Annual report

Ekornes 2016

EKORNES®

"Ekornes shall be Europe's leading furniture producer and be renowned for its quality in all areas.

Stressless® Air

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THIS IS EKORNES

Ekornes is the largest furniture producer in Norway, and owns the brand names Ekornes®, Stressless®, Svane® and IMG®. Stressless® is one of the world's most well-known furniture brands, while Ekornes®, Stressless® and Svane® are the most well-known furniture brands in Norway. IMG® is best known in Australia. The Group has five factories in Norway, one in the USA, one in Thailand and two in Vietnam. The products are sold in large parts of the world through its own sales companies or importers. Ekornes's business idea builds on the development and manufacture of products that are outstanding with regard to comfort and functionality, and whose price and design appeals to a broad segment of the buying public. Ekornes ASA's head office is co-located with its factory in Ikornnes, in the district of Sykkylven. Ekornes ASA is the Group's parent company. The Group's factories are organised by segment, ie Stressless®, Svane® and IMG®. Ekornes's story started in 1934, when it's founder, Jens E. Ekornes began producing furniture at the J.E. Ekornes Fjaerfabrikk in Sykkylven. The first Stressless® chairs were introduced to the Norwegian market in 1971. A more complete presentation of the company's history may be found on pages 107-111 in this report.

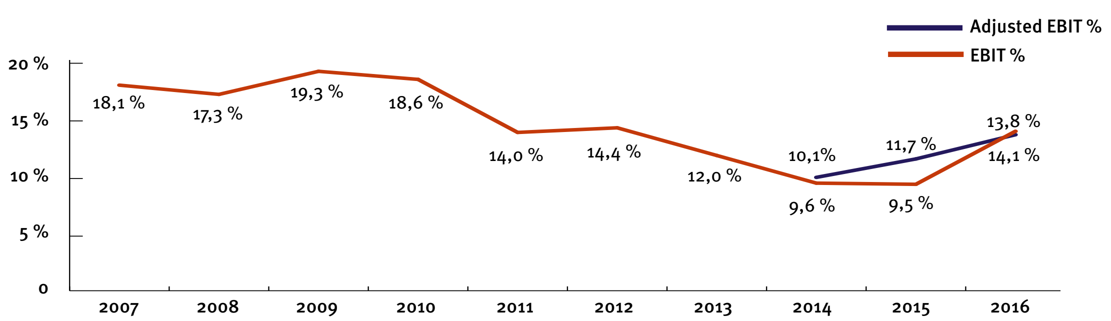
Key figures		2016	2015	2014	2013	2012
Gross operating revenues (consolidated)	NOK million	3 143.4	3 171.8	2 689.3	2 611.3	2 762.7
Operating earnings	NOK million	444.3	301.3	266.0	312.9	399.0
Earnings before tax	NOK million	446.1	278.2	248.8	334.0	373.9
Net profit for the year	NOK million	320.3	184.1	160.5	222.3	255.8
Investments (net)	NOK million	49.7	117.8	496.1	148.1	79.0
Depreciation and write downs	NOK million	160.4	146.7	132.6	133.8	125.1
Equity ratio	%	70.1 %	52.3 %	56.9 %	79.3 %	77.9 %
No. of employees	#	2 146	2 324	2 388	1 576	1 626
No. of shareholders	#	2 348	2 405	2 516	2 359	2 421
Earnings per share	NOK	8.70	5.00	4.36	6.04	6.95
Dividend per share	NOK	25.00	4.00	4.00	5.50	5.50
Dividend ratio	%	287,4 %	80.0 %	91.7 %	91.1 %	79.1 %
Share price 31.12	NOK	106.50	99.50	95.00	82.25	92.50
Market capitalisation 31.12	NOK million	3 922.0	3 664.3	3 498.5	3 029.0	3 406.5

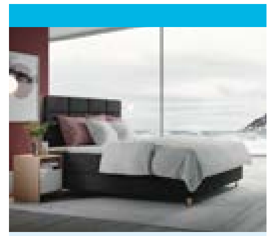
Revenues in NOK million: **3 143.4**

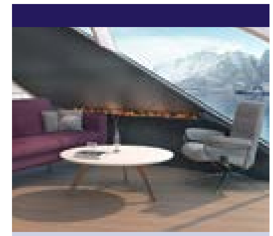
EBIT margin: **14.1 %**

Earnings per share in NOK: **8.70**

EBIT-margin and Adjusted EBIT-margin



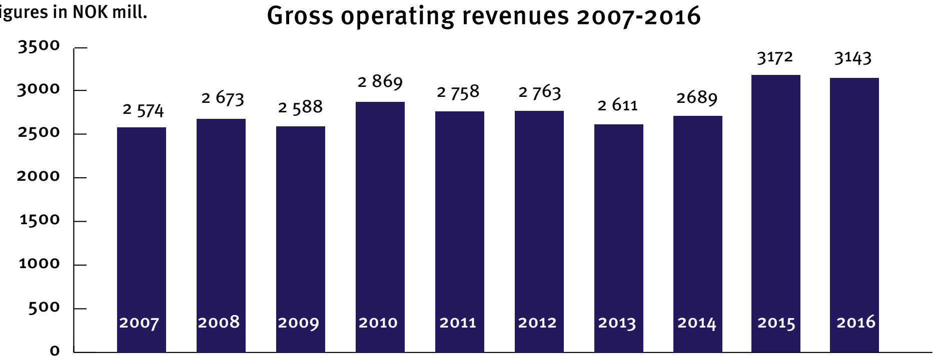




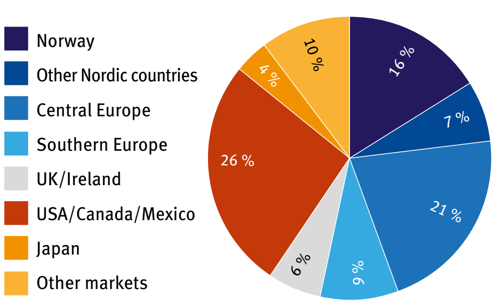
	Stressless®	IMG™	Svane®	Ekornes® Contract
Gross operating revenues in NOK mill.	2 362.8	452.0	270.6	58.1
EBIT in NOK mill.	368.2	138.7	1.3	5.3
No. of employees	1 367	676	95	8

Gross operating revenues 2007-2016

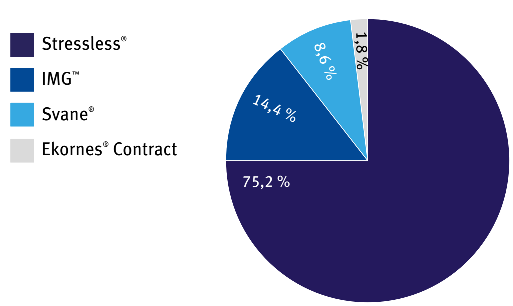
Figures in NOK mill.



Sales revenues by market



Sales revenues by segment



EKORNES

SALES COMPANIES

SKANDINAVIA
Ekornes Skandinavia AS
(Norway, Sweden)
Director: Norway: Eldar Blindheim

J.E. Ekornes Aps
Director: Denmark: Peter Hjelmholm

Director, Sweden: Johannes Liivrand

FINLAND
Oy Ekornes Ab (Finland/Baltics)
Director: Toni Juutilainen

UK/IRLAND
Ekornes Ltd.
Director: James Tate

CENTRAL EUROPE
Ekornes Möbelvertriebs GmbH
(Germany, The Netherlands,
Luxembourg, Switzerland,
Slovenia, Austria, Poland)
Director: Thomas N. van Aalten

SOUTHERN EUROPE
Ekornes S.A.R.L.
(France, Belgium, Italy
Director: Bernard Lafond

Ekornes Iberica S.L.
Director: Bernard Lafond

USA/CANADA/MEXICO
Ekornes Inc.
Director: Peter Bjerregaard

ASIA
Ekornes Asia Pte Ltd.
(Kina, Hong Kong, Taiwan, Korea,
Singapore, Malaysia, Indonesia,
India, Mauritius)
Director: Mark Kelsey

Ekornes China Co Ltd.
Director: Chris Wang

JAPAN
Ekornes KK
Director: Kenji Oyama

AUSTRALIA/NEW ZEALAND
Ekornes Pty. Limited
Director: John Candi

EXPORT (OTHER MARKETS)
Ekornes ASA
Marketing Director: Runar Haugen

EKORNES CONTRACT AS
Managing Director: John Terje Drege

EKORNES BEDS AS
Managing Director: Jon-Erlend Alstad

EKORNES BEDS GMBH
Managing Director: Jon-Erlend Alstad

IMG SKANDINAVIA AS
Managing Director: Lars Inge S. Jakobsen

IMG USA Inc.
Managing Director: Jim Dobry

IMG AUSTRALIA PTY LTD
Managing Director: Sam Joukadjian

IMG NEW ZEALAND LTD
Managing Director: Brian Preston

IMGC PTY LTD
Managing Director:Jacques Chan Chin

FACTORIES

J.E. EKORNES AS
Production Director: Ola Arne Ramstad

DEPT. AURE
Factory Manager: Ole André Småge

DEPT. TYNES
Factory Manager: Per Jarle Tynes

DEPT. GRODÅS
Factory Manager: Knut Ove Rygg

EKORNES BEDS AS
Managing Director: Jon-Erlend Alstad

J.E. EKORNES USA, INC.
Factory Manager: Rolf Aarseth

IMG THAILAND
Factory Manager: Kampon Petakew

IMG VIETNAM
Factory Manager: Ngy Yen Kim Long


J.E. Ekornes AS
Dept. Ikornnes (Sykkylven)
J.E. Ekornes AS
Dept. Tynes (Sykkylven)
J.E. Ekornes AS
Dept. Aure (Sykkylven)
J.E. Ekornes AS
Dept. Grodås
Ekornes Beds AS
Fetsund
IMG
Vietnam
IMG
Thailand
Sales companies
Factories

TO OUR SHAREHOLDERS

International customers and strong brands offer exciting opportunities

We have good customers in Europe, North America and Asia, and we own and manage one of the world's best-known furniture brands: Stressless®. In IMG, we have an international furniture company with great potential, and we own the popular Norwegian brand: Svane®.
An extensive international customer base, well-known brands, international production and a focus on innovation gives us exciting opportunities ahead.

Another year of restructuring, increased efficiency and investments in growth initiatives
Performance-wise, 2016 was an acceptable year. We posted a profit of over NOK 300 million, and the company's cash generation was very good throughout the year. Our share price rose by 7 per cent through 2016, at the same time as we paid a dividend of NOK 4.00 per share for 2015. As a result of this trend, the company's capital structure has been reassessed. The board is therefore proposing a total dividend for 2016 of NOK 25.00 per share, divided into an initial payment of NOK 6.00 per share and a subsequent payment of NOK 19.00 per share.

Nevertheless, our improved performance does not eliminate the need to continue our efforts to increase the profitability of Ekornes in general and the Stressless® and Svane® segments in particular. In recent years, we have seen a fall in the overall number of seat units sold. That sales revenues have not fallen correspondingly is attributable to the fact that we have compensated by selling higher-priced products. And while the number of seat units has fallen, our most important markets have grown – which means we have lost market share.

All this resulted in 2016 being an very active year, both structurally and operationally. We improved the efficiency of both our organisation and logistics systems. Production in Norway was adjusted and centralised. This included the decision to cut the number of sofa production units from two to one and concentrate all future sofa production at the Vestlandske factory in Sykkylven.

2016 also marked a milestone in the cost-cutting programme that was announced in the late summer of 2015. This programme aimed to strengthen the Ekornes Group's profitability and competitiveness. Our employees have worked hard to cut costs, which is reflected in the rise in our operating profit.

The aim of the cost-reduction and efficiency-improvement measures implemented over the past couple of years has been to provide the financial leeway needed for innovation, product development, expansion of the distribution network, brand building and other marketing activities. In this way, we strengthen our competitiveness, boost demand and ensure long-term growth. We are currently seeing signs of a positive market response, which could indicate that these efforts are bearing fruit.

Many of our employees have experienced challenging times at Ekornes in the past. They have gone through restructuring processes and difficult decisions, and have succeeded in creating new growth. Restructuring has been successful before, and it will be successful now as well.

We meet people's fundamental needs
We have great faith in our market potential. We humans have a fundamental need to sit and rest. If we sit and lie well, we feel well too. In large parts of the world, furniture is an important element in our homes – both decoratively and for comfort. Many consumers place a high value on the furniture they surround themselves with. This creates a significant, and international, market for comfortable, quality furniture.

It is in this segment that Ekornes is positioned. What is crucial for us, is to understand the customer's needs and desires, develop products that both satisfy and surprise, and ensure that our brands are relevant and part of consumers' lives. Last, but not least, we must ensure that our products are available through good distribution channels that make it easy to buy our chairs, sofas and other good furniture products.

Customer-oriented brand and product development
Circumstances change all the time. Customers change their habits. Technology is advancing faster than anyone could have imagined a few years ago. Digitisation is helping to further accelerate the pace of change, but also offers new opportunities, particularly with regard to understanding our customers and their needs. There will be no let-up in 2017. Ekornes will keep pace with the changes taking place.

Product development constitutes an important element in our efforts to protect, strengthen and develop our brands' position in the market. To ensure its future growth, Ekornes has therefore increased its level of investment in innovation and market-oriented product development, and a number of new products have been launched. We plan to further intensify our efforts in this area, and have several new product concepts in the pipeline, whose objective is to set the standard within their individual product categories.

Of vital importance for access to markets and relevant customer groups are effective logistics and distribution. Ekornes continues to pursue a strategy of distribution through well-reputed and selectively chosen distribution channels. To improve access to the customer, Ekornes has increased the number of retail outlets in the company's main markets in recent years, but has done so in such a way as to protect selective distribution. At the close of 2016, the positive impact of this growth in distribution was becoming visible, particularly in the German market.

Unique market position and substantial opportunities

Stressless® is not only Europe's best-known furniture brand, it is also one of the world's best known, with some 85 million people worldwide recognising the name. The brand has a unique market position. Combined with the strong position Svane® has in the Nordic mattress market and IMG's broad expansion in the medium-priced segment, this opens up substantial opportunities for us.

Since Jens E. Ekornes established Ekornes in 1934, we have been helping to set the standard for furniture comfort. We still produce the world's best furniture. There is truth in the old saying: "what we want to preserve, we must change". We will preserve Ekornes as a strong company, with solid, forward-looking brands, products and jobs, but we must do it by changing ourselves when the times require us to. Only in this way can we meet tomorrow's demands and needs.

We have set ourselves a series of long-term goals through a programme we have called "Ekornes 2020". Ekornes's foundations are solid and the company has enormous potential. It will demand change and readjustment to realise that potential. Although a great deal has been achieved in the past few years, much remains to be done. I look forward to an eventful 2017, with the aim of creating value for our customers, shareholders and employees.

Olav Holst-Dyrnes

CEO Ekornes

GROUP MANAGEMENT

OLAV HOLST-DYRNES (1970)

CEO

Education: A Master's degree in engineering from the Norwegian Institute of Technology (NTH), and completed officer training in the Norwegian Armed Forces.

Experience: Former CEO of the listed company Havfisk ASA. Sourcing Manager at Stokke AS. Ten years in the Norwegian Armed Forces.

CEO of Ekornes since October 2014.

No. of shares: 3 500

TRINE-MARIE HAGEN (1977)

CFO

Education: Master's degree in Economics from the Norwegian School of Economics (NHH). Part 1 Law from the University of Bergen.

Experience: CFO of Mentor Medier AS , Norske Skog ASA (several positions including VP Business Performance and Finance Manager at two factories), trainee and consultant at Intentia.

CFO and member of group management since January 2015.

No. of shares: 700

RUNAR HAUGEN (1964)

Group Marketing Director

Education: Master of Business Administration (BI)

Experience: Joined Ekornes ASA as an export consultant in 1991, then Marketing Manager at Ekornes. Previous experience from export, sales and consultancy work.

Group Marketing Director and member of group management since 1992.

No. of shares: 300

SVEIN LUNDE (1961)

International Marketing Director

Education: Diploma, Management Studies (OU Business School)

Experience: Joined Ekornes in 1994 as the Managing Director of Ekornes Ltd. with responsibility for the UK/Ireland. Previous experience from banking and the travel industry.

International Marketing Director and member of group management since 2003.

OLA ARNE RAMSTAD (1962)

Production Director, Stressless® Production

Education: Administration (BI).

Experience: Started in production at Ekornes in 1984. Various positions within factory production management.

Production Director, Stressless® and member of group management since 2002.
No. of shares: 525

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.

Director, Product Development and member of group management since 2002.

ØYSTEIN VIKINGSEN FAUSKE (1978)

Director, Digitalization & HR

Education: Master's degree in Industrial Economy and Technology Management (Norwegian University of Science and Technology)

High Potentials Leadership Program (Harvard Business School)

Experience: COO (Operating Director) Sopra Steria Business Consulting Scandinavia, various management roles at Sopra Steria (including Head of Operational Strategy and Improvement and Head of IT-Advisory). Over 10 years consulting experience.

Director for Digitalization & HR and a member of group management at Ekornes since April 2016.

LARS WITTEMANN (1963)

Supply Chain Director

Education: MBA (BI), Bachelor in Economics and Business Administration (Handelsakademiet, Oslo).

Experience: Broad industrial, manufacturing and financial management experience from AssaAbloy (TrioVing/VingCard). CFO and plant manager at Grorud Industrier AS. Independent consultant.

Supply Chain Director and member of Group Management since October 2015.
No. of shares: 2 001

JON-ERLEND ALSTAD (1969)

Director, Ekornes Beds AS

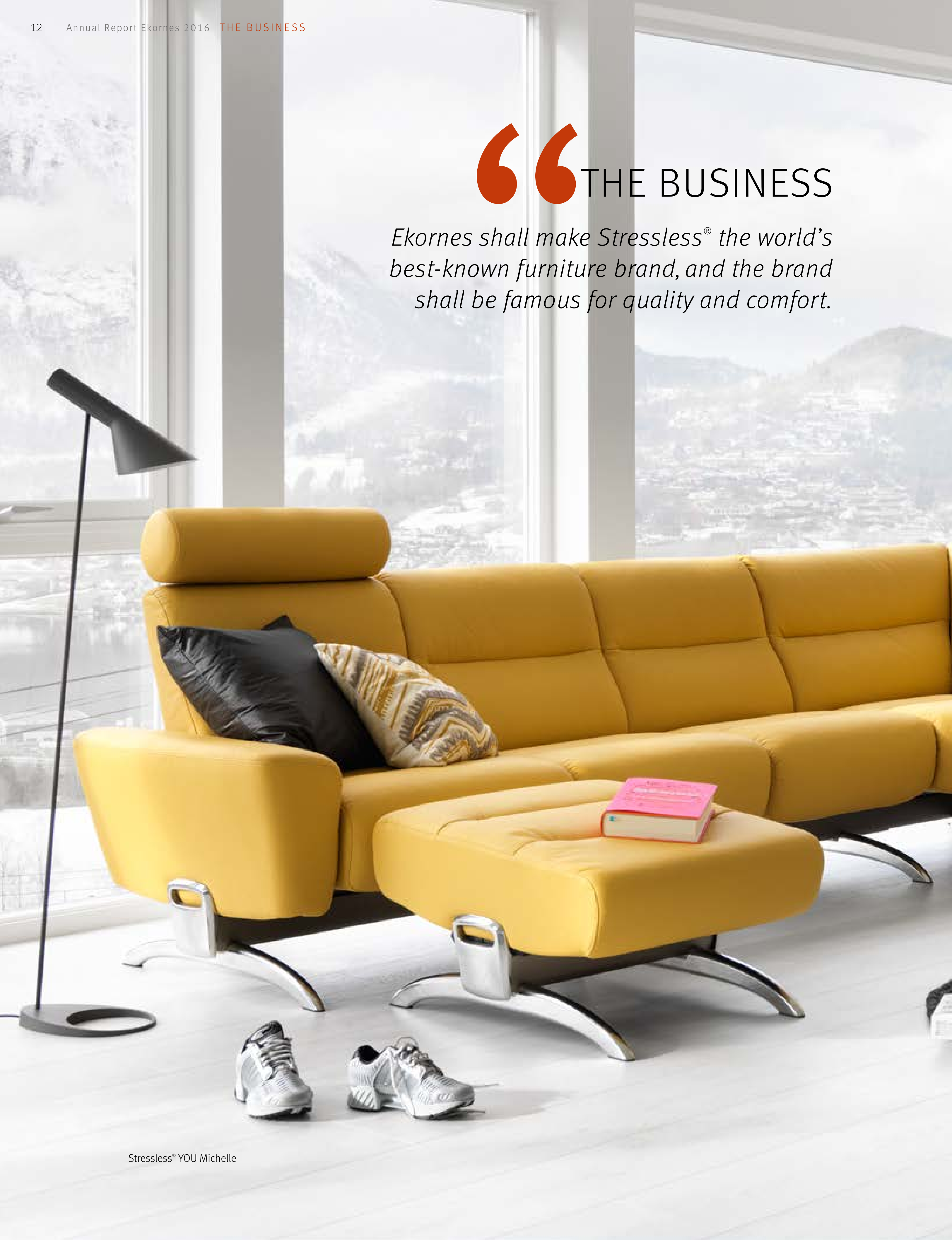
Education: Master's degree in Marketing (Oslo School of Management)

Experience: Senior Vice President at Scandinavian Business Seating (HÅG). Marketing director and sales director at Stokke (with seven years spent in England/Germany). Sales manager of the tour operator Top of Europe Norway AS.

Director, Ekornes Beds AS and member of group management since 2012.

THE BUSINESS

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



Stressless® YOU Michelle

STRESSLESS®

Start-up	Employees	Factories
1935	1 367	5

Product area Stressless® is Ekornes's largest product area, and one of the strongest furniture brands in the world.

The Stressless® brand includes a number of different Stressless® chair models, the Stressless® YOU and Stressless® Office ranges, as well as Stressless® sofas and the Ekornes® Collection sofa range, all of which are high-quality, premium products.

Slightly lower sales revenues were achieved in 2016 than in 2015. This is not considered satisfactory, and the company has implemented a number of growth-promoting measures, including the further enhancement of innovation and product development processes.

Market and customer strategy Ekornes's goal is to be the leading supplier of upholstered furniture in its main markets. Stressless® products are distributed through well-reputed and selectively chosen distributors. And through attractive product and marketing concepts, Ekornes aims to be the supplier that provides the best level of profitability for its distributors.

In recent years, market developments for Stressless® have been weak in segments of its main markets. This trend continued in 2016. In 2015, the board adopted a new market and customer strategy to create facilitate. This strategy was operationalised and implemented in 2016.

J.E. EKORNES AS

Dept. Ikornnes (Sykkylven)
Produces Stressless® chairs and Stressless® components.

Dept. Aure (Sykkylven)
Produces Stressless® and Ekornes® Collection sofas.

Dept. Grodås
Produces wood products and components.

Dept. Tynes (Sykkylven)
Produces laminated products and wood components.

J.E. EKORNES USA, Inc.

Morganton
Produces Stressless® sofas.

Stressless® E400 med ErgoAdapt™-system

Revenues in NOK mill.	Revenues in %	Sales outside Norway in %
2 362.8	75.2	92.4

In order to expand the customer base, it was decided to increase the number of sales outlets in the company's main markets. In addition to new distributors in new regions, the launch of two distinct but equal Stressless® collections have made it possible to increase the distributor density in areas where Ekornes already had a presence without abandoning the principle of selective distribution and a motivated distributor network. By the end of 2016, there were 260 more Stressless® distributors than a year before. It will take time before the results of this expansion can be expected to become evident. However, towards the end of the year, some of the markets shows signs of improvement.

Marketing concept Ekornes pursues a long-term and systematic brand strategy, whose aim is to safeguard and enhance the brands' value. Stressless® is currently the best-known furniture brand in Europe. In the American market, brand recognition is lower, but efforts are being made to boost brand recognition in this market as well. Globally, the Stressless® brand is recognised by over 85 million people.

The fight against copy products is a key aspect of our efforts to protect our brands. Ekornes therefore works actively to protect its designs and technical solutions, as well as prevent misuse of its trademarks and brand names. The Group's intellectual property rights are registered in more than 40 countries, and their misuse is consistently and vigorously followed up.

The marketing concept comprises a variety of different elements which secure the desired profile and communication with consumers, while influencing the consumer's buying process. The concept is made up of in-store display solutions (studios), training and motivational activities for retail staff, national and regional marketing campaigns, as well as close collaboration with distributors in relation to local marketing activities.

Online and digital communications account for a growing proportion of Ekornes's marketing. Considerable resources have been devoted to developments in this area in recent years. New tools intended to involve consumers and simplify the buying process have been implemented. Further development of the company's digital marketing and communications capabilities will continue to have a high priority going forward. This has, for example, led Ekornes to gain control of the top domain www.stressless.com.

Product development The objective of the Stressless® product development department is to create products and product concepts which stand out as offering the best comfort and functionality, have differentiating product benefits and help to reinforce the Stressless® brand name in the market.

A material factor in maintaining competitiveness is efficient production, with high levels of quality and productivity. Where possible, Stressless® strives to use standardised components in its product development.

