ANNUAL REPORT 2012

EKORNES ASA

"Ekornes shall be the leading furniture manufacturer in Europe and be reputed to deliver quality at every stage.

CONTENTS

J.E. EKORNES AS **Ikornnes plant**

Specialist manufacturer of Stressless® chairs and other Stressless® components. Also the location of the Group's head offices.

J.E. EKORNES AS

Hareid plant

Manufactures Stressless® sofas and Ekornes® Collection sofas.

J.E. EKORNES AS

Vestlandske plant (Sykkylven)

Manufactures Stressless® sofas.

J.E. EKORNES AS

Tynes plant (Sykkylven)

Specialist manufacturer of laminated products and wood components.

J.E. EKORNES AS

Grodås plant

Specialist manufacturer of wood products and components.

EKORNES BEDS AS

(Former Ekornes Fetsund AS)

Manufactures Svane® mattresses.

J.E. EKORNES USA, Inc.

Morganton, NC, USA

Manufactures Stressless® sofas.

THIS IS EKORNES

Ekornes ASA is the largest furniture manufacturer in Norway and owns such brand names as Ekornes®, Stressless® and Svane®. Stressless® is one of the world's most well-known furniture brands, while Ekornes®, Stressless® and Svane® are the best known brands in the Norwegian furniture market. Manufacturing is handled by the Group's three production companies at seven factories, six of which are located in Norway. Ekornes also has a sofa assembly plant, located in Morganton, North Carolina, USA. The Group's products are sold in large parts of the world through its own sales companies or importers in selected markets.

Ekornes's business concept is to offer products that in terms of both price and design appeal to a broad audience. In addition, the Group aims to develop and manufacture products offering excellent comfort and functionality.

Ekornes sells its products through specially selected distributors in markets all over the world, and to parts of the contract market in the Nordic region (maritime and hotel).

Ekornes ASA's head office is located alongside the Group's main Stressless® manufacturing facility at Ikornnes in Sykkylven, on the west coast of Norway.

Ekornes ASA is the parent company of the Ekornes Group. The Group's production facilities are organised according to product area: Stressless®, Ekornes® Collection (sofas) and Svane® (mattresses). Ekornes ASA provides all shared services, including group management, marketing, purchasing, accounting and finance, as well as product development for the Stressless® and Ekornes® Collection segments.

The Ekornes story began in 1934 when company founder, Jens E. Ekornes, started manufacturing furniture springs at the J.E. Ekornes Fjærfabrikk in Sykkylven. The first Stressless® recliners were launched in the Norwegian market in 1971. A more detailed overview of the company's history can be found on pages 92-95 in this report.

CONSOLIDATED SUMMARY

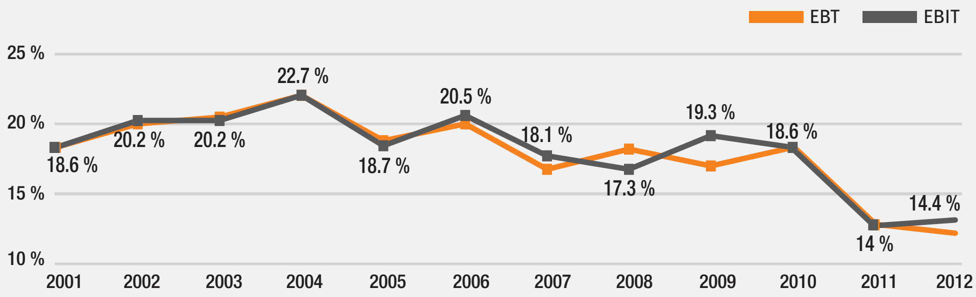
Change of accounting principle

The company has previously prepared its financial statements in accordance with IFRS regulations relating to cash-flow hedging. In August 2012 the Financial Supervisory Authority of Norway (FSAN) contacted the company in connection with the year-end financial statements for 2011 to query, among other things, whether the company fully meets IFRS documentation requirements with respect to cash-flow hedging, in particular those stipulated in IAS 39. The company is of the opinion that Ekornes does meet these requirements, but accepts that there is room for improvement. The company has presented its views both in writing and at meetings with the FSAN. The company has received the FSAN's decision in this matter, and has elected to comply with its provisions in the preparation of its consolidated financial statements for 2012. The parent company's financial statements are unaffected by this. The presentations on pages 6 and 7 of this report show what the company's key financial figures would look like if the company had met the requirements for cash-flow hedging, and thereby prepared its accounts for 2012 according to the same principles as before. However, whichever principle/method is used for presentation of the financial statements, this has no impact on the company's underlying profitability, which remains unchanged. In the opinion of the board, the financial statements, as presented on page 7, show a more correct view of the ordinary profit for the year and earnings per share. The figures for gross revenue shown in the chapters "Markets" and "Product Areas" have also been prepared in accordance with previous principles (IFRS rules on hedge accounting). The breakdown and figures in this part of the report are otherwise based on the reporting structure used by management and for internal reporting purposes.

Apart from the matter of cash-flow hedging, all other issues have been clarified with the Financial Supervisory Authority of Norway, and will have no impact on the financial statements. Input from the FSAN with respect to some additional details to be presented in the notes have been incorporated into the year-end financial statements for 2012.

Key figures* Six-year summary (Figures in NOK mill.)	**2012**	**2011**	**2010**	**2009**	**2008**	**2007**
Consolidated operating revenue	2 762.7	2 757.6	2 868.8	2 587.9	2 673.1	2 573.6
Norway (incl. Contract)	473.5	469.2	465.0	503.7	405.3	415.5
International	2 289.2	2 288.4	2 403.8	2 084.2	2 267.8	2 158.1
Operating profit	399.0	386.5	534.0	499.6	462.7	465.1
Profit before tax	373.9	389.6	536.4	461.9	497.0	444.1
Profit for the year	255.8	273.9	380.9	324.7	347.6	310.0
Return on sales (ROS)	13.4 %	14.3 %	18.8 %	19.5 %	17.5 %	18.4 %
Capital turnover	1.29	1.26	1.33	1.30	1.43	1.45
Return on total assets (ROA)	17.4 %	18.0 %	25.0 %	25.4 %	25.1 %	26.7 %
Net change in cash flow from operating activities	331.2	330.3	435.8	506.8	405.3	334.3
Liquidity ratio I – Current ratio*	2.46	2.53	2.50	2.36	1.78	1.75
Liquidity ratio II – Acid test*	1.68	1.84	1.83	1.76	1.20	1.30
Investments (net)	79.0	142.8	112.4	99.3	188.2	186.7
Depreciation	125.1	125.5	116.5	109.6	119.9	95.8
Total capital	2 187.0	2 099.1	2 265.2	2 047.0	1 919.8	1 815.6
Equity	1 704.7	1 657.9	1 744.5	1 570.0	1 103.5	1 265.4
Equity ratio	77.9 %	79.0 %	77.0 %	76.7 %	57.5 %	69.7 %
Working capital*	592.0	588.5	667.1	555.8	381.6	355.6
No. of person years	1 575	1 520	1 553	1 469	1 557	1 570
No. of employees	1 626	1 577	1 618	1 527	1 632	1 643
No. of shareholders	2 421	2 401	2 437	2 820	2 774	2 934
No. of shares (1 000)	36 827	36 827	36 827	36 827	36 827	36 827
Earnings per share (EPS)	6.95	7.44	10.34	8.82	9.44	8.42
Dividend per share (proposed 2012)	5.50	7.50	9.00	7.00	3.50	7.50
Dividend ratio	79.1 %	100.8 %	87.0 %	79.4 %	37.1 %	89.1 %
Share price as at 31 December	92.50	98.00	160.00	120.00	66.30	95.50
Market capitalisation as at 31 December (1 000 000)	3 406.5	3 609.0	5 892.3	4 419.2	2 441.6	3 517.0

* Excl. value of forward contracts



PRE-TAX PROFIT (EBT) AND OPERATING PROFIT (EBIT)

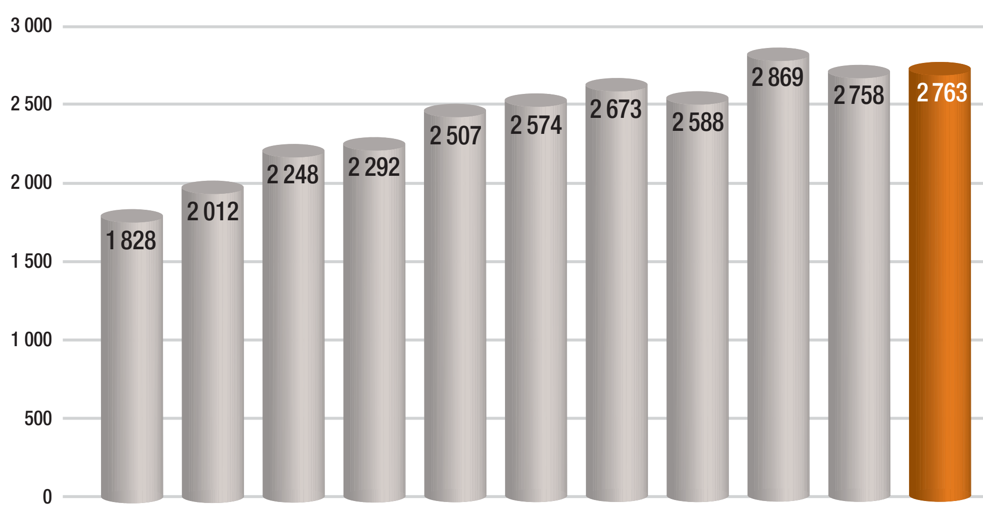
INCOME STATEMENT 2012

(Figures in NOK mill.)	Whole year 2012	Whole year 2011	4th quarter 2012	4th quarter 2011
Operating revenues and expenses				
Operating revenues	2 762.7	2 757.6	721.5	676.7
Materials	691.8	708.4	190.7	185.2
Salaries and national insurance	793.0	773.5	203.8	182.2
Depreciation	125.1	125.5	31.7	33.0
Other operating expenses	753.8	763.6	181.4	189.3
Total operating expenses	2 363.7	2 371.1	607.6	589.7
Operating profit	399.0	386.5	113.9	87.0
Net financial items	-3.2	0.7	-0.3	-0.3
Profit and loss on currency exchange	-21.9	2.4	-10.9	8.4
Ordinary profit before taxes	373.9	389.6	102.7	95.1
Calculated tax	118.1	115.7	39.4	27.4
Profit after tax	255.8	273.9	63.3	67.7
Basic earnings per share	6.95	7.44	1.72	1.84
Diluted earnings per share	6.95	7.44	1.72	1.84

See "Change of accounting principle" on page 6

« Income Statement 2012 prepared in accordance with previous accounting principle

Figures in NOK mill.



« Operating revenues over the past ten years

GROUP MANAGEMENT

NILS-FREDRIK DRABLØS (1944)

CEO

Education: Master's degree in Economics

Experience: Previously CEO of Norsk Profilforming AS (Europrofil Norge AS) and independent business consultant. Deputy CEO of Ekornes ASA from 1991, and CEO from 1996 to 2009. Returned as acting CEO with effect from 3 Dec 2012 until a new permanent chief executive has been appointed.

ROBERT SVENDSEN (1954)

CFO

Education: Master's Degree in BA and Economics from NHH, Bergen.

Experience: Joined Ekornes in 1986 as Controller and became CFO in 1990. Previous to this, he had seven years experience from research, reporting, consultancy work and teaching.

RUNAR HAUGEN (1964)

Group Marketing Director

Education: Master of Business Administration

Experience: Joined Ekornes ASA as an export consultant in 1991, Marketing Manager and member of the corporate management team since 1992, Group Marketing Director since 1998. Previous experience from export, sales and consultancy work.

SVEIN LUNDE (1961)

International Marketing Director

Education: Diploma, Management Studies

Experience: Joined Ekornes in 1994 as the Managing Director of Ekornes Ltd. with responsibility for the UK/Ireland. Took on his present post in January 2003. Previous experience from banking and the travel industry.

OLA ARNE RAMSTAD (1962)

Director, Stressless® Division

Education: Diploma in Business Administration

Experience: Started in production at Ekornes in 1984. Various posts within factory production management. Member of the corporate management team since 2002.

ARVE EKORNES (1966)

Director, Product Development

Education: Certified industrial mechanic

Experience: Joined Ekornes as an apprentice in 1983. Worked on the development of production equipment and the product development of steel components until 1992. Product Development Manager from 1992-2002. Joined the corporate management team in 2002.

GEIR BALSNES (1957)

ICT Director

Education: Banking & finance, business administration, project management, executive management – London Business School

Experience: Joined Ekornes ASA as ICT Director and member of Group Management in March 2012. Previously Vice President and Executive Partner at Gartner Group, and before that ICT Director at British Telecom, Rolls-Royce Marine and the Ulstein Group.

JON-ERLEND ALSTAD (1969)

Director, Svane®

Education: Master's degree in Marketing from the Oslo School of Management

Experience: Joined Ekornes in April 2012. Previously spent five years as Senior Vice President at Scandinavian Business Seating (HÅG). From 1998 to 2007 was marketing director and sales director at Stokke AS. Spent seven years of the latter period in England/Germany. From 1994 to 1998 was sales manager of the tour operator Top of Europe Norway AS.

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Director:
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César Garrubo

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Director:
James Tate

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Ekornes Export

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Managing Director:
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President: Rolf Aarseth

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Jon-Erlend Alstad

Factory Manager:
Knut Thomassen

THE BOARD OF EKORNES ASA

Chairman Olav Kjell Holtan

Chief Executive Officer (CEO)

Nils-Fredrik Drabløs

J.E. EKORNES AS

Production Director Furniture
Ola Arne Ramstad

- Customer Order Prod. Manager – Magnar Vigstad
- Wooden Components Production Manager – Per Jarle Tynes
- Steel Components Production Manager – Sverre Kalvatn
- Foam Components Production Manager – Sveinung Utgård (temporary)
- Salary Dept. Manager – Anita Stavik Utgård
- Planning Dept. Manager – Ole Jan Korsnes
- Maintenance Dept. Manager – Jostein Hole
- Shipping Dept. Manager – Erling Opdahl
- Central Customer Service Dept. Manager – Webjørn Torset
- Quality and Risk Manager – Monica Parr
- **Dept. Vestlandske** Factory Manager – Ole André Småge
- **Dept. Tynes** Factory Manager – Per Jarle Tynes
- **Dept. Hareid** Factory Manager – Ole André Småge
- **Dept. Grodås** Factory Manager – Knut Ove Rygg
- **J.E. Ekornes USA, Inc.** President – Rolf Aarseth

EKORNES BEDS AS (Former Ekornes Fetsund AS)

Director
Jon-Erlend Alstad

- Factory Manager – Knut Thomassen
- Marketing Manager – Stina Bredal-Rørvik
- Sales Manager Norway – Ann Iren Åsberg
- Manager Product Development – Anita Hansen
- Director Germany – Jakob Skydt Lindemann

NORDIC MARKETS

Chief Executive Officer (CEO)
Nils-Fredrik Drabløs

- **Ekornes Skandinavia AS** (Norway/Sweden/Denmark) – Director Eldar Blindheim
- **Ekornes Contract AS** – Managing Director John Terje Drege
- **OY Ekornes AB** Finland – Director Kaj Juutilainen

INTERNATIONAL MARKETING DEPT.

International Marketing Director
Svein Lunde

- **Ekornes Inc.** USA/Canada/Mexico – Director Peter Bjerregaard
- **Ekornes Latin America Ltda. Brasil** – Director César Garrubo
- **Ekornes Ltd.** UK/Ireland – Director Lee Bagnall
- **Ekornes S.A.R.L** Southern Europe – Director Bernard Lafond
- **Ekornes Möbel-vertriebs GmbH** Central Europe – Director Thomas H. Bauer
- **Ekornes Asia Pte. Ltd.** Asia, Middle East, – Director Mark Kelsey
- **Ekornes KK** Japan – Director Hajime Osawa
- **Ekornes Pty. Ltd.** Australia/New Zealand – Director James Tate

Staff
CEO

GROUP MARKETING DEPT.

Group Marketing Director
Runar Haugen

- **Central Marketing Dept.** Marketing Manager, Ivar Jan Langlo
- **E-Commerce Dept.** E-Commerce Manager, Knut D. Svendsen
- **Ekornes ASA Export** Other markets, Marketing Director, Runar Haugen

PRODUCT DEVELOPMENT DEPT.

Director Product Development
Arve Ekornes

- Design Dept. Manager, Jan Lade
- Construction Dept. Manager, Jan Kato Klokk
- Corporate Social Responsibility Manager, Børge Johansen

GROUP FINANCIAL DEPT.

CFO
Robert Svendsen

- Financial Manager, Stein Are Krogsrud

GROUP ICT DEPT.

Group ICT Director
Geir Balsnes

- Program Management Office, Antje Hofsmoen
- Architecture Application Management, Eva Oseberg
- SAP Application Management, Tor Ervland
- IT Security Procurement, Thor Vidar Larsen
- Support Center, Stig Vatne
- Service and Support, Espen Kvam

PURCHASE DEPT.

Purchase Dept. Manager
Geir Balsnes

THE COMPANY

Most of the production shall take place in Norway, where technological development and innovation shall form the basis for our competitive power

NILS-FREDRIK DRABLØS
CEO
Ekornes ASA

MESSAGE FROM THE CEO

Good work

2012 was a good year for Ekornes. That the company maintained its operating revenues and posted good results must, in light of the challenging market conditions, be deemed a creditable performance. The year's profit also provides the wherewithal for payment of a solid dividend to shareholders.

Underlying profitability was on a par with the year before, though slightly less than the level achieved by the company in previous years, due to high raw materials costs and a flattening out of sales. It is important for the company to return to a situation in which sales revenues are rising. A number of measures are underway, both on the product and marketing sides, to make this possible. These measures will also help to secure profitable operations further down the road. The company's margins are, nevertheless, still among the highest in the industry. The potential for continued development in all parts of the company, and a strengthening of Ekornes's competitiveness, is therefore excellent.

New products are constantly being developed, and those launched in the autumn 2012 were well received. The new Stressless® office chair is a fine addition to this product family. It is aimed at the same consumer group as the rest of the collection, and will largely be sold through Ekornes's existing distributor network. At the heart of Ekornes's product development is the combination of comfort and functionality, and quality and design. Ekornes depends on continuous product development in order to differentiate itself from other manufacturers and to stay one step ahead of its competitors.

When new products are brought in, 'old' ones must be taken out. At the start of 2013 measures have been initiated to reduce the number of models in the product portfolio to pave the way for the launch of new products, as well as increase opportunities for productivity improvements at the plants. Salary levels for manufacturing industry workers in Norway are higher than anywhere else. As long as we continuously implement productivity improvement measures and adopt new technologies this does not need to be an insurmountable problem. However, cost-saving measures are being implemented within the Svane® area in 2013, with cutting and sewing operations being outsourced to a supplier in the Baltic region.

The introduction of new technologies will be given a high priority in the next few years, to maintain the company's competitiveness. At the same time this requires innovation at all levels, including the administrative area. New technology is being implemented throughout the value chain to make it as rational and cost-effective as possible. Investments in and implementation of the new enterprise management system SAP will underpin this effort. In 2012 the organisation worked extremely hard, and the rate of implementation in 2013 will be even higher. The objective is for all plants and the bulk of the sales companies to have new business systems installed by the end of 2013. Highly motivated and hard-working employees are doing an impressive job in this area.

Our Stressless® and Svane® brand names are of immeasurable value when communicating our products' qualities and value.

Decades of consistent communications and positioning have given our brands a strong position among both distributors and consumers. A well-known brand, with a clearly defined promise, makes all communication and marketing more effective. This is possibly the company's greatest asset.

Ekornes still has the bulk of its manufacturing operations in Norway, where a highly skilled workforce provides the foundation for the continuous development of our plants and production equipment. Through 2012, Ekornes has undertaken several ambitious and successful programmes to remain at the forefront with respect to productivity, the working environment and protection of the external environment. These efforts will continue in the years to come as an integral part of the company's social responsibility.

We who work at Ekornes have a duty to continue the proud legacy of those who, since as far back as 1934, have built up the company. Our ambition is to ensure that we continue to develop the company, while safeguarding the best of the values and qualities that our predecessors created. This requires us to be constantly on the lookout for new opportunities and ways to improve. When we, at some date in the future, leave the company in the hands of new generations, it will be with as much pride as when we ourselves took over.

MARKETS

›› Strategy and general conditions

MARKETS IN GENERAL

Although the situation in several important markets was difficult in 2012, some markets did make headway. In 2012 Ekornes continued to maintain a high level of activity, even in those markets that were struggling. The company's strong brand names and distribution networks were used actively for marketing purposes, and a number of measures were implemented to secure the highest possible level of order receipts. However, although order receipts rose in some of the company's markets, the overall level remained on a par with the year before.

MARKET AND CUSTOMER STRATEGY

Ekornes aims to be the supplier that creates the best margins for its distributors. The company's goal is to be the industry's leading brand name supplier, with attractive product and marketing concepts. Ekornes distributes its brands through solid and carefully chosen distributors. This includes chains and independent retailers.

MARKET CONCEPT

Ekornes pursues a long-term and targeted brand strategy. Ekornes owns the three most well-known furniture brands in Norway (Ekornes®, Stressless® and Svane®). Stressless® is currently the most well-known furniture brand in Europe. Surveys show that brand awareness continued to increase strongly in 2012, particularly in Central Europe. Although brand awareness is slightly lower in the American market than in Europe, measures have been implemented to gradually increase brand recognition in this region. These efforts have already proved effective. Over 80 million people worldwide now recognise the Stressless® brand name.

The market concept comprises various different elements which ensure the desired profile and communication with consumers, as well as influencing consumer purchasing processes. The concept comprises in-store display solutions (studios), training and motivation for retail staff, national and regional marketing campaigns, and close collaboration with distributors on local promotional activities and advertising. Considerable efforts continued to be made in 2012 to implement enhanced studio solutions for both Stressless® and Svane® products.

The optimisation of the distribution structure is an ongoing effort. This is intended to increase the overall number of distributors and compensate for distributors lost, either because the company has terminated the relationship or due to general industry problems. Advanced analytical tools are used to make certain the potential for the individual distributor is so large that the distribution strategy is perceived as selective, ensuring that Ekornes continues to receive a high level of focus and priority in the stores.
The company is working systematically on international segment models to gain insight into consumer groups in individual countries and their preferences. The data obtained will be used to develop an overview of the target groups in connection with the formulation of market communications and with respect to product development.

A new international communication concept for Stressless® was developed in 2012, and is currently being implemented in all our markets. Communication is focused on creating undisputed ownership of the "comfort position" in the furniture market and clearly differentiating Stressless® from other market players.

Internet and electronic communication constitutes an increasingly important part of our marketing and communication with distributors and consumers. Substantial resources have been devoted to developing this over the past few years, and new tools which will engage consumers and make the buying process easier were implemented in several markets in 2012. Further development of this area will be given high priority.

COMPETITORS

The competitive situation continues to consist of many small and medium-sized suppliers, many of them from Asia. No global player challenges Stressless® in all markets.
In 2012, Ekornes continued to monitor and take action against copy products and the misuse of the company's brand names.

Ekornes actively seeks to protect its technical solutions, designs and brand names. Rights to these intangible assets are registered in more than 40 countries. Firm action is taken against any infringement of the company's rights.

Ekornes shall make Stressless® the world's best-known furniture brand, and the brand shall be famous for quality and comfort.

‹‹ Regional markets 2012

NORWAY

The Norwegian furniture market rose by an estimated 4 per cent in 2012.

Ekornes's sales revenues rose by NOK 12.3 million (up 3.4 per cent) in 2012, while order receipts rose by 9 per cent. While revenues from the sale of Stressless® chairs and sofas, and of Svane® mattresses all rose, mattress revenues accounted for the bulk of the increase (up NOK 7.6 million). Ekornes distributes its products in Norway through the Møbelringen and Living furniture chains, as well as a number of independent furniture and mattress retailers. The company also has an agreement with the Skeidar chain with respect to the distribution of mattresses. Ekornes works very closely with the chains and the individual distributors. The company's position in the Norwegian market is strong.

SWEDEN

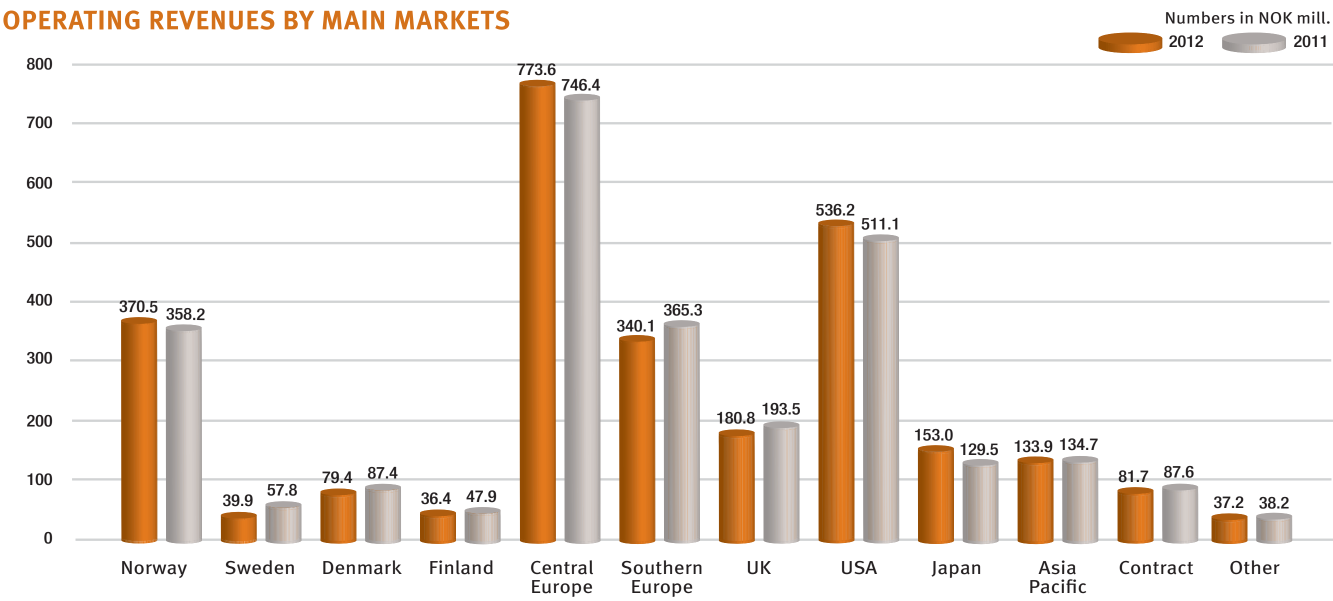
The Swedish furniture market experienced a slight downturn in 2012. Low-cost furniture produced in the Baltic countries and Asia account for a growing share of the market. Sales of armchairs in the high-end segment seem to be falling sharply. Sales of low-cost sprung mattresses from the Baltic are also rising steadily. Ekornes's sales revenues fell by NOK 17.9 million (down 31 per cent) in 2012, with the decline spread across all product groups. Ekornes is currently re-evaluating its strategy in the Swedish market.

