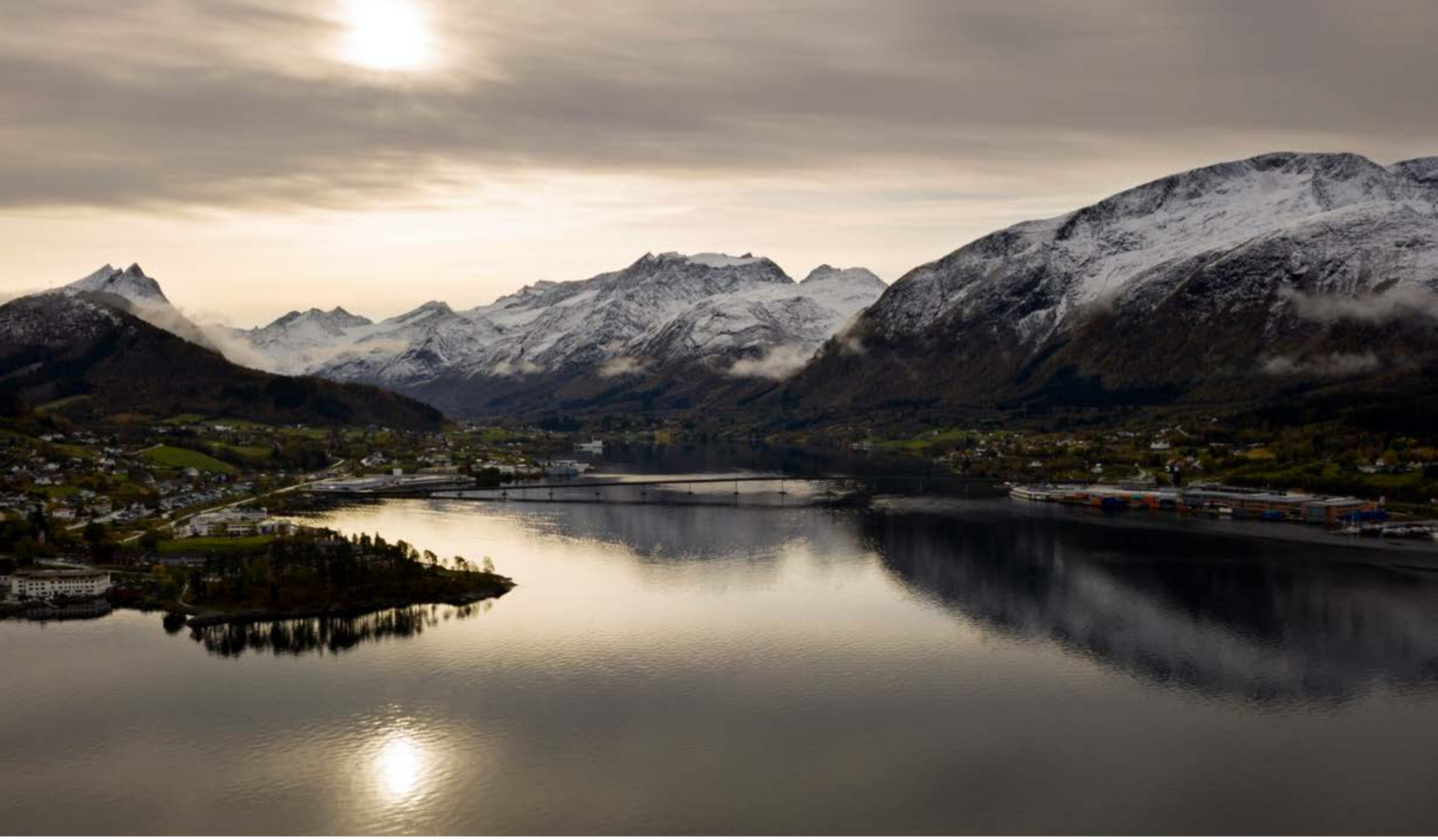
EKORNES®

Annual report

EKORNES QM HOLDING | 2021

Content



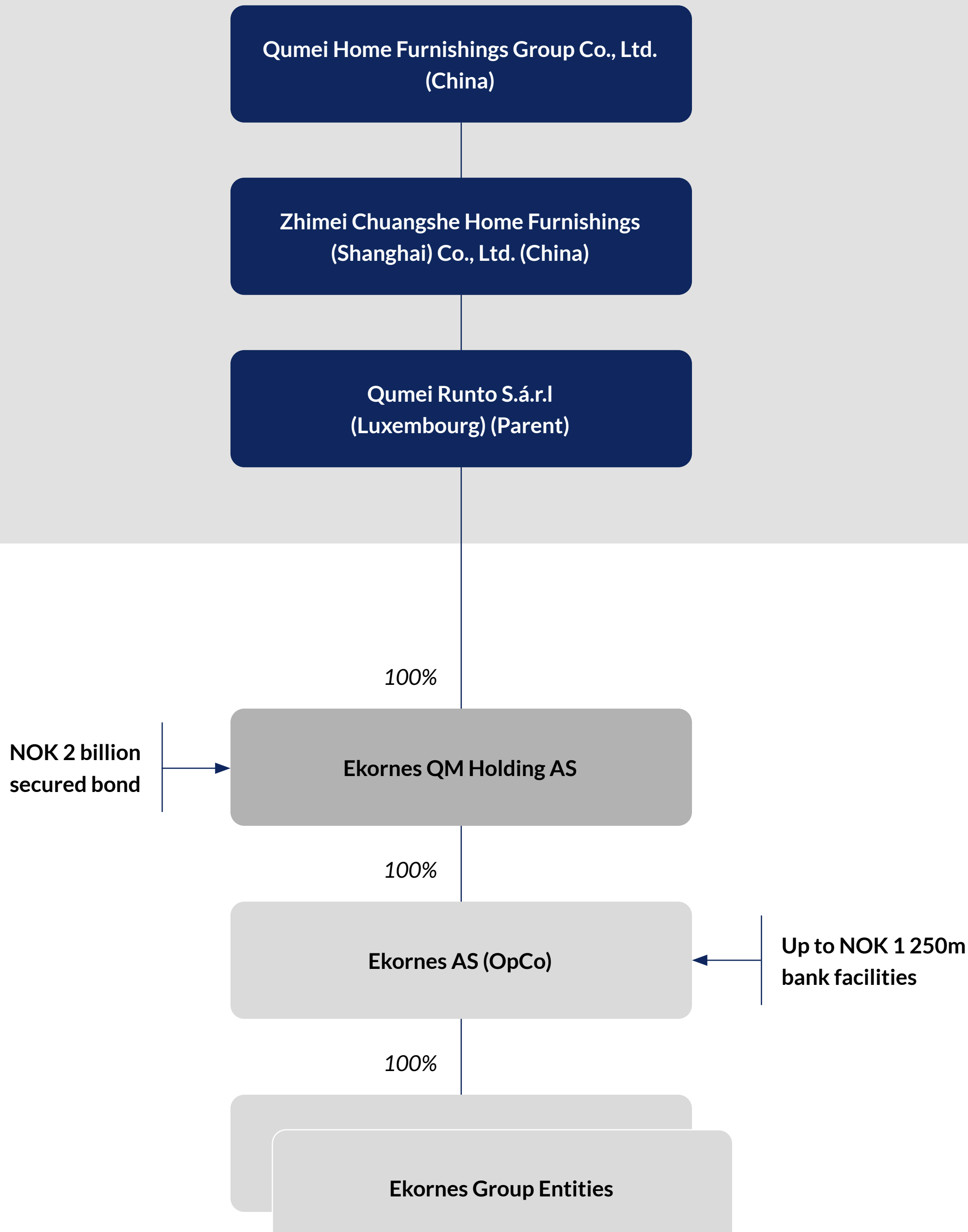
Company history and ownership

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

Norwegian ultimate parent company Ekornes QM Holding AS is a wholly owned subsidiary of Qumei Home Furnishing Group. The Ekornes Group is the only operational part of the Ekornes QM Holding Group. The Ekornes Group is consolidated from the acquisition date.

The consolidated financial statements comprise the financial statements of the parent company Ekornes QM Holding AS and its subsidiaries as at 31 December 2021. Ekornes QM Holding AS had as at 31 December 2021 100% shareholding and voting rights in Ekornes AS who in its turn has a 100% ownership share and voting rights for all other consolidated companies.

GROUP STRUCTURE AND BOND TRANSACTION OVERVIEW:



Group management

ROGER LUNDE (1970)

Group CEO

Education: Masters degree in Management & Economics from Växjö University (Sweden).

Experience: CEO in Brødrene Dahl AS, Senior Vice President in Kongsberg Oil & Gas, Chief Operating Officer in Scatec Solar AS, Executive Vice President for Lean Banking in DNB, Senior Vice President Operations in Aker Solutions, Logistics Director in Emo AS/ Rich Andvord AS.

CEO of Ekornes since February 2020.

FREDRIK ØDEGÅRD NILSEN (1988)

Group CFO

Education: Masters of Economics and Business Administration at the Norwegian School of Economics (NHH) and Master in Management at the University of Mannheim.

Experience: Various position at ISS Facility Services within Finance, Pricing and Business Development. CFO at Haut Nordic. Business Analyst and SVP Strategy & Business Development at Ekornes.

CFO of Ekornes since April 2021. Member of Ekornes Group Management since August 2020.

PETER BJERREGAARD (1965)

SVP Commercial North America

Education: Bachelor Business Administration, Various management course Henley Business University.

Experience: EVP Commercial for Stressless® in North America since 2004 and from 2017 also for IMG in North America. Prior to this senior Vice President ECCO Shoes (Several positions within the ECCO Organization), General Manager Bang & Olufsen Chicago.

SVP Commercial North America and member of Ekornes Group Management since March 2020.

JAMES THOMPSON (1979)

SVP Commercial Europe

Education: BA Business Studies (University of South Wales), C. Dir (CGTI).

Experience: Managing Director of Ekornes Ltd since 2017, prior to this 20 years management experience in retail and hospitality, including Director at Sandals, Harrods and Heal's. SVP Commercial Director Europe and MD Ekornes Ltd.

SVP Commercial Europe and a member of Ekornes Group Management since March 2020.

MARK KELSEY (1974)

SVP Commercial Asia Pacific (APAC)

Education: BSc in Physics from Imperial College, London.

Experience: More than 11 years at Ekornes (several positions including President Ekornes APAC and President Ekornes Asia), Country Manager UK & Ireland Fritz Hansen.

SVP Commercial APAC, and member of Ekornes Group Management since March 2020.

JAMES TATE (1978)

SVP IMG Business

Education: BSc (Macquarie University Sydney), Graduate Diploma in Management (University of London).

Experience: More than 10 years at Ekornes (various positions, including CEO for Stressless® UK/Ireland and Australia/New Zealand). Sales Director for Leggett & Platt Europe and furniture industry consultant.

SVP IMG Business since March 2020, and a member of Ekornes Group Management since autumn of 2017.

Group management

TROND VEIBUST (1985)

SVP IT & Projects and SVP Operations IMG

Education: Msc in Accounting and Auditing, Norwegian School of Economics (NHH).

Experience: Employed in Ekornes since 2015 in various management roles. Worked in the financial services assurance practice in EY prior to joining Ekornes.

SVP IT & Projects in Ekornes since March 2021. Also continuing position of SVP Operations IMG. Member of Ekornes Group Management since March 2020.

LARS WITTEMANN (1963)

SVP Sourcing & Supply Chain

Education: Handelsakademiet/BI Business School, MBA BI Norwegian Business School, Oslo.

Experience: VP Operations ASSA ABLOY Hospitality Divisjon, General Manager at VingCard Elsafe in Norway and China.

SVP Sourcing & Supply Chain in Ekornes from November 2015. Member of Ekornes Group Management since March 2020.

OLA ARNE RAMSTAD (1962)

SVP Production Stressless®

Education: Administration (BI).

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

SVP Production Stressless® and member of Ekornes Group Management since March 2020.

OLE BASTIAN EMDAL (1980)

SVP Product Development and SVP Commercial Nordic

Education: Various management courses (BI Norwegian Management School).

Experience: 16 years experience from the furniture industry. Category Manager at Bohus (Retail), Category & Market Manager at Møbelringen (Retail), Sales & Market Manager at Martinsen AS (Wholesale), Owner, sales and purchasing at Vest Møbel AS, Owner and Managing Director at Stjernemadrassen.

SVP Commercial Nordic. Started new position as SVP Product Development in January 2022. Member of Group Management since March 2020.

JANNE STRØMMMEN (1972)

SVP Marketing (from January 2022)

Education: MBA Brand Management at the Norwegian School of Economics (NHH) and Bachelor in Marketing at BI Norwegian Business School/Suffolk University Madrid, Spain.

Experience: Brand Marketing from Stokke, Devold and various advertising agencies. Before joining Ekornes she held the position as Global Brand Communication Director for Stokke.

Will join Ekornes as SVP Marketing in January 2022 and be member of Ekornes Group Management.

SVEIN LUNDE (1961)

SVP Marketing & Commercial Excellence (Until January 2022)

Education: Dipl. Management.

Experience: Bank and travel industry. With Ekornes since 1994; Country Manager UK/Ireland, International Marketing Director and SVP Marketing.

SVP Marketing & Commercial Excellence since March 2020. Will retire from January 2022. Member of Ekornes Group Management since 2003.

PÅL AAGE NORDAHL (1961)

Managing Director, Ekornes Beds AS

Education: Hedmark College, graduate in finance and administration. Various leadership programs business and finance at Copenhagen Business School and Norwegian School of economics. (NHH/Solstrand).

Experience: Partner and Sales Director Edge Innovation Group, Sales Director Cloetta AS, Sales Director and Business Development Director Ringnes AS (Carlsberg Group), Marketing Manager Mills DA, General Manager Bama Gruppen AS, Nordic Marketing Manager Chiquita Brands International.

Managing Director in Ekornes Beds AS since February 2019, and member of Ekornes Group Management since March 2020.

The Board of Directors in Ekornes AS

Ruihai Zhao (1965), Chair

Position: Chair and CEO of Qumei Group.

Education: MBA (Cheung Kong Graduate School of Business, China), degrees in global business management from Tsinghua University, China and University of Minnesota, USA.

Experience: Founder and chair of Qumei Home Furnishings Group, with more than 30 years' experience of the furniture industry.

Lars I. Røiri (1961), Vice-chair

Position: CEO of Flokk Holding AS.

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

Board memberships: Director of Cappelen Holding AS, Glamox AS and the Norwegian Federation of Industries' Design Industry Association.