To be able to develop and launch products adapted to the market, a high rate of innovation is vital. In 2016, as an important part of the company's efforts to create new growth, several initiatives were implemented to boost the pace of development and the frequency of new product launches. One of the products unveiled at the IMM Interiors exhibition in Cologne, Germany, in January 2017 was the Stressless® Lounge, a new and flexible sofa system, which can be configured in many different ways. The system includes the models Stressless® Leo, Stressless® Joy, Stressless® Air and Stressless® Eve. All the models have a contemporary design and offer a high level of comfort and quality, at a more affordable price than other Stressless® sofas. The objective is to reach out to more customers and increase sales in the sofa segment.

Furthermore, Stressless® chairs with metal bases (Stressless® City, Stressless® Metro, Stressless® London and Stressless®Paris) were made available with the BalanceAdapt™ system. This feature will make these models even more comfortable.

For some time, there has been a demand for greater flexibility with regard to Stressless® sofas with BalanceAdapt™. Stressless® sofas with BalanceAdapt™ are now available in several new configurations. The Stressless® Panorama, Stressless® Metropolitan, Stressless® Julia and Stressless® Michelle are all now supplied in both high and low-back versions. In addition, a new corner solution and a footrest have been developed for the Stressless® Julia and Stressless® Michelle models.

Markets

NORWAY The furniture market in Norway contracted in 2016. This also had a negative impact on sales of Stressless® products, which were 8 per cent lower in 2016 than in 2015.

With regard to the Stressless® segment, Ekornes collaborates with the Møbelringen and Skeidar furniture chains, as well as independent retailers. Norway has the highest per capita sales of Stressless® products of any market in the world. Stressless® products are sold in 151 retail outlets in Norway.

OTHER NORDIC COUNTRIES The furniture market in Denmark expanded by an estimated 2 per cent in 2016, while sales of Stressless® products held steady during the period.

Measures have been implemented to improve the situation in the Danish market. During the year, a new distribution agreement was entered into with the Møblèr chain. As a result, Stressless® is now distributed through all the most important furniture chains in the market, as well as a number of independent retailers. Overall, the number of retail outlets in Denmark rose from 61 to 89 during 2016.

Awareness of the Stressless® brand in Denmark is second only to that in Norway. The same is true of per capita sales.

Although overall market developments in Sweden were weak, Stressless® sales in Sweden rose by 9 per cent. During the year, distribution agreements were entered into with two chains, Svenska Hem and EM, which boosted the number of retail outlets from 69 to 95 during the period. Products are also distributed through independent retailers. Despite the reinforcement of Ekornes's distribution structure in the Swedish market, overall sales revenues remain low.

Sales of Stressless® products in Finland grew by 3 per cent in 2016.

CENTRAL EUROPE (Austria, Germany, Netherlands, Poland, Slovenia, Switzerland) Ekornes's office in Hamburg oversees the region, supported by local salespeople/agents in the individual countries.

In Germany, the largest single market for Stressless®, overall sales of upholstered furniture grew by an estimated 4 per cent in 2016. However, sales of Stressless® products fell by 5 per cent during the same period.

For a long time, efforts have been made to strengthen distribution of Stressless® in the German market, both through expanded geographic coverage and increased concentration in existing markets. In 2016, 53 new retailed outlets were added to the distribution network. The increase is attributable to agreements with furniture chains and major individual furniture stores. The expansion of distribution is expected to have a positive impact on Stressless® sales in the German market in 2017.

SOUTHERN EUROPE (France, Belgium, Italy, Spain) Sales in Southern Europe fell by 10 per cent in 2016 compared with the previous year. The downturn is largely attributable to strong and growing competition.

NORTH AMERICA The North American furniture market continued to grow in 2016. At the close of the year, it was just 2.6 per cent lower than the peak year of 2006. Growth is strongest in the lower price segments and the so-called "lifestyle"-segment.

Stressless® sales were 2 per cent higher than the year before. The launch of Stressless® products with the Signature base was well received in the USA. This type of chair now accounts for over 20 per cent of total sales.

However, performance in this market is not considered satisfactory. Changes have also been made in the distribution strategy for the US market. After an active campaign to increase the number of distributors, Stressless® products are now sold through 664 retail outlets in North America.

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

Order receipts fluctuated through 2016, with an upturn towards the close of the year. Overall, however, sales fell by 3 per cent compared with 2015. Competition in the market is intensifying, and products with motorised functions have taken market share. However, changes in the collection strategy have made it possible for Ekornes to reach new distribution channels. Stressless® products are now sold through 221 distributors in the UK and Ireland.

JAPAN Ekornes's office is in Tokyo, while warehousing and assembly are undertaken by a third-party logistics company located outside the city.

The overall furniture market in Japan decreased by 3 per cent through the year, while sales of imported furniture fell by more than 8 per cent in the same period. Sales of Stressless® products were 7 per cent down on the year before. In Japan, Stressless® products are sold through 465 retail outlets, ranging from prestigious department stores to furniture chains and smaller, independent furniture retailers.

ASIA (China, Hong Kong, India, Malaysia, South Korea, Singapore, Taiwan, the UAE). In recent years Ekornes has gradually made changes to pave the way for further growth in the Asian markets. Ekornes has exclusive agreements with importers in Hong Kong, South Korea, India and the Middle East. Ekornes itself acts as importer in the other markets.

Apart from Japan, the two largest markets for Stressless® in Asia are South Korea and China, which both made good progress in 2016. Overall, the market grew by 24 per cent compared with the year before. In 2015, Ekornes took direct control of the China/Hong Kong market through the establishment of its own company. Systematic efforts are being made to further expand Stressless® distribution in China's major cities. Although, relatively speaking, sales have developed well during the period, total volumes in these markets remain small.

AUSTRALIA/NEW ZEALAND Ekornes's office and warehouse for Australia are located in Sydney. New Zealand is served by an external importer, with follow-up from Ekornes's office in Sydney.

Sales fell by 5 per cent in 2016. The competitive situation is stable, but difficult market conditions – particularly in Australia – have affected sales of Stressless® products. The collection strategy has helped to expand distribution to a certain extent. At the close of the year, Stressless® products were being sold through 80 distributors in Australia and 26 in New Zealand.

OTHER MARKETS Activities in other markets remain limited.

Production

Stressless® products are manufactured at five factories, of which four are in Norway and one in the USA. Manufacturing is divided between component production and the production of finished items, which is order driven. The Ikornnes plant in Sykkylven produces the Stressless® chair collection, as well as steel and foamed plastic components for other parts of the furniture collection. Component production is largely automated, with extensive use of industrial robots.

The Stressless® sofa collection is produced at the Aure plant in Sykkylven.

Many measures were implemented in 2016 to improve manufacturing efficiency. As part of the Group's efficiency drive, it was decided in June 2016 to bring sofa production together in one factory. Production and employees from Hareid were therefore relocated to Vestlandske with effect from January 2017, and the plant's name changed to Dept. Aure.

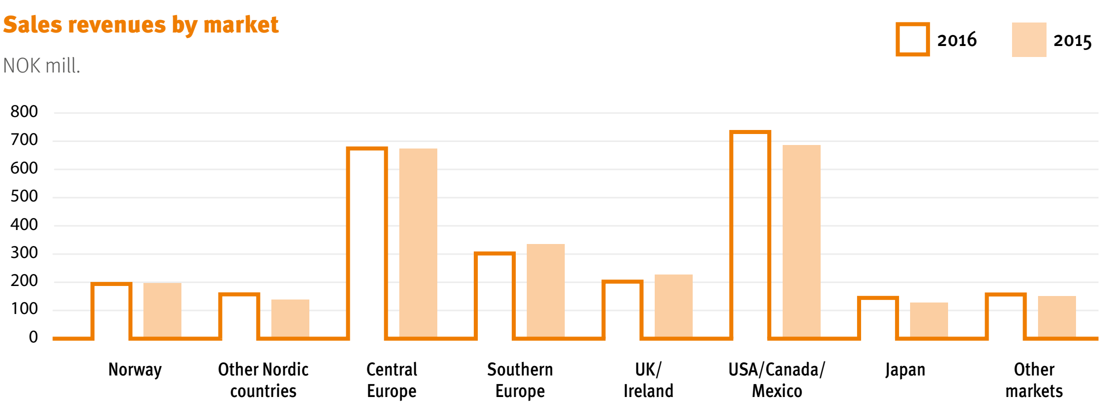
The Tynes factory in Sykkylven specialises in the manufacture and processing of wood laminates, while the Grodås plant produces other wood components.

The factory in the USA carries out sewing and assembly operations based on sofa components manufactured at the company's production facilities in Norway. Ekornes USA was established to reduce lead times for Stressless® sofas to the Stressless® distribution network in North America.

At the close of 2016, the Stressless® segment had a production capacity of 1,650 seat units per day, depending on the product mix. In 2016 as a whole, the number of seat units produced per day averaged 1,634.

Sales revenues by market

NOK mill.



IMG

Start-up	Employees	Factories
2006	676	3

Product area IMG is organised as independent business area within the Ekornes Group. IMG's position is that of a brand within the distribution network, and IMG's products address a wide audience through their combination of quality and price.

IMG Group AS acts as the holding company for all IMG companies, and is wholly owned by Ekornes ASA.

In the year as a whole, IMG's sales revenues rose, though the segment's performance did not meet expectations with respect to growth. IMG's largest growth potential is in Europe and the USA, and efforts were made in 2016 to pave the way for growth in 2017.

Market and distribution strategy IMG's customers comprise major chains and independent retailers. The company has sales and distribution units in Australia, New Zealand, Scandinavia and the USA, as well as dedicated teams which deal with the markets in Asia and sales directly from the factories to major customers.

As part of its efforts to further develop the markets in Central Europe and the UK, the company is in the process of establishing autonomous sales units in these markets. In addition, a warehouse is being set up in Poland to better enable it to meet the demand for rapid delivery, particularly to the German market.

Product development IMG aims to produce comfortable furniture of good quality at a sensible price.

The company creates furniture based on a Scandinavian approach. Its focus is on developing products and concepts that meet a market need, and that give IMG a unique competitive advantage. All IMG's products are designed, developed and tested by its Norwegian product development department.

Having launched the REGAL series and the Ergo-Tilt function in late 2015 and early 2016, the focus through the year was to establish these products successfully in both the manufacturing organisation and the market, as well as further develop new and improved functions for relaxers. IMG is working on several major development projects that are expected to be completed in the course of 2017.

Markets IMG's largest markets are Australia/New Zealand, USA/Canada and Scandinavia. In addition, IMG has some sales in Asia, Europe and the rest of the world.

AUSTRALIA/NEW ZEALAND IMG has offices and warehouses in Melbourne and Auckland. The segment achieved good growth in both markets in 2016, despite a rather challenging start to the year, when a degree of economic affected key parts of these countries' economies. IMG has proved to be highly competitive in these markets, with attractive and relevant products, manufacturing proximity and competitive prices.

IMG Thailand

Produces armchairs with laminated wood features.

IMG Vietnam (1)

Produces armchairs and sofas with footstools

IMG Vietnam (2)

Produces wood components, steel parts and mechanisms

Revenues in NOK mill.	Revenues in %	Sales outside Norway in %
452.0	14.4	80.4

USA/CANADA IMG has a sales office and warehouse located in Corona, California. Following a strategic restructuring of its sales activities during the year, this office now handles all sales in the US market. This includes sales via the warehouse and distribution unit in Corona, direct sales to major customers and private label sales.

During the second half of the year, the US sales organisation was reinforced. Overall, IMG achieved modest growth in 2016, although it has not performed as well as expected for the year.

As before, all sales to Canada are channelled via direct deliveries from the factories to distributors. IMG had a challenging year in Canada. A number of customers closed down or were forced to retrench. Some of the customers lost have been replaced with new ones, though it takes time to build up new customer relations.

SCANDINAVIA Sales to the Scandinavian market are managed from IMG's office in Sykkylven, Norway. IMG's sales in Norway and Sweden was slightly reduced, though we have seen positive developments in Denmark. The general competitive situation is challenging in Scandinavia as a whole, with challenging competition on prices between the various suppliers.

EUROPE The year closed without any notable results in Europe. In response to this, IMG is now building up a stronger sales organisation in Europe. IMG took part in the IMM International Interiors Show in Cologne this year.

ASIA AND OTHER MARKETS All sales in Asia, Europe and other markets are handled partly by local representatives and our own employees under the direction of IMG Group AS. Sales go direct to distributors and importers/distributors. No separate warehouses or sales companies have been established in any of these markets. However, a team located in Asia and one located in Norway are currently being put in place to work actively with markets and customers in areas where IMG is not represented with its own units.

Production

IMG has two manufacturing companies with three separate factories (two in Vietnam and one in Thailand). IMG's production involves a high degree of vertical integration, with in-house manufacture of the majority of the components used in its final products.

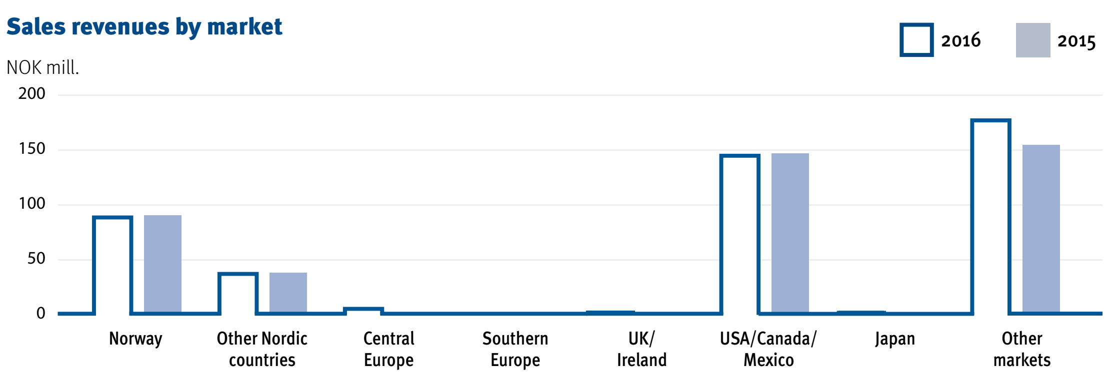
Nordic-style recliners featuring laminated wood components are manufactured at the IMG's factory in Thailand. IMG Thailand produces all its own wood components and much of the steel and moulded foam components it uses, in addition to cutting, sewing, upholstery and assembly. Raw laminated components are bought in, but are processed at the plant.

Reclining chairs and sofas with integrated footstools and fixed-back sofas are manufactured at two plants in Vietnam. The first factory in Vietnam was opened in 2007 and the second in late 2013. In addition to cutting, sewing, upholstering and assembly operations, IMG Vietnam produces wood and steel components, mechanisms, as well as injection and block moulded foamed plastic elements.

In recent years, both factories have focused on the in-sourcing of component production in order to secure competitive materials costs as well as quality and on-time deliveries.

At the close of 2016, the company's production facilities in Thailand and Vietnam employed 638 people.

Sales revenues by market



SVANE®

Start-up	Employees	Factories
1937	95	1

EKORNES BEDS AS

Fetsund

The development, production and sales of mattresses are carried out via the subsidiary Ekornes Beds AS, under the Svane® brand. Svane® was launched in 1937, just a few years after Ekornes was started. The brand is one of the most well-known in the Norwegian furniture market, with an unassisted recognition rate of just over 52 per cent.

Production of Svane® mattresses was moved to Nerdrum, not far from Oslo, in the mid-1960s. In 2016, Ekornes Beds AS continued to restructure its value chain, which produced a significant underlying improvement in its results through the year. However, in the fourth quarter 2016, an error was discovered in the way foreign currencies had been coded in the company's ERP system. This resulted in a correction in the cost of goods sold. The year's operating earnings therefore show only a marginal improvement on 2015.

In 2016, the segment continued to develop a differentiating brand position. Efforts to renew products and standardise the portfolio on the basis of a few platforms has proceeded throughout 2016 and will continue in 2017. Overall, Svane® achieved a 13 per cent rise in its top line. Since restructuring began in 2013, it has delivered significantly improved results. Nevertheless, the segment's performance is still not yet satisfactory.

Production The factory at Fetsund has also seen significant changes in recent years. Every part of the value chain has been put out to competitive tender, with the

Svane® Zonic kontinentalseng

Revenues in NOK mill.	Revenues in %	Sales outside Norway in %
270.5	8.6	26.3

result that large parts of the sewing room and pocket spring production have been outsourced. The workforce in production has been reduced from just over 80 full-time equivalents to 39 in the past five years. The factory now engages primarily in assembly and warehousing, although it does still produce IntelliGel®, foamed plastic and some wooden frames. The company has efficient manufacturing of large product runs. A key aspect of the forthcoming restructuring effort will be the transition from serial production to order-driven production.

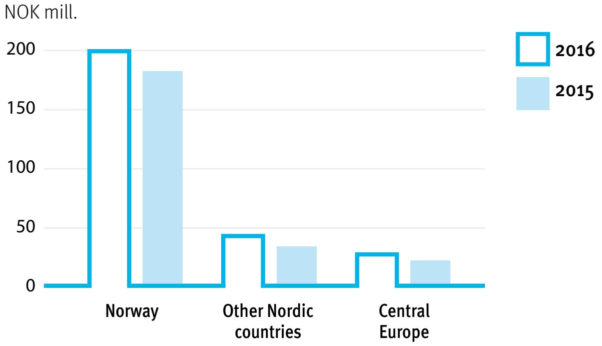
Product development In line with the company's strategy plan, product development had a high priority in 2016. The divan bed collection from 2015 was complemented by adjustable beds and an expansion of the accessories collection. These products went on sale to the public in 2016, and have been well received. In addition, a new divan bed (Svane® Saga) was launched. This covers a previously existing price gap between IntelliGel® products and the lower priced pocket spring models. Sales have swung clearly in favour of higher priced products. In the autumn of 2016, a new series of box mattresses and reversible mattresses based on the same platforms as the divan bed series was launched. These products will go on general sale in 2017.

Markets The market for beds/mattresses is highly price competitive. Ekornes Beds A as the rights to several unique "basic elements", which all play a central role in supporting the company's positioning statement that "It's the inside that counts". This is helping to increase the potential for a successful international expansion of the Svane® segment.

Gross revenues rose by 13 per cent in 2016 compared with 2015. Sales increased in Norway, the rest of the Nordic region, Germany and Switzerland. Towards the close of 2016, Svane® was introduced in the Netherlands.

Sales revenues by market

NOK mill.



Svane® Zense kontinentalseng

Svane® Zense regulerbar seng

EKORNES CONTRACT

Start-up	Employees	EKORNES CONTRACT AS
1989	8	Sykkylven

Revenues in NOK mill.	Revenues in %	Sales outside Norway in %
58.1	1.8	22.0

From offices in Sykkylven, Ekornes Contract focuses primarily on the shipping/offshore market and the hotel markets. It also supplies the Norwegian office furniture market.

SHIPPING MARKET Despite a very challenging market, Ekornes Contract succeeded in generating strong revenues by going after maritime contracts outside Norway as well. The number of newbuild projects in Norway has fallen in recent years due to overcapacity and difficulties in the oil sector. However, the construction of increasingly large and modern fishing boats has an very interesting future potential for Ekornes Contract.

HOTEL MARKET Sales in this market were slightly lower than in 2015, primarily due to lower sales of mattresses. Towards the end of the year, Ekornes Contract signed an agreement with the Radisson Blu Plaza Hotel in Oslo, which means that all the hotel's bedrooms will be furnished in Stressless® style.

OFFICE FURNITURE MARKET Ekornes® Contract has achieved growing success for Ekornes's products in this market, although the rise in sales has been relatively modest. New and exciting products, both chairs and sofas, open opportunities for a growth in sales in this niche market.

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

CORPORATE GOVERNANCE

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

1. Corporate governance at Ekornes

Ekornes' board and management endorse the Norwegian Code of Practice for Corporate Governance, and Ekornes complies with the current version, last revised on 30 October 2014. The code may be downloaded from www.nues.no.

Ekornes reviews the Code of Practice every year, and provides an overall account of what Ekornes has done through the year to comply with the code's recommendations. The annual report is available from the company's website at http://ir.ekornes.com.

Compliance with the Code of Practice is on a "comply or explain" principle, such that any non-compliances are commented. In the company's own assessment, Ekornes deviated from the Code of Practice in two main respects as at the close of 2016.

- The framing of principles for a company takeover (Chapter 14)
- The framing of guidelines for use by the auditor with respect to non-auditing services (Chapter 15)

Values, ethics and social responsibility

Ekornes's values are "honesty and integrity towards everyone we deal with", "openness and credibility both internally and externally" and "innovation to keep us always ahead of our competitors". These values build on the Group's vision, as stated in the document "Objectives and Values". These values also underpin the Group's internal ethical guidelines, which are set out in the document "Code of Conduct for the Ekornes Group". Both these publications are available from the company's website, www. ekornes.com. The "Code of Conduct" is reproduced in extenso elsewhere in this annual report.

Ekornes endorsed the UN Global Compact in 2009. Through participation in this scheme, Ekornes has pledged to operate its business responsibly and in line with the Global Compact's principles covering labour rights, human rights, sustainable production which protects the environment and the struggle to combat corruption. With effect from 2012, Ekornes has been involved in the Global Compact's Nordic network. Participation in this network provides opportunities for the Group to share experiences with other enterprises that have corporate social responsibility high on the agenda.

Through the UN Global Compact, Ekornes has also pledged to set targets for and work towards the continuous improvement of its practices. These efforts are reported annually to the UN in the form of a Communication on Progress (COP). This is available as a "Sustainability Report" and may be downloaded from the company's website: www.ekornes.no/om-ekornes/miljo-og-samfunsansvar.

In 2017, Ekornes's objectives and values will be reviewed to make sure that they are up-to-date and applicable to the entire Group as it stands today.

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".

3. Share capital and dividend

Equity

According to its dividend policy, Ekornes shall have an equity ratio of at least 30 per cent. The board considers it important that the company has at all times sufficient financial flexibility and strength. As at 31 December 2016, group equity before dividend totalled NOK 1,654 million (70.1 per cent). The board considers the equity ratio to be high.

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. As a general rule, Ekornes will strive to pay out a substantial portion of the Group's net profit in the form of a dividend. This should normally correspond to at least 50 per cent. Furthermore, the company aims to pay a stable and increasing dividend. When assessing the size of any dividend payout, account will be taken of the Group's investment level and growth rate, as will the need to maintain an equity ratio of at least 30 per cent.

A dividend of NOK 4.00 per share was paid out for 2015. For 2016, the board is proposing to the AGM that an ordinary dividend of NOK 6.00 per share be paid. It is also proposing the payment of an additional NOK 19.00 per share in the third quarter 2017. This will bring the total dividend payout to NOK 25.00 per share. The company's financial position is sound. In proposing the dividend for 2016, 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, as well as the need to adjust its capital structure.

Board authorisations

As at 31 December 2016, the board has been granted the following authorisations:

- The board is authorised to purchase treasury shares for use in connection with transactions whose consideration may comprise shares in the company and/or for the establishment of share-purchase programmes for employees.

This authorisation is valid up until the 2017 AGM, and is recorded in the Brønnøysund Register Centre. For further details, please see the minutes of the 2016 AGM for Ekornes ASA, which may be downloaded from the company's website at www.ekornes.no.

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. No share capital increase was undertaken in 2016. 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 current bonus schemes for management and other employees are paid in cash. Any trading in treasury shares is conducted through the Oslo Stock Exchange.

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. For further details of transactions with related parties, please see Note 17 to the financial statements for 2016.

5. Free transferability

Article 5 of the company's articles of association states that: 'Shares are freely transferable'. The company's articles of association place no restrictions on voting rights.

6. General meetings

General meetings are open to all shareholders and shall, pursuant to its articles of association, be held at the company's offices unless another venue is determined by resolution of the board of directors. The 2017 Annual General Meeting will be held on 3 May 2017.

An invitation to attend shall be sent out at least 21 days before the date set. Pursuant to the Ekornes's articles of association, documents which are to be considered at the general meeting may be made available via the company's website. The same applies to documents which, by law, must be included in or attached to the invitation to the general meeting. If the documents are made available in this way, the statutory requirement with regard to distribution to shareholders is not applicable. Shareholders may nevertheless contact the company and request that documents relating to matters to be considered at the general meeting be sent to them by post.

The general meeting's agenda is determined by the board, and the key items on the AGM's agenda are regulated by Article 8 of the company's articles of association.

Details regarding notification of attendance and deadlines therefor are included in the invitation. 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. Only those shareholders registered as such in the Norwegian Central Securities Depository (VPS) on the date of the general meeting are entitled to vote for their shares.

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 three members elected by the AGM. The members must be shareholders or shareholder representatives. The AGM also elects the nomination committee's chair.

The nomination committee's work is regulated by its mandate, adopted by the AGM of 24 March 1998, and last amended at the AGM of 12 May 2014. The nomination committee's task is to make recommendations to the company's AGM with respect to the election of the shareholders' representatives on the board of directors, its chair and deputy chair, as well as submit proposals with respect to the remuneration payable to the board's members. The nomination committee organises its work as it sees fit. The nomination committee's recommendations are enclosed along with the invitation to attend the AGM, and must be presented to the AGM by the committee's chair.