DENMARK

The Danish furniture market remains weak and unchanged from the year before.

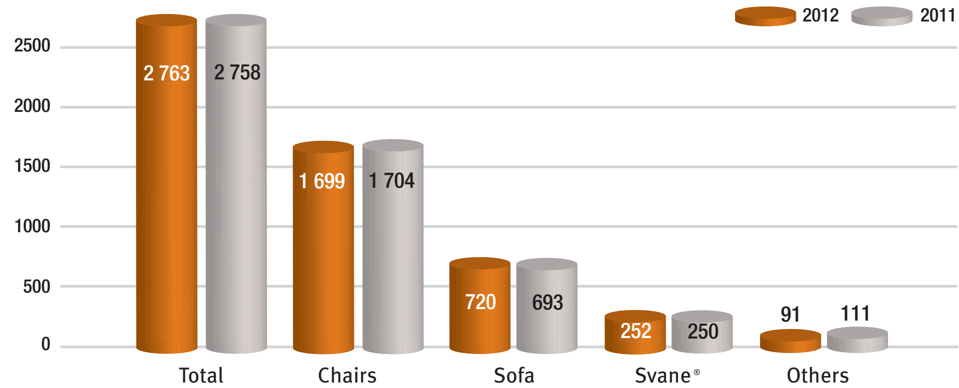
Ekornes's sales revenues in Denmark fell by NOK 8.0 million (down 8 per cent) in 2012. Revenues from the sale of Stressless® chairs fell by NOK 8.4 million (down 14 per cent). Around NOK 4 million of this can be ascribed to an extraordinary replacement of display models in 2011. Stressless® sofas rose by NOK 1.2 million (up 10 per cent), while Ekornes® Collection sofas and Svane® mattresses experienced a marginal rise. The company's position in Denmark is strong. Awareness of the Stressless® brand is the second highest in the world after Norway. The same applies to per capita sales of Stressless® products. Major marketing campaigns, both alone and in collaboration with Denmark's most important furniture chains, Ide Møbler and Ilva, were implemented in 2012. Changes have also been made in the way Svane® is represented, with Svane® now having its own salesperson. Furthermore, a new distribution agreement has been entered into with the Smag og Behag furniture chain.

OPERATING REVENUES BY MAIN MARKETS



MARKETS

OPERATING REVENUES BY PRODUCT AREA



FINLAND

No information is available for developments in the Finish furniture market.

Sales revenues for Ekornes in Finland fell by NOK 11.5 million (down 24 per cent) in 2012. While sales in all product groups decreased, the biggest reduction was in sales of Svane® mattresses. This may be ascribed primarily to problems with the company's largest business partner in Finland, which opened debt rescheduling negotiations in 2012. This immediately led to a drop in sales revenues, even though the retail outlets continued trading. It is expected that around 1/3 of the chain's stores will be closed. As a result of this, efforts have been initiated to restructure distribution in Finland. An agreement has been signed with a chain of five stores in the largest Finnish cities.

EKORNES CONTRACT

Ekornes Contract AS is headquartered in Sykkylven, with a branch office in Oslo. Stay AS took over the company's contract division in March 2012, such that this market is now served by one company rather than two. The company has changed its name to Ekornes Contract AS. The company focuses on the Nordic hotel, shipping/offshore, cruise and office furniture markets. Sales revenues in 2012 totalled NOK 81.7 million, compared with NOK 87.6 million the year before. Demand for the company's products has been strong in the shipping/offshore segment, where activity levels have been high. However, sales to the hotel market declined. There is a lot of activity underway with regard to the construction of new, and the renovation of existing, accommodation platforms on both Norwegian and international continental shelves. In this segment the company can document that its products are certified to the highest standards stipulated for such facilities.

CENTRAL EUROPE

(Austria, Germany, Luxembourg, Netherlands, Poland, Slovenia and Switzerland)

Central Europe is the region that generates the highest sales revenues. Ekornes's Central Europe headquarters is located in Hamburg, Germany. The individual markets have their own local sales staffs. The market for upholstered furniture in Germany fell by almost 5 per cent in 2012 compared with the year before. The furniture market in the Netherlands experienced a double-digit decline. Several of the company's competitors seem to be struggling in the face of a drop in sales revenues.

Sales revenues totalled NOK 773.6 million in 2012, compared with NOK 746.4 million the year before (up 3.6 per cent). Sales of both Stressless® chairs and sofas increased. 19 new distributors were opened in 2012, while 10 were closed. After many years of systematic and comprehensive marketing campaigns, the company has established an extremely strong position with respect to both retailers and consumers. In Germany, Switzerland and Austria, over half the population is familiar with the Stressless® brand.

SOUTHERN EUROPE

(Belgium France, Italy, Spain)

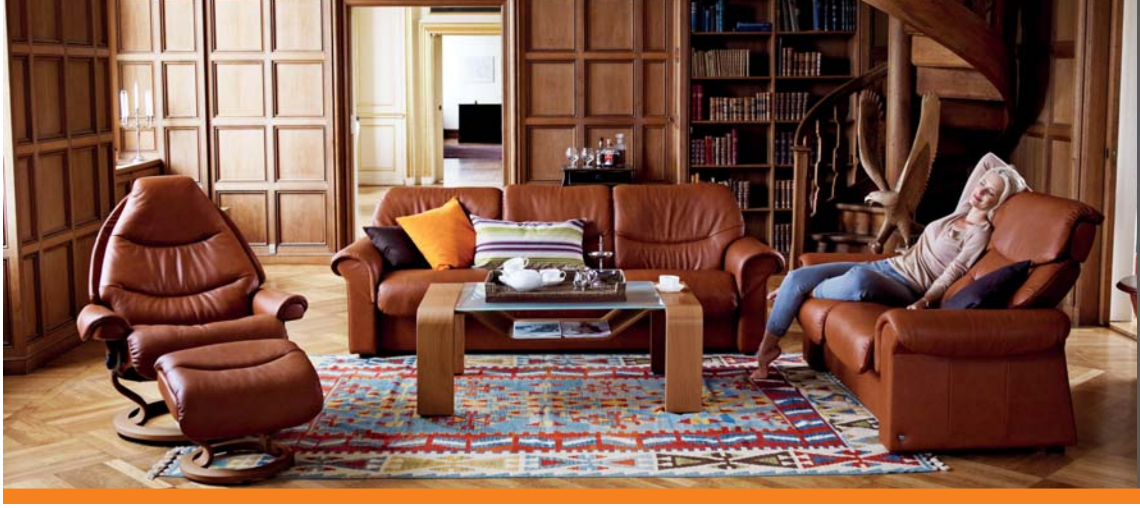
Ekornes's office for Southern Europe is located in Pau, France. Each country has its own sales staff reporting to the office in Pau.

All markets are experiencing rising unemployment and falling demand. Furniture markets fell by 3 per cent in France, 1 per cent in Belgium and 20 per cent in Spain. No official statistics are currently available for Italy.

Prices are under considerable pressure in the furniture market, with suppliers and distributors offering substantial discounts to attract customers. This reduces the perception of value accorded to high-end furniture, and squeezes both margins and the ability to invest in marketing campaigns.

Distributors disappeared at a growing rate in 2012. 41 new agreements were signed during the year, but it is becoming increasingly difficult to find distributors with sufficient financial strength. In France a limited collection agreement has been signed with one chain. By the end of the year there were 525 retail outlets in the market area.

Order receipts fell by 5 per cent in the market area, while sales revenues totalled NOK 340.1 million, down 7 per cent on the year before.



UK/IRELAND

Ekornes's office for the UK/Ireland is located in London.

The British and Irish markets remain difficult, and are not expected to improve in the coming year. The overall furniture market contracted by 6 per cent in 2012, with high-end furniture under particular pressure. The furniture market also reflects developments in house prices, which also fell by 4 per cent in 2012.

At the close of the year Ekornes had 166 retail outlets, divided between 132 distributors. Collaboration with the distributors rests on individual agreements that ensure investment in and focus on brand building and sales-oriented activities. This is supported by advertising on regional and national television, CRM, digital activities, flyers, etc.

A new general manager took over in September.

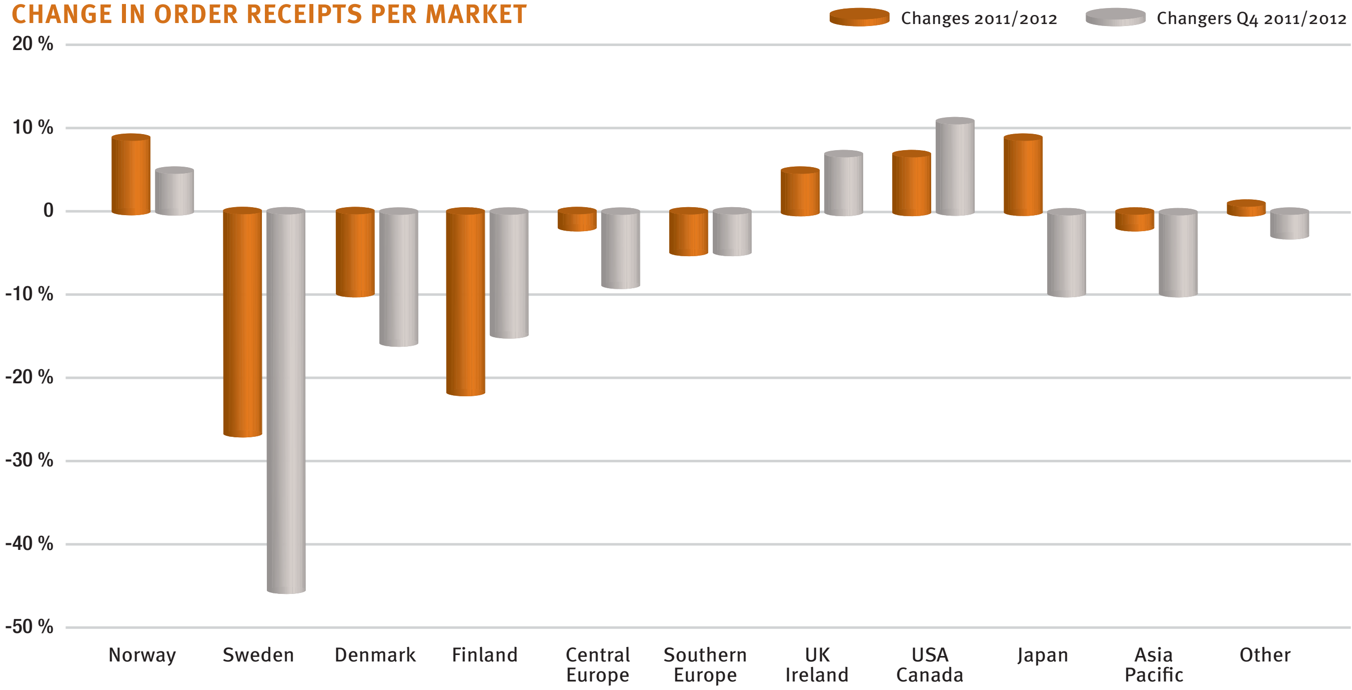
The latest brand awareness survey shows an assisted awareness rate of 32 per cent among the target group. Overall, the market contracted in 2012. Ekornes's sales revenues fell by 6.5 per cent (from NOK 193.5 million in 2011 to NOK 180.8 million in 2012), but with order receipts 5 per cent up on the year before. This indicates that Ekornes managed reasonably well, given the prevailing market conditions.

USA/CANADA/MEXICO

Ekornes's North America/Mexico office and warehousing facility is located in Somerset, New Jersey.

Economic indicators, such as unemployment and house sales, are improving slowly in the USA. Official statistics show that furniture sales in 2012 were 8.4 per cent higher than in 2011, but still more than 30 per cent down on 2006 levels.

CHANGE IN ORDER RECEIPTS PER MARKET



MARKETS

Ekornes sells its Stressless® products through 558 ordinary distributors in North America. In addition, an agreement was signed at the end of the year with a chain of 106 retail outlets that offer a limited, dedicated Stressless® collection.

Due to the difficult market conditions there has been a lot of churn in the distributor network, with around 50 new distributors being replaced each year. Considerable resources are devoted to the selection of new distributors, the construction of Stressless® Studios, retail staff training and investments in marketing activities to maintain sales levels and market coverage.

Four national campaigns are held annually, in addition to a raft of local activities. Further expanding sales of sofas is an area of particular focus. To achieve competitive lead times, Stressless® sofa components produced in Norway are shipped to Ekornes's plant in North Carolina for finishing on an assembly-to-order basis.

Ekornes's sales revenues in the market area as a whole increased by NOK 27 million (up 5 per cent) in 2012, while order receipts were 7 per cent higher than the year before.

In 2010, a comprehensive five-year investment programme was launched to improve the Stressless® brand's position in the market, over and above that which would be achieved through a 'normal' investment level. This was continued in 2012 in order to develop the sales potential inherent in this market and secure the company's position as the 'Innovators of Comfort', and entrench Ekornes as the largest and most important supplier of Scandinavian recliners. The results so far, in the regions in which this additional investment has been made, have been satisfactory.

JAPAN

Ekornes's office is located in Tokyo, while warehousing and assembly have been outsourced to an external logistics company situated outside of the capital.

Japan's economy remains stationary. The latest official statistics for the furniture market show a slight downturn. Those losing market share are primarily traditional furniture stores, while the larger retail chains are growing.

Despite the weak market, Ekornes's sales grew. An increase in the number of national marketing campaigns, combined with stronger participation from distributors, produced good results. A substantial improvement in the brand profile, through additional Stressless® Studios, has also boosted the success of promotions and general marketing activities.

By the end of the year Ekornes had acquired an additional 40 distributors. Its products are now on sale at 376 retail outlets in Japan. Distribution is through a mixture of large department stores, retail chain-stores and independent furniture retailers.

Ekornes's sales revenues in Japan totalled NOK 153 million, up 18 per cent from 2011.

Ekornes is currently the largest supplier of recliners in Japan. It is the company's firm intention to continue making long-term investments to further enhance its position in this market.

ASIA

Through its regional office in Singapore, Ekornes has exclusive agreements with importers/distributors in China, Hong Kong, South Korea, Indonesia and India. Ekornes itself handles imports to and has established distribution agreements in Singapore, Malaysia and Taiwan (since June 2012). All markets are served by the organisation in Singapore. In line with Ekornes's plan for the Asia/Pacific region, responsibility for the New Zealand market was transferred to Australia in April 2012.

As a region Asia's growth rate declined steadily in 2012, which has also placed a damper on retail spending in several markets.

Sales in the two largest Asian markets, South Korea and China, fell by 1.5 per cent and 0.6 per cent respectively compared with 2011. The other markets in the region, with the exception of Indonesia, made progress. Growth has been particularly strong in Singapore and Hong Kong. Sales revenues in the market area totalled NOK 82 million in 2012. Adjusted for the elimination of revenues in New Zealand (now included in the same market area as Australia), this represents a rise of 2 per cent on the year before.

Throughout the region long-term efforts are being made, in close collaboration with importers/distributors, to implement Ekornes's global marketing concept, including Stressless® Studios, coordinated marketing campaigns and retail staff training. Ekornes expects strong growth in the Asian region in the years to come.

AUSTRALIA

Ekornes's office and warehousing facility for Australia is located in Sydney, NSW. In Australia Ekornes itself acts as importer, with individual distributor agreements. New Zealand is served by an external importer, but with follow-up from Ekornes's office in Sydney.

The Australian economy is expanding, achieving a growth rate of 3.4 per cent in 2012, while New Zealand achieved 2.5 per cent growth. The market's positive development continued in 2012, with sales revenues totalling NOK 52 million.

However, market conditions have become more difficult, with stronger competition from Asian products. Together with a strong local currency, this means that consumers perceive Stressless® to be priced proportionately higher than in Europe and the USA.

Growth in Australia is largely through existing distributors. Aggressive promotional campaigns for Stressless® chairs have been staged to meet the competition, while television and national media advertising has been intensified to develop the brand's position in the market.

At the close of the year Ekornes has 43 distributors in Australia. In addition, the company had signed an agreement with a chain with a limited collection.

Agreements stipulating mutual obligations with respect to displays and marketing have been entered into with all distributors in Australia and New Zealand. These ensure a steady investment in Stressless® marketing activities at both national and local level.

BRAZIL/SOUTH AMERICA

Ekornes South America is based in São Paulo, Brazil. Components are shipped from Norway. Leather coverings are sewn and fitted in Brazil. The collection comprises 10 chair models in a selection of leather colours.

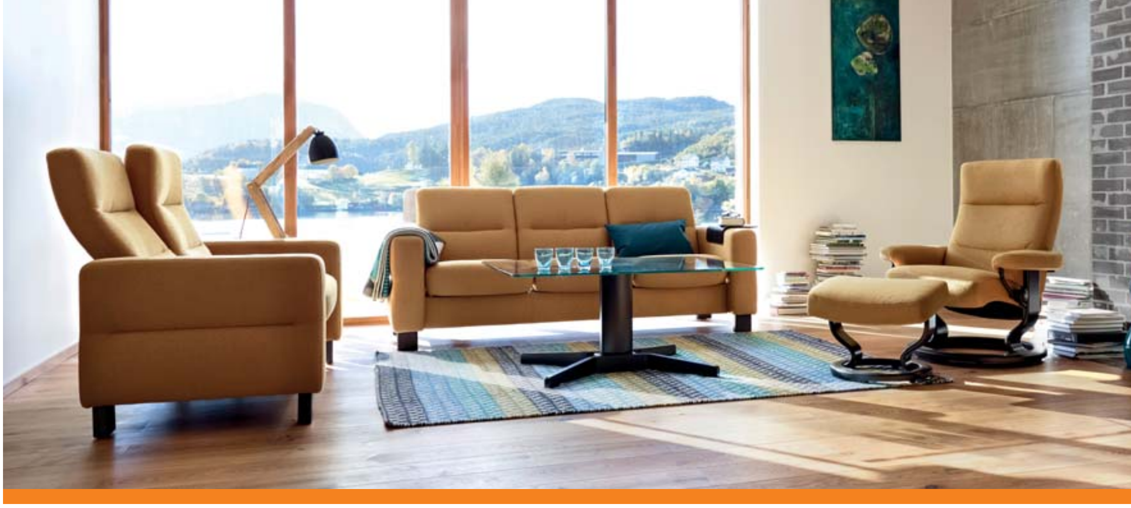
Ekornes currently has 56 distributors in Brazil, and generated sales revenues of NOK 11 million in 2012, up 15 per cent on the year before.

The distributor base is a combination of furniture stores and more untraditional sales channels, such as specialist "Home Entertainment" retailers. Two national campaigns were undertaken during the year.

Stressless® products are at the higher end of the price scale, a segment that is largely dominated by Italian-inspired furniture, and where the bulk of decision-makers are interior architects and designers. One of the challenges has been to create a market niche for comfortable recliners, and grab attention for the brand promise. All marketing and advertising activities are undertaken in conjunction with distributors, with strong emphasis being placed on in-store brand building.

THE PRODUCT AREAS

Ekornes shall take a leading position in Scandinavia as a supplier of furniture, mattresses and furnishing for ships and hotels.



PRODUCT AREA STRESSLESS®

The Stressless® product area comprises 32 chair models and 13 sofa models. At the close of 2012 production capacity within the Stressless® segment totalled approx. 1,750 seat units per day. An average of 1,725 seat units per day were produced during 2012.

PRODUCTION

Stressless® products are manufactured at four plants. Stressless® chairs, as well as steel and foam components for other parts of the recliner collection, are manufactured at the main production facility at Ikornnes in Sykkylven. Parts of the production have been automated, with extensive use of robots. This applies in particular to the manufacture of components.

The Vestlandske and Hareid plants manufacture the Stressless® sofa collection. At all three plants conveyor-based internal transport systems have been installed. This promotes rational transportation of goods internally and good production control and management.

In 2012, a production facility for Stressless® sofas was opened in the USA to enable Ekornes to deliver Stressless® sofas in the American market at competitive lead times. Production is largely based on components manufactured at the Norwegian plants.

During the year a total of NOK 45 million was invested in Stressless®-related production machinery and equipment.

In addition to the four factories manufacturing Stressless® products, there are two units specialising in the production of components for Stressless® and other products.

The Tynes plant specialises in the production and processing of laminated wood, and the Grodås plant manufactures other wooden components that Ekornes uses in its products.

Stressless® is Ekornes's largest product area. In 2012 sales of Stressless® products generated NOK 2,299 million in revenues, NOK 19 million more than the year before. Stressless® accounts for 83.2 per cent of the Group's gross revenues, with an export sales rate of 94 per cent.

(NOK mill.)	2012	2011
Total	**2 299.0**	**2 280.1**
Norway (incl. Contract)	154.9	143.0
Rest of Nordic region	108.2	131.0
Central Europe	752.5	724.7
Southern Europe	330.1	357.5
UK/Ireland	177.0	190.2
USA/Canada/Mexico	480.1	461.3
Asia and other markets	146.1	145.1
Japan	150.1	127.3

‹‹ Stressless® sales revenues by market

PRODUCT AREA EKORNES® COLLECTION

Revenues deriving from sales of fixed-back sofas rose by NOK 4 million in 2012 compared with 2011.

PRODUCT/MARKETS

Sales in this product area generated revenues of NOK 121 million in 2011, 4 per cent more than in 2011. The collection comprises three models. No new models in this product group have been launched during the past year.

The largest markets for this product area are Norway, North America and Contract. Exports account for some 50 per cent of sales. The largest export market is North America, at NOK 39 million.

PRODUCTION

Ekornes® Collection sofas are manufactured at the Hareid plant on the same production line as Stressless® sofas. The Hareid plant is modern, with automated internal transport of components.

›› Ekornes® Collection sales revenues by market

(NOK mill.)	2012	2011
Total	**120.7**	**116.6**
Norway	58.2	58.8
Rest of Nordic region	6.7	7.7
Central Europe	9.3	11.5
Southern Europe	5.8	4.1
UK/Ireland	1.3	1.1
USA, Canada	38.8	32.8
Asia and other markets	0.7	0.6

PRODUCT AREA SVANE®

PRODUCTS/MARKETS

The bedroom segment is served by the subsidiary Ekornes Fetsund AS, which markets its products under the Svane® brand name. Svane® products are sold through general furniture distributors and specialist retail outlets in Norway, Sweden, Denmark, Finland, Germany and Switzerland. The product area generated sales revenues of NOK 252 million in 2012, which was on a par with 2011. Order receipts in 2012 totalled NOK 263 million, up some 10 per cent on the year before.

The Norwegian market dominates the sales figures, accounting for NOK 192 million in 2012, 4 per cent more than the year before.

PRODUCTION

The majority of Svane® products are manufactured at the company's plant in Fetsund, just outside Oslo. Product development, marketing and sales to the Norwegian market are also controlled from there. The company has a dedicated sales department in Hamburg to market Svane® products in Germany and Switzerland. Ekornes Fetsund AS has its own sales force in Denmark, and is currently establishing a similar organisation in Sweden. In Finland and the contract market Svane® products are marketed through the same sales organisation as Ekornes's other products.

In the autumn of 2012 Ekornes Fetsund AS undertook a wide-ranging strategy process, which resulted in an action plan for the period 2013-2015. The plan will involve substantial changes to improve the company's competitiveness. Investments will be made in product development, marketing activities and productivity enhancements throughout the strategy period.

The market for beds and mattresses is highly competitive, with few vendors focusing on market differentiation. This results in fierce, and to some extent increasing, price competition, which puts both manufacturers and distributors' margins under pressure. Ekornes Fetsund AS controls the rights to a unique product concept through our IntelliGel® output. The challenge will be to remain ahead of the competition by investing in product development and focusing on functionality and an appealing visual design.

Ekornes Fetsund AS has modern, rational production facilities. The plant manufactures fibre, foam and springs in-house, has a separate quilting unit and also produces its own wooden frames. These are all components in the various Svane® products. The company has good control of its own value chain through a large degree of in-house production.

At the close of 2012 Ekornes Fetsund AS employed 133 people (136 as at 31 December 2011), corresponding to approx. 130 full-time equivalents.

In a Board meeting on 21.03.2013 a decision was made to change the company name Ekornes Fetsund AS to Ekornes Beds AS.

