ANNUAL REPORT 2013

EKORNES ASA

EKORNES

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

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J.E. EKORNES AS Ikornnes plant (Sykkylven)

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.

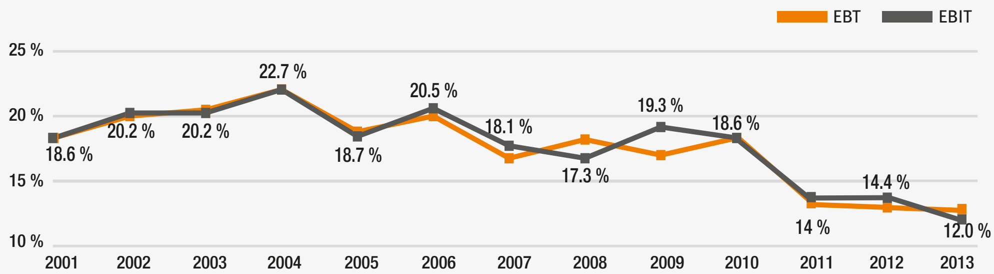
Consolidated summary

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 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 and 2013. The parent company's financial statements are unaffected by this. The presentations on pages 6, 7 and in note 1 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 2013 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.
The regulations contained in IAS 39 are currently being amended.Clarification with respect to the new regulations was expected during 2013. However, this seems to have been postponed until 2017 at the earliest. The company has now adjusted its documentation such that the necessity for reporting will no longer apply from the first quarter 2014. Ekornes will therefore revert to its previous reporting format (hedge accounting) with effect from the 2014 financial year.

Key figures* **Six-year summary** **(Figures in NOK mill.)**	**2013**	**2012**	**2011**	**2010**	**2009**	**2008**
Consolidated operating revenue	2 611.3	2 762.7	2 757.6	2 868.8	2 587.9	2 673.1
Norway (incl. Contract)	416.0	473.5	469.2	465.0	503.7	405.3
International	2 195.3	2 289.2	2 288.4	2 403.8	2 084.2	2 267.8
Operating profit	312.9	399.0	386.5	534.0	499.6	462.7
Profit before tax	334.0	373.9	389.6	536.4	461.9	497.0
Profit for the year	222.3	255.8	273.9	380.9	324.7	347.6
Return on sales (ROS)	12.7 %	13.4 %	14.3 %	18.8 %	19.5 %	17.5 %
Capital turnover	1.25	1.29	1.26	1.33	1.30	1.43
Return on total assets (ROA)	16.0 %	17.4 %	18.0 %	25.0 %	25.4 %	25.1 %
Net change in cash flow from operating activities	405.7	331.2	330.3	435.8	506.8	405.3
Liquidity ratio I – Current ratio*	2.58	2.46	2.53	2.50	2.36	1.78
Liquidity ratio II – Acid test*	1.80	1.68	1.84	1.83	1.76	1.20
Investments (net)	148.1	79.0	142.8	112.4	99.3	188.2
Depreciation	133.8	125.1	125.5	116.5	109.6	119.9
Total capital	1 975.1	2 187.0	2 099.1	2 265.2	2 047.0	1 919.8
Equity	1 566.8	1 704.7	1 657.9	1 744.5	1 570.0	1 103.5
Equity ratio	79.3 %	77.9 %	79.0 %	77.0 %	76.7 %	57.5 %
Working capital*	618.5	592.0	588.5	667.1	555.8	381.6
No. of person years	1 525	1 575	1 520	1 553	1 469	1 557
No. of employees	1 576	1 626	1 577	1 618	1 527	1 632
No. of shareholders	2 359	2 421	2 401	2 437	2 820	2 774
No. of shares (1 000)	36 827	36 827	36 827	36 827	36 827	36 827
Earnings per share (EPS)	6.04	6.95	7.44	10.34	8.82	9.44
Dividend per share (proposed 2013)	5.50	5.50	7.50	9.00	7.00	3.50
Dividend ratio	91.1 %	79.1 %	100.8 %	87.0 %	79.4 %	37.1 %
Share price as at 31 December	82.25	92.50	98.00	160.00	120.00	66.30
Market capitalisation as at 31 December (1 000 000)	3 029.0	3 406.5	3 609.0	5 892.3	4 419.2	2 441.6

Income statement 2013

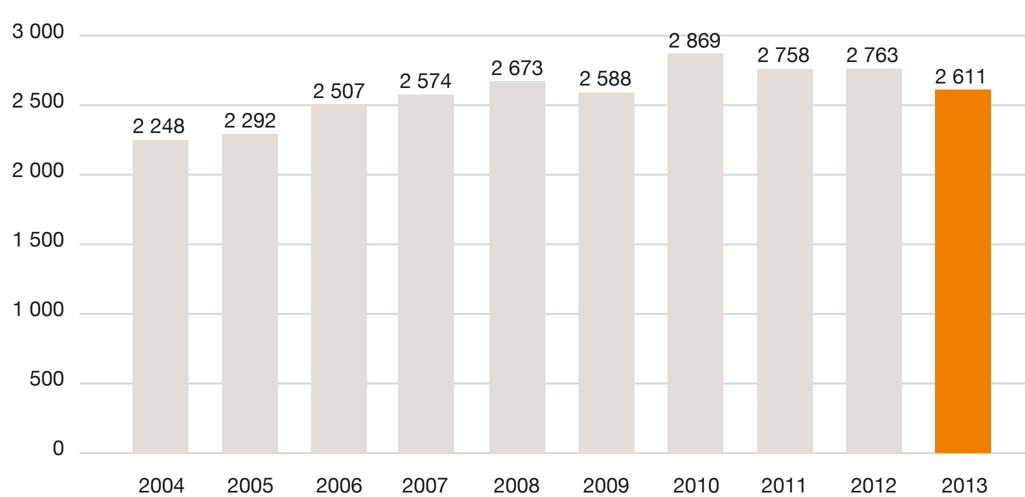


PRE-TAX PROFIT (EBT) AND OPERATING PROFIT (EBIT)

« Income Statement 2013 prepared in accordance with previous accounting principle

(Figures in NOK mill.)	Whole year 2013	Whole year 2012	4th quarter 2013	4th quarter 2012
Operating revenues and expenses				
Operating revenues	**2 611.3**	**2 762.7**	**670.0**	**721.5**
Materials	648.2	691.8	174.3	190.7
Salaries and national insurance	782.4	793.0	197.4	203.8
Depreciation	133.8	125.1	34.4	31.7
Other operating expenses	734.0	753.8	167.7	181.4
Total operating expenses	**2 298.4**	**2 363.7**	**573.8**	**607.6**
Operating profit	**312.9**	**399.0**	**96.2**	**113.9**
Net financial items	-1.4	-3.2	-0.6	-0.3
Profit and loss on currency exchange	22.5	-21.9	1.7	-10.9
Ordinary profit before taxes	**334.0**	**373.9**	**97.3**	**102.7**
Calculated tax	111.7	118.1	40.2	39.4
Profit after tax	**222.3**	**255.8**	**57.1**	**63.3**
Basic earnings per share	6.04	6.95	1.56	1.72
Diluted earnings per share	6.04	6.95	1.56	1.72

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)

Director, Procurement/ICT

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, Ekornes Beds AS

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.

EKORNES ASA

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Eldar Blindheim

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Director:
James Tate

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Thomas H. Bauer

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Director:
Peter Hjelmholm

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Bernard Lafond

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Ekornes Iberica S.L.

Director:
Mikael Gaultier

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Hajime Osawa

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Kaj Juutilainen

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Director:
César Garrubo

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Director:
John Candi

EXPORT

Ekornes ASA
Ekornes Export

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Marketing Director:
Runar Haugen

EKORNES CONTRACT AS

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Managing Director:
John Terje Drege

AVD./DEPT. OSLO

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Managing Director:
Ola Arne Ramstad

AVD./DEPT. VESTLANDSKE

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Factory Manager:
Ole André Småge

AVD./DEPT. TYNES

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Fax +47 70 25 53 00

Factory Manager:
Per Jarle Tynes

AVD./DEPT. HAREID

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Fax +47 70 03 95 01

Factory Manager:
Ole André Småge

AVD./DEPT. GRODÅS

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Fax +47 57 87 83 01

Factory Manager:
Knut Ove Rygg

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Fax +1 828 764 4110

President: Rolf Aarseth

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Director:
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** 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 – James Tate
- **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, South East Asia, Director – Mark Kelsey
- **Ekornes KK** Japan Director – Hajime Osawa
- **Ekornes Pty. Ltd.** Australia/New Zealand Director – John Candi

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
  Group 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
  Espen Kvam
- SAP/ERP Support Centre Application Management
  Tor Ervland
- Architecture Application Management
  Eva Kristin Oseberg
- IT Security Procurement
  Thor Vidar Larsen
- IT Service & Support Center
  Espen Kvam

PURCHASE DEPT.

Purchase Dept. Manager
Geir Balsnes

THE COMPANY

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

NILS-FREDRIK DRABLØS
CEO
Ekornes ASA

Message from the CEO

2013 was a challenging year for Ekornes, with difficult market conditions in several regions through the whole period, and with declining demand in the important German market in the second half. Through large parts of the year, the company's order receipts and order reserve in the majority of product areas were too low.

The company worked hard throughout 2013 to adapt to this situation, particularly in the factories. Efforts focused primarily on adjusting production capacity through a halt to staff recruitment and a ban on overtime, but also included the introduction of a 4-day week during part of the autumn. Staffing levels at the Norwegian factories has been reduced by approx. 60 full-time equivalents, the majority through natural wastage, but also through the transfer of some production processes at Ekornes Beds (Svane®) in Fetsund to the Baltic region.

The company has also sought to identify areas where costs may be cut – primarily within the purchasing area. However, substantial potential savings have also been identified in the field of marketing. Measures associated with this were implemented in the autumn of 2013. Some of these measures will be fully effective during 2014, while others will have a more long-term impact.

Significant price adjustments also went into effect at the start of 2014. This applies to the sofa segment in particular. The prices of some products have been cut by approx. 20 per cent. The impact of this is largely being passed on to the consumer, but in certain markets it is also helping to increase distributors' profit margins. This adjustment applies only to a limited number of colours, so that we can achieve substantial manufacturing productivity gains.

Ekornes Beds has now largely completed its comprehensive programme of product renewal and the upgrading of its communications platform. The investments associated with this programme have been substantial, but have been charged to expenses in their entirety in 2012 and 2013. Implementation of this programme vis-à-vis the market will take full effect in 2014. The workforce and their elected representatives have participated actively in the process of finding good solutions to the situation in which the company has found itself.

Towards the end of 2013 the company's new ERP system went 'live', after a lengthy period of preparation. Despite the thorough groundwork, however, the company was left practically in a state of emergency in December 2013 and January 2014. The company now seems to have regained control of all parts of its operations. We are deeply sorry that some of our customers have also been affected by this transition.

Efforts to use technology to maintain and preferably improve the company's competitiveness continued in 2013. This applies particularly to areas which have not previously benefited from technology development of any significance. Substantial improvements can be seen in the area of leather cutting and the assembly of sofa arms. These efforts will continue in 2014, with the company investing an amount roughly corresponding to total depreciation.

Ekornes launches new products and model updates at annual furniture fairs and customer events each autumn. From a design point of view, the new products Stressless® Metro and Stressless® City, represent a new departure for Ekornes. At the same time, the products' comfort and functionality have been retained.

When communicating the products' qualities and worth, our brand names Stressless® and Svane® are invaluable.

Decades of consistent communication and positioning have given our brands a strong position, both among distributors and consumers. A familiar brand name, with a clear brand promise, makes all communication and marketing more effective. Potentially, this represents the company's biggest asset.

Ekornes still has the bulk of its production in Norway, where a highly competent workforce is the foundation that underpins the continuous development of both manufacturing facilities and equipment. Through 2013 Ekornes has implemented several ambitious and successful programmes to stay at the forefront with respect to productivity, working environment and protection of the external environment. These efforts will continue in the years to come as a natural part of the company's corporate 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

MARKET CONDITIONS

Conditions in several important markets were difficult in 2013, while in other markets the situation took a more positive turn. In 2013 Ekornes continued to maintain a high level of activity even in difficult markets, although results were lower than in 2012. The company's strong brands and distribution network have been used actively for marketing purposes, along with a number of measures to maximise order receipts. A few markets experienced an increase in orders, while order receipts in the majority of larger markets were lower than the year before, as was the overall figure.

A new series of Stressless® chairs, with a completely new design, and a new collection of Svane® mattress toppers, were launched towards the end of the year. They were very well received by distributors. The new products will go on sale in stores during the first half 2014.

The Stressless® sofa price strategy was reassessed in 2013. This has resulted in a price reduction, which was made known to distributors at the close of the year for implementation in 2014.

MARKETING AND CUSTOMER STRATEGY

Ekornes's objective is to be the supplier that creates the greatest profitability for its distributors. The company intends to be the industry's leading brand-name supplier, with an attractive product and marketing concept.

Ekornes distributes its brands through financially sound and selectively chosen distributors. This includes both furniture chains and independent retailers.

MARKETING 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 in 2013, particularly in Central Europe. Although brand awareness is slightly lower in the American market than in Europe, Ekornes aims to gradually increase brand recognition in this region over time. Over 80 million people worldwide now recognise the Stressless® brand name.

The marketing 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 2013 to implement enhanced studio solutions for Stressless® products. A completely new studio concept has been developed for the Svane® brand. This will be implemented gradually through 2014.

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 marketing communications and with respect to product development.

A new international communication concept for Stressless® was launched in all markets in 2013. It has been very well received by both distributors and consumers. Communication focuses on creating undisputed ownership of the 'comfort position' in the furniture market and clearly differentiating Stressless® from other market players. Consistent and coordinated communication in all markets and media is heavily emphasised. A completely new communications platform was developed for Svane® in 2013. This builds on the brand's new and differentiated position: 'It's the inside that counts'.

Internet and electronic communications constitute 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. New tools which will engage consumers and make the buying process easier, have been implemented. Further development of this area will be given high priority.

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

COMPETITORS

The competitive situation continues to consist of many small and medium-sized suppliers, many of them from Asia. In recent years the number of competitors has fallen, but those that remain have become more proficient and have better products. However, no global player challenges Stressless® in all markets.

In 2013, 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.

« Geographic markets 2013

NORWAY

The Norwegian furniture market decreased by 1.4 per cent in 2013.

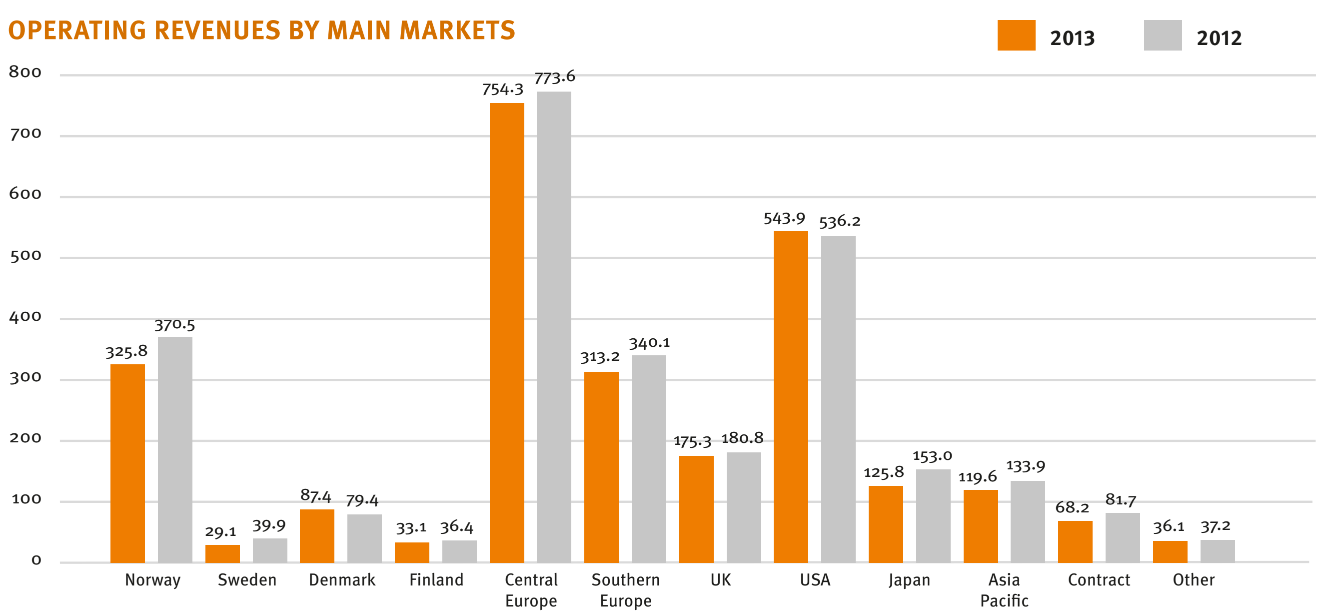
Ekornes's sales revenues decreased by NOK 44.7 million (down 12 per cent) in 2013. The company also experienced a 13 per cent decline in order receipts. Ekornes collaborates with the furniture chains Møbelringen and Living-Skeidar, as well as independent retailers. The company has a strong position in the Norwegian market. A new Stressless® chair collection and a new collection of Svane® mattress toppers were launched towards the end of 2013. They have been particularly well received by Norwegian distributors. Delivery and marketing of these collections will begin in 2014. However, a reduction in holdings of inventory at chains and retail outlets contributed to the decline in revenues in 2013.