Experience: Commercial management positions at Tomra ASA, Mølnlycke AB and Jordan AS, CEO of Coloplast AS and HÅG ASA. Membership of the boards of numerous companies, including Molift AS, Netonnet AB, Enghav AS and Design & Architecture Norway, and of the Norwegian Advisory Board of the private equity company Ratos.

Stian Ekornes (1963), Director

Position: Investor.

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

Experience: 30 years' experience of the furniture industry. Extensive experience as CEO, board chair and director within the furniture industry, chain management and property development.

Atle Berntzen (1967), Director (employee elected)

Position: Team leader and deputy manager, warehouse/goods inwards at Ekornes Beds AS.

Education: Upper secondary school (commercial studies major).

Experience: Sales person and warehouse operative at General Motors AS. Warehouse operative at Ekornes Beds AS.

Sveinung Utgård (1962), Director (employee elected)

Position: Production manager Foam dept. at J.E Ekornes.

Education: Electrical studies, Mechanical studies, Production and management studies, Nordvest Forum Changing Leadership course, Management development programme at J.E.Ekornes.

Board memberships: Employee-elected director of Møre Trafo AS, Municipal board member Sykkylven.

Experience: Production worker, Assembly operator at Formfin Møbler AS, Operator/electrical and manager at Møre Trafo AS. Shift leader at J.E.Ekornes.

Ove Per Skåre (1956), Director (employee elected)

Position: Work in upholstery department of J.E.Ekornes AS.

Education: Diverse courses in Norwegian Confederation of Trade Unions.

Experience: Prodcution worker in Velledalen Møbler AS; Foam production in Porolon AS; Foam, steal and upholstery department in J.E.Ekornes AS; UN Veteran served in Lebanon; Union representative and health & safety representative in J.E.Ekornes AS; board member of the Trade Union (ITAF).

Code of conduct

Ekornes has a Code of Conduct and anti-corruption policy. Both 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 to 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 ir.ekornes.no/environmental-and-social-responsibilities.

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

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

This document, "Ethical Values and Anti-Corruption Policy", as well as "Objectives and Values", have been distributed to all employees. These regulations have also been distributed to external relations and have been published on the company's website https://www.ekornes.com/en/sustainability. 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 take part in “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 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. In the autumn of 2018, a new vision “We improve everyday living” and a new set of values was adopted. The new values are Honest, Authentic, Enthusiastic and Adaptable. These were communicated to all employees through staff meetings, internal communications channels and eLearning courses.

Environment and social responsibility

The Ekornes Group has made quality furniture for over 80 years. Sustainability has been part of our heritage and history throughout. We aim to make more from less and continue to produce long-lasting quality products that reduce the environmental footprint through the lifecycle. Our mindset is that a sustainable Ekornes shares the value it creates between its shareholders, employees and the communities affected by its operational activities.

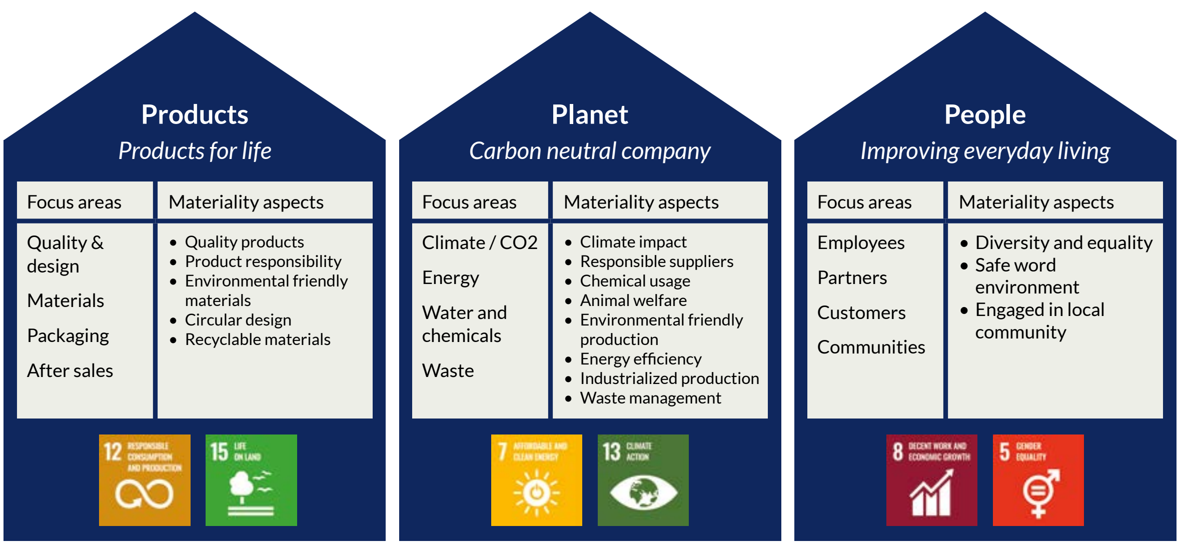
Ekornes aims to take a leading position in creating a more sustainable value chain. Our efforts alone will not change the world, but we aim to make a difference and set new standards for our industry.

During 2022, Ekornes will launch its sustainability strategy towards 2030. This will embark us on an 8-year journey of change, where we lean forward and challenge existing solutions to protect the climate, create sustainable furniture and run a responsible business.

Our purpose is simply defined by our vision: "Ekornes for life". To us, this means to:

- Create quality furniture that last for generations and increase the quality of life.
- Treat customers, suppliers, employees and stakeholders well.
- Create economic growth.

Accordingly, our new sustainability path defines three different pillars for Ekornes: People, Product and Planet. Each has specific focus areas to guide us towards the operational levers we need to use to reach our goals.

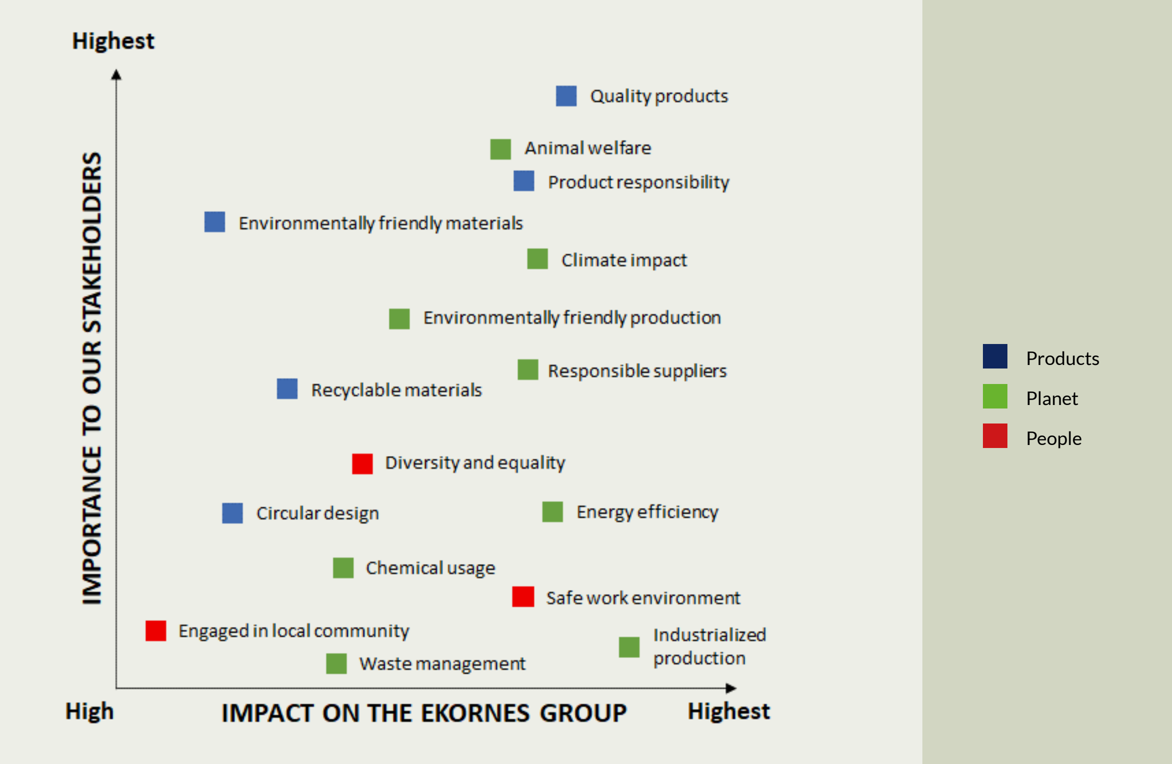


Our sustainable development goals

Ekornes has used the UN Sustainable Development Goals (SDGs) as our compass and set our direction towards six of the SDGs. These are connected to our focus areas and thus link our strategy to global and common ambitions for sustainability.

Our materiality analysis

The sustainability strategy also needs to be firmly anchored with our stakeholders. We have therefore conducted a materiality analysis based on experience from the industry, input from experts within the Ekornes Group and a desktop analysis of expectations from various stakeholders. The results are illustrated below, where the position of each materiality aspect indicates the relation between the importance of stakeholders focus and the impact of our business.



Making our strategy operational

Within each of the three pillars – Product, Planet and People, we have developed operational focus areas for our efforts to reach our sustainability goals. These focus areas are aligned with the Group's overall strategy to grow the company by enhanced customer focus, optimal utilization of its global production facilities and dedication to innovation and product development. The focus areas will develop into key sustainability targets and KPIs that will monitor our progress towards 2030.

The ambitions and efforts are described in more detail in the following chapters.

Planet

Materiality analysis
Ekornes has devoted considerable resources in recent years towards increasing the focus on continuous improvement and has implemented numerous measures to reduce the company's environmental impact.

New technologies, more environmentally friendly materials and new product solutions have resulted in one of the most efficient manufacturing environments in the furniture industry today. By engaging in sustainable production, the Ekornes Group reduces the environmental impact of its products measured over their entire lifespan. This contributes to a sustainable development of the products, as well as the Group as a whole. Anything that help increase quality or reduce wastage of raw materials, time and energy is a step in the right direction. We are now ready to step up our efforts.

Key environmental targets

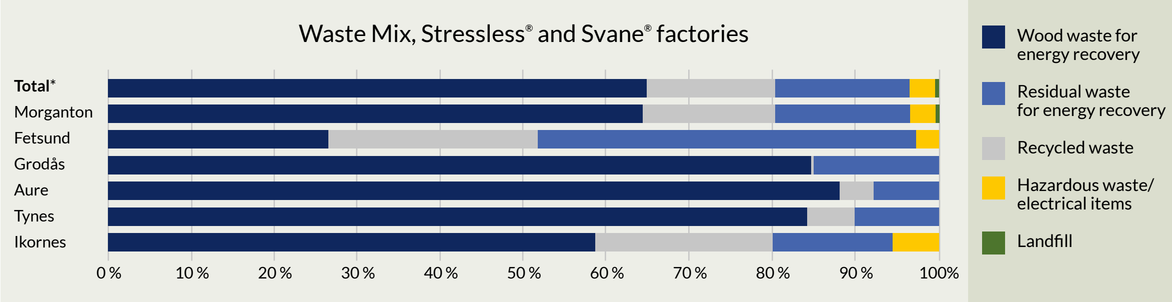
Element	Base Year	Achieved by '21	New target	Target year
Increase recycling rate in Stressless production	n.m.	80%	> 90%	2025
Overall recycling	2015	80%	100%	2030
Outbound transport	2015	58%	> 70% on ships	n.m.
Energy consumption per product	2015	-15% *	- 40%	2030
GHG Emissions, Scope 1+2	2015	-10%	-55%	2030

* Stressless and Svane plants

Waste management
Furniture production generates waste and Ekornes perceives it as a highly important environmental target to reduce the waste from its facilities. Efforts to reduce the volume of waste and to increase recycling are therefore important. 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 the Svane® and Stressless® factories, sorting and recycling accounted for 80 per cent of all recorded waste. This meets the current recycling target.

Ekornes has over time devoted resources to reduce the wastage from our production and have been able to lift the waste recycling percentage in the Norwegian and American factory to 80 per cent. This has been a target for the factories since 2015. We have now set an even more ambitious target of achieving > 90 per cent in the same plants by 2025. To achieve this, we seek to focus on the utility value from the byproducts from our production. We are also expanding the recycling target to an overall target of 100 per cent for the Group by 2030. To reach this, Ekornes welcomes collaboration partners to make it a joint effort.

To achieve its waste-reduction target, Ekornes monitors the volume of waste from its production facilities. Efforts are also made to increase the individual employee's awareness in this area, so that everyone can contribute to target realization. Going forward, Ekornes will continue enhancing the waste focus in the facilities with a new and easier recycling system. The recycling system has been implemented at the Norwegian factories. Ekornes aims to implement this in the other factories in the following year.



*currently only comprehends Norwegian and US factories. Key priority to include total operations in reporting going forward.

Ekornes also generates waste outside of its direct production. In 2021, Ekornes became a member of the Atea 100% club, which is our IT-supplier Atea's own initiative for enhanced reuse and recycle of IT-products. During 2021, Ekornes saved 11 025 kg CO2 equivalents through the Atea program. Of the collected units by the initiative, 43% were reused and 57% were recycled.

Climate impact

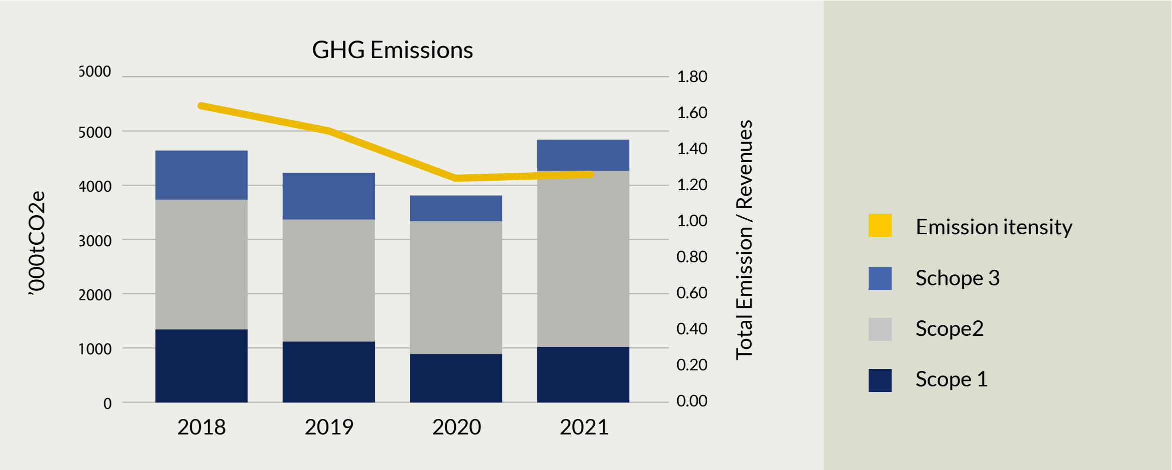
Ekornes works to reduce the total emissions from the group and its facilities. Our target since 2015 has been to reduce the Group's GHG emissions from its own activities (scope 1 and 2) by 10%.