‹‹ Svane® mattresses sales revenues by market

(NOK mill.)	2012	2011
Total	**252.1**	**250.2**
Norway (incl. Contract)	207.7	194.2
Rest of Nordic region	38.5	51.3
Outside Nordic region	5.9	4.7

PRODUCT AREA
PRODUCT DEVELOPMENT

Stressless® E40

Product development for the Stressless® and Ekornes® Collection ranges is carried out by a dedicated department at Ekornes ASA.

The product development team for Svane® mattresses is part of Ekornes Fetsund AS.

Stressless® Liberty

The product development department at Ekornes ASA is characterised by inter-disciplinary expertise. Here, we find furniture designers, industrial designers, engineers and constructors as well as model makers and furniture upholsterers – all professionally trained and highly experienced. A total of 26 people are directly involved in product development. The manufacturing plants are also heavily involved in putting the designs into production. The product development department was further strengthened in 2012 with the appointment of a corporate social responsibility (CSR) manager. This is a newly created position.

The product development department works closely with marketing and manufacturing. Their task is to launch products whose excellent comfort and functionality make them stand out from the rest, while making sure they fit Ekornes's manufacturing system.

The company's product development strategy for its Stressless® range is to deliver even greater comfort and functionality. This also includes the development of accessories that enhance the customer's overall experience. One recent example of this is the development of a PC table, especially adapted for use with Stressless® recliners.

Ekornes strives constantly to differentiate itself from its competitors. At the same time, the company retains a strong focus on improving productivity and quality at its manufacturing units.

NEW PRODUCTS IN 2012

Stressless® Liberty is a new Stressless® sofa that has been developed for the international market. Stressless® Liberty is comfortably soft, has a traditional look and generous proportions. Stressless® Liberty has been designed to go with the Stressless® Voyager, which was launched in 2011. The product's launch in the USA was very successful, and its take-up by retailers was the best ever for a Stressless® sofa in this market. Feedback from Central and Southern Europe, and the UK, has also been extremely positive.

Stressless® Magic Office

Stressless® E40 is a new Stressless® sofa that features the ErgoAdapt™ system. Stressless® E40 is a further development of the successful Stressless® E200 and E300 models, but is slightly smaller and therefore better suited to smaller homes. Its timeless, classic design was very well received at all the furniture shows where it was presented.

Stressless® Office is a new scheme from Ekornes that further extends the concept of complementary Stressless® chairs and sofas. Ekornes has developed two new bases, which can accommodate every Stressless® recliner upholstery set. In this way, each Stressless® family of products now has an office chair version. At the international furniture fairs where Stressless® Office models were shown, take-up by retailers has been very strong, and there is every indication that this concept will boost Stressless® sales in the years to come.

The product development department is also working to turn environmental considerations into a competitive advantage. This means increasing focus on further developing materials and processes to become more environment-friendly. The newly created position of CSR manager is a natural consequence of this, and will increase both capacity and competence to reach this goal.

CORPORATE GOVERNANCE

Ekornes sees good corporate governance as involving candid, substantive and responsible dialogue and interaction between shareholders, the board of directors and the company's management, based on a long-term perspective and with value creation as its aim.

CORPORATE GOVERNANCE

Ekornes sees good corporate governance as involving candid, substantive and responsible dialogue and interaction between shareholders, the board of directors and the company's management, based on a long-term perspective and with value creation as its aim. At the same time, the board and company management must work effectively together, there must be respect for shareholders and an open and honest dialogue with all stakeholder groups.

1. ACCOUNT OF CORPORATE GOVERNANCE IN EKORNES

Ekornes' board and management endorse the Norwegian Code of Practice for Corporate Governance. A review is performed annually to ensure continued compliance with the Code of Practice (in March 2013 as per the updated code of 23 October 2012), and for the most part it is. Any non-compliance with respect to the Code of Practice will be commented. As a result of this internal process, the company has issued an internal code of conduct. The guidelines for the company's values and code of conduct are included in the company publications "Objectives and Values" and "Code of Conduct" for the Ekornes Group, both of which are available at the company's website, www.ekornes.com

2. BUSINESS AND OBJECTIVES

Ekornes shall be one of the most attractive and leading brand name suppliers of furniture and mattresses for home use, both nationally and internationally. The company's articles of association are more general with regard to defining what business activities the company shall undertake. Article 2 of the company's articles of association states: "The company's purpose is to operate business activities and whatever may be associated with this, including participation in other companies." The strategies, goals and values that apply to the company's business are set out in its handbook "Objectives and Values for the Ekornes Group". The company's code of conduct and guidelines for corporate social responsibility are included therein. Ekornes endorsed the UN Global Compact in 2009.

3. SHARE CAPITAL AND DIVIDEND

- Equity

Ekornes shall have an equity ratio of at least 40-50 per cent after dividends and less the value of forward contracts. The board feels it is important that the company has at all times sufficient financial flexibility and strength. As at 31 December 2012, Group equity totalled NOK 1,704.7 million (77.9 per cent). Corrected for the proposed dividend for 2012 and the value of forward contracts as at 31 December, equity totalled NOK 1,316.3 million (68.2 per cent).

- Dividend policy

Ekornes will manage its shareholders' investments in such a way that their return, measured as the sum of dividend and increase in share price, will be as high as possible over time. The company aims to pay a dividend each year. At least 30-50 per cent of the Group's profit after tax will be paid as dividend. However, account will be taken of necessary capital expenditure and the rate of growth. The company will strive for stability in its dividend policy. The Annual General Meeting (AGM) determines the dividend to be paid each year on the basis of a proposal tabled by the company's board of directors.

A dividend of NOK 7.50 per share was paid out for 2011. The board is proposing to the AGM that an ordinary dividend of NOK 5.50 per share be paid for 2012. The company's financial position is sound. In proposing the dividend for 2012, the board has attached particular importance to maintaining a stable dividend payout over time, while according weight to general market conditions, the company's investment requirement and financial position.

- Authorisation of the board of directors – share capital increase and purchase of treasury shares

No such authorisation currently exists. The most recent authorisations were granted by the AGM on 10 May 2007. These expired on 30 June 2008. The board of directors did not exercise the authorisations granted. The authorisations were granted for specific purposes. Also, in the event of future representations to the AGM requesting authorisations, each individual purpose will be presented for consideration and a vote.

4. EQUAL TREATMENT OF SHAREHOLDERS AND TRANSACTIONS WITH RELATED PARTIES

The company has only one class of shares. In principle, existing shareholders have pre-emption rights with respect to any share capital increase. Particular circumstances may result in this principle being waived. A proposal explaining the reason for such a waiver will then be put to a general meeting of shareholders for a final decision. The general meeting has so far authorised limited purchases of treasury shares in order to acquire the number of shares required in respect of the bonus and option schemes in effect at the time. The company currently has no schemes requiring this type of authorisation. The current bonus schemes for management and other employees are paid in cash. Any trading in treasury shares is to be conducted through the stock market.

Otherwise, the company abides by the proposed guidelines for transactions with related parties, under the terms of which valuations by independent third parties and notification to the board of directors shall be carried out in the event of not-immaterial transactions or material interests. The company's articles of association place no restrictions on voting rights. All shares are equal.

5. FREE TRANSFERABILITY
According to Article 5 of the company's articles of association, "Shares are freely transferable". Ekornes endeavours to maintain an open and active dialogue with investors to create the broadest possible interest in the company, both in Norway and abroad.

6. GENERAL MEETINGS
The 2013 Annual General Meeting will be held on 15 May 2013. The company's procedures and arrangements with regard to the holding of the AGM are in complete compliance with the guidelines set out in the Norwegian Code of Practice for Corporate Governance. The invitation to the AGM and the minutes are available from the company's website, www.ekornes.com – under Investor Relations.

The invitation shall be sent out at least 21 days before the date set, which meets the minimum statutory requirement and the requirements of the new Code of Practice. The invitation, all relevant documentation relating to agenda items and the nomination committee's recommendations is available from the company's website from the same date. The company's financial calendar is published through the Oslo Stock Exchange and is available from the company's website, www.ekornes.com.

Shareholders may give notice of their intention to attend the AGM by post, fax or e-mail. The board encourages as many shareholders as possible to attend the AGM. Shareholders who are unable to attend in person are encouraged to do so by proxy. The company will help arrange proxy authorisations. Proxy authorisation may be restricted to specific items on the agenda. Information relating to the procedures for attending via a proxy, a proxy form and information about the appointed person who may vote for the shareholders as proxy are enclosed with the invitation. As a minimum, the Board Chair, the chair of the nomination committee and the auditor shall attend. Management shall be represented by at least the CEO and the CFO.

At the opening of the AGM, arrangements will be made to elect an independent chair, in accordance with the Code of Practice. When electing representatives to the board or other company bodies, it shall be possible to vote for individual candidates. The outcome of votes by the general meeting will be published immediately (and within the recommended deadline) after the general meeting has been held.

NOMINATION COMMITTEE
The requirement for a nomination committee is set out in Article 9 of the company's articles of association. The committee shall comprise four – 4 – members elected by the AGM. The members must be shareholders or shareholder representatives. The AGM elects the nomination committee's chair. The nomination committee itself proposes candidates to the nomination committee for the AGM's approval.

During the previous year, the nomination committee comprised:
- Birger Harneshaug, chair (Nordea Equity Holdings AS)
- Olav Arne Fiskerstrand (Sparebanken Møre)
- Tomas Billing (Nordstjernan AB)
- Ole E. Dahl (Orkla ASA)

None of the nomination committee's members is a company director or member of Group management. The nomination committee's remuneration is determined by the AGM.

8. CORPORATE ASSEMBLY AND BOARD OF DIRECTORS, COMPOSITION AND INDEPENDENCE
The company does not have a Corporate Assembly. The board of directors comprises five – 5 – members elected by the shareholders. The nomination committee proposes names for shareholder-elected candidates before the elections. Furthermore, the board of directors comprises three – 3 – members and one – 1 – observer elected by and from among the workforce. An agreement with the employees, approved by the Company Democracy Committee, underpins this arrangement. According to the company's articles of association, the board of directors shall comprise 3-8 members at the discretion of the AGM. The majority of shareholder-elected directors are independent, both with respect to Group management, important business associates and the main shareholders. Directors are elected by the AGM for a term of two – 2 – years. Olav Kjell Holtan has chaired the board since June 1990. No member of Group management is a director. Ekornes has endeavoured to ensure that directors' backgrounds, competence and capacity are suited to the Group's business activities and its need for diversity. All shareholder-elected board members are independent with respect to the company's business associates. With the exception of Stian Ekornes and Nora Förisdal Larssen, all board members are independent of the company's main shareholders. For further information, please see the presentation of the board elsewhere in this annual report.

9. BOARD RESPONSIBILITIES
Norwegian law lays down the tasks and responsibilities of the board of directors. These include the overall management and supervision of the company. Towards the end of each year, the board adopts a detailed plan for its meetings in the following financial year. This plan covers the follow-up of the company's operations, internal control, strategy development and other issues. It also includes a discussion and assessment of the board's experiences and the organisation of its own activities, with proposals for improvement. The company complies with the deadlines issued by the Oslo Stock Exchange with regard to interim reports.

Internal auditing is a fixed item on the agenda of one board meeting during the year. The company's auditor is also present at this meeting. The Ekornes Group does not have a specific internal auditing unit. Risk monitoring and internal control of the finance and accounting area is led by the CFO, who, together with the Group chief accountant/head of corporate accounting, carries out routine follow-up activities and provides status reports to the audit committee. Uniform routines, guidelines and procedures have been drawn up within the accounting area. Each month the board receives financial reports showing the Ekornes Group's performance and status. In connection with the presentation of the year-end financial statements, the CEO and the CFO declare that the accounts have been prepared in accordance with generally accepted accounting principles, and that to the best of their knowledge all information is accurate and no material information has been omitted. There is a clear division of responsibilities between the board and management of the company. The board is responsible for making sure that management's tasks are carried out efficiently and correctly within the legislative and regulatory framework, and in accordance with the board's responsibilities. The CEO is responsible for the Group's day-to-day operations. Job descriptions have been drawn up for the CEO and other senior executives.

The board held eleven – 11 – meetings in 2012. The board emphasises the need to rotate the venue for its meetings to different operational units, both in Norway and abroad.

This also includes visiting certain of the company's customers (distributors). The board's yearly plan and the minutes of its meetings are not confidential, except in certain individual cases, in which event this will be made plain to the directors attending the meeting. The smooth working of the board and its working methods and duties are discussed regularly and appear as a specific agenda item at one board meeting during the year. The board has not seen a need to follow the Code of Practice with respect to disclosing board members' attendances at board meetings in the annual report. This information is reported annually by the board to the nomination committee. Attendance in general is very good, and has been for a long time.

The board has discussed the need for board committees. The board has appointed a separate remuneration committee for consideration and presentation of guidelines and proposals for remuneration to senior executives, and a separate audit committee. Both committees have one employee representative. The other members are shareholder-elected. The committees were appointed in the spring of 2010. The committees will prepare, draw up and present recommendations to the board of directors, however the entire board of directors will participate in the final consideration of all items to ensure the best treatment of the matters at hand. The company's remuneration policy and remuneration for the CEO and senior executives are dealt with at one of the board meetings and accounted for in the annual directors' report. Separate proposals in respect of these matters are also presented to the AGM for consideration.

10. RISK MANAGEMENT AND INTERNAL CONTROL

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

The company guidelines, laid down in "Objectives and Values for the Ekornes Group" and "Code of Conduct", provide guidance for employees in order to reduce the possibility of the company being placed in situations that may harm its reputation or financial standing. Evaluation of the operational risk, which includes marketing and sales developments, production and developments in the raw materials markets, are among those areas that are continuously reported to and reviewed by the board of directors. Relevant areas of risk, including foreign currency, HSE, internal auditing, finance and IT are reviewed annually as a minimum.

The audit committee's main focus is internal control and risk monitoring. Risk monitoring and internal control of the accounting/finance area is led by the CFO, who, in conjunction with the Group chief accountant, undertakes routine follow-up, with reporting to the audit committee.

A separate section, "Risk management", in the annual report contains further information.

11. DIRECTORS' FEES

Directors' fees are determined by the general meeting. Directors' fees are not performance-related and share options are not granted to directors elected by the shareholders. All forms of remuneration to the company's directors are specified in the Notes.

12. REMUNERATION FOR SENIOR EXECUTIVES

Guidelines for the remuneration paid to senior executives are determined by the board of directors after recommendations from the remuneration committee. The CEO's compensation package is determined at a meeting of the board. The framework for any share option schemes is determined by the board. Any decision to purchase treasury shares in order to implement this type of scheme, shall be taken by the company's general meeting. There are currently no such schemes.

The current bonus schemes for the management and other staff are explained in greater detail in the Notes. These schemes are tied in with the company's profitability (net profit ratio and overall earning capacity). All elements of the remuneration paid to the CEO and board members are also specified in the Notes. The company's remuneration policy and the guidelines for compensation paid to the CEO and senior executives are detailed in the Notes, which are presented to the company's AGM in May.

13. INFORMATION AND COMMUNICATION

A calendar of the most important dates is published on the Oslo Stock Exchange and on the company's website. Information to the company's shareholders is distributed via the Oslo Stock Exchange and the company's website on an ongoing basis, immediately after decisions have been made. All interim reports and documents connected with general meetings are also sent directly to shareholders. The company's financial calendar is published on the company's website www.ekornes.com – Investor Relations.

- Communications strategy

Ekornes is subject to the Oslo Stock Exchange's regulations regarding information which may influence the price of Ekornes' shares. Taking this into consideration, the company's goal is for all employees to be at all times well informed about the company's situation. The company also wishes employees to be well informed about what is happening in other parts of the organisation. Management will ensure that the flow of such information is systematic and its publication predictable. Moreover, Ekornes shall be associated with integrity, candour and high ethical standards. A separate internal communications plan has been drawn up. Ekornes feels it is very important for shareholders and investors to be fully informed about the Group's performance and financial position. It is also important for information to be made available to the entire stock market at the same time. The company strives to treat all shareholders/investors and analysts equally. Company management holds open presentations in connection with the publication of each interim report. Two of the open presentations (yearly and half-yearly) are transmitted by direct webcasts. The webcasts are simultaneously translated into English. The company has decided to webcast only two of the presentations. Group management also holds regular meetings with analysts, investors and shareholders during the year. The exchange of information with distributors and suppliers is important to limit mutual surprises and promote understanding for each party's strategy and actions.

Ekornes is developing its IT systems to improve the day-to-day flow of information between Group companies and key distributor organisations and suppliers. Ekornes' own information and communication systems will be continually updated to promote increased productivity.

Ekornes complies with the Oslo Stock Exchange's recommendations with respect to the publication of investor relations information.

14. ACQUISITION

The parent company Ekornes ASA's articles of association contain no limitations with regard to share acquisition. The shares are freely transferable. Transparency and equal treatment of shareholders is a fundamental principle.

15. AUDITOR

The company's principal auditor is KPMG. Each autumn the auditor prepares a plan for auditing activities in the coming year. The auditor attends the board's review of the company's internal auditing activities and provides his assessment of the status of the company's accounting practices, reporting requirements and internal controls. Following the appointment of an audit committee in the spring of 2010, the audit plan and the company's internal control have become an integral part of the collaboration between the auditor and committee. The audit committee will monitor the neutrality of the auditor. For large-scale consultancy projects, Ekornes uses qualified providers other than the company's auditor, who is given any resultant reports to read through and comment on. This practice has been chosen to comply with the requirement for auditor independence. However, the auditor is used in connection with activities that are closely related to the auditing function, such as assistance with the preparation and verification of the consolidated accounts and tax returns, interpretation of accounting and tax regulations, and as a discussion partner with respect to audit-related matters. Each year, the general meeting is informed of the company auditor's remuneration, allocated between ordinary auditing and other services. The amounts are presented in the Notes.

16. OTHER ISSUES

- Management of subsidiaries

All subsidiaries of the Ekornes Group have their own boards of directors, in which the parent company is represented by members of Group management. The general managers of some of the Group's non-Norwegian companies are also directors of their respective companies.

- Business ethics

A separate code of conduct has been drawn up and distributed to all employees. The code of conduct has also been distributed to external relations and is published on the company's website www. ekornes.com. Ekornes endorsed the UN Global Compact in 2009.

RISK MANAGEMENT

Ekornes operates in many markets, both as purchaser and seller. In this way, the company's market, foreign exchange and sourcing risk is spread.

MARKET CONDITIONS AND BUSINESS (STRATEGIC) RISK

Ekornes has the bulk of its production in Norway, while 83 per cent of its revenues came from exports in 2012. The export rate is highest within the Stressless® product area (94 per cent) and lowest for mattresses (18 per cent).

Since the 1970s, Ekornes' strategy has been to develop products and concepts that have international market potential. The distribution of sales in several markets provides continued opportunities for growth, at the same time as it spreads market risk and reduces dependence on individual markets and customers. The company has come farthest with this strategy in the upholstered furniture area, consisting of Stressless® (reclining chairs and sofas) and traditional (fixed-back) sofas in the Ekornes® Collection range. Within the Svane® mattress area, the company has recently launched a new collection and a new concept, which Ekornes is also trying to find market opportunities for in Europe, outside the Nordic region.

For Ekornes, business risk relates to economic cycles, market conditions, competition and changes in the competitive climate, as well as general patterns of consumption in the markets in which the company operates. Ekornes competes in a fragmented international market with many players on both the production and distribution (retail) sides. Structural changes with respect to the size of the players have been, and still are, greatest on the distribution side, while the production side is characterised by an increasing tendency for furniture manufacture to take place in low-cost European and Asian countries. Ekornes is aware of the challenges posed by such changes, and seeks to meet them through the constant improvement of its products, production methods, sourcing, marketing concepts and business relations. Ekornes invests continuously in new technology in order to stay ahead of its competitors and remain competitive in its chosen market segment, on the basis that the bulk of its production takes place in Norway.

FINANCIAL AND CREDIT RISK

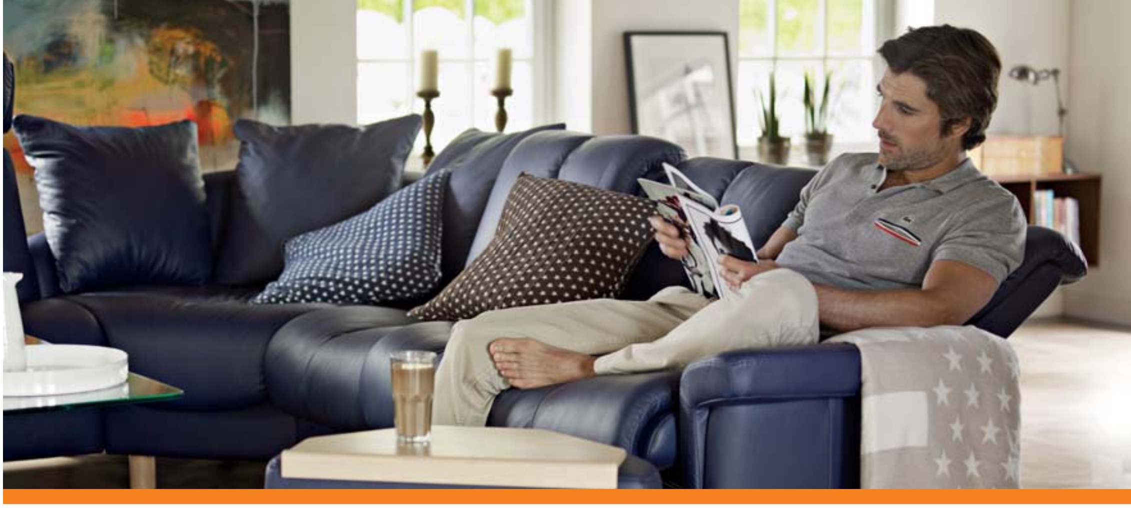
Financial risk is largely associated with fluctuations in exchange rates (NOK to other countries' currencies) and credit risk relating to the ability of customers to pay (trade receivables). The Group's trade receivables are constantly monitored to identify any irregularities and limit bad debts and the risk of loss. Over time, Ekornes' competitiveness is affected by the movement of the NOK in relation to other currencies. The company actively seeks to limit this risk.

CURRENCY AND CURRENCY HEDGING

In Ekornes' main markets, the company wishes to operate with a long-term perspective. This means providing a stable operating framework for its own sales companies and for its customers (distributors). Ekornes sells its products internationally and invoices its customers in their respective countries' own currencies.

All matters relating to currency and currency risk are handled at Group level. Currency hedging is an integral part of Ekornes' operating activities. The purpose of hedging is to ensure that the company at least achieves the exchange rate with respect to the individual currencies on which it has based its budgets, which in turn is a precondition for reaching the long-term profitability goals set out in the document "Objectives and Values for the Ekornes Group".

Financial instruments are used to offset the Group's currency exposure. As part of the company's efforts to reduce its currency exposure/risk, Ekornes seeks to purchase goods and services, to be used in Norway, in international markets, if doing so is cost-effective. Moreover, operations such as distribution, sales and marketing activities, with associated administration (customer service, invoicing, accounting, debt collecting) provide a natural opportunity to offset the company's currency risk (natural hedging). Hedging may cover a period of up to 36 months ahead. As at 31 December 2012, hedging periods ranged from 24 to 36 months, depending on the currency.



Hedging by means of financial instruments is undertaken as long as the foreign exchange rate achievable in the forward contract is equal to or better (higher) than the rate specified in the company's budgets. If the foreign exchange rate is lower than this level, the company postpones any further hedging activities until the situation has improved. If the exchange rate remains below that specified in the company's budgets over a long period of time, various strategies are assessed and, if necessary, implemented to adapt to the new, lower exchange rate level. Ekornes is engaged in currency hedging solely for the purpose of hedging its budgeted exchange rates. The company does not divulge its budgeted exchange rates for competitive reasons.

One of the risks of this strategy is that growth may stagnate and sales revenues fall. The company will then find itself in a situation where it is overexposed with respect to the currencies in question. If the market rate on maturity (redemption) of the forward contract is higher than the hedging rate, the company will make a loss, since the volume of currency needed to fulfil the contract will have to be purchased at a higher price. On the other hand, if growth is higher than expected, this could result in the company having an open (unhedged) position (not enough contracts) in the currencies in question. In that case, if the market rate is lower than that specified in the company's budgets when the contract matures, it could also have a negative impact on the company's margins. There is also an operational risk that contracts entered into may have a lower exchange rate than that of the market. This would give an advantage to competitors with more short-term operations.

Furthermore, Ekornes operates in many different markets. Thus, the company has spread both its market and currency risk. The company has a portfolio of markets and currencies (basket), where a fall in the exchange rate with regard to one currency may, in certain circumstances, be compensated by a rise in another.

CASH FLOW RISK

The Group's cash flow is followed up continuously through rolling 6-8 weeks forecasts, which in turn are compared to the budget.

SOURCING RISK

At any given time Ekornes aims to have a minimum of 2-3 actual or potential suppliers for the strategically most important input factors. In some situations, this is neither possible nor expedient. The goal is that single supplier situations should be exceptions and, preferably, be avoided. Ekornes operates internationally on the marketing and sales side, and strives in a similar way to purchase goods and services globally.

INTANGIBLE ASSETS AND COMPETENCE

Ekornes is a competence-driven company, which makes extensive use of modern and advanced production equipment. This includes a high degree of automation and robotisation in the manufacturing facilities. Expertise in brands and brand building and international marketing are also key elements in the company's operations.

INTANGIBLE ASSETS:

- Registered trademarks (Ekornes®, Stressless®, Svane®)
- Patented technical solutions
- Registered designs
- Product concepts
- Well-developed and efficient market concept
- International marketing
- A well-developed international distributor network
- Registered domains
- Knowledge and experience of manufacturing
- International sourcing

None of these assets are included on the company's balance sheet.