As at 31 December 2016, the nomination committee comprised:
- Kathryn Moore Baker, Chair
- Olav Arne Fiskerstrand
- Marianne Johnsen

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. Pursuant to Ekornes's articles of association, the board of directors shall comprise three to eight members, along with up to 10 deputy members, of which three directors and up to five deputies shall be elected by and from among the employees of the Group's Norwegian companies. As at 31 December 2016, the board comprises five members elected by the shareholders and three elected by the employees. The board also includes one employee-elected observer. The table below provides an overview of current board members:

Namn		First elected	Term	No. of board meetings attended	Up for election in 2017	No. of shares at 31.12.2016
Nora Forisdal Larssen	Chair, shareholder-elected	2009	2015-2017	18	Yes	0
Kjersti Kleven	Vice-Chair, shareholder-elected	2008	2015-2017	17	Yes	0
Jarle Roth	Shareholder-elected	2014	2016-2018	16	No	0
Stian Ekornes	Shareholder-elected	2008	2016-2018	10	No	113 448
Lars I. Røiri	Shareholder-elected	2014	2016-2018	17	No	2 300
Tone Helen Hanken	Employee-elected	2005	2015-2017	14	Yes	1 084
Sveinung Utgård	Employee-elected	2013	2015-2017	17	Yes	0
Atle Berntzen	Employee-elected	2007	2015-2017	18	Yes	0

All board members (shareholder elected) are elected by the AGM for a term of two years. The board's chair and vice-chair are elected from among the board's members. At the 2016 AGM Nora Forisdal Larssen was elected to chair the board, while Kjersti Kleven was elected vice-chair. All board members are entitled to re-election.

The nomination committee submits the names of candidates for shareholder-elected seats ahead of the AGM. Efforts shall be made to tailor the backgrounds, competence and capacity of the company's board members to its operations, needs and diversity. An overview of the individual directors' competence and background is available from the company's website www.ekornes.no and elsewhere in this annual report.

All shareholder-elected directors are deemed to be independent with respect to the company's business associates, and the majority are considered independent with respect to its day-to-day management and its main shareholders. Apart from Stian Ekornes and Nora Forisdal Larssen, all the directors are independent of the company's main shareholders.

9. Board responsibilities

The board of directors is the company's highest executive body, and is therefore responsible for the company's administration, as well as supervising its day-to-day management and commercial activities in general. This means that the board must ensure the business is properly organised, must determine the Group's overall objectives and strategy, must approve plans and budgets for the Group's operations and ensure that the business, financial statements and asset management are subject to satisfactory controls.

The duties of the board are governed by applicable legislation, the company's articles of association, instructions issued by general meetings of shareholders, as well as the board mandate of 17 August 1999 plus any supplementary board resolutions. The board's mandate encompasses the board's tasks and responsibilities, the division of labour between the board and the CEO, procedural guidelines, notification and minutes of board meetings, objectives and plans for the board's activities, the delegation of authority and board committees, independence and impartiality, confidentiality and non-disclosure, as well as the appointment of a spokesperson for the board.

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, and the CEO's duties and obligations with respect to the board are regulated by a separate mandate. The applicable mandate was originally adopted in 1999, and is regularly reviewed by the board. Furthermore, job descriptions have been drawn up for the CEO and other senior executives.

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

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.

The board should normally hold 10 ordinary board meetings per year, including one on group strategy and one on the budget. In 2016, the board held 18 meetings, of which nine were brief telephone meetings. 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 unless the information is likely to materially influence the share price. Confidentiality may apply to 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.

Towards the end of each year, the board draws up a detailed meeting plan for the following financial year. This plan covers follow-up of the company's operations, internal control, strategy issues and other tasks. It also encompasses the board's evaluation of its own performance. Through individual discussions and meetings of the full board, a considered assessment is made of the board's performance and the organisation of its activities through the year. Proposals for improvement in the coming year are also tabled. This work is regulated by a separate set of instructions, adopted at the board meeting of 22 March 2010.

The compensation committee is tasked with preparing and making recommendations to the board with respect to the remuneration payable to the CEO, as well as ensuring that the Group's remuneration system is in line with its Code of Conduct. The committee's recommendation with respect to the statement of executive remuneration is then tabled for discussion at the AGM.

The compensation committee comprises up to three board members, who are elected for a term of one year at a time. The committee shall meet at least twice a year. The compensation committee held six meetings in 2016. As at 31 December 2016, the compensation committee comprised:

- Nora F. Larsen (Chair)
- Kjersti Kleven
- Atle Berntzen

The audit committee is tasked with ensuring that the Group is subject independent and effective internal and external auditing, as well as good internal control mechanisms and satisfactory financial reporting in compliance with applicable legislation and regulations. The committee also supervises the performance of these activities.

The audit committee comprises up to three board members, who are elected for a term of one year. As at 31 December 2016, the audit committee comprised of:

- Jarle Roth (Chair)
- Sveinung Utgård
- Lars I. Røiri

The audit committee shall meet at least three times per year with the CEO and CFO, and, if necessary, a representative of the external auditor. In addition, the committee shall beet at least once a year with the external auditor without management being present. The Group's corporate services act as the audit committee's secretariat. The audit committee held 6 meetings in 2016.

10. Risk management and internal control

The board has overall responsibility for ensuring that the company exercises good risk management and internal control, in compliance with those provisions applicable to its business activities.

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.

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.

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.

Ekornes considers it important that the Group's values and ethical guidelines form an integral part of its business operations. 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. It is expected that employees and business associates comply with them. In addition, routines have been established for the reporting and follow-up of wrongdoing and other causes for concern, and efforts are constantly being made to further develop and follow up the Group's corporate social responsibility.

11. Directors' fees

Directors' fees are determined by the general meeting on the basis of the nomination committee's recommendation.

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 17 to the financial statements.

12. Remuneration for senior executives

Ekornes's policy is that the remuneration payable to its executives shall be competitive and based on salary levels for similar positions in the country in which the position is located. Guidelines for the remuneration paid to the CEO and other senior executives are determined by the board of directors pursuant to the remuneration committee's recommendations, and tabled as a separate agenda item at the AGM.

The remuneration paid to senior executives comprises a fixed portion and a variable portion in the form of a performance-related bonus. In addition, a share-option scheme for senior executives was established in 2016, although this has not yet been implemented. This is because the company, for several reasons, has not acquired a sufficient number of treasury shares. The Statement of Executive Remuneration, as well as details relating to the share option scheme are included in the invitation to attend the 2016 AGM, available from the company's website www.ekornes.no. Information regarding the remuneration and bonus schemes applicable to senior executives is also presented Note 17 to the financial statements for 2016.

13. Information and communication

Ekornes complies with the Oslo Stock Exchange's recommendations regarding the reporting of investor-related information, and the company has drawn up a communications strategy based on the principles of openness, honesty and credibility, as well as the equal treatment of all shareholders. Ekornes is also subject to the Oslo Stock Exchange's rules relating to information which may affect the company's share price.

Ekornes will strive to provide shareholders and investors with correct, clear, relevant and updated information, while treating all market players equally. The company also aims to keep its workforce well informed about the company's situation and what is happening in other parts of the business. It is management's responsibility to ensure the timely provision of necessary information and avoid sudden surprises. The CEO and CFO are responsible for day-to-day communication with shareholders and for investor relations generally.

Ekornes will continue to publish interim reports in line with the Oslo Stock Exchange's recommendation, and quarterly results will be published no later than 45 days after the close of the quarter. Complete year-end financial results, including an annual report, will be made available no less than three weeks prior to the AGM, at the latest by the close of April each year.

The company's management holds open presentations by webcast in connection with its quarterly reporting. The presentations are subsequently published on its website. In addition, the CEO and CFO hold regular meetings will analysts, investors and shareholders through the year. The exchange of information with distributors and suppliers is also important to avoid surprises and promote mutual understanding of the parties' strategies and patterns of action.

The company's financial calendar is published on the Oslo Stock Exchange and on Ekornes's website http://ir.ekornes.com before 31 December each year. Information to the company's shareholders is distributed on an ongoing basis via the Oslo Stock Exchange's newsfeed www.newsweb.no and the company's website, immediately after decisions have been made. All information is published in both Norwegian and English.

14. Acquisition

The parent company Ekornes ASA's articles of association contain no limitations with regard to share acquisition. Ekornes's board of directors have not established any principles for how it will behave in the event of a takeover bid. If such a situation should occur, the board will base its response on the principles of openness and the equal treatment of all shareholders.

15. Auditor

The company's principal auditor is PWC. 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. 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 AGM is informed of the remuneration paid to the company's auditor, broken down by 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. The boards of some subsidiaries also include external directors and employee-elected representatives.

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 – UNs 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 www.ekornes.no/om-ekornes/miljo-og-samfunnsansvar.

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.no. 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.no. 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.

INTANGIBLE ASSETS AND COMPETENCE

Ekornes is a competence-driven enterprise, and makes extensive use of advanced production equipment This means that manufacturing processes, particularly in the Stressless® segment, are highly automated and make extensive use of industrial robots. Knowledge of brands and brand-building, as well as international marketing, are also key elements in the business.

Intangible assets:

- Registered trademarks (Ekornes®, Stressless®, Svane® and IMG™)
- 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 in the company's balance sheet.

Competence and training

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

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 all areas of the company. The Stressless® segment collaborates with lower and upper secondary schools and various training offices, which is beneficial for both young apprentices and operators taking their craftsman's examinations. Ekornes seeks to meet future requirements for professional skills and work-related flexibility, and helps to focus on vocational training.

The Stressless® segment 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.

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.

Company in Norway	No. of employees	% women	% men	No. of managers	% women	% men
Ekornes ASA	81	33 %	67 %	15	20 %	80 %
J.E. Ekornes AS	1053	45 %	55 %	34	15 %	85 %
Ekornes Contract AS	8	38 %	63 %	2	0 %	100 %
Ekornes Skandinavia AS	5	20 %	80 %	1	0 %	100 %
Ekornes Beds AS	85	27 %	73 %	10	30 %	70 %
IMG Group AS	8	13 %	88 %	3	33 %	67 %
IMG Skandinavia AS	7	57 %	43 %	1	100 %	0 %

Board members			
Ekornes ASA*		37,5 %	62,5 %

*Of the board members elected by the shareholders, 40% are women and 60% are men.

ENVIRONMENT AND SOCIAL 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 its 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.

Ekornes has therefore 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 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 accident and health risk 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.

This is further specified in a separate policy and associated targets for the various companies within the Ekornes Group.

Environmental management in the development and production

With respect to environmental and corporate social responsibility, material aspects of the Ekornes Group's operations and value chain are associated with both risk and opportunity. In order to work systematically in this area, Ekornes must be familiar with its most important stakeholders and know how the company's operations impact each one. In addition, Ekornes must be aware of its stakeholders' expectations and requirements. Together with factors internal to the company, this forms the basis for identifying and prioritising issues that it is of material importance to focus on. In 2016, a major initiative got underway to renew and define in more detail the assessment of materiality, in line with the requirements set out in ISO 14001:2015. For further details, please see the company's Sustainability Report.

The manufacturing company J.E. Ekornes AS is certified in accordance with the ISO 9001:2008 and ISO 14001:2004 standards. In 2016, J.E. Ekornes initiated a process to update its management systems to meet the requirements of the 2015-version of the standards. Ekornes Beds' management systems for quality and the environment underwent a major overhaul in 2016, with particular focus on implementing principles to support systematic improvement efforts.

Sustainable production and development of quality products with a long lifespan

To be sustainable the companies in the Ekornes Group must produce high-quality products with a long lifespan. The most sustainable furniture is the one that does not need to be replaced and that has a substantial second-hand value. To achieve this, there must be a focus on quality and improvement throughout the value chain. In recent years, considerable resources have been devoted to enhancing the production units' competence and capacity to engage in improvement activities. By working on a methodology for systematic improvement work, a number of improvement measure were implemented in 2016. Any initiative that helps to improve quality, reduce shrinkage and the wastage of raw materials, time and energy, is an initiative that enhances the Ekornes Group's environmental performance seen in a lifecycle perspective.

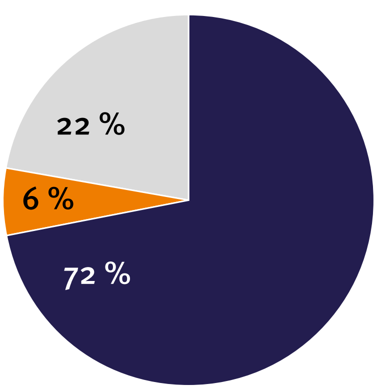
Ekornes, in keeping with the furniture industry in general, focuses on the use of chemicals in connection with the production of upholstery leathers, foamed plastics, textiles, surface coatings and adhesives. Ekornes works continuously to ensure that that the company's products do not expose users to chemicals that pose a hazard to health. For this reason Ekornes sets standards for its suppliers through purchasing specifications, that balance requirements for quality and environmental friendliness. Where necessary, Ekornes uses independent technical expertise to ensure that its specifications and testing are updated in line with applicable legislation and recommendations. Ekornes also participates in several technical forums in order to keep up-to-date, influence developments and spread knowledge through the industry. For example, Ekornes is a key player in the quality and environment project established by the Norwegian Federation of Industries' furniture subgroup in 2016.

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 on the coldest days. The objective is to phase out oil use by 2020. The Fetsund plant uses wood chips, electricity and oil for heating, while the factories in the USA, Thailand and Vietnam are less affected by the climate and therefore use the bulk of their energy consumption to operate their equipment. In recent years, the Fetsund plant has invested heavily in LED lighting and will, in 2017, replace its old oi-fired boiler with a a new combi boiler that can run on LPG. This will provide significant cost and environmental savings. By 2020, J.E. Ekornes AS aims to reduce its energy consumption to 50 kWh per seat unit produced. In 2016, consumption stood at 68.5 kWh. In 2016, new routines were introduced for measuring the volume of woodchips burned at all the factories in northwest Norway. This shows that previous estimates for the Tynes and Grodås plants were too high. Any comparison of the energy derived from woodchips at these plants would therefore be pointless. The figures for 2016 must therefore be adopted as the new baseline.

Energy consumption for Ekornes's production plants (kWh) in 2016

	Electricity	Fuel oil and natural gas	Woodchips
Ikornnes	15 323 742	317 257	3 989 510
Tynes	4 035 476	0	1 447 263
Grodås	1 723 751	0	1 597 025
Aure	817 781	21 685	928 132
Hareid	785 201	0	0
Morganton	580 325	232 701	0
Fetsund	1 769 742	1 735 353	493 736
Thailand	916 019	0	0
Vietnam 1	556 400	0	0
Vietnam 2	574 240	0	0



Waste handling

Ekornes sorts all its waste at source in such a way that the bulk of the waste is reused, recycled or used for energy recovery at its own plants. For Ekornes's factories in Norway and the USA, this accounted for over 80 per cent of all recorded waste. The J.E. Ekornes plants Tynes and Aure also receive a large amount of cardboard packaging, which is returned to their supplier in Sykkylven and is therefore not recorded as waste. Ekornes wishes to transform as much of its waste as possible into useful by-products that are reused in its own production cycle. For J.E. Ekornes AS, the goal is to reduce the proportion of waste that cannot be exploited at its plants or recycled down from approx. 2 kg per seat unit in 2015 to 1.5 kg by 2020. In 2016, this figure stood at 1.89 kg, a marginal improvement compared with 2015.

By-products that can be exploited by the factories include offcuts and woodchips from the production of wooden components, which are an important energy source for Ekornes. Another example of resources that are recycled straight back into the production cycle are offcuts of polyurethane foam, which are collected, shredded and remoulded. In 2016, 182 tonnes of foamed plastic and gel were recycled in this way. In addition to using offcuts from production at its own factories, Ekornes generates by-products that are a valuable raw material for other enterprises. Hides are a valuable raw material, which Ekornes is continuously seeking to make maximum use of. Any leather offcuts which still cannot be used for furniture production are collected and sold to producers of small articles.

The table below shows a summary of the waste statistics for the Group's plants in Norway and the USA.

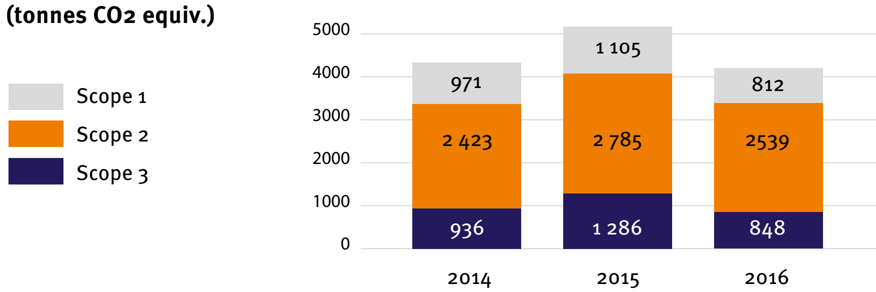
Figures in tonnes per plant	Ikornnes	Tynes	Aure	Gradås	Hareid	Fetsund	Morganton	Total	%
Landfill	9,52	0,00	0,00	0,00	0,00	0,00	70,45	**79,97**	1,6 %
Mixed waste for energy recovery	217,91	142,68	26,34	157,11	16,60	149,80	0,00	**710,44**	13,8 %
Wood for incineration at own or external facilities	1029,34	844,25	212,21	568,74	0,56	250,14	0,00	**2905,24**	56,5 %
Reuse or recycling	944,07	49,97	6,70	3,60	7,46	253,38	60,47	**1325,66**	25,8 %
Hazardous waste/waste electrical items	104,63	0,00	2,50	5,90	0,49	4,71	0,00	**118,22**	2,3 %
Total volume of waste from Ekornes plants excl. IMG		**1036,90**	**247,74**	**735,35**	**25,11**	**658,03**	**130,92**	**5139,53**	**100,0 %**

Emissions

Direct emissions to air from the manufacturing process are primarily generated by oil and solid fuel boilers. One of these facilities is subject to a licence issued by the County Governor, while licence applications for two others are under consideration. There are also some emissions of diisocyanate gas and carbon dioxide from the production of foamed plastic at the Fetsund, Ikornnes and IMG facilities. The bulk of the production processes involving water consumption are performed in 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.

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 2016, Ekornes's total carbon footprint was calculated at 4,199.6 tonnes of carbon equivalents. Emission reporting is divided into three so-called "scopes". For Ekornes, emissions in Scope 1 (direct emissions), derive from internal transport, heating with natural gas and oil, as well as carbon dioxide released during polyurethane foam production. Scope 2 encompasses indirect emissions deriving from the generation of electricity by a third party. Scope 3 is associated with the treatment of waste, air travel and authorised business use of motor vehicles. In general terms, the downturn in the overall volume of greenhouse gas emissions reported to CDP can be attributed to a sharp reduction in the use of fuel oil at the Fetsund plant and a reduction in air travel. In addition, the shared factor relating to the carbon footprint for electricity production in the Nordic region was substantially reduced as a result of the shift to greater production of renewable energy in these countries.

Carbon footprint, Group (tonnes CO_2 equiv.)



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.

A summary of the work done by Ekornes with respect to the environment and social responsibility is reported annually to the Global Compact in the form of a "Communication on Progress" (COP), and complements the information provided in this annual report. The COP report is the Group's reporting pursuant to section 3-3c of the Accounting Act. Ekornes's COP is available from the Global Compact's website or the company's website www.ekornes.co.uk/about-ekornes/environmental-and-social-responsibilities.

Shared value creation

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 Stressless® segment makes an annual Christmas donation to worthy causes in the local community. In 2016, the Christmas Donation Fund went to local Red Cross units in Sykkylven and Hornindal, as well as to various local initiatives to promote participation in outdoor pursuits. In addition, Ekornes sponsors a variety of activities for children and young people in those districts in Norway in which its factories are located.

Ekornes places a high priority on vocational training. In 2016, Ekornes had 25 apprentices in 8 different trades. 13 of these received their certificate of apprenticeship during the year. Collaboration with lower and upper secondary schools and various training offices provides positive benefits to both local communities and the company. Ekornes also facilitates Norwegian language tuition for employees whose first language is not Norwegian. In 2016, around 40 employees took part in basic Norwegian language courses, and many of these have gone on to study at the more advanced level at their own initiative. Numerous school pupils also spend their scheduled work experience periods at Ekornes every year. In addition, the company welcomes college and university students who wish to use Ekornes as a case in their project work and dissertations.

HSE

Health, safety and the environment (HSE) has a high priority at Ekornes, and the company invests considerable resources each year to make workplaces safer and reduce the extent of physically strenuous operations. Ekornes aims to minimise the health risk encountered in the workplace and minimise the risk of harm to people or the environment.

The automation of various work processes continued during the year. This has resulted in a reduction in physically strenuous operations.

In 2014 a company-wide management system for quality, HSE and the external environment was introduced at J.E. Ekornes AS (the Stressless® plants). The company's factories in northwest Norway became certified in accordance with ISO 9001 and 14001 in 2015. Although the production facilities in Thailand and Vietnam are not ISO certified, they work in compliance with the standard.

Special regulations

Ekornes has facilities for the production of foamed plastic at J.E. Ekornes AS's Ikornnes plant and at Ekornes Beds AS. Isocyanates, which are hazardous to health, are used in connection with the production of foamed plastic. The facilities have the capacity to store over 100 tonnes, and are therefore subject to major accident regulations. Safety reports have been prepared at both sites. These are regularly updated and submitted to the authorities in accordance with the major accident regulations. The companies have emergency response plans that are designed to address the issues described in their safety reports. The regulatory authorities perform annual inspections of both plants, and both meet existing environmental regulations.

Health

The Group had an overall sickness absence rate of 3.8 per cent in 2016. This is an increase of 0.4 percentage points compared with 2015. Long-term sickness absence (over 16 days) accounted for the bulk of the sickness absence recorded. Management at the individual factories continued to take action to reduce the sickness absence rate in 2016, eg through occupational rehabilitation committees and individual follow-up.

Sickness absence at the company's production facilities in Thailand and Vietnam is less than 1 per cent. The supervisory authorities perform annual audits of the working environment at the plants in Asia. Both plants meet relevant statutory and regulatory requirements. As part of the improvement work being done at the plants, an annual health check of all employees is now carried out. In addition, a staff nurse has joined the workforce in Thailand.

Injuries

Ekornes aims to achieve zero work-related injuries through the year. In the Group as a whole, a total of 17 lost-time injuries occurred in 2016. This is eight less than in 2015. The H1 value (number of lost-time injuries per million hours worked) for the Group as a whole came to 4.1, compared with 5.7 in 2015.

Specific measures have been implemented to address the causes of this year's H1 injuries, in addition, a long-term improvement programme focusing primarily on awareness and attitudes. This applies to all the Group's factories.

Industrial safety – emergency response

Every factory has an established industrial safety organisation. Emergency response plans are drawn up by the factories, and all carry out the necessary training and exercises. All the Norwegian factories have their own industrial safety/emergency response organisations.

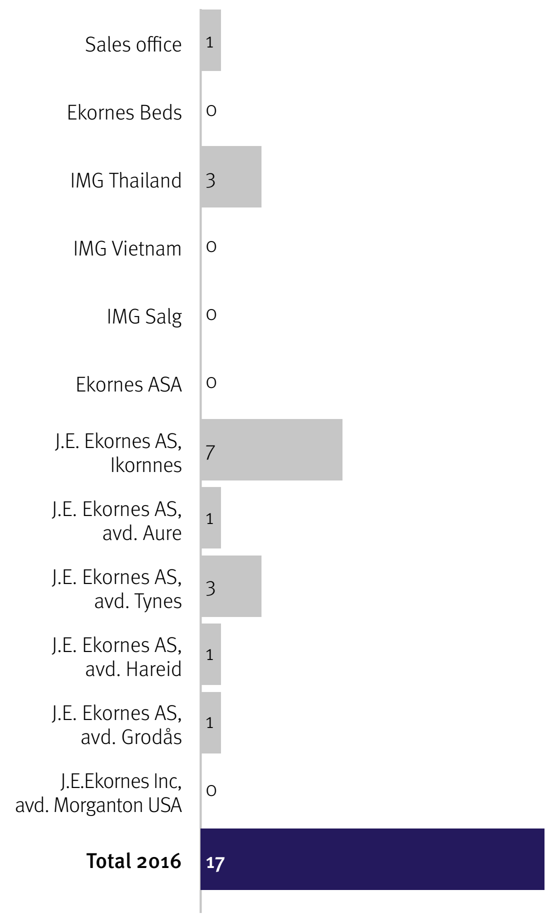
Inclusive Working Life (IA) Agreement

Ekornes has entered into an Inclusive Working Life (IA) agreement for the period 2014-2018 with the Norwegian Labour and Welfare Administration's Working Life Centre in Møre og Romsdal. The agreement covers the plants in Sykkylven and the Grodås plants in Hornindal. 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.

Sickness absence in 2016

(Figures in %))	Total sickness absence in %
J.E. Ekornes AS, Ikornnes	8,4 %
J.E. Ekornes AS, Vestlandske	9,3 %
J.E. Ekornes AS, Tynes	6,1 %
J.E. Ekornes AS, Grodås	7,7 %
J.E. Ekornes AS, Hareid	7,9 %
J.E.Ekornes Inc, Morganton USA	1,9 %
Ekornes Beds AS	6,7 %
Ekornes ASA	4,3 %
Ekornes Contract	1,7 %
IMG:	
IMG Thailand	0,6 %
IMG Vietnam	0,7 %
IMG Salg	3,5 %
Sales offices:	
Scandinavia	0,0 %
Finland	1,6 %
UK/Ireland	1,1 %
Central Europe	2,0 %
Southern Europe	0,5 %
USA/Canada/Mexico	1,1 %
Asia	2,7 %
Japan	0,5 %
Australia/New Zealand	2,4 %
Total for the Group	**3,8 %**

Breakdown of lost-time injuries by business unit for 2016 as a whole



The Board of Directors 2016

THE BOARD OF DIRECTORS

Nora Förisdal Larssen (1965)
Chair

Position: Senior Investment Manager, Nordstjernan.