SWEDEN

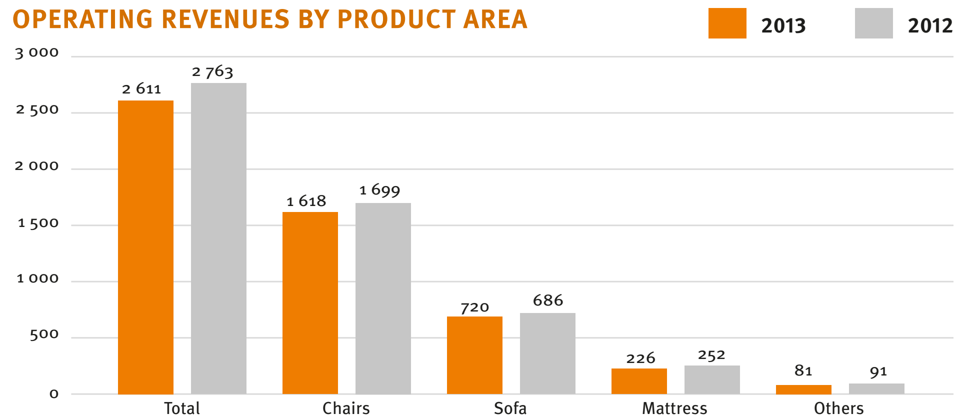
The Swedish furniture market grew by 3.5 per cent in 2013.

Ekornes's sales revenues fell by NOK 10.7 million (down 16 per cent) in 2013. Furniture in the low-price segment accounts for a steadily growing proportion of the market. Collaboration with the MIO furniture chain with regard to Stressless® products has come to an end, and is in the process of termination with regard to Svane®. A new distribution structure was established in 2013, and Ekornes's marketing organisation has been boosted with the recruitment of new sales representatives for the Stressless® and Svane® segments. In the fourth quarter Ekornes saw an increase in sales of Stressless® chairs as a result of a TV advertising campaign.

OPERATING REVENUES BY MAIN MARKETS



Markets



DENMARK

The Danish furniture market decreased by around 2 per cent in 2013.

In 2013 Ekornes's sales revenues increased by NOK 8.0 million (up 10 per cent). The company's position in Denmark is strong. Brand recognition for Stressless® is the highest in the world after Norway. The same is true of per capita sales. Ekornes distributes its products through Ide Møbler and ILVA, Denmark's most important furniture chains, as well as a number of independent retailers. Ekornes works in close collaboration with these chains and individual distributors. Svane® products are distributed through the beds specialist Drømmeland as well as the furniture chain Smag og Behag, and a selection of independent retailers.

FINLAND

The Finnish furniture market experienced a downturn in 2013, with most of the major furniture chains generating a lower turnover in 2013 than the year before.

Ekornes's sales revenues in 2013 fell by NOK 3.2 million (down 9 per cent). The decrease is largely attributable to a debt settlement agreement entered into by what had been Ekornes's largest distributor in 2012, with subsequent reduction in purchasing and marketing activities. Distribution in Finland was restructured during the year.

EKORNES CONTRAKT

Ekornes Contract AS operates within the Nordic hotel market, the shipping/offshore market and the market for office furniture. The company is headquartered in Sykkylven and has a branch office in Oslo. The company generated sales revenues of NOK 68.2 million in 2013, compared with NOK 81.7 million the year before. The decrease in sales revenues occurred largely within the hotels sector. Demand for the company's products in the shipping/offshore sector, including accommodation platforms, is growing both in Norway and internationally, and it has achieved a good position in this market. Developments in the office furniture market have also been positive, although resources deployed in this area have been moderate. The company's focus on the cruise market has been discontinued.

CENTRAL EUROPE

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

Central Europe is the market in which Ekornes generates the highest sales revenues. The market is administered from an office in Hamburg, with local sales representatives/agents in the individual countries.

The overall market for upholstered furniture in Germany, which is the largest market, fell by 5 per cent in the first half of 2013. The decline continued in the second half. For the year as a whole the overall decrease in the market is estimated at 7 per cent. Increased competition and a downturn in the market has led to consolidation in the industry, with the largest chains, in particular, growing through acquisitions.

Ekornes's sales revenues in the region increased during the first half, but experienced a relatively sharp downturn in the second half – particularly for sofas. Corrective measures have been implemented both with regard to price and marketing activities in order to reverse this negative trend.

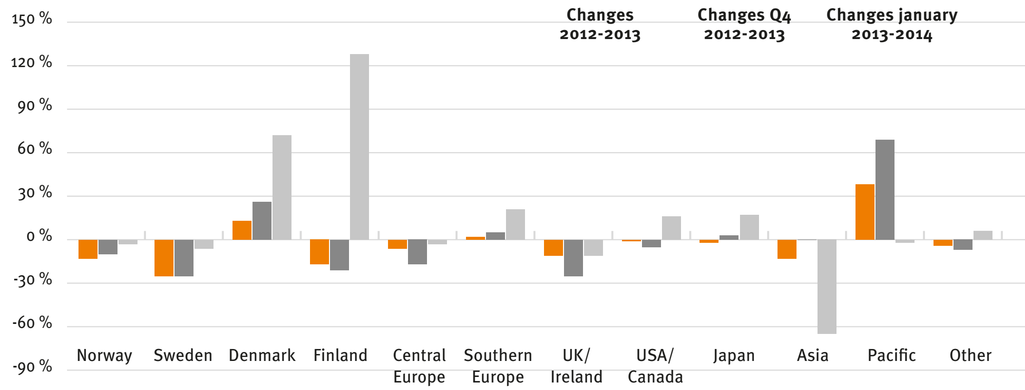
The distributor network reacted extremely positively to the new chair models that were presented at the close of the year. How much revenue sales of the new models will generate will not be known until 2014.

Sales revenues in 2013 fell by NOK 19.2 million (down 2.5 per cent) compared with the year before. There are a total of 465 distributors in the region. A relaunch was undertaken in the Polish market during the year, with a target of 15 distributors during 2014.

After many years of systematic and wide-ranging marketing efforts, the company has built up an extremely strong position with retailers and consumers alike. Over half the population in Germany, Switzerland and Austria are familiar with the Stressless® brand.

Sales of Svane® products are restricted to Germany and Switzerland. Although sales here currently generate modest revenues, progress was made in 2013.

CHANGE IN ORDER RECEIPTS PER MARKET



SOUTHERN EUROPE

(Belgium, France, Italy, Spain)

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

Southern Europe is still suffering from high unemployment, higher taxes and falling demand. All the furniture markets reported a further downturn in 2013 compared with 2012, with a fall of 4 per cent in France, 2.5 per cent in Belgium and 5 per cent in Spain. No official statistics are available for Italy.

In recent years it has been the high-end furniture segment that has suffered the biggest decline. In 2013 the figures from the low-price chains also showed a downturn in sales in the 'budget' segment. This has led to a substantial squeeze on prices and increasing consolidation in the industry.

To meet these challenging market conditions, increased discounts and the recruitment of consumers via digital media are among the measures Ekornes has implemented. The Stressless® brand enjoys a high level of recognition in France (37 per cent) and Belgium (41 per cent).

Despite the difficult market conditions and a general downturn in demand, Ekornes achieved a 2 per cent increase in order receipts in the region as a whole. However, sales revenues fell by NOK 27 million (down 8 per cent) compared with 2012.

Adjustments were made to the organisation in 2013 as a result of falling revenues over several years.

There were a total of 558 retail outlets in the market region at the close of the year.

USA/CANADA/MEXICO

Ekornes's office and warehouse for North America/Mexico are located in Somerset, New Jersey.

The overall furniture market in the USA is now improving steadily, with an increase of 4.6 per cent in 2013. Although the market is still below its 2006 peak, there is evidence of growing confidence on the part of distributors and consumers. For Ekornes, this positive trend has been seen first in Florida and California, but is gradually spreading to other parts of the USA as well.

Ekornes sells Stressless® through a total of 670 retail outlets in North America, divided between 564 ordinary distributors and 106 distributors which carry a limited Stressless® collection. Due to the difficult market conditions in recent years, there has been considerable churn in the distributor network, with around 50 distributors disappearing each year and having to be replaced. Considerable resources are devoted to the selection of new distributors, construction of Stressless® studios, training of retail staff and investments in marketing activities to secure sales and retain coverage in the market. Ekornes will strive to increase the number of retail outlets in the years to come.

Sales are strongly driven by promotional campaigns and marketing activities. In addition to four national promotional campaigns each year, there are a large number of local marketing activities. The proportion of online marketing is growing steadily. The introduction of the Stressless® Office series has been a success, and particular attention has been paid to further increasing the volume of sofa sales. To achieve competitive lead times, Stressless® sofa components are shipped to the USA from Ekornes's factories in Norway, and assembled to order at the company's facility in North Carolina.

Sales revenues in the region as a whole increased by NOK 7.7 million (up 1.5 per cent) in 2013, while order receipts were 1 per cent lower than in 2012.

Markets

UK/IRELAND

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

Although the most recent economic indicators for the UK showed an improvement, with a slight fall in unemployment and some economic growth, overall furniture market conditions remain difficult. Low demand is resulting in fierce competition between distributors, with a squeeze on prices and lower margins, particularly on brand name items. A slight increase in competition from suppliers in the same product segment as Stressless® has also intensified the struggle for market share. Focused marketing over many years has given Stressless® a strong position among consumers, which makes Ekornes well equipped to cope with stiffer competition. Measures have also been initiated to improve distributors' margins, and thereby secure their focus on and further investment in marketing Ekornes's products.

The improvement seen in the first half was driven by sales to distributors of promotional campaign products to be held in stock. This, however, had a negative impact on sales in the second half. Overall, sales revenues fell by NOK 5.5 million (down 3 per cent) compared with 2012.

At the close of the year Ekornes had a total of 158 retail outlets in this region. A weak market over several years has led to the disappearance of distributors, which have been steadily replaced with new, relevant distributors where such exist. Although Ekornes is focusing on increasing the number of retail outlets in the UK, the availability of good distributors will remain limited until the market picks up.

A new manager for the region took over in October.

JAPAN

Ekornes's office is located in Tokyo, while warehousing and assembly is administered by a third-party logistics company located south of the Japanese capital.

The Japanese economy is showing signs of weak growth after many years of stagnation. This has led to a growing optimism among consumers. The furniture market remains flat, but the outlook is better than for several years.

Ekornes has developed good relations with its distribution network. Product quality and on-time deliveries over time are extremely important to maintain these relations. Stressless® products are sold through a total of 422 retail outlets in Japan. These are independent furniture stores, chains and large department stores.

Well executed national campaigns, combined with better participation on the part of distributors, has produced good results. A significant improvement in the in-store brand profile through the installation of additional Stressless® studios has also contributed to the success of promotional campaigns and general marketing activities.

Ekornes's sales revenues measured in NOK fell by NOK 27 million (down 17 per cent) compared with 2012. Measured in JPY, sales revenues increased slightly (up 1.5 per cent).

Ekornes is currently the largest supplier of recliners in Japan. The company will continue to pursue a strategy of long-term market investments to further build the brand and secure a strong position in the market.

ASIA

(China, Hong Kong, India, Indonesia, Korea, Malaysia, Singapore, Taiwan)

Ekornes has exclusive agreements with importers in China, Hong Kong, Korea, Indonesia and India. Ekornes itself imports to, and has established distribution agreements in Singapore, Malaysia and Taiwan. All the markets are serviced from the regional office in Singapore.

Over the past five years Ekornes has gradually made changes to pave the way for further growth in the Asian markets. In Singapore, Malaysia and Taiwan, Ekornes has taken over market responsibility from the importer. After a weak start in Taiwan, sales in these markets are making good progress. The simplification of the distribution model also allows us to lower the price to the consumer and speed up implementation of marketing activities.

This strategy is being extended to China and Hong Kong, where Ekornes will take over the market from the importer in 2015. This decision has, as expected, led to a slight fall in orders from the current importer. Orders were down approx. 14 per cent from 2012.

In Korea, Ekornes has good distribution coverage and good relations with the importer, Ace Bed. This collaboration will continue under the current model also in the future. Market conditions in Korea were weak in 2013, which led to a decrease of 8 per cent from 2012. The importer holds stocks of Stressless® products. Changes in stock levels and large container orders result in relatively large fluctuations in orders from this market through the year.

India and Indonesia will also continue to be import markets.

Overall sales revenues in the region totalled NOK 63 million.

AUSTRALIA/NEW ZEALAND

Ekornes's office and warehouse for the Australian market are located in Sydney. Ekornes is itself importer for Australia, with individual distributor agreements. New Zealand is serviced by a third-party importer, with follow-up from Ekornes's office in Sydney. A new manager for the market area took over in September.

The economic growth that Australia has enjoyed in recent years has now tailed off, resulting in rising uncertainty among consumers. The high-end of the furniture market is tied to house prices and housebuilding, both of which fell steadily through the year. The overall furniture market reported growth of only around 1 per cent.

A weaker AUD has had a positive impact on the competitive situation, with prices for Asian products rising, and a lower perceived price difference for Stressless® compared with Europe and the USA.

The positive trend in both markets continued in 2013, with sales revenues totalling NOK 58 million for the region as a whole.

Improvements in Australia come largely from existing distributors. To meet the competition, aggressive promotional campaigns have been staged for Stressless® chairs, while marketing activities have been intensified through television and other national media. At the close of the year Ekornes had 47 distributors in Australia.

Collaboration with the importer in New Zealand is extremely good. Promotional campaigns and the inventory collection are coordinated between the markets, which optimises operations and ensures short delivery times to the customer. There are 27 retail outlets in New Zealand.

All distributors, both in Australia and New Zealand, have agreed to mutual obligations with regard to displays and marketing. This ensures a steady level of marketing investment at both the national and local level.

BRAZIL/SOUTH AMERICA

Ekornes South America is based in São Paulo, Brazil. Components are sent from Norway. Sewing and upholstery are performed in Brazil. The collection comprises 10 chair models in a selection of leather colours.

Ekornes currently has 56 distributors in Brazil, where sales revenues totalled NOK 9 million.

The distribution network is a combination of furniture retailers and less traditional sales channels, such as specialist home entertainment stores.

Stressless® products are at the higher end of the price scale, a segment that is largely dominated by Italian-inspired furniture, and where the consumers' decisions are strongly influenced by 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

Product area
Stressless®

Stressless® is Ekornes's largest product area. In 2013 this segment generated sales revenues of NOK 2,198 million, down NOK 101 million from the year before. Stressless® sales accounted for 84 per cent of the Group's overall revenues. 93 per cent of Stressless® products are exported.

The collection comprises 32 Stressless® chair models, 12 Stressless® Home Office models and 13 Stressless® sofa models. At the close of 2013 Stressless® production capacity stood at 1,650 seat units per day. In 2013 as a whole output averaged 1,630 seat units per day.

PRODUCTION

Stressless® products are manufactured at four plants. Stressless® chairs, as well as steel and foam components for other parts of the Stressless® 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. At the Vestlandske plant investments were made in 2013 in new, advanced leather cutting equipment. Similar investments and installations will be carried out at the main Ikornnes plant in 2014.

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. 2013 was the plant's first ordinary year in operation. Here, too, investments were made in 2013 in leather cutting equipment of the same type as at the plants in Norway.

During the year a total of NOK 52.7 million was invested in plant and equipment associated with the production of Stressless® products. The largest individual investment in 2013 was associated with the introduction of a new ERP system.

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. Substantial investments were made at the Grodås plant in 2013 to automate assembly operations that were previously performed manually.