COMPETENCE AND TRAINING

Ekornes aims to be an attractive employer, offering career opportunities in a number of fields. One of the company's goals is to give employees as much opportunity as possible to influence their own work situation.

The extensive automation of the company's manufacturing facilities makes great demands on each employee. Good operational stability and the frequent implementation of successful modernisation projects confirm that the company's workforce is well able to handle the challenge.

Craft apprenticeships are a key area for Ekornes, and are firmly established within the company. Cooperation with lower and upper secondary schools and various training offices is beneficial for both young apprentices and operators taking their master craftsman's examinations. Ekornes seeks to meet future requirements for professional skills and work-related flexibility, and helps to focus on vocational training.

Ekornes has the equivalent of one full-time position devoted to following up craft apprenticeships and other training schemes. The individual department is largely responsible for determining its own training priorities.

External requirements with respect to safety and the environment are also taken into account when analysing the various departments' competence needs.

Ekornes recruits a considerable number of individuals who are not native speakers of Norwegian. In order for these employees to function well in both a professional and social context, it is decisive for them to receive language tuition. In 2012, Ekornes continued to provide Norwegian language tuition to a large number of employees.

Management development has a key place in the Ekornes Group's strategy. The management development programme is based on the needs of each individual unit, and is intended to qualify individual managers to lead large units with a decentralised decision-making structure. Ekornes has a long tradition of recruiting managers at most levels internally.

Employees	% women	% men	% managers women	% managers men
Ekornes ASA	32	68	13	87
J.E. Ekornes AS	47	53	20	80
Ekornes Fetsund AS	37	63	60	40
Ekornes' sales companies	46	54	34	66
Board members				
Ekornes ASA	38	62		

SOCIAL AND ENVIRONMENTAL RESPONSIBILITY

Since its establishment in 1934 Ekornes has played an important role in the local community, and has been conscious of the social responsibility this entails. A sustainable Ekornes takes responsibility for the individuals and communities which are affected by our business activities, at the same time as it ensures profitability and financial security. This responsibility is part of the company's values and affects our entire value chain – from product development and manufacture to distribution and sales.

Since industry's negative impact on the environment became a major agenda issue more than 20 years ago, Ekornes has implemented a number of measures at its plants to improve both the internal and external environment. New technologies, environment-friendly materials and product solutions have resulted in one of the most efficient manufacturing environments in the furniture industry today. Ekornes wishes to continue this effort and bring it to the attention of the market.

ENVIRONMENT POLICY

To ensure widespread focus on the environment, Ekornes has elected to include its environment policy in the company's overall "Objectives and Values" document, and make this available to all employees and external stakeholders. The company aims to provide straightforward environmental information about its products and act as a responsible supplier.

The following key principles shall be upheld in all areas of the business:

- Ekornes shall be perceived as an environment-friendly company
- Its products shall have the smallest possible impact on the environment
- Ekornes aims to minimise the risk to health in the workplace
- Ekornes invests to prevent damage to health and the environment
- Environmental information shall be freely available, eg through environmental product declarations (EPD)
- Ekornes shall communicate factually and openly about the way it handles its responsibility to the environment

In 2012 it was decided that Ekornes should initiate a process to certify its quality and environment management systems in accordance with the ISO 9001 and ISO 14001 standards. Having an ISO 14001 certified environment management system will be an important element in our efforts to comply with Ekornes's environment policy and ensure continuous improvement.

PRODUCTS AND MATERIALS

Lifecycle analysis shows that the use of raw materials and manufacture of components and products account for the bulk of the company's impact on the environment. For this reason Ekornes is constantly seeking new technologies, materials and product solutions which can reduce that impact. Ekornes considers the products' environmental impact in a lifecycle perspective, i.e. from raw materials to final disposal. A long lifespan and correct quality are important characteristics of an environment-friendly product.

To document the products' impact on the environment Ekornes has developed environmental product declarations (EPD) for the entire Stressless® collection in accordance with ISO 14025. Ekornes is participating in an industry-wide effort to develop a uniform EPD tool. When this tool has been established, the company's EPDs will be third-party verified by EPD Norge.

The product development department is working to develop tools and criteria for environmentally correct design on the basis of the lifecycle information contained in the EPDs. This will provide a valuable understanding of how Ekornes can make the products of the future more environmentally friendly. In 2012 the product development department was reinforced through the appointment of a corporate social responsibility manager to help in this effort. This is a newly created position.

Including the environmental aspect in a lifecycle analysis from the product development phase will enhance Ekornes's ability to manufacture rationally, efficiently and with as high a degree of energy and resource utilisation as possible. This will benefit the company, society and the environment.

HEALTH AND CHEMICALS USE

In recent years, efforts have been intensified to reduce the amount of chemicals and heavy metals in products, in recognition of the health hazards such substances represent. In the furniture industry this is largely linked to the production of polyurethane foam, surface coatings and adhesives.

Ekornes meets all the requirements of the European REACH directive, and wishes to make sure that the company's products do not expose users to chemicals that pose a hazard to health. Ekornes has therefore commissioned Eurofins, Denmark, to test typical product models for emissions of harmful substances, and introduced purchasing specifications requiring the company's suppliers to balance quality, the environment and sustainability.

Where necessary, Ekornes has made use of independent expertise. BLC Leather Technology Centre, for example, assisted in the specification of maximum levels of chemicals and heavy metals in furniture leather.

Ekornes strives continuously to reduce its use of chemicals and promote environment-friendly solutions. Among other things, Ekornes has contributed to the development of a new environment-friendly adhesive for the production of laminated wood. These laminates now contain no more formaldehyde than natural wood. All Ekornes's surface coatings facilities now use water-based products.

For a more complete overview of Ekornes's environmental milestones, please see page 40.

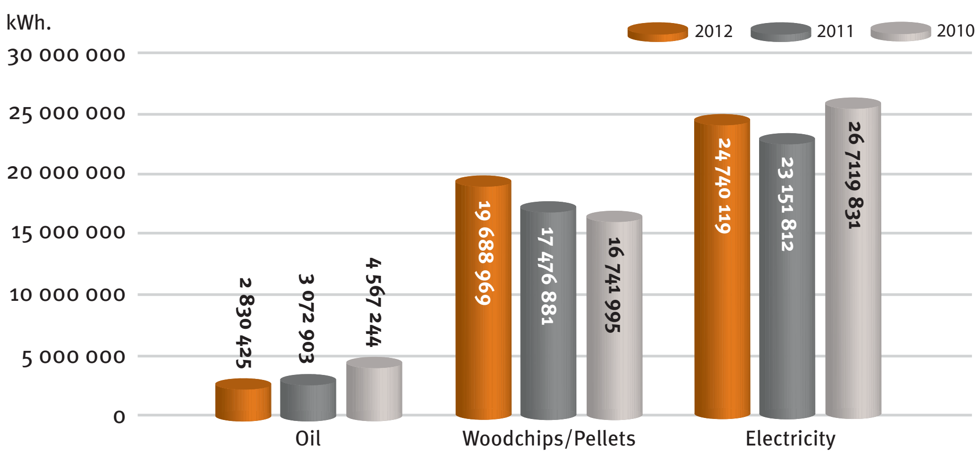
HEAT AND ENERGY

Ekornes uses mainly bioenergy to heat its manufacturing facilities. Wood chips from its own waste are the main energy source for heating Ekornes's Tynes, Grodås, Vestlandske and Ikornnes plants.

The Ikornnes, Tynes and Hareid plants also use heat pumps for heating. The five plants located in northwest Norway consider oil an alternative energy source, which is used only in exceptional cases.

The Fetsund plant uses mostly electricity and oil for heating.

Energy consumption



WASTE HANDLING

Ekornes sorts all its waste at source in accordance with applicable regulations and in such a way that the bulk of the waste is recycled or used for energy recovery. Some of the waste is sorted by the waste recipient.

Ekornes wishes to use as much as possible of its waste for heat production or as raw materials for its own production (recycling). Wood chips, offcuts and other wood-based waste from its own manufacturing processes represent an important energy source for Ekornes. Together with externally sourced wood pellets, this generated 19.7 GWh of bioenergy for heating Ekornes's plants in 2012. At the same time as the use of bioenergy increased compared with 2011, consumption of oil was reduced, and the goal for 2013 is a further reduction in oil consumption. In addition to using wood-based waste for energy recovery, Ekornes also recycles other materials. Hides are an extremely valuable raw material, which Ekornes works hard to make maximum use of. Any leather offcuts which cannot be used for furniture production are sold. Another important raw material is waste from foam plastic production, which is recycled in-house. Only 1 per cent of the waste is classified as hazardous, and 1.5 per cent was sent to landfills. See the table on the next page for further details.

Waste disposal

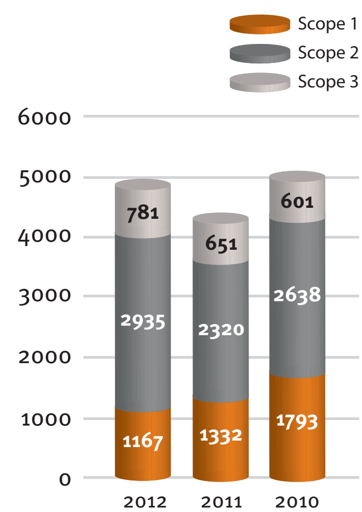
	J.E. Ekornes AS department							
(All figures in tonnes)	Ikornnes	Tynes	Vestlandske	Grodås	Hareid	Ekornes Fetsund AS	Group	%
Not flammable/landfill	46.26	20.07	2.54	7.28	2.14	34.90	113.19	1.5
Mixed residual/commercial waste sent for incineration/energy recovery	313.98	119.77	25.46	65.52	22.97	183.99	731.69	9.8
Wood/bioenergy for incineration in-house/externally	928.50	1 707.82	7.98	1951.51	0.00	61.74	4657.56	62.7
Recycled materials (leather, foam plastic, steel, plastic, cardboard, polyester fibre)	1 372.03	12.78	10.02	16.70	15.55	431.73	1858.81	25.0
Special hazardous/electrical waste	44.35	19.41	0.60	0.00	2.53	4.84	71.73	1.0
Total quantity waste	**2 705.13**	**1 879.85**	**46.60**	**2 041.01**	**43.18**	**717.20**	**7432.97**	**100.00**

EMISSIONS

Direct emissions to air from the manufacturing process are primarily generated by oil and solid fuel boilers, as well as organic solvents from sealers/stains. In recent years, these emissions have been significantly reduced at the Ikornnes plant. There are also some emissions of diisocyanate gas from the production of polyurethane foam at the Fetsund and Ikornnes facilities. Discharges to water are normally channelled through our own and local authority waste treatment facilities. No discharges to soil were recorded in 2012. The company has no emissions subject to licensing requirements.

Each year Ekornes reports the Group's greenhouse gas emission figures to CDP. The greenhouse gas breakdown is based on the guidelines set out in the ISO 14064-3 standard and the Greenhouse Gas Protocol, and covers Scope 1, 2 and 3. Scope 1 includes greenhouse gas emissions directly to air as a result of production processes and vehicle transport, while Scope 2 includes greenhouse gas emissions deriving from electricity consumption. Scope 3 also includes greenhouse gas emissions from air travel and waste. The Group's overall carbon footprint for 2012 totalled 4,884 tonnes of CO_2 equivalents. The increase in emissions under Scope 2 is due to the emission factor for electricity being updated in 2012 to 112 g CO_2/kWh, compared with a corresponding factor of 99 g CO_2/kWh in 2011. This is, in itself, an increase of 13 per cent. Furthermore, Ekornes's actual electricity consumption rose by 4 per cent, in addition to the inclusion of the US plant in the greenhouse gas emission breakdown. The rising trend with respect to air travel-related emissions continued in 2012, which produces a sharp increase in the figures for Scope 3.

Group's carbon footprint (tonnes CO2 equivalents)



EKORNES HAS ENDORSED THE UN GLOBAL COMPACT

Through its participation in the UN Global Compact, Ekornes has undertaken to operate its business responsibly in line with the UN Global Compact's 10 principles covering human rights, anti-corruption, labour rights and the environment. In 2012 Ekornes developed a new method for assessing its suppliers in light of the Global Compact's principles. The system will be implemented in 2013.

The UN Global Compact is based on openness both with respect to dialogue and learning in relation to all the company's stakeholders and the challenges Ekornes is facing both locally and globally. In 2012 Ekornes joined the Global Compact's Nordic network. Participation in the network allows Ekornes to exchange experiences with other enterprises that place corporate social responsibility high on the agenda.

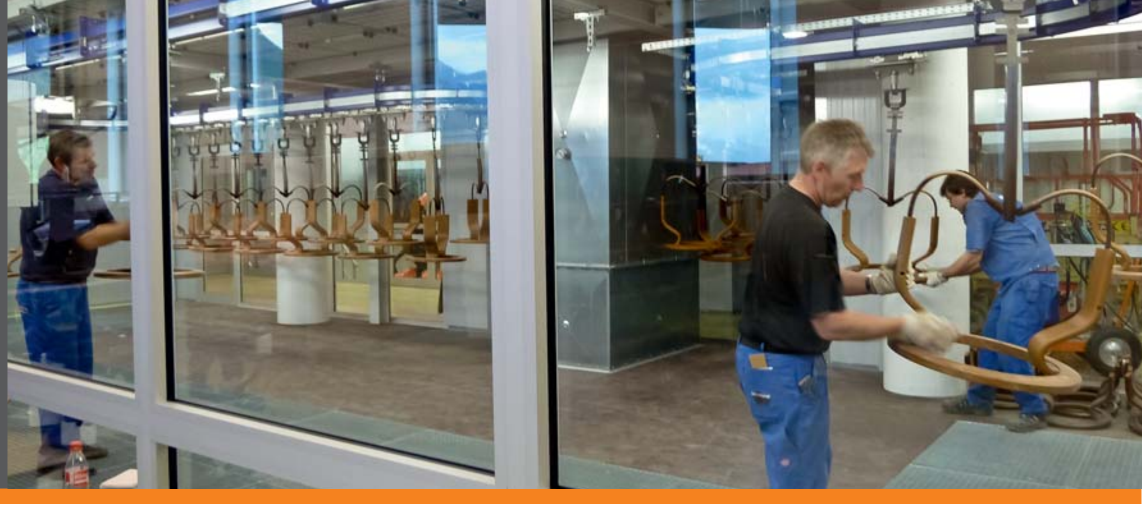
Through the UN Global Compact, Ekornes undertakes to set targets for, and work continuously towards, improvement in the company's performance. Each year Ekornes reports its activities in this area to the UN in the form of a "Communication on Progress" (COP). This is available on the company's website www.ekornes.co.uk/about-ekornes/environmental-and-social-responsibilities

EKORNES AND THE LOCAL COMMUNITY

Ekornes has a long tradition of contributing to the local communities in which it has established operations. Ekornes depends on having a qualified labour force at all its manufacturing plants, and the company's involvement in the local community contributes to an enjoyable working environment for the staff. The company has therefore elected to make financial provisions for measures benefiting children and young people in the local communities in which it is represented. Efforts are made to allocate the funds such that a variety of interests are supported.

Ekornes places a high priority on vocational training, which is well entrenched in all parts of the company. Collaboration with lower and upper secondary schools and various training offices provides positive benefits to both local communities and the company.

SOCIAL AND ENVIRONMENTAL RESPONSIBILITY



EKORNES'S MOST IMPORTANT MILESTONES OVER THE PAST 20 YEARS

2012

All Ekornes coatings facilities converted to use of water-based products in 2011

Production of wood laminates with the same formaldehyde content as natural wood. According to CARB (California Air Resources Board)

Textiles free of brominated or halogenated flame retardants

2005

Svane® mattresses obtain Nordic Ecolabel certification

Polyurethane foam waste recycled into new moulded products

Installation of seawater heat pumps to heat factories

Polyurethane foam production in modern, safe facilities separate from other manufacturing processes

2000

Closure of galvanising unit with licence for chrome emissions

Use of methylene chloride in the production of polyurethane foam blocks discontinued

PVC-free furniture

Switch from the use of chlorinated solvents to degrease steel components to a biological, water-based solution in a sealed system

1995

Moulded polyurethane foam without halogenated flame retardants

Use of chlorofluorocarbons (CFC) gases for polyurethane foam production discontinued

From solvent-based to water-based adhesives in polyurethane foam production

Gradual transition to more environment-friendly ways of heating the factories

1990

HSE

Ekornes' production involves chemicals and processes that can be harmful to people and the environment. The Group strives continuously to minimise the potential for damage to both people and the environment. Ekornes aims to minimise health risks in the workplace, and invests substantial amounts to prevent damage to the environment and to health.

Day-to-day responsibility for Health, Environment and Safety lies with managers at the local units. J.E. Ekornes AS (the Stressless® factory) has a chief safety representative and has also appointed a permanent HSE coordinator, who is responsible for coordinating HSE activities in the plants in northwest Norway. A corresponding position has also been established at Ekornes Fetsund AS (the mattress factory) in Akershus County.

POLYURETHANE FOAM PRODUCTION

Ekornes has facilities for the production of polyurethane foam at the J.E. Ekornes AS Ikornnes plant and at Ekornes Fetsund AS. This production uses isocyanates that are hazardous to health, particularly if inhaled. The use of special protective equipment during the moulding process is mandatory at these facilities.

Ekornes Fetsund AS and J.E. Ekornes AS are classified as high-risk enterprises, since they have a storage capacity of more than 100 tonnes of toluene diisocyanate. Both plants undergo annual audits by the regulatory authorities. A safety report has been updated and passed to the regulatory authorities in accordance with the Regulations Relating to Major Accidents. The companies have contingency plans which have been drawn up to cover the circumstances described in the safety report. Both production facilities comply with current environmental requirements.

STORAGE/HANDLING, CHEMICALS

Isocyanates and polyols are transported by road to the facilities at Ikornnes and Fetsund. The chemicals are stored in tanks. The chemical storage facility in Ikornnes (J.E. Ekornes AS) adjoins the polyurethane foam production plant. Waste from polyurethane foam production is sent for recycling or is recycled at the company's own facility. The disposal of waste chemicals and hazardous waste is an ongoing process. That volume which is held on site at any given time is classified and sent to an approved waste disposal site.

SURFACE COATINGS

Ekornes has facilities for the application of sealers and stains at three locations (Ikornnes, Grodås and Tynes). The facilities use coating robots, though manual spraying/staining does take place. All of J.E. Ekornes AS's plants use stains/sealers free from organic solvents.

WELDING/SOLDERING

Acetylene, oxygen and argon/carbon dioxide/Mison (shielding gas) are used for welding. The majority of welding/soldering operations are automated and take place in closed, ventilated welding cells. Steel components to which epoxy resin is to be applied are degreased biologically. Gas is kept in a separate storage facility at J.E. Ekornes AS's Ikornnes plant.

HEALTH

The Group had a sickness absence rate of 7.3 per cent in 2012. This is a decrease of 0.4 percentage points compared with 2011. Approx. 5.2 per cent of the total number of hours worked in the Group were lost due to long-term sickness absence. This is a marginal decrease of 0.1 percentage points from the year before. Short-term sickness absence (less than 14 days) came to around 2.1 per cent, a decrease of 0.3 percentage points. The management at each plant is working actively to reduce the level of sickness absence through individual follow-up and other measures.

HSE

INCLUSIVE WORKING LIFE (IA) AGREEMENT

In October 2011 Ekornes entered into an Inclusive Working Life (IA) agreement with the Norwegian Labour and Welfare Administration's Working Life Centre in Møre og Romsdal. Initially the agreement covers the Hareid, Sykkylven and Grodås plants. The IA scheme derives from an agreement to promote a more inclusive working life which was entered into by organisations representing Norwegian employers, employees and the government. The objective is to make it possible for everyone, who is willing and able, to work. Companies who enter into an agreement with the Norwegian Labour and Welfare Administration (NAV) become IA companies, with access to special services and provisions. Companies are given a dedicated contact at NAV, who provides advice and guidance on IA issues, and gain access to services and provisions that are exclusive to IA companies.

›› Sickness absence as at 31.12.2012

(Figures in per cent)	Sick-leave 1-3 days	Sick-leave 4-14 days	Sick-leave more than 14 days	Total Sick-leave %
J.E. Ekornes AS, Ikornnes	1.2	1.0	6.0	8.2
J.E. Ekornes AS, dept. Vestlandske	1.1	1.0	7.8	10.0
J.E. Ekornes AS, dept. Tynes	0.9	1.4	3.7	6.0
Ekornes Fetsund AS	1.2	1.1	2.6	4.9
Ekornes Møbler AS, Grodås	1.1	0.9	4.6	6.5
Ekornes Møbler AS, Hareid	1.3	0.9	4.3	6.5
Ekornes ASA	0.2	0.1	1.6	2.0
Ekornes Skandinavia AS	0.4	0.5	5.0	5.9
Total	1.1	1.0	5.2	7.3

INDUSTRIAL SAFETY – EMERGENCY RESPONSE

All Ekornes facilities have organised industrial safety systems. Each plant has conducted the necessary safety exercises and training courses.

›› Lost-time injuries

	2010		2011		2012	
Production site	Accidents	Employees	Accidents	Employees	Accidents	Employees
Ekornes Fetsund AS	4	132	2	136	1	133
J.E. Ekornes AS dept. Ikornnes, dept. Tynes and dept. Vestlandske	13	993	23	973	18	976
J.E. Ekornes AS dept. Hareid	2	95	2	88	2	87
J.E. Ekornes AS dept. Grodås	4	103	4	98	4	108

No. of employees, incl. apprentices

REPORT OF
THE BOARD OF DIRECTORS 2011

THE BOARD OF DIRECTORS

Olav Kjell Holtan (1951)
Chairman

Position: Independent Consultant

Education: MSc in Business Administration

Directorships: Chairman of Vingmed Holding AS, NASTA AS and Volmax AS et al. Director of Jøtul AS, SBS Group, Chairman of Peterson AS and Svenheim Holding AS et al.

No. of shares: 0

Kjersti Kleven (1967)
Vice Chairman

Position: Executive shareholder of John Kleven AS

Education: Degree in Sociology from the University of Oslo (UiO)

Directorships: Chair of Kleven Maritime AS with associated subsidiaries, Kleven Maritime Holding, John Kleven AS and Maritim Forening Søre Sunnmøre. Directorships of the Board of Norsk Industri.

Experience: Researcher with the Institute for Labour and Social Research (FAFO), personnel manager with Rolls-Royce Marine and project manager with Nordvest Forum.

No. of shares: 0

Stian Ekornes (1963)
Board member

Position: Investor

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

Experience: 25 years of experience in the furniture sector. Broad experience from directorships, primarily in the areas of furniture, the building trades and property.

No. of shares: 75 358.
(Stian Ekornes Holding AS)

Bjørn Gulden (1965)
Board member

Position: CEO of Pandora Jewelry AS, Denmark.

Education: Graduate of the University of Stavanger, MBA from Olin Business School (Babson) in Boston.

Directorships: Expert A/S and Tchibo Gmbh.

Experience: Five years in senior management at Adidas AG in Germany, where as SVP he was responsible for their global textile sales. From 2000 to 211 he was General Director of the privately owned Deichmann Shue GmBH, Germany, with responsibility for the bulk of day-to-day operations. In this capacity he was also CEO of Deichmann' US business. In March 2012 he took over as CEO of Pandora Jewelry AS, Denmark.

No. of shares: 0

Nora Förisdal Larssen (1965)
Board member

Position: Senior Investment Manager, Nordstjernan.

Education: MSc in Economics (NHH), MBA Duke University, USA.

Directorships: Chairman of the Board of Etac AB, Board member of Nobia AB and Filippa K Group AB.

Experience: Partner McKinsey& Company, Product Line Manager Electrolux Europe.

No. of shares: 0

Tone Helen Hanken (1962)
Board member

Position: Sewing machine operator at J.E. Ekornes AS, Vestlandske facility.

Education: Upper secondary school (social science major). Various courses from different educational institutions.

Experience: Velledalen fabrikker (1981-85), Hjellegjerde Møbler (1985-97), J.E. Ekornes, dept. Vestlandske (1997-the present). Several years as elected employee representative and as employee representative on factory boards. 14 years as chair person of Sykkylven Treindustriarbeider-forening (trade union). Board member of the National Executive Committee of Industri Energi and member of the pay negotiating committee from 1990 until the present day.

No. of shares: 1 084

Arnstein Johannessen (1956)
Board member (Employee rep.)

Position: Assistant Warehouse Marketing Material, J.E. Ekornes AS.

Education: Management and communication, and the Supervisor School (internal courses).

Experience: Joined Ekornes in 1974. Has worked in the steel department since 1980-2007. Works today as marketing material warehouse assistant. Has been the senior employee representative, an employee representative and sat on the negotiations committee. Member of the board of Ekornes ASA since 1997.

No. of shares: 1 312

Atle Berntzen (1967)
Board member (Employee rep.)

Occupation: Deputy warehouse supervisor

Education: Upper Secondary School (Business Administration)

Experience: Has worked as a salesman and warehouse operative at General Motors AS. Has worked in the warehouse at Ekornes Fetsund AS since 1991

No. of shares: 0

THE BUSINESS

The Ekornes Group develops, manufactures, markets and sells furniture and mattresses. Sales are essentially aimed at the market for home furnishings, although sales are also made within the contract market. Ekornes is a supplier of branded goods in all the markets in which the company operates, and markets the Stressless®, Svane® and Ekornes® Collection brands. The Group's head office is located in Ikornnes, in the municipality of Sykkylven. Three production companies are responsible for manufacturing operations, which take place at seven plants. Six of the plants are located in Norway, at Sykkylven (3), Hareid, Hornindal and Fet. In addition, the Group opened a sofa manufacturing plant in Morganton, North Carolina, USA, in the autumn of 2011. The Group also has sales companies in Norway, Denmark, Finland, Germany, the UK, France, Spain, USA, Brazil, Japan, Singapore and Australia.