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

Board menberships: Chair of Etac AB and Emma S. AB. Member of the board of Nobia AB.

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

No. of shares: 0

Kjersti Kleven (1967)
Vice Chair

Position: Investor through John Kleven AS.

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

Board menberships: Chair of Kleven Maritime AS and associated subsidiaries, Kleven Maritime Holding AS and John Kleven AS. Member of the board of iKuben, SINTEF Ålesund AS and Ulsteinvik Utvikling AS.

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

Jarle Roth (1960)
Board member

Position: CEO Eksportkreditt Norge AS.

Education: Master of Economics and Business Administration (Norwegian School of Economics, NHH).

Board menberships: Chair of Powel AS, member of the board of Kongsberggruppen ASA and Glamox AS, member of Statoil ASA's Corporate Assembly.

Experience: CEO of Eksportkreditt Norge. Has been Vice CEO of Umoe Gruppen and CEO of Unitor ASA.

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: 110 448 (Stian Ekornes Holding AS).

Lars I. Røiri (1961)
Board member

Position: CEO Scandinavian Business Seating Group AS.

Education: Master of Economics and Business Administration (Norwegian School of Economics, BI).

Board menberships: Member of the board of Cappelen Holding AS and member of the board of the Federation of Norwegian Industries, the design industry association.

Experience: CEO of Scandinavian Business Seating Group AS. Former commercial management positions at Tomra ASA, Mølnlycke AB and Jordan AS, CEO at Coloplast Norge as, CEO at HÅG ASA.

No. of shares: 2 300 (Røiri Invest AS).

Sveinung Utgård (1962)
Board member (employee elected)

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: Employee-elected director of Møre Trafo. Assembly operator at Formfin møbler, operator at Nordex plast, operator and department manager at Møre Trafo, shift leader at J.E. Ekornes, production manager at J.E. Ekornes.

No. of shares: 0

Tone Helen Hanken (1962)
Board member (employee elected)

Position: Sewing machine operator at J.E. Ekornes AS, Aure 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, Vestlandske (1997-the present). Several years as elected employee representative and as employee representative on factory boards. 18 years as chair person of Sykkylven Industri Energy, branch 0789 (trade union). Board member of the National Executive Committee of Industri Energi and member of the pay negotiating committee.

No. of shares: 1 084

Atle Berntzen (1967)
Board Member (employee elected)

Position: Acting warehouse foreman

Education: Upper Secondary School (commercial studies).

Experience: Has previously worked as a salesperson and warehouse operative at General Motors AS. Has worked in the warehouse at Ekornes Beds AS since 1991.

No. of shares: 0

BOARD OF DIRECTORS' REPORT 2016

2016 was an eventful year for the Ekornes Group. It was characterised by the organisation's long-term efforts to increase profitability and create new growth. At the same time, operating revenues was stabile at NOK 3.1 billion, while earnings rose to NOK 320 million.

The Ekornes Group comprises four segments. The Stressless® segment has one of the world's best-known furniture brands and produces high-quality furniture. Over the past two years, important efforts have been made to reduce costs in this segment, while paving the way for future growth. Further growth-promoting activities will have a high priority in 2017. The IMG segment has a strong growth potential, based on good-quality furniture at good prices. Although IMG made good earnings in 2016, growth was not satisfactory. In 2016, the segment focused intently on initiatives to pave the way for further growth in Europe and the USA. Svane® provides high-quality beds and has a strong brand name in Norway. Despite a satisfactory increase in revenues in 2016, earnings were unsatisfactory.

In addition to operational and manufacturing adjustments, activities were implemented in several segments and various parts of the value chain to strengthen the Group's cost-effectiveness and make it more competitive. Organisational changes were also made. Enhancing the efficiency of both manufacturing and logistics, as well as a scaling back of head-office functions have been key elements in this effort.

Efficiency has been increased and costs reduced to free up resources and create opportunities for growth-promoting initiatives. Innovation, product development and the reinforcement of the distribution network are vital if Ekornes is to strengthen its position in its markets and generate renewed growth in a highly competitive international furniture market.

The nature of the business and its strategy

Ekornes owns and manages the Stressless®, Svane®, Ekornes® and IMG brands, and markets these internationally through selected distributors.

Stressless® is today the most well-known furniture brand in Europe, and it is estimated that over 85 million people worldwide recognise the brand name. In the Norwegian market, Svane® and Ekornes®, along with Stressless®, are the three most famous furniture brands.

The company's business idea is to market and develop these brands by offering products that are outstanding with respect to comfort and functionality, and whose price and design appeal to a broad segment of the buying public.

Sales are largely aimed at the home-furnishing market, with Stressless®, Ekornes® Collection and IMG® being sold globally, while Svane® is marketed in the Nordic region and selected northern European markets. In addition, the Group's products are sold in the contract market.

Ekornes distributes its brands through selected, well-established retail partners, primarily chains and independent distributors. However, other forms of distribution may also be relevant. The Group aims to optimise distribution, while maintaining ease of availability for consumers and a high priority on the part of distributors. To strengthen the brands' market position, Ekornes's segments engage in the continuous development of new products and product concepts. This takes place largely through the development of:

- Entire concepts and product families
- Truly differentiating product benefits
- Products for sale in all relevant markets
- Products that can be produced rationally, with a high degree of component standardisation

Product development shall be undertaken so as to protect the brands' identity. At the same time, manufacturing processes will ensure the correct quality and on-time delivery. Delivery times will balance the forward planning needs of the production departments and the requirements of the markets. Ekornes's competitiveness will be constantly enhanced through the use of modern technology and the development of a highly competent workforce.

Production facilities will be specialised, so that processes requiring the same competence and equipment are co-located as far as possible. Together with standardised components, this forms the basis for extensive automation.

The Group's head office is located in Ikornnes, in the municipality of Sykkylven. Ekornes has sales companies in Norway, Denmark, Finland, Germany, UK, France, USA, China, Taiwan, Hong Kong, Japan, Singapore, Thailand, New Zealand and Australia Five production companies are responsible for manufacturing operations, which take place in Norway (five factories), Thailand (one factory), Vietnam (two factories) and the USA (one factory).

In 2016, Ekornes employed 2,146 people.

Important events in 2016

Recent years have been characterised by a lack of organic growth and declining profits.

To improve profitability in general and secure the financing of growth-enhancing initiatives and measures to boost competitiveness in particular, Ekornes implemented efficiency improvement programmes whose combined goal was to shave NOK 150 million off the Group's 2014 annual cost base by the close of 2016. In line with this programme, it was decided in June 2016 to amalgamate the company's two Stressless® sofa factories and co-locate production at Sykkylven.

As part of the efficiency improvement programme, it was decided in October 2016 to cut 50 jobs from the company's indirect support functions, largely in the Stressless® segment. This is being accomplished through a combination of staff redeployment, the offer of severance packages and redundancies. Around half of these affected were offered new positions in manufacturing departments.

With effect from the first quarter 2016, Ekornes has ceased to make use of hedge accounting. This move was also part of the efficiency improvement effort. A new currency hedging strategy was also introduced in 2016. Under this strategy, 80 per cent of expected currency exposure in the coming six-month period is hedged in currencies, exposure to which is expected to exceed NOK 75 million. This applies correspondingly to 50 per cent of expected exposure in the coming 6-12-month period. The new strategy will result in greater foreign exchange exposure, but will simultaneously provide sufficient leeway to implement operational and financial adjustments in the event of major currency fluctuations. Furthermore, in connection with a review and audit of internal reporting routines, it was discovered that currencies had been incorrectly coded in the ERP system. As a result, historic and not actual exchange rates had been used to calculate the cost of goods sold. This affected the figure for operating earnings, along with its contra-entry in financial items. Profit before tax was not affected, however. In future, actual exchange rates will be used to calculate the cost of goods sold.

Innovation and marketing, along with a stronger distribution network, are deemed to be crucial for the creation of new growth in the Stressless® segment. In 2016, therefore, Ekornes launched a new sales and customer strategy. A plan was drawn up for a significant increase in the number of distributors in most markets, and a number of new products and product concepts were unveiled. At the same time, to ensure exclusivity for the individual distributor, Ekornes launched two equal Stressless® collections, which made it possible to establish a presence in more stores and reach a greater number of consumers without abandoning the principle of selective distribution. At the close of 2016, there were 260 more Stressless® distributors than 12 months earlier.

2016 saw the development of a new sofa system, the Stressless® Lounge. This is a flexible system, with many configurations, a contemporary design and a high level of comfort and quality. The Stressless® Lounge is offered in a more affordable price range than the other Stressless® sofas, in line with Ekornes's strategy of reaching a wider range of customers. The collection was launched in January 2017.

Following IMG's launch of the REGAL series and the Ergo-Tilt function in late 2015 and early 2016, the focus through the year was to implement these products in the market. Several development projects are expected to reach fulfilment during 2017.

With respect to the Svane® segment, the Group continued to focus intently on product development, tailored to the company's switch to greater outsourcing in parts of the value chain. The divan bed collection launched in 2015 was complemented by adjustable models, as well as an extension of the accessories collection.

For further details relating to research and development for Stressless®, IMG and Svane®, see in the chapters on each segment.

Subsequent events

No events have occurred between the balance sheet date and the presentation of the financial statements that have affected the Group's financial position to any material extent and that should have been reflected in the financial statements so presented.

Going concern

In accordance with section 3-3 of the Norwegian Accounting Act, it is hereby confirmed that the financial statements are prepered based on the going concern assuption.

Parent company and consolidated financial statements

In the opinion of the board, the financial statements for Ekornes ASA show a fair picture of the company's results for the year 2016 and the financial position of the parent company and the Group as a whole as at 31 December 2016.

Income statement

Ekornes ASA is the parent company of the Ekornes Group. Ekornes group generated gross operating revenues of NOK 3,143.4 million in 2016, a decrease of 0.9 per cent from the NOK 3,171.8 million achieved 2015. Compared with the year before, revenues from the Stressless® segment fell by 3.5 per cent, largely as a result of the periodisation of around NOK 50 million in sales revenues.

The other segments increased their gross revenues in 2016. IMG's revenues increased by 4.7 per cent, while Contract's rose by 8.5 per cent. Revenues generated by the Svane® segment increased by 13 per cent during the period.

The Group realized losses on forward currency contracts totalling NOK 158.8 million in 2016. The amount of NOK 158.8 million is recognised as a gain over OCI, with a contra-entry in sales revenues. The NOK 42.2 million effect on both the income and expenses side of EBIT is therefore zero, though operating margin is affected by this accounting measure.

Reported operating earnings for the year came to NOK 444.3 million, up from NOK 301.3 million the year before. The increase is largely associated with gains on unrealised forward currency contracts. In addition, cost cuts have improved the underlying performance of the Stressless® segment. IMG performed well.

Provisions relating to the contingent consideration payable for IMG, in the amount of NOK 69.2 million, have been charged to profit and loss, as have expenses totalling NOK 23 million deriving from operational restructuring and downsizing.

For the year as a whole, changes in exchange rates increased the value of the unrealised forward contract portfolio by NOK 95.4 million. This amount is included in recognised other net gains totalling NOK 137.6 million. At the start of 2016, the total value of the portfolio was negative in the amount of NOK 398.4 million. Due to the use of hedge accounting, the result in 2015 was not affected by unrealised changes in the value of the forward contract portfolio. The Group discontinued hedge accounting with effect from 1 January 2016. The profit for 2016 included a NOK 69.2 million charge with respect to contingent consideration payable for IMG.

Adjusted EBIT totalled NOK 441.4 million in 2016, up from NOK 370.4 million in 2015. The adjusted EBIT margin came to 13.8 per cent, up 2.1 percentage points from the year before.

Net financial items for 2016 as a whole were positive in the amount of NOK 1.8 million, compared with NOK -23.0 million in 2015. This is largely attributable to agio from the translation of balance sheet items denominated in other currencies, relating to the change in the basis for calculating the cost of goods sold in the fourth quarter.

Thus, earnings before tax totalled NOK 446.1 million in 2016, up from NOK 278.2 million the year before. The tax expense came to NOK 125.8 million, compared with NOK 94.1 million in 2015. This corresponds to a tax rate of 28.2 per cent (33.8 per cent in 2015).

Net profit for 2016 totalled NOK 320.3 million, up from NOK 184.1 million in 2015. Earnings per share for the year came to NOK 8.70, up from NOK 5.00 the year before.

Cash flow

Net cash flow from operating activities in 2016 was positive in the amount of NOK 494.8 million, compared with NOK 382.0 million in 2015. The change is attributable to improved underlying operations, which increased earnings before tax by NOK 157.9 million compared with the year before.

Net cash flow from investing activities was negative in the amount of NOK 49.7 million in 2016, compared with NOK 117.6 million the year before. Ongoing operating investments accounted for NOK 52.5 million in 2016, down from NOK 94.5 million in 2015. No major individual investments were made in 2016. The investment level is therefore lower than it would normally be. A higher level of investment is expected going forward.

Net cash flow from financing activities was negative in the amount of NOK 444.5 million in 2016, following payment of a dividend amounting to NOK 147.3 million as well as the repayment of short-term debt. In 2015, net cash flow from financing activities totalled NOK 171.8 million, largely related to the payment of a NOK 147.3 million dividend.

The Group's holding of cash and bank deposits at the close of 2016 amounted to NOK 230.2 million, up NOK 0.6 million 31.12.2015. In addition, the Group had unused credit facilities amounting to NOK 815 million. At the close of 2016, no drawdowns had been made on these drawing rights (2015: NOK 308.6 million). The board considers the Group's liquidity situation to be satisfactory.

Financial position

At the close of the year, working capital totalled NOK 621.3 million. This is NOK 219.4 million less than at the close of 2015. The reduction is largely attributable to the repayment of short-term interest-bearing debt, as well as the reclassification of contingent consideration from a long-term to a short-term liability in 2016.

At the end of 2016, Ekornes had interest-bearing debts totalling NOK 11.8 million, compared with NOK 308.7 million 12 months earlier.

At the close of the year, the value of unrealised forward currency contracts was negative in the amount of NOK 102.1 million, compared with NOK 398.4 million one year before. The change is attributable to the strengthening of the Norwegian currency (NOK) through the period, as well as the realisation of forward contracts in 2016.

At the end of the period, Ekornes had an equity ratio of 70.1 per cent, up 17.8 percentage points at the end of 2015.

Dividend

The board is proposing an dividend for 2016 of NOK 25.00 per share, or NOK 920,576,525 in total. Payment of NOK 19.00 per share, or NOK 699,638,159 in total, will be deferred until the third quarter 2017. NOK 6.00 per share will be paid out in May 2017.

Risk exposure and risk management

Ekornes operates in many different geographic markets on both the sales and procurement sides. The Group also has production facilities in Vietnam, Thailand, the USA and Norway. This gives the company a natural spread with respect to market, foreign exchange and sourcing risk.

Market and business risk

The majority of Ekornes's production takes place in Norway, while 84.2 per cent of its sales were overseas in 2016. The export rate is high in the Stressless® segment and low in the Svane® mattress segment. IMG imports furniture manufactured in Asia to Norway. IMG's products are made in Thailand and Vietnam.

It is Ekornes's strategy to develop products and concepts that can provide international market opportunities. Distribution of sales across several markets offers possibilities for continued growth, at the same time as it spreads market risk and reduces the Group's dependence on individual markets and individual customers.

Ekornes's business risk relates to economic cycles, market conditions, competition and changes in the competitive climate, as well as the general pattern of consumption in the markets in which it operates. Ekornes competes in a fragmented international market, with many players on both the production and the distribution side. In several markets, the extensive formation of retail chains has taken place. Online selling is also changing the distribution environment. With respect to furniture manufacturing, a growing proportion takes place in low-cost countries in Europe and Asia. Ekornes is aware of the challenges these changes entail, and seeks to respond through continuous improvements in its production processes, sources, market concepts, product development and business relations. Ekornes is constantly investing in new technologies in order to maintain its competitiveness within the Group's respective segments.

Financial risk

For Ekornes, financial risk relates primarily to fluctuations in exchange rates (the NOK against other countries' currencies) and to credit risk, ie the ability of the Group's customers to pay what they owe (trade receivables). The Group's receivables are monitored continuously to identify payment irregularities and limit bad debts and the risk thereof. Ekornes's competitiveness is affected over time by movements in the value of the NOK in relation to other currencies.

Customer and credit risk: Ekornes's customers are largely furniture retailers. Ekornes has more than 3,000 customers, with the largest grouping of stores accounting for around 7 per cent of sales revenues. The largest individual customer represents just less than 4 per cent of total revenues. Ekornes's customer and credit risk is considered low. Outstanding accounts are followed up on an ongoing basis, and the Group makes every effort to keep trade receivables at a reasonable level.

Currency risk: Ekornes has a long-term perspective in its main markets. This means providing stable operating conditions to our own sales companies and to our customers (distributors). Ekornes sells its products internationally, and bills its customers largely in the respective countries' own currencies.

Ekornes deals with all matters relating to foreign exchange and currency risk from the Group's head office. Currency hedging at Ekornes is an integral part of its operational activities. IMG has no currency hedging.

As part of the Group's efforts to reduce it`s currency risk/exposure, Ekornes also seeks to purchase goods and services for use in Norway from abroad, where this is cost-effective. This, combined with the Group's distribution, sales and marketing activities, along with the associated administrative organisation (customer service, invoicing, accounts, debt collection) required, provides a natural operational hedge for the exchange rate risk (natural hedging) associated with part of its cash flow. In addition to natural hedging, the Group makes use of forward currency contracts.

As mentioned above, a new currency hedging strategy was introduced in 2016. One of the risks attaching to this strategy relates to the impact of any significant reduction in the exposure to a particular currency. In that case, the company could find itself in a situation where it is overexposed in that currency. If the exchange rate at the time the contracts fall due for payment (mature) is higher than the hedging (forward) rate, the company could incur a loss as a result of the currency volume it needs to cover the contract. If, on the other hand, its net exposure is higher than expected, this could result in the company having a larger proportion of open (unsecured) positions (insufficient contracts) in the currency concerned. However, with activities in many markets, the company has spread its market and currency risk, such that changes in market conditions or exchange rates in one market may, in some circumstances, be offset by changes in another.

Interest rate risk: As at 31 December 2016, the Group had no more than approx. NOK 11.8 million in interest-bearing debt, and is therefore not materially exposed to changes in interest rates. The Group has a stable financial structure. Lenders are well-reputed Norwegian banks.

Liquidity risk: The Group's liquidity is monitored constantly. As at the close of 2016, the Group had disposable liquidity reserves of NOK 230.1 million in the form of bank deposits. In addition, it has unused credit facility amounting to NOK 815 million. The board considers the Group's liquidity position to be satisfactory.

Operational risk

At any given time, the Group is exposed to the risk of unforeseen operational problems, which may lead to higher operating costs and lower earnings than predicted and expected. To reduce the financial consequences of unforeseen events, Ekornes has insurance covering losses deriving from major incidents or lengthy business interruptions.

To ensure operational efficiency, Ekornes has good systems and routines for maintenance, training and quality assurance – all factors which help to reduce the risk of operational non-conformances.

Supplier risk: An important element in Ekornes's strategy for ensuring efficient operations is reliable access to raw materials and other input factors of consistent quality. Ekornes seeks to always have at least two or three actual or potential suppliers for its strategically most important input factors. In some cases, however, this is neither possible nor expedient. The objective is nevertheless that sole-supplier situations should be the exception, and preferably be avoided altogether. Ekornes operates internationally on the sales side, and strives to purchase goods and services equally globally.

Markets

Developments in the market for Stressless® products have been mixed in 2016. Developments in Southern Europe and, to some extent, the UK have been weak for a long time, with a steadily more demanding competitive situation resulting in heavy discounting and reduced sales revenues.

Towards the end of the year, however, there were signs of improvement, particularly in Central Europe and North America. The improvement is attributable partly to the active development of the distribution structure, with the main focus on increasing the number of distributors. Stressless® is a strong brand, a position the company will continue to build on in its forthcoming product development activities.

Following a cautious start to the year, IMG's market development was good. Order receipts at the end of the year were positive. Despite a somewhat challenging market situation in Australia, sales in the region as a whole have been better than expected. In Europe, the situation is affected by tough competition in Scandinavia and the fact that IMG is still working to enter the markets in Central Europe and the UK. Sales in the North American market fell in 2016.

The majority of Svane® sales revenues derive from the Norwegian market, and growth is largely related to an increase in domestic market share.

In 2016, the Contract segment continued to be affected by the downturn in the oil sector in general and the shipping and offshore segments in particular. However, greater focus on international shipyards contributed to a rise in revenues. Improvements were also achieved in the hotel segment.

Output

Overall, capacity utilisation at the company's production facilities was satisfactory in 2016. At times, however, lower order receipts for Stressless® products resulted in some production cutbacks in both the first and second halves of the year.

The Stressless® segment has a nominal production capacity of 1,650 seat units per day. However, production capacity varies in accordance with the number of different models being made. The start-up of new models normally requires a longer production time.

During the year, it was decided to co-locate production of Stressless® sofas at the Group's factory in Sykkylven in Norway. The amalgamation will provide a necessary adjustment in capacity and result in greater production efficiency. It is also expected to reduce the cost base by around NOK 10 million.

Corporate Governance

Ekornes aims to comply with the Norwegian Code of Practice for Corporate Governance, last updated on 30 October 2014. In addition, the Group complies with the laws, regulations and recommendations to which a publicly listed limited company is subject, including the provisions relating to corporate governance and the duties of companies listed on the Oslo Stock Exchange set out in section 3-3b of the Norwegian Accounting Act. In the company's own assessment, Ekornes deviates from the Norwegian Code of Practice with regard to two points: principles regarding a company takeover (Chapter 14) and guidelines for the use of the auditor for services other than auditing (Chapter 15).

Organisation and corporate social responsibility

Ekornes recognises that its employees are the company's most important resource. The Group therefore wishes to promote a healthy, safe and fair working environment, offering equal opportunities regardless of gender, ethnicity or religion, in line with prevailing legislation and regulations. The Group has endorsed the UN Global Compact since 2009. It therefore has a duty to integrate the Global Compact's 10 principles into its business strategy and promote those principles with respect to its workforce and business partners. In 2014, Ekornes drew up a new code of conduct encompassing general principles for ethical business practice and personal behaviour, as well as corporate social responsibility, that form the basis for the attitudes and values underpinning the Group's corporate culture. These are reproduced in extenso in the chapter entitled "Code of Conduct for the Ekornes Group" in the 2016 annual report. Furthermore, Ekornes attaches considerable importance to environmental protection, and has drawn up a separate environment policy which is set out in the document "Objectives and Values", available from www.ekornes.no/om-ekornes/miljo-og-samfunnsansvar.

An account of how these principles and guidelines are integrated into the Group's business strategy, day-to-day operations and relations with its various stakeholders, is included in various chapters in the 2016 annual report, including "HSE", "Intangible Assets and Competence", and "Environment and Corporate Social Responsibility". As a member of the Global Compact, Ekornes also reports annually on what it has done in its day-to-day operations to achieve the goals set. This Sustainability Report is available from the company's website www.ekornes.no/om-ekornes/miljo-og-samfunnsansvar.

Shares and shareholders

At the end of 2016, Ekornes had a total of 36.83 million shares outstanding, divided between 2,348 shareholders. Through the year, Ekornes purchased 3,692 treasury shares, which was the number of treasury shares it held at the end of 2016.

The company's largest shareholder, Nordstjernan AB, owns 17.3 per cent of its shares. As at 31 December 2016, the 20 largest shareholders together owned 68.0 per cent of the total number of shares outstanding in the company.

During the year, Ekornes's share price varied between NOK 85.00 and NOK 110.00. The year's closing price was NOK 106.50 per share, compared with NOK 99.50 at the end of 2015. This corresponds to a rise of 7.0 per cent year on year.

During the year, just over 3.8 million Ekornes shares were traded. This corresponds to 10.4 per cent of the total number of shares outstanding. The average daily trading volume in 216 was 15,155 shares.

Outlook

By means of systematic and consistent efforts with respect to Svane® and Stressless®, Ekornes will constantly increase the value of the brands it manages. This will contribute to improved efficiency, increased growth and higher profits which, in turn, will provide employees with attractive, forward-looking jobs and secure a competitive return on shareholders' investment over time. The company will invest in innovation and marketing, which are considered crucial for future growth.

With much of the cost-cutting programme now completed, the company is increasing its strategic focus on growth-promoting measures. In line with its ambitions, initiatives were taken during the year to strengthen the distribution network in the main Stressless® markets: Germany and the USA. These steps are already showing signs of having a positive impact on sales revenues. As a result, there were 260 additional Stressless® distributors at the close of 2016 than a year before.

IIMG has high ambitions with respect to future growth, particularly in the USA and Europe. In 2016, the company strengthened its sales organisation. In 2017, it will further reinforce its sales organisation and implement new logistics solutions.

Related parties

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

Year-end result and allocations

Ekornes ASA made a profit for the year of NOK 81.1 million, which it is proposed to be distributed as follows: NOK 920.6 million to be paid as a dividend, and NOK 839.5 million to be transferred from other equity. The company's equity and liquidity are deemed to be satisfactory.