« Stressless® sales revenues by market

(NOK mill.)	2013	2012
Total	**2 197.7**	**2 299.0**
Norway (incl. Contract)	138.9	154.9
Rest of Nordic region	108.9	108.2
Central Europe	724.3	752.5
Southern Europe	304.9	330.1
UK/Ireland	172.5	177.0
USA/Canada/Mexico	492.7	480.1
Asia and other markets	132.0	146.1
Japan	123.5	150.1

Product Area
Ekornes®
Collection

Revenues deriving from the sale of fixed-back sofas totalled NOK 106 million in 2013.

PRODUCTS/MARKETS

Revenues generated by this product segment were almost NOK 15 million lower (down 12 per cent) in 2013 than in 2012. No new models in this product group were launched in the past year. The collection comprises three models.

The largest market for this product segment is Norway. Around 55 per cent of Ekornes® Collection products are exported.

Ekornes aims to maintain the fixed-back sofa product segment in the years ahead, since a substantial proportion of these products are sold in conjunction with sales of Stressless® chairs.

PRODUCTION

Ekornes® Collection products are manufactured at the Hareid plant on the same production line as Stressless® sofas.

The Hareid facility is modern, with automated in-house transport of components.

›› Ekornes® Collection sales revenues by market

(NOK mill.)	2013	2012
Total	**106.2**	**120.7**
Norway	47.9	58.2
Rest of Nordic region	6.9	6.7
Central Europe	8.4	9.3
Southern Europe	4.9	5.8
UK/Ireland	1.7	1.3
USA, Canada	36.2	38.8
Asia and other markets	0.2	0.7

Stressless® Metro Low Back

Product development

Product development for Stressless® and Ekornes® Collection products is undertaken by a dedicated department at Ekornes ASA. Product development for Svane® mattresses is carried out at Ekornes Beds AS.

The product development department at Ekornes ASA is characterised by inter-disciplinary expertise. It is staffed by furniture designers, industrial designers, engineers and CAD operators, as well as model makers and furniture upholsterers – all professionally trained and highly experienced. A total of 29 people are directly engaged in product development. The manufacturing plants are also heavily involved in putting the designs into production.

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.

Ekornes seeks to be ahead of the competition at all times. Those working with product development focus constantly on improving manufacturing productivity and quality.

NEW PRODUCTS IN 2013

The Stressless® City is one of the new products that were launched in 2013. The Stressless® City is designed to appeal to a younger, more modern and more urban target group than the other Stressless® recliners. The chair has a lighter, slimmer and more upright appearance. The Stressless® City also comes in a low-back version, which opens the way for new furnishing configurations. The low-back Stressless® City works perfectly as an occasional chair, and in a group around a table. The Stressless® City also comes with two different seat heights, allowing customers to choose the one that suits their personal shape and size.

The Stressless® Metro is another new Stressless® recliner designed to appeal to the same target group as the Stressless® City. The Stressless® Metro is built using many of the same components, but has a softer look, and a more retro feel. The Stressless® Metro also has an integrated, adjustable headrest, which provides a completely new level of comfort. The look of the seams is inspired by Scandinavian furniture history, and Ekornes has development a special manufacturing technology to enable it to produce this look cost-efficiently. The Stressless® Metro is also supplied in a low-back version and in two heights in the same way as the Stressless® City.

Ekornes has also developed two new glass tables to go with the Stressless® City and Metro series: the Stressless® Urban Small and the Stressless® Urban Large. The tables help to make the Stressless® City and Metro series more complete furnishing concepts.

The Stressless® City, Stressless® Metro, Stressless® Urban Small and Stressless® Urban Large have all been presented to Ekornes's distributors. They have been very well received and distributor take-up has been good. The first stores have now received display models. The consumers' response also seems to be exceptionally good, and strong sales figures are being reported.

An objective of the Product Development Department is to make environmental performance a competitive advantage. This means greater focus on the further development of both materials and processes in a more environment-friendly direction. The new Stressless® recliners, the Stressless® City and Metro use 35 per cent less materials than previous steel-based models.

Certain changes to the various collections and individual product improvements were implemented in 2013 to increase its competitiveness. Ekornes will continue to focus on both product improvement and the updating of its furniture collection in 2014.

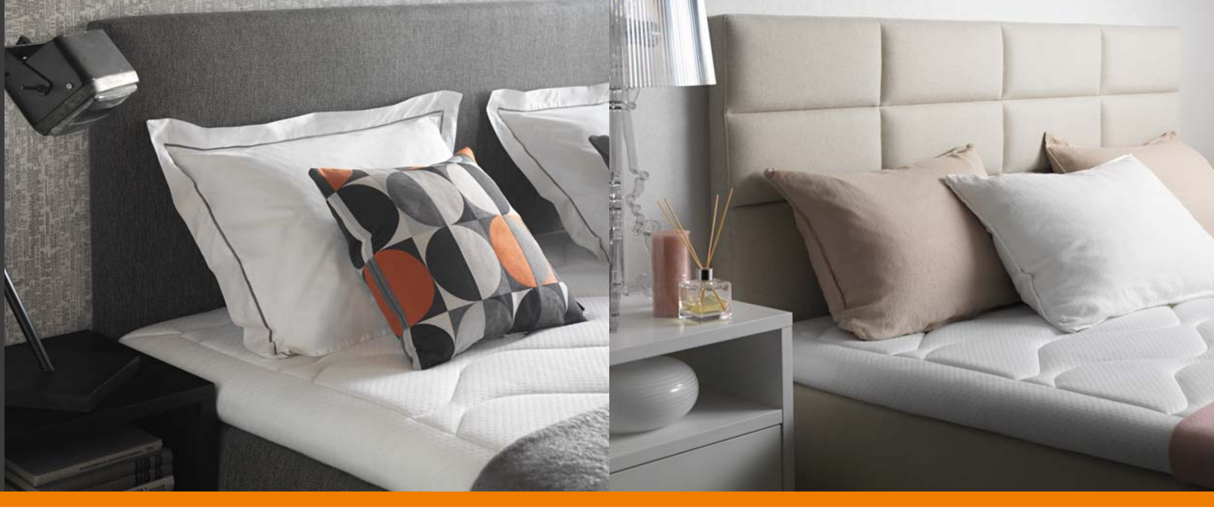
Stressless® City Low Back

Stressless® City

Stressless® Metro Low Back

Stressless® Metro

Stressless® Urban Small
Stressless® Urban Large



Product area Svane®

PRODUCTS/MARKETS

The bedroom segment is served by the subsidiary Ekornes Beds AS, which markets its products under the Svane® brand name. Svane® products are sold through general furniture distributors and specialist bed retailers in Norway, Sweden, Denmark, Finland, Germany and Switzerland. The product area generated sales revenues of NOK 226 million in 2013, some 10 per cent less than in 2012. The decline came largely in the Norwegian market (down 10 per cent) and Sweden (down 47 per cent). The company achieved good sales growth in Germany, Switzerland and Denmark, though the figures here are still modest. The Norwegian market dominates the sales figures, accounting for NOK 174 million in 2013. This was 77 per cent of the company's total revenues.

2013 was a year of substantial change, based on a new strategy adopted at the start of the year. Large parts of the sales organisation have been restructured, a completely new communications platform has been implemented, a new product development department established, and new product/studio concepts are currently being rolled out. This is expected to produce a gradual improvement in performance through 2014 and 2015.

PRODUCT DEVELOPMENT

In the autumn of 2013, the company launched a brand new and highly innovative collection of mattress toppers. Their ability to achieve product differentiation has been achieved through the use of new materials technology. Furthermore, a new and more competitive collection of accessories (bedside tables, headboards, etc) has been established.

The bulk of the Svane® product portfolio is manufactured at the company's plant in Fetsund, Norway. Product development, marketing and sales management for the Norwegian market are administered from here. The company also has its own office in Hamburg for the sale and marketing of Svane® products in Germany and Switzerland. During 2013 Ekornes Beds AS established a dedicated sales team in both Denmark and Sweden. In Finland and in the contract market, the products are sold and marketed through a shared sales force with Stressless®.

The strategy development process in 2013 resulted in an action plan for the period 2013-2015, which will result in considerable changes aimed at improving the company's competitive position. In addition to investments in product development and increased marketing activities, investments will also be made to improve productivity throughout the strategy period.

While the market for beds/mattresses is highly competitive, there are few suppliers that focus on differentiation in their marketing. This results in considerable, and to some extent growing, price competition, which puts pressure on margins for both manufacturers and distributors. Ekornes Beds AS controls the rights to several unique product concepts for the contents of the company's mattresses. This is expressed in the company's new position statement 'It's the inside that counts'. The challenge ahead will be to stay ahead of the competition with respect to both functionality and attractive design, through a focus on product development.

PRODUCTION

Although the Fetsund plant is modern and efficient, it nevertheless requires reorganisation to enable it to handle a broader product portfolio. The assembly of mattresses must be moved closer to the point of delivery to meet the market's requirements. The plant manufactures fibre, foam, springs and quilt fabric in-house, and also produces its own wooden frames. These are all components in the various Svane® products. As a result of the company's new strategy plan, manufacture of several components will be outsourced, while those components which are differentiating (ie IntelliGel®) will be retained in-house. Only those components that are cost-effective to keep will continue to be manufactured at Fetsund.

At the close of 2013 Ekornes Beds AS employed 122 people, corresponding to approx. 115 full-time equivalents. As at 31 December 2012 the corresponding figures were 133 and 130 respectively.

›› Svane® mattresses sales revenues by market

(NOK mill.)	2013	2012
Total	**225.9**	**252.1**
Norway (incl. Contract)	185.4	207.7
Rest of Nordic region	31.8	38.5
Outside Nordic region	8.7	5.9

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 GOVERNANCEE

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. CORPORATE GOVERNANCE AT 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. Ekornes complies largely with the Code of Practice. Any minor non-compliances 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. The "Code of Conduct" is reproduced in extenso elsewhere in this annual report.

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 therewith, 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 2013, group equity totalled NOK 1,566.8 million (79.3 per cent). Corrected for the proposed dividend for 2013 and the value of forward contracts as at 31 December, equity totalled NOK 1,353 million (68.5 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 5.50 per share was paid out for 2012. The board is proposing to the AGM that an ordinary dividend of NOK 5.50 per share be paid for 2013 as well. The company's financial position is sound. In proposing the dividend for 2013, 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.

- Board authorisations: share capital increase and purchase of treasury shares

No such authorisations currently exist. 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 bonus and option schemes. 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

Article 5 of the company's articles of association states that: '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 2014 Annual General Meeting will be held on 12 May 2014. 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.

An invitation to attend 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 are 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 email. 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.

7. 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)
- Hege Sjo (Hermes Fund Management Ltd.)

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 chaired the board from June 1990 until his death in March 2014. 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 nine meetings in 2013. 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 to consider and draw up 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 such recommendations 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 board's annual 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 no less than once a year.

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 pursuant to the remuneration committee's recommendations. 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 bonus schemes in effect for management and other employees are described in the Notes. These schemes are linked to the company's financial performance (profit margin and total return on capital). All elements of remuneration paid to group management and the board of directors are also presented in the Notes. The company's compensation policy and guidelines for the remuneration payable to the CEO and senior executives are described in the Notes. These will be laid before the 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 under 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 the timing of 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 webcast live. 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 avoid 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, 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 the 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 along with the document "Objectives and Values". 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. The "Code of Conduct for the Ekornes Group" is presented in the following chapter.

Code of Conduct for the Ekornes Group

In December 2013, Ekornes published an updated version of its Code of Conduct and anti-corruption policy. Both of these are presented below.

ANTI-CORRUPTION POLICY

UN Global Compact
Ekornes has endorsed the UN Global Compact since 2009.

Through participation in the UN Global Compact, Ekornes is committed to operating its business responsibly in line with the UN Global Compact's ten principles, which also cover anti-corruption. Ekornes also encourages its business associates to comply with these principles. Ekornes has drawn up a new system with which to assess its suppliers' performance against the Global Compact's principles. The system went into effect in 2013.

The UN Global Compact is based on openness, both with respect the company's dealings with all stakeholders and the challenges Ekornes meets at the local and global level. Since 2012 Ekornes has been a member of the UN Global Compact's Nordic network. Participation in the network enables Ekornes to exchange experiences with other businesses which have social responsibility high on the agenda.

Through the UN Global Compact, Ekornes is obligated to set goals for and work continuously to improve its practices in this area. Each year Ekornes reports its performance to the UN in the form of a Communication on Progress (COP). This may be found on the company's website under http://www.ekornes.co.uk/about-ekornes/environmental-and-social-responsibilities.

Ekornes will conduct its business activities responsibly, and will operate in compliance with all relevant laws, regulations and strict ethical norms. We support, and strive to live up to the UN's Global Compact. This means that in all parts of our operations we will maintain high standards with regard to:

1. Respect for and compliance with the Universal Declaration of Human Rights.
2. Respect for workers' rights and needs.
3. Environmental responsibility.
4. Combatting corruption in Norway and abroad.

This document, "Ethical Values and Anti-corruption Policy", as well as "Objectives and Values", have been distributed to all employees. These regulations have also been distributed to external relations and have been published on the company's website www.ekornes.com. Ekornes has endorsed the UN Global Compact since 2009. Everyone within the company has a duty to follow up and comply with these regulations. Managers in all parts of the company have a special responsibility for their follow-up.

CODE OF CONDUCT FOR THE EKORNES GROUP

1. Objectives and Values', company regulations, employment contracts and job descriptions also contain ethical rules with which the Ekornes Group complies. The rules contained in this overview should therefore not be considered exhaustive with respect to the Group's ethical standards.

2. A duty of confidentiality contained in company regulations, employment contracts or job descriptions does not prevent you from informing a superior should you become aware of breaches of regulations, legislation or rules laid down by the authorities. This also applies to internal guidelines, provisions or issues that might harm Ekornes' reputation or other parties' trust in Ekornes.

3. Ekornes shall comply with the laws, rules and regulations in the countries in which Ekornes companies have been established or in which business connections have been established.

4. In all contact with suppliers of raw materials, machinery, subsidiary materials and services of any kind, and contact with customers and other business connections, we shall aspire to honesty, integrity, openness, as well as correct and responsible business conduct. The objective is to arrive at the best offer for Ekornes.

5. Ekornes or employees of Ekornes shall not be party to "bribery" or its equivalent in order to achieve special advantages or access to such.

6. Business connections such as those mentioned above shall not be furnished with more information about Ekornes than they need to provide a satisfactory offer with respect to price, level of service, delivery times, technology and specifications, or what they need to exercise their business relationship with Ekornes.

7. Suppliers and business connections shall under no circumstances receive information about other suppliers and business connections via Ekornes.

8. Employees of Ekornes shall participate in trips, dinners and events arranged by suppliers and business connections only when there is a professional reason for the event/trip or it provides business-related opportunities. In cases of such participation the travel, entertainment and accommodation of employees of Ekornes shall always be paid by Ekornes.

9. Employees of Ekornes are not permitted to receive improper benefits or gifts (in the form of products, services or trips, etc) from business connections other than small promotional items of limited value. The same applies to private purchases of goods at discounts from suppliers to Ekornes without the approval of a superior. Individuals must also avoid becoming in any way beholden to customers or suppliers.

10. Suppliers and business connections shall be made aware of the contents of this document and also be made aware that any attempt to contravene these ethical rules could result in exclusion.

ACCOUNTING AND INTERNAL CONTROL REQUIREMENTS

Ekornes requires transparency in all operations. All Ekornes entities shall therefore ensure that transactions are correctly registered and supported by proper documentation in accordance with local and international accounting principles. Anti-corruption law requires that Ekornes has in place effective internal accounting controls and maintains books and records that accurately reflect the companies' transactions. All entities within the Group must correctly account for income and expenditures, and must ensure that payments are not recorded falsely in company books.

All expenses shall be approved under standard company procedures, documented and recorded in accordance with appropriate accounting standards.

ORGANISATION AND FOLLOW-UP

This document, "Ethical Values and Anti-corruption Policy", as well as "Objectives and Values", have been distributed to all employees. These regulations have also been distributed to external relations and have been published on the company's website www.ekornes.com. Everyone within the company has a duty to follow up and comply with these regulations.

Managers in all parts of the company have a special responsibility for their dissemination and follow-up.

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 84 per cent of its revenues came from exports in 2013. The export rate is highest within the Stressless® product area (93 per cent) and lowest for mattresses (23 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 in time. As at 31 December 2013, hedging periods ranged from 18 to 36 months, depending on the currency. It is the parent company's currency receipts from subsidiaries that are hedged.