GOING CONCERN

The annual financial statements have been prepared on the basis that the company is a going concern since, in the opinion of the board, no circumstances exist that would indicate otherwise.

PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS

The company has previously prepared its financial statements in accordance with IFRS regulations relating to cash-flow hedging. In August 2012 the Financial Supervisory Authority of Norway (FSAN) contacted the company in connection with the year-end financial statements for 2011 to query, among other things, whether the company fully meets IFRS documentation requirements with respect to cash-flow hedging, in particular those stipulated in IAS 39. The company is of the opinion that Ekornes does meet these requirements, but accepts that there is room for improvement. The company has presented its views both in writing and at meetings with the FSAN. The company has received the FSAN's decision in this matter, and has elected to comply with its provisions in the preparation of its consolidated financial statements for 2012. The parent company's financial statements are unaffected by this. The presentations on pages 6 and 7 of this report show what the company's key financial figures would look like if the company had met the requirements for cash-flow hedging, and thereby prepared its accounts for 2012 according to the same principles as before. However, whichever principle/method is used for presentation of the financial statements, this has no impact on the company's underlying profitability, which remains unchanged. In the opinion of the board, the financial statements, as presented on page 7, show a more correct view of the ordinary profit for the year and earnings per share. The figures for gross revenue shown in the chapters Markets and Product Areas have also been prepared in accordance with previous principles (IFRS rules on cash-flow hedging). The division and figures in this part of the report are otherwise based on the reporting structure used by management and for internal reporting purposes.

Apart from the matter of cash-flow hedging, all other issues have been clarified with the Financial Supervisory Authority of Norway, and will have no impact on the financial statements. Input from the Authority with respect to some additional details to be presented in the notes have been incorporated into the year-end financial statements for 2012.

It is the opinion of the board that the financial statements provide an accurate description of the financial position of the parent company and Group as it stood at 31 December and the results achieved in the 2012 financial year. The Group's income statement for 2012 has been prepared in accordance with the standard regulations in IAS 39 regarding currency hedging, and provide an accurate view of the Group's results on that basis.

EKORNES ASA

Ekornes ASA is the parent company of the Ekornes Group. Ekornes ASA generated gross operating revenues of NOK 269.9 million in 2012, and made a profit of NOK 238.7 million after dividends and Group contributions received, and less tax.

FINANCIAL PERFORMANCE

The Group made an operating profit of NOK 348.7 million from total sales revenues of NOK 2,712.4 million. Profit after net financial items totalled NOK 484.0 million, an increase of NOK 137.1 million compared with 2011. Profit for the year corresponds to a return on total assets of 17.4 per cent. Operating activities in 2012 generated a positive cash flow of NOK 332.0 million.

INVESTMENTS

The Group made total investments of NOK 79.8 million in 2012, which is substantially less than in 2011, and lower than planned.

EQUITY

The Group's total capital as at 31 December 2012 amounted to NOK 2,187.0 million, compared with NOK 2,099.1 million the year before. The company's equity ratio (including the proposed dividend) stood at 77.9 per cent as at 31 December 2012.

LIQUIDITY

At the close of 2012, the Group had cash and cash equivalents totalling NOK 273.3 million in the form of bank deposits. Unused drawing rights are additional to this. The board of directors considers the Group's liquidity situation to be good.

DIVIDEND

The board is proposing a dividend of NOK 5.50 per share, totalling NOK 202,547,142.

MARKETS

Ekornes's performance in its different markets varied somewhat in 2012. Order receipts in the European markets were as follows: Norway (up 9 per cent), Sweden (down 27 per cent), Denmark (down 10 per cent), Finland (down 22 per cent), Central Europe (down 2 per cent), Southern Europe (down 5 per cent), UK (up 5 per cent). Order receipts rose in Japan (up 9 per cent), and in USA/Canada/Mexico (up 7 per cent). Order receipts in the Asia/Pacific region (excluding Japan) fell slightly (down 2 per cent).

Measured brand recognition (Stressless®) continues to rise in the European markets.

The overall market situation in the USA showed modest signs of improvement through 2012. Market conditions in Europe remain challenging. This is particularly true of the UK and Southern Europe. Given the difficult market conditions that characterised 2012, the board is satisfied with the Group's order receipts.

OUTPUT

Capacity utilisation at the company's factories was satisfactory during parts of 2012. However, a portion of the capacity was diverted to restore normal chair inventory levels held by the sales company in the USA. At the start of 2012 capacity was on a level with 2011, but increased somewhat through the second half. The company experienced some minor production disturbances at the very beginning and very end of the year. Staffing levels increased slightly through the year. Order receipts were on a level with the year before.

ORGANISATION/PERSONNEL

The Group had a total workforce of 1,626 as at 31 December 2012 (corresponding to 1,575 full-time equivalents). Ekornes ASA had a total of 63 employees as at the same date.

CORPORATE GOVERNANCE; RISK MANAGEMENT; ENVIRONMENTAL AND SOCIAL RESPONSIBILITY; HEALTH SAFETY AND THE ENVIRONMENT (HSE); EQUALITY.

The board has decided not to include a statement on corporate governance, risk management and HSE in the report from the board of directors. The board refers to the information provided on these issues elsewhere in the annual report, and confirms that it endorses the contents of the said report with respect to corporate governance (pages 30-33) risk management (page 34-35), environment and social responsibility (pages 37-40) and HSE (page 41-42). The board also refers to the chapter on product development (page 28) in the general part of the annual report concerning the Group's research and development activities. The statements must be seen as the statements and opinions of the board with respect to these matters.

Both the board of directors and group management are aware that society expects measures to be implemented to promote equality in the workplace, and it is the objective of the company and the board to meet those expectations in the long-term (see the table on page 36).

Ekornes places great emphasis on meeting the objective of the Anti-Discrimination Act and the Anti-Discrimination and Accessibility Act. Through physical access and the formation of work tasks, working hours and workplaces, the company has made arrangements to enable people with disabilities to enjoy equal treatment and provide individual adaptation. The chapter "Strategy for organisation and staff development" in Ekornes' "Objectives and Values" states that "Ekornes shall be an inclusive and diversified workplace where everyone is given opportunities for development, regardless of their background. In 2009, Ekornes endorsed the UN Global Compact. This is included as part of Ekornes' "Objectives and Values".

THE BOARD OF DIRECTORS

OUTLOOK

International economic turbulence continues to create uncertainty with regard to future market developments. This is something that Ekornes, too, must take into consideration in its planning.

At the close of 2012 the company's order reserve totalled NOK 330 million, compared with NOK 290 million at the same point the year before. Order receipts at the start of 2013 have been satisfactory.

Developments in raw materials prices had a negative impact on materials costs in 2012. At the start of 2013 the situation has stabilised, but prices are at a record high for some important raw materials.

Ekornes's currency positions are satisfactory.

At the close of 2012 production capacity for Stressless® products stood at 1,700-1,750 seat units per day, depending on the allocation of capacity between Stressless® sofas and Ekornes® Collection sofas. No decision has been made to adjust capacity, and Stressless® output remains at this level at the start of 2013. Ekornes has opened facilities in the USA for the final assembly of sofas, based on components supplied from Norway. The objective is to increase sales in the USA by making lead times more competitive. This move is not expected to affect the figures for 2013.

RELATED PARTIES

No material transactions have been undertaken with related parties during the period.

YEAR-END RESULT AND ALLOCATIONS

It is proposed to allocate Ekornes ASA's profit for the year, totalling NOK 238,678,739, as follows. Dividends: NOK 202,547,142. Transferred to other equity: NOK 36,131,597. The company's distributable reserves (after the proposed dividend) amount to NOK 781.4 million.

INVESTOR RELATIONS

Ekornes will manage its shareholders' investments in such a way that their return, measured as the sum of dividend and increase in share price, will be as high as possible over time. As a general rule, at least 30-50 per cent of the profit after tax will be paid as a dividend. However, the level of investments and the rate of growth will also be taken into account. Efforts will be made to maintain an equity ratio of at least 50 per cent. The company will strive for stability with regard to its dividend policy. The board of directors and Group management aim to maintain an open dialogue with shareholders through regular presentations and meetings. Priority is given to further developing the company's industrial position, and through this creating a basis for continued high levels of return. The board endorses the reports given in the general part of the annual report.

›› The Board of Ekornes ASA

Ikornnes, 31 December 2012/21 March 2013

Olav Kjell Holtan Chairman	Kjersti Kleven Vice Chairman	
Nora Förisdal Larssen	Bjørn Gulden	Arnstein Johannessen
Stian Ekornes	Atle Berntzen	Tone Helen Hanken
	Nils-Fredrik Drabløs CEO	

EKORNES GROUP

ANNUAL ACCOUNTS

›› Income Statement 2012

(Figures in NOK 1 000)	Notes	2012	2011
Operating revenues and expenses			
Sales revenues		2 709 906	2 685 457
Other revenues		2 472	1 847
Total operating revenues	1	**2 712 378**	**2 687 303**
Materials		691 759	708 403
Salaries & national insurance contributions	2, 16, 17	792 981	773 520
Depreciation	6	125 131	125 542
Other operating expenses	17	753 834	763 597
Total operating expenses		**2 363 705**	**2 371 062**
OPERATING PROFIT		**348 674**	**316 241**
Financial income and expenses			
Financial income	3	2 582	5 086
Change in value of unrealised forward contracts	3	110 115	-42 740
Gains on realised forward contracts	3	50 330	70 290
Net gains/losses on foreign exchange (Balance sheet adjustments and currency exchanges)	3	-21 897	2 435
Financial expenses	3	-5 779	-4 416
Net financial items		**135 351**	**30 655**
Ordinary profit before tax		**484 025**	**346 896**
Tax on ordinary profit		-148 950	-103 774
PROFIT FOR THE YEAR	4	**335 075**	**243 121**
Basic earnings per share	13	**9.10**	**6.60**
Diluted earnings per share	13	**9.10**	**6.60**

Earnings per share as per principles applied in preparation of previous years' financial statements:

Basic earnings per share	13	6.95	7.44

Statement of comprehensive income

(Figures in NOK 1 000)	Notes	2012	2011
Profit for the year		**335 075**	**243 121**
Other comprehensive income			
Actuarial gains/losses on defined benefits plans		-211	690
Change in deferred tax – pension		59	-193
Translation differences – net financing subsidiaries		-15 930	3 850
Change in deferred tax – net financing subsidiaries		4 460	-1 078
Translation differences		-415	-1 596
Total other comprehensive income	12	**-12 037**	**1 673**
Total comprehensive income		**323 038**	**244 794**

Balance Sheet 31.12.2012

(Figures in NOK 1 000)	Notes	2012	2011
ASSETS			
Non-current assets			
Buildings, sites etc.	6	605 188	633 214
Machinery and equipment	6	244 830	257 646
Operating movables, fixtures	6	45 505	51 925
Total property, plant & equipment		**895 523**	**942 785**
Software and licenses	6	19 905	16 399
Deferred tax assets	4, 8	4 351	3 508
Total non-current intangible assets		**24 255**	**19 907**
Other long-term receivables and investments	7	12 882	15 855
Total non-current financial assets		**12 882**	**15 855**
Total non-current assets		**932 661**	**978 547**
Current assets			
Inventory	9	315 952	264 892
Trade receivables	10	354 514	365 549
Other short-term receivables		52 374	44 711
Value of forward contracts	15	258 158	148 043
Cash and bank deposits	11	273 335	297 368
Total current assets		**1 254 333**	**1 120 562**
TOTAL ASSETS		**2 186 993**	**2 099 109**

(Continued on next page)

BALANCE SHEET 31.12.2012 (CONTINUED)

›› Balance Sheet 31.12.2012 (continued)

(Figures in NOK 1 000)	Note	2012	2011
EQUITY AND LIABILITIES			
Equity			
Contributed equity			
Share capital	12, 18	36 827	36 827
Premium reserve	12	386 321	386 321
Other equity deposits	12	1 983	1 983
Total contributed equity		**425 130**	**425 130**
Retained earnings			
Translation difference	12	7 956	19 841
Other equity	12	1 271 618	1 212 896
Total retained earnings		**1 279 574**	**1 232 736**
Total equity		**1 704 704**	**1 657 867**
Non-current liabilities			
Long-term pension liabilities	16	12 932	16 626
Deferred tax	4, 8	65 309	40 484
Total non-current liabilities		**78 242**	**57 110**
Current liabilities			
Trade payables		95 336	93 505
Public charges payable		37 137	38 338
Tax payable	5	86 512	71 357
Bank loans	14	0	0
Other current liabilities	16	185 062	180 933
Total current liabilities		**404 047**	**384 133**
TOTAL EQUITY AND LIABILITIES		**2 186 993**	**2 099 109**
Mortgages	14	0	0

›› The Board of Ekornes ASA

Ikornnes, 31. December 2012/21. March 2013

Olav Kjell Holtan
Chairman

Kjersti Kleven
Vice Chairman

Nora Förisdal Larssen

Bjørn Gulden

Arnstein Johannessen

Stian Ekornes

Atle Berntzen

Tone Helen Hanken

Nils-Fredrik Drabløs
CEO

‹‹ Cash Flow Statement

(Figures in NOK 1 000)	2012	2011
Cash flow from operating activities		
Profit before tax	484 025	346 896
Tax paid	-105 122	-167 240
Profit/loss on sale of non-current assets	588	-424
Depreciation	125 131	125 542
Changes in inventory	-51 060	32 578
Changes in trade receivables	11 035	-27 519
Changes in trade payables	1 831	5 436
Diff. between pension cost and amount paid into/out of pension scheme	-3 905	-9 428
Reversal of effect on profit/loss of change in value of forward contracts	-110 115	42 740
Effect of currency exchange	-15 688	2 304
Changes in other current balance sheet items	-4 735	-20 545
Net cash flow from operating activities	**331 984**	**330 340**
Cash flow from investing activities		
Proceeds from sale of property, plant & equipment	12 462	1 079
Investments in property, plant & equipment	-95 251	-143 411
Other investments	2 973	-515
Net cash flow from investing activities	**-79 816**	**-142 847**
Cash flow from financing activities		
Dividend paid	-276 201	-331 441
Net cash flow from financing activities	**-276 201**	**-331 441**
Net change in cash and cash equivalents	**-24 033**	**-143 948**
Cash and cash equivalents at the beginning of period	297 368	441 316
Cash and cash equivalents at the end of period	**273 335**	**297 368**

Reconciliation of movements in capital and reserves (see also note 12)

(Figures in NOK 1 000)	Share capital	Premium Fund	Other eqt deposits	Translation difference	Other equity	Total
Equity 01.01.2011	**36 827**	**386 321**	**1 983**	**18 665**	**1 300 718**	**1 744 514**
Profit for the year					243 121	243 121
Other comprehensive income				1 176	497	1 673
Dividend paid out					-331 441	-331 441
Equity 31.12.2011	**36 827**	**386 321**	**1 983**	**19 841**	**1 212 895**	**1 657 867**
Equity 01.01.2012	**36 827**	**386 321**	**1 983**	**19 841**	**1 212 895**	**1 657 867**
Profit for the year					335 075	335 075
Other comprehensive income				-11 885	-152	-12 037
Dividend paid out					-276 201	-276 201
Equity 31.12.2012	**36 827**	**386 321**	**1 983**	**7 956**	**1 271 617**	**1 704 704**

SIGNIFICANT ACCOUNTING POLICIES

Ekornes ASA (the "Company") is domiciled in Norway. The Company's consolidated financial statements for the year ended 31 December 2012 comprise the Company and its subsidiaries (together referred to as the "Group").

The financial statements were authorised for issue by the directors and CEO as seen from the dated and signed balance sheet. The consolidated financial statement will be considered by the Annual General Meeting on xx May 2013 for final adoption. The board of directors is authorised to amend the consolidated financial statements up until the final adoption.

(A) STATEMENT OF COMPLIANCE

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU for application as of 31 December 2012, and associated interpretations plus further requirements for disclosure pursuant to the Norwegian Accounting Act as of 31 December 2012.

(B) BASIS OF PREPARATION

The financial statements are presented in Norwegian kroner (NOK), which is the functional currency of the holding company. All amounts are rounded to the nearest thousand. The consolidated financial statements are prepared on the historical cost basis, with the exception of the following assets and liabilities, which are stated at fair value (see note 6):

• Derivative financial instruments are measured at fair value

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, and form the basis for the book value of such assets and liabilities whose value is not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period. If the revision also affects future periods, the effect of the revision is distributed over the current and future periods.

Ekornes makes use of no material assumptions that affect the financial statements. Inventory and trade receivables include certain estimates, but are underpinned by sound historic data and actual figures, and are therefore not deemed to have an impact on the financial statements.

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements. The accounting policies have been applied consistently by all Group entities.

The Financial Supervisory Authority of Norway (FSAN) has queried whether the company fully meets the documentation required under IAS 39 in order to utilise hedge accounting. Following a dialogue with the FSAN and having received the FSAN's decision, the company has resolved not to utilise hedge accounting with respect to its 2012 financial statements, as it had before. Comparable figures for 2011 have in this connection been revised accordingly. Please see (f) below for further details.

The decision not to utilise hedge accounting resulted in an improvement of NOK 79.3 million in the 2012 profit for the year, while the corresponding figure for 2011 has been reduced by NOK 30.7 million. The item 'Change in value of unrealised forward contracts' has been moved from the presentation of total comprehensive income to financial items in the income statement. It is this item that accounts for the difference in profit. Total comprehensive income for both years is unaffected and unchanged. The balance sheet and equity: the total balance sheet and equity remain unchanged.

(C) BASIS OF CONSOLIDATION

(i) Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights which may be exercised or converted are taken into account. Subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.
The Group has no associates or jointly controlled enterprises.

(ii) Transactions eliminated on consolidation

Intra-group balances and any unrealised gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(D) FOREIGN CURRENCY

(i) Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate in effect at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to NOK at the exchange rate in effect at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate in effect on the transaction date. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated into NOK at the exchange rates in effect at the dates the fair value was determined.

(ii) Financial statements of foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated into NOK at the exchange rates in effect on the balance sheet date. The revenues and expenses of foreign operations are translated into NOK at quarterly average exchange rates.

(iii) Net investment in foreign operations

Foreign currency differences arising from the translation of the net investment in foreign operations are recognised in other comprehensive income.
Foreign exchange gains and losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of the net investment in the foreign operation, and are recognised in other comprehensive income and presented as translation differences in equity.
In respect of all foreign operations, any differences that have arisen after 1 January 2004, the date of transition to IFRS, are entered as a separate item under equity (Foreign Currancy Transaction Reserve).
When a foreign operation is completely or partially sold, the associated translation difference is recognised in the income statement.

(E) DERIVATIVE FINANCIAL INSTRUMENTS

The Group uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative financial instruments are recognised initially at fair value. The gain or loss on re-measurement of fair value is recognised immediately in profit and loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see accounting policy f).

(F) HEDGING

(i) Cash flow hedges

Changes in the fair value of a derivative hedging instrument designated as a cash flow hedge are entered in other comprehensive income and recognised in the hedge reserve as a component of equity. Amounts recognised in other comprehensive income are transferred to profit and loss in the same period as the hedged object affects profit and loss. When transferring to profit and loss, the same line in the comprehensive income statement is used for the hedged object and the hedging instrument. Any ineffectiveness of the hedging is recognised direct in profit and loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is rescinded, hedge accounting is discontinued. The cumulative gain or loss previously recognised in other comprehensive income and presented in the hedge reserve remains there until the forecast transaction affects profit and loss. If the hedged item is a non-financial asset that is capitalised, the amount recognised in other comprehensive income is transferred to book value when it is recognised. Should a hedged forecast transaction no longer be expected to occur, the amount recognised in other comprehensive income shall be recognised in profit and loss. In other cases, the amount recognised in other comprehensive income is transferred to profit and loss in the same period that the hedged item affects profit and loss.

(G) PROPERTY, PLANT AND EQUIPMENT

(i) Own assets

Items of property, plant and equipment are stated at acquisition cost less accumulated depreciation (see below) and impairment losses (see accounting policy l). The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate proportion of production overheads.

Certain items of property, plant and equipment that had been re-valued to fair value on or prior to 1 January 2004, the date of transition to IFRS, are measured on the basis of deemed cost, this being the revalued amount at the date of that revaluation. No re-valuation was performed at the transition to IFRS.

When material parts of non-current tangible assets have different useful lives, they are deemed to be separate components for accounting purposes.

(ii) Leased assets
The Group leases warehouse, exhibition centres and production facilities in the US and Japan. All these are treated as operational leasing agreements.

(iii) Subsequent costs
The Group recognises in the acquisition cost of an item of property, plant or equipment the cost of replacing part of any such item, when the expenditure is expected to bring future economic benefits to the Group, and the cost of the replaced parts can be measured reliably. The carrying amount of the replaced part is deducted. All other expenses are recognised in the income statement as they accrue.

(iv) Depreciation
Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives are as follows:

• Buildings	25 – 50 years
• Machines and equipment	5 – 12 years
• Operating movables, fixtures	2 – 10 years
• Capitalised license costs	8 years
• Software	3 – 8 years

Depreciation methods, useful lives and residuals values are reviewed annually.

(H) INTANGIBLE ASSETS
(i) Research and development
Expenses associated with research and development activities are recognised in the income statement in the period in which they are incurred.

(ii) Capitalised licences and software
Software developed for the Group and prepaid licence fees for use of IntelliGel® are capitalised as intangible assets.

(iii) Goodwill
Goodwill (negative goodwill) arises on the acquisition of subsidiaries, associates and joint ventures. The Group has no goodwill from the period prior to the transition to IFRS.

Acquisition on or after 1 January 2004
For acquisitions on or after 1 January 2004, goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess is negative (negative goodwill), it is recognised immediately in profit and loss.

Subsequent measurement
Goodwill is measured at cost less accumulated impairment losses.

(iv) Other intangible assets
Expenses relating to brand names and other intangible assets are recognised in the income statement in the period in which they accrue.

(I) TRADE AND OTHER RECEIVABLES
Trade and other receivables are stated at cost less an allowance for bad debt.

(J) INVENTORIES
Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated ordinary sales price, less estimated completion and sales costs.

The cost of inventories is based on the first-in/first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

(K) CASH AND CASH EQUIVALENTS
Cash and cash equivalents comprise cash balances and bank deposits (see note 11).

(L) IMPAIRMENT

An impairment is recognised whenever the fair value of an asset or cash-generating entity exceeds its recoverable amount. Impairment write-downs are recognised in the income statement. Recoverable amount is defined as the higher of the asset or cash-generating entity's fair value less sales costs, and its value in use. No indications have been found of any impairments requiring write-downs in 2012.

(M) SHARE CAPITAL

(i) Preference share capital
The Company has issued no preference shares.

(ii) Buy-back of own shares
If the Company buys back its own shares, the amount of the consideration paid, including directly attributable costs, is recognised as a change in equity. Own shares are presented as a reduction in total equity.

(iii) Dividends
Dividends are recognised as a liability in the period in which they are declared. Proposed dividend is part of equity until it has been approved by the Annual General Meeting.

(N) INTEREST-BEARING LOANS AND CREDIT

Interest-bearing loans and credit are valued at amortised cost.

(O) EMPLOYEE BENEFITS

(i) Defined-contribution plans
Obligations for contributions to definedcontribution pension plans are recognised as an expense in the income statement as they accrue.

(ii) Definedbenefit pension plans
Net obligations in respect of definedbenefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets is deducted. The discount rate is the yield at the balance sheet date on government bonds. The calculation is performed by a qualified actuary using the projected unit credit method.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in the income statement on a straight line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in the income statement.

Actuarial gains and losses are recognised in "Other income and expenses".

(iii) Bonus payments (see also note 16):
Employee bonuses: All group employees are entitled to a bonus based on the Group's profitability. The bonus is calculated as a percentage of each employee's monthly salary. Accrued bonus is recognised as an expense in the income statement and as a liability in the balance sheet.

(P) PROVISIONS

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

(i) Warranties
A provision for warranties is recognised when a warranty obligation occurs. Costs related to long-term warranty commitments are considered insignificant.

(ii) Restructuring
A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring has either commenced or notification thereof has been given to those concerned.

(iii) Site restoration
In accordance with the Group's environmental report (which is included in the Company's annual report) and applicable legal requirements, a provision for site restoration in respect of contaminated land is recognised to the extent that the land is contaminated and remediation has been ordered. As of today, there are no such requirements.

Q) TRADE PAYABLES AND OTHER SHORT-TERM LIABILITIES
Trade payables and other liabilities are initially recognised at fair value. After initial recognition, the liability is valued at amortised cost.

(R) REVENUE
(i) Goods sold
Revenue from the sale of goods is recognised in the income statement when the invoice is issued and the bulk of risks and control have been transferred to the buyer. Revenues are stated less trade discounts and volume rebates. The Group's operating income includes the portion of net foreign exchange gains/losses that are considered as an effective portion of cash flow hedging.

(ii) Government grants
Grants that compensate the Group for the acquisition cost of an asset are recognised as a reduction in the asset's acquisition value. Grants that compensate for expenses incurred are recognised as operating revenues over the same period as the expenses they are intended to cover.

(S) EXPENSES
(i) Operating lease payments
Payments made under operating leases are recognised in the income statement in a straight line over the term of the lease.

