2	48,0	-26,9	27,6	291,2	305,4
IMG	8,7	13,5	10,2	16,2	93,7	62,0
Svane®	6,3	0,1	0,7	3,1	-2,1	-9,9
Other/eliminations *	-0,5	-0,3	-0,7	-2,2	-1,6	-2,1
Total	**92,6**	**61,3**	**-16,8**	**44,8**	**381,2**	**355,5**
Operating revenues by market						
Norway	103,9	135,8	99,2	344,1	439,9	571,4
Other Nordic	36,3	38,6	38,9	127,9	160,8	218,3
Central Europe	123,7	180,3	199,8	542,2	631,6	813,0
Southern Europe	49,4	59,1	66,2	205,9	225,3	281,1
United Kingdom/Ireland	42,3	81,3	78,4	208,4	271,1	363,6
USA/Canada/Mexico	420,3	455,3	354,5	1 164,5	1 556,7	1 888,1
Japan	29,9	35,6	33,1	92,7	96,7	130,8
Australia	77,9	90,6	81,0	234,6	284,3	372,8
China	40,1	40,4	31,9	96,8	108,4	159,5
Other Markets	29,7	15,2	24,1	77,9	77,5	129,4
Total	**953,4**	**1 132,1**	**1 007,0**	**3 095,0**	**3 852,4**	**4 928,2**

* 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 2022 and 2023, the Group entered into forward contracts, and all realised and unrealised gains and losses associated with these contracts are recognised in net other gains/(losses). In the third quarter, these contracts resulted in a NOK 8,6 million in realised loss and unrealised gains of 33 million. All contracts that are open as at 30 September 2023 fall due for payment in the next 12 months. As at 30 September 2023, the market value of existing forward currency contracts came to negative NOK 10,0 million.

(Figures in MNOK)

Total net other gains/(losses) comprises:	**Q3 2023**	**YTD Q3 2023**	**Q3 2022**	**YTD Q3 2022**
Realised gains/(losses) on new forward contracts	-8,6	-47,6	-6,3	-8,3
Change in value of realised and unrealised contracts	33,0	-7,4	-16,3	-45,8
Net other gains/(losses)	**24,3**	**-54,9**	**-22,6**	**-54,1**

The following forward contracts was realized in YTD Q3 2023:

Currency	**Volume in Currency (Million)**	**Average exchange rate (in NOK)**
AUD	17,9	6,74
DKK	39,0	1,40
EUR	23,3	10,32
GBP	8,4	11,85
USD	14,9	10,06

NOTE 4 No. of employees

	30.09.2023	**30.09.2022**	**30.06.2023**	**31.12.2022**
Employees in Norway	1 018	1 346	1 073	1 256
Employees abroad	1 762	1 971	1 646	1 689
Total	**2 780**	**3 317**	**2 719**	**2 945**

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
Acquisition value 1.1.2023	**1 656,4**	**1 561,1**	**1 302,3**	**4 519,8**
Accumulated depreciation 1.1.2023	**176,3**	**0,0**	**263,1**	**439,3**
The period's depreciation	30,5	0,0	51,3	**81,8**
Accumulated depreciation 30.9.2023	**206,8**	**0,0**	**314,4**	**521,1**
Accumulated currency translation 1.1.2023	**0,0**	**0,0**	**155,0**	**155,0**
The period`s currency translation differences	0,0	0,0	81,3	**81,3**
Accumulated currency translation 30.9.2023	**0,0**	**0,0**	**236,2**	**236,2**
Book value 30.9.2023	**1 449,7**	**1 561,1**	**1 224,1**	**4 234,9**
Split per segment				**Total**
Stressless®	1 262,1	676,6	786,0	**2 724,7**
IMG	187,6	884,5	438,2	**1 510,2**
Book value 30.9.2023	**1 449,7**	**1 561,1**	**1 224,1**	**4 234,9**

	Brand name	Goodwill	Customer relationships	Total
Acquisition value 1.1.2022	**1 656,4**	**1 561,1**	**1 302,3**	**4 519,8**
Accumulated depreciation 1.1.2022	**135,6**	**0,0**	**200,2**	**335,7**
The period's depreciation	40,7	0,0	62,9	**103,6**
Accumulated depreciation 31.12.2022	**176,3**	**0,0**	**263,1**	**439,3**
Accumulated currency translation 1.1.2022	**0,0**	**0,0**	**60,3**	**60,3**
The period`s currency translation differences	0,0	0,0	94,7	**94,7**
Accumulated currency translation 31.12.2022	**0,0**	**0,0**	**155,0**	**155,0**
Book value 31.12.2022	**1 480,2**	**1 561,1**	**1 194,2**	**4 235,4**
Split per segment				
Stressless®	1 283,2	676,6	759,1	**2 718,9**
IMG	197,0	884,5	435,0	**1 516,5**
Book value 31.12.2022	**1 480,2**	**1 561,1**	**1 194,2**	**4 235,4**

NOTE 6 Interest-bearing loans and credit facilities

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

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

The loan is secured with quarterly installments at NOK 32 million,- four times per year with the first instalment 30 June 2024. Interest expenses are paid quarterly. Final maturity in March 2026.

Since the refinancing and as at 30 September 2023, Ekornes was compliant with all covenant requirements in the bank agreement. Ekornes AS has also NOK 175 million in undrawn overdraft facility in DNB and Sparebanken Møre at 30 September 2023.

Senior Secured Bond at 30 September 2023
On 10 March 2023, Ekornes QM Holding AS issued a NOK 1 200 million senior secured floating rate bond issue due 10 September 2026 with ticker EKO02 (ISIN: NO0012855537). The net proceeds from the bond issue was used to refinance (in whole) the outstanding bond issue with ticker EKO01 (ISIN: NO0010848401) and general corporate purposes.

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

The bond agreement is subject to a set of financial covenants, including a minimum liquidity of NOK 350 million and a maximum leverage ratio of 8.0 at issuance. The maximum allowed leverage ratio has a gradual step-down mechanism towards 4.5 by first quarter 2025. The covenants are measured quarterly on a 12-month rolling basis for Ekornes QM Holding Group. The bond agreement also includes restrictions on dividend payments from Ekornes QM Holding AS, and Ekornes QM Holding AS is not in position to distribute any dividends.

Since the refinancing and on 30 September 2023, Ekornes was compliant with all covenant requirements in the bond agreement. According to bond terms the net Interest bearing debt (including leasing liabilities) is MNOK 2 333 at 30 September 2023 and 12-month rolling adjusted EBITDA is MNOK 353 . The leverage ratio at the end of the third quarter 2023 was 6.59 well below the maximum allowed.

NOTE 7 Shares and sole shareholder

As of 30 September 2023, Ekornes QM Holding AS's registered share capital comprised 30 000 ordinary shares. All shares have a face value of NOK 5.00. 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 2023.

As of 30 September 2023, the company's sole shareholder was

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

As of 30 September 2023, the board has been granted the following authorizations:
The board has been granted no authorizations.

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