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 a more short-term perspective.

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.

RISK FOLLOW-UP

The Group's risk factors are followed up by the audit committee and at board meetings. A new system (TQM Enterprise) for risk follow-up is currently being implemented. This system will facilitate the monitoring and follow-up of all defined risk factors within the Group, the individual company and each department.

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. Ekornes continued to provide Norwegian language tuition to a large number of employees in 2013.

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	34	66	8	92
J.E. Ekornes AS	46	54	20	80
Ekornes Beds AS	38	62	67	33
Ekornes' sales companies	47	53	34	66
Board members				
Ekornes ASA	50	50		

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 and pose no health risk.
- 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 environmental responsibility.

Ekornes is engaged in a process to certify its quality and environment management systems in accordance with the ISO 9001 and ISO 14001 standards. Work in this regard commenced in 2013. The objective is for J.E. Ekornes AS to achieve certification by the end of the first quarter 2015.

PRODUCTS AND THE ENVIRONMENT

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, ie from raw materials to final disposal. A long lifespan and the 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) in accordance with ISO 14025. Ekornes is participating in an industry-wide effort to develop a uniform EPD tool, with the aim of completion in 2014. 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 2013 Ekornes developed new Stressless® models with a considerably lighter and less materials-intensive design.

HEALTH AND CHEMICALS USE

Ekornes, in keeping with the furniture industry in general, focuses on the use of chemicals in connection with the production of upholstery leathers, foamed plastics, textiles, 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. To achieve this, Ekornes must set standards for both its own operations and those of its suppliers. With regard to its own manufacturing processes, Ekornes strives continuously to reduce the 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. In 2013 a major new environmental milestone was passed. Ekornes is now not dependent on flame retardants in the manufacture of block-moulded foamed plastic for its furniture products.

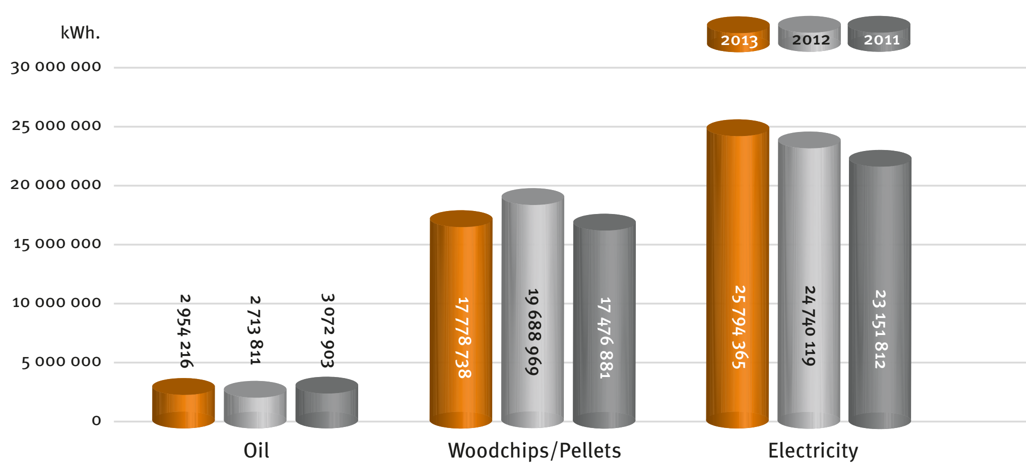
Ekornes also sets standards for its suppliers through purchasing specifications which balance the need for quality, environment-friendliness and sustainability. Where necessary, the company has used independent competence centres, eg BLC Leather Technology, in the specification of maximum limits for chemicals and heavy metals, as well as for the testing of upholstery leather. The sum of the measures Ekornes has implemented to ensure control and reduce the amount of chemicals used, is intended to safeguard the furniture user. For this reason Ekornes commissions accredited testing institutes to perform laboratory tests to ensure that the products are within the parameters set for consumer safety.

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 woodchips, electricity and oil for heating, while the factory in Morganton, USA, uses electricity and natural gas. The substantial rise in electricity consumption in 2013 may be attributed to a meter error at one of the plants, which resulted in too little electricity being recorded in previous years.

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. In 2013 a total of 18.7 GWh of bioenergy was used for heating at Ekornes's plants. 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.

EMISSIONS

Direct emissions to air from the manufacturing process are primarily generated by oil and solid fuel boilers. There are also some emissions of diisocyanate gas and carbon dioxide from the production of Foamed plastic at the Fetsund and Ikornnes facilities. Most Ekornes production cells that use water are closed systems. Discharges to water are normally channelled through our own and local authority waste treatment facilities, or are delivered to an approved recipient, depending on their classification. No discharges to soil were recorded in 2013. The company has no emissions subject to licensing requirements.

Waste handling

(All figures in tonnes)	Ikornnes	Tynes	Vestlandske	Grodås	Hareid	Ekornes Beds AS	J.E. Ekornes USA, Inc.	Group	%
	J.E. Ekornes AS department								
Not flammable/landfill	36.10	6.92	2.40	5.60	6.18	0.00	53.01	110.21	1.6
Mixed residual/commercial waste sent for incineration/energy recovery	368.46	92.52	27.00	50.90	55.62	167.81	0.00	762.31	11.0
Wood/bioenergy for incineration in-house/externally	975.32	1 572.70	9.70	1 649.60	0.00	73.83	0.00	4 281.15	61.6
Recycled materials (leather, foamed plastic, steel, plastic, cardboard, polyester fibre)	1 188.83	26.92	19.76	8.60	11.30	389.40	22.32	1 667.14	24.0
Special hazardous/electrical waste	91.78	24.29	0.60	1.70	1.70	13.17	0.00	133.24	1.9
Total quantity waste	**2 660.49**	**1 723.35**	**59.46**	**1 716.40**	**74.80**	**644.21**	**75.33**	**6 954.05**	**100.00**

Each year Ekornes reports the Group's greenhouse gas emission figures to CDP (formerly the Carbon Disclosure Project). CDP ranks companies in accordance with the openness and completeness of their climate change reporting. In 2013 Ekornes was included in CDP's Carbon Disclosure Leadership Index (CDLI) for the quality of its greenhouse gas emission reporting.

In 2013 Ekornes's total carbon footprint was calculated at 5,270.8 tonnes of carbon equivalents – an increase of 9.5 per cent compared with 2012. In Scope 1 (direct emissions), there was a slight increase due to activity in the USA, where the factory uses natural gas for heating. In Scope 2 (emissions deriving from electricity consumption), the increase derives largely from the metering error referred to above under Energy and Heating. For Scope 3 (indirect emissions), the increase is largely attributable to a significant increase in long-distance air travel. A more detailed description of greenhouse gas emissions can be found in Ekornes's COP, referred to below.

CORPORATE SOCIAL RESPONSIBILITY

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. 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. Ekornes is also a member of 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.

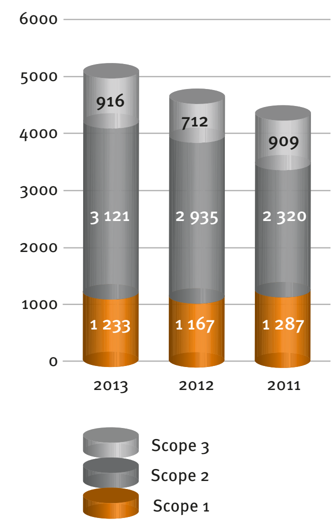
Through the UN Global Compact, Ekornes undertakes to set targets for, and work continuously towards, improvement in the company's performance. Ekornes encourage its suppliers and business associates to comply with the UN Global Compact's 10 principles. This is set out in a Code of Conduct, which was introduced in 2013 along with a new system for supplier follow-up. Each year Ekornes reports its activities in the areas of human/labour rights, environment and anti-corruption to the UN Global Compact in the form of a "Communication on Progress" (COP). This provides a full account of Ekornes's corporate social responsibilities, and complements the information provided in the annual report. Ekornes's COP is available from the company's website www.ekornes.co.uk/about-ekornes/environmental-and-social-responsibilities.

EKORNES AND THE LOCAL COMMUNITY

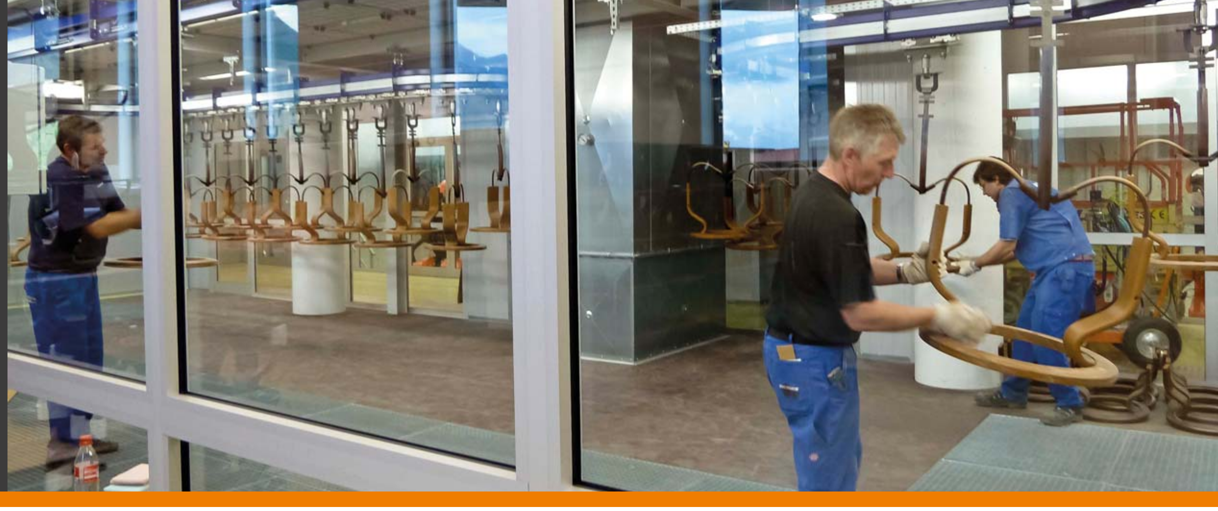
Ekornes has a long tradition of contributing to the local communities in which it has established operations. Ekornes depends on having a qualified labour force at all its manufacturing plants, and the company's involvement in the local community contributes to an enjoyable working environment for staff. 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.

Group's carbon footprint (tonnes CO2 equivalents)



Social and environmental responsibility



EKORNES'S MOST IMPORTANT MILESTONES OVER THE PAST 23 YEARS

2013

Production of block-moulded foam without halogenated flame retardants

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

1995

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

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

1990

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

HSE

Health, Safety and the Environment (HSE) is a high priority for all Ekornes departments. Every year, the Group devotes considerable resources to making workplaces safer and reducing the physical impact of work processes on staff. Ekornes aims to minimise workplace-related health risks, and the potential for damage to both people and the environment.

In 2013 the automation of various work processes continued. This has resulted in a reduction in the amount of heavy manual operations undertaken by employees.

Day-to-day responsibility for HSE lies with managers at the local units. To further reinforce its HSE efforts, J.E. Ekornes AS (the Stressless® factory) created the new position of HSE Manager, with effect from October 2013. An HSE coordinator position has also been established at Ekornes Beds AS (the mattress factory) in Akershus County.

Sickness absence is falling steadily in the majority of departments. Overall, sickness absence was 0.83 per cent lower in 2013 than in 2012.

SPECIAL REQUIREMENTS

Ekornes has facilities for the production of polyurethane foam at the J.E. Ekornes AS Ikornnes plant and at Ekornes Beds AS. Ekornes Beds 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. They are therefore subject to the Regulations Relating to Major Accidents. Safety reports have been prepared for both sites. These are updated at regular intervals and are submitted 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 reports. Both plants undergo annual audits by the regulatory authorities. Both production facilities comply with current environmental requirements.

INSPECTIONS

Five inspections by four different regulatory authorities were carried out at J.E. Ekornes AS's plants in 2013. A total of 11 non-conformances were identified during these inspections. The non-conformances have now either been closed or proposals for their remediation are awaiting approval by the regulatory authorities.

HEALTH

The overall sickness absence rate for the Group came to 6.47 per cent in 2013. This is a decrease of 0.83 percentage points compared with 2012. Long-term sickness absence within the Group stands at around 3.6 per cent of hours worked. This is a decrease of 1.6 percentage points compared with the year before. The short-term (less than 16 days) sickness absence rate is approx. 2.9 per cent. This is an increase of 0.8 percentage points. Management at the various plants continued to work actively in 2013 to reduce sickness absence, through individual follow-up and disability committees.

INJURIES

It is Ekornes's objective to achieve zero work-related injuries during the year. The total number of lost-time injuries in 2013 came to 23, the same as the year before, but eight fewer than two years ago.

INDUSTRIAL SAFETY – EMERGENCY RESPONSE

All the factories have an industrial safety organisation. Contingency plans have been drawn up by the factories. The necessary training and exercises have been carried out at all facilities.

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 at 31.12.2013

(Figures in per cent)	Self-reported absence 1-8 days	Doctor-certified sick leave 1-16 days	Doctor-certified sick leave over 16 days	Total sickness absence in %
J.E. Ekornes AS, Ikornnes	1.42	1.74	3.95	7.11
J.E. Ekornes AS, dept. Vestlandske	1.34	1.90	4.42	7.66
J.E. Ekornes AS, dept. Tynes	1.22	1.35	1.82	4.39
J.E. Ekornes AS, dept. Grodås	1.04	1.47	4.15	6.67
J.E. Ekornes AS, dept. Hareid	1.23	1.60	2.60	5.42
J.E. Ekornes USA, Inc.	0.0	1.3	0.0	1.3
Ekornes Beds AS	1.05	2.05	3.24	6.34
Ekornes ASA	0.55	0.37	1.32	2.24
Ekornes Contract AS	0.41	0.54	0.00	0.95
Ekornes Skandinavia AS	0.15	0.52	1.98	2.66
Total	**1.26**	**1.64**	**3.56**	**6.47**

›› Lost-time injuries

	2011		2012		2013	
Location	Lost-time injuries	Employees	Lost-time injuries	Employees	Lost-time injuries	Employees
Ekornes Beds AS	2	136	1	133	4	122
J.E. Ekornes AS, avd. Ikornnes, dept. Tynes and dept. Vestlandske	23	973	18	976	14	941
J.E. Ekornes AS, dept. Hareid	2	88	2	87	2	86
J.E. Ekornes AS, dept. Grodås	4	98	2	108	3	100
J.E. Ekornes USA, Inc.					0	41
Total	31	1 295	23	1 304	23	1 290

No. of employees including apprentices

REPORT OF
THE BOARD OF DIRECTORS 2013

The Board of Directors

Olav Kjell Holtan (1951-2014)
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

Kept the Ekornes spirit burning bright

It was with deep sadness that we learned of the sudden and unexpected death on 4 March this year of Ekornes's board chair Olav Kjell Holtan, while on a business trip to Asia on behalf of the company. For 24 years he chaired the board of Ekornes ASA and played a key role in the Group's success. Now it is up to others to keep the Ekornes spirit burning bright.

Meant a great deal to Ekornes

Olav Kjell Holtan was known as a man of great personal integrity. For many, he represented continuity and inspired confidence during challenging periods.

"Olav Kjell meant a great deal to Ekornes's success. He knew the company extremely well, and was never considered an outsider. Right from the beginning he established a wide network of contacts within the company, and inspired a strong sense of confidence during the years he served as Board Chair. He helped to raise Ekornes back up to a position of strength, and for many of us represented both continuity and competence," said CEO Nils-Fredrik Drabløs.

Olav Kjell Holtan was named Norway's Chairperson of the Year in 2010. The award was presented by then Minister of Trade and Industry Trond Giske at a ceremony at the Hotel Continental in Oslo on 1 June. The jury explained its decision by describing Olav Kjell as extremely results-oriented, and paid tribute to his contribution towards the company's customer focus and consistent financial performance.

Kjersti Kleven (1967)
Vice Chair/Acting Chair

Position: Investor through 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)

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

Bjørn Gulden (1965)
Board member

Position: CEO of Puma SE, Germany

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 Puma SE, Germany.

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 Treindustriarbeiderforening (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

Wenche E. Elvegård (1958)
Board member (Employee rep.)

Position: Planner at J.E. Ekornes AS, Grodås.

Education: Quality Management School, Institute of Technology. Intermediate studies in motivational psychology, Folkeuniversitet Førde. First-level studies in personnel psychology, Folkeuniversitet Ålesund. Labour and organisational psychology, Folkeuniversitet Ålesund.