Declaration by the board of directors

The board of directors and CEO have this day reviewed and approved the board report and year-end financial statements for Ekornes ASA, the Group and parent company, for the calendar year 2016 and as at 31 December 2016 (2016 annual report). The consolidated financial statements have been prepared in accordance with EU-approved IFRSs and associated statements of interpretations, as well as the additional Norwegian requirements with respect to disclosure set out in the Norwegian Accounting Act and applicable as at 31 December 2016. The year-end financial statements for the parent company have been prepared in accordance with the Norwegian Accounting Act and generally accepted accounting practice in Norway (NGAAP) as at 31 December 2016. The board report, including the statements relating to corporate governance and corporate social responsibility, for the Group and parent company complies with the provisions of the Norwegian Accounting Act and Norwegian Accounting Standard No. 16 as at 31 December 2016.

We hereby affirm that to the best of our knowledge:

- The 2016 year-end financial statements for the Group and parent company have been prepared in accordance with applicable
- accounting standards.
- The information contained in the financial statements provides a true and fair view of the Group and parent company's
- assets, liabilities and financial position and results as a whole as at 31 December 2016.
- The board report for the Group and parent company provides a true and fair view of:
  - the Group and parent company's business development, financial results and position.
  - the most important risk factors and uncertainties facing the Group and parent company.

Ikornnes, 31 December 2016/4 April 2017

The Board of Directors of Ekornes ASA

Nora Förisdal Larssen Chair	Kjersti Kleven Vice-Chair	Jarle Roth Director
Stian Ekornes Director	Lars I. Røiri Director	Sveinung Utgård Director (employee elected)
Tone Helen Hanken Director (employee elected)	Atle Berntzen Director (employee elected)	Olav Holst-Dyrnes CEO

Ekornes Group

Consolidated financial statemens

INCOME STATEMENT

(Figures in NOK 000)	Notes	2016	2015
Operating revenues	1	**3 143 372**	**3 171 840**
Cost of goods sold		863 484	852 676
Payroll expenses	2, 16, 17	866 146	892 544
Depreciation and write downs	8	160 409	146 729
Other operating expenses	5 , 8, 17	946 683	978 638
Net other (losses)/gains	20	-137 615	0
Total operating expenses		**2 699 108**	**2 870 587**
OPERATING EARNINGS		**444 264**	**301 253**
Financial income	4	4 636	6 334
Net gains/losses on foreign exchange	4	7 444	-14 655
Financial expenses	4	10 243	14 696
Net financial items		**1 838**	**-23 017**
Earnings before tax		**446 102**	**278 236**
Tax expense	15	125 835	94 094
EARNINGS FOR THE YEAR		**320 267**	**184 142**
Basic earnings per share	13	**8,70**	**5,00**
Diluted earnings per share	13	**8,70**	**5,00**

STATEMENT OF COMPREHENSIVE INCOME

(Figures in NOK 000)	Notes	2016	2015
Earnings for the year		**320 267**	**184 142**
Other comprehensive income			
Items which may be reclassified to profit and loss			
Cash flow hedges	20	200 993	-136 458
Change in deferred tax on cash flow hedges		-48 274	28 875
Translation differences - net financing subsidiaries		-7 803	24 647
Change in deferred tax - net financing subsidiaries		-3 521	-5 543
Translation differences		1 025	30 699
Total other comprehensive income for the period, net tax	12	**142 419**	**-57 780**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**462 686**	**126 362**

BALANCE SHEET

(Figures in NOK 000)	Notes	31.12.2016	31.12.2015
ASSETS			
Non-current assets			
Buildings and sites	8	532 946	587 181
Machinery and equipment	8	236 475	261 547
Operating movables, fixtures	8	23 444	35 099
Total property, plant & equipment		**792 865**	**883 827**
Software and licences	8	26 108	45 930
Goodwill	8	208 012	208 012
Customer relations	8	25 415	29 843
Deferred tax assets	15	78 674	111 182
Total non-current intangible assets		**338 210**	**394 967**
Other receivables and investments	7	26 959	20 813
Total non-current financial assets		**26 959**	**20 813**
Total non-current assets		**1 158 033**	**1 299 607**
Current assets			
Inventory	9	465 016	494 896
Trade receivables	10	426 798	458 168
Other short-term receivables		80 889	78 015
Cash and bank deposits	11	230 176	229 556
Total current assets		**1 202 879**	**1 260 634**
TOTAL ASSETS		**2 360 913**	**2 560 240**

BALANCE SHEET (CONTINUED)

(Figures in NOK 000)	Notes	31.12.2016	31.12.2015
EQUITY AND LIABILITIES			
Equity			
Contributed equity			
Share capital	12, 18	36 827	36 827
Treasury shares	12, 18	-4	0
Premium paid	12	388 304	388 304
Total contributed equity		**425 127**	**425 131**
Retained earnings			
Hedging reserve	12	-146 098	-298 817
Translation difference	12	103 269	113 569
Other equity	12	1 271 874	1 099 290
Total retained earnings		**1 229 045**	**914 042**
Total equity		**1 654 172**	**1 339 172**
Non-current liabilities			
Pension liabilities	16	5 040	8 501
Provisions	6	6 112	85 370
Deferred tax	15	128	168
Total non-current liabilities		**11 280**	**94 038**
Trade payables		124 220	143 289
Public charges payable		43 210	38 321
Tax payable	15	73 258	63 888
Currency forward contracts	20	102 058	398 423
Interest-bearing loans	14	11 810	308 661
Other current liabilities	6	340 904	174 448
Total current liabilities		**695 461**	**1 127 029**
Total liabilities		**706 741**	**1 221 068**
TOTAL EQUITY AND LIABILITIES		**2 360 913**	**2 560 240**

Ikornnes, 31 December 2016/4 April 2017

The Board of Directors of Ekornes ASA

Nora Förisdal Larssen
Chair

Kjersti Kleven
Vice-Chair

Jarle Roth
Director

Stian Ekornes
Director

Lars I. Røiri
Director

Sveinung Utgård
Director
(employee elected)

Tone Helen Hanken
Director
(employee elected)

Atle Berntzen
Director
(employee elected)

Olav Holst-Dyrnes
CEO

CASH FLOW STATEMENT

(Figures in NOK 000)	Notes	2016	2015
Cash flows from operating activities			
Earnings before tax (EBT)		**446 102**	**278 236**
Tax paid for the period		-136 116	-101 439
Depreciation and write downs	8	160 409	146 729
Change in inventory	9	29 880	-3 399
Change in trade receivables	10	31 370	-51 528
Change in trade payables		-19 069	5 907
Change in other accruals		-17 765	107 479
Net cash flow from operating activities		**494 810**	**381 985**
Cash flows from investing activities			
Proceeds from sale of PP&E		2 775	0
Payments for purchase of PP&E	8	-52 454	-94 529
Net cash flow from investing activities		0	-23 064
Net Cash flows from investing activities		**-49 679**	**-117 593**
Cash flows from financing activities			
Change in treasury shares	18	-379	0
Payment of dividend	18	-147 308	-147 308
Change in net debt to credit institutions	14	-296 851	-24 486
Net cash flow from financing activities		**-444 537**	**-171 793**
Net change in cash & cash equivalents		595	92 599
Cash & cash equivalents at the start of the period		229 556	136 957
Cash & cash equivalents at the close of the period	11	**230 151**	**229 556**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Figures in NOK 000)	Share capital	Treasury shares	Premium paid	Hedging reserve	Translation difference	Other equity	Total
Equity 1.1.2015	**36 827**	**0**	**388 304**	**-191 234**	**63 766**	**1 062 455**	**1 360 118**
Profit for the year						184 142	**184 142**
Other comprehensive income				-107 583	49 803		**-57 780**
Dividend paid out						-147 307	**-147 307**
Equity 31.12.2015	**36 827**	**0**	**388 304**	**-298 817**	**113 569**	**1 099 290**	**1 339 172**
Equity 1.1.2016	**36 827**	**0**	**388 304**	**-298 817**	**113 569**	**1 099 290**	**1 339 172**
Profit for the year						320 267	**320 267**
Other comprehensive income				152 719	-10 300		**142 419**
Dividend paid out						-147 307	**-147 307**
Purchase of treasury shares		-4				-376	**-379**
Equity 31.12.2016	**36 827**	**-4**	**388 304**	**-146 098**	**103 269**	**1 271 874**	**1 654 172**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SIGNIFICANT ACCOUNTING POLICIES

Ekornes ASA (the "Company") is domiciled in Norway. The Company's consolidated financial statements for the year ending 31 December 2016 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 signed and dated balance sheet. The consolidated financial statement will be considered by the Annual General Meeting on 3 May 2017 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, and whose application is compulsory for accounting years starting on 1 January 2016 or later, plus further requirements for disclosure pursuant to the Norwegian Accounting Act as of 31 December 2016.

(B) BASIS OF PREPARATION

The functional currency is determined for each company in the Group, based on the currency in the primary economic environment in which each individual company does business. The Group's financial statements are presented in Norwegian kroner (NOK), which is the functional currency of the parent company.

The consolidated financial statements have been prepared on the basis of uniform accounting principles for similar transactions and events under otherwise similar conditions. The accounting principles have been applied consistently by all group companies.

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 those assets and liabilities whose value is not readily apparent from other sources. Actual figures may differ from these estimates.

The estimates and underlying assumptions are reviewed continuously. 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.

(C) BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements for the parent company and its subsidiaries as at 31 December 2016. As at 31 December 2016, the Company has a 100 per cent shareholding and voting rights in all consolidated companies.

(i) Acquisitions

The purchase of subsidiaries is recognised in accordance with the acquisition method at the date on which the Company obtains control. Both payment and assets acquired are measured at fair value. Any excess value attributable to goodwill is tested annually for impairment. Transaction costs are recognised as expenses in the consolidated financial statements.

Any contingent consideration is valued at fair value at the date of acquisition, to the extent that it is an amount which, under IFRS, may be treated as part of the consideration. Contingent consideration which, under IFRS, is deemed to be payment of future services is charged to expenses over the period in which the supplementary consideration may be earned.

(ii) 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. Nor are there any companies within the Group that have non-controlling interests.

(iii) 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 exchange rate in effect at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies on 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 as agio/disagio. 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 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

Although hedge accounting was discontinued with effect from 1 January 2016, the principle is applied to hedging instruments established before that date. Hedge accounting means that unrealised changes in the value of a derivative earmarked as a cash-flow hedging instrument are recognised in 'Other comprehensive income, and expenses presented as a hedging reserve in equity. The amount recognised in 'Other comprehensive income' is transferred to profit and loss in the same period in which the hedged object affects profit and loss. In connection with transfer to profit and loss, the same line is used in the presentation of comprehensive income for the hedged object and the hedging instrument. Any inefficiency in the hedging relationship is recognised directly in profit and loss.

When the hedging instrument no longer fulfils the criteria for hedge accounting, expires, is sold, concluded or exercised, or when earmarking is withdrawn, hedge accounting is discontinued. Accumulated gains or losses are recognised in 'Other comprehensive income', and are presented in the hedging reserve, where they are kept until the expected transaction affects profit and loss. The assessment and testing performed indicates that the object and instrument fall due at approximately the same time, such that hedging is effective. If the hedged object is a capitalised non-financial asset, the amount recognised in 'Other comprehensive income' is transferred to the book value of the asset when this is recognised. In connection with the hedging of expected transactions, where the transaction is no longer expected to occur, the amount recognised in 'Other comprehensive income' is recognised in profit and loss. In other cases, the amount recognised in 'Other comprehensive income' is transferred to profit and loss in the same period in which the hedged object affects profit and loss.

(G) PROPERTY, PLANT AND EQUIPMENT

(i) Own assets

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

When material parts of a non-current tangible asset 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 profit and loss on a straight-line basis over the estimated useful life of each operating asset. Land is not depreciated.

(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, including implementation costs, is capitalised as an intangible asset.

(iii)Goodwill

Goodwill arising from the acquisition of subsidiaries is valued at acquisition cost less accumulated write-downs due to impairment.

(iv) Customer relations

The value of customer relations arising from the acquisition of subsidiaries is valued at acquisition cost less accumulated depreciation, which are allocated in a straight line over the relationship's expected lifespan.

Costs relating to the in-house development and maintenance of brand names and other intangible assets are charged to expenses 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 debts.

(J) INVENTORY

Inventory is stated at acquisition cost. Acquisition cost 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. Manufacturing goods 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 profit and loss. 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.

(M) SHARE CAPITAL

(i) Buyback of own (treasury) 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. Treasury shares are presented as a reduction in total equity.

(ii) 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) EMPLOYEE BENEFITS

(i) Defined-contribution plans

Liabilities in respect of contributions to defined-contribution pension plans are recognised as an expense in profit and loss as they accrue.

(ii) Defined-benefit pension plans

Net liabilities 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. When the benefits of a plan are improved, the portion of the increased benefit relating to past accruals is recognised as an expense in profit and loss 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 profit and loss.

Actuarial gains and losses are recognised directly in equity when they arise.

(iii) Bonus payments

Employee bonuses: Most group employees are entitled to a bonus based on the profitability of the segment in which they are employed. The bonus is calculated as a percentage of each employee's monthly salary. Bonuses earned are paid in cash, and are considered to be a purely cash bonus. The fair value of accrued bonuses is recognised as an expense in profit and loss, and as a liability in the balance sheet. The bonus scheme does not apply to employees of IMG.

(O) PROVISIONS

A provision is recognised in the balance sheet when the Group has a 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

Costs associated with warranty liabilities are recognised at the time the claim is submitted. 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.

(P) REVENUE

(i) Goods sold

The Group has separate sales companies in its most important markets, which are responsible for the sale of products, while manufacturing takes place at factories which supply the sales companies. The goods produced are sent directly from the factory to the customer, with the exception of the USA, Japan and Australia, where the goods are sent to a dedicated warehouse. IMG's products are sent from factories in Vietnam and Thailand directly to customers or to warehouses belonging to IMG's sales companies in Norway, Australia and New Zealand. The goods sent from the factories to the company's own warehouses abroad are treated as goods in transit. IMG has both order-driven and mass production.

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, and the date on which revenues are recognised will depend on the actual delivery terms. Agreements contain no stipulations that have required Ekornes to defer all or part of the revenue concerned after the goods are deemed to have been delivered in accordance with the delivery terms. 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.

(Q) EXPENSES

Operational leasing

Payments made under operational leases are recognised in profit and loss in a straight line over the term of the lease.

(i) Net financial items

Net financial items comprise interest payable on borrowings calculated using the effective interest rate method, interest receivable on funds invested, dividend income, and foreign exchange gains and losses.

Interest income is recognised in profit and loss as it accrues, using the effective interest method.

(R) TAX

Tax on the year's profit comprises tax payable and deferred tax. Tax is included in profit and loss with the exception of tax that is recognised directly in equity or in other comprehensive income. Tax payable comprises the expected tax payable on the year's taxable earnings at the rate applicable on the balance sheet date, plus any corrections in tax payable for previous years.

Deferred tax is calculated on temporary differences between the recognised values of assets and liabilities in the financial statements and their value for tax purposes. The following temporary differences are not taken into account:

Initial recognition of assets or liabilities which affect neither profit/loss in the accounts or for tax purposes, as well as differences relating to investments in subsidiaries that are not expected to be reversed in the foreseeable future. Deferred tax liabilities and assets are measured on the basis of expected future tax rates applicable to group companies in which temporary differences have arisen. Deferred tax liabilities and assets are recognised at nominal value.

Deferred tax assets are capitalised only to the extent that it is probable that the asset may be utilised in connection with future taxable profits. Deferred tax assets are reduced to the extent that it is no longer probable that the tax assets will be utilised.

(S) SEGMENT REPORTING

Under IFRS, an business segment is defined as a part of the Group engaged in business operations capable of generating revenues and expenses, including revenues and expenses deriving from transactions with other group segments, and whose operating profit/loss is reviewed regularly by the enterprise's highest decision-maker for the purpose of determining which resources shall be appropriated to the segment and evaluating its earnings.

Ekornes carries out its business within the segments/product areas:
- Stressless®, which covers furniture within the product areas Stressless® and Ekornes® Collection
- Svane®, which covers mattresses and furniture within the Svane® product area
- IMG, which covers furniture from IMG
- Contract, which covers sales to the contract market

The division into product areas is based on the Group's management and internal reporting structure.

Note 1 includes a numerical list of the segments that comply with Ekornes's internal segment reporting.

(T) ACCOUNTING STANDARDS AND INTERPRETATIONS PUBLISHED, BUT NOT APPLIED

The standards and interpretations which have been approved prior to the adoption of the consolidated financial statements, but which have not yet come into force, are listed below. The Group intends to implement the relevant amendments when they come into force.

Relevant new standards are:

IFRS 9 Financial Instruments

This standard replaces IAS 39 Financial Instruments, Recognition and Measurement, and introduces new requirements with respect to classification and measurement, impairment assessments and hedge accounting. The Group expects that implementation of IFRS 9 will have little or no effect on the classification and measurement of its financial assets and liabilities, but will result in the inclusion of more detailed disclosures on the company's forward contracts in the notes to its financial statements. In 2017, Ekornes will continue the process of clarifying the impact that implementation of the standard will have on the Group's financial statements.

For accounting purposes, the standard is expected to come into effect from 1 January 2018. The Group does not intend to implement the standard at an earlier date.

IFRS 15 Revenue from Contracts with Customers

IASB and FASB have issued a new joint standard for revenue recognition: IFRS 15 Revenue from Contracts with Customers. The standard replaces all existing standards and associated interpretations covering revenue recognition. The fundamental principle in IFRS 15 is that revenues are recognised in a way that mirrors the agreed transfer of goods and services to customers, and in amounts that reflect the consideration to which the company expects to be entitled in return for these goods and services.

The Group has embarked upon a process of reviewing its customer contracts pursuant to the new five-stage model, and assessing when revenue is deemed to have been earned in line with IFRS 15. Although this work has not concluded, our provisional assessment is that implementation will have no material impact on the Group.

IFRS 15 permits a choice between one method with full retroactive effect, in which all periods presented are altered, and a modified method in which only the last presented period is altered. The Group expects to apply the fully retroactive method for its transition to IFRS 15. For accounting purposes, the standard will come into effect from 1 January 2018.

IFRS 16 Leases

IASB has been engaged in a joint project with FASB to draw up a new standard for leases. IFRS 16 eliminates the current distinction between operational and financial leasing agreements, which is required under IAS 17 Leases, and introduces a shared accounting model for lessees. When applying the new model, a lessee must recognise assets and liabilities for all leasing agreements with a term exceeding 12 months, unless the underlying asset's value is low, and must recognise depreciation of leased assets separately from interest on leasing liabilities in profit and loss.

For the Group, this means that current operational leasing agreements which meet the criteria must be recognised as assets and liabilities. It is expected that this will largely relate to our sales companies outside Norway (see Note 8). Although it is not expected to have any material effect on profit or loss, it will increase total assets and net liabilities. In 2017, Ekornes will continue its efforts to clarify the impact that implementation of the standard will have on the Group's financial statements.

For accounting purposes, the standard is expected to come into effect from 1 January 2019.

NOTE 1 Business areas – segments – markets

PRODUCT AREAS

The division into product areas is based on the Group's management and internal reporting structures, and coincides with the division into segments.
Ekornes's business is divided into the segments/product areas:

- Stressless®, which includes the product areas Stressless® (reclining armchairs and sofas) and Ekornes® Collection (fixed-back sofa), tables, etc.
- Svane®, which covers mattresses (sprung mattresses foamed plastic and IntelliGel®),
- IMG, which covers furniture produced by IMG
- Contract, which covers sales to the contract market

The Group's administration expenses and other shared overheads are allocated to the segments. Internal pricing between the segments is based on arm's length prices at corresponding terms as transactions with independent third parties. Management regularly monitors the business segments' profit/loss, and uses this information to perform analyses of their performance, and to make decisions regarding resource allocation. Each segment's performance is assessed on the basis of its operating profit and is measured consistently with the operating profit in the consolidated financial statements.

Information relating to the Group's reportable business segments is presented below:

Operating revenues by product area (Figures in ooo NOK)	**2016**	**2015**
Stressless®	2 362 772	2 447 349
IMG	451 966	431 540
Svane®®	270 582	239 453
Contract	58 052	53 498
Total	**3 143 372**	**3 171 840**
Operating revenues by product area		
Stressless®	368 222	249 048
IMG	138 716	113 666
Svane®	1 302	-287
Contract	5 240	8 026
Contingent consideration IMG	-69 215	-69 200
Total	**444 264**	**301 253**
Operating revenues by market		
Norway	527 533	524 059
Other Nordic	239 868	210 963
Central Europe	712 425	697 146
Southern Europe	302 903	336 333
United Kingdom/Ireland	202 597	227 494
USA/Canada/Mexico	878 158	833 890
Japan	146 743	129 068
Other Markets	334 138	306 168
Total	**3 344 365**	**3 265 121**
Gains/losses on realised currency forward contracts	-200 993	-93 281
Total	**3 143 372**	**3 171 840**

NOTE 2 Personnel expenses

(Figures in NOK 000)	2016	2015
Payroll expenses	722 524	738 843
National insurance contributions	97 193	96 328
Contributions to defined contribution plans	17 467	26 228
Expenses relating to defined benefit plans	3 461	1 130
Other personnel costs	25 501	30 014
Total personnel expenses	**866 146**	**892 544**
Average number of full-time equivalents	2 171	2 307

NOTE 3 Uncertain estimates

When drawing up the year-end financial statements, company management has made use of estimates based on its best judgement and assumptions considered to be realistic. However, changes in the market or other situations may arise that could alter certain estimates, thereby affecting the company's assets, liabilities, equity and earnings.

The company's most significant accounting estimates relate to the following items:

- • Depreciation and write-downs on property, plant & equipment
- • Valuation of goodwill
- • Valuation of trade receivables
- • Valuation of inventory

Operating assets

Assessment of the expected useful life of the company's production equipment is largely based on experience and the good judgement of leading employees. Experience shows assessments of expected useful life to have been correct, though some production-related equipment has been used for more extended periods. In 2016, it was decided to discontinue production at the Hareid plant, and management's best judgement was used to determine the recoverable value of the real property. This assessment was based partly on valuations provided by a real estate agent. The value of the property was written down by NOK 18 million in 2016. See Note 8.

Goodwill

The company's recognised goodwill relating to IMG is tested annually for impairment. The valuation rests largely on qualified estimates relating to future sales volumes, gross margins and applicable rate-of-return targets. See Note 8 for further details regarding the valuation of goodwill.

Inventory and trade receivables

Inventory and trade receivables contain qualified estimates, underpinned by historic data and figures based on experience, and are not deemed to have a significant impact on the financial statements.

NOTE 4 Net financial items

(Figures in NOK 000)	2016	2015
Financial income and expenses		
Interest income	4 141	5 469
Financial income	495	865
Total financial income	**4 636**	**6 334**
Gain/loss on foreign exchange	**7 444**	**-14 655**
Interest expenses	-7 104	-10 109
Financial expenses	-3 138	-4 588
Total financial expense	**-10 243**	**-14 696**
Total financial items	**1 838**	**-23 017**

All borrowing costs are recognised as they are incurred.

NOTE 5 Other operating expenses

Other operating expenses (Figures in NOK 000)	2016	2015
Contingent consideration for IMG	69 215	69 200

Breakdown of auditing fees (Figures in NOK 000)	2016	2015
Statutory auditing services	6 243	8 334
Other certification services	340	98
Other non-auditing services	1 203	259
Tax advisory services	644	864
Total	**8 431**	**9 555**

Auditing fees are stated ex. VAT

NOTE 6 Other receivables and other liabilities

(Figures in NOK 000)

Other receivables	**31.12.2016**	**31.12.2015**
Premium and contribution fund	883	855
Prepayments to suppliers	20 648	17 132
Periodised expenses	21 132	19 059
Marketing materials	11 525	13 451
Other	26 701	27 517
Total other receivables	**80 889**	**78 015**

Other liabilities	**31.12.2016**	**31.12.2015**
Contingent consideration for IMG	150 000	0
Salaries payable	129 401	112 196
Accrued bonus/market support to customers	22 581	23 635
Accrued other marketing costs	5 958	10 053
Accrued cash discounts to customers	6 029	4 921
Accrued commission to sales staff	5 606	9 542
Restructuring	9 500	0
Miscellaneous other liabilities	11 828	14 102
Total other liabilities	**340 904**	**174 448**

Contingent consideration

In 2014, Ekornes acquired IMG and incorporated it into the Group as a separate business segment. In connection with the takeover, it was agreed that, if certain conditions were met, a contingent consideration of up to NOK 150 million would be payable after the close of 2016. As at 31 December 2015, a long-term provision totalling NOK 80.8 million had been made. At the end of 2016, provisions have been made with respect to the entire contingent consideration of NOK 150 million. The contingent consideration is expected to be paid out in the second quarter 2017, and is classified as a short-term liability as at 31 December 2016.

Restructuring

To safeguard the Group's long-term competitiveness and profitability, Ekornes launched a programme to improve its efficiency in August 2015. The goal of the programme was to reduce the Group's annual cost base by NOK 150 million by the close of 2016. As part of this programme, in October 2016, the Group announced that it was reducing the scope of its indirect functions, which would involve the loss of up to 50 jobs. This measure will be implemented through staff redeployment, offers of severance packages and, if necessary, redundancies. As at 31 December 2016, a restructuring provision of NOK 9.5 million has been made with respect to estimated downsizing expenses. The provision is expected to be settled in the first half of 2017.