(ii) Net financing items
Net financing items comprise interest payable on borrowings calculated using the effective interest rate method, interest receivable on funds invested, dividend income, foreign exchange gains and losses, and gains and losses on hedging instruments that are recognised in the income statement (see accounting policies f and r (i)).

Interest income is recognised in the income statement as it accrues, using the effective interest method.

(T) TAX
Tax on the profit and loss for the year comprises payable and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised directly in equity or in other comprehensive income. Tax payable is the expected tax payable on the taxable income for the year, using tax rates in effect on the balance sheet date, and any adjustment of tax payable in respect of previous years.

Deferred tax is calculated on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not taken into account: the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. Deferred tax and deferred tax assets are measured on the basis of the anticipated future tax rates of those group companies where temporary differences have arisen. Deferred tax and deferred tax assets are recognised at nominal value.
A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(U) SEGMENT REPORTING
In accordance to IFRS, an operating segment is defined as a part of the Group that is engaged in business operations capable of generating revenues and expenses, including revenues and expenses derived from transactions with other segments within the Group, and the operating results of which are reviewed on a regular basis by the Company's most senior decision-makers with a view to deciding which resources are to be assigned to the segment and assessing its earnings.

Ekornes' business is within the home furnishing segment, with the focus on two main product areas: upholstered furniture and mattresses. Upholstered furniture may be subdivided into Stressless® (reclining chairs and sofas) and fixed-back sofas. Mattress products comprise spring mattresses and mattresses made using foamed plastic and IntelliGel®. Production facilities are separated into highly specialised units, whereas sales, marketing and distribution are highly integrated. Note 1 to the accounts provides an overview in figures of the product areas, which match the way these product areas are reported internally in Ekornes.

(V) ACCOUNTING STANDARDS AND INTERPRETATIONS ISSUED, BUT NOT YET ADOPTED
Several new and revised standards and interpretations have not yet come into effect for the year ending on 31 December 2012. These are not applied by the Group in these consolidated financial statements. The preliminary assessment is that these standards, revisions and interpretations will have no significant impact on the consolidated accounts.

OPERATIONAL AREAS

Segment information is presented in respect of the Group's business areas. The primary format, business areas, is based on the Group's management and internal reporting structure.

- Upholstered furniture: Manufacturing and sale of Stressless® and Ekornes® Collection (chairs and sofas)
- Mattresses: Manufacturing and sale of Svane® and foam mattresses
- Other: Sale of tables, accessories, leather care kits and other income

« NOTE 1
Business areas – Markets

Operating revenues by product area (Figures in NOK mill.)	2012	2011
Stressless® chairs	1 699.4	1 703.9
Sofas	720.3	692.7
Svane® mattresses	252.1	250.3
Other	90.9	110.7
Total	**2 762.7**	**2 757.6**
Operating revenues by market		
Norway	370.5	358.3
Sweden	39.9	57.8
Finland	36.4	47.9
Denmark	79.4	87.4
Central Europe	773.6	746.4
Southern Europe	340.1	365.3
United Kingdom/Ireland	180.8	193.5
USA/Canada	536.2	511.1
Japan	153.0	129.5
Asia/Pacific	133.9	134.7
Other Markets	37.2	38.1
Contract	81.7	87.6
Total	**2 762.7**	**2 757.6**
Contribution margin per product area		
Stressless® chairs	55.0 %	54.3 %
Sofas	39.1 %	39.6 %
Svane® mattresses	37.1 %	35.9 %
Other	22.4 %	29.1 %
Total	**48.1 %**	**47.9 %**

« NOTE 2
Personnel expenses

(Figures in NOK 1 000)	2012	2011
Salaries	646 167	632 580
National insurance contributions	97 841	95 724
Contributions to defined contribution plans	30 198	27 270
Expenses relating to defined benefit plans	1 089	-1 529
Other personnel costs	17 686	19 475
Total personnel expenses	**792 981**	**773 520**
Average number of man-years employed	**1575**	**1520**

NOTES

NOTE 3
Net financial items

(Figures in NOK 1 000)	2012	2011
Financial income and expenses		
Other interest income	2 575	5 086
Other financial income	7	0
Total financial income	**2 582**	**5 086**
Change in value of unrealised forward contracts	110 115	-42 740
Gains on realised forward contracts	50 330	70 290
Gain/loss on currency exchange (Balance sheet adjustments and currency exchanges)	-21 897	2 435
Other interest expenses	-4 093	-3 634
Other financial expenses	-1 686	-783
Total financial income	**-5 779**	**-4 416**
Net financial items	**135 351**	**30 654**

Borrowing costs are recognised in the income statement as they arise.

NOTE 4
Tax expense

Tax recognised in the income statement (Figures in NOK 1 000)	2012	2011
Tax payable for the year	120 612	112 107
Adjustment for previous years	-335	-75
Total tax payable	**120 277**	**112 032**
Deferred tax		
Origination and reversal of temporary differences	28 673	-8 258
Total tax expense in income statement	**148 950**	**103 774**

NOTE 4
Tax expense
continued

Reconciliation of effective tax rate (Figures in NOK 1 000)	2012	2012	2011	2011
Profit before tax		484 025		346 896
Tax calculated at the applicable tax rate	28.00 %	135 527	28.00 %	97 131
Effect of tax rate in foreign jurisdictions	1.75 %	8 475	1.53 %	5 310
Non-deductible expenses	0.38 %	1 842	0.67 %	2 331
Effect of other tax rates on specific revenues	0.11 %	556	0.00 %	0
Tax-exempt revenues	0.00 %	-10	0.00 %	-7
Recognition of previous unrecognised tax losses	-0.16 %	-758	-0.23 %	-804
Current year's losses for which no deferred tax assets were recognised	0.86 %	4 140	0.03 %	110
Change in unrecognised temporary differences	-0.01 %	-64	-0.06 %	-192
Profit and loss items with no effect on tax	-0.09 %	-423	-0.01 %	-30
Under/over-provided in prior years	-0.07 %	-335	-0.02 %	-75
Total	**30.77 %**	**148 950**	**29.91 %**	**103 774**

Deferred tax recognised in other comprehensive income (Figures in NOK 1 000)	2012	2011
Tax translation differences net funding subsidiaries	4 460	-1 078
Tax actuarial gain/loss pension	59	-194
Total	**4 519**	**-1 272**

NOTE 5
Tax payable

Tax payable Balance Sheet (Figures in NOK 1 000)	2012	2011
Tax payable for the year	**120 612**	**112 107**
Tax paid current year	-33 338	-40 463
Too much/little paid in previous years	-762	-287
Tax payable balance sheet	**86 512**	**71 357**

NOTE 6 Property, plants and equipment

Acquisition cost and depreciation (Figures in NOK 1 000)	Software and licenses	Sites and buildings	Machinery and equipment	Operating movables	Total
Acquisition value 01.01.2011	**113 963**	**995 776**	**699 089**	**127 340**	**1 936 168**
Currency difference 01.01.2011				68	68
+ additions	16 414	54 611	56 356	16 030	143 411
- disposals at acquisition value	174	19	4 439	12 984	17 616
Acquisition value 31.12.2011	**130 203**	**1 050 368**	**751 006**	**130 455**	**2 062 032**
Accumulated ordinary depreciation at 01.01.2011	**93 053**	**378 059**	**441 811**	**81 230**	**994 152**
Currency difference 01.01.2011	0	0	0	102	102
+ the year's ordinary depreciation	20 925	39 114	55 872	9 631	125 542
+/- Currency difference deprecation	0	0	0	11	11
- acc. ordinary deprecation of operating assets sold	174	19	4 324	12 444	16 961
Accumulated ordinary depreciation at 31.12.2011	**113 804**	**417 154**	**493 360**	**78 530**	**1 102 847**
Book value 31.12.2011	**16 399**	**633 214**	**257 646**	**51 925**	**959 184**
Acquisition value 01.01.2012	**130 203**	**1 050 368**	**751 006**	**130 455**	**2 062 032**
Currency difference 01.01.2012				-1 797	-1 797
+ additions	22 110	18 550	43 368	11 223	95 251
- disposals at acquisition value	607	28 425	38 287	13 187	80 506
Acquisition value 31.12.2012	**151 706**	**1 040 493**	**756 087**	**126 694**	**2 074 979**
Accumulated ordinary depreciation at 01.01.2012	**113 804**	**417 154**	**493 360**	**78 530**	**1 102 849**
Currency difference 01.01.2012				-966	-966
+ the year's ordinary depreciation	18 605	38 212	55 497	12 818	125 131
+/- Currency difference deprecation				-5	-5
- acc. ordinary deprecation of operating assets sold	607	20 062	37 600	9 187	67 456
Accumulated ordinary depreciation at 31.12.2012	**131 802**	**435 304**	**511 257**	**81 190**	**1 159 552**
Book value 31.12.2012	**19 905**	**605 189**	**244 829**	**45 505**	**915 427**

Total investments for 2013 are expected to be approx. NOK 141 mill.

Leased property, plant and machinery

Production facilities, warehouse and exhibition facilities in the USA are all leased. Remaining lease period and annual rent are as follows:

Location	Remaining lease (years)	Yearly rent (in NOK 1 000)
Morganton, North Carolina	4	1.100
Somerset NJ, USA, High Point NC, Las Vegas NV	3	3.498

Security

As at 31.12.2012 the Group had no loans or drawdowns secured by lien. The parent company has entered into an agreement with its banks with respect to drawing rights (see Note 11). Land, buildings and operating accessories have been pledged as security for these drawing rights. The total book value of the operating assets thus pledged totals TNOK 878 261.

Intangible assets

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

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

None of these assets have been included on the company's balance sheet.

NOTE 7 Other investments

Shares and other long-term receivables (Fig. in NOK 1 000)	Shareholding	Acquisition cost	Book value
Non-current assets			
Sykkylvsbrua AS	37.5 %	8 790	8 141
Other shares		1 012	1 012
Total		**9 802**	**9 153**

Sykkylvsbrua AS is not treated as an associate since the Group is entitled to no share of any profit it may make.

Receivables falling due more than one year hence (Figures in NOK 1 000)	2012	2011
Prepaid royalty	304	1 032
Other long-term receivables	2 856	5 100
Total	**3 160**	**6 133**

NOTE 8
Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities: (Figures in NOK 1 000)	Assets		Liabilities		Net	
	2012	2011	2012	2011	2012	2011
Property plant and equipment			7 713	11 171	7 713	11 171
Inventories	-1 072	-821			-1 072	-821
Receivables	-11 632	-9 219			-11 632	-9 219
Pensions	-1 979	-2 936			-1 979	-2 936
Forward contracts			72 284	41 452	72 284	41 452
Provisions	-1 442				-1 442	0
Other items	-2 979	-2 864	65	613	-2 914	-2 251
Tax losses carried forward		-421			0	-421
Tax liabilities	-19 104	-16 260	80 062	53 236	60 958	36 976
Tax offsets	14 754	12 751	-14 754	-12 751	0	0
Net tax liabilities	**-4 351**	**-3 508**	**65 309**	**40 484**	**60 958**	**36 976**

Unrecognised deferred tax assets and liabilities:
The Group has tax losses in two foreign subsidiaries. Unrecognised deferred tax assets amounts to: TNOK 3 412 (2011: TNOK 4 453).

NOTE 9
Inventories as of 31.12.

(Figures in NOK 1 000)	2012	2011
Inventory finished goods	130 248	107 000
Inventory semi-finished goods	43 257	32 346
Inventory raw materials	142 446	125 546
Total	**315 952**	**264 892**

Value of inventories recognised in the balance sheet at net realisable value is insignificant.

NOTE 10
Trade and other receivables

Trade receivables of TNOK 354 514 (2011: TNOK 365 549) are presented less provisions for bad debts totalling TNOK 24 629 (2011: TNOK 22 237).

Trade receivables past due/not past due at 31.12 break down as follows:

(Figures in NOK 1 000)	Gross 2012	Provisions 2012	Gross 2011	Provisions 2011
Not past due	293 201		312 966	
Past due 0-30 days	66 274	4 962	55 135	2 551
Past due 31-60 days	8 629	8 629	11 247	11 247
Past due 61-90 days	4 299	4 299	3 371	3 371
Past due 90-180 days	3 338	3 338	661	661
More than 180 days	3 401	3 401	4 407	4 407
Total	**379 142**	**24 629**	**387 786**	**22 237**

Ekornes has approx. 2,500 customers worldwide. No individual customer accounts for more than 10 per cent of overall turnover.

NOTE 11
Cash and cash equivalents as at 31.12.

(Figures in NOK 1 000)	2012	2011
Bank	273 335	297 368
Unused credit facilities	315 000	315 000
Total	**588 335**	**612 368**

Only cash and bank deposits are recognised as cash and cash equivalents in the cash flow statement. TNOK 11 997 (2011: TNOK 22 026) of the Group's bank deposits are restricted with respect to employees' tax deductions.
The parent company has agreed drawing facilities with its main bankers, having a maximum drawing limit of NOK 315 million in accordance with defined terms. The drawing facilities had not been utilised as of 31 December 2012. See also Note 6.

NOTE 12
Equity

Share capital and share premium:
As of 31 December 2012, the authorised share capital comprised 36 826 753 ordinary shares (2011: 36 826 753). All shares have a par value of NOK 1.00.

The holders of ordinary shares are entitled to receive dividends as declared and voted for during the Annual General Meeting, and are entitled to one vote per share at general meetings of the company. All shares rank equally with regard to the company's net assets. In respect of the Company's shares that are held by the Group, all rights are suspended until those shares are reissued (see below).

Translation reserve:
Translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations, including the conversion of receivables that are considered part of net investments in foreign operations.

Dividend:
After the balance sheet date, a dividend of NOK 5.50 per share (2011: NOK 7.50) was proposed by the board of directors. This totals TNOK 202 547 (2010: TNOK 276 200). The dividend has not been provided for in the accounts and there are no income tax consequences.

NOTE 13
Earnings per share

Basic earnings per share
The calculation of basic earnings per share at 31 December 2012 was based on the profit attributable to ordinary shareholders of TNOK 255 792 (2011: NOK 273 894) and a weighted average number of ordinary shares outstanding during the year ended 31 December 2011 of 36 826 753 (2011: 36 826 753), calculated as follows:

(Figures in 1 000 NOK)	31.12.2012	31.12.2011
Profit for the period	335 075	243 121
Issued shares 01.01	36 826 753	36 826 753
Effect of own shares held	0	0
Issued shares 31.12	36 826 753	36 826 753
Weighted average number of shares	36 826 753	36 826 753
Basic earnings per share	9.10	6.60
Diluted earnings per share	9.10	6.60

Earnings per share based on profit, where the effect of changes in the value of forward contracts has been deducted (as per accounting principle previously applied)

(Figures in 1 000 NOK)	31.12.2012	31.12.2011
Profit for the period	255 792	273 894
Issued shares 01.01	36 826 753	36 826 753
Effect of own shares held	0	0
Issued shares 31.12	36 826 753	36 826 753
Weighted average number of shares	36 826 753	36 826 753
Basic earnings per share	6.95	7.44
Diluted earnings per share	6.95	7.44

NOTES

NOTE 14
Interest-bearing loans and credits

The Group had no interest-bearing debt or credit as at 31.12.2012 (2011: 0). As at 31.12.2012 Ekornes had unused drawing rights on its banks. Land, buildings and operating accessories have been pledged as security for these drawing rights. See Notes 6 and 11 for further details.

NOTE 15
Financial risk

Financial risk is largely associated with fluctuations in currency rates and the ability of its customers to pay. The Group's trade receivables are constantly monitored to uncover any irregularities and limit bad debts and the risk of loss. Over time, Ekornes' competitiveness is affected by the movement of the NOK in relation to other currencies. The Group seeks to actively limit this risk.

To strengthen the company's long-term operational planning, Ekornes seeks to hedge its future exposure (cash flow) in currencies up to 36 months ahead, through the use of financial instruments (forward contracts) and purchase of goods and services internationally. The hedging requirement is based on the net exposure at the date on which the hedging instrument was entered into, not the expected exposure 36 months hence. This is to avoid over-exposure. Any differences are subsequently hedged in increments as the date approaches. Hedging by means of financial instruments is undertaken as long as the foreign exchange rate achievable in the forward contract is equal to or better (higher) than the rate specified in the company's budgets. If the foreign exchange rate is lower than this level, the company postpones any further hedging activities until the situation has improved. If the exchange rate remains below that specified in the company's budgets over a long period of time, various strategies are assessed and, if necessary, implemented to adapt to the new, lower exchange rate level. Ekornes' hedging activities are therefore not an attempt to "beat" the market or speculate in what the market rate will be when the forward contract matures. One of the risks of this strategy is that growth may fail to materialise and sales revenues may fall. The Company will then find itself in a situation where it is overexposed with respect to the currencies in question. If the market rate on maturity (redemption) of the forward contract is higher than the hedging rate, the company will make a loss, since the volume of currency needed to fulfil the contract will have to be purchased at a higher price. On the other hand, if growth remains higher than expected, this could result in the company having an open (unhedged) position (not enough contracts) in the currencies in question. In that case, if the market rate is lower than that specified in the company's budgets when the contract matures, it could also have a negative impact on the company's margins. As a result of Ekornes' hedging strategy, a sudden and major fall in the value of all currencies against the NOK (an appreciation of the NOK) will not have any major negative consequences for its financial results. If the new, lower level continues over a long period, various strategies will be assessed and, if necessary, implemented. Furthermore, Ekornes operates in many different markets. In that way, the company has spread both its market and foreign exchange risk. The company has a portfolio of markets, and consequently currencies (basket), where a fall in the exchange rate with regard to one currency may, in certain circumstances, be compensated for by a rise in another.

The company had the following net foreign exchange volume in 2012 (currency amounts in million):

	2012		2011	
Currency	Volume (in local currency)	Average exchangerate (in NOK)	Volume (in local currency)	Average exchangerate (in NOK)
USD	17.1	6.3106	16.0	6.9136
GBP	15.4	9.2258	14.8	9.9392
EUR	65.8	8.3187	66.7	8.2475
DKK	44.4	1.1099	51.3	1.1120
SEK	21.5	0.8775	22.0	0.9491
JPY	1135.0	0.0724	960.0	0.0741

Compared with the year before, changes in exchange rates between the NOK and the company's main foreign currencies had a negative impact on the consolidation of revenue figures, and therefore the translation of accounting figures into NOK. However the impact on profit and loss of the consolidation of balance sheet items at exchange rates in effect on the balance sheet date amounted to NOK - 21.9 million as at 31 December 2012, compared with NOK 2.4 million at the same point in 2011. Measures and adjustments have been implemented to minimise this risk, which reduces the level of fluctuation from what it would otherwise have been.

The impact on profit and loss of the consolidation of income statements was insignificant.

As at 31 December 2012, the fair value of forward currency exchange contracts was NOK 258 mill. (31 December 2011: NOK 148 mill.). This is expected to be recognised in the income statement in the following periods: (see the table below.)

Distribution fair value forward contracts	2012	2011
Share 2012		48 %
Share 2013	39 %	27 %
Share 2014	35 %	26 %
Share 2015	26 %	
Total	**100 %**	**100 %**

The Group made a profit of NOK 50m (2011: NOK 70m) from the exchange of forward contracts in relation to the real rate on the date of the exchange. This amount is included in the Group's financial income.

Effect on profit/loss and balance sheet of changes in exchange rates as at 31.12.2012

The table below shows the impact of a 5 per cent weakening and a corresponding strengthening of the NOK against all other relevant currencies as at 31.12.2012. A change as at 31.12.2012 is assumed, such that the average exchange rates in the period are unchanged. In the company's assessment, a change of +/- 5 per cent is within the realm of reasonable possibility for all the currencies concerned.

Effect on profit/loss	5% increase in exchange rates (NOK weakened)			
Effect on ordinary profit/loss	**EUR**	**USD**	**Other**	**TOTAL**
Translation of balance sheet items (bank, receivables, liabilities)	6 571	5 062	6 633	18 266
Effect of change in value of forward contracts	-56 636	-18 272	-19 797	-94 705
Change in net financial items and profit before tax	-50 065	-13 210	-13 164	-76 439
Change in tax	14 018	3 699	3 686	21 403
Effect on profit/loss after tax	**-36 047**	**-9 511**	**-9 478**	**-55 036**
EFFECT ON EQUITY				
Change in other equity	-36 047	-9 511	-9 478	-55 036

A 5 per cent reduction in all exchange rates (strengthening of NOK) would have the same effect in figures, but with the opposite sign.

NOTE 15
Financial risk
continued

Effect on profit/loss and balance sheet of changes in exchange rates as at 31.12.2012 (as per accounting principle previously applied)
The table below shows the impact of a 5 per cent weakening and a corresponding strengthening of the NOK against all other relevant currencies as at 31.12.2012. A change as at 31.12.2012 is assumed, such that the average exchange rates in the period are unchanged. In the company's assessment, a change of +/- 5 per cent is within the realm of reasonable possibility for all the currencies concerned.

Effect on profit/loss	5% increase in exchange rates (NOK weakened)			
Effect on ordinary profit	**EUR**	**USD**	**Other**	**TOTAL**
Translation of balance sheet items (bank, receivables, liabilities)	6 571	5 062	6 633	18 266
of which tax	-1 840	-1 417	-1 857	-5 114
Effect on profit/loss after tax	**4 731**	**3 645**	**4 776**	**13 152**
Effect on other revenues and expenses				
Effect on value of forward contracts	-56 636	-18 272	-19 797	-94 705
of which tax	15 858	5 116	5 543	26 517
Total effect on other revenues and expenses	**-40 778**	**-13 156**	**-14 254**	**-68 188**
EFFECT ON EQUITY				
Change in hedging reserve	-40 778	-13 156	-14 254	-68 188
Change in other equity	4 731	3 645	4 776	13 152
	-36 047	-9 511	-9 478	-55 036

A 5 per cent reduction in all exchange rates (strengthening of NOK) would have the same effect in figures, but with the opposite sign.

Capital management
Ekornes's objective with respect to capital structure is to have sufficient cash and cash equivalents to meet its operating and investment requirements, and pay a dividend. The company has an agreement with its main bank with respect to drawing rights, which had not been utilised as at 31.12 (see Note 11). The company has no long-term borrowings. The company believes it is important to maintain a strong credit rating and good liquidity.

Classification of financial assets and liabilities 2012	Fair value	Amortised cost		TOTAL
	Deposits	Receivables and lendings	Other financial liabilities	
Cash and cash equivalents	273 335			273 335
Trade and other short-term receivables		406 888		406 888
Long-term receivables		12 882		12 882
Trade and other short-term payables			404 047	404 047

Cash and cash equivalents are bank deposits.

Credit and market risk
The company sells its products to distributors through its own sales companies, which know their markets. Routines have been established to ensure that sales are made to creditworthy customers and within defined credit limits, in order to limit market and credit risk.

NOTE 16
Employee benefits

Declaration of the Board of Directors remuneration policy towards leaders

A major element in the Company's remuneration policy is that executives should be offered competitive terms, with a salary comparable to similar positions in their national labour markets. The Company has established bonus schemes based on the financial performance of the profit centre for which the individual executive is responsible, that form a major part of the overall compensation package. Salary and other remunerations are mainly adjusted in accordance with developments in salary/price levels in the country in which the position is located. In 2012, the remuneration policy has complied with the declaration presented to the General Meeting in 2012. A new declaration will be presented at the General Meeting in 2013.

Pension commitments

A Group pension scheme (defined contribution plan) has been established for employees of the Group's Norwegian companies and in most of its foreign subsidiaries. The Group also has obligations regarding AFP (Early retirement pension plan) and pension expensed continuously. For accounting purposes, pension schemes are treated in accordance to IAS 19. Norway's new AFP Contributions Act was passed on 19 February 2010, with effect from 1 January 2010. The new AFP early retirement scheme is deemed to be a defined benefit multi-enterprise scheme. In principle, the liability shall be calculated and recognised. However, the scheme's current administrator is, for practical reasons, unable to perform these calculations. Until these calculations are made, the new AFP early retirement scheme must be recognised as a defined contribution scheme. See table below:

Pension commitments (Figures in NOK 1 000)	2012	2011
Accumulated pension liabilities	12 059	15 333
Accrued national insurance contributions	873	1 293
Net pension liabilities	**12 932**	**16 626**
Economic assumptions:		
Discount rate	3.9 %	3.3 %
Expected increase in salaries	3.5 %	4.0 %
Expected increase in pensions	3.25 %	3.00 %
Expected increase in government contribution	3.25 %	3.75 %

TNOK 5 064 of the total liabilities relate to foreign subsidiaries.

Change in pension liabilities (Figures in NOK 1 000)	2012	2011
Pension liabilities as at 01.01	**16 626**	**26 744**
Contribution to scheme/pensions paid	-4 100	-8 135
Expenses recognised in the income statement	1 089	-1 530
Effect of changes in exchange rates	-894	237
Actuarial gains/losses recognised directly in equity	211	-690
Pension liabilities as at 31.12	**12 932**	**16 626**

In 2012 net pensions paid and premium was TNOK 34 074. In 2013 it is expected to amount to approx. TNOK 36 000.

Pension costs (Figures in NOK 1 000)	2012	2011
Pensions paid/defined contribution plan	29 974	27 270
Net present value of benefits earned during the year	519	886
Interest expenses on pension liabilities	570	830
Recognised scheme changes		-3 245
Net pension cost	**31 063**	**25 741**

Mandatory pension scheme:

All Norwegian subsidiaries must, according to Norwegian law, establish a pension scheme for their employees. All Norwegian companies have pension schemes that comply with Norwegian law.