By 2021, the Group has increased total Greenhouse gas emissions by 9%from 2015, primarily due to increased production from the Thailand factory, which has a different energy mix than the rest of the Group. This number also betrays the fact that the number of factories in the Group has increased substantially, with a corresponding rise in revenues. The GHG intensity, as measured by total annual GHG emissions divided by revenues, has been reduced by 31% in the same period.

We have now set a new target of achieving a 55% reduction in scope 1 and 2 GHG emissions by 2030 from the 2015 level. Ekornes reports its greenhouse gas emissions in three "scopes". For Ekornes, emissions in Scope 1 (direct emissions) come from internal transport, heating with natural gas and oil, as well as carbon dioxide released during polyurethane foam production. Scope 2 encompasses indirect emissions derived from the generation of third-party electricity.

Scope 3 is associated with the treatment of waste, air travel and authorized business use of motor vehicles. This includes only parts of the Scope 3 emissions of the Group and Ekornes targets mapping more of the Scope 3 emissions in the full-cycle value chain in its reporting from 2022 and onwards.

The table below shows a breakdown of annual emissions by scope and confirms a reduction in total greenhouse gas emissions from 2017 to 2021.



One of Ekornes scope 3 emission factors has been business travels. In the past few years, Ekornes has had a strong focus on reducing the total greenhouse gas emissions from business travels and has implemented this in the Group's travelling policy. The Covid-19 pandemic has naturally had an impact on the amount of business travel, but it has also shown that using technological solutions as a substitute for long distance travel is a perfectly viable way to maintain cooperation between the Group's global locations, as well as with the business partners.

Ekornes monitor the direct emissions from the production. There are conducted emission measurements on an annual basis, to be compliant with local regulations. Direct emissions to air from the manufacturing process are primarily generated by oil and solid fuel boilers. Three of Ekornes' Stressless factories are subject to licenses granted by the local County Governor. Ekornes also have diffuse emissions of diisocyanate gas and carbon dioxide from the production of polyurethane foam at factories in Norway, Lithuania, Thailand and Vietnam.

Green transport plan

Transport materially affects our carbon footprint. Ekornes has a goal to ship >70% of its outbound transportation on ships. Throughout 2021, Ekornes achieved 58% percent of the transportation from Ikornnes with ships. Long lead times to market led to a priority shift in transportation for central Europe during 2021.

The aim of using sea transportation to reduce the total carbon footprint per produced seat and to reduce the impact on the road infrastructure.

Externally, transportation locally in Norway is needed by road and Ekornes has, together with its transportation supplier DB Schenker, made an agreement to secure a biofuel transportation line between Oslo and Ikornnes, which will indirectly reduce our carbon footprint. According to plan, the biofuel transportation line will be effective from summer 2022.

Internally, during 2021, Ekornes has received two electrical vehicles for internal transportation. These new vehicles which will go directly to reduce our local emissions. This is an inhouse fleet of vehicles to transport components between the factories.

Energy efficiency

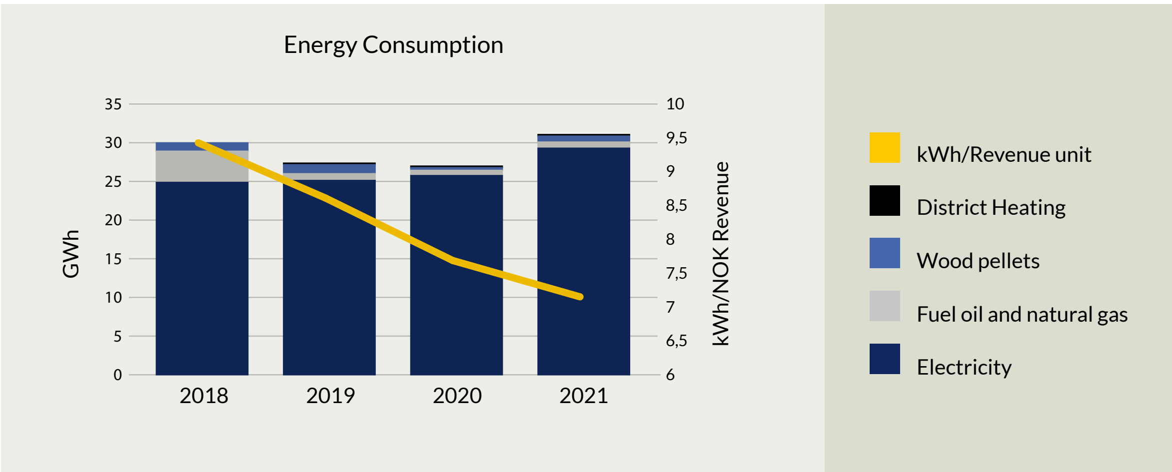
Our production facilities consume a high level of electricity in the production of our quality products. For all Ekornes production facilities in Norway, the energy consumed is based on 100% renewable hydropower. This has been certified in accordance with the EU Renewable Directive. Despite this, reducing electricity use is one of Ekornes' main environmental objectives.

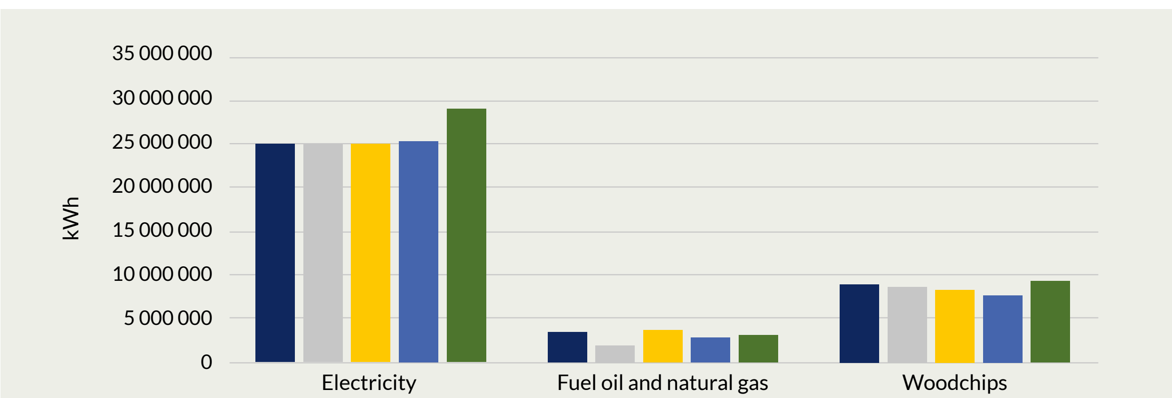
In 2015, we set a target to reduce the electricity consumption at the Norwegian and American production plants by 10% and we are pleased to report that we have received a reduction of 15% by 2021. Moving forward, with all plants included, we have raised the bar with a new goal to reduce the energy consumption per product with 40% before 2030 at all Ekornes plants.

All factories aim to implement renewable energy sources and to seek solutions to reduce overall energy use:

- During 2021, the Ekornes Thailand facility has worked on finding good solutions for solar cell power for the factory.
- Our factory in Lithuania holds an A+ energy certification, which has been achieved through use of geothermal energy, a high level of insulation and exterior use of LED and sensor-controlled lightening.
- The Group's Norwegian plants primarily use bioenergy for heating. Woodchips, which is a by-product from the manufacturing process, constitute the primary energy source for heating at the factories on the northwest coast of Norway, while the Svane® plant at Fetsund uses a combination of woodchips, electricity and gas.
- The factory in Lithuania primarily uses geothermal heating.
- The factories in the USA, Thailand and Vietnam are less affected by ambient temperatures, and their energy consumption relates largely to their machine park.
- The use of daylight at the factories in Vietnam and Thailand has improved in the past year, which has reduced the need for artificial lighting.
- The factory at Fetsund has switched to LED lighting in its premises, which has also reduced energy consumption.

The graph below shows the Ekornes Group's consumption of electricity, woodchips, fuel oil and natural gas in kWh.





	Electricity	Fuel oil and natural gas	Woodchips
2017	24 875 823	3 505 178	8 866 734
2018	24 774 878	1 839 582	8 509 231
2019	25 007 005	3 796 291	8 382934
2020	25 223 815	2 913 643	7 700 647
2021	28 883 443	3 124 472	9 209 702

Water management

Stressless' main facility is located at Ikornnes close to Sykkylvsfjorden. The company has therefore made discharges to water as a measurable parameter. Ekornes shall not have any unwanted incidents resulting in discharges to water. The production processes involving water consumption are performed in closed-loop systems. Discharges to water are normally channeled through our own and local authority waste treatment facilities, or it is delivered to an approved recipient. In recent years, the factories in Thailand and Vietnam have increased the recirculation of water from their surface coating facilities to reduce their overall water consumption.

Water is an important resource for our production. Moving forward Ekornes will aim to measure its water consumption and set 2022 as baseline target.

Product

Our vision "Ekornes for Life" means that our goal is to create furniture that is loved, used and reused for generations and crafted from sustainable and renewable materials. Our ambitions going forward is to design good quality furniture, ready for generations, for a circular future.

For Ekornes, a sustainable piece of furniture is one that is robust and does not need to be replaced often. A high-quality piece of furniture will also have a high second-hand value.

Environmental practice is a part of the Ekornes culture and encourages "More with less" through the whole value chain. Based on life-cycle considerations, Ekornes acknowledges that the extraction, refining and transportation of raw materials for production of components going into our products represent the largest impact on the environment. Since Ekornes only has indirect influence on these processes, we take responsibility by continuously improving the efficiency of in-house processes, through maximizing the utilization of raw materials and other resources.

Circular perspective

Designing products that will last for generations means designing for the future. Ekornes are working on constructing products that will meet the future demands for separability of components when the products meet the end-of-life phase. A product that can be more easily recycled or reused promotes the circular economy and reduces waste.

Ekornes has a focus to utilize byproducts from the furniture production. Utilizing byproducts from the production is conducted to reduce the waste generated and focusing on a lifecycle perspective. One of the resources that are recycled on site, directly into the production cycle, are offcuts of foamed plastic or fiber. The offcuts are collected, shredded and remolded. In addition to reusing some by-products from production at Ekornes's own factories, other by-products can represent valuable raw materials for other enterprises. Leather hides are a valuable raw material, which Ekornes is continuously seeking to make maximum use of. Investments in modern technology have helped to reduce the volume of offcuts. Remaining leather offcuts are collected and sold to producers of small articles.

Ekornes has now succeed in producing the Stressless® Dining chairs completely separable. Plastic construction, foam, steel and textiles can all be separated at the end of life of the product. A separable product improves the possibility to repair specific parts if needed. During 2021, Ekornes launched Stressless Dining with removable covers. These washable covers can also be changed with a new design which suits the customers' lifestyle.

Ekornes aims to make more circular products for the future. This is embedded into the product development focusing on every step of the product lifespan.

Environment Product Declarations (EPD) has become an important tool for Ekornes to evaluate the total environmental impact through the product lifespan. Ekornes aims to obtain EPD for all products.

There is still a way to go to make our products completely separable and Ekornes will continue its effort to make products that will fit for future generations.

Quality products

Ekornes has always focused on producing high quality products, with long lasting comfort and a good secondhand value.

To determine the quality of our furniture, Ekornes follows the requirements for strength, stability and security set by the Norwegian "Møbelfakta". This is a Norwegian industry initiative to promote high furniture standards. Membership in Møbelfakta requires ISO 14001 certification of the organization.

Through its membership, Ekornes commits to environmental and quality certified production and certification of the products according to current requirements and criteria (see www.mobelfakta.no).

Quality Certification of furniture requires extensive quality testing by an accredited furniture testing laboratory according to current specifications in accordance with international standards (EN standards).

The furniture is tested by the following criteria:

- Strength and durability, function
- Stability and security, risk
- Material quality (wood, textiles, leather)
- Surface treatment
- Fire resistance

These standards meet European requirements. Furthermore, Ekornes test towards international requirements to ensure that our products are compliant in the markets where we operate. All new products are tested at accredited laboratories, but Ekornes also performs internal testing prior to official testing. Quality requirements in the various commodity and component categories is a work done in interdisciplinary collaboration with manufacturing and purchasing.

Ekornes will further seek to enhance the customer experience through a lifecycle perspective. The future should involve products developed with the same high quality and comfort with more circular product solutions.

Materials

Our production complies with the comprehensive European chemical legislations REACH. As a global company, the Ekornes Group also comply with other important governmental regulations in the markets where we operate. Chemical usage is monitored, evaluated and controlled by an internal resource group.

In 2021, Ekornes decided to use only materials certified by the Forest Stewardship Council (FSC) in our products to ensure that our products only come from sustainable sources. Ekornes has started the process of obtaining FSC Chain of Custody Certification to verify that FSC materials have been used in the entire supply chain, from forest to finished product.

Recycled packaging

Packaging is important as it ensures safe transport of the product to its destination without damages. A damaged product becomes waste and requires the production of a replacement product. Hence, safe packaging is an important environmental driver for Ekornes.

For many years, Ekornes has used engineered expanded styropor, together with cardboard and plastic to safely secure our products to its destination. We have now started putting this into a more circular perspective and have collaborated with our supplier, Vartdal, to think new. In 2021, Ekornes launched its recycled styropor, Styropor® Ccycled™, packaging as the first furniture manufacturer in Europe. Compared with conventional Styropor®, the production of Styropor® Ccycled™ saves at least 50 percent of CO2.

People

The working environment and the employees

Ekornes recognizes that its employees are the group's most important resource. The Group therefore wants 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's policy states that Ekornes shall act as a responsible enterprise and operate within all relevant laws, regulations and to strict ethical standards.