NOTE 7 Other investments

(Figures in NOK 000)	**Shareholding**	**Acquisition cost**	**Book value**
Non-current assets			
Sykkylvsbrua AS	37,5 %	8 790	8 141
Other shares		1 562	1 187
Total		**10 352**	**9 328**

Investment in Sykkylvsbrua AS

After the Sykkylvsbrua bridge was opened in October 2000, the Norwegian Public Roads Administration took it over and assumed responsibility for its maintenance and operations. The duties of the company Sykkylvsbrua AS are therefore limited to operating the toll collection system and following up loan agreements, including their maintenance and repayment. The practical operation of the toll station and management of the computer system have also been outsourced to an external service provider. The company has no employees. The Group therefore considers that no such influence as required under IAS 28 for Sykkylvsbrua AS to be treated as an associate exists.

NOTE 8 Property, plant and equipment

(Figures in NOK 000)	Sites and buildings	Machinery and equipment	Operating movables	Software and licenses	Total
Acquisition value 1.1.2015	**1 113 240**	**873 233**	**93 947**	**227 156**	**2 307 576**
Currency difference 1.1.2015	4 702	4 022	2 961	223	11 908
+ additions	0	0	512	0	512
+ additions	15 645	48 139	16 774	13 149	93 708
- disposals at acquisition value	0	19 299	8 656	607	28 562
Acquisition value 31.12.2015	**1 133 587**	**906 095**	**105 538**	**239 921**	**2 385 141**
Accumulated depreciation at 1.1.2015	**508 868**	**601 113**	**64 698**	**161 654**	**1 336 332**
Currency difference 1.1.2015	349	915	1 795	12	3 071
+ the year's depreciation	37 158	60 622	11 582	32 932	142 295
+/- currency difference deprecation	30	95	133	0	258
- accumulated depreciation of operating assets sold	0	18 198	7 769	607	26 573
Accumulated depreciation at 31.12.2015	**546 406**	**644 548**	**70 439**	**193 991**	**1 455 383**
Book value 31.12.2015	**587 181**	**261 547**	**35 099**	**45 930**	**929 757**
Acquisition value 1.1.2016	**1 133 587**	**906 095**	**105 538**	**239 921**	**2 385 141**
Currency difference 1.1.2016	-1 513	-1 171	-1 900	-11	-4 596
+ additions	4 943	32 784	4 041	10 685	52 454
- disposals at acquisition value	1 944	31 810	8 212	5 818	47 785
Acquisition value 31.12.2016	**1 135 072**	**905 897**	**99 467**	**244 777**	**2 385 214**
Accumulated depreciation at 1.1.2016	**546 406**	**644 548**	**70 439**	**193 991**	**1 455 383**
+ the year's depreciation	39 664	58 432	9 389	30 496	137 981
+ the year's writedowns	18 000	0	0	0	18 000
- accumulated depreciation of operating assets sold	1 943	33 556	3 805	5 818	45 123
Accumulated depreciation at 31.12.2016	**602 126**	**669 423**	**76 023**	**218 669**	**1 566 240**
Book value 31.12.2016	**532 946**	**236 475**	**23 444**	**26 108**	**818 973**

Estimated useful lives are as follows:

- Buildings 25 - 50 years
- Machinery & equipment 5 - 12 years
- Operating movables and fixtures 2 - 10 years
- Capitalised licence expenses 5 years
- Software 3 years

Depreciation method, useful life and residual value are reassessed annually.

Write-downs

In June 2016, it was decided to amalgamate sofa production previously undertaken at both the Vestlandske (Sykkylven) and Hareid plants. Production would henceforth take place solely at the Vestlandske site and the Hareid plant would be closed. Following the amalgamation, Ekornes has no further need for the Hareid facility, and it was decided to sell it or lease it out. It was deemed unlikely that the property could be sold for a price equalling its book value. Based on management's best estimates with respect to the amount recoverable on the property, and a valuation from a real estate agent, the value of the property was written down by NOK 18 million in 2016.

Government grants

Total investments in 2016 are estimated at approx. NOK 52.5 million. In 2016, the Group has received 1.7 million in government grants in connection with automation projects. The grants have reduced the acquisition cost. Government grants worth NOK 2 million were received in 2015.

Securities

The parent company has entered into agreements with its banking service providers in respect of credit facilities (see Note 14). Land, buildings and operating equipment have been pledged as securities for these credit facilities. The combined book value of the operating assets pledged as securities comes to NOK 819 million.

Goodwill and customer relations (Figures in NOK 000)	Goodwill	Customer relations	Total
Acquisition value 1.1.2015	**204 572**	**21 900**	**226 472**
Addition for acquisition of IMG USA Inc.	3 440	12 738	16 178
Acquisition value 31.12.2015	**208 012**	**34 638**	**242 650**
Accumulated depreciation at 1.1.2015	-	360	360
+ the year's depreciation		4 435	4 435
Accumulated depreciation at 31.12.2015	-	4 795	4 795
Book value 31.12.2015	**208 012**	**29 843**	**237 855**

	Goodwill	Customer relations	SUM
Acquisition value 1.1.2016	**208 012**	**34 638**	**242 650**
+ additions	-	-	-
Acquisition value 31.12.2016	**208 012**	**34 638**	**242 650**
Accumulated depreciation at 1.1.2016	-	4 795	4 795
+ the year's depreciation		4 428	4 428
Accumulated depreciation at 31.12.2016	-	9 223	9 223
Book value 31.12.2016	**208 012**	**25 415**	**233 427**

Goodwill and customer relations
Goodwill is not depreciated in the consolidated financial statements, but is tested annually for impairment. Customer relations are depreciated in a straight line over the relation's expected life, which is deemed to be eight years. Depreciation costs are included under ordinary depreciation in profit and loss.

Test for impairment of goodwill
IMG comprises a parent company, IMG Group AS (which sells both internally and externally), two manufacturing companies, five sales companies and two companies with limited business activity. The companies are closely integrated and mutually interdependent. As a result, Group management considers that IMG must be seen as one cash-generating entity. All capitalised goodwill is linked to this cash-generating entity. Value in use is applied when calculating the recoverable amount. The most important assumptions for cash flow will be forecasted for sales volume and gross margins. A valuation has been performed by discounting cash flow estimates, which are based on the approved 2017 budget.

Based on the 2017 budget, we have drawn up two alternative scenarios:
Alternative 1 is based on 5 per cent growth over the next 5 years, 2 per cent long-term growth and a 25 per cent margin.
Alternative 2 is based on 5 per cent growth over the next 5 years, 0 per cent long-term growth and a 20 per cent margin.

A discount rate of 9.2 per cent pre tax, have been applied for both scenarios.

Sensitivity analyses imply that no realistic changes in these assumptions would result in a lower value in use than book value.

The consideration payable to the seller of IMG comprises a cash consideration of NOK 389 million and a contingent consideration (earn-out) of up to NOK 150 million, which is charged to expenses and is expected to be paid out in the second quarter of 2017.

Nothing has happened after these calculations were made that would indicate a need for their reassessment. In the company's opinion, therefore, there is nothing to indicate the need to write down the book value of goodwill.

NOTE 8 Property, plant and equipment (contd.)

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.

Leasing agreements

The Group has entered into several different operational leasing agreements with respect to office and warehouse space, and other facilities.

Leasing expenses comprised: **(Figures in NOK 000)**	**2016**	**2015**
Ordinary leasing payments	21 047	19 429

Breakdown of the remaining term and annual rental amounts:

Location	**Leased object**	**Remaining lease (years)**	**Annual rent (in NOK 000)**
Somerset, New Jersey, USA	Office and warehouse	4	4 556
Las Vegas, Nevada, USA	Showrooms	4	1 044
High Point, North Carolina, USA	Showrooms	4	1 025
Morganton, North Carolina, USA	Production facilities	5	1 688
Hamburg, Tyskland	Office	5	1 897
London, UK	Office	2	1 194

Most leasing agreements have an option to extend.

NOTE 9 Inventories as at 31.12.

(Figures in NOK 000)	**31.12.2016**	**31.12.2015**
Inventory finished goods	201 606	224 176
Inventory semi-finished	45 567	46 581
Inventory raw materials	217 842	224 139
Total	**465 016**	**494 896**

NOTE 10 Trade receivables as at 31.12.

The table below shows a breakdown of trade receivables pre-due and post-due, less deductions for bad debts:

(Figures in NOK 000)	Total	Pre-due	<30 d	30-60 d	60-90 d	>90 d
2016	426 798	349 328	59 829	7 666	3 951	6 023
2015	458 167	381 458	73 369	3 340	0	0

Trade receivables bear no interest and have a general credit time of 14 days. No customer accounts for more than 10 per cent of sales revenues. See Note 20 for details of credit and foreign exchange risks relating to trade receivables.

The change in provisions for bad debts is as follows:

(Figures in NOK 000)	2016	2015
Opening balance	**18 629**	**25 629**
Actual bad debts in the year	5 575	1 480
Reversal of previous provisions	6 538	5 521
Closing balance	**6 515**	**18 629**

Bad debts are classified as other operating expenses in profit and loss.

NOTE 11 Cash and cash equivalents as at 31.12.

(Figures in NOK 000)	31.12.2016	31.12.2015
Bank	230 176	229 556

In the Statement of Cash Flow, only cash and bank deposits are included as cash. Of the Group's bank deposits, NOK 19,945,000 are restricted with respect to employees' tax deductions (2015: 20,542,000).

The majority of the Group's Norwegian companies participate in a group account scheme, in which the parent company Ekornes ASA is the primary account holder. All participants are jointly and severally liable for the amount outstanding in the group account at any given time. The parent company has entered into agreements with its primary banking service providers with regard to credit facilities. See also Note 14.

NOTE 12 Capital and reserves

Share capital and share premium:
As at 31 December 2016, the registered share capital comprised 36,826,753 ordinary shares ((2015: 36,826,753). All the shares have a face value of NOK 1.00.

Owners of ordinary shares are entitled to whatever dividend is decided by the AGM, and they are entitled to one vote per share at general meetings of the company. All shares accord equal rights to the company's net assets. Rights to the company's treasury shares (a total of 3,692 as at 31 December 2016) have been suspended until they are taken over by others.

Hedging reserve:
The hedging reserve is the accumulated change in the fair value of forward currency contracts, less deferred tax.

Translation differences:
Translation differences comprise all the foreign exchange differences deriving from the translation of the financial statements belonging to foreign entities, including the translation of receivables deemed to form part of the net investment in foreign entities.

Dividend:
After the balance sheet date, the board has proposed a dividend of NOK 25.00 per share (2015: NOK 4.00). The total dividend comes to NOK 920,576,525 (2015: NOK 147,307,012). No provisions have been made in the consolidated financial statements with respect to the proposed dividend. Payment of a dividend has no impact on income tax.

NOTE 13 Earnings per share

	2016	2015
Profit for the period	320 267 019	184 141 939
Issued shares 1.1	36 826 753	36 826 753
Effect of treasury shares held	-3 692	0
Issued shares 31.12	36 826 753	36 826 753
Weighted average number of shares	36 826 445	36 826 753
Basic earnings per share	**8,70**	**5,00**
Diluted earnings per share	**8,70**	**5,00**

There are no instruments with a diluting effect.

NOTE 14 Interest-bearing loans and credits

The Group regularly assesses its capital structure and risk profile. Over time, the Group has had a solid balance sheet, with little debt and a high level of equity. Through strategic investments this may change, following the raising of loans, buyback of treasury shares or the payment of dividends. The acquisition of IMG Group in 2014 represents one such change in line with the Group's strategy of long-term development of its core business. In connection with the acquisition of IMG, the Group established credit facilities with Nordea, Sparebank Møre and Danske Bank. As at 31 December 2016, the Group had not breached any of the terms relating to these credit facilities.

The Group's credit facilities and amounts drawn down per bank as at 31 December 2016:

(Figures in NOK 000)	Credit facility	Amount drawn	Available
Sparebank Møre	375 000	0	375 000
Nordea	340 000	0	340 000
Danske Bank	100 000	0	100 000
Total	**815 000**	**0**	**815 000**

As at 31 December 2016, the Group had not drawn on its credit facilities. As at 31 December 2016, the Group had NOK 11.8 million in interest-bearing debt (2018: NOK 308.7 million). The loan as at 31 December 2016 relates to the Group's subsidiary in China. The local loan in China will be repaid in 2017. No interest has been capitalised in the balance sheet during the financial year.

NOTE 15 Tax expense

Tax expense recognised in profit and loss (Figures in NOK 000)	2016	2015
Tax payable		
Tax payable in the period	145 162	119 453
Adjustment in tax paid in previous years	0	669
Deferred tax		
Change in deferred tax liability	-19 327	-26 028
Tax expense	**125 835**	**94 094**
Reconciliation of effective tax rates		
Profit before tax	**446 102**	**278 236**
Tax calculated at 25% (27% in 2015)	111 525	75 124
Effect of change in tax rates in subsidiaries	10 733	13 860
Permanent differences	-289	-2 818
Withholding tax on dividends without credit deductions	99	6 044
Change in unrecognised deferred tax assets	0	-1 222
Effect of change in tax rate	3 767	2 438
Other	0	669
Tax expense	**125 835**	**94 094**

With effect from the 2017 financial year, the corporation tax rate in Norway has decreased to 24 per cent. Deferred tax assets and liabilities for Norwegian companies as at 31 December 2016 were measured using the new tax rate. The effect constitutes a tax expense increase of NOK 3.8 million for 2016.

Deferred tax assets and liabilities in the Balance Sheet	2016	2015
Intangible assets	0	4 125
Property, plant & equipment	2 929	901
Inventory	14 426	10 139
Receivables	2 558	-9 555
Pensions	-1 821	0
Currency forward contracts	23 540	99 606
Provisions	30 967	0
Other items	5 943	5 783
Tax-loss carried forwards	3	15
Deferred tax asset as at 31.12.	**78 546**	**111 014**

The Group recognises deferred tax assets and liabilities net only if the Group has a legal right to set them off against each other, and only deferred tax assets and liabilities within the same tax regime. NOK 78.67 million has been recognised as deferred tax assets, while NOK 128,000 has been recognised as deferred tax liabilities.

	2016	2015
Deferred tax assets	78 674	111 182
Deferred tax liabilities	128	168
Deferred tax assets as at 31.12.	**78 546**	**111 014**

NOTE 15 Tax expense (contd.)

Reconciliation of net deferred tax liabilities (Figures in NOK 000)	2016	2015
Net deferred tax liabilities as at 1.1.	**111 014**	**65 054**
Recognised in connection with acquisitions	0	3 439
Recognised in profit and loss	19 327	19 188
Recognised in other comprehensive income	-51 795	23 333
Deferred tax assets as at 31.12.	**78 546**	**111 014**

Tax recognised in total comprehensive income (Figures in NOK 000)	2016	2015
Tax on currency forward contracts	-48 274	28 876
Tax on translation differences on loans to subsidiaries	-3 521	-5 543
Total	**-51 795**	**23 333**

The table above includes effects both as a result of changes in temporary differences and of changed tax rates. The overall effect on the tax expense of the changed tax rate is recognised in other comprehensive income tax rate. The overall effect on the tax expense of the changed tax rate recognised in other comprehensive income (OCI) came to NOK 1,969.

Tax payable in the balance sheet (Figures in NOK 000)	2016	2015
Tax payable for the year	**145 162**	**119 453**
Of which paid in the year concerned	-71 904	-56 234
Excess/shortfall in previous years	0	669
Tax payable in the balance sheet as at 31.12.	**73 258**	**63 888**

The payment of a dividend to the parent company's shareholders affects neither the amount of tax payable for the period nor deferred tax liabilities.

NOTE 16 Employee benefits

Board of Directors' declaration on the remuneration policy applying to senior executives
A major element of the remuneration policy established with respect to Ekornes ASA and its subsidiaries is that executives should be offered competitive terms, with a salary comparable to similar positions in their national labour markets. The Company has established performance-related bonus schemes that form a major part of the overall compensation package offered to profit-centre managers. 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 2016, the remuneration policy has complied with the declaration presented to the AGM in 2016. A new declaration will be presented at the AGM in 2017.

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 pensions expensed continuously. For accounting purposes, pension schemes are treated in accordance to IAS 19. Norway's 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.

Mandatory pension scheme
Pursuant to the Norwegian Mandatory Occupational Pensions Act, all the Group's Norwegian subsidiaries must establish a pension scheme for their employees. These companies have pension schemes that comply with Norwegian law.

Pension costs (Figures in NOK 000)	2016	2015
Contributions to defined contribution plans	17 467	26 228
Expenses relating to defined benefit plans	3 461	1 130
Total	**20 928**	**27 358**

Pension liabilities Figures in NOK 000)	2016	2015
Accumulated pension liabilities	5 040	8 501

Two of the Group's non-Norwegian subsidiaries have pension liabilities.

Bonus-based incentives
Employee bonuses are calculated as a percentage of monthly salary, depending on the adjusted operating margin recognised in the segment in which the individual is employed. The bonus scheme does not apply to employees of IMG. The bonus scheme applies only to those who do not receive payments under a personal bonus agreement. The bonus is paid on a pro rata basis according to the number of months employed during the year. Only those employed as at 31 December 2016, as well as those retiring during 2016, are entitled to receive a bonus for 2016. For accounting purposes, the bonus is treated as a cash bonus. As at 31 December 2016, a provision totalling NOK 16 million had been made in respect of employee bonuses.

The provision does not include salary payable to group management. See Note 17 for details of remuneration and salary paid to group management.

NOTE 17 Remuneration and related parties

The Group's related parties comprise members of the board and management, as well as companies controlled by members of the board and management or over which they have a significant influence.

Individual bonus agreements have been entered into with eight members of group management with respect to 2016. 70 per cent of the bonus payable to these individuals depends on group or segment rrevenue, operating margin and working capital targets being met, while 30 per cent depends on the achievement of non-financial targets. CEO Olav Holst-Dyrnes has an individual bonus agreement. The terms of the bonus agreement are determined by the board of directors. In the event of his resignation, 6-months' severance pay has been agreed.

The bonus payable to group management is included under salaries in the tables below:

Remuneration to members of Group Management in 2016

(Figures in NOK)	Olav Holst-Dyrnes	Arve Ekornes	Runar Haugen	Øystein Vikingsen Fauske	Svein Lunde
Salaries	3 429 858	1 726 113	2 528 010	1 217 151	2 466 519
Pension	55 453	48 457	55 453	55 453	
Other remunerations	24 892	21 295	26 733	9 850	212 912
Total	**3 510 203**	**1 795 865**	**2 610 196**	**1 282 454**	**2 679 431**

Remuneration to members of Group Management in 2016

(Figures in NOK)	Ola Arne Ramstad	Jon-Erlend Alstad	Lars Wittemann	Trine-Marie Hagen
Salaries	1 900 041	2 387 567	1 597 510	2 109 200
Pension	55 453	55 453	55 453	55 453
Other remunerations	22 288	14 304	10 816	180 046
Total	**1 977 782**	**2 457 324**	**1 663 779**	**2 344 699**

Remuneration to members of Group Management in 2015

(Figures in NOK)	Olav Holst-Dyrnes	Arve Ekornes	Runar Haugen	Geir Balsnes	Svein Lunde
Salaries	3 280 568	1 896 855	2 619 952	1 766 860	3 110 804
Pension	50 438	50 438	50 438	50 438	
Other remunerations	23 118	41 281	28 984	22 003	-
Total	**3 354 124**	**1 988 574**	**2 699 374**	**1 839 301**	**3 110 804**

Remuneration to members of Group Management in 2015

(Figures in NOK)	Ola Arne Ramstad	Jon-Erlend Alstad	Lars Wittemann	Trine-Marie Hagen
Salaries	1 937 012	2 102 710	299 244	2 025 239
Pension	50 438	50 438	50 438	50 438
Other remunerations	23 396	12 963	6 325	205 409
Total	**2 010 846**	**2 166 111**	**356 007**	**2 281 086**

Remuneration to Board Members in 2016

(Figures in NOK)	Nora F. Larssen	Kjersti Kleven	Jarle Roth	Stian Ekornes
Salaries				
Pension				
Directors' fee	390 000	390 000	270 000	182 000
Other remunerations				
Total	**390 000**	**390 000**	**270 000**	**182 000**

Remuneration to Board Members in 2016

(Figures in NOK)	Lars I. Røiri	Sveinung Utgård	Tone Helen Hanken	Atle Berntzen
Salaries		772 765	96 704	517 713
Pension		35 598	4 549	20 871
Directors' fee	273 000	130 000	130 000	130 000
Other remunerations		5 912	1 640	6 461
Total	**273 000**	**944 275**	**232 893**	**675 045**

Remuneration to Board Members in 2015

(Figures in NOK)	Kjersti Kleven	Stian Ekornes	Nora F. Larssen	Sveinung Utgård	Tone Helen Hanken
Salaries				756 740	220 472
Pension				31 789	9 265
Directors' fee	655 333	250 250	356 417	130 000	130 000
Other remunerations				5 712	1 440
Total	**655 333**	**250 250**	**356 417**	**924 241**	**361 177**

Remuneration to Board Members in 2015

(Figures in NOK)	Atle Berntzen	Jarle Roth	Lars I. Røiri	Aslak Hestholm
Salaries	489 609			406 596
Pension	16 065			13 197
Directors' fee	97 500	330 667	342 333	97 500
Other remunerations	6 201			1 440
Total	**609 375**	**330 667**	**342 333**	**518 733**

NOTE 18 Shares, shareholders and dividends

	31.12.2016	31.12.2015
No of shares, each with a face value of NOK 1	36 826 753	36 826 753

All the shares in the Company carry equal voting and dividend rights. The calculation of earnings per share and diluted earnings per share is shown in Note 13 Earnings per share.

Shareholders	No. of shareholders		% of share capital	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Norwegian	2 225	2 334	50,2 %	53,2 %
Non-Norwegian	180	182	49,8 %	46,8 %
Total	**2 405**	**2 516**	**100,0 %**	**100,0 %**

As at 31 December 2016, the company's 20 largest shareholders were

Shareholders	Country	No. of shares held	Percentage
NORDSTJERNAN AB	SWE	6 359 652	17,3 %
FOLKETRYGDFONDET	NOR	3 851 183	10,5 %
RBC INVESTOR SERVICE S/A IRISH AIF CL ACC	LUX	1 935 112	5,3 %
ODIN NORGE	NOR	1 716 003	4,7 %
PARETO AKSJE NORGE	NOR	1 525 787	4,1 %
NORDEA NORDIC SMALL	FIN	1 196 158	3,2 %
UNHJEM BERIT EKORNES	NOR	1 080 331	2,9 %
MERTENS GUNNHILD EKORNES	NOR	1 080 050	2,9 %
STATE STREET BANK AN S/A SSB CLIENT OMNI	USA	790 066	2,1 %
FONDITA NORDIC MICRO SKANDINAVISKA ENSKIL	FIN	650 000	1,8 %
J.P. MORGAN CHASE BANK, A/C US RESIDENT NON	USA	649 789	1,8 %
STATE STREET BANK AN A/C CLIENT OMNIBUS F	USA	611 844	1,7 %
NGH INVEST AS	NOR	566 000	1,5 %
CLEARSTREAM BANKING	LUX	534 566	1,5 %
EKORNES TORILL ANNE	NOR	522 398	1,4 %
THE NORTHERN TRUST C USL EXEMPT CL AC	GBR	425 150	1,2 %
VPF NORDEA KAPITAL C/O JPMORGAN EUROPE	NOR	418 671	1,1 %
EKORNES KJETIL	NOR	394 959	1,1 %
FIDELITY INT SMALL C BNY MELLON SA/NV	USA	388 597	1,1 %
FORSVARETS PERSONELL	NOR	348 000	0,9 %
Total		**25 044 316**	**68,0 %**

As at 31 December 2015, the company's 20 largest shareholders were

Shareholder	Country	No. of shares held	Percentage
NORDSTJERNAN AB	SWE	6 359 652	17,3 %
FOLKETRYGDFONDET	NOR	3 871 183	10,5 %
ODIN NORGE	NOR	1 690 862	4,6 %
PARETO AKSJE NORGE	NOR	1 629 133	4,4 %
NORDEA NORDIC SMALL CAP FUND	FIN	1 486 158	4,0 %
UNHJEM BERIT VIGDIS EKORNES	NOR	1 080 331	2,9 %
MERTENS GUNNHILD EKORNES JPMBLSA RE GUNNHILD EKORNES MERTEN	NOR	1 075 050	2,9 %
J.P. MORGAN CHASE BANK N.A. LONDON NORDEA RE:NON-TREATY ACCOUNT	GBR	1 062 536	2,9 %
RBC INVESTOR SERVICES BANK S. A	LUX	890 774	2,4 %
J.P. MORGAN CHASE BA, SPECIAL TREATY LENDING	GBR	727 860	2,0 %
SKANDINAVISKA ENSKILDA BANKEN AB	SWE	700 000	1,9 %
NILS GUNNAR HJELLEGJERDE	THA	566 000	1,5 %
STATE STREET BANK A/C CLIENT OMNIBUS F	USA	564 990	1,5 %
TORILL ANNE EKORNES	NOR	523 897	1,4 %
CLEARSTREAM BANKING S.A.	LUX	443 145	1,2 %
VPF NORDEA KAPITAL	NOR	443 000	1,2 %
THE NORTHERN TRUST CO.	GBR	425 150	1,2 %
KJETIL EKORNES	NOR	394 959	1,1 %
VJ INVEST AS	NOR	386 016	1,1 %
CITIBANK, N.A.	USA	348 840	1,0 %
Total		**24 669 536**	**67,0 %**

No. of shares held by members of the board and management	Office	No. of shares as at 31.12.2016	No. of shares as at 31.12.2015
Stian Ekornes	Director	113 488	110 448
Lars I. Røiri	Director	2 300	2 300
Tone H. Hanken	Director Employee Elected	1 084	1 084
Olav Holst-Dyrnes	CEO	3 500	2 000
Trine-Marie Hagen	CFO	700	700
Runar Haugen	Group Marketing Director	300	300
Ola Arne Ramstad	Production Director Stressless®	525	525
Lars Wittemann	Supply Chain Director	2 001	1 001

NOTE 18 Share capital, shareholders and dividends (contd.)