NOTE 16
Employee benefits
continued

Acturial losses/(gains) recognised in Other comprehensive income (Figures in NOK 1 000)	2012	2011
Accumulated 01.01	24 790	25 480
Recognised current year	211	-690
Accumulated 31.12	25 001	24 790

Individual agreements
Individual bonus agreements for 2012 have been entered into with all nine members of Group management. The CEO's bonus is dependent on the Group's return on total assets. The bonus is capped at 0.087 per cent of Group profits before tax if the return on total assets reaches or exceeds 33 per cent.

Following the departure of Ekornes's CEO, the company needed to fill the position until a permanent replacement can be appointed. Former CEO Nils-Fredrik Drabløs has been appointed acting CEO with effect from 03.12.2012 until further notice.

The Company has entered into the following agreement with Chairman of the Board, Olav Kjell Holtan (OKH):
a) Ordinary fixed directors' fee in accordance with the AGM's resolution, which is paid as personal salary.
b) In addition, the company is charged for each meeting day in accordance with the AGM's resolution, which is paid as personal salary.
c) For the period 28.11.12 – 28.02.13 a temporary employment contract was entered into in connection with the departure of Ekornes ASA's previous chief executive.

Bonus-based payments
Employee bonus
Employee bonus, equivalent to a month's wages, is depending on the operating margin in the consolidated accounts, calculated on the basis of the profit before financial items and deduction of the bonus. The bonus scheme only applies to those who do not receive payment from another personal bonus scheme. If the personal bonus is less than the common bonus, the difference will be paid. The individual employee's bonus is calculated in relation to the number of months employed. Only those who are employed as of 31 December 2012, together with employees who are retiring during 2012, will be eligible for bonus payment for 2012. The bonus is recognised as cash settlement.

Based on the Group's operating margin, bonus is earned as follows:

Operating margin	Bonus of month salary
Less than 10 %	0 %
10 – 12.9 %	21 %
13 – 14.9 %	32 %
15 – 17.9 %	54 %
18 – 18.9 %	64 %
19 – 19.9 %	75 %
20 – 20.9 %	86 %
21 – 21.9 %	96 %
22 – 22.9 %	107 %
23 – 23.9 %	118 %
24 – 24.9 %	128 %
25 % and more	139 %

Operating margin = Operating profit before financial items/Total operating revenues.
Operating profit = Operating profit + provisions for employee bonuses.

« NOTE 17
Related parties

Definition of related parties:
he Group's related parties are members of the board and management, and companies which are members of the board and management control or have significant influence over.

Remuneration to members of the Group Management paid in 2012					
(Figures in NOK)	Nils-Fredrik Drabløs	Øyvind Tørlen	Arve Ekornes	Runar Haugen	Geir Ståle Tenfjord
Salaries 2012	4 069 529	2 939 061	1 480 023	2 239 371	293 295
Bonus 2011, paid in 2012	225 700	225 700	225 700	225 700	225 700
Pension	22 182	44 364	44 364	44 364	11 091
Other remunerations	9 418	45 464	48 711	56 032	3 153
Total	**4 326 829**	**3 254 589**	**1 798 798**	**2 565 467**	**533 239**

NOK 2 792 700 of the salary paid to Nils-Fredrik Drabløs is settlement of an agreed non-funded pension which should have been paid out after he reached the age of 67.
Øyvind Tørlen and Geir Ståle Tennfjord are no longer employees of the company.

Remuneration to members of the Group Management paid in 2012					
(Figures in NOK)	Geir Balsnes	Svein Lunde	Robert Svendsen	Ola Arne Ramstad	Jon-Erlend Alstad
Salaries 2012	1 078 243	2 085 780	2 616 121	1 668 828	1 299 000
Bonus 2011, paid in 2012	-	220 195	225 700	225 700	-
Pension	44 364		44 364	44 364	33 273
Other remunerations	28 688	20 600	82 589	43 715	11 708
Total	**1 151 295**	**2 326 575**	**2 968 774**	**1 982 607**	**1 343 981**

Remuneration to Board members paid in 2012								
(Figures in NOK)	Olav-Kjell Holtan	Kjersti Kleven	Stian Ekornes	Bjørn Gulden	Nora F. Larssen	Gry Hege Sølsnes	Arnstein Johannessen	Tone Helen Hanken
Salaries 2012							388 086	327 734
Bonus 2011, paid in 2012							15 000	12 398
Pension							12 840	10 236
Director's emolument	785 000	345 000	384 000	0	354 000	216 000	180 000	180 000
Other remunerations							1 496	1 496
Total	**785 000**	**345 000**	**384 000**	**0**	**354 000**	**216 000**	**597 422**	**531 864**

Remuneration to Board members paid in 2012								
(Figures in NOK)	Atle Berntzen	Hans Harald Hageberg	Ove Skåre	Else Marie Rønning	Ragnhild Apelseth	Wenche Elvegård	Ronny Nipen	Ove Fagerheim
Salaries 2012	474 900	576 764	414 342	540 541	354 727	417 140	277 877	388 619
Bonus 2011, paid in 2012	15 340	20 232	15 883	20 943	12 985	16 400	21 246	13 974
Pension	13 392	21 288	14 040	21 528	11 580	14 232	9 900	11 712
Director's emolument	120 000				60 000	30 000		
Other remunerations	1 496	2 496	1 496	6 600	1 496	5 364	3 623	1 496
Total	**625 128**	**620 780**	**445 761**	**589 612**	**440 788**	**483 136**	**312 646**	**415 801**

Remuneration to Auditor (Figures in NOK 1 000)	2012	2011
Audit fee	5 619	5 431
Other attestation fees	28	4
Tax advisory services	730	771
Other services	689	474
Total	**7 067**	**6 680**

NOTE 18
The 20 largest shareholders as at 31.12

Shareholders	Country	No. of shares held	Percentage
Nordstjernan AB	SWE	5 689 448	15.45
Folketrygdfondet, JP Morgan Chase Bank	NOR	4 045 237	10.98
JPMorgan Chase Bank Nordea, Treaty Acc.	GBR	1 990 864	5.41
State Street Bank, A/C Client Omnibus D	USA	1 744 485	4.74
Pareto Aksje Norge Verdipapirfond	NOR	1 676 291	4.55
JPMorgan Chase Bank, Special Treaty Lending	GBR	1 517 574	4.12
Odin Norge	NOR	1 432 808	3.89
Berit Vigdis Ekornes Unhjem	NOR	1 070 331	2.91
Gunnhild Ekornes Mertens	NOR	1 050 050	2.85
Orkla ASA	NOR	884 500	2.40
Pareto Aktiv Verdipapirfond	NOR	712 665	1.94
JPMCB RE SHB Finnish Handelsbanken Nordic	FIN	700 000	1.90
Skandinaviska Enskilda, A/C Clients Account	SWE	639 275	1.74
Skandinaviske Enskilda, A/C Finnish Resident	FIN	619 500	1.68
State Street Bank, A/C Client Omnibus F	USA	584 631	1.44
Torill Anne Ekornes	NOR	523 897	1.42
Citibank N.A. London B S/A	KWT	489 300	1.33
Handelsbanken Helsinki, Clients Account 3	FIN	464 750	1.26
MP Pensjon PK	NOR	440 777	1.20
Lazard Freres Banque	FRA	420 000	1.14
Total		**26 696 383**	**72.35**

NOTE 19
Group entities

Shares in subsidiaries	Business office	Shareholding	Voting share
J. E. Ekornes AS	Ikornnes	100 %	100 %
Ekornes Fetsund AS	Fetsund	100 %	100 %
Ekornes Skandinavia AS	Ikornnes	100 %	100 %
Ekornes Contract AS	Sykkylven	100 %	100 %
J. E. Ekornes ApS, Denmark	Odense	100 %	100 %
Ekornes K.K, Japan	Tokyo	100 %	100 %
OY Ekornes AB, Finland	Helsinki	100 %	100 %
Ekornes Inc., USA	Somerset, NJ	100 %	100 %
Ekornes Ltd., England	London	100 %	100 %
Ekornes Möbelvertriebs GmbH, Germany	Hamburg	100 %	100 %
Ekornes S.A.R.L, France	Pau	100 %	100 %
Ekornes Iberica SL, Spain	Barcelona	100 %	100 %
Ekornes Asia Ltd., Singapore	Singapore	100 %	100 %
Ekornes Latin America Ltda, Brazil	São Paulo	100 %	100 %
Ekornes Pty Ltd, Australia	Sydney	100 %	100 %
J.E. Ekornes USA Inc., USA (indirectly owned)	Morganton, NC	100 %	100 %
Stay ApS, Denmark (indirectly owned)	Copenhagen	100 %	100 %

NOTE 20
Subsequent events

No material events have occurred after the balance sheet date and up until the presentation of the financial statements which have had a material impact on the Group's financial position, and which should be reflected in the said financial statements.

EKORNES ASA
ANNUAL ACCOUNTS

Income Statement 2012

(Figures in NOK 1 000)	Notes	2012	2011
Operating revenues and expenses			
Sales revenues	3	114 425	149 059
Other revenues	3	155 483	154 130
Total operating revenues	2, 3	**269 908**	**303 189**
Materials		94 286	112 381
Salaries & national insurance contributions	5, 6	65 665	65 451
Depreciation	7	60 723	62 214
Other operating expenses	6	109 718	94 878
Total operating expenses		**330 393**	**334 923**
OPERATING PROFIT		**-60 485**	**-31 733**
Financial income and expenses			
Dividend and group contribution	4	348 567	284 958
Financial income	4	3 737	6 967
Gains/loss on currency exchange	4	14 403	81 003
Financial expenses	4	-4 025	-2 737
Net financial items		**362 682**	**370 191**
Ordinary profit before tax		**302 197**	**338 458**
Tax on ordinary profit	14	-63 518	-75 304
PROFIT FOR THE YEAR		**238 679**	**263 153**
DISTRIBUTED AS FOLLOWS			
Proposed dividend	15	**-202 547**	**-276 201**
Other equity	15	**-36 132**	**13 048**
Total distributed		**-238 679**	**-263 153**

‹‹ Balance Sheet

ASSETS (Figures in NOK 1 000)	Notes	31.12.2012	31.12.2011
Non-current assets			
Software	7, 12	19 905	16 399
Deferred tax assets	14	2 026	0
Total non-current intangible assets	8	**21 930**	**16 399**
Buildings, sites etc.	7, 12	600 382	631 714
Operating movables, fixtures	7, 12	14 129	16 186
Total property, plant & equipment		**614 511**	**647 900**
Shares in subsidiaries	9	36 644	36 644
Receivables subsidiaries	11, 13	153 634	176 824
Other long-term receivables and investments	10	9 722	9 722
Total non-current financial assets		**199 999**	**223 190**
Total non-current assets		**836 440**	**887 489**
Current assets			
Inventory finished goods		2 482	4 335
Trade receivables	2	5 428	15 120
Public charges/VAT receivables		10 602	9 295
Other short-term receivables		23 554	22 219
Dividend outstanding from group companies		85 511	72 958
Receivables subsidiaries	13	376 079	378 123
Cash and bank deposits	16	188 102	167 409
Total current assets		**691 757**	**669 459**
TOTAL ASSETS		**1 528 198**	**1 556 948**

(Continued on next page)

BALANCE SHEET 31.12.2012 (CONTINUED)

›› Balance Sheet
(continued)

EQUITY AND LIABILITIES (Figures in NOK 1 000)	Notes	31.12.2012	31.12.2011
EQUTITY			
Share capital	15, 17	36 827	36 827
Premium reserve	15	386 321	386 321
Other equity deposits	15	1 983	1 983
Total equity deposits		**425 131**	**425 131**
Other equity	15	781 456	745 409
Total retained earnings		**781 456**	**745 409**
Total equity		**1 206 587**	**1 170 540**
Non-current liabilities			
Long-term pension liabilities	6	1 283	1 495
Deferred tax	14	0	4 512
Total non-current liabilities		**1 283**	**6 007**
Current liabilities			
Trade payables		19 248	8 626
Dividend	15	202 547	276 201
Public charges payable		4 162	3 709
Tax payable	14	71 996	72 928
Other current liabilities	6	22 374	18 939
Total current liabilities		**320 327**	**380 402**
TOTAL EQUITY AND LIABILITIES		**1 528 198**	**1 556 948**

›› The Board of Ekornes ASA

Ikornnes, 31 December 2012/21 March 2013

Olav Kjell Holtan
Chairman

Kjersti Kleven
Vice Chairman

Nora Förisdal Larssen

Bjørn Gulden

Arnstein Johannessen

Stian Ekornes

Atle Berntzen

Tone Helen Hanken

Nils-Fredrik Drabløs
CEO

‹‹ Cash Flow Statement

(Figures in NOK 1 000)	2012	2011
Cash flow from operating activities		
Profit before tax	302 197	338 458
Tax paid	-70 955	-115 787
Profit/loss on sale of non-current assets	940	
Depreciation	60 723	62 214
Changes in inventory	1 853	-936
Changes in trade receivables	9 692	468
Changes in intra-group receivables	12 682	-27 119
Changes in trade payables	10 622	-406
Diff. between pension cost and amount paid into/out of pension scheme	-329	-6 593
Changes in other current balance sheet items	1 247	3 439
Net cash flow from operating activities	**328 673**	**253 735**
Cash flow from investing activities		
Proceeds from sale of property, plant & equipment	7 779	
Investments in property, plant & equipment	-39 558	-74 251
Net cash flow from investing activities	**-31 779**	**-74 251**
Cash flow from financing activities		
Changes in holding of own shares		
Dividend paid	-276 201	-331 441
Net cash flow from financing activities	**-276 201**	**-331 441**
Net change in cash and cash equivalents	**20 693**	**-151 957**
Cash and cash equivalents at the beginning of period	167 409	319 366
	167 409	**319 366**
Cash and cash equivalents at the end of period	**188 102**	**167 409**

NOTES

NOTE 1
Accounting principles

BASIC PRINCIPLES – ASSESSMENT AND CLASSIFICATION

The financial statements comprise the profit and loss account, the balance sheet, cash flow statement and notes to the financial statements. They have been prepared in accordance with the Public Limited Companies Act, the Accounting Act and generally accepted accounting practice in Norway, as applicable at 31 December 2011. The notes are therefore an integral part of the financial statements for the year.

The financial statements are based on the fundamental principles of historic cost, comparability, going concern, congruence and prudence. Transactions are recognised at the value of the consideration on the date of the transaction. Revenues are recognised when they are earned and costs are matched with earned revenues. Account is taken of hedging and portfolio management. The accounting principles are elaborated below.

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

OPERATING REVENUE

Revenues from sales of goods are recognised in profit or loss when delivery has been made and most of the risk and control has been transferred to the customer. Sales revenues are recognised after deduction of value added tax and discounts.

RECEIVABLES AND LIABILITIES IN FOREIGN CURRENCY

Means of payment, receivables and debts in foreign currency are converted at the exchange rate .

TREATMENT OF SUBSIDIARIES IN THE PARENT COMPANY ACCOUNTS

The parent company's investment in subsidiaries is valued at the lower of acquisition cost and fair value.

TRADE RECEIVABLES

Trade receivables are recorded at face value, less deductions for anticipated bad debts.

INVENTORY

Inventory is valued at the lower of acquisition cost and anticipated sales price less sales costs. Deductions have been made for obsolescence.

PROPERTY, PLANT & EQUIPMENT

Property, plant & equipment are recorded as assets on the balance sheet at the original acquisition cost plus appreciation, less deduction for accumulated depreciation. Depreciation is calculated in a straight line over the economic life of the asset on the basis of original acquisition cost plus appreciation.

MAJOR INDIVIDUAL TRANSACTIONS

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

PENSION

The Company has adopted the alternative in IAS 19. Actuarial gains and losses are recognised directly in equity.

RELATED PARTIES

Related parties are defined as group companies, major shareholders, directors of the Company or its subsidiaries, and senior executives. Agreements relating to the remuneration paid to the board of directors and senior executives are detailed in Note 6. No material transactions or agreements with related parties were concluded during the 2011 financial year or those years for which comparable figures are given, other than normal business transactions between group companies.

TAX

Deferred tax liabilities are calculated on the basis of temporary differences between the gains/losses recognised in the financial statements for the year and the gains/losses recognised for tax purposes. A nominal tax rate is used for calculation purposes. Positive and negative differences are set off against each other within the same period. A deferred tax asset arises if temporary differences give rise to a future tax deduction. The tax expense for the year comprises changes in deferred tax liabilities and deferred tax assets as well as tax payable for the financial year, adjusted for possible errors in previous years' calculations.

NOTE 2
Financial market risk

Ekornes sells its products internationally and invoices its customers in the respective country's unit of currency.

To reduce the company's foreign exchange risk Ekornes uses financial instruments. The Company uses forward contracts as financial instruments. The Company also seeks to buy goods and services internationally in corresponding currencies if it is profitable to do so. The entering into of currency contracts is assessed in light of the net effect of sales and purchases. The Company seeks to hedge its anticipated future net foreign exchange exposure up to 36 months ahead.

Hedging through the use of financial instruments is carried out as long as the exchange rate that can be achieved is equal to or better than the company's budgeted rates. If the exchange rate achievable is below this level, the company postpones further hedging of this type until the situation has improved. If exchange rates remain lower than those budgeted for over a long period, various strategies for adjusting to a new and lower exchange rate are assessed and implemented as appropriate.

Hedging is not recognised until the transaction is completed.

Unrecognised gains and losses on hedging: (Figures in NOK 1 000)	2012	2011
In this period	111 311	-47 762
Accumulated	237 638	126 327

NOTE 3
Sales revenues

(Figures in NOK 1 000)	2012	2011
Norway	35 046	46 319
Europe	2 285	3 058
Asia (Excl. Japan)	61 937	74 496
Oceania	4 281	16 297
Other	10 876	8 889
Total sales revenues	**114 425**	**149 059**

The item "other operating revenue" consists mainly of rent and income from services sold to subsidiaries, and the effect on profit and loss arising from the parent company acting as factoring company in the Group, when claims that the Norwegian production companies have on foreign sales companies are transferred to the parent company, which assumes the currency risk of the claims.

Ekornes ASA's former Contract department was transferred to Ekornes Contract AS in 2012. The downturn in revenues can be ascribed to this change.

NOTES

NOTE 4
Merged items

(Figures in NOK 1 000)	2012	2011
Financial income and expenses		
Dividends from subsidiaries	86 067	72 958
Group contribution	262 500	212 000
Total dividend and group contribution	**348 567**	**284 958**
Other interest income from subsidiaries	3 210	4 006
Other financial income	527	2 961
Total financial income	**3 737**	**6 967**
Net gain/loss on foreign exchange	**14 403**	**81 003**
Other interest expenses	-2 626	-1 991
Other financial expenses	-1 399	-746
Total financial expenses	**-4 025**	**-2 737**
Net financial items	**362 682**	**370 191**

In the financial statement for the parent company, the dividend from subsidiaries is recognised as income in the year in which it is allocated by the subsidiary, if it is certain that the dividend will be paid out to the holding company. The bulk of the gains/losses on foreign exchange in the parent company (approx. NOK 50 million) is the net difference between the face value of the forward currency contracts and the spot ratio on maturity/redemption. Net balance sheet adjustments accounted for NOK 40 million of this figure in 2012.

NOTE 5
Salaries, number of employees, remuneration and pensions

(Figures NOK 1 000)	2012	2011
Salaries	54 276	55 979
National insurance contributions	7 555	7 789
Pension costs	2 141	-1 043
Other personnel expenses	1 693	2 726
Total	**65 665**	**65 451**
Average number of person-years	63	68

NOTE 6
Employee benefits

Pension commitment

A Group pension scheme (defined contribution plan) has been established for the employees of the company. The Company has also pensions expensed continuously plus agreed early retirement pension (AFP). Pension was treated for accounting purposes as defined benefit schemes.

The Company has elected to manage the pension costs and obligations under IAS 19, and in conformity with IAS 19.93A all actuarial gains and losses are recognised directly in equity. The effect of this is shown in the equity note.

NOTE 6
Employee benefits
(continued)

Pension costs (Figures in NOK 1 000)	2012	2011
Pensions paid (defined contribution scheme)	2 090	1 899
Interest expenses on pension liabilities	51	260
Recognised scheme changes	0	-3 245
Total	2 141	-1 086

Reconciliation of the scheme funding position and the amounts disclosed in the balance sheet (Figures in NOK 1 000)	31.12.2012	31.12.2011
Accumulated pension liabilities	1 125	1 310
Accrued national insurance contributions	158	185
Net pension liabilities	**1 283**	**1 495**
Financial assumptions:		
Discount rate	3.9 %	3.3 %
Expected increase in salaries	3.5 %	4.0 %
Expected increase in pensions	3.25 %	3.00 %
Expected increase in government contribution	3.25 %	3.75 %

Mandatory pension scheme
The Company must, according to Norwegian law, establish pension schemes for its employees. The Company has pension schemes that are in compliance with Norwegian law.

Declaration of the Board of Directors remuneration policy for senior executives
A major element in the Company's remuneration policy is that leaders should be offered competitive salaries with respect to similar positions in their market. The Company has established bonus schemes that are based on the financial performance of the profit centre for which the executive is responsible; this is a major part of the compensation package. Salary adjustments and other remunerations are mainly adjusted in accordance with developments in salary/price levels the country in which the position is located. In 2012, the remuneration policy has been in accordance with the declaration presented to the General Meeting in 2012. A new declaration will be presented at the General Meeting in 2013.

Bonus-based payment transactions
Employee bonus:
All employees in the Group are entitled to a bonus based on the Groups profitability. The bonus is calculated as a percentage of the employee's monthly salary. The fair value of bonuses accrued is recognised as an expense in the income statement and a liability in the balance sheet.

Individual agreements
Individual bonus agreements for 2012 have been entered into with all nine members of Group management. The CEO's bonus depends on the Group's return on total assets. The bonus is capped at 0.087 per cent of Group profits before tax if the return on total assets reaches or exceeds 33 per cent.

Following the departure of Ekornes's CEO, the company needed to fill the position until a permanent replacement can be appointed. Former CEO Nils-Fredrik Drabløs has been appointed acting CEO with effect from 03.12.2012 until further notice.

The Company has entered into the following agreement with Chairman of the Board, Olav Kjell Holtan (OKH):
a) Ordinary fixed directors' fee in accordance with the AGM's resolution, which is paid as personal salary.
b) In addition, the company is charged for each meeting day in accordance with the AGM's resolution, which is paid as personal salary.
c) For the period 28.11.12 – 28.02.13 a temporary employment contract was entered into in connection with the departure of Ekornes ASA's previous chief executive.

›› NOTE 6
Emloyee benefits
(continued)

Remuneration to members of the Group Management paid in 2012					
(Figures in NOK)	Nils-Fredrik Drabløs	Øyvind Tørlen	Arve Ekornes	Runar Haugen	Geir Ståle Tenfjord
Salaries 2012	4 069 529	2 939 061	1 480 023	2 239 371	293 295
Bonus 2011, paid in 2012	225 700	225 700	225 700	225 700	225 700
Pension	22 182	44 364	44 364	44 364	11 091
Other remunerations	9 418	45 464	48 711	56 032	3 153
Total	**4 326 829**	**3 254 589**	**1 798 798**	**2 565 467**	**533 239**

NOK 2 792 700 of the salary paid to Nils-Fredrik Drabløs is settlement of an agreed non-funded pension which should have been paid out after he reached the age of 67.
Øyvind Tørlen and Geir Ståle Tennfjord are no longer employees of the company.

Remuneration to members of the Group Management paid in 2012					
(Figures in NOK)	Geir Balsnes	Svein Lunde	Robert Svendsen	Ola Arne Ramstad	Jon-Erlend Alstad
Salaries 2012	1 078 243	2 085 780	2 616 121	1 668 828	1 299 000
Bonus 2011, paid in 2012	-	220 195	225 700	225 700	-
Pension	44 364		44 364	44 364	33 273
Other remunerations	28 688	20 600	82 589	43 715	11 708
Total	**1 151 295**	**2 326 575**	**2 968 774**	**1 982 607**	**1 343 981**

Remuneration to Board members paid in 2012								
(Figures in NOK)	Olav-Kjell Holtan	Kjersti Kleven	Stian Ekornes	Bjørn Gulden	Nora F. Larssen	Gry Hege Sølsnes	Arnstein Johannessen	Tone Helen Hanken
Salaries 2012							388 086	327 734
Bonus 2011, paid in 2012							15 000	12 398
Pension							12 840	10 236
Director's emolument	785 000	345 000	384 000	0	354 000	216 000	180 000	180 000
Other remunerations							1 496	1 496
Total	**785 000**	**345 000**	**384 000**	**0**	**354 000**	**216 000**	**597 422**	**531 864**

Remuneration to Board members paid in 2012								
(Figures in NOK)	Atle Berntzen	Hans Harald Hageberg	Ove Skåre	Else Marie Rønning	Ragnhild Apelseth	Wenche Elvegård	Ronny Nipen	Ove Fagerheim
Salaries 2012	474 900	576 764	414 342	540 541	354 727	417 140	277 877	388 619
Bonus 2011, paid in 2012	15 340	20 232	15 883	20 943	12 985	16 400	21 246	13 974
Pension	13 392	21 288	14 040	21 528	11 580	14 232	9 900	11 712
Director's emolument	120 000				60 000	30 000		
Other remunerations	1 496	2 496	1 496	6 600	1 496	5 364	3 623	1 496
Total	**625 128**	**620 780**	**445 761**	**589 612**	**440 788**	**483 136**	**312 646**	**415 801**

Remuneration to Auditor (Figures in NOK 1 000)	2012	2011
Audit fee	1 546	1 467
Other attestation fees		
Tax advisory services	51	36
Total	**1 597**	**1 502**

NOTE 7
Property plant and equipment

(Figures in NOK 1 000)	Software	Sites, buildings	Operating movables, fixtures etc.	Total
Acquisition value at 01.01	124 263	1 053 903	32 555	1 210 720
+ additions	22 043	14 227	3 288	39 558
- disposals at acquisition value	607	28 425	521	29 553
Acquisition value at 31.12	**145 699**	**1 039 705**	**35 321**	**1 220 725**
Acc. ordinary depreciations at 01.01	107 864	422 189	16 369	546 421
+ the year's ordinary depreciations	18 538	37 197	4 989	60 723
- acc. ord. dep sold non-curr. assets	607	20 062	165	20 834
Acc. ordinary depreciation at 31.12	**125 794**	**439 324**	**21 193**	**586 310**
Book value 31.12	**19 905**	**600 382**	**14 129**	**634 415**

NOTE 8
Intangible assets

All expenses relating to development, manufacturing and maintenance of products, productrights and registered trademarks are recognised as an expense.