Experience: Production planner, procurement of materials, consumables and production facilitation. Member of Ekornes's internal auditing team.

No. of shares: 0

Sveinung Utgård (1962)
Board member (Employee rep.)

Position: Production Manager, Foamed Plastic at J.E. Ekornes AS, Ikornnes.

Education: Mechanical studies. Electrical studies. Production/production management studies. Nordvest Forum's 'Changing leadership' course. Management development programme at J.E. Ekornes.

Experience: Formfin Møbler – assembly/operator. Nordex Plast – operator. Møre Trafo – operator and department manager. J.E. Ekornes – shift leader, production manager.

No. of shares: 0

The Board of Directors 2013

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, 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 hedge accounting. 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 hedge accounting, in particular those stipulated in IAS 39. The company was of the opinion that Ekornes does meet these requirements, but accepted that there was room for improvement. The company presented its views both in writing and at meetings with the FSAN. In March 2013 the company received the FSAN's decision in this matter, and elected to comply with its provisions in the preparation of its consolidated financial statements for 2012 and again in 2013. The documentation has now been improved, and the company will report its financial statements in accordance with IFRS requirements for hedge accounting with effect from the first quarter 2014. 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 hedge accounting, and thereby prepared its accounts for 2013 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 consolidated balance sheet and equity have not been affected by the change in the method of reporting the financial statements.

In addition to the matter of hedge accounting, 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 inclusion of some additional details in the Notes has been incorporated.

It is the opinion of the board that the financial statements provide true and fair description of the financial position of the parent company and Group as it stood at 31 December, and the results achieved in the 2013 financial year. The Group's income statement for 2013 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 239.9 million in 2013, and made a profit after dividend and group contributions received of NOK 212.8 million.

FINANCIAL PERFORMANCE

The Group made an operating profit of NOK 262.9 million from total sales revenues of NOK 2,561.3 million. Profit after net financial items came to NOK 92.1 million, a decrease of NOK 391.9 million compared with 2012. Changes in the value of forward contracts accounted for 352.0 million of this. The net profit for the year gives a total return on capital of 16.0 per cent, excluding the impact of changes in the value of forward contracts. Operating activities in 2013 generated a positive cash flow of NOK 405.7 million.

INVESTMENTS

Net investments by the Group totalled NOK 148.1 million in 2013. This was considerably more than in 2012, but in line with the company's plans.

EQUITY

As at 31 December 2013 the Group had total equity of NOK 1,975.1 million, compared with NOK 2,187.0 million the year before. As at 31 December 2013 the Group's equity ratio stood at 79.3 per cent (including proposed dividend).

CASH & CASH EQUIVALENTS

At the close of 2013 the Group had cash and cash equivalents totalling NOK 328.4 million in the form of bank deposits. Unused drawing rights are additional to this amount. The board considers the company's liquidity situation to be good.

DIVIDEND

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

MARKETS

Ekornes did less well in the majority of markets in 2013 compared with the year before. Order receipts fell in the following markets: Norway (down 13 per cent), Sweden (down 25 per cent), Finland (down 17 per cent), Central Europe (down 6 per cent), UK (down 11 per cent), North America (down 1 per cent), Japan (down 2 per cent), Asia (down 13 per cent). However, order receipts rose in Denmark (up 13 per cent), Southern Europe (up 2 per cent) and the Pacific (up 38 per cent).
Measured recognition of the Stressless® brand has continued to grow in European markets.

The overall market in the USA showed some small signs of improvement in 2013, though market conditions remain challenging in Europe. The board has not been entirely satisfied with the Group's order receipts, despite the difficult market conditions experienced in 2013.

OUTPUT

Capacity utilisation at the company's production facilities was not satisfactory in 2013. Capacity was reduced in the second half. The company experienced some manufacturing disruptions at the very end of the year, which stemmed from the introduction of new ERP systems at the Group's furniture factories and the sales company in the USA. Order receipts were on a par with the year before.
Staffing levels at the factories have been reduced by approx. 60 full-time equivalents through natural wastage.

ORGANISATION/PERSONNEL

The Group had 1,576 employees as at 31 December 2013 (1,525 full-time equivalents). On the same date, Ekornes ASA had 67 employees.

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 36-37), environment and social responsibility (pages 39-42) and HSE (page 43-44). The board also refers to the chapter on product development (page 27) 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 38).

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's "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's "Objectives and Values". An updated version of the Group's Code of Conduct and anti-corruption policy were formally adopted by the board in December 2013. The Code of Conduct is reproduced in its entirety in the general portion of the annual report.

OUTLOOK

International economic turbulence continues to create uncertainty about how the markets will develop in the near future. This is something which Ekornes must also take into account in its planning activities.

At the close of 2013 the company had an order reserve of NOK 282 million, compared with NOK 330 million at the same point the year before. Order receipts at the start of 2014 have been satisfactory, apart from those relating to sofas. Raw materials prices have been holding steady. The picture is unchanged at the start of 2014, although the prices of some important raw materials are at historic high levels.
Ekornes's currency positions are satisfactory.

The Board of Directors 2013

At the close of 2013 Ekornes had a Stressless® production capacity of 1,650 seat units per day, depending on the product mix. No decision has been taken to change capacity, and at the start of 2014 the company is maintaining a Stressless® production capacity at this level.

Ekornes has established a factory for the final assembly of sofas in the USA, based on components supplied from Norway. The long-term objective is to increase sales in the USA by having more competitive delivery times. This measure is expected to result in an improvement in sofa sales in this market in 2014.

NEW BUSINESS AREA – POSSIBLE TAKEOVER OF IMG

As announced in December 2013 and the provisional year-end report for 2013, Ekornes ASA has signed a letter of intent for the takeover of the furniture producer IMG (Internasjonal Møbel Gruppe). Through this takeover, Ekornes will create a new platform for international growth.

Ekornes has been working for a long time to develop a variety of strategies with which to increase its growth potential outside Norway. The takeover of IMG is one such opportunity. In the course of a few short years IMG has established a solid foothold in certain furniture markets, with products in a lower price bracket than Ekornes is currently able to offer. IMG's product portfolio complements Ekornes's with respect to models and prices.

Before any purchase agreement can be finalised, a due diligence process must be completed. The board expects to conclude the matter during the first half of 2014.

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 212,783,949, as follows. Dividends: NOK 202,547,142. Transferred to other equity: NOK 10,236,807. The company's equity and liquidity position is considered to be good.

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 2013/26 March 2014

Kjersti Kleven
Vice Chair/Acting Chair

Nora Förisdal Larssen	Stian Ekornes	Bjørn Gulden
Sveinung Utgård	Tone Helen Hanken	Wenche Elvegård

Nils-Fredrik Drabløs
CEO

Ekornes Group

CONSOLIDATED FINANCIAL STATEMENTS

Income Statement 2013

›› Income Statement 2013

(Figures in NOK 1 000)	Notes	2013	2012
Operating revenues and expenses			
Sales revenues		2 559 580	2 709 906
Other revenues		1 720	2 472
Total operating revenues	1	**2 561 300**	**2 712 378**
Materials		648 193	691 759
Salaries & national insurance contributions	2, 16, 17	782 451	792 981
Depreciation	6	133 776	125 131
Other operating expenses	17	733 976	753 834
Total operating expenses		**2 298 396**	**2 363 705**
OPERATING PROFIT		**262 904**	**348 674**
Financial income and expenses			
Financial income	3	2 602	2 582
Change in value of unrealised forward contracts	3	-241 867	110 115
Gains on realised forward contracts	3	50 000	50 330
Net gains/losses on foreign exchange (Balance sheet adjustments)	3	22 429	-21 897
Financial expenses	3	-3 964	-5 779
Net financial items		**-170 800**	**135 351**
Ordinary profit before tax		**92 104**	**484 025**
Tax on ordinary profit	4	-43 808	-148 950
PROFIT FOR THE YEAR		**48 296**	**335 075**
Basic earnings per share	13	**1.31**	**9.10**
Diluted earnings per share	13	**1.31**	**9.10**

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

Basic earnings per share	13	6.04	6.95

Statement of comprehensive income – Balance sheet 31.12.2013

Statement of comprehensive income

(Figures in NOK 1 000)	Notes	2013	2012
Profit for the year		**48 296**	**335 075**
Other comprehensive income			
Items not reclassified to profit and loss			
Actuarial gains/losses on defined benefits plans		22	-211
Change in deferred tax – pension		-6	59
Items which may be reclassified to profit and loss.			
Translation differences – net financing subsidiaries		8 550	-15 930
Change in deferred tax – net financing subsidiaries		-2 374	4 460
Translation differences		10 100	-415
Total other comprehensive income	12	**16 292**	**-12 037**
Total comprehensive income		**64 588**	**323 038**

Balance Sheet 31.12.2013

(Figures in NOK 1 000)	Notes	2013	2012
ASSETS			
Non-current assets			
Buildings, land, etc.	6	587 666	605 188
Plant and equipment	6	240 248	244 830
Operating movables, fixtures, etc	6	45 695	45 505
Total property, plant & equipment		**873 609**	**895 523**
Software and licences	6	56 528	19 905
Deferred tax assets	4, 8	5 421	4 351
Total non-current intangible assets		**61 949**	**24 255**
Other long-term receivables and investments	7	12 524	12 882
Total non-current financial assets		**12 524**	**12 882**
Total non-current assets		**948 082**	**932 661**
Current assets			
Inventory	9	305 004	315 952
Trade receivables	10	331 742	354 514
Other short-term receivables		45 603	52 374
Value of forward contracts	15	16 291	258 158
Cash and bank deposits	11	328 402	273 335
Total current assets		**1 027 041**	**1 254 333**
TOTAL ASSETS		**1 975 123**	**2 186 993**

(Continued on next page)

Balance sheet 31.12.2013 (continued)

›› Balance Sheet 31.12.2013 (continued)

(Figures in NOK 1 000)	Notes	2013	2012
EQUITY AND LIABILITIES			
Equity			
Contributed equity			
Share capital	12, 18	36 827	36 827
Premium paid	12	386 321	386 321
Other equity deposits	12	1 983	1 983
Total contributed equity		**425 131**	**425 130**
Retained earnings			
Translation difference	12	24 232	7 956
Other equity	12	1 117 409	1 271 618
Total retained earnings		**1 141 641**	**1 279 574**
Total equity		**1 566 772**	**1 704 704**
Non-current liabilities			
Long-term pension liabilities	16	9 802	12 932
Deferred tax	4, 8	6 308	65 309
Total non-current liabilities		**16 110**	**78 242**
Current liabilities			
Trade payables		118 029	95 336
Public charges payable		39 157	37 137
Tax payable	5	57 236	86 512
Other current liabilities	16	177 819	185 062
Total current liabilities		**392 241**	**404 047**
TOTAL EQUITY AND LIABILITIES		**1 975 123**	**2 186 993**
Mortgages	14	0	0

›› The Board of Ekornes ASA

Ikornnes, 31 December 2013/26 March 2014

Kjersti Kleven
Vice Chair/Acting Chair

Nora Förisdal Larssen

Stian Ekornes

Bjørn Gulden

Sveinung Utgård

Tone Helen Hanken

Wenche Elvegård

Nils-Fredrik Drabløs
CEO

‹‹ Cash Flow Statement

(Figures in NOK 1 000)	2013	2012
Cash flow from operating activities		
Profit before tax	92 104	484 025
Tax paid	-134 194	-105 122
Profit/loss on sale of non-current assets	1 226	588
Depreciation	133 776	125 131
Changes in inventory	10 948	-51 060
Changes in trade receivables	22 772	11 035
Changes in trade payables	22 693	1 831
Diff. between pension cost and amount paid into/out of pension scheme	-3 108	-3 905
Reversal of effect on profit/loss of change in value of forward contracts	241 867	-110 115
Effect of changes in exchange rates	17 450	-15 688
Changes in other current balance sheet items	209	-4 735
Net cash flow from operating activities	**405 743**	**331 984**
Cash flow from investing activities		
Proceeds from sale of property, plant & equipment	1 820	12 462
Investments in property, plant & equipment	-150 334	-95 251
Other investments	358	2 973
Net cash flow from investing activities	**-148 156**	**-79 816**
Cash flow from financing activities		
Dividend paid	-202 520	-276 201
Net cash flow from financing activities	**-202 520**	**-276 201**
Net change in cash and cash equivalents	**55 067**	**-24 033**
Cash and cash equivalents at the beginning of period	273 336	297 368
Cash and cash equivalents at the end of period	**328 403**	**273 335**

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

(Figures in NOK 1 000)	Share capital	Premium paid	Other eqt deposits	Translation difference	Other equity	Total
Equity 01.01.2012	**36 827**	**386 321**	**1 983**	**19 841**	**1 212 895**	**1 657 866**
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**	**1 704 703**
Equity 01.01.2013	**36 827**	**386 321**	**1 983**	**7 956**	**1 271 617**	**1 704 703**
Profit for the year					48 296	48 296
Other comprehensive income				16 276	16	16 292
Dividend paid out					-202 520	-202 520
Equity 31.12.2013	**36 827**	**386 321**	**1 983**	**24 232**	**1 117 409**	**1 566 772**

SIGNIFICANT ACCOUNTING POLICIES

Ekornes ASA (the "Company") is domiciled in Norway. The Company's consolidated financial statements for the year ending 31 December 2013 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 12 May 2014 for final adoption. The board of directors is authorised to amend the consolidated financial statements up until their final adoption.

(A) STATEMENT OF COMPLIANCE

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and associated interpretations as adopted by the EU for application as of 31 December 2013, plus further requirements for disclosure pursuant to the Norwegian Accounting Act as of 31 December 2013.

(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.

After consultation with the Financial Supervisory Authority of Norway, and in accordance with the authority's directive, the company decided not to use cash-flow hedging in the preparation of its financial statements for 2012, as the company had previously done. See principle (f) below for further details. With effect from 2014, the Group will once again make use of cash-flow hedging. As a result, certain accounting presentations have been included in the financial statements and Notes, which demonstrate how the accounts for 2012 and 2013 would have looked if cash-flow hedging had been applied.

(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 Currency Transaction Reserve).

(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.

In principle, derivatives are recognised at their fair value on acquisition. Gains or losses deriving from reassessment of fair value are recognised in profit and loss immediately. When derivatives qualify for hedge accounting, the way gains and losses are recognised depends on the type of item being hedged, see principle (f) below.

(F) HEDGING
(i) Cash-flow hedging
In the Group's year-end financial statements up to and including 2011, cash-flow hedging was applied, such that changes in the fair value of a derivative earmarked as a cash-flow hedging instrument were recognised in 'Other revenues', and expenses presented in the balance sheet as a hedging reserve (in equity). Amounts recognised in 'Other equity' and expenses were transferred to profit and loss in the same period in which the hedging object affected the financial result.

After the Financial Supervisory Authority of Norway questioned the extent to which the Group fully complied with IFRS documentation requirements for hedge accounting, the Group decided not to use hedge accounting in the preparation of its financial statements for 2012. Comparable figures for 2011 were restated accordingly.

The change means that unrealised changes in the value of forward contracts, which were previously transferred to profit and loss, are now recognised in the income statement under 'Financial income and expenses'. Furthermore, the impact of realised forward contracts is also shown under 'Financial income and expenses', while this was previously included in the Group's operating revenues. Total equity is not affected by the change, but amounts that were previously shown as a hedging reserve are now included in 'Other equity'. As mentioned above, the Group will revert to the use of hedge accounting with effect from 2014.

(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
Ekornes has entered into rental agreements for storage, display and production premises in connection with its operations in the USA and Japan. These are all classified 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 licence costs	8 years
• Software	3 – 8 years

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

(H) INTANGIBLE ASSETS

(i) R&D
Development costs are capitalised to the extent that identifiable independent assets are developed that will generate future revenues. Costs relating to ongoing improvement and further development of existing products are charged to expenses in profit and loss in the period in which they arise.

(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
Costs relating to the in-house development and maintenance of brand names and other intangible assets are charged to expenses in profit and loss in the period in which they arise. Any purchases of such assets are capitalised.

(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 2013.