Dividend paid 2016 (NOK)

The company paid a dividend of NOK 4.00 per share in 2016	147 307 012

Proposed dividend 2017 (NOK)

A proposed dividend of NOK 25.00 per share will be proposed to the AGM on 3 May 2017	920 576 525

Treasury shares

Treasury shares bought and sold	No.	Consideration
Holding as at 1 January	0	0
Purchased December 2016	3 692	379 413
Holding as at 31 December	3 692	379 413

The AGM of 3 May 2016 authorised the board of directors to buy back up to a maximum of 736,535 treasury shares at a minimum price of NOK 30 per share and a maximum price of NOK 200 per share. Pursuant to this authorisation, Ekornes's board decided to implement a buyback programme for up to 250,000 shares for use in connection with the planned employee share-purchase programme. The buyback started on 26 November 2016 and will be concluded no later than the 2017 AGM.

NOTE 19 Group entities

The following subsidiaries are included in Ekornes ASA's consolidated financial statements.
All the companies are wholly owned with a 100 per cent voting share.

Company	Primary business activity	Registered office	Domicile
J. E. Ekornes AS	Production	Ikornnes	Norway
Ekornes Beds AS	Production and sales	Fetsund	Norway
Ekornes Skandinavia AS	Sales	Ikornnes	Norway
Ekornes Contract AS	Sales	Sykkylven	Norway
J. E. Ekornes ApS	Sales	Odense	Denmark
Ekornes K.K	Sales	Tokyo	Japan
OY Ekornes AB	Sales	Helsingfors	Finland
Ekornes Inc.	Sales	Somerset, N.J	USA
Ekornes Ltd.	Sales	London	UK
Ekornes Möbelvertriebs GmbH	Sales	Hamburg	Germany
Ekornes S.A.R.L	Sales	Pau	France
Ekornes Iberica SL	Sales	Barcelona	Spain
Ekornes Asia Ltd.	Sales	Singapore	Singapore
Ekornes Pty Ltd	Sales	Sydney	Australia
Ekornes China Co, Ltd.	Sales	Shanghai	China
IMG Group AS	Holding and sales	Sykkylven	Norway
J. E. Ekornes USA, Inc	Production	Morganton, NC	USA
Ekornes Malaysia SDN BHD	Sales	Kuala Lumpur	Malaysia
Ekornes Beds GmbH	Sales	Hamburg	Germany
Ekornes Taiwan Ltd.	Sales	Taipei	Taiwan
Ekornes Hong Kong Co, Ltd	Sales	Hong Kong	Hong Kong
IMG Skandinavia AS	Sales	Sykkylven	Norway
IMG Holdco AS	Holding	Sykkylven	Norway
IMG AS	No activity	Sykkylven	Norway
IMG Vietnam CO.Ltd	Production and sales	Ben Cat Town	Vietnam
IMG Australia PTY Ltd	Sales	Victoria	Australia
IMGC PTY Ltd	Sales	Victoria	Australia
IMG (Thailand) Limited	Production and sales	Ban Po	Thailand
IMG New Zealand Ltd.	Sales	Auckland	New Zealand
International Mobel Group, USA Inc.	Sales	Corona	USA

Changes in corporate structure in 2016
In 2013, it was decided to close down the sales company in Brazil. The company was formally wound up in 2016.

NOTE 20 Financial risk

Ekornes operates in many markets on both the sales and procurement sides. As a result, the company has a natural spread of both market, currency and sourcing risk. For Ekornes, financial risk is largely associated with exchange rate fluctuations (the NOK against other countries' currencies) and credit risk, represented by the ability of the Group's customers to pay what they owe (outstanding receivables).

Customer and credit risk
The company sells its products to distributors through its own sales companies. Routines have been established to ensure that sales are made to creditworthy customers and within specific credit limits to lessen market and credit risk. Customer and credit risk is considered low. Outstanding receivables are followed up on an ongoing basis and efforts are made to keep them at a reasonable level.

Interest rate risk
The Group had no more than NOK 11.8 million in interest-bearing debt as at 31 December 2016 and is therefore not materially exposed to changes in interest rates. The Group has a stable, long-term financing structure. Its lenders are well-known Norwegian banks.

Liquidity risk
The Group's liquidity is followed up continuously. At the close of 2016, the Group had a disposable liquidity reserve of NOK 230.1 million in the form of bank deposits. In addition, it has unused drawing rights amounting to NOK 815 million. The board considers the Group's liquidity situation to be satisfactory.

Foreign exchange risk
Ekornes's competitiveness is affected over time by movements in the rate of exchange between the NOK and other currencies. The Group actively seeks to limit this risk. Ekornes has a long-term perspective in its main markets. This means, among other things, providing stable operational conditions to its own sales companies and to its customers (distributors). Ekornes sells products internationally and invoices primarily in its customers' respective countries' currencies.

Ekornes manages all matters relating to currency and foreign exchange risk from its head office. IMG has no currency hedging. As part of the Company's efforts to reduce its currency risk/exposure, Ekornes also seeks to buy goods and services for use in Norway from abroad, where it is cost-effective to do so. Together with the Group's distribution, sales and marketing activities, including associated administrative functions (customer service, billing, accounting, debt collection), this provides a natural hedging of the company's foreign exchange risk (natural hedging).

In addition to natural hedging, the Company makes use of forward currency contracts. In 2016, the Group adopted a new currency hedging strategy. According to this new strategy, 80 per cent of the expected currency exposure in the coming 6-month period is hedged in currencies, annual exposure to which is expected to exceed NOK 75 million. The same applies to 50 per cent of expected exposure in the coming 6-12-month period. The new strategy will lead to greater currency exposure, while ensuring the necessary leeway for the implementation of operational and financial adjustments to any major fluctuations in foreign exchange rates. Financial risk is largely associated with fluctuations in exchange rates and the ability of the Group's customers to pay what they owe. Ekornes's competitiveness is affected over time by movements in the rate of exchange between the NOK and other currencies.

Forward currency contracts were exercised at the following average exchange rates in 2015 and 2016 (currency volumes stated in millions):

	2016		2015	
Currency	**Volume (in mill.)**	**Average exchange rate (in NOK)**	**Volume (in mill.)**	**Average exchange rate (in NOK)**
USD	24	6,4558	22,4	6,6348
GBP	14,75	10,2011	15	9,9541
EUR	61,9	8,3695	57,4	8,4996
DKK	48,3	1,1252	46,25	1,1535
SEK	17,25	0,9199	19	0,9053
JPY	835	0,0676	790	0,0748

The Group decided to discontinue hedge accounting with effect from 1 January 2016. Accumulated gains or losses on hedging instruments that are still recognised in other comprehensive income from the period when hedging was effective, continue to be recognised separately in the effect of cash flow hedging in total comprehensive income up until the expected transaction takes place. In other words, the negative amount of NOK 398.4 million as at 31 December 2015 remains included in total comprehensive income until the individual forward contracts mature. When the individual forward contract matures, the amount recognised in total comprehensive income is reversed and the realised loss is recognised with a contra-entry in sales revenues in profit and loss. The Group had a net realised loss on forward currency contracts of NOK 158.8 million in 2016. The realised loss may be broken down into the realisation of losses belonging to 2016, in the amount of NOK 201 million as at 31 December 2016, and a positive change in value of NOK 42.2 million from 31 December 2015 until realisation.

The change in value of forward contracts that occurs from 1 January 2016 forwards is no longer recognised via its impact on cash flow hedging in total comprehensive income, but is recognised directly in profit and loss via "Net other (losses)/gains". The change in value recognised in "Net other (losses)/gains" amounted to NOK 137.6 million in 2016 (31 Dec 2015: NOK 0). The amount comprises a positive change in value of NOK 95.4 million associated with forward currency contacts still held as at 31 December 2016, as well as a positive change in value of NOK 42.2 million related to forward contracts realised in 2016.

As at 31 December 2016, the fair value of existing forward currency contracts came to NOK -102 million (31.12.2015: NOK -398,4million). No new forward currency contracts were entered into in 2016. Forward contracts fall due in the following periods:

(Figures in NOK 000) **Breakdown of the fair value of forward contracts used as hedging instruments**	**2016**	**2015**
Share 2016	0	-200 993
Share 2017	-95 145	-178 072
Share 2018	-6 913	-19 357
Total	**-102 058**	**-398 422**

Classification of financial assets and liabilities 2016 **(Figures in NOK 000)**	**Fair value** **Derivatives**	**Amortised cost** **Bank and receivables**	**Amortised cost** **Other financial**
Cash & cash equivalents		230 176	
Forward currency contracts	-102 058		
Stocks & shares in other enterprises	9 328		
Trade & other current receivables		507 687	
Non-current receivables		26 948	
Trade & other current payables			581 592
Short-term debt to credit institutions			11 810
TOTAL	**-92 730**	**764 812**	**593 402**

Classification of financial assets and liabilities 2015 **(Figures in NOK 000)**	**Fair value** **Derivatives**	**Amortised cost** **Bank and receivables**	**Amortised cost** **Other financial**
Cash & cash equivalents		229 556	
Forward currency contracts	-398 423		
Stocks & shares in other enterprises	10 352		
Trade & other current receivables		536 183	
Non-current receivables		10 461	
Trade & other current payables			409 946
Short-term debt to credit institutions			308 661
TOTAL	**-388 071**	**776 199**	**718 607**

NOTE 21 Subsequent events

No significant events have occurred between the balance sheet date and the date of publication of the financial statements which have materially affected the Group's financial position and which should have been reflected in the financial statements here presented.

Ekornes ASA

Financial statemens

INCOME STATEMENT

(Figures in NOK 000)	Notes	2016	2015
Operating revenues and expenses			
Sales revenues	3	32 785	16 718
Other revenues	3, 13	239 263	383 910
Total operating revenues		**272 048**	**400 627**
Cost of goods sold	13	23 606	12 494
Payroll expenses	5, 6	83 790	79 328
Depreciation and writedowns	7	83 916	68 028
Other operating expenses	6	112 490	103 590
Total operating expenses		**303 802**	**263 439**
OPERATING EARNINGS		**-31 754**	**137 188**
Financial income and expenses			
Dividend and group contribution	4, 13	209 350	168 986
Financial income	4	13 262	7 008
Gains/loss on currency exchange	4	-85 050	-82 819
Financial expenses	4	-4 280	-1 898
Net financial items		**133 282**	**91 278**
Earnings before tax		**101 528**	**228 466**
Tax expense	14	-20 471	-45 503
EARNINGS FOR THE YEAR		**81 058**	**182 963**
DISTRIBUTED AS FOLLOWS			
Proposed dividend	15	-920 577	-147 307
Proposed group contribution	15	-1 900	0
Proposed group contribution	15	180 805	84 759
Other equity	15	660 614	-120 415
Total distributed		**-81 058**	**-182 963**

STATEMENT OF FINANCIAL POSITION

ASSETS (Figures in NOK 000)	Notes	31.12.2016	31.12.2015
Non-current assets			
Software	7	22 352	42 797
Deferred tax assets	14	29 276	0
Total non-current intangible assets		**51 627**	**42 797**
Buildings, sites etc.	7	487 953	538 623
Operating movables, fixtures	7	1 967	3 050
Total property, plant & equipment		**489 920**	**541 673**
Shares in subsidiaries	9	142 078	140 653
Receivables subsidiaries	11, 13	270 470	480 239
Other investments	10	9 328	10 272
Total non-current financial assets		**421 877**	**631 164**
Total non-current assets		**963 424**	**1 215 633**
Current assets			
Inventory finished goods		2 608	2 789
Trade receivables		4 363	4 010
Public charges/VAT receivables		15 466	13 882
Other receivables		5 471	6 723
Dividend outstanding from group companies		29 608	84 227
Receivables subsidiaries	13	485 517	505 758
Cash and bank deposits	16	83 391	9 362
Total current assets		**626 424**	**626 751**
TOTAL ASSETS		**1 589 848**	**1 842 385**

(Continued on next page)

STATEMENT OF FINANCIAL POSITION (contd.)

EQUITY AND LIABILITIES (Figures in NOK 000)	Notes	31.12.2016	31.12.2015
EQUITY			
Share capital	15, 17	36 827	36 827
Treasury shares	15, 17	-4	0
Premium paid	15	388 304	388 304
Total contributed equity		**425 127**	**425 131**
Other equity	15	43 668	883 566
Total retained earnings		**43 668**	**883 566**
Total equity		**468 795**	**1 308 696**
Non-current liabilities			
Deferred tax	14	0	4 628
Total non-current liabilities		**0**	**4 628**
Current liabilities			
Debt to credit institutions	12	0	294 971
Trade payables		9 378	12 427
Dividend	17	920 577	147 307
Public charges payable		7 264	4 239
Tax payable	14	55 318	44 899
Value of forward contracts	2	102 058	0
Other current liabilities	6	26 459	25 217
Total current liabilities		**1 121 053**	**529 060**
TOTAL EQUITY AND LIABILITIES		**1 589 848**	**1 842 385**

Ikornnes, 31 December 2016/4 April 2017

The Board of Directors of Ekornes ASA

Nora Förisdal Larssen
Chair

Kjersti Kleven
Vice-Chair

Jarle Roth
Director

Stian Ekornes
Director

Lars I. Røiri
Director

Sveinung Utgård
Director
(employee elected)

Tone Helen Hanken
Director
(employee elected)

Atle Berntzen
Director
(employee elected)

Olav Holst-Dyrnes
CEO

CASH FLOW STATEMENT

(Figures in NOK 000)	2016	2015
Cash flow from operating activities		
Profit before tax	101 528	228 466
Tax paid	-43 956	-39 723
Depreciation	83 916	68 028
Changes in inventory	181	-442
Changes in trade receivables	-2 150	-3 140
Changes in intra-group receivables	230 009	-62 482
Changes in trade payables	-3 049	1 118
Changes in other accruals	161 943	1 244
Net cash flow from operating activities	**528 422**	**193 069**
Cash flow from investing activities		
Proceeds from sale of property, plant & equipment	0	93
Investments in property, plant & equipment	-11 736	-28 985
Investments in shares and partnerships	0	-1 950
Net cash flow from investing activities	**-11 736**	**-30 841**
Cash flow from financing activities		
Net change in overdraft	-294 971	-8 573
Changes in holdings of treasury shares	-379	0
Dividend paid	-147 307	-147 305
Net cash flow from financing activities	**-442 657**	**-155 878**
Net change in cash and cash equivalents	**74 029**	**6 350**
Cash and cash equivalents at the beginning of period	9 362	3 012
Cash and cash equivalents at the end of period	**83 391**	**9 362**

NOTE 1 Accounting principles

BASIC PRINCIPLES – ASSESSMENT AND CLASSIFICATION

The financial statements comprise the income statement, the balance sheet, cash flow statement and notes to the financial statements. They have been prepared in accordance with the Norwegian Accounting Act and generally accepted accounting practice in Norway, as applicable at 31 December 2016. 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 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 REVENUES

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. Sales revenues are presented net of VAT and discounts.

FOREIGN CURRENCY

Transactions in foreign currencies are translated on the basis of monthly average exchange rates on the date of the transaction. Monetary items denominated in foreign currencies are translated at the rate of exchange on the balance sheet date. Foreign exchange adjustments deriving from translation are recognised in profit and loss as agio/disagio. Non-monetary assets and liabilities which are measured at historic cost in a foreign currency are translated at the exchange rate in effect when the transaction takes place. Non-monetary assets and liabilities that are recognised at fair value are translated to NOK at the exchange rate in effect when the fair value is determined.

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 recognised 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 in the balance sheet at the original acquisition cost plus appreciation, less a 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 on separate lines in the income statement and/or commented on in the notes.

PENSION

The Company recognised pension costs and liabilities in accordance with IAS 19. All 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 present financial year or those years for which comparable figures are given, other than normal business transactions between group companies.

DEFERRED TAX AND TAX EXPENSE

Deferred tax liabilities are calculated on the basis of temporary differences between the carrying values recognised in the financial statements for the year and the carrying values 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. The Company makes use of financial instruments to reduce its foreign exchange risk. The Company employs forward contracts as a financial instrument. The benefit of entering into currency contracts is weighed against the impact of sales and purchases. The Company hedged its expected future foreign exchange exposure for up to 36 months ahead in time. In the third quarter 2016, the proportion of exposure hedged and the hedging period were reduced, although the full impact of this will not be felt until the first quarter 2018. As part of the its efforts to reduce its foreign exchange exposure, the Group also seeks to purchase goods and services internationally in corresponding currencies where financially advantageous.

The Company has made use of hedge accounting, and has applied alternative 2 for cash flow hedging in NRS with regard to financial assets and liabilities. This presumes that the value of the forward contracts is not recognised in the balance sheet and amounts are not recognised in profit and loss until the forward contracts materialise. The Company has drawn up hedging documentation and tested the efficacy of its hedging, and has concluded that hedging is effective.

With effect from 1 January 2016, hedge accounting has been discontinued. For hedging objects and hedging instruments recognised in the balance sheet on the date the assumptions for hedging lapse, the recognised value at that time will be the new acquisition cost. As at 1 January 2016, neither instrument nor object have been recognised in the balance sheet, and the acquisition cost is NOK 0. As at 31 December 2016, forward contracts were worth NOK -102 million. The negative value of the forward contracts (NOK -102 million) is therefore recognised as a liability and is posted to finance expense in the income statement as at 31 December 2016.

Up until 31 December 2015, Ekornes ASA had assumed all foreign exchange risk on behalf of its Norwegian subsidiaries J.E. Ekornes AS, Ekornes Skandinavia AS, Ekornes Contract AS and Ekornes Beds AS. These subsidiaries have been ensured settlement of accounts at agreed exchange rates through the parent company. With effect from 1 January 2016, each individual legal entity assumes any foreign exchange risk.

NOTE 3 Sales revenues and other revenues

(Figures in NOK 000)	**2016**	**2015**
Europe	1 213	2 100
Asia (excl. Japan)	31 169	13 719
Oceania	0	899
Other	403	
Total sales revenues	**32 785**	**16 718**

(Figures in NOK 000)	**2016**	**2015**
Rental income	56 985	56 551
Services to subsidiaries	181 994	151 293
Agio	0	176 067
Other	283	0
Total sales revenues	**239 263**	**383 910**

NOTE 4 Merged items

(Figures in NOK 000)	2016	2015
Financial income and expenses		
Dividends from subsidiaries	28 545	84 227
Group contribution	180 805	84 759
Total dividend and group contribution	**209 350**	**168 986**
Income from subsidiaries	8 886	5 275
Financial income	4 376	1 733
Total financial income	**13 262**	**7 008**
Net gain/loss on foreign exchange	**-85 050**	**-82 819**
Interest expenses	-23	-1 505
Financial expenses	-4 257	-393
Total financial expenses	**-4 280**	**-1 898**
Net financial items	**133 282**	**91 278**

In the parent company's financial statements, dividends from subsidiaries are recognised in the year in which they are earned by the subsidiary, if it has been clarified that the dividend will be paid by the subsidiary to the parent company.

Net agio/disagio in the parent company comprises the net difference between the exchange rate stipulated in the respective forward contracts and the rate at which the receivables are bought, as well as any revaluation of monetary items at the closing rate.

NOTE 5 Personel expenses, number of employees, remuneration and pensions

(Figures in NOK 000)	2016	2015
Salaries	70 376	67 969
National insurance contributions	9 879	7 609
Pension costs	2 415	1 934
Other personnel expenses	1 120	1 816
Total	**83 790**	**79 328**
Average number of full-time equivalents	79	68

1.1.2016, several administrative positions moved from J.E. Ekornes AS to Ekornes ASA.

NOTE 6 Employee benefits

Pension liabilities and costs

Pursuant to the Norwegian Mandatory Occupational Pensions Act, the Company has a statutory duty to provide an occupational pension scheme. The Company's pension schemes comply with the terms of this legislation. A collective defined-contribution pension scheme has been established for company employees. The Company also has pensions expensed continuously plus an old early retirement scheme (AFP). The new AFP scheme is recognised as a defined-contribution plan.

The Company has elected to treat pension costs and liabilities in accordance with IAS 19.

Pensions cost (Figures in NOK 000)	2016	2015
Pensions cost (defined contribution scheme)	1 581	1 934
Interest expenses on pension liabilities	-	-
Total	**1 581**	**1 934**

Mandatory pension scheme

Pursuant to the Norwegian Mandatory Occupational Pensions Act, the Company has a statutory duty to provide an occupational pension scheme. The Company's pension schemes comply with the terms of this legislation.

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. These form a major part of their 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 2016, the remuneration policy has complied with the declaration presented to the AGM in 2016. A new declaration will be presented at the AGM in 2017.

Special agreements

Individual bonus agreements have been entered into with eight members of group management with respect to 2016. 70 per cent of the bonus payable to these individuals depends on group or segment rrevenue, operating margin and working capital targets being met, while 30 per cent depends on the achievement of non-financial targets. CEO Olav Holst-Dyrnes has an individual bonus agreement. The terms of the bonus agreement are determined by the board of directors. In the event of his resignation, 6-months' severance pay has been agreed.

Bonus-based incentives

Employee bonuses

Employee bonuses are calculated as a percentage of monthly salary, depending on the operating margin recognised in the consolidated financial statements, excluding IMG. The bonus scheme applies only to those who do not receive payments under another personal bonus agreement. 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 December 2016, as well as those taking retirement during 2016, are entitled to receive a bonus for 2016. For accounting purposes, the bonus is treated as a cash bonus. Employees of IMG are not covered by this scheme.

(Continued on next page)

NOTE 6 Employee benefits (contd.)

Remuneration to members of Group Management in 2016

(Figures in NOK)	Olav Holst-Dyrnes	Arve Ekornes	Runar Haugen	Øystein Vikingsen Fauske	Svein Lunde
Salaries 2016	3 429 858	1 726 113	2 528 010	1 217 151	2 466 519
Pension	55 453	48 457	55 453	55 453	
Other remunerations	24 892	21 295	26 733	9 850	212 912
Total	**3 510 203**	**1 795 865**	**2 610 196**	**1 282 454**	**2 679 431**

Remuneration to members of Group Management in 2016

(Figures in NOK)	Ola Arne Ramstad	Jon-Erlend Alstad	Lars Wittemann	Trine-Marie Hagen
Salaries 2016	1 900 041	2 387 567	1 597 510	2 109 200
Pension	55 453	55 453	55 453	55 453
Other remunerations	22 288	14 304	10 816	180 046
Total	**1 977 782**	**2 457 324**	**1 663 779**	**2 344 699**

Remuneration to members of Group Management in 2015

(Figures in NOK)	Olav Holst-Dyrnes	Arve Ekornes	Runar Haugen	Geir Balsnes	Svein Lunde
Salaries 2015	3 280 568	1 896 855	2 619 952	1 766 860	3 110 804
Pension	50 438	50 438	50 438	50 438	
Other remunerations	23 118	41 281	28 984	22 003	
Total	**3 354 124**	**1 988 574**	**2 699 374**	**1 839 301**	**3 110 804**

Remuneration to members of Group Management in 2015

(Figures in NOK)	Ola Arne Ramstad	Jon-Erlend Alstad	Lars Wittemann	Trine-Marie Hagen
Salaries 2015	1 937 012	2 102 710	299 244	2 025 239
Pension	50 438	50 438	50 438	50 438
Other remunerations	23 396	12 963	6 325	205 409
Total	**2 010 846**	**2 166 111**	**356 007**	**2 281 086**

Remuneration to Board Members in 2016

(Figures in NOK)	Nora F. Larssen	Kjersti Kleven	Jarle Roth	Stian Ekornes
Salaries 2016				
Pension				
Directors' fee	390 000	390 000	270 000	182 000
Other remunerations				
Total	**390 000**	**390 000**	**270 000**	**182 000**

Remuneration to Board Members in 2016

(Figures in NOK)	Lars I. Røiri	Sveinung Utgård	Tone Helen Hanken	Atle Berntzen
Salaries 2016		772 765	96 704	517 713
Pension		35 598	4 549	20 871
Directors' fee	273 000	130 000	130 000	130 000
Other remunerations		5 912	1 640	6 461
Total	**273 000**	**944 275**	**232 893**	**675 045**

Remuneration to Board Members in 2015

(Figures in NOK)	Kjersti Kleven	Stian Ekornes	Nora F. Larssen	Sveinung Utgård	Tone Helen Hanken
Salaries 2015				756 740	220 472
Pension				31 789	9 265
Directors' fee	655 333	250 250	356 417	130 000	130 000
Other remunerations				5 712	1 440
Total	**655 333**	**250 250**	**356 417**	**924 241**	**361 177**

Remuneration to Board Members in 2015

(Figures in NOK)	Atle Berntzen	Jarle Roth	Lars I. Røiri	Aslak Hestholm
Salaries 2015	489 609			406 596
Pension	16 065			13 197
Directors' fee	97 500	330 667	342 333	97 500
Other remunerations	6 201			1 440
Total	**609 375**	**330 667**	**342 333**	**518 733**

Remuneration to Auditor (Figures in NOK 000)	**2016**	**2015**
Auditing services	2 276	2 459
Tax advisory services	273	129
Total	**2 549**	**2 588**

NOTE 7 Property plant and equipment

(Figures in NOK 000)	Software	Intangible assets	Sites, buildings	Operating movables, fixtures etc.	Total
Acquisition cost at 01.01	**237 143**		**1 078 895**	**17 894**	**1 333 931**
+ additions	4 851	3 694	2 705	486	11 736
- disposals at acquisition cost	5 818		0	1 293	7 111
Acquisition cost at 31.12	**236 175**	**3 694**	**1 081 600**	**17 087**	**1 338 556**
Acc. depreciations at 01.01	194 346	0	540 272	14 843	749 461
+ the year's depreciations	28 820	170	35 375	1 533	65 898
- acc.dep sold non-curr. assets	5 818		0	1 257	7 075
Acc. depreciation at 31.12	**217 348**	**170**	**575 647**	**15 120**	**808 285**
Write-downs			**18 000**		**18 000**
Book value 31.12	**18 828**	**3 524**	**487 953**	**1 967**	**512 271**

Estimated useful lives are as follows:

- Buildings 25 - 50 years
- Machinery & equipment 5 - 12 years
- Operating movables and fixtures 2 - 10 years
- Capitalised licence expenses 5 years
- Software 3 years

Depreciation method, useful life and residual value are reassessed annually.