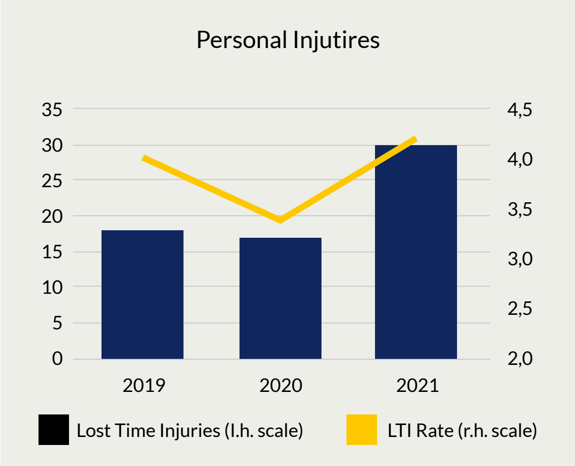
Ekornes clearly states, both internally and externally, that the company endeavours to comply with the UN's Global Compact's ten principles. This policy is presented in on the websites and available for all stakeholders (Ekornes Ethical values and anti corruption policy).

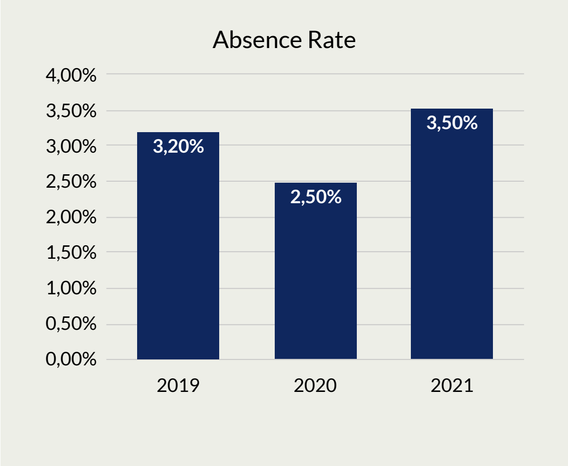
Our main PEOPLE goal is to enhance the life quality for the people around us and building better local communities.

As of 31 December 2021, Ekornes employed a total of 3 321 people, of whom women accounted for 45%. Of the total number of employees, 60 % work outside Norway.

	Total employees	Women	Women %	Men	Men %
Norway	1324	516	39 %	808	61 %
Europe (Except Norway)	337	202	60 %	135	40 %
US	130	56	43 %	74	57 %
APAC	1530	730	48 %	800	52 %
TOTAL GROUP	**3321**	**1504**	**45 %**	**1817**	**55 %**

Ekornes gives high priority to the safety of its workforce and aims for zero work-related personal injuries. The Group is working actively in the areas of prevention and emergency preparedness to reduce the number of personal injuries incurred.





Ekornes has a goal that sick leave shall not exceed 5 % in the Norwegian companies. In companies outside Norway the sick leave shall not exceed the average level for the respective countries.

The working environment is considered to be good, and efforts for improvements are made on an ongoing basis. Group climate survey will be performed during 2022. The Group's various working environment committees held regular meetings in 2021. Several issues have been discussed in the committees, which have resulted in recommendations of improvements to the related departments.

The cooperation with employee trade unions has been constructive and contributed positively to operations.

Improving diversity and inclusion throughout the group is becoming a higher priority in a globalized workforce where firms compete for a new generation of talent that views diversity as the norm, not the exception, and where more diverse teams can deliver greater success.

Ekornes places great emphasis on meeting the objective of the Norwegian Anti-Discrimination Act and the Norwegian Anti-Discrimination and Accessibility Act (Likestillings- og diskrimineringsloven). Through physical access and the formation of work tasks, working hours and workplaces, the company has conducted arrangements to enable people with disabilities to enjoy equal treatment and provide individual adaptation. Providing individual adaptation is also contributing to lower absentee rates. One way of providing individual adaptation is through the Green working stations. These working stations are designed for eased work for employees with smaller disabilities.

Ekornes received the Diversity Prize for 2021 in Møre og Romsdal county, for "the conscious work to exploit the potential of diversity - for the benefit of both the company and employees with a multicultural background" – jury description.

Ekornes has Inclusive Working Life agreements for all Norwegian entities for the period 2019–2022. The Inclusive Working Life scheme stems from a tripartite agreement between employers' organizations, trade unions and the government, to make it possible for everyone who is able and willing to work.

Ekornes has an active goal to have zero impositions from external controls/ inspections through pro-active HSE management. More information about Ekornes' statement of equality and non-discrimination for the legal companies Ekornes AS, J E Ekornes AS and Ekornes Beds AS in Norway is available from the company's website www.ekornes.com/en/people.

Ekornes supply chain governance

Ekornes works systematically with its value chain pursuant to its Supplier Code of Conduct (Ekornes Supplier Code of Conduct). The Code includes a requirement for suppliers to have management systems that ensures compliance with the Code.

The Code specifies requirements relating to compliance with internationally recognized principles for labour, such as health and safety, freedom of association and collective bargaining, child labour, forced labour, as well as requirements for minimum wages, working hours and regular employment.

The Code covers key human rights principles such as no tolerance for discrimination and inhumane treatment, as well as anti-corruption and bribery provisions.

Every year all suppliers are risk and precision evaluated. The supplier risk assessment is a part of the basis for the annual supplier audit programme. These audits are social audits which reflects upon the Ekornes Supplier principles and the Ekornes code of conduct. Additionally, Ekornes performs specific due diligence analysis on the different materials, such as wood materials.

Partnerships for the goals

The board of Ekornes has adopted the UN's Global Compact ten principles to clarify what we expect and require of ourselves and our business partners. The UN Global Compacts ten principles serve as the overarching framework for our Internal Code of Conduct and the external Ekornes Supplier Code of Conduct. The code of conduct is, in addition, based on internationally acclaimed conventions and norms which are embodied in national laws and regulations. Ekornes expects that our carefully selected suppliers and business partners endeavor to comply to these principles.

Through the UN Global Compact, the Ekornes Group is determined to conduct a sustainable manufacture of durable products. To ensure that our products are completely safe, our suppliers are prompted to comply to these regulations through our supplier principles. Striving to comply with these regulations gives us the security that our quality products are in compliance with the strictest requirements and regulations.

UN Sustainability goal number 17 is an important goal for Ekornes. Working together for better sustainable solutions. Ekornes is currently a member/ participating in the following arenas

Partnerships for sustainable development

WATTN ENERGI ARENA Through the network, Ekornes learn from the experiences of other manufacturers in the Sunnmøre area. A part of this network is training on energy management theory based on the principles of the ISO 50001 standard.

LEATHER WORKING GROUP is organisation that focus on sustainable valuechains in the leather industry. LWG provide auditing tools to assess the environmental performance of leather manufacturing facilities – and certify according to their standards.

UNITED FUTURE LAB Ekornes is a partner of the Norwegian future lab located in Aalesund.The labs main goal is to help partners achieve The UN Sustainable Development Goals.

This sustainability report for the fiscal year of 2021 addresses the Ekornes Group legal requirements for business reporting specified in the Norwegian Accounting Act ("Regnskapsloven") §3-3 c – Statement of corporate social responsibility.

The Sustainability report 2021 is additionally our Communication on Progress (COP) for 2021 to the UN Global Compact. Our Sustainability report reflects upon our consciously commitment to the ten principles of the UN Global Compact.

Appendix
Performance overview

Environmental Disclosures	Unit	Target	Target Year	2021	2020	2019
Energy						
Transportation	MWh			525	403	431
Stationary Combustion	MWh			3 893	3 260	4 979
Direct Energy Consumption (Scope 1)	**MWh**			**4 419**	**3 663**	**5 410**
Electricity purchased	MWh			29 299	25 758	25 126
District Heating	MWh			211	142	211
Indirect Energy Consumption (Scope 2)	**MWh**			**29 509**	**25 900**	**25 337**
Total Energy Consumption (Scope 1+2)	**MWh**	**- 40% ***	**2030**	**33 928**	**29 563**	**30 747**
Energy per revenue unit	**kWh/NOK**			**7,9**	**8,5**	**9,7**
Share from Renewable Energy	%			61 %	70 %	67 %
GHG emissions						
Scope 1 emissions	tCO2e			1 015	883	1 112
Scope 2 emissions	tCO2e			3 243	2 448	2 251
GHG emissions Scope 1+2	**tCO2e**	**2140 ****	**2030**	**4 258**	**3 331**	**3 363**
Scope 3 emissions	tCO2e			577	475	860
Total GHG emissions Scope 1+2+3	**tCO2e**			**4 834**	**3 806**	**4 223**
Scope 1+2 emissions per revenue unit	**gCO2e/NOK**			**0,99**	**0,96**	**1,06**
Transportation						
Share of finished goods transported by sea	%	> 70%		58 %	68 %	61 %
Waste						
Total Waste generated	t			6 857	4 394	4 098
Non-Hazardous Waste generated	t			6 760	4 212	4 000
Hazardous Waste	t			98	182	98
Hazardous Waste Share	%			1,4 %	4,1 %	2,4 %
Recycled Waste				5 334	3 076	2 797
Recycled waste Svane and Stressless factories	%	> 90%	2025	80 %	80 %	77 %
Recycled waste Group	%	100 %	2030	78 %	70 %	68 %
Total Waste per revenue unit	t/NOK			1,6	1,3	1,3

Social Disclosures	Unit	Target	Target Year	2021	2020	2019
Employees						
Norway	%			40 %	50 %	50 %
Intenational	%			60 %	50 %	50 %
Total number of employees	#			3 321	2 846	2 287
Health and Safety						
Lost time injuries (LTI)	#	0		30	17	18
Lost time injuries rate	LTI/Mill hrs	0		4,2	3,4	4,0
Absence rate	%			3,5 %	2,5 %	3,2 %
Workforce composition						
Male	%			55 %	n.a.	n.a.
Female	%			45 %	n.a.	n.a.
Female gender ratio per geographical region						
Norway	%			39 %	n.a.	n.a.
International	%			49 %	n.a.	n.a.
Management composition						
Male	%			92 %	98 %	88 %
Female	%			8 %	2 %	13 %

* From 2015 level of 44.7 GWh
** From 2015 level 3 890 tCO2e

The Board of Directors

Ekornes QM Holding AS

The board of directors

Ruihai Zhao (1965), Chair

Position: Chair and CEO of Qumei Group.

Education: MBA (Cheung Kong Graduate School of Business, China), degrees in global business management from Tsinghua University, China and University of Minnesota, USA.

Experience: Founder and chair of Qumei Home Furnishings Group, with more than 30 years' experience of the furniture industry.

Mogens Falsig (1950), representitative of Qumei, Europe

Position: Board member and CEO of Ekornes QM Holding AS.

Education: PhD in Chemistry, University of Aarhus, Denmark.

Experience: More than 25 years' experience in Furniture industry.

Report of The Board of Directors

2021 was a record-breaking year for Ekornes both in terms of revenues and orders, where consumer demand for home furnishing products remained high after a strong uplift during the Covid-19 pandemic. Although the pandemic continued to impact operations and markets, Ekornes was well positioned to capitalize on the strong market momentum.

Throughout the year, Ekornes prioritized operational and financial flexibility to maintain the ability to deliver under rapidly changing market conditions. Along with persisting high demand, production capacity was increased and maintained at a high level. Combined with successful launches of new products, particularly within the power segment, sales reached new heights.

As seen across the industry, challenging logistics and inflated prices on critical input factors increased Ekornes' overall cost base in 2021, impacting margins particularly towards the end of the year. The company initiated mitigating actions at an early stage to address the situation, mainly through price increases. Furthermore, in a situation with sea freight constraints, significant efforts were taken to secure distribution capacity, limiting the impact on operations.

Ekornes' key success factors to ensure ability to deliver have been a solid distribution network combined with favourable geographical diversification of production and sales channels. With continued high spending on household and furnishing products across all regions, Ekornes has increased sales in all segments where the Group operates.

Ekornes has a relentless focus on optimizing efficiency, and is currently integrating the Stressless® and IMG activities to create synergies across the two segments. To fuel further growth Stressless® is entering new product categories such as outdoor, dining and sleeping. For the sleeping segment, Svane® will remain the selling brand in the Nordic markets, while leveraging the Stressless® brand outside the Nordic region.

Even as demand remains high entering 2022, Ekornes is prepared for a gradual easing towards pre-pandemic levels. The Group has, however, strengthened its market position during the pandemic, fuelled by reliable deliveries and strong market responses to new products. By continuing the development of existing and new markets, while maximizing operational efficiency, the Group expects to benefit from market dynamics as a renowned global premium furniture manufacturer.

Company history and ownership

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

Norwegian ultimate parent company Ekornes QM Holding AS is a wholly owned subsidiary of Qumei Home Furnishing Group. The Ekornes Group is the only operational part of the Ekornes QM Holding Group. The Ekornes Group is consolidated from the acquisition date.

The consolidated financial statements comprise the financial statements of the parent company Ekornes QM Holding AS and its subsidiaries as at 31 December 2021. Ekornes QM Holding AS had as at 31 December 2021 100% shareholding and voting rights in Ekornes AS who in its turn has a 100% ownership share and voting rights for all other consolidated companies.

Nature of the business and strategy

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

Sales primarily target the home furnishings market, where Stressless® and IMG are marketed globally, while Svane® is marketed in the Nordic region and selected markets in Central Europe.

Stressless® is currently the most well-known furniture brand in Europe, and more than 85 million people recognize the brand worldwide. Stressless® is the Group's premium brand, and investments are made to maintain and expand consumer awareness. IMG's goal, on the other hand, is to build a strong brand awareness among furniture distributors, positioned as in the mid-range price segment.

The Group sells all its brands through selected distribution partners. These are primarily furniture chains and independent retailers, but other relevant distribution channels are also deployed.

The Group's corporate headquarters is located at Ikornnes in Sykkylven, Norway. The Group has sales offices in Norway, Denmark, Finland, Germany, the UK, France, the USA, China, Japan, Thailand, New Zealand and Australia.

Production takes place at ten factories in Norway (5), Thailand (1), Vietnam (2), the USA (1) and Lithuania (1).

As at 31 December 2021, Ekornes employed a total of 3 321 people, of which about 40% are employed in Norway.

Financial performance

Ekornes QM Holding Group generated operating revenue of NOK 4 318 million in 2021, up 24% from NOK 3 481 million in 2020. The increase in revenues was mainly driven by sustained high consumer spending on home furnishings as demand surged during the Covid-19 pandemic. Sales momentum remained strong in all markets across segments throughout the year.

All segments have experienced higher sales than in 2020. Underlying sales revenue from the Stressless® segment was NOK 3 167 million (2 539), revenue from IMG was NOK 850 million (672), while revenue from Svane® amounted to NOK 301 million (271).