(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) Defined-benefit pension plans
Net obligations in respect of defined-benefit pension plans are calculated separately for each plan. This is achieved by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. These future benefits are discounted to determine their present value, and the fair value of any plan assets is deducted to arrive at a net liability. As at 31 December 2013 (and 31 December 2012), the discount rate for Norwegian schemes is based on the interest on Norwegian covered bonds (OMF). 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 accruals 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
Revenues from the sale of goods are recognised when delivery has occurred, and the bulk of the associated risk and control has been transferred to the customer. A variety of delivery terms are employed. Where Ekornes assumes the risk with respect to the goods up to acceptance by the customer, the goods are insured in transit. Sales revenues are presented net of VAT and discounts.

(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.

Deferred tax assets and liabilities are measured on the basis of anticipated future tax rates in the group companies in which temporary differences have arisen. Deferred tax assets and liabilities are recognised at nominal value.

Deferred tax assets are capitalised only to the extent that it is probable the asset could be applied to some future taxable income. Deferred tax assets are reduced when it is no longer probable that the tax asset will be utilised.

(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

Certain standards which come into effect for the financial year starting 1 January 2014 have been used by Ekornes in the preparation the of the 2013 financial statements. This applies to IFRS 10, IFRS 11, IFRS 12, as well as amendments to IAS 27 and IAS 28. However, these standards and amendments have had no material impact on Ekornes's consolidated financial statements.

There are additional standards, amendments and statements of interpretation that had not come into effect for the year ending 31 December 2013. Of the relevant amended standards, the change to IAS 32, is worth mentioning. This has not been applied in the preparation of these consolidated financial statements. Based on assessments so far performed, the amendment to IAS 32 is not expected to have any material impact on the consolidated financial statements. Although the new IFRS 9 could have an impact on the consolidated financial statements, it is unclear when this standard will come into effect. The impact of implementation of IFRS 9 will be assessed when the standard has been finalised, and the date on which it will come into effect has been announced.

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

The sales revenue figures presented in this note have been prepared in accordance with the hedge accounting principle. See page 6 for a description of the change in accounting principle.

« NOTE 1 Business areas – Markets

Operating revenues by product area (Figures in NOK mill.)	2013	2012
Stressless® chairs	1 617.5	1 699.4
Sofas	686.4	720.3
Svane® mattresses	225.9	252.1
Other	81.5	90.9
Total	**2 611.3**	**2 762.7**
Operating revenues by market		
Norway	325.8	370.5
Sweden	29.1	39.9
Finland	33.1	36.4
Denmark	87.4	79.4
Central Europe	754.3	773.6
Southern Europe	313.2	340.1
United Kingdom/Ireland	175.3	180.8
USA/Canada	543.9	536.2
Japan	125.8	153.0
Asia/Pacific	119.6	133.9
Other Markets	36.1	37.2
Contract	68.2	81.7
Total	**2 611.3**	**2 762.7**
Contribution margin per product area		
Stressless® chairs	55.2 %	55.0 %
Sofas	35.7 %	39.1 %
Svane® mattresses	32.3 %	37.1 %
Other	18.5 %	22.4 %
Total	**47.0 %**	**48.1 %**

« NOTE 2 Personnel expenses

(Figures in NOK 1 000)	2013	2012
Salaries	632 027	646 167
National insurance contributions	96 872	97 841
Contributions to defined contribution plans	32 828	30 198
Expenses relating to defined benefit plans	860	1 089
Other personnel costs	19 865	17 686
Total personnel expenses	**782 451**	**792 981**
Average number of full-time equivalents employed	**1 525**	**1 575**

Notes

NOTE 3
Net financial items

(Figures in NOK 1 000)	2013	2012
Financial income and expenses		
Other interest income	2 601	2 575
Other financial income	1	7
Total financial income	**2 602**	**2 582**
Change in value of unrealised forward contracts	-241 867	110 115
Gains on realised forward contracts	50 000	50 330
Gain/loss on currency exchange (Balance sheet adjustments)	22 429	-21 897
Other interest expenses	-3 226	-4 093
Other financial expenses	-738	-1 686
Total financial expenses	**-3 964**	**-5 779**
Net financial items	**-170 800**	**135 351**

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)	2013	2012
Tax payable for the year	106 135	120 612
Adjustment for previous years	193	-335
Total tax payable	**106 328**	**120 277**
Deferred tax		
Origination and reversal of temporary differences	-62 521	28 673
Total tax expense in income statement	**43 808**	**148 950**

NOTE 4
Tax expense
continued

Reconciliation of effective tax rate (Figures in NOK 1 000)	2013	2013	2012	2012
Profit before tax		92 104		484 025
Tax calculated at the applicable tax rate	28.00 %	25 789	28.00 %	135 527
Effect of tax rate in foreign jurisdictions	11.87 %	10 937	1.75 %	8 475
Non-deductible expenses	2.10 %	1 932	0.38 %	1 842
Effect of other tax rates on specific revenues	4.02 %	3 703	0.11 %	556
Tax-exempt revenues	-0.63 %	-583	0.00 %	-10
Recognition previously uncapitalised tax loss carryforwards	-0.20 %	-184	-0.16 %	-758
Tax on the year's uncapitalised tax loss carryforwards	2.61 %	2 407	0.86 %	4 140
Change in unrecognised temporary differences	-0.37 %	-344	-0.01 %	-64
Profit and loss items with no effect on tax	-0.05 %	-42	-0.09 %	-423
Surplus/shortfall in previous years' tax provisions	0.21 %	193	-0.07 %	-335
Total	**47.56 %**	**43 808**	**30.77 %**	**148 950**

The reduction in the Norwegian tax rate from 28 % to 27 %, with effect from 2014, has resulted in a NOK 67,000 increase in the tax expense for 2013, due to lower deferred tax assets.

Deferred tax recognised in other comprehensive income (Figures in NOK 1 000)	2013	2012
Tax translation differences net funding subsidiaries	-2 374	4 460
Tax actuarial gain/loss pension	-6	59
Total	**-2 380**	**4 519**

NOTE 5
Tax payable

Tax payable in the Balance Sheet (Figures in NOK 1 000)	2013	2012
Tax payable for the year	**106 135**	**120 612**
Tax paid current year	-56 817	-33 338
Too much/little paid in previous years	7 918	-762
Tax payable in the balance sheet	**57 236**	**86 512**

>> NOTE 6 Property, plant and equipment

Acquisition cost and depreciation (Figures in NOK 1 000)	Software and licences	Sites and buildings	Machinery and equipment	Operating movables	Total
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**	**2 074 980**
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**	**244 830**	**45 504**	**915 427**
Acquisition value 01.01.2013	**151 706**	**1 040 493**	**756 087**	**126 694**	**2 074 980**
Currency difference 01.01.2013		239	351	2 541	3 131
+ additions	64 055	20 385	54 480	11 414	150 334
- disposals at acquisition value	33 413	138	16 263	28 399	78 213
Acquisition value 31.12.2013	**182 348**	**1 060 979**	**794 655**	**112 250**	**2 150 232**
Accumulated ordinary depreciation at 01.01.2013	**131 802**	**435 304**	**511 257**	**81 190**	**1 159 552**
Currency difference 01.01.2013		24	38	1 688	1 750
+ the year's ordinary depreciation	27 395	38 031	57 731	10 618	133 775
+/- Currency difference deprecation		24	40	120	184
- acc. ordinary deprecation of operating assets sold	33 376	70	14 660	27 061	75 167
Accumulated ordinary depreciation at 31.12.2013	**125 821**	**473 313**	**554 406**	**66 555**	**1 220 094**
Book value 31.12.2013	**56 528**	**587 666**	**240 248**	**45 695**	**930 137**

Total investments for 2014 are expected to be approx. NOK 120 mill.

The Group has received TNOK 3,400 in government grants for automation projects (TNOK 4,851 in 2012). The amount of such grants has been deducted from acquisition cost.

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, NC (USA)	3	1 134
Somerset, NJ (USA)	6.5	1 548
High Point, NC (USA)	3	667
Las Vegas, NV (USA)	5.5	605

Sureties

As at 31.12.2013 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 surety for these drawing rights. The total book value of the operating assets thus pledged totals TNOK 864,258.

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
- Distribution 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 neither exercises the influence required under IAS 28 for such treatment, nor enjoys any share of Sykkylvsbrua AS's financial result.

Receivables falling due more than one year hence (Figures in NOK 1 000)	2013	2012
Prepaid royalty	0	304
Other long-term receivables	3 371	2 856
Total	**3 371**	**3 160**

Notes

NOTE 8
Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities (Figures in NOK 1 000)	Assets		Liabilities		Net	
	2013	2012	2013	2012	2013	2012
Property plant and equipment			4 619	7 713	4 619	7 713
Inventories	-204	-1 072			-204	-1 072
Receivables	-4 402	-11 632			-4 402	-11 632
Pensions	-1 022	-1 979			-1 022	-1 979
Forward contracts			4 399	72 284	4 399	72 284
Provisions	-324	-1 442			-324	-1 442
Other items	-2 178	-2 979		65	-2 178	-2 914
Tax losses carried forward					0	0
Tax liabilities	**-8 130**	**-19 104**	**9 017**	**80 062**	**887**	**60 958**
Tax offsets	2 709	14 754	-2 709	-14 754	0	0
Net tax liabilities	**-5 421**	**-4 351**	**6 308**	**65 309**	**887**	**60 958**

Unrecognised deferred tax assets and liabilities: The Group has tax losses in two foreign subsidiaries. Unrecognised deferred tax assets amounts to: TNOK 5 194 (2012: TNOK 3 412).

Breakdown of deferred tax	2013	2012
Change in deferred tax	60 072	-23 983
Recognised in the income statement	62 521	-28 673
Recognised in other comprehensive income	-2 380	4 519
Effect of changes in exchange rates	-69	171
	60 072	**-23 983**

NOTE 9
Inventories as of 31.12.

(Figures in NOK 1 000)	2013	2012
Inventory finished goods	116 124	130 248
Inventory semi-finished	46 087	43 257
Inventory raw materials	142 793	142 446
Total	**305 004**	**315 952**

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

NOTE 10
Trade and other receivables

Trade receivables of TNOK 331 741 (2012: TNOK 354 514) are presented less provisions for bad debts totalling TNOK 27 509 (2012: TNOK 24 629).

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

(Figures in NOK 1 000)	Gross 2013	Provisions 2013	Gross 2012	Provisions 2012
Not past due	285 234		293 201	
Past due 0-30 days	53 933	7 426	66 274	4 962
Past due 31-60 days	7 168	7 168	8 629	8 629
Past due 61-90 days	2 637	2 637	4 299	4 299
Past due 90-180 days	1 650	1 650	3 338	3 338
More than 180 days	8 629	8 629	3 401	3 401
Total	**359 250**	**27 509**	**379 142**	**24 629**

Bad debts totalling TNOK 3 120 (2012: TNOK 5 599) were recognised in 2013. 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)	2013	2012
Bank	328 402	273 335
Unused credit facilities	315 000	315 000
Total	**643 402**	**588 335**

Only cash and bank deposits are recognised as cash and cash equivalents in the cash flow statement. TNOK 11 064 (2012: TNOK 11 997) 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 at 31 December 2013. See also Note 6.

NOTE 12
Equity

Share capital and share premium:
As at 31 December 2013, the authorised share capital comprised 36 826 753 ordinary shares (2012: 36 826 753). All shares have a par value of NOK 1.00.

The holders of ordinary shares are entitled to recieve 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 (2012: NOK 5.50) was proposed by the board of directors. This totals TNOK 202 547 (2012: TNOK 202 547). 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 2013 was based on the profit attributable to ordinary shareholders of TNOK 48 296 (2012: TNOK 335 075) and a weighted average number of ordinary shares outstanding during the year ended 31 December 2013 of 36 826 753 (2012: 36 826 753), calculated as follows:

(Figures in NOK 1 000)	31.12.2013	31.12.2012
Profit for the period	48 296	335 075
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	1.31	9.10
Diluted earnings per share	1.31	9.10

Earnings per share based on the profit for the period, where the effect of changes in the value of forward contracts has been eliminated (in accordance with the hedge accounting principle).

(Figures in NOK 1 000)	31.12.2013	31.12.2012
Profit for the period	222 278	255 792
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	6.04	6.95
Diluted earnings per share	6.04	6.95

NOTE 14
Interest-bearing loans and credits

The Group had no interest-bearing debt or credit as at 31.12.2013 (2012: 0). As at 31.12.2013 Ekornes had unused drawing rights on its banks. Land, buildings and operating accessories have been pledged as surety 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.

Ekornes sells its products in the respective countries' local currencies. The company has hedged the bulk of its currency exposure up to 36 months forward in time. Where necessary, new contracts are entered into on a rolling basis.

The company had the following net foreign exchange volume in 2013 (currency amounts in million):

	2013		2012	
Currency	Volume (in local currency)	Average exchange rate (in NOK)	Volume (in local currency)	Average exchange rate (in NOK)
USD	23.2	6.4180	17.1	6.3106
GBP	17.2	9.4453	15.4	9.2258
EUR	72.3	8.1630	65.8	8.3187
DKK	45.6	1.1171	44.4	1.1099
SEK	23.1	0.8938	21.5	0.8775
JPY	1 040.0	0.0706	1 135.0	0.0724

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 22,5 million as at 31 December 2013, compared with NOK - 21,9 million at the same point in 2012. Measures and adjustments have been implemented to minimise this risk, which reduces the level of fluctuations from what it would otherwise have been.

The impact on consolidated profit and loss from changes in exchange rates was insignificant.

As at 31 December 2013, the fair value of forward currency exchange contracts was NOK 16 mill. (31 December 2012: NOK 258 mill.). This is expected to fall due in the following periods: (see the table below.)

The change in the value of forward contracts may fluctuate sharply from quarter to quarter, and is strongly affected by movements in the NOK against the currencies in which Ekornes holds forward contracts. Profit before tax is thus correspondingly affected. When assessing the company's underlying profitability, this figure, and any change therein, must be disregarded.

Distribution fair value forward contracts	2013	2012
Share 2013		100 682
Share 2014	23 661	90 355
Share 2015	9 574	67 121
Share 2016	-16 944	
Total	**16 291**	**258 158**

The Group made a profit of NOK 50m (2012: NOK 50m) 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 31.12.2013
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 31.12.2013. A change as at 31.12.2013 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)	EUR	USD	GBP	Other	TOTAL
Effect on ordinary profit/loss					
Translation of balance sheet items (bank deposits, receivables, liabilities)	3 873	4 525	2 692	2 538	13 628
Effect of change in value of forward contracts	-75 149	-18 585	-20 055	-18 815	-132 604
Change in net financial items and profit before tax	**-71 276**	**-14 060**	**-17 363**	**-16 277**	**-118 976**
Change in tax	19 957	3 937	4 862	4 558	33 313
Effect on profit/loss after tax	**-51 319**	**-10 123**	**-12 501**	**-11 719**	**-85 663**
EFFECT ON EQUITY					
Change in other equity	-51 319	-10 123	-12 501	-11 719	-85 663

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

Notes

NOTE 15
Financial risk
continued

Effect on profit/loss and the balance sheet of changes in exchange rates as at 31.12.2013 had hedge accounting been applied.
Below can be seen the effect of a 5 per cent weakening and a corresponding strengthening of the NOK against all other relevant currencies as at 31.12.2013, had hedge accounting been applied. This is presented because the Group will revert to hedge account with effect from 2014. An adjustment as at 31.12.2013 is assumed, such that the average exchange rates in the period are not altered. In the company's opinion, a movement of +/- 5 per cent is within a reasonable estimate of probability for all currencies.

Effect on profit/loss 5 % increase in exchange rates (NOK weakened)	EUR	USD	GBP	Other	TOTAL
Effect on ordinary profit					
Translation of balance sheet items (bank, receivables, liabilities)	3 873	4 525	2 692	2 538	13 628
of which tax	-1 084	-1 267	-754	-711	-3 816
Effect on profit/loss after tax	**2 789**	**3 258**	**1 938**	**1 827**	**9 812**
Effect on other revenues and expenses					
Effect on value of forward contracts	-75 149	-18 585	-20 055	-18 815	-132 604
of which tax	21 042	5 204	5 615	5 268	37 129
Total effect on other revenues and expenses	**-54 107**	**-13 381**	**-14 440**	**-13 547**	**-95 475**
EFFECT ON EQUITY					
Change in hedging reserve	-54 107	-13 381	-14 440	-13 547	-95 475
Change in other equity	2 789	3 258	1 938	1 827	9 812
Total effect on equity	**-51 319**	**-10 123**	**-12 501**	**-11 719**	**-85 663**

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 2013	Fair value Deposits	Amortised cost Receivables and lendings	Amortised cost Other financial liabilities	TOTAL
Cash and cash equivalents	328 401			328 401
Value of forward contracts	16 290			16 290
Trade receivables and other current receivables		377 345		377 345
Non-current receivables		12 524		12 524
Trade payables and other non-current liabilities			392 241	392 241

The book value of financial assets and liabilities is considered to be practically identical to fair value.
Cash and cash equivalents are held in bank deposits.
The value of forward contracts is calculated by the banks, and corresponds to the present value of the contracts on the balance sheet date.
The valuation is based on observable interest and exchange rates.
The forward contracts are valued under level 2 of IFRS 13's hierarchy for fair value assessment.