Write-downs

In June 2016, it was decided to amalgamate sofa production previously undertaken at both the Vestlandske (Sykkylven) and Hareid plants. Production would henceforth take place solely at the Vestlandske site and the Hareid plant would be closed. Following the amalgamation, Ekornes has no further need for the Hareid facility, and it was decided to sell it or lease it out. It was deemed unlikely that the property could be sold for a price equalling its book value. Based on management's best estimates with respect to the amount recoverable on the property, and a valuation from a real estate agent, the value of the property was written down by NOK 18 million in 2016.

Sureties

The parent company has entered into agreements with its banking service providers in respect of credit facilities (see Note 12). Land, buildings and operating equipment have been pledged as surety for these credit facilities. The combined book value of the operating assets pledged as sureties comes to NOK 512 million.

NOTE 8 Intangible assets

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

NOTE 9 Shares in subsidiaries

(Figures in NOK 000)	Business office	Shareholding	Voting share	Book value
J. E. Ekornes AS	Ikornnes	100 %	100 %	6 000
Ekornes Beds AS	Fetsund	100 %	100 %	9 425
Ekornes Skandinavia AS	Ikornnes	100 %	100 %	1 242
Ekornes Contract AS	Sykkylven	100 %	100 %	9 192
J. E. Ekornes ApS, Danmark	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, N.J	100 %	100 %	3 000
Ekornes Ltd., England	London	100 %	100 %	225
Ekornes Möbelvertriebs GmbH, Tyskland	Hamburg	100 %	100 %	415
Ekornes S.A.R.L, Frankrike	Pau	100 %	100 %	550
Ekornes Iberica SL, Spania	Barcelona	100 %	100 %	79
Ekornes Asia Ltd., Singapore	Singapore	100 %	100 %	1 875
Ekornes Pty Ltd, Australia	Sydney	100 %	100 %	113
Ekornes China Co, Ltd., Kina	Shanghai	100 %	100 %	1 950
IMG Group AS	Sykkylven	100 %	100 %	105 060
Total shares in subsidiaries				**142 078**

NOTE 10 Shares in other companies, etc.

Shares in other companies (Figures in NOK 000)	Share	Acquisition Cost	Book value
Non-current assets			
Sykkylvsbrua AS	37,5 %	8 141	8 141
Other shares		2 131	1 187
Total		**10 272**	**9 328**

Investment in Sykkylvsbrua AS

After the Sykkylvsbrua bridge was opened in October 2000, the Norwegian Public Roads Administration took it over and assumed responsibility for its maintenance and operations. The duties of the company Sykkylvsbrua AS are therefore limited to operating the toll collection system and following up loan agreements, including their maintenance and repayment. The practical operation of the toll station and management of the computer system have also been outsourced to an external service provider. The company has no employees. The Group therefore considers that no such influence as required under IAS 28 for Sykkylvsbrua AS to be treated as an associate exists.

NOTE 11 Receivables falling due later than one year

(Figures in NOK 000)	31.12.2016	31.12.2015
Loans to group companies	270 470	480 239
Total	**270 470**	**480 239**

NOTE 12 Interest-bearing loans and credits

Over time, the Company has had a solid balance sheet, with little debt and a high level of equity. Through strategic investments this may change, following the raising of loans, buyback of treasury shares or the payment of dividends. The acquisition of IMG Group in 2014 represents one such change in line with the Group's strategy of long-term development of its core business. In connection with the acquisition of IMG, the Group established credit facilities with Nordea, Sparebank Møre and Danske Bank.

The Group's credit facilities and amounts drawn down per bank as at 31 December 2016:

(Figures in NOK 000)	Credit ceiling	Amount drawn	Available
Sparebank Møre	375 000	0	375 000
Nordea	340 000	0	340 000
Danske Bank	100 000	0	100 000
Total	**815 000**	**0**	**815 000**

The Company is not in breach of any of the terms of its credit facilities.

NOTE 13 Intra-group balances and accounts

The parent company has undertaken several different transactions with subsidiaries. All transactions are carried out as part of the Group's ordinary business activities and at arms' length prices.

The most important transactions undertaken between Ekornes ASA and its subsidiaries are as follows:

(Figures in NOK 000)	2016	2015
Purchases	23 610	12 494
Sale of services	181 994	146 613
Purchase of services	5 835	5 610
Dividend received	28 545	84 227
Group contribution	180 805	84 759
Group contribution	1 900	0
Commission	9 564	4 537
Interest income	8 886	5 275
Rental income	56 550	56 550

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

NOTE 14 Tax and temporary differences

(Figures in NOK 000)	2016	2015
Tax payable:		
Pre-tax profit	101 528	228 466
Permanent differences	-3 005	-85 872
Changes in temporary differences	119 644	1 898
Group contribution paid	-1 900	0
This year's tax base	**216 267**	**144 492**
Tax payable on profit for the year	**54 067**	**39 013**
Tax expense		
Tax payable on profit for the year	54 067	39 013
Correction to tax payable in previous years	308	855
Gross change in deferred tax	-33 904	-408
Withholding tax	0	6 044
Total tax	**20 471**	**45 503**
Tax payable in the balance sheet		
Tax payable on profit for the year	54 067	39 013
Correction for previous years	0	-157
Withholding tax on dividend received	1 251	6 044
Tax payable in the balance sheet	**55 318**	**44 899**
Temporary differences linked to:	**31.12.2016**	**31.12.2015**
Property, plant & equipment	-57 273	-20 679
Non-current receivables/liabilities in foreign currencies	51 478	53 647
Inventory	-1 405	-1 502
Receivables	0	-2 500
Profit & loss account	-762	-952
Provisions, etc.	-110 718	-9 500
Other differences	-3 301	-20 851
Total temporary differences	-121 982	-2 338
Differences not offset	0	20 851
Basis for deferred tax	**-121 982**	**18 513**
Deferred tax/ Deferred tax assets	**-29 276**	**4 628**

Differences not offset
Differences not offset in 2015 relate to write-downs on receivables from subsidiaries. These are not included in the basis for calculating deferred tax assets, since it is not certain when or whether these differences will be reversed. In 2016, it was decided that the receivables should be recognised as non-tax deductible bad debts.

Change in tax rate in 2017
The corporation tax rate in Norway was reduced to 24 per cent in 2017. Deferred tax assets and liabilities as at 31 December 2016 were measured using the new tax rate. The effect of changing the tax rate from 25 per cent to 24 per cent in 2017 represents an additional tax expense of NOK 1.2 million in 2016.

NOTE 15 Shareholder's equity

(Figures in NOK 000)	Share capital	Own shares	Premium reserve	Other equity	Total
Equity 01.01.2015	**36 827**	**0**	**388 304**	**847 908**	**1 273 038**
Profit for the year			-	182 963	182 963
Allocated dividend			-	-147 307	-147 307
Equity 31.12.2015	**36 827**	**0**	**388 304**	**883 566**	**1 308 696**
			-		
Equity 01.01.2016	**36 827**	**0**	**388 304**	**883 566**	**1 308 696**
Profit for the year			-	81 058	81 058
Purchase of treasury shares		-4	-	-376	-379
Allocated dividend			-	-920 577	-920 577
Other			-	-3	-3
Equity 31.12.2016	**36 827**	**-4**	**388 304**	**43 668**	**468 795**

NOTE 16 Cash and cash equivalents as at 31.12

(Figures in NOK 000)	31.12.2016	31.12.2015
Cash and bank deposits	83 391	9 362

In the Statement of Cash Flow, only cash and bank deposits are included as cash. Of the Group's bank deposits, NOK 2,968,000 are restricted with respect to employees' tax deductions.

The majority of the Group's Norwegian companies participate in a group account scheme, in which the parent company Ekornes ASA is the primary account holder. All participants are jointly and severally liable for the amount outstanding in the group account at any given time. The parent company has entered into agreements with its primary banking service providers with regard to credit facilities. See also Note 12.

NOTE 17 Share capital, shareholders and dividends

	31.12.2016	31.12.2015
No. of shares each with a face value of NOK 1	36 826 753	36 826 753

All shares in the Company have the same voting and dividend rights.

Shareholders	No. of shareholders		% of share capital	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Norwegian	2 153	2 225	48,53 %	50,2 %
Non-Norwegian	195	180	51,5 %	49,8 %
Total	**2 348**	**2 405**	**100 %**	**100,0 %**

As at 31 December 2016, the company's 20 largest shareholders were

Shareholders	Country	No. of shares held	Percentage
NORDSTJERNAN AB	SWE	6 359 652	17,3 %
FOLKETRYGDFONDET	NOR	3 851 183	10,5 %
RBC INVESTOR SERVICE S/A IRISH AIF CL ACC	LUX	1 935 112	5,3 %
ODIN NORGE	NOR	1 716 003	4,7 %
PARETO AKSJE NORGE	NOR	1 525 787	4,1 %
NORDEA NORDIC SMALL	FIN	1 196 158	3,2 %
UNHJEM BERIT EKORNES	NOR	1 080 331	2,9 %
MERTENS GUNNHILD EKORNES	NOR	1 080 050	2,9 %
STATE STREET BANK AN S/A SSB CLIENT OMNI	USA	790 066	2,1 %
FONDITA NORDIC MICRO SKANDINAVISKA ENSKIL	FIN	650 000	1,8 %
J.P. MORGAN CHASE BANK, A/C US RESIDENT NON	USA	649 789	1,8 %
STATE STREET BANK AN A/C CLIENT OMNIBUS F	USA	611 844	1,7 %
NGH INVEST AS	NOR	566 000	1,5 %
CLEARSTREAM BANKING	LUX	534 566	1,5 %
EKORNES TORILL ANNE	NOR	522 398	1,4 %
THE NORTHERN TRUST C USL EXEMPT CL AC	GBR	425 150	1,2 %
VPF NORDEA KAPITAL C/O JPMORGAN EUROPE	NOR	418 671	1,1 %
EKORNES KJETIL	NOR	394 959	1,1 %
FIDELITY INT SMALL C BNY MELLON SA/NV	USA	388 597	1,1 %
FORSVARETS PERSONELL	NOR	348 000	0,9 %
Total		**25 044 316**	**68,0 %**

NOTE 17 Share capital, shareholders and dividends (contd.)

As at 31 December 2015, the company's 20 largest shareholders were

Shareholders	Country	No. of shares held	Percentage
NORDSTJERNAN AB	SWE	6 359 652	17,3 %
FOLKETRYGDFONDET	NOR	3 871 183	10,5 %
ODIN NORGE	NOR	1 690 862	4,6 %
PARETO AKSJE NORGE	NOR	1 629 133	4,4 %
NORDEA NORDIC SMALL CAP FUND	FIN	1 486 158	4,0 %
UNHJEM BERIT VIGDIS EKORNES	NOR	1 080 331	2,9 %
MERTENS GUNNHILD EKORNES JPMBLSA RE GUNNHILD EKORNES MERTEN	NOR	1 075 050	2,9 %
J.P. MORGAN CHASE BANK N.A. LONDON NORDEA RE:NON-TREATY ACCOUNT	GBR	1 062 536	2,9 %
RBC INVESTOR SERVICES BANK S. A	LUX	890 774	2,4 %
J.P. MORGAN CHASE BA, SPECIAL TREATY LENDING	GBR	727 860	2,0 %
SKANDINAVISKA ENSKILDA BANKEN AB	SWE	700 000	1,9 %
NILS GUNNAR HJELLEGJERDE	THA	566 000	1,5 %
STATE STREET BANK A/C CLIENT OMNIBUS F	USA	564 990	1,5 %
TORILL ANNE EKORNES	NOR	523 897	1,4 %
CLEARSTREAM BANKING S.A.	LUX	443 145	1,2 %
VPF NORDEA KAPITAL	NOR	443 000	1,2 %
THE NORTHERN TRUST CO.	GBR	425 150	1,2 %
KJETIL EKORNES	NOR	394 959	1,1 %
VJ INVEST AS	NOR	386 016	1,0 %
CITIBANK, N.A.	USA	348 840	0,9 %
Total		**24 669 536**	**67,0 %**

No. of shares owned by members of the board and management

Shareholder	Office	No. of shares held at 31.12.2016	No. of shares held at 31.12.2015
Stian Ekornes	Director	113 488	110 448
Lars I. Røiri	Director	2 300	2 300
Tone H. Hanken	Director Employee Elected	1 084	1 084
Olav Holst-Dyrnes	CEO	3 500	2 000
Trine-Marie Hagen	CFO	700	700
Runar Haugen	Group Marketing Director	300	300
Ola Arne Ramstad	Production Director Stressless®	525	525
Lars Wittemann	Supply Chain Director	2 001	1 001

Dividend paid 2016 (NOK)

The Company paid a dividend of NOK 4.00 per share in 2016:	147 307 012

Proposed dividend 2017 (NOK)

A proposed dividend of NOK 25.00 per share will be put to the AGM of 3 May 2017	920 576 525

Treasury shares

Buyback and sale of treasury shares	No.	Consideration
Holding 1.1	0	0
Purchased December 2016	3 692	379 413
Holding 31.12	3 692	379 413

The AGM of 3 May 2016 authorised the board of directors to buy back up to a maximum of 736,535 treasury shares at a minimum price of NOK 30 per share and a maximum price of NOK 200 per share. Pursuant to this authorisation, Ekornes's board decided to implement a buyback programme for up to 250,000 shares for use in connection with the planned employee share-purchase programme. The buyback started on 28 November 2016 and will be concluded no later than the 2017 AGM.

To the General Meeting of Ekornes ASA

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Ekornes ASA. The financial statements comprise:

- The financial statements of the parent company, which comprise the balance sheet as at 31 December 2016, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The financial statements of the group, which comprise the balance sheet as at 31 December 2016, and income statement, statement of comprehensive income, statement of changes in equity, cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying financial statements give a true and fair view of the financial position of the parent company as at 31 December 2016, and 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.
- The accompanying financial statements give a true and fair view of the financial position of the group as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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State authorised public accountants, members of The Norwegian Institute of Public Accountants, and authorised accounting firm

Independent Auditor's Report - Ekornes ASA

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed the Key Audit Matter
Accrual of operating revenues	
As described in item P (i), in the accounting policies within the financial statements, operating revenues are recognised when delivery to customer has occurred and the significant risk and reward has been transferred to the customer. Different terms of delivery apply and timing of revenue recognition varies accordingly. Ekornes manufacturing comprises both made to order and made for inventory production. The goods are dispatched from the factory to customers in a global market. The extent of goods in transit at the end of the fiscal year is therefore significant. We focused our attention on operating revenue accruals in the last month of the fiscal year, as misstatements, if any, may impact the financial statements significantly.	We have gained an understanding of the flow of goods from factory to customer, applied delivery terms and the Group's policies for revenue recognition through interviews with key personnel, review of the Group's process documentation and we reviewed a selection of customer contracts. For customers where agreed terms of delivery required that the goods had to be received by the customers before recognition of revenue could occur at Ekornes; we have obtained confirmations from selected customers that receipt of goods had taken place in the same period as Ekornes recognised revenue. The procedures performed showed that revenue was recognised appropriately. We have also applied IT based sampling methods to identify non-standard journal entries towards operating revenues recognised in the financial statements. Further, for each category of non-standard entries we have assessed the type and reasonableness of these entries, towards underlying transactions and documentation.
Valuation of goodwill	
Per 31.12.2016, the Group has recognised goodwill of NOK 208 million related to acquisition of IMG in the balance sheet. See note 8 in the consolidated financial statements for further information. No impairment loss has been recognised on the income statement. The valuations require that management apply judgement related to, among other things, future cash flows and discount rate applied. We focus on this area due to the magnitude of the amount of goodwill recognised.	We have obtained and reviewed management's model for the impairment test of goodwill. The documentation contains an assessment of the cash generating unit and key assumptions applied by management. We found that the model complies with the requirements set out in IFRS and we controlled that the model was mathematically accurate. We challenged the assumptions applied by management related to future revenue, price, operating expenses and reinvestments by comparing them to previous profits for the IMG segment and budgets approved by the Board of Directors. We found the assumptions applied to be in line with previous profits and budgets.

Independent Auditor's Report - Ekornes ASA

In order to assess the reasonableness of the discount rate applied by management, we compared it to observable interest rates for Norwegian Treasury bonds, we compared the market risk premium to reputable research available in the market, and we compared the capital structure to other listed companies in the industry. The discount rate applied is considered to be appropriate.

Other information

Management is responsible for the other information. The other information comprises information in the annual report except the financial statements and the accompanying auditor's report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements of the parent company use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations. The financial statements of the group use the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Independent Auditor's Report - Ekornes ASA

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit 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 Company's or the Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit

Independent Auditor's Report - Ekornes ASA

We also provide the Board of Directors with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

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 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 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.

Bergen, 4 April 2017
PricewaterhouseCoopers AS

Fredrik Gabrielsen
State Authorised Public Accountant

Note: This translation from Norwegian has been prepared for information purposes only.

History

HISTORY

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.

1996 Ekornes takes over operation of Utgård Mestermøbler AS, Hareid. Ekornes Hareid AS is established on 25 April 1996, and is owned by Ekornes ASA.

1997 Ekornes acquires the company AS Vestlandske Møbler in Sykkylven. Ekornes passes NOK 1 billion in sales revenues.

1930s

1940s

1950s

1960s

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 Sales revenues pass NOK 2 billion. Ekornes acquires the company Johan P. Tynes AS, which has been a supplier to Ekornes for many years.

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.

2006 Ekornes establishes a presence in Singapore and Shanghai. 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 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.

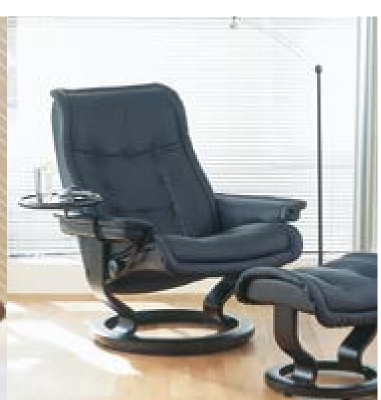
2008 Ekornes sells trademark rights to Sacco®. Stressless® Jazz won the Norwegian Award for Design Excellence. Production starts at the upgraded and extended plant at Tynes in Sykkylven. Jens Petter Ekornes, former Managing Director, board member and CEO, passed away on 22 June 2008, after battling a long-term lung disease.

2009 On 8 January Ekornes decides to close its sofa factory at Stranda. Production of fixed-back sofas is transferred to Hareid. 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. Ekornes aims to operate its business with an expressed corporate social responsibility and has therefore joined the UN Global Compact. At the Ålesund autumn exhibition, Ekornes launched its new enhanced sitting comfort system, the ErgoAdapt™.

2010 Merger between J.E. Ekornes AS and Ekornes Møbler AS. Olav Kjell Holtan wins Norway's Chairperson of the Year award for 2010. 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 won its third Stockman Prize, in 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.

(Continued on next page)


1970s


1980s


1990s


2000s

HISTORY (continued)

2011 In 2011, the world's most famous furniture brand celebrates its 40th anniversary. Since its introduction in 1971 more than 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. In March, Ekornes starts using the world's first robot capable of sewing elastic materials.

J.E. Ekornes AS establishes sofa manufacturing facilities in the USA. J.E. Ekornes USA Inc., located in Morganton, North Carolina. For the third year running, Ekornes UK wins the British interior design magazine Interiors Monthly's award for "Best Marketing Support".

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

2012 The Svane® mattress brand celebrates its 75th anniversary. Svane® was the Norwegian furniture industry's first brand name.

Øyvind Tørlen steps down as the company's CEO. His decision was prompted by differences regarding the Group's future strategy. Nils-Fredrik Drabløs is appointed acting CEO with effect from 3 December.

Stressless® Office is launched.

Ekornes becomes 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 The Stressless® City and Stressless® Metro are launched. These models have a completely new design, with steel/aluminium bases.

Ekornes introduces a new HSE and quality management system called TQM Enterprise.

For the fifth year running Ekornes UK wins the 'Best Marketing Support' award in 2013. It is also named 'Best Recliner Manufacturer'.

2014 Board Chair Olav Kjell Holtan dies suddenly on 4 March while on a business trip for Ekornes. Holtan had chaired Ekornes ASA's board of directors since 1990. At the AGM Kjersti Kleven is elected as the new Board Chair.

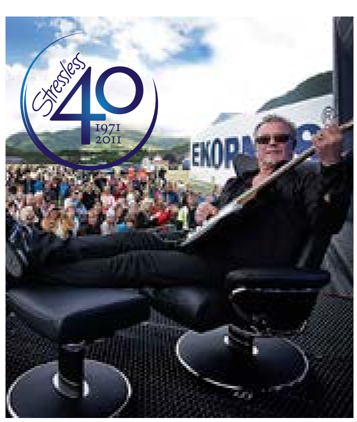
Olav Holst-Dyrnes is appointed as the new CEO at Ekornes.

Ekornes acquires the furniture producer IMG.

Stressless® launches a host of new products in the autumn of 2014. Among the innovations is the BalanceAdapt™ system, which allows the chair's back and seat to adjust automatically as the user's position changes, and an entirely new collection named the Stressless® YOU. Svane® launches the Svane® 630™ collection.

Production of Stressless® chairs is featured in an episode of the programme "How Do They Do It?", which is broadcast on the Discovery Channel and the Science Channel.

2010



2011

2012

2013

2015 During the year, a sewing robot goes into operation at Ikornnes. The robot sews leather/fabric to the backing fibre.

IMG's sales office in the USA is acquired and incorporated into the Group with effect from 1 January.

Ekornes China, which will build up distribution for Stressless® in China, is established in April.

IMG launches its new Regal product line during the spring.

The website www.ekornes.com receives the Gold ADDY award and is named "Best of Interactive" at the American Advertising Awards in Knoxville, Tennessee. Three new promotional films win silver in the interactive category. Ekornes ASA wins the Farmand Award for "Best Website" in the listed company class.

Ekornes wins the NFA Award for 2014. Ekornes is named "Brand-Builder of the Year 2015".

Ekornes initiates a cost-cutting programme in August.

At the annual furniture fair for Scandinavian distributors, Ekornes shows off a substantially expanded product range, with greater flexibility and freedom of choice in the collection. At the same time, a number of new products, including the new LegComfort™ function (integrated footrest), are unveiled. The main Stressless® collection is divided into two equal parts.

The six Stressless® factories and Ekornes's product development department are certified in accordance with ISO 9001 and 14001.

2016 Nora Förisdal Larssen is elected as Ekornes ASA's new chair at the AGM in May.

Ekornes amalgamates production at its Hareid and Vestlandske factories, co-locating sofa production in Sykkylven. The new unit is given the name J.E. Ekornes AS, Dept. Aure.

Ekornes Contract wins several important contracts during the year, with deliveries to both offshore vessels and hotels.

The first Stressless® retail outlet in the Middle East opens in Dubai.

Stressless® YOU James is voted Product of the Year in the chair category in a survey carried out by the popular German interior design magazine Wohnidee.

Ekornes Skandinavia AS is named Supplier of the Year by the Norwegian furniture chain Møbelringen AS.

In response to periods of weak order receipts, Ekornes introduces a 4-day week during parts of the year.

Ekornes decides to reduce the size of its indirect and administrative functions. Around half of those whose jobs have been affected are offered new positions in production.

A major restructuring of the Group's logistics gets underway, with transport by sea taking an important role. The goal is a 70 per cent increase in the volume of goods transported from the factory by sea. This is expected to significantly cut both costs and emission levels.

Ekornes Grodås celebrates the 40th anniversary of its establishment in Hornindal.

The Christmas gift from Ekornes's Norwegian workforce goes to local voluntary and sports associations, with the focus on health.

2014

2015

2016

Ekornes shall be Europe's leading furniture producers and be renowned for its quality in all areas.

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