Total operating expenses for the year amounted to NOK 3 804 million, a 22% increase from NOK 3 118 million in 2020, mainly reflecting increased capacity and higher activity. Cost of goods sold share of total revenues were 28% up from 26% in 2020, reflecting increased cost on raw material and input factors, particularly during the second half of the year, negatively impacting margins in the fourth quarter. To address cost development, Ekornes has increased prices on most products, initiatives expected to come into effect during the first half of 2022.

Payroll expenses also amounted NOK 1 210 million or 28% of total revenues. This is down from 29% in 2020, reflecting increased activity and higher capacity utilisation.

Other operating expenses, mainly costs related to sales and marketing, ended at NOK 1 083 million, up from NOK 875 million in 2020, the increase mainly related to campaigns and extraordinary marketing activities towards the end of the year. As share of operating revenues, other operating expenses were unchanged from 2020 at 25%.

In 2021, research and development costs totalled NOK 45 million (NOK 39 million in 2020). These costs relate to salaries and other expenses, as well as the depreciation of capitalized R&D costs. Costs directly associated with the development of a fixed operating asset are included in the capitalized value of the asset if all the criteria for capitalization have been met. Expenses that arise early in the project phase, as well as maintenance costs, are recognized in expenses as they arise. The Group did not capitalize development costs in 2021 (NOK 0 million in 2020).

Operating earnings (EBIT) for the full year 2021 came in at NOK 514 million compared with NOK 363 million in 2020. This corresponds to an EBIT margin of 11.9%, up from 10.4% in 2020. The earnings increase is related to higher sales and improved operational efficiency, driven by higher capacity utilization and reduced costs.

Net financial items were negative at NOK 176 million (-185). This includes financial expenses of NOK 191 million (210), partly offset by net gains from foreign exchange of NOK 6 million (13) and financial income of NOK 9 million (12).

Earnings before tax for the year ended at NOK 338 million (178). Tax expenses amounted to NOK 64 million (36), which gave a net result for 2021 of NOK 274 million (142).

Cash flow

Net cash flow from operating activities in 2021 was NOK 241 million. Cash flow is driven by good underlying operational performance, partly offset by paid taxes of NOK 90 million and an increase in net working capital* of NOK 399 million due to an inventory increase throughout the year.

Net cash flow from investing activities during the year was negative at NOK 109 million, mainly related to ongoing investments in day-to-day operations and capacity increases at production facilities.

Net cash flow from financing activities was negative NOK 238 million. This includes Ekornes QM Holding AS' purchase of Ruisi Holding Companys ownership share of 9.5% in Ekornes Holding AS of NOK 741 million, which was mainly funded by drawing NOK 600 million in short-term debt. Furthermore, the figure includes payment of lease liabilities and dividend payments to non-controlling interest Ruisi Holding Company for the first three quarters.

Net change in cash and cash equivalents during the year was negative by NOK 107 million, and as at 31 December 2021, total holding of cash and cash equivalents stood at NOK 350 million.

The board considers the Group's liquidity position to be satisfactory.

*Working capital = trade receivables + inventory – trade payables

Financial position
At the close of 2021, the Group's working capital totalled NOK 1 389 million, compared with NOK 990 million the year before. During the year, inventory rose by NOK 454 million, while receivables increased by NOK 33 million. Trade payables increased by NOK 89 million.

As at 31 December 2021, Ekornes had total assets of NOK 8 090 million, compared with NOK 7 748 million 12 months earlier. Book value of properties, plants and equipment amounted to NOK 1 492 million. Total intangible assets totalled NOK 4 388 million, of which brand name and goodwill accounted for NOK 1 521 million and NOK 1 561 million, respectively.

Total equity amounted to NOK 3 083 million, corresponding to an equity ratio of 38%, which is down from 46% the year before. Total interest-bearing debt amounted to NOK 3 098 million, up from NOK 2 501 million at the end of 2020. The increase in debt follows the acquisition of Ruisi Holding Companys 9.5% ownership share mainly being funded by drawing on short-term debt.

The interest-bearing debt includes unsecured bank loans with DNB and Sparebanken Møre for a total of NOK 1 088 million. The Group is in the process of refinancing the bank facilities maturing in September 2022. However, as at 31 December 2021, NOK 1 088 million were classified as short-term debt and available short-term credit facilities amounted to NOK 150 million.

Financial covenants and bond agreement
In April 2019, Ekornes QM Holding AS issued a stock exchange listed bond to refinance the Ekornes QM Holding Group. The bond agreement is subject to a set of financial covenants, including a minimum liquidity of NOK 125 million and a maximum leverage ratio of 5.25. The covenants are measured quarterly on a 12-month rolling basis for Ekornes QM Holding Group.

Following the outbreak of the Covid-19 pandemic in March 2020, Ekornes experienced an immediate and significant drop in order receipts and sales. Due to the new situation, Ekornes performed stress tests on key financial indicators, with satisfactory results. However, with the outlook for a negative impact on earnings being substantial short- to mid-term and the risk of a covenant breach in the bond agreement by the end of second quarter 2020, Ekornes entered an agreement with bondholders for amendments to covenants until June 2021 (see note 12 to the financial statements for 2020 for more details).

At 31 December 2021, the Group was compliant with the original covenants under the bank and the bond agreements. The leverage ratio was 3,42.

Ekornes has call options to redeem the bond with the first expiry date in April 2022. The bond matures in October 2023. The Group is in the process of evaluating a refinancing process to find an optimal long-term financing structure.

Dividend
The bond and bank agreements include restrictions on dividend payments from the issuer, and Ekornes QM Holding AS is not in position to distribute any dividends for the financial year 2021.

Allocation of net profit
It is proposed that the company Ekornes QM Holding AS's net profit for the year, in the amount of NOK 11,2 million be transferred to other equity. The company's equity and liquidity are deemed to be satisfactory.

Going concern
In accordance with section 3-3 of the Norwegian Accounting Act, it is hereby confirmed that the financial statements have been prepared on the assumption that the entity is a going concern. The board considers that the annual financial statements for Ekornes QM Holding AS and the Group provide a true and fair picture of the company's results for the 2021 financial year and the company and Group's financial position at the close of the year.

Risk exposure and risk management

Market and business risk
Ekornes seeks 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' business risk relates to economic cycles, market conditions, political and legislative and changes in the competitive climate, as well as the general pattern of consumption in the markets in which it operates. The Group competes in a fragmented international market, with many players on both the production and the distribution side. The most significant structural changes with respect to the players' size have been, and remain, on the distribution side. In several markets, the extensive formation of retail chains has taken place. Online selling is also changing the distribution environment to a greater and greater extent. 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, sourcing, market concepts, product development and business relations.

Financial risk

Financial risk for Ekornes relates primarily to fluctuations in exchange rates (the NOK against other countries' currencies) and to credit risk, i.e., the ability of the Group's customers to repay what they owe.

Foreign exchange risk

Ekornes' competitiveness is over time affected by movements in the value of the NOK in relation to other currencies. The Group sells its products internationally and bills its customers largely in the respective countries' domestic currencies.

The Group manages all matters relating to foreign currencies and foreign exchange risk from its head office. Currency hedging is an integrated part of the operational activities. As part of the Group's efforts to reduce its currency risk/exposure, it 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 organization 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 contracts for further currency hedging. This does not reduce the long-term foreign exchange risk but provides predictability within the hedging period.

Customer and credit risk

The Group's customers are largely furniture retailers, and there are more than 4 000 customers, with the largest individual customer representing around 4 % of total revenues. The Group's customer and credit risk is considered low. Trade receivables are followed up on an ongoing basis, to detect payment irregularities and limit bad debts.

Interest rate risk

The Group's interest rate risk is associated with both short-term borrowings and the bond issued in April 2019. Loans at floating interest rates constitute an interest rate risk for the Group's cash flows. The Group has a stable financial structure. Lenders are well-reputed Norwegian banks.

Operational risk

At any given time, Ekornes 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, the Group has insurance covering losses deriving from major incidents or lengthy business interruptions.

To ensure operational efficiency, the Group has good systems and routines for maintenance, training and quality assurance – all factors which help to reduce the risk of operational non-conformance. IMG is considered to represent a slightly higher operational risk than Stressless® production.

Supplier risk

An important element in Ekornes' strategy for ensuring efficient operations is reliable access to raw materials and other input factors of consistent quality, including securing distribution and transportation capacity. The Group 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.

Segments and markets

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

Stressless®

Performance for Stressless® in 2021 continued the strong momentum from last year, with strong sales in all markets. The demand surge experienced after the outbreak of the Covid-19 pandemic, has remained high throughout the year and Stressless® has been able to capitalize on the strong demand for furniture and household products.

Stressless® has over time focused on improving commercial conditions, including initiatives within product development and innovation, distribution optimization, closer customer partnerships and targeted market initiatives with new and relevant customer offerings. Reliable and timely deliveries, successful launches of new products, particularly in the power category, and increased promotional activities, drove sales of Stressless® products substantially up in 2021.

Full year operating revenue for Stressless® ended at NOK 3 167 million, representing a 25% increase from 2020.

Operating earnings (EBIT) came in at NOK 417 million (276), corresponding to an operating margin of 13.2% (10.9%). Despite European markets being periodically impacted by Covid-19 related restrictions throughout the year, the overall development in the region was good, with full year sales well above 2020 levels. While 2021 sales mainly came from recliners, sofas and power products, the newly launched Stressless® Dining collection was the fastest growing category.

Sales development in the Nordic markets was solid throughout the year, especially in Denmark and Norway, with the highest demand within the recliner and dining categories. Rolling out dining products to other regions will be a priority going forward.

Germany is the single most important market for Ekornes in Europe. Despite a challenging first half year, heavily impacted by shut-downs, full year order intake increased, even compared to a strong 2020. During the lock down periods a broad range of initiatives were taken to secure availability of Stressless® products. This, combined with a good reception of long-awaited motorized products and retailers reorganising shop floors to favour brands and near shore production, paved the way for a strong second half and a satisfactory full year.

North America continued the strong sales performance seen last year through 2021. Retail demand across all home furnishing products was strong, with Stressless® maintaining its competitive advantage through reliable and precise deliveries, ending the year with orders up more than 60%. After a somewhat lagging re-opening, performance in Canada returned to pre-pandemic levels during the last part of the year.

Power was the best-selling category of the Stressless® collection in North America, with Stressless® Mary and Emily as the strongest selling brands in the sofa line-up. Introduction of new commercial variants of Stressless® Emily will broaden consumers' options and is expected to drive sales of power sofas further into 2022. In the recliner line-up, Stressless® Mike and Stressless® Max sales were high as demand for recliners persisted.

Overall, Asian markets showed solid growth in 2021, despite being periodically impacted by lockdowns and restrictions. Chinese markets have developed positively, especially during the second half of the year, with particularly strong growth in order intake in the fourth quarter. Being highly dependent on customers' ability to see products in the stores, Ekornes continues its efforts to build a wide Stressless® distribution network in China, based on a broad range of showrooms channelling traffic to major flagship stores. Ekornes has ambitions to significantly expand its dealer network going forward.

As seen across the industry, inflated prices of input material and higher distribution costs increased the overall cost base. To address the situation, Stressless® increased prices and adjusted campaign programmes early in 2021. However, as increased distribution costs came into effect immediately, measures taken to increase prices take longer to materialize, impacting margins in the short near term. However, as price increases are rolled out and the strong demand for premium products in the Stressless® product offering continues, the situation is expected to normalize during the first half of 2022.

A key priority for Stressless® is to secure product availability for retailers and to broaden the distribution network while introducing new relevant products. This includes entering new product segments such as outdoor and sleeping, leveraging the Stressless® brand and rolling out Stressless® Dining to regions outside the Nordics. Furthermore, improving operational efficiency is key, including efforts to combine Stressless® and IMG operations into one.

Generally, the robust supply chain of Stressless® and ability to deliver is a significant competitive advantage. While lead times have increased slightly during the year, the situation is significantly better than amongst peers with limited stock availability and more distant production. Entering the new year, Stressless® is well positioned to maintain its strong position, with stock levels well aligned with expected demand.

IMG

IMG has continued the strong performance in 2021, driven by sustained consumer focus on the home furnishing sector, but also by the solid development in IMG's customer base in key markets such as North America and Australia. The reliable supply chain and flexible production have further aided the ability to service customers as well as gaining new distribution.

The brand remains committed to the white label strategy, which includes agreements with large industry players to promote and sell selected IMG recliner models. The strategy showed significant effect in 2021, with big orders from leading distributors such as US wholesaler Costco. The company is pursuing similar agreements with other major retailers.

IMG recorded revenues of NOK 850 million in 2021, an increase of 27% compared to 2020. Operating earnings (EBIT) came in at NOK 93 million, a 23% increase from NOK 75 million in 2020.

Demand in the furnishing sector remained buoyant with a high order reserve, and with a reliable supply chain and high production capacity, IMG delivered persistent performance throughout the year. The growth seen in 2020 extended through 2021, with orders rising by 25% to NOK 1.0 billion.

Performance was driven by good development in all core markets, particularly North America. In Europe, Scandinavia was leading the way, with the reminder of the region a target for growth as IMG leverages its group structure. In the APAC region, Australia and New Zealand have been well established businesses with strong growth. Looking forward, growth expectations for the region are highest in Northern Asia as IMG continues to expand distribution.

Supply chain and logistics risk remain the most important limitations to performance for IMG in the near term. In addition, consumer demand is expected to soften as the world opens up, opening additional competing avenues for consumer's discretionary spending. Despite these challenges, IMG remains positive on the outlook for the business.

Svane®

After a challenging start of the year with performance being impacted by shutdowns, sales picked up gradually throughout the year. As within the industry in general, the overall cost base increased for Svane® and prices were increased to mitigate the effect. Demand for Svane® products still developed positively and, combined with an improved product offering and successful campaigns, the brand has performed well in 2021.

Operating revenue ended at NOK 301 million, up from NOK 271 million in 2020. Operating earnings (EBIT) came in at NOK 6 million, down from NOK 15 million in 2020, mainly reflecting increased costs.

The development for Svane® was positive in all markets. In Norway, the demand was high, but the market for beds was characterized by aggressive pricing and discounting campaigns. A reliable supply chain and timely deliveries is a competitive advantage for Svane® in the Norwegian market.

In Denmark, performance showed a positive trend with sales activity high, especially during the second half of the year. In Finland, however, the situation for complete bed concepts was more challenging, with a continued negative sales trend and decreasing demand, also for beds in general. Performance in Central Europe has varied with the impact from Covid-19 related restrictions during the year, but sales gradually picked during the second half of the year, especially for mattresses.