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

Liquidity risk
The Group's holdings of cash and cash equivalents indicate that the liquidity risk is low. See also note 14.

Declaration of the Board of Directors remuneration policy with respect to senior executives
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 2013, the remuneration policy has complied with the declaration presented to the General Meeting in 2013. A new declaration will be presented at the General Meeting in 2014.

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 liabilities (Figures in NOK 1 000)	2013	2012
Accumulated pension liabilities	9 336	12 059
Accrued national insurance contributions	468	873
Net pension liabilities	**9 804**	**12 932**
Economic assumptions:		
Discount rate	4.00 %	3.90 %
Expected increase in salaries	3.75 %	3.50 %
Expected increase in pensions	3.50 %	3.25 %
Expected increase in government contribution	3.50 %	3.25 %

TNOK 6 018 of the total liabilities relate to foreign subsidiaries.

Change in pension liabilities (Figures in NOK 1 000)	2013	2012
Pension liabilities as at 01.01	**12 932**	**16 626**
Contribution to scheme/pensions paid	-3 670	-4 100
Expenses recognised in the income statement	860	1 089
Effect of changes in exchange rates	-296	-894
Actuarial gains/losses recognised directly in equity	-22	211
Pension liabilities as at 31.12	**9 804**	**12 932**

In 2013 net pensions paid and premium was TNOK 36 598. In 2014 it is expected to amount to approx. TNOK 38 000.

Pension costs (Figures in NOK 1 000)	2013	2012
Pensions paid/defined contribution plan	32 928	29 974
Net present value of benefits earned during the year	401	519
Interest expenses on pension liabilities	459	570
Recognised scheme changes		
Net pension cost	**33 788**	**31 063**

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

NOTE 16
Employee benefits
continued

Acturial losses/(gains) recognised in Other comprehensive income (Figures in NOK 1 000)	2013	2012
Accumulated 01.01	25 001	24 790
Recognised current year	-22	211
Accumulated 31.12	24 979	25 001

Individual agreements
The company provides no share-based remuneration, nor has it granted any loans to or pledged sureties on behalf of senior executives. 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 could be appointed. Former CEO Nils-Fredrik Drabløs has been appointed acting CEO with effect from 03.12.2012 until 31.12.2014.

The Company had entered into the following agreement with Board Chair, Olav Kjell Holtan (OKH):
a) Ordinary fixed directors' fee in accordance with the AGM's resolution, paid as personal salary.
b) In addition, the company was charged an attendance fee for each board meeting, in accordance with the AGM's resolution, paid as personal salary.
c) A temporary employment contract has been entered into with respect to the replacement of the CEO of Ekornes ASA and the potential takeover of IMG.

Bonus-based payments
Employee bonus
Employee bonuses are calculated as a percentage of monthly salary, and depend on the operating margin recognised in the consolidated financial statements. The bonus scheme applies only to those who do not receive payments under any other personal bonus arrangement. If the personal bonus is lower than the collective bonus, the difference is paid out. The individual's bonus is calculated pro rata in relation to the number of months employed during the year. Only those employed as at 31.12.2013, as well as those who have retired during 2013, are entitled to receive a bonus for 2013. For accounting purposes the bonus is treated as a cash bonus.

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 %
Over 25 %	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:
The 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**

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**

NOK 2 792 700 of the salary paid to Nils-Fredrik Drabløs was settlement of an agreed individual pension which should have been paid after he reached the age of 67.

Remuneration to members of the Group Management paid in 2013

(Figures in NOK)	Nils-Fredrik Drabløs	Øyvind Tørlen	Arve Ekornes	Runar Haugen	Geir Balsnes
Salaries 2013	2 448 452	3 219 971	1 537 368	2 248 985	1 572 640
Bonus 2012, paid in 2013		225 750	225 750	225 750	112 875
Pension		48 416	60 869	48 416	46 141
Other remunerations	12 396	28 708	45 115	50 903	34 710
Total	**2 460 848**	**3 522 845**	**1 869 102**	**2 574 054**	**1 766 366**

Remuneration to members of the Group Management paid in 2013

(Figures in NOK)	Svein Lunde	Robert Svendsen	Ola Arne Ramstad	Jon-Erlend Alstad
Salaries 2013	1 926 877	2 589 378	1 879 435	1 909 026
Bonus 2012, paid in 2013	207 489	225 750	225 750	30 929
Pension		48 163	48 433	46 046
Other remunerations	22 113	87 278	39 387	13 942
Total	**2 156 479**	**2 950 569**	**2 193 005**	**1 999 943**

Øyvind Tørlen has left the company.

NOTE 17
Related parties continued

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
Directors' fee	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
Directors' fee	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 Board members paid in 2013

(Figures in NOK)	Olav-Kjell Holtan	Kjersti Kleven	Stian Ekornes	Bjørn Gulden	Nora F. Larssen	Torill Svendsen	Sveinung Utgård	Arnstein Johannessen
Salaries 2013						388 042	683 501	376 939
Bonus 2012, paid in 2013						9 025	15 071	8 991
Pension						13 936	29582	13 628
Directors' fee	745 000	291 000	291 000	348 000	315 000		60 000	60 000
Other remunerations						1 300	5 308	1 300
Total	**745 000**	**291 000**	**291 000**	**348 000**	**315 000**	**412 303**	**793 462**	**460 858**

Remuneration to Board members paid in 2013

(Figures in NOK)	Tone Helen Hanken	Atle Berntzen	Hans Harald Hageberg	Ove Skåre	Else Marie Rønning	Ove Fagerheim	Wenche Elvegård
Salaries 2013	311 727	460 756	576 764	414 342	602 670	360 792	429 098
Bonus 2012, paid in 2013	7 784	11 164	20 232	15 883	12 725	9 170	9 896
Pension	10 960	16 849	21 288	14 040	22 420	13 583	15 289
Directors' fee	120 000	150 000				-	90 000
Other remunerations	1 300	1 300	2 496	1 496	8 804	1 300	5 300
Total	**451 771**	**640 069**	**620 780**	**445 761**	**646 619**	**384 845**	**549 583**

Remuneration to Auditors (Figures in NOK)	2013	2012
Auditing services	5 804	5 619
Other attestation services	66	28
Tax advisory services	709	730
Other services	520	689
Total	**7 099**	**7 067**

NOTE 18
The 20 largest shareholders as at 31.12.2013

Aksjonærer	Country	No. of shares held	Percentage
Nordstjernan AB	SWE	5 689 448	15.45
Folketrygdfondet	NOR	3 851 183	10.46
J.P. Morgan Chase Ba Nordea Re: Non-Treaty	GBR	2 064 284	5.61
Pareto Aksje Norge	NOR	1 744 388	4.74
J.P. Morgan Chase Ba Special Treaty Lendi	GBR	1 517 574	4.12
Odin Norge	NOR	1 432 808	3.89
State Street Bank An A/C Client Omnibus F	USA	1 157 945	3.14
Berit Vigdis Ekornes Unhjem	NOR	1 070 331	2.91
Gunnhild Ekornes Mertens	NOR	1 060 050	2.88
Vind LV AS	NOR	882 221	2.40
Nordea Nordic Small	FIN	811 002	2.20
JP Morgan Chase Bank Handelsbanken Nordic	FIN	799 372	2.17
Skandinaviska Enskil A/C Finnish Resident	FIN	782 831	2.13
Pareto Aktiv	NOR	735 575	2.00
Lazard Freres Banque	FRA	640 271	1.74
Morgan Stanley & co S/A MSIL IPB Client	GBR	598 167	1.62
Torill Anne Ekornes	NOR	523 897	1.42
Svenska Handelsbanken Clients Account 3	FIN	464 750	1.26
MP Pensjon PK	NOR	440 777	1.20
Skandinaviska Enskil A/C Clients Account	SWE	403 256	1.10
		26 670 130	**72.44**

NOTE 19
Group entities

Shares in subsidiaries	Business office	Shareholding	Voting share
Owned directly:		100 %	100 %
J. E. Ekornes AS	Ikornnes	100 %	100 %
Ekornes Beds 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, N.J	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 %
Owned indirectly:		100 %	100 %
J.E.Ekornes USA, Inc, USA	Morganton, NC	100 %	100 %
Ekornes Malaysia SDN BHD, Malaysia	Kuala Lumpur	100 %	100 %
Ekornes Taiwan Ltd., Taiwan	Taipei	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
FINANCIAL STATEMENTS

›› Income statement 2013

(Figures in NOK 1 000)	Notes	2013	2012
Operating revenues and expenses			
Sales revenues	3	87 471	114 425
Other revenues	3	152 408	155 483
Total operating revenues	2, 3	**239 879**	**269 908**
Materials		72 293	94 286
Salaries & national insurance contributions	5, 6	62 312	65 665
Depreciation	7	68 244	60 723
Other operating expenses	6, 8	133 840	109 718
Total operating expenses		**336 689**	**330 393**
OPERATING PROFIT		**-96 810**	**-60 485**
Financial income and expenses			
Dividend and group contribution	4	299 865	348 567
Financial income	4	3 675	3 737
Gains/loss on currency exchange	4	67 879	14 403
Financial expenses	4	-4 968	-4 025
Net financial items		**366 451**	**362 682**
Ordinary profit before tax		**269 641**	**302 197**
Tax on ordinary profit	14	-56 857	-63 518
PROFIT FOR THE YEAR		**212 784**	**238 679**
DISTRIBUTED AS FOLLOWS			
Proposed dividend	15	**-202 547**	**-202 547**
Other equity	15	**-10 237**	**-36 132**
Total distributed		**-212 784**	**-238 679**

‹‹ Balance Sheet

ASSETS (Figures in NOK 1 000)	Notes	31.12.2013	31.12.2012
Non-current assets			
Software	7	56 528	19 905
Deferred tax assets	14	796	2 026
Total non-current intangible assets	8	**57 323**	**21 930**
Buildings, land, etc.	7, 12	583 515	600 382
Operating movables, fixtures	7, 12	13 132	14 129
Total property, plant & equipment		**596 646**	**614 511**
Shares in subsidiaries	9	33 644	36 644
Receivables subsidiaries	11, 13	169 070	153 634
Other long-term receivables and investments	10	9 722	9 722
Total non-current financial assets		**212 435**	**199 999**
Total non-current assets		**866 405**	**836 440**
Current assets			
Inventory finished goods		2 556	2 482
Trade receivables	2	6 565	5 428
Public charges/VAT receivables		10 735	10 602
Other short-term receivables		8 402	23 554
Dividend outstanding from group companies		87 536	85 511
Receivables subsidiaries	13	299 617	376 079
Cash and bank deposits	16	237 620	188 102
Total current assets		**653 031**	**691 757**
TOTAL ASSETS		**1 519 436**	**1 528 198**

(Continued on next page)

Balance sheet 31.12.2012 (continued)

›› Balance Sheet (continued)

EQUITY AND LIABILITIES (Figures in NOK 1 000)	Notes	31.12.2013	31.12.2012
EQUITY			
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		**425 130**	**425 131**
Other equity	15	791 685	781 456
Total retained earnings		**791 685**	**781 456**
Total equity		**1 216 815**	**1 206 587**
Non-current liabilities			
Long-term pension liabilities	6	1 033	1 283
Total non-current liabilities		**1 033**	**1 283**
Current liabilities			
Trade payables		24 729	19 248
Dividend	15	202 547	202 547
Public charges payable		4 626	4 162
Tax payable	14	51 607	71 996
Other current liabilities	6	18 079	22 374
Total current liabilities		**301 588**	**320 327**
TOTAL EQUITY AND LIABILITIES		**1 519 436**	**1 528 198**

›› The Board of Ekornes ASA

Ikornnes, 31 December 2013/26 March 2014

Kjersti Kleven
Vice Chair/Acting Chair

Nora Förisdal Larssen

Stian Ekornes

Bjørn Gulden

Sveinung Utgård

Tone Helen Hanken

Wenche Elvegård

Nils-Fredrik Drabløs
CEO

‹‹ Cash Flow Statement

(Figures in NOK 1 000)	2013	2012
Cash flow from operating activities		
Profit before tax	269 641	302 197
Tax paid	-76 016	-70 955
Profit/loss on sale of non-current assets	60	940
Depreciation	68 244	60 723
Impairment of non-current financial assets	3 000	0
Changes in inventory	-74	1 853
Changes in trade receivables	-1 137	9 692
Changes in intra-group receivables	59 001	12 682
Changes in trade payables	5 481	10 622
Diff. between pension cost and amount paid into/out of pension scheme	-299	-329
Changes in other current balance sheet items	11 188	1 247
Net cash flow from operating activities	**339 088**	**328 673**
Cash flow from investing activities		
Proceeds from sale of property, plant & equipment	160	7 779
Investments in property, plant & equipment	-87 209	-39 558
Net cash flow from investing activities	**-87 049**	**-31 779**
Cash flow from financing activities		
Dividend paid	-202 520	-276 201
Net cash flow from financing activities	**-202 520**	**-276 201**
Net change in cash and cash equivalents	**49 518**	**20 693**
Cash and cash equivalents at the beginning of period	188 102	167 409
Cash and cash equivalents at the end of period	**237 620**	**188 102**

Notes

NOTE 1 Accounting principles

BASIC PRINCIPLES – ASSESSMENT AND CLASSIFICATION

The financial statements comprise the profi t 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 2013. 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 less value added tax and discounts.

RECEIVABLES AND LIABILITIES IN FOREIGN CURRENCY

Cash and cash equivalents, receivables and debts in foreign currency are converted at the exchange rate applicable on the balance date.

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 2013 financial year or those years for which comparable fi figures 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 profi table 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.

In accordance with Alternative 2 for cash-flow hedging in the NASB standard relating to financial assets and liabilities, hedging is not recognised until the transaction has materialised.

Unrecognised gains and losses on hedging: (Figures in NOK 1 000)	2013	2012
In this period	-224 721	111 311
Accumulated	12 917	237 638

NOTE 3
Sales revenues

Changes in value of hedging instruments are calculated by obtaining the banks' assessment of the forward contracts.

(Figures in NOK 1 000)	2013	2012
Norway	132	35 046
Europe	3 263	2 285
Asia (Excl. Japan)	55 223	61 937
Oceania	26 481	4 281
Other	2 372	10 876
Total sales revenues	**87 471**	**114 425**

The item 'Other operating revenues' derives largely from property rental income and the sale of services to subsidiaries.

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

NOTE 4
Merged items

(Figures in NOK 1 000)	2013	2012
Financial income and expenses		
Dividends from subsidiaries	90 965	86 067
Group contribution	208 900	262 500
Total dividend and group contribution	**299 865**	**348 567**
Other interest income from subsidiaries	3 060	3 210
Other financial income	615	527
Total financial income	**3 675**	**3 737**
Net gain/loss on foreign exchange	**67 879**	**14 403**
Other interest expenses	-1 482	-2 626
Other financial expenses	-3 486	-1 399
Total financial expenses	**-4 968**	**-4 025**
Net financial items	**366 451**	**362 682**

In the parent company's accounts, dividends from subsidiaries are recognised in revenue in the year in which they are accrued by the subsidiary, if it has been clarified that the dividend will be paid by the subsidiary to the parent company. Net gain/loss on foreign exchange in the parent company largely comprises the net difference between the par rate on the respective forward contracts and the rate at which the receivables have been bought. This effect results from the parent company acting as the Group's factoring agent, in that receivables which the Norwegian production companies have on foreign group companies are transferred to the parent company, which assumes the currency risk attached thereto.