NOTE 9
Subsidiaries

Shares in subsidiaries Ekornes ASA (Figures in NOK 1 000)	Business office	Shareholding	Voting share	Book value
Own directly				
J.E. Ekornes AS	Ikornnes	100 %	100 %	6 000
Ekornes Fetsund AS	Fetsund	100 %	100 %	8 000
Ekornes Skandinavia AS	Ikornnes	100 %	100 %	1 242
Ekornes Contract AS	Sykkylven	100 %	100 %	9 192
J.E. Ekornes ApS, Denmark	Odense	100 %	100 %	204
Ekornes K.K, Japan	Tokyo	100 %	100 %	2 680
OY Ekornes AB, Finland	Helsinki	100 %	100 %	69
Ekornes Inc., USA	Somerset, NJ	100 %	100 %	3 000
Ekornes Ltd., England	London	100 %	100 %	225
Ekornes Möbelvertriebs GmbH, Germany	Hamburg	100 %	100 %	415
Ekornes S.A.R.L, France	Pau	100 %	100 %	550
Ekornes Iberica SL, Spain	Barcelona	100 %	100 %	79
Ekornes Asia Ltd., Singapore	Singapore	100 %	100 %	1 875
Ekornes Latin America Ltda, Brazil	São Paulo	100 %	100 %	3 000
Ekornes Pty Ltd, Australia	Sydney	100 %	100 %	113
Owned directly				**36 644**
Owned indirectly				
J.E. Ekornes USA, Inc.	Morganton, NC	100 %	100 %	3 007
Stay ApS, Denmark	Copenhagen	100 %	100 %	130
Total indirectly				**3 137**
Total				**39 781**

NOTES

NOTE 10
Shares in other companies, etc.

Shares in other companies (Figures in NOK 1 000)	Share	Acquisition Cost	Book value
Non-current assets			
Sykkylvsbrua AS	37.5 %	8 790	8 141
Other shares		1 012	1 012
Other long-term receivables and placements		569	569
Total		**10 371**	**9 722**

Sykkylvsbrua AS is not treated as an associate company since the Group has no entitlement to any share of its profits.

NOTE 11
Receivables falling due more than a year hence

(Figures in NOK 1 000)	2012	2011
Loans to group companies	153 634	176 824
Total	**153 634**	**176 824**

NOTE 12
Loans, secured loans and guarantees

The company had no interest-bearing debt as at 31.12.2012 (2011: 0). As at 31.12.2012 Ekornes had unused drawing rights on its banks. Land and buildings have been pledged as security.

NOTE 13
Intra-group balances and accounts

All intra-group balances are shown on separate lines in the balance sheet.

Transactions with subsidiaries (Figures in NOK 1 000)	
Sale of goods	34 890
Purchases	93 748
Sale of services	88 106
Group contribution/dividend received	348 567
Group contribution/dividend paid	0
Commission	21 944
Interest income	3 210
Rental income	56 554

NOTE 14
Tax and temporary differences

(Figures in NOK 1 000)	2012	2011
Tax payable:		
Pre-tax profit	302 197	338 458
Permanent differences	-77 186	-69 513
Changes in temporary differences	33 347	1 272
This year's tax base	**258 358**	**270 217**
Tax payable on profit for the year	**72 340**	**75 661**
Tax expense		
Tax payable on profit for the year	72 340	75 661
Correction to tax payable previous year	-2 874	
Gross change in deferred tax	-6 537	-356
Withholding tax	556	
Deferred tax on income/expenses recognised in equity	33	
Total tax	**63 518**	**75 304**
Tax payable in the balance sheet		
Tax payable on profit for the year	72 340	75 661
Tax paid this year	-344	-324
Tax on group contribution		-2 408
Tax payable in the balance sheet	**71 996**	**72 928**
Temporary differences linked to:	**31.12.2012**	**31.12.2011**
Non-current assets	3 252	20 104
Current assets	-4 203	-2 495
Liabilities	-16 283	-1 495
Total temporary differences	**-17 234**	**16 113**
Differences not offset	10 000	
Basis for deferred tax	**-7 234**	**16 113**
Deferred tax/ Deferred tax assets	**-2 026**	**4 512**

NOTES

NOTE 15
Shareholder's equity

(Figures in NOK 1 000)	Share capital	Other equity deposits	Premium fund	Other equity	Total
Equity 01.01.2011	**36 827**	**1 983**	**386 321**	**758 460**	**1 183 591**
Profit for the year				263 153	263 153
Actuarial loss defined benefit plans				-3	-3
Allocated dividend				-276 201	-276 201
Equity 01.01.2012	**36 827**	**1 983**	**386 321**	**745 409**	**1 170 540**
Profit for the year				238 679	238 679
Actuarial loss defined benefit plans				-117	-117
Allocated dividend				33	33
Equity 31.12.2012				-202 547	-202 547
Equity 31.12.2012	**36 827**	**1 983**	**386 321**	**781 456**	**1 206 587**

NOTE 16
Cash and cash equivalents as at 31.12

The Company has the following cash reserves and drawing rights:

(Figures in NOK 1 000)	2012	2011
Cash and bank deposits	188 102	167 409
Unused credit facilities	315 000	315 000
Total	**503 102**	**482 409**

Only cash and bank deposits are recognised as cash equivalents in the cash flow statement. TNOK 2,889 (2011 TNOK 2,489) of the company's bank deposits are restricted with respect to employees' tax deductions. The parent company has agreements with its main bankers for drawing facilities with a limit of up to NOK 315 million, in accordance with defined terms. The drawing facilities had not been utilised as at 31 December 2012.

NOTE 17
Share capital and shareholders

All shares in Ekornes ASA are A-shares. A total of 5,726,000 shares (3,744,000) in Ekornes ASA were traded on the Oslo Stock exchange in 2012 (2011).

	2012
Total number of shares in Ekornes ASA, 31.12.2012	36 826 753
Face value	NOK 1,-
Book value at 31.12.2012	36 826 753
Number of shareholders as at 31.12.2012	2 421
Norwegian	2 244
Non-Norwegian	177

No. of shares owned by senior executives and members of the board as at 31 December 2012	Function	Number of shares
Stian Ekornes	Board member	75 358
Tone H. Hanken	Board member	1 084
Arnstein Johannessen	Board member	1 312
Hans Harald Hageberg	Deputy board member	394
Ove Skåre	Deputy board member	3
Nils-Fredrik Drabløs	CEO	400
Ola Arne Ramstad	Production Director Furniture	525
Runar Haugen	Group Marketing Director	300

« NOTE 17 Share capital and shareholders continued

The 20 largest shareholders as at 31.12.2012

Shareholders	Country	No. of shares held	Percentage
Nordstjernan AB	SWE	5 689 448	15.45
Folketrygdfondet, JP Morgan Chase Bank	NOR	4 045 237	10.98
JPMorgan Chase Bank Nordea, Treaty Acc.	GBR	1 990 864	5.41
State Street Bank, A/C Client Omnibus D	USA	1 744 485	4.74
Pareto Aksje Norge Verdipapirfond	NOR	1 676 291	4.55
JPMorgan Chase Bank, Special Treaty Lending	GBR	1 517 574	4.12
Odin Norge	NOR	1 432 808	3.89
Berit Vigdis Ekornes Unhjem	NOR	1 070 331	2.91
Gunnhild Ekornes Mertens	NOR	1 050 050	2.85
Orkla ASA	NOR	884 500	2.40
Pareto Aktiv Verdipapirfond	NOR	712 665	1.94
JPMCB RE SHB Finnish Handelsbanken Nordic	FIN	700 000	1.90
Skandinaviska Enskilda, A/C Clients Account	SWE	639 275	1.74
Skandinaviske Enskilda, A/C Finnish Resident	FIN	619 500	1.68
State Street Bank, A/C Client Omnibus F	USA	584 631	1.44
Torill Anne Ekornes	NOR	523 897	1.42
Citibank N.A. London B S/A	KWT	489 300	1.33
Handelsbanken Helsinki, Clients Account 3	FIN	464 750	1.26
MP Pensjon PK	NOR	440 777	1.20
Lazard Freres Banque	FRA	420 000	1.14
		26 696 383	**72.35**

« NOTE 18 Changes in organisation

Øyvind Tørlen stepped down as CEO in December 2012. Former CEO Nils-Fredrik Drabløs has been appointed acting CEO until the position has been permanently filled.

The Contract business area was brought together under the administration and management of Ekornes Contract AS. The company's main focus is the Nordic hotel, shipping/offshore and cruise, and office furniture markets. The company is headquartered in Sykkylven.

DECLARATION BY THE BOARD OF DIRECTORS AND CEO

The Board of Directors and CEO have today discussed and approved the annual report and financial statements for Ekornes ASA, the Group and Parent company, for the calendar year 2012 and at 31. December 2012 (Annual Report 2012). The consolidated accounts have been prepared in accordance with IFRS's and interpretations approved by EU, as well as the further Norwegian disclosure requirements arising from Norwegian Accounting Act to be applied as at 31.12.2012. The financial statements for the Parent company have been prepared in accordance with the Norwegian Accounting Act and Norwegian generally accepted accounting principles as at 31.12.2012. The annual report for the Group and the Parent company has been prepared in accordance with the Accounting Act's requirements and the Norwegian Accounting Standard No. 16 as at 31.12.2012.

It is our firm conviction that:

- the 2012 financial statements for the Group and Parent company have been prepared in accordance with applicable accounting standards
- information in the statements provides a true and fair view of the Group and Parent company's assets, liabilities and financial position and performance as a whole as at 31 December 2012
- the annual report for the Group and Parent company gives a true and fair view of:
  – the development, performance and position of the Group and Parent company
  – the most important risk and uncertainty factors faced by the Group and Parent company

›› The Board of Ekornes ASA

Ikornnes, 31 December 2012/21 March 2013

Olav Kjell Holtan
Chairman

Kjersti Kleven
Vice Chairman

Nora Förisdal Larssen

Bjørn Gulden

Arnstein Johannessen

Stian Ekornes

Atle Berntzen

Tone Helen Hanken

Nils-Fredrik Drabløs
CEO

KPMG AS
Langelandsvegen 1
N-6010 Ålesund

Telephone +47 04063
Fax +47 70 10 31 30
Internet www.kpmg.no
Enterprise 935 174 627 MVA

To the Annual Shareholders' Meeting of Ekornes ASA

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of Ekornes ASA, which comprise the financial statements of the parent company Ekornes ASA and the consolidated financial statements of Ekornes ASA and its subsidiaries. The parent company's financial statements comprise the balance sheet as at 31 December 2012, the income statement and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information. The consolidated financial statements comprise the balance sheet as at 31 December 2012, and the income statement and the statement of other comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

The Board of Directors and the Managing Director's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion on the separate financial statements

In our opinion, the parent company's financial statements are prepared in accordance with the law and regulations and give a true and fair view of the financial position of Ekornes ASA as at 31 December 2012, and of its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

Opinion on the consolidated financial statements

In our opinion, the consolidated financial statements are prepared in accordance with the law and regulations and give a true and fair view of the financial position of Ekornes ASA and its subsidiaries as at 31 December 2012, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report and Report on corporate governance

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and Report on corporate governance concerning the financial statements, the going concern assumption and the proposal for the allocation of the profit is consistent with the financial statements and complies with the law and regulations.

Opinion on Accounting Registration and Documentation

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

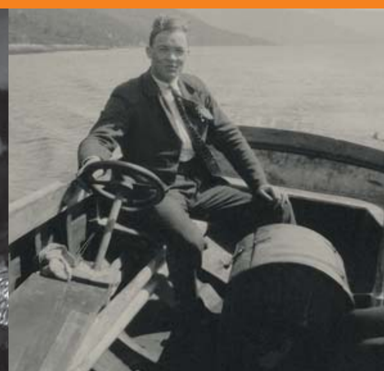
Ålesund, 22 March 2013
KPMG AS

Rune I. Grøvdal
Statsautorisert revisor

[Translation has been made for information purposes only]

HISTORY

1930's



1940's

1950's

1960's

1934
Production started at the J.E. Ekornes Fjærfabrikk in 1934, with three employees and German machinery. The Sunnmøre furniture industry had just started up and it was here that the founder, Jens E. Ekornes, found his first customers.

1937
The first Svane® mattresses were launched in three versions – Eva, Ideal and Rekord.

1948
The Swingbed was, for a time, one of Norway's best-selling beds. The "amazing sofa bed" was launched.

Jens E. Ekornes supplies mattress springs to customers on the opposite side of the fjord.

1955
Mattress production is expanded.

1959
J.E. Ekornes Fabrikker AS begins production of foam rubber. This forms a very important part of the manufacturing process of Ekornes' own mattresses and furniture, although foam rubber is also produced for sale to other furniture manufacturers.

1963
The Combina series was launched in Germany, creating awareness of the potential in the German market.
The Combina series, which had been developed three years earlier, became a solid success.

1966
Ekornes was the first furniture manufacturer in Norway to begin distributing product information to every household in Norway, known as "Svane® Information". Its success was followed up with annual direct mail from Ekornes for many years.

1971
The first Stressless® chairs were launched in the Norwegian market.

1972
Ekornes multiplied its production during the decade, thanks to the incorporation of, and collaboration with, other furniture manufacturers.

1975
Ekornes' Group turnover exceeds NOK 100 million.

1980
The Stressless® series' turnover exceeds NOK 100 million. Stressless® is introduced with a wooden base.

1983
Export exceeds NOK 100 million, and Stressless® no. 500,000 is produced. Conditions are now right to establish the sales company Ekornes Ltd. in England. The company's progress in the export market attracts attention, and Ekornes is awarded the 1983 Export Award.

1991
The Plus™ system is developed, patented and introduced on the Stressless® models.

1993
The DuoSystem® is launched. Customers can choose between a firmer or softer mattress simply by turning over the mattress – a competitive advantage unique to the Svane® mattress.

1995
Ekornes is listed on Oslo Stock Exchange. Safe™ is launched. Safe™ offers the Stressless® and Ekornes® Collection sofa new product advantages.

2000
Construction starts on Ekornes' new Stressless® factory. The factory will provide increased capacity for further growth.

2001
Ekornes introduces a wider product range in the international markets. There are now 1,500 Ekornes® studios worldwide. Stressless® breaks the 1,000 unit production per day barrier. Ekornes opens new showrooms in Ålesund, at the Ekornes Bua.

2002
New Stressless® logo introduced.

2003
Turnover passes NOK 2,000 million.

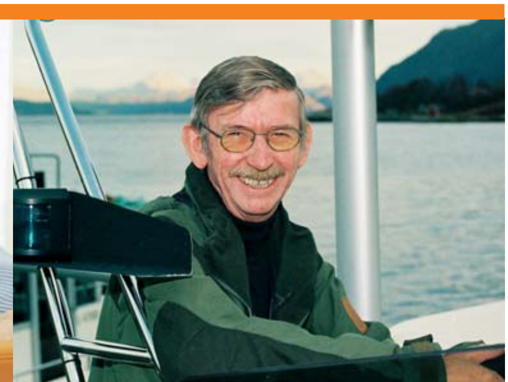
2004
Launch of the Svane® Zenit mattress with IntelliGel®.
Official opening of the new Stressless® plant in Sykkylven, 25 March 2004.
Trade press names Ekornes "Industrial Company of the Year".
Market survey shows that 36 million people in Europe and the USA recognise the Stressless® brand name.

2005
Ekornes is mentioned in Report No. 25 to the Storting on regional policy. Ekornes is pointed to as an example of Norwegian competence, technology and design succeeding in export markets.

1970's

1980's

1990's



2000's

2006
Ekornes establishes a presence in Singapore and Shanghai, and opens an office in São Paulo, Brazil. Ekornes' Svane® mattresses are the first Norwegian mattresses on the consumer market to receive environmental certification, and the new Stressless® Jazz premieres in November.

2007
Øyvind Tørlen is appointed deputy CEO in June 2007. He was previously CEO of Pan Fish Norway.

Construction of an extension of 4,600 Sqm. begins at Tynes in Sykkylven.

A new deep-water wharf came into operation at the company's main facilities in Ikornnes. The wharf is 81 meter long, covers around 2,000 Sqm. and has room for some 80 containers.

2008
Ekornes sells trademark rights to Sacco®. The buyer is a newly-established company, Sacco of Norway AS.

Stressless® Jazz won the Norwegian Award for Design Excellence in March. The Award for Design Excellence is granted to Norwegian companies cooperating with designers to develop innovative and successful products.

Production starts at the upgraded and extended plant at Tynes in Sykkylven. The lamination and sealing factory has three stories and a total production area of 9,400 m2.

In May, Ekornes signs an agreement to purchase all shares in Stay AS. This acquisition forms part of the work to strengthen Ekornes' presence in the contract market for furniture and mattresses in Scandinavia.

In June, Ekornes publishes an environment policy document that will make it easier for consumers, the press, distributors and others to gain insight into our environment policy.

Jens Petter Ekornes, former Managing Director, board member and CEO, passed away on 22 June 2008, after battling a long-term lung disease.

The global financial crisis makes itself felt in the fourth quarter 2008 in the form of reduced order receipts. In mid-December, Ekornes implements a four-day week at the six plants in North-Western Norway. This decision was taken with the agreement of the employees' representatives.

2009
On 8th January Ekornes decides to close its sofa factory at Stranda. Production of fixed-back sofas is transferred to Hareid. The Stranda plant has 67 full-time employees.

This represented a 25 per cent reduction of sofa production capacity. At the same time, significant changes are also adopted at the other factories.

The Ekornes Group celebrates its 75th anniversary. The jubilee was marked by an open air concert in Sykkylven centre, and a jubilee book "Fra springfjær til Stressless®" (From Mattress Springs to Stressless®) by the historian Eldar Høidal.

On 1 July 2009, a planned change of management took place in Ekornes, when Nils-Fredrik Drabløs handed the rudder to Øvind Tørlen. Nils-Fredrik Drabløs had requested to be relieved of his role. Øyvind Tørlen has been employed as deputy CEO since June 2007.

It has been decided to invest NOK 70 million in a new sealing workshop and shipping unit at the main factory at Ikornnes. Ekornes has been granted an exemption from the prohibition against building along the Storfjorden fjord.

Ekornes aims to operate its business with an expressed corporate social responsibility and has therefore joined the UN Global Compact. So far, more than 5,000 companies in 130 countries have done the same.

At the Ålesund autumn exhibition, Ekornes launched its new enhanced sitting comfort system, the ErgoAdapt™. The sofa system consists of two models, Stressless® E200 and Stressless® E300.

Ekornes establishes the company Ekornes Australia Pty., and assumes responsibility for imports after the former importer Scansin. The take-over had effect from 1st September 2009.

Continued on next page

HISTORY

2010

2011

2011

2011

2010
Merger between J.E. Ekornes AS and Ekornes Møbler AS.

Ekornes comes out top in a survey of Norwegian furniture retailers carried out by Sentor-Gruppen AS.

Olav Kjell Holtan wins Norway's Chairperson of the Year award for 2010.

Ekornes makes a mark in China with its own stand at the Nordic Lighthouse exhibition in Shanghai. The exhibition included companies from Norway, Sweden, Iceland and Finland that wished to raise their profile in the Chinese market. Nordic Lighthouse was open to the public from 27 April to 31 October.

Ekornes was a double prize-winner when the British interior design magazine, Interiors Monthly, announced its annual industry awards. Ekornes won the "Best Overseas Furniture Manufacturer" award and the award for "Best Marketing Support". Ekornes is the first company to win two categories in these awards.

Ekornes won its third Stockman Prize, which is awarded by the Norwegian Society of Financial Analysts for the best reporting to the financial markets. Ekornes won the category for small to medium-sized companies.

Over 90 per cent of the Norwegian population recognises the Svane® and Stressless® brand names. According to a recent market survey carried out by Synovate on behalf of Ekornes, the three brands Ekornes®, Stressless® and Svane® are the most well-recognised of all furniture manufacturers.

2011
Stressless® 40th anniversary
In 2011, the world's most famous furniture brand celebrated its 40th anniversary. Since its introduction in 1971 more than over 6.5 million Stressless® seat units have been sold, and Stressless® has been registered as a trade mark in more than 60 countries. Around 2,500 distributors sell Stressless® products around the globe. This year, Ekornes hosted a record number of visiting distributors, over 900 people.

Production
A new water-based coatings facility went into operation at J.E. Ekornes AS at Ikornnes.

In March, Ekornes started using the world's first robot capable of sewing elastic materials. After several years of research, Norwegian furniture manufacturing reached a technological milestone. At the country's largest sewing department at J.E. Ekornes AS in Ikornnes, the robot sews covers for Stressless® Jazz and Blues bases.

Ekornes ASA purchased the factory premises at Hareid, which had been leased since Ekornes took over the plant in 1996.

In the autumn of 2011, J.E. Ekornes AS established sofa manufacturing facilities in the USA. J.E. Ekornes USA Inc., located in Morganton, North Carolina, had 13 employees when it went into operation.

At the close of the year, J.E. Ekornes AS entered into an Inclusive Working Life Agreement with Norwegian Labour and Welfare Administration (NAV) in Møre & Romsdal. Initially, the agreement will cover the plants in Hareid, Sykkylven and Grodås.

Web
Ekornes overhauled its website and received a total of three million separate hits in 2011.

Ekornes also launched two iPad apps; "Investor Relations" and "The Comfort Collection".

Awards
For the third year running, Ekornes UK won the British interior design magazine Interiors Monthly's award for "Best Marketing Support".

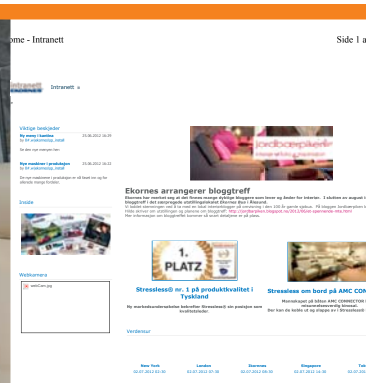
Ekornes came out on top in a Norwegian furniture survey carried out by Sentor-Gruppen AS. A total of 117 furniture chain-store managers were interviewed in the survey. This was the second year running that Ekornes topped the rankings.

In Japan, Ekornes received a gold medal for its home-cinema furniture in the Visual Grand Prix 2011. The VGP is a highly respected award in Japan, and is given to audio-visual products that stand out in their individual categories.

Ekornes Asia was one of around 50 companies selected for inclusion in the 2011 edition of Hong Kong's Most Valuable Companies. In its review, the editors accorded Ekornes the accolade "the Wellness Champion".

2012

2012



2012

2012

2012
Svane® 75th anniversary In 2012, the Svane® mattress brand celebrated its 75th anniversary. Svane® was the Norwegian furniture industry's first brand name.

At the request of the Furniture, Wood & Mechanical Industries' Vocational Training Office in Sykkylven, training manager Karin Håvik Eide drew up a list of the different occupations employed at Ekornes. The list showed over 80 different occupations.

The mattress plant at Fetsund celebrated its 50th anniversary. Thomas H. Bauer took over as CEO of Ekornes Möbelvertriebs GmbH, Central Europe, on 1 January. Bauer had previously worked at Unilever.

Jon-Erlend Alstad took over as CEO of Ekornes Fetsund AS on 1 April. Alstad had previously been sales and marketing manager at Scandinavian Business Seating.

Geir Balsnes took over from Geir Ståle Tenfjord as Ekornes's IT Director on 15 March. Balsnes had previously been Vice President and Executive Partner of Gartner Group, a firm of business analysts.

In London Lee Bagnall took over as MD for Ekornes UK & Ireland. He had previously held a variety of senior positions at B&Q and Bensons for Beds.

Ekornes's new intranet was launched in August. Its objective is to make information about ongoing projects more readily available to employees. The plan is to connect the intranet to the information screens installed at the plants at Sykkylven and Fetsund.

A new international communications concept for Stressless® was launched at the annual furniture fair in October. Its aim is to strengthen the position Stressless® holds as the best comfort product through, among other things, a new TV commercial.

Board Chair Olav Kjell Holtan sent the following notice to the stock exchange on 3 December: "Øyvind Tørlen and the board of Ekornes ASA have jointly decided that, with effect from today, Monday, 3 December, Mr Tørlen shall step down as CEO of the company. This decision has been prompted by a difference of views with respect to the Group's future strategy. Former CEO Nils-Fredrik Drabløs has been appointed acting CEO from today and until a new CEO has been appointed. The search for a new chief executive starts immediately."

This year's Christmas donation went to voluntary centres in Sykkylven, Hareid and Grodås. Ekornes Fetsund AS chose to give its donation to the Skolestua psychiatric day centre in Fetsund. A total of NOK 525,000 was distributed. Ekornes has given a Christmas donation to a variety of worthy causes since 2009.

Ekornes shall be the leading furniture manufacturer in Europe and be reputed to deliver quality at every stage.

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