Going forward, inflationary costs, combined with dampened "home nesting" effects are expected to characterize the market for beds. Svane® aims to mitigate effects from higher prices on raw materials by adjusting prices and focusing sales on more expensive premium products while maintaining a key competitive advantage – the ability to deliver. In addition, Svane® is closely collaborating with key customers to find suitable targeted campaign programmes. Going forward, Svane® sees potential in utilizing the Stressless® brand, introducing new product categories and targeting new customer segments.

Production

Due to the severe fluctuations in market conditions following the Covid-19 outbreak, capacity utilization at Ekornes' production facilities has varied significantly throughout the year. However, the company has high operational flexibility to adapt swiftly to changes in market conditions.

However, the design capacity varies also with the number of models being produced and will also be affected by the production of new models as they normally will have a longer production time in the beginning.

To meet demand during the market rebound seen during the second half of the year, production ran at full capacity in all Ekornes' production facilities. Production capacity may be increased by increasing the number of employees. This applies to both Stressless®, IMG and Svane®.

Related parties

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

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

30 July 2021, Ekornes QM Holding acquired the remaining 9.5% of the shares in Ekornes Holding AS Ruisi Holding Companys for NOK 741 million. Following the transaction

Ekornes QM Holding controls all shares in Ekornes Holding AS.

No other material transactions with related parties took place during the reporting period.

The working environment and the employees

Ekornes recognizes that its employees are the group'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. As of 31 December 2021, Ekornes employed a total of 3 321 people, of whom women accounted for 45%. Of the total number of employees, 60 % work outside Norway.

Ekornes gives high priority to the safety of its workforce and aims for zero work-related personal injuries. The Group is working actively in the areas of prevention and emergency preparedness to reduce the number of personal injuries incurred. There were 30 lost-time injuries in 2021, compared with 17 injuries in 2020. This gives an H1-value for the period of 4.2, compared to 3.4 the year before.

The Group had a sickness absence rate of 3.5 % in 2021, compared to 2.5 % the year before.

See the chapter "Environment and Social Responsibility" and section "The working environment and the employees" for more information

Environment responsibility

The Ekornes Group has made quality furniture for over 80 years. Sustainability has been part of our heritage and history throughout. We aim to make more from less and continue to produce long-lasting quality products that reduce the environmental footprint through the lifecycle. Our mindset is that a sustainable Ekornes shares the value it creates between its shareholders, employees and the communities affected by its operational activities.

Ekornes aims to take a leading position in creating a more sustainable value chain. Our efforts will not alone change the world, but we aim to make a difference and set new standards for our industry.

During 2022, Ekornes will launch its sustainability strategy towards 2030. This will embark us on an 8-year journey of change, where we lean forward and challenge existing solutions to protect the climate, create sustainable furniture and run a responsible business.

See the chapter "Environment and Social Responsibility" for more information.

Report on corporate governance

Risk management and internal control

The Board of Directors places a high priority on managing risk and has and is responsible to ensure that the company has good risk management and internal controls in accordance with the regulations that apply to its business activities.

The Board conducts an annual review of the company's most important areas of risk exposure, and its internal control arrangements. Ekornes' risk management is based on the principle that risk assessment is an integral part of all business activities. As a company with global operations, Ekornes is exposed to various risk factors of a financial and operational nature, which may affect business activities and the company's financial position.

The systems and procedures related to risk management and internal control shall ensure efficient operations, timely and correct financial reporting, and compliance with the laws and regulations to which the company is subject. The rules and guidelines take into account the extent and nature of the company's activities and the integration of stakeholder considerations in the company's value creation through its corporate values, ethical guidelines and corporate social responsibility policies.

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 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 exchange rates, HSE, internal auditing, finance and IT, as well as strategic risk, 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.

Ekornes QM Holding AS and Ekornes AS has no provisions in the articles of association that regulate the appointment and replacement of members of the board of directors.

Ekornes QM Holding AS and Ekornes AS has no provisions in the articles of association and any mandates that authorize the board of directors to resolve that the Issuer shall buy back or issue own Shares.

Management reports monthly to the Board of Directors on key operational developments, including project risk assessments, and on financial performance. In addition, quarterly financial reports are prepared and distributed to the financial market, in accordance with the Oslo Stock Exchange's recommendation

Insurance for board members and general manager

Ekornes has liability insurance for directors and officers in all group companies and the insurance covers claims made anywhere in the world resulting from a claim first made against insured persons during the policy period. The limit of liability is NOK 100 million per claim and in the annual aggregate.

Shares and shareholders

At the close of 2021, Ekornes QM Holding AS had a total of 30 000 outstanding shares, all of which were held by one shareholder. The company's ultimate owner is Qumei Home Furnishing Group, with 100% ownership.

As at 31 December 2021, Ekornes QM Holding AS has 100% voting and ownership in all other group companies through Ekornes AS.

Subsequent events

The Company is in the final stage of negotiating extensions of existing loan facilities with Sparebanken Møre and DNB for a total of NOK 1 250 million until 15 April 2023. The loan extensions are expected to be confirmed during April 2022. No other significant events have occurred between the balance sheet date and the date of publication of the financial statements which have materially affected the Company's financial position, and which should have been reflected in the financial statements here presented.

Outlook

Ekornes' long-term ambition is to deliver profitable growth while improving commercial conditions through product development and innovation. A key priority is to capitalize on the strong demand for power products, while developing and introducing new relevant products in new product categories. In addition, by combining Stressless® and IMG into one operational unit, the company aims to improve operational efficiency leveraging on the competitive advantages across the two brands.

Global supply chain and logistics challenges have increased prices from all Ekornes' suppliers and partners. To mitigate the impact, the company has already increased prices on its products, and profitability is expected to improve once price increases come into effect during first half of 2022. Due to the situation in Ukraine there is however a lot of uncertainties for the further development. The company expect material and logistic costs to continue to increase, and that the global supply chain imbalances will continue throughout 2022. To mitigate for the impacts of this the company will continue its repricing efforts throughout 2022.

Entering 2022 the sales momentum however remains strong, with high spending on furniture across all regions. Ekornes has a solid distribution network, which combined with a high operational flexibility and ability to deliver relevant products at acceptable lead times, positions the company well to meet demand and maintain the positive development in the coming year. Alongside continued development and introduction of new products, the company is well prepared to utilize emerging market opportunities also going forward, despite challenging circumstances. Ekornes remain committed to support its customers and to maintain the ability to deliver relevant products with competitive delivery times.

Oslo, 6 April 2022

The Board of Directors of Ekornes QM Holding AS

Ruihai Zhao	Mogens Falsig
Chair	Director and CEO

Ekornes QM Holding Group

Consolidated financial statements

Consolidated income statement

(Figures in NOK 000)	Notes	Y 2021	Y 2020
Operating revenues	2	**4 317 868**	**3 481 709**
Cost of goods sold	14	1 205 332	910 103
Payroll expenses	3 , 4	1 209 578	1 017 873
Depreciation and write downs	11 , 12	319 274	303 219
Other operating expenses	5 , 6, 12	1 082 817	874 848
Net other losses (gains)	20	-13 166	12 300
Total operating expenses		**3 803 835**	**3 118 343**
OPERATING EARNINGS		**514 032**	**363 366**
Financial income and expenses			
Financial income	7	8 999	12 022
Net gains (losses) on foreign exchange	7	6 087	13 034
Financial expenses	7	191 067	210 333
Net financial items		**-175 981**	**-185 277**
Earnings before tax		**338 052**	**178 089**
Tax expense	8	64 108	35 709
EARNINGS FOR THE YEAR		**273 944**	**142 379**
Earnings are attributable to:			
Controlling interests		246 241	114 857
Non-controlling interests		27 702	27 523
Basic earnings per share	9	9 131,46	4 745,98
Diluted earnings per share	9	9 131,46	4 745,98

The following notes form an integral part of the consolidated financial statements.

Consolidated statement of comprehensive income

(Figures in NOK 000)	Y 2021	Y 2020
Earnings for the year	**273 944**	**142 379**
Other comprehensive income		
Items which may be reclassified to profit and loss		
Translation differences	-1 846	-2 995
Translation difference - net financing subsidiaries	0	61
Change in deferred tax - net financing subsidiaries	0	-13
Total other comprehensive income	**-1 846**	**-2 948**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**272 097**	**139 432**

The following notes form an integral part of the consolidated financial statements.

Consolidated balance sheet

(Figures in NOK 000)	Notes	31.12.2021	31.12.2020
ASSETS			
Non-current assets			
Buildings and sites	11	945 664	1 001 596
Machinery and equipment	11	277 837	278 713
Operating movables and fixtures	11	24 478	26 281
Assets under construction	11	26 847	19 319
Right-of-use assets	12	217 321	152 909
Total property, plant and equipment		**1 492 148**	**1 478 818**
Software and licences	11	36 075	44 967
Goodwill	11	1 561 115	1 561 115
Customer relations	11	1 162 394	1 221 969
Brand name	11	1 520 841	1 561 515
Deferred tax assets	8	107 661	67 622
Total non-current intangible assets		**4 388 087**	**4 457 189**
Other receivables and investments		24 070	20 861
Total non-current financial assets		**24 070**	**20 861**
Total non-current assets		**5 904 304**	**5 956 868**
Current assets			
Inventory	14	1 272 320	818 136
Trade receivables	15	448 900	415 585
Value of forward contracts	20	4 130	22 732
Other short-term receivables	13	110 388	80 267
Cash and bank deposits	16	350 083	454 624
Total current assets		**2 185 822**	**1 791 344**
TOTAL ASSETS		**8 090 126**	**7 748 212**

The following notes form an integral part of the consolidated financial statements.

Consolidated balance sheet (contd.)

(Figures in NOK 000)	Notes	31.12.2021	31.12.2020
Contributed equity			
Share capital	17	120	120
Premium paid		2 807 354	2 807 354
Total contributed equity		**2 807 474**	**2 807 474**
Retained earnings			
Translation difference		58 881	61 455
Other equity		216 615	200 551
Total retained earnings		**275 497**	**262 006**
Owners of the company		3 082 970	3 069 480
Non-controlling interests		0	500 030
Total equity		**3 082 970**	**3 569 510**
Non-current liabilities			
Pension liabilities	3	7 855	8 438
Provisions		2 983	3 586
Deferred tax	8	791 052	841 897
Lease liabilities	12	176 289	119 341
Interest-bearing debt - Bond	18	2 010 444	2 001 348
Interest-bearing debt - Bank	18	0	500 000
Total non-current liabilities		**2 988 622**	**3 474 610**
Current liabilities			
Trade payables		332 135	243 247
Public charges payable		84 331	77 439
Tax payable	8	116 394	62 718
Dividend	21	0	9 241
Interest-bearing debt - Bank	18	1 087 500	0
Other current liabilities	13	346 551	272 567
Lease liabilities	12	51 622	38 880
Total current liabilities		**2 018 534**	**704 092**
Total liabilities		**5 007 156**	**4 178 702**
TOTAL EQUITY AND LIABILITIES		**8 090 126**	**7 748 212**

The following notes form an integral part of the consolidated financial statements.

Oslo, 6 April 2022

The board of Ekornes QM Holding AS

Ruihai Zhao
Chair

Mogens Falsig
Director and CEO

Consolidated statement of cash flow

(Figures in NOK 000)	Notes	Y 2021	Y 2020
Cash flows from operating activities			
Earnings before tax (EBT)		338 052	178 089
Tax paid for the period	8	-90 094	-38 202
Depreciation and write downs	11 , 12	319 274	303 219
Change in inventory	14	-454 183	-242 705
Change in trade receivables	15	-33 315	-33 652
Change in trade payables		88 888	90 078
Change in other time limited records		71 966	33 655
Net cash flow from operating activities		**240 588**	**290 483**
Cash flows from investing activities			
Proceeds from sale of PP&E	11	242	2 737
Payments for purchase of PP&E	11	-109 662	-80 435
Net Cash flows from investing activities		**-109 420**	**-77 698**
Cash flows from financing activities			
Payment of lease liabilities	12 , 19	-58 110	-48 547
Payment of dividend	19	-26 877	-22 442
Repayment of borrowings	18	-12 500	0
Proceeds from borrowings	18	600 000	0
Transactions with non-controlling interests	21	-741 000	0
Net cash flow from financing activities		**-238 488**	**-70 988**
Change in net cash & cash equivalents		**-107 320**	**141 797**
Effect of exchange gains / (losses) on cash and cash equivalents		2 780	24
Net cash & cash equivalents at the start of the period	16	454 624	312 804
Net cash & cash equivalents at the close of the period	**16**	**350 083**	**454 624**
Restricted cash at the end of the period		152 970	152 315
Unrestricted cash at the end of the period		197 113	302 309

In the statement of cash flow, cash and bank deposits are recognised as cash. In April 2019, Ekornes QM Holding AS issued a stock exchange bond to refinance the Group and part of the condition is to have a minimum liquidity in Ekornes QM Holding of NOK 125 million. The rest of the restricted cash at 31 December 2021 are related to the payment of employee tax deductions.

The following notes form an integral part of the consolidated financial statements.

Consolidated statement of changes in equity

(Figures in NOK 000)	Share capital	Premium paid	Translation difference	Other	Total	Non-controlling interests	Total equity
Equity 31.12.2019	**120**	**2 807 354**	**64 123**	**85 694**	**2 957 291**	**493 924**	**3 451 215**
Earnings for the period	0	0	0	114 857	**114 857**	27 523	**142 379**
Other comprehensive income	0	0	-2 668	0	**-2 668**	-280	**-2 948**
Dividend	0	0	0	0	**0**	-21 137	**-21 137**
Equity 31.12.2020	**120**	**2 807 354**	**61 455**	**200 551**	**3 069 480**	**500 030**	**3 569 510**
Equity 31.12.2020	**120**	**2 807 354**	**61 455**	**200 551**	**3 069 480**	**500 030**	**3 569 510**
Earnings for the period	0	0	0	246 241	**246 241**	27 702	**273 944**
Other comprehensive income	0	0	-2 574	0	**-2 574**	727	**-1 846**
Dividend	0	0	0	0	**0**	-17 636	**-17 636**
Acquisition of non-controlling interests*	0	0	0	-230 177	**-230 177**	-510 823	**-741 000**
Equity 31.12.2021	**120**	**2 807 354**	**58 881**	**216 615**	**3 082 970**	**0**	**3 082 970**

Acquisition of non-controlling interests
30 July 2021, Ekornes QM Holding acquired the remaining 9.5% of the shares in Ekornes Holding AS from Ruisi Holding Company Limited for NOK 741 million. Following the transaction Ekornes QM Holding controls all shares in Ekornes Holding AS.