NOTE 5
Salaries, number of employees, remuneration and pensions

(Figures in NOK 1 000)	2013	2012
Salaries	50 226	54 276
National insurance contributions	8 034	7 555
Pension costs	2 127	2 141
Other personnel expenses	1 926	1 693
Total	**62 313**	**65 665**
Average number of full-time equivalents	67	63

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)	2013	2012
Pensions paid (defined contribution scheme)	2 087	2 090
Interest expenses on pension liabilities	40	51
Total	2 127	2 141

Reconciliation of the scheme funding position and the amounts disclosed in the balance sheet (Figures in NOK 1 000)	31.12.2013	31.12.2012
Accumulated pension liabilities	906	1 125
Accrued national insurance contributions	128	158
Net pension liabilities	**1 033**	**1 283**
Financial assumptions:		
Discount rate	4.0 %	3.9 %
Expected increase in salaries	3.75 %	3.5 %
Expected increase in pensions	3.5 %	3.25 %
Expected increase in government contribution	3.5 %	3.25 %

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 with respect to senior executives
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 2013, the remuneration policy has complied with the declaration presented to the General Meeting in 2013. A new declaration will be presented at the General Meeting in 2014.

Bonus-based payments
Employee bonus
Employee bonuses are calculated as a percentage of monthly salary, and depend on the operating margin recognised in the consolidated financial statements.
The bonus scheme applies only to those who do not receive payments under any other personal bonus arrangement. If the personal bonus is lower than the collective bonus, the difference is paid out. The individual's bonus is calculated pro rata in relation to the number of months employed during the year. Only those employed as at 31.12.2013, as well as those who have retired during 2013, are entitled to receive a bonus for 2013. For accounting purposes the bonus is treated as a cash bonus.

Individual agreements
The company provides no share-based remuneration, nor has it granted any loans to or pledged any sureties on behalf of senior executives. Individual bonus agreements have been entered into with seven members of group management for 2013. The bonus scheme depends on the Group's total return on equity. 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 could be appointed. Former CEO Nils-Fredrik Drabløs has been appointed acting CEO with effect from 03.12.2012 until 31.12.2014.

The Company had entered into the following agreement with Board Chair, Olav Kjell Holtan (OKH):
a) Ordinary fixed directors' fee in accordance with the AGM's resolution, paid as personal salary.
b) In addition, the company was charged an attendance fee for each board meeting, in accordance with the AGM's resolution, paid as personal salary.
c) A temporary employment contract has been entered into with respect to the replacement of the CEO of Ekornes ASA and the potential takeover of IMG.

» NOTE 6
Employee benefits (continued)

Remuneration to members of the Group Management paid in 2013					
(Figures in NOK)	Nils-Fredrik Drabløs	Øyvind Tørlen	Arve Ekornes	Runar Haugen	Geir Balsnes
Salaries 2013	2 448 452	3 219 971	1 537 368	2 248 985	1 572 640
Bonus 2012, paid in 2013		225 750	225 750	225 750	112 875
Pension		48 416	60 869	48 416	46 141
Other remunerations	12 396	28 708	45 115	50 903	34 710
Total	**2 460 848**	**3 522 845**	**1 869 102**	**2 574 054**	**1 766 366**

Remuneration to members of the Group Management paid in 2013				
(Figures in NOK)	Svein Lunde	Robert Svendsen	Ola Arne Ramstad	Jon-Erlend Alstad
Salaries 2013	1 926 877	2 589 378	1 879 435	1 909 026
Bonus 2012, paid in 2013	207 489	225 750	225 750	30 929
Pension		48 163	48 433	46 046
Other remunerations	22 113	87 278	39 387	13 942
Total	**2 156 479**	**2 950 569**	**2 193 005**	**1 999 943**

Øyvind Tørlen has left the company.

Remuneration to Board members paid in 2013								
(Figures in NOK)	Olav-Kjell Holtan	Kjersti Kleven	Stian Ekornes	Bjørn Gulden	Nora F. Larssen	Torill Svendsen	Sveinung Utgård	Arnstein Johannessen
Salaries 2013						388 042	683 501	376 939
Bonus 2012, paid in 2013						9 025	15 071	8 991
Pension						13 936	29582	13 628
Directors' fee	745 000	291 000	291 000	348 000	315 000		60 000	60 000
Other remunerations						1 300	5 308	1 300
Total	**745 000**	**291 000**	**291 000**	**348 000**	**315 000**	**412 303**	**793 462**	**460 858**

Remuneration to Board members paid in 2013							
(Figures in NOK)	Tone Helen Hanken	Atle Berntzen	Hans Harald Hageberg	Ove Skåre	Else Marie Rønning	Ove Fagerheim	Wenche Elvegård
Salaries 2013	311 727	460 756	576 764	414 342	602 670	360 792	429 098
Bonus 2012, paid in 2013	7 784	11 164	20 232	15 883	12 725	9 170	9 896
Pension	10 960	16 849	21 288	14 040	22 420	13 583	15 289
Directors' fee	120 000	150 000				-	90 000
Other remunerations	1 300	1 300	2 496	1 496	8 804	1 300	5 300
Total	**451 771**	**640 069**	**620 780**	**445 761**	**646 619**	**384 845**	**549 583**

Remuneration to Auditor (Figures in NOK 1 000)	2013	2012
Auditing services	2 113	1 546
Tax advisory services	37	51
Total	**2 150**	**1 597**

NOTE 7
Property plant and equipment

(Figures in NOK 1 000)	Software	Sites, buildings	Operating movables, fixtures etc.	Total
Acquisition value at 01.01	145 699	1 039 705	35 321	1 220 725
+ additions	64 055	20 370	2 784	87 210
- disposals at acquisition value	33 413	28	1 814	35 255
Acquisition value at 31.12	**176 341**	**1 060 048**	**36 292**	**1 272 680**
Acc. ordinary depreciations at 01.01	125 794	439 324	21 193	586 310
+ the year's ordinary depreciations	27 395	37 210	3 639	68 244
- acc. ord. dep sold non-curr. assets	33 376		1 672	35 048
Acc. ordinary depreciation at 31.12	**119 813**	**476 533**	**23 160**	**619 506**
Book value 31.12	**56 528**	**583 515**	**13 132**	**653 174**

NOTE 8
Intangible assets

All costs relating to development, manufacturing and maintenance of products, product rights and registered trademarks are rcharged to expenses.

NOTE 9
Subsidiaries

Shares in subsidiaries Ekornes ASA (Figures in NOK 1 000)	Business office	Shareholding	Voting share	Book value
Directly owned				
J.E. Ekornes AS	Ikornnes	100 %	100 %	6 000
Ekornes Beds 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 %	-
Ekornes Pty Ltd, Australia	Sydney	100 %	100 %	113
Total directly owned				**33 644**
Indirectly owned				
J.E. Ekornes USA, Inc.	Morganton, NC	100 %	100 %	3 007
Ekornes Malaysia SDN BHD, Malaysia	Kuala Lumpur	100 %	100 %	0
Ekornes Taiwan Ltd., Taiwan	Taipei	100 %	100 %	88
Total indirectly owned				**3 095**
Total				**36 739**

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)	2013	2012
Loans to group companies	169 070	153 634
Total	**169 070**	**153 634**

NOTE 12
Borrowings, sureties and guarantees

The company had no interest-bearing debt as at 31.12.2013 (2012: 0).
As at 31.12.2013 Ekornes had unused drawing rights on its banks. Land and buildings have been pledged as sureties.

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	27 631
Purchases	77 963
Sale of services	92 894
Group contribution and dividend received	299 865
Group contribution and dividend paid	-
Commission	19 452
Interest income	3 119
Rental income	56 550

NOTE 14
Tax and temporary differences

(Figures in NOK 1 000)	2013	2012
Tax payable:		
Pre-tax profit	269 641	302 197
Permanent differences	-85 959	-77 186
Changes in temporary differences	1 712	33 347
This year's taxable income	**185 395**	**258 358**
Tax payable on profit for the year	**51 911**	**72 340**
Tax expense		
Tax payable on profit for the year	51 911	72 340
Correction to tax payable previous year		-2 874
Gross change in deferred tax	1 230	-6 537
Withholding tax	3 703	556
Deferred tax on income/expenses recognised in equity	13	33
Total tax expense	**56 857**	**63 518**
Tax payable in the balance sheet		
Tax payable on profit for the year	51 911	72 340
Tax paid this year	-303	-344
Tax payable in the balance sheet	**51 607**	**71 996**
Temporary differences linked to:	**31-12-2013**	**31-12-2012**
Non-current assets	8 364	3 252
Current assets	-9 077	-4 203
Liabilities	-18 233	-16 283
Total temporary differences	**-18 947**	**-17 234**
Excluded differences	16 000	10 000
Basis for deferred tax	**-2 947**	**-7 234**
Deferred tax/ Deferred tax assets	**-796**	**-2 026**

Excluded differences are write-downs on receivables from subsidiaries. They are not included in the basis for deferred tax assets, since it is uncertain whether or not the differences will be reversed; and if so, when.

NOTE 15
Shareholder's equity

	Share capital	Other eqt deposits	Premium reserve	Other equity	Total
Equity 01.01.2012	**36 827**	**1 983**	**386 321**	**745 409**	**1 170 540**
Profit for the year				238 679	238 679
Acturial loss defined benefit plans				-117	-117
Change deferred tax pensions				33	33
Allocated dividend				-202 547	-202 547
Equity 01.01.2013	**36 827**	**1 983**	**386 321**	**781 457**	**1 206 587**
Profit for the year				212 784	212 784
Acturial loss defined benefit plans				-49	-49
Change deferred tax pensions				13	13
Dividend repaid				27	27
Allocated dividend				-202 547	-202 547
Equity 31.12.2013	**36 827**	**1 983**	**386 321**	**791 685**	**1 216 815**

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)	2013	2012
Cash and bank deposits	237 620	188 102
Unused credit facilities	315 000	315 000
Total	**552 620**	**503 102**

In the statement of cash flow, only cash and bank deposits are recognised as cash and cash equivalents. TNOK 3 184 of the company's bank deposits are restricted to the payment of employee tax deductions (2012 TNOK 2 889). The parent company's main banking services providers have granted drawing rights capped at a combined total of NOK 315 million, subject to specific terms. These borrowing frameworks were entirely unused as at 31.12.2013.

The company has a group account scheme, which includes the Norwegian subsidiaries. Bank deposits in the balance sheet also include the subsidiaries' contributions to the group account scheme.

NOTE 17
Share capital and shareholders

All shares in Ekornes ASA are A-shares. A total of 6 603 000 shares (5 726 000) in Ekornes ASA were traded on the Oslo Stock exchange in 2013 (2012).

	2013
Total number of shares in Ekornes ASA, 31.12.2013	36 826 753
Face value	NOK 1,-
Book value at 31.12.2013	36 826 753
Number of shareholders as at 31.12.2013	2 359
Norwegian	2 190
Non-Norwegian	169

NOTE 17 Share capital and shareholders continued

No. of shares owned by senior executives and members of the board as at 31 December 2013	Function	Number of shares
Stian Ekornes	Board member	75 358
Tone H. Hanken	Board member	1 084
Nils-Fredrik Drabløs	CEO	400
Ola Arne Ramstad	Production Director Furniture	525
Runar Haugen	Group Marketing Director	300

The 20 largest shareholders as at 31.12.2013

Shareholders	Country	No. of shares held	Percentage
Nordstjernan AB	SWE	5 689 448	15.45
Folketrygdfondet	NOR	3 851 183	10.46
J.P. Morgan Chase Ba Nordea Re: Non-Treaty	GBR	2 064 284	5.61
Pareto Aksje Norge	NOR	1 744 388	4.74
J.P. Morgan Chase Ba Special Treaty Lendi	GBR	1 517 574	4.12
Odin Norge	NOR	1 432 808	3.89
State Street Bank An A/C Client Omnibus F	USA	1 157 945	3.14
Berit Vigdis Ekornes Unhjem	NOR	1 070 331	2.91
Gunnhild Ekornes Mertens	NOR	1 060 050	2.88
Vind LV AS	NOR	882 221	2.40
Nordea Nordic Small	FIN	811 002	2.20
JP Morgan Chase Bank Handelsbanken Nordic	FIN	799 372	2.17
Skandinaviska Enskil A/C Finnish Resident	FIN	782 831	2.13
Pareto Aktiv	NOR	735 575	2.00
Lazard Freres Banque	FRA	640 271	1.74
Morgan Stanley & co S/A MSIL IPB Client	GBR	598 167	1.62
Torill Anne Ekornes	NOR	523 897	1.42
Svenska Handelsbanken Clients Account 3	FIN	464 750	1.26
MP Pensjon PK	NOR	440 777	1.20
Skandinaviska Enskil A/C Clients Account	SWE	403 256	1.10
		26 670 130	**72.44**

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 2013 and at 31 December 2013 (Annual Report 2013). The consolidated financial statements have been prepared in accordance with IFRS and interpretations approved by EU, as well as the further Norwegian disclosure requirements arising from Norwegian Accounting Act to be applied as at 31.12.2013. 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 31.12.2013. 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 31.12.2013.

It is our firm conviction that:

- the 2013 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 2013
- 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 2013/26 March 2014

Kjersti Kleven
Vice Chair/Acting Chair

Nora Förisdal Larssen	Stian Ekornes	Bjørn Gulden
Sveinung Utgård	Tone Helen Hanken	Wenche Elvegård

Nils-Fredrik Drabløs
CEO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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 2013, 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 2013, 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 2013, 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 2013, 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 the statements on Corporate Governance and Corporate Social Responsibility

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 in the statements on Corporate Governance and Corporate Social Responsibility 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.

Oslo, 4 April 2014
KPMG AS

Gunnar Sotnakk
State Authorized Public Accountant

[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

Historie

2010

2011

2011

2012

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 prizewinner 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 wellrecognised 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
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. Ekornes's new intranet was launched in August. Its objective is to make information about

2012

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.

2013

Stressless® Office was launched. In response to persistent demand in the market, particularly in the USA and Central Europe, Stressless® is now available with a height-adjustable base and wheels. The Stressless® Office is mainly intended for home office use. The new product range has been well received in the market.

Ekornes became Norway's most highly automated company, with the installation of industrial robot no. 100. Ekornes has 10 per cent of all the industrial robots in existence in Norway.

2013

At the end of March Ekornes Fetsund AS changed its name to Ekornes Beds AS, which it was felt better reflected the company's identity. The new name works well both in Norway and abroad.

New, automated cutting equipment for hides/upholstery leather went into operation at J.E. Ekornes AS, Vestlandske. The new equipment allows the department to handle all orders for the same colour at the same time, instead of cutting each model separately. The aim is to make more complete use of the hides.

Ekornes launched a new communications concept for Stressless®. Solutions have been launched for in-store studios, general advertising, television commercials and websites. The new concept was launched simultaneously worldwide. It has been well received in all markets, and is helping to raise

2013

the profile of the Stressless® brand and reinforce its position as the best product for comfort.

A new and improved version of Stressless® Design Online was launched. The program allows customers to put together different combinations of Stressless® products, and place them in a self-defined room in 3D. Customers can also upload a photo of their living room, and furnish it with Stressless® products to get a better idea of how they will look in their own home.

Along with 10 other companies, Ekornes joined the Arena project, whose aim is to develop a regional furniture cluster. The project is organised by Innovation Norway, the Research Council of Norway and the Industrial Development Corporation of Norway (SIVA). The objective is to strengthen competitiveness by encouraging increased collaboration between commercial companies, educational establishments and public sector agencies.

James Tate was appointed as the new head of operations in the UK/Ireland. Tate worked for Ekornes for many years in the UK, before relocating to Sydney, Australia, where he has been managing director for Ekornes Pty Ltd for the past five years. He was replaced as head of the Australian business by John Candi.

The Stressless® City and Stressless® Metro were launched. These models have a completely new design, with steel/aluminium bases. The models have been very well

2013

received by distributors. Delivery is due to start in 2014.

Ekornes introduced a new HSE and quality management system called TQM Enterprise. The system was supplied by TQM Partner AS of Skien, which serves approx. 80,000 users and is Norway's leading supplier of modular solutions for electronic quality management.

For the fifth year running Ekornes UK won the 'Best Marketing Support' award in 2013. It was also named 'Best Recliner Manufacturer'. The awards came in the Interiors Monthly annual survey, in which 700 furniture distributors, manufacturers and suppliers voted for their favourite companies.

Of this year's employee Christmas donations, NOK 350,000 went to the Lola Daycare Center on the island of Cebu, Philippines. The centre is run by May-Britt Tynes of Sykkylven. The committee brought forward its decision as a result of the typhoon that devastated the Philippines in 2013. In addition, NOK 75,000 went to Britt Karin Lødøen (Hornindal) for the Mathare project in Kenya's Mathare slum area, and NOK 50,000 was donated to make it finally possible to purchase a vehicle for the transport of wheelchair users in Hornindal, Norway.

Sales revenues in 2013 totalled NOK 2,611 million.

At the close of the year, the Group had 1,576 employees.

“

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

EKORNES®

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