Notes to the consolidated financial statements

REPORTING ENTITY AND PRESENTATION

Ekornes QM Holding AS is a limited company registered in Norway, with main office located in Oslo.

The consolidated financial statements comprise Ekornes QM Holding AS and consolidated subsidiaries (Ekornes QM Holding Group). The Group Ekornes QM Holding include the group Ekornes and its holding companies. Ekornes is the largest furniture manufacturer in Norway, and owns the brands Ekornes®, Stressless®, Svane® and IMG.

Stressless® is one of the world's most well-known brands within the furniture industry, while Ekornes®, Stressless® and Svane® are the most well-known furniture brands in Norway. IMG is best known in Australia and the USA. Manufacture takes place at the Group's ten factories. The Group has five factories in Norway, one in the USA, one in Thailand, two in Vietnam and one factory in Lithuania. Products are sold in large parts of the world through own sales companies or through importers. Ekornes' business idea is to develop and manufacture products that are outstanding with respect to comfort and functionality, and whose price and design appeal to a wide audience.

Ekornes QM Holding AS' consolidated financial statements for 2021 were approved at a board meeting on 6 April 2022. The consolidated financial statements were proposed for final adoption at the ordinary General Meeting on 12 April 2022.

Presentation

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 operates. Ekornes QM Holding AS' functional currency is Norwegian Kroner (NOK). The presentation currency for the consolidated financial statements of Ekornes QM Holding is Norwegian Kroner (NOK).

The consolidated financial statements have been prepared in accordance with equable accounting principles for similar transactions and events under otherwise same conditions. The accounting principles have been applied consistently by all group companies.

STATEMENT OF COMPLIANCE

The Ekornes QM Holding AS`s consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) which have been adopted by the EU and are mandatory for financial years beginning on or after 1 January 2021, and Norwegian disclose requirements listed in the Norwegian Accounting Act as of 31.12.2021.

CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

No changes in IFRS effective for the 2021 financial statements are relevant this financial year.

MAIN ACCOUNTING PRINCIPLES

(A) PRINCIPLES FOR CONSOLIDATION

The consolidated financial statements comprise the financial statements of the parent company and its subsidiaries as at 31 December 2021. As at 31 December 2021, Ekornes QM Holding AS has 100% voting and ownership in all other group companies through Ekornes AS.

See Note 21 for a list of subsidiaries included in the consolidated financial statements of Ekornes QM Holding AS.

(i) Acquisitions

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

(ii) Subsidiaries

Subsidiaries are entities controlled by the group. Control exists when the group has the power, directly or indirectly, to govern the financial and operating policies of an entity to obtain benefits from its activities. In assessing control, potential voting rights that 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. Ekornes has no associates or jointly controlled enterprises.

(iii) Elimination of transactions at consolidation
Translation differences arising from the translation of net investments in foreign operations are recognized in the statement of comprehensive income. Foreign exchange gains or losses from receivables and liabilities against a foreign activity, the settlement of which is neither planned nor probable in the foreseeable future, are considered as part of the net investment in the foreign operation and are incorporated in the statement of comprehensive income and presented as translation differences in equity.

For all foreign operations, the translation differences are presented on separate line under equity (reserve for translation differences). Additional compensation that is to be considered as settlement of future services under IFRS are recognized as expense in the period over which the additional compensation can be earned.

(B) DERIVATIVES

The Group makes use of derivatives to hedge currency risks arising from its operational, financing and investment activities. In accordance with its treasury policy, Ekornes does not hold or issue derivative financial instruments for trading purposes. Derivatives are recognized at their fair value on acquisition. Gains or losses deriving from reassessment to changed fair value are recognized in profit and loss immediately.

(C) BUSINESS COMBINATIONS

The acquisition method is used to account for all business combinations, independent of equity instruments or other assets acquired.

The consideration transferred for the acquisition of a subsidiary comprises:
- fair value of the assets transferred
- liabilities related to previous owner of the acquired activity
- equity interests issued by the group
- fair value of any assets or liabilities arising from a contingent consideration arrangement, and
- fair value of any existing owner interests in the subsidiary

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination, with few exemptions, are initially measured at fair value at the time of acquisition. The group incorporates any non-controlling owners in the acquired activity at acquisition either at fair value or in the non-controlling owners' proportional share of the acquired entity's net identifiable assets. The method to be used is assessed from acquisition to acquisition. Acquisition costs are recognized in the income statement as incurred.

The positive difference between
- consideration
- value of non-controlling owners in the acquired entity, and
- fair value at the time of acquisition of previous shares in the acquired entity and fair value of net identifiable assets acquired are recognized as goodwill.

When the settlement of part of the cash consideration has been postponed, the future payments are discounted to the present value at the date of measurement. The discount rate used is the entity's incremental borrowing interest, which is the interest of a similar borrowing that could be provided from an independent financial institution under comparable conditions.

Contingent consideration is classified either as equity or financial liability. Amounts classified as financial liability are recalculated to fair value with changes in fair value included in the income statement.
If the business combination takes place in several steps, the buyer's previously held equity in the entity is reassessed to fair value at the acquisition date. Any gains or losses arising from such reassessment are recognized in profit or loss.

(D) PROPERTY, PLANT AND EQUIPMENT

(i) Own assets
Items of property, plant and equipment are stated in the balance sheet at acquisition cost less accumulated depreciation (see below) and impairment losses (see accounting policy I). The acquisition cost of self-constructed assets includes the cost of materials, direct labor and an appropriate proportion of production overheads. When substantial parts of a non-current tangible asset have different useful lives, they are deemed to be separate components for accounting purposes.

(ii) Subsequent costs

In the acquisition cost of an item of property, plant or equipment, Ekornes includes the cost of replacement of parts 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 recognized in profit and loss as they accrue.

(iii) Depreciation

Ordinary depreciations are charged linearly to profit or loss over estimated useful life for each individual operating asset. Land is not depreciated.

(E) INTANGIBLE ASSETS

Intangible assets that are purchased separately are initially measured at cost recognized as intangible asset when the group has control of the asset, future economic benefits are expected to flow to the group and the cost can be reliably measured. For intangible assets included in a business combination cost has been measured at fair value at the transaction date. Subsequently, intangible assets are recognized at cost less accumulated amortization and possible impairment. Intangible assets with definite lifetime are depreciated over useful life. Useful life and depreciation method for intangible assets with definite life are assessed at least once a year. Linear depreciation is used for the intangible assets, as this is considered the best way to reflect the use of the assets. Profit or loss from disposal of intangible assets are calculated as the difference between net sales revenue and the recognized value of the asset and is reported as part of other income or other expenses in the operating result of the income statement.

(i) Research and Development

Expenses relating to research activities are recognized in profit and loss as they incur. Development costs are capitalized to the extent that the product or process is technically and commercially feasible, and Ekornes has sufficient resources to complete their development. Capitalized costs include materials costs, direct payroll costs and a share of directly attributable overheads. Capitalized development costs are recognized at acquisition cost less accumulated depreciation and write-downs. Capitalized development costs are depreciated linearly over the asset's estimated useful life.

(ii) Capitalized licenses and software

Expenses relating to the purchase of new software are capitalized as an intangible asset if these expenses are not part of the acquisition cost of a piece of hardware. Software is normally depreciated linearly over its expected useful life. Expenses incurred as a result of maintenance or to retain the software's future utility are charged to expenses unless the changes in the software increase its future economic utility.

(iii) Goodwill

Goodwill is recognised as the aggregate of the consideration transferred and the amount of any non-controlling interest and deducted by the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. Goodwill is not depreciated but is tested at least annually for impairment. In connection with this, goodwill is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from synergies from the business combination.

(iv) Customer relations and brands

The value of customer relations and brands arising from the acquisition of subsidiaries is valued at acquisition cost less accumulated depreciation, which is allocated linearly over expected useful life. Costs relating to the in-house development and maintenance of brand names and other intangible assets are recognized as expenses in the income statement in the period they are incurred. Any acquisition of such assets is recognized in the balance sheet.

(F) TRADE AND OTHER RECEIVABLES

Trade and other receivables are stated at cost less a provision for bad debts.

(G) INVENTORY

Inventory is recognized at the lower of acquisition cost and net sales price. Net sales price is the estimated sales price under ordinary operating conditions, less estimated expenses for completion, marketing and distribution. Acquisition cost is based on the first-in/first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their present location and condition. Self-produced goods include variable costs and fixed overheads which can be allocated on the basis of normal operating capacity.

(H) CASH AND CASH EQUIVALENTS

Cash includes cash in hand and bank deposits. Cash equivalents are short-term liquid investments which may be immediately converted into a predetermined amount of cash and with a maximum term of three months. Funds which are originally tied up for more than three months are not included in cash and cash equivalents (see Note 16).

(I) IMPAIRMENTS

An impairment arises when the book value of an asset or cash-generating entity (assessment entity) exceeds its recoverable value. Impairment write-downs are recognized in profit and loss. The recoverable amount is defined at the higher of the asset or cash-generating entity's fair value less sales costs and value in use.

(J) EQUITY

Dividends are recognized as a liability in the period in which they are approved. Any proposed dividend remains part of equity until the date of its final approval.

Translation differences

Translation differences arise in connection with exchange-rate differences of consolidated foreign entities. Exchange-rate differences in monetary amounts (liabilities or receivables) which are in reality a part of a company's net investment in a foreign entity are also included as translation differences. If a foreign entity is sold, the accumulated translation difference linked to the entity is reversed and recognised in the statement of comprehensive income in the same period as the gain or loss on the sale is recognised.

Non-controlling interests

Non-controlling interests represent equity interests in subsidiaries held by other owners than Ekornes QM Holding AS. Non-controlling interests are reported as a separate section of the Group's equity in accordance with IFRS 10 Consolidated Financial Statements. Results attributed to non-controlling interests are based on ownership interest, or other method of allocation if required by contract.

(K) EMPLOYEE BENEFITS

(i) Defined-contribution pension plans

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

(ii) Defined-benefits 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 recognized 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 recognized immediately in profit and loss. Actuarial gains and losses are recognized directly in equity when they arise.

(iii) Employee bonus payments (see also Note 3)

Most group employees are entitled to a bonus based on the profitability of the group or company 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 recognized as an expense in profit and loss, and as a liability in the balance sheet.

(L) PROVISIONS

A provision is recognized when Ekornes has incurred an obligation (legal or self-imposed) as a result of a past event, and it is probable (more probable than not) that this obligation will come to a financial settlement and the amount payable can be reliably measured. If the effect is substantial, the provision is calculated by discounting expected future cash flows by a discount rate before tax that reflects the market's pricing of the time value of the money and, if relevant, risks specifically linked to the obligation.

(i) Warranties

Costs relating to warranties are recognized on the date a claim is made.

(ii) Restructuring
Provisions for restructuring are recognized when the Group has approved a detailed and formal restructuring plan, and the restructuring process has either started or has been publicly announced.

(M) REVENUE

(i) Revenue
IFRS 15 requires that the Group, for each contract with a customer, identify delivery liabilities, determine the transaction price, match the transaction price to the delivery liabilities if the contract encompasses more than one delivery liability, decide if operating revenues must be recognized over time or on one date, and recognize operating revenues on the date of or over the period for the fulfilment of the delivery liability concerned.

The Group sells its products through sales companies it has established in the most important markets, while production takes place at factories which supply the sales companies. Goods produced are sent directly from the factory to the customer, with the exception of US and Asian customers where goods are sent to a dedicated storage facility. For IMG, goods are sent from factories in Vietnam, Thailand and Lithuania directly to the customer or to storage facilities owned by IMG's own sales companies. The goods sent from the factories to dedicated storage facilities abroad are treated as goods in transit. IMG has both production to order and off-the-shelf production.

The Group's most important delivery liability derives from products made to the customer's specification and orders. To determine at when the delivery liability is fulfilled and control of the delivered products are transferred to the customer, Ekornes use the principles of Incoterms. Thus, it is the Incoterms principles that determine when the delivery liability is fulfilled, and control of the products are transferred to the customer. When control is achieved by the customer, all risks related to the products are transferred from Ekornes to the customer as well. At the point when the delivery liability is fulfilled, control is transferred and the customer bears the risks with the products, the Group recognizes operating revenues.

The Group's most important discretionary judgement with respect to applying IFRS 15 relates to the calculation of the transaction price. This is because the price to the customer includes several different discounts and bonuses. The estimation of bonuses for the year in particular reacquire the exercise of discretionary judgement.

A breakdown of The Group's operating revenues by segment and customer location may be found in Note 2 "Product areas, segments and markets".

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

(N) LEASES

At the inception of a contract, The Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

IFRS 16 requires all leases except short-term leases and small asset leases to be recognized on the balance sheet as a right-of-use asset and a lease liability. The right-of-use asset is recognized according to the underlying asset, i.e. included in Property, plant and equipment. The lease liability is included in non-current liabilities, with the short-term portion included in current liabilities.

The right-of-use asset is depreciated over the lease term. Contractual payments represent a combination of interest on the liability and repayment of the principal amount.

Lease amounts representing variable payments based on such factors as specific cost elements in related services or usage, lease amounts for short-term leases of a duration of up to 12 months as well as lease amounts for low value leases covering such elements as PCs and other office equipment, is expensed as Other expenses over the lease term.

(O) 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 recognized 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 recognized 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 recognized at nominal value. Deferred tax assets are capitalized only to the extent that it is probable that the asset may be utilized 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 utilized.

(P) SEGMENT REPORTING

Under IFRS, a 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 area Stressless®
• Svane®, which covers mattresses and furniture within the Svane® product area
• IMG, which covers furniture from the IMG product area

The division into product areas is based on the Group's management and internal reporting structure. Note 2 includes a numerical list of the segments that comply with Ekornes' internal segment reporting.

(Q) STATEMENTS OF CASH FLOWS

Ekornes QM Holding group uses the indirect method to present cash flows from operating activities. Interest received as well as interest paid are included in cash flows from operating activities. Dividends paid are included in cash flows from financing activities.

Note 2 Business areas – segments – markets

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

- Stressless®, which covers the Stressless® product area
- Svane®, which covers the Svane® product area
- IMG, which covers furniture produced by IMG

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

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

(Figures in 000 NOK)	**Y 2021**	**Y 2020**
Operating revenues by product area		
Stressless®	3 166 625	2 539 120
IMG	850 014	671 658
Svane®	301 229	270 932
Total	**4 317 868**	**3 481 709**
EBITDA per segment		
Stressless®	648 274	502 072
IMG	177 918	149 932
Svane®	9 482	17 878
Other/eliminations *	-2 368	-3 297
Total	**833 307**	**666 585**

*Other / eliminations contain results from activities carried out by the parent company in the group.

EBIT per segment		
Stressless®	417 483	276 108
IMG	92 989	75 381
Svane®	5 928	15 174
Other/eliminations *	-2 368	-3 297
Total	**514 032**	**363 366**

* Other / eliminations contain results from activities carried out by the parent company in the group.

Operating revenues by market		
Norway	581 181	503 420
Other Nordic	230 642	204 289
Central Europe	730 192	639 962
Southern Europe	256 216	195 554
UK/Ireland	265 336	229 739
USA/Canada/Mexico	1 485 265	1 054 833
Japan	140 435	138 179
Australia	352 894	286 005
China	150 457	110 347
Other Markets	125 249	119 383
Total	**4 317 868**	**3 481 709**

Note 3 Salary and personnel expenses

(Figures in NOK 000)	2021	2020
Payroll expenses	1 022 502	847 308
Employer's national insurance contributions	120 100	102 449
Pensions	47 194	39 683
Other personnel costs	19 783	28 433
Total personnel expenses	**1 209 578**	**1 017 873**
Average number of full-time equivalents	3 069	2 372

Board of Directors' declaration on the remuneration policy applying to senior executives
A major element of the remuneration policy established with respect to Ekornes QM Holding AS 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.

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 certain pension liabilities 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 occupational 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
The pension costs of the Group for the financial year was NOK 47,2 million, which is almost entirely comprised of defined contribution pension; only two companies in the Group operate with defined benefit pension; Ekornes K.K in Japan and Ekornes S.A.R.L in France.

Pension liabilities

(Figures in NOK 000)	31.12.2021	31.12.2020
Accumulated pension liabilities	7 855	8 438

Bonus-based incentives
Ekornes QM Holding Group has bonus-based remuneration for all employees in the operating companies who do not have any other personal bonus scheme. The bonus-based remuneration will be based on achieved results for 2021. 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 2021, as well as those retiring during 2021, are entitled to receive a bonus for 2021. For accounting purposes, the bonus is treated as a cash bonus.

See Note 4 for details of remuneration and salary paid to key group management and board of directors.

Note 4 Remuneration to group management and board of directors

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

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

Individual bonus agreements were entered into with group management for 2021. The bonuses payable to group management are included in salary in the table below.

The following tables show the renumeration to the key members of Group Management, as well as to the members of the boards of operating company Ekornes AS and the Group.

Remuneration to key member of Group Management in 2021

(Figures in NOK 000)	Salary including bonus	Benefits in kind	Pension cost	Total remuneration
Roger Lunde (Group CEO)	4 738	127	85	**4 949**

Remuneration to Board Members in 2021

(Figures in NOK 000)		Board remuneration
Ruihai Zhao	Chair	550
Lars Ivar Røiri	Vice-chair	1 000
Stian Ekornes	Director	350
Lei Yang	Director	175
Sveinung Utgård	Director (employee elected)	130
Per Ove Skåre	Director (employee elected)	130
Atle Berntzen	Director (employee elected)	130
Total remuneration		**2 465**

Remuneration to key members of Group Management in 2020

(Figures in NOK 000)	Salary including bonus	Benefits in kind	Pension cost	Total remuneration
Roger Lunde (Group CEO) - From February 2020	3 658	26	71	**3 754**
Olav Holst-Dyrnes (Old Group CEO)*	4 480	34	10	**4 524**
Total remuneration	**8 138**	**60**	**81**	**8 279**

*CEO Olav Holst-Dyrnes resigned in 2020 and served as CEO for six years. Olav Holst-Dyrnes had an agreement which gave him the right to a compensation after termination of employment that equals 100% of the salary the first 12 months.

Remuneration to Board Members in 2020

(Figures in NOK 000)		Board remuneration
Ruihai Zhao	Chair	1 100
Lars Ivar Røiri	Vice-chair	1 000
Stian Ekornes	Director	350
Lei Yang	Director	175
Sveinung Utgård	Director (employee elected)	130
Per Ove Skåre	Director (employee elected)	130
Atle Berntzen	Director (employee elected)	130
Total remuneration		**3 015**

NOTE 5 Other operating expenses

(Figures in NOK 000)

Breakdown of other operating expenses	2021	2020
Transport and other distribution cost	382 892	272 133
Marketing cost	208 279	209 181
Commission to representatives	92 348	64 491
Market support	69 251	58 166
ICT Cost	68 979	53 959
Maintanance expenses	52 332	35 379
Guarantee cost	44 672	36 047
Other	164 064	145 491
Total	**1 082 817**	**874 848**

The following is related to renumeration to auditor, both group auditor and other auditors:

(Figures in NOK 000)

Breakdown of auditing fees	2021	2020
Statutory auditing services	8 658	9 053
Other certification services	334	658
Other non-auditing services	542	814
Tax advisory services	1 168	1 508
Total	**10 703**	**12 033**

Auditing fees are stated ex. VAT

NOTE 6 Research & Development

In 2021, research and development costs totalling NOK 45,7 million (NOK 38,5 million in 2020) were recognised in expenses. These costs relate to salaries and other expenses, as well as the depreciation of capitalised R&D costs.

Costs directly associated with the development of a fixed operating asset are included in the capitalised value of the asset if all the criteria for capitalisation have been met. Expenses that arise early in the project phase, as well as maintenance costs, are recognised in expenses as they arise. Capitalised development costs totalled NOK 0,0 million in 2021 (NOK 0,0 million in 2020).

NOTE 7 Net financial items

(Figures in NOK 000)	2021	2020
Interest income	8 992	11 185
Financial income	7	837
Total financial income	**8 999**	**12 022**
Gain/(loss) on foreign exchange	**6 087**	**13 034**
Interest expenses*	187 461	204 572
Financial expenses	3 606	5 761
Total financial expense	**191 067**	**210 333**
Total financial items	**-175 981**	**-185 277**

***Transactions cost amortizised**
In April 2019, Ekornes QM Holding AS issued a stock exchange bond to refinance the Group. The bond was listed on Oslo Stock Exchange 10 July. Oslo Stock Exchange - Bond "FRN Ekornes QM Holding AS Senior Secured Callable Bond Issue 2019/2023". See note 18 for more information.

Transaction costs related to the issue of the bond has been amortized over the period from the settlement date to the maturity date of the bond. The effective interest method has been used in calculating the amortised cost of the financial liability and in the allocation and recognition of the interest expense in income statement over the period.

NOTE 8 Tax related costs

(Figures in NOK 000) Tax expense included in net result:	2021	2020
Period taxes:		
Tax payable in the period	154 398	80 855
Deferred tax		
Changes in deferred tax liability	-90 290	-45 145
Tax expense	**64 108**	**35 709**

Expensed tax payable is higher that the Group`s tax payable in the balance sheet as of 31. December 2021. This is because parts of the year`s tax payable in foreign subsidiaries has been paid in advance.

Reconciliation of effective tax rate:		
Earnings before tax	**338 052**	**178 089**
Tax calculated at 22% (22 %)	74 371	39 180
Effect of other tax rates	-8 100	-2 147
Permanent differences	311	247
Adjustment in respect of current income tax of previous years	-2 475	-1 570
Tax expense	**64 108**	**35 709**
Deferred tax assets	107 661	67 622
Deferred tax liabilities	791 052	841 897
Net deferred tax	**-683 391**	**-774 275**

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.

As at 31 December 2021, the Group had a tax-loss carryforward of NOK 15.7 million. NOK 10.1 million of this was capitalised as at 31 December 2021. Deferred tax assets relating to tax-loss carryforwards in two of our subsidiaries have not been recognised as at 31 December 2021 since the companies does not expect to utilise the loss in the foreseeable future.

Net deferred tax	2021	2020
Intangible assets	-661 320	-701 165
Property, plant & equipment	-98 691	-116 658
Inventory	50 520	29 587
Receivables	2 314	99
Pensions	126	2 932
Provisions	2 730	-88
Other items	10 847	-5 558
Tax-loss carried forward	10 082	16 577
Net Deferred tax at 31.12	**-683 391**	**-774 275**

NOTE 8 Tax related costs (contd.)

The Group's carry forward tax deficit has the following maturity:

	31.12.2021	31.12.2020
2023	0	83
2024	1 847	3 263
2025	0	0
2026	1 637	0
No final maturity date	12 214	13 812
Total tax loss carryforward	**15 698**	**17 158**

Taxes from Consolidated Statement of Comprehensive Income	2021	2020
Translation differences	-600	5 201
Tax on translation differences for loans to subsidiaries	0	-13
Total transferred over comprehensive income	**-600**	**5 188**

NOTE 9 Earnings per share

	2021	2020
Profit for the period	273 943 721	142 379 448
Opening No. of shares	30 000	30 000
Closing No. of shares	30 000	30 000
Weighted average number of shares	30 000	30 000
Basic earnings per share	9 131,46	4 745,98
Diluted earnings per share	9 131,46	4 745,98

There are no instruments with a diluting effect.

NOTE 10 Estimation uncertainty

In the process of applying the Group's accounting policies in according to IFRS, management has made several judgements and estimates. All estimates are assessed to the most probable outcome based on the managements best knowledge. Changes in key assumptions may have significant effect and may cause material adjustments to the carrying amounts of assets and liabilities, equity and the profit for the year.

The company's most significant accounting estimates relate to the following items:
- Valuation of goodwill
- Depreciation and write-downs on property, plant & equipment and intangible assets
- Provision for expected credit losses on accounts receivables
- Write-down of inventory to net realisable value

Impairment assessments (see note 11 for further descriptions)
The Group has made significant investments in tangible fixed assets, intangible assets and goodwill. Valuation and remaining economic life of fixed assets and intangible assets are based on future expectations and will always involve discretionary assessments with inherent estimation uncertainty. Goodwill is assessed for impairment annually or when there are indications of impairment, while other assets are assessed when there are indications of impairment. Factors indicating impairment and triggering requirements for testing the value of assets include: significant reduction in market values, significantly weaker results in relation to historical results or in relation to expected results, significant changes in the use of assets or in the overall business strategy, including assets that are decommissioned or discontinued and assets that are damaged or decommissioned, significant negative developments in the industry or economies, substantial reduction of market share, significant adverse regulatory decisions and court decisions, and significant cost overruns when developing assets.

According to IAS 36 Impairment of Assets, the recoverable amount of assets is the higher of value in use and fair value less costs to sell. Value in use, especially when using discounted cash flow methods, must be largely based on management's discretionary estimates and expectations, including determining appropriate cash-generating units, discount rates, estimating future performance, asset revenue-generating capacity, margins, required maintenance investments, and future market conditions assumptions. The effects of recession and increased macroeconomic risk can affect estimates of future earnings and the discount rate used to estimate the recoverable amount of the assets. For the assessment of impairment of goodwill, discounted cash flow models have been used to determine recoverable amount, based on the latest financial budgets and forecasts approved by the management. A forecast period of five years is assumed, during which the last year has been used as a basis for calculating a terminal value based on Gordon's growth model. Future developments in volume, sales prices and operating margins are important factors in the Group's impairment assessments. Expectations of future cash flows will vary over time as a result of changes in market conditions, demand and the competitive situation, and long-term estimates of key assumptions in the individual countries and regions will be uncertain.

Provision for expected credit losses of trade receivables
The Group uses a provision matrix to calculate expected credit losses for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and expected credit losses is a significant estimate. The amount of expected credit lossess is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

Write-down of inventory to net realisable value
The cost of inventories may not be recoverable if those inventories are damaged, if they have become wholly or partially obsolete, or if their selling prices have declined. The cost of inventories may also not be recoverable if the estimated costs of completion or the estimated costs to be incurred to make the sale have increased. The practice of writing inventories down below cost to net realisable value is consistent with the view that assets should not be carried in excess of amounts expected to be realised from their sale or use.

A new assessment is made of net realisable value in each quarterly reporting. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realisable value because of changed economic circumstances, the amount of the write-down is reversed (i.e. the reversal is limited to the amount of the original write-down) so that the new carrying amount is the lower of the cost and the revised net realisable value.

NOTE 11 Property, Plant, Equipment and Intangible assets

(Figures in NOK 000)	Sites and buildings	Machinery and equipment	Operating movables	Asset under construction	Total	Software and licenses
Acquisition value 1.1.2021	**1 795 261**	**1 141 997**	**124 883**	**19 319**	**3 081 460**	**242 660**
Currency difference 1.1.2021	-3 452	-1 515	-1 418	0	**-6 385**	-60
+ additions	7 705	56 000	9 735	25 771	**99 210**	10 452
+/- reclassification	68	18 174	0	-18 242	**0**	0
- disposals	-1 973	-26 024	-16 087	0	**-44 083**	-24 617
Acquisition value 31.12.2021	**1 797 608**	**1 188 632**	**117 114**	**26 847**	**3 130 202**	**228 436**
Accumulated dep. and write-downs 1.1.2021	**793 665**	**863 283**	**98 602**	**0**	**1 755 550**	**197 693**
Currency difference 1.1.2021	-22	-104	-866	0	**-993**	-17
Depreciations and write-downs in 2021	57 916	72 933	10 741	0	**141 590**	19 303
- Acc. depreciation on operating assets sold	387	-25 317	-15 841	0	**-40 772**	-24 617
Accumulated dep. and write-downs 31.12.2021	**851 945**	**910 795**	**92 635**	**0**	**1 855 375**	**192 362**
Book value 31.12.2021	**945 664**	**277 837**	**24 478**	**26 847**	**1 274 826**	**36 074**
Acquisition value 1.1.2020	**1 777 206**	**1 147 313**	**116 968**	**16 615**	**3 058 101**	**230 800**
Currency difference 1.1.2020	2 598	-1 579	1 158	1 183	**3 361**	-13
+ additions	18 590	42 287	11 588	1 685	**74 150**	12 136
+/- reclassification	-2 652	-1 618	2 532	12	**-1 726**	177
- disposals	-480	-44 407	-7 363	-176	**-52 426**	-440
Acquisition value 31.12.2020	**1 795 261**	**1 141 997**	**124 883**	**19 319**	**3 081 460**	**242 660**
Accumulated dep. and write-downs 1.1.2020	**735 852**	**837 526**	**97 079**	**0**	**1 670 457**	**182 955**
Currency difference 1.1.2020	-690	-1 491	-17	0	**-2 197**	1
Depreciations and write-downs in 2020	58 928	70 380	8 676	0	**137 984**	14 965
+/- reclassification	-10	86	-125	0	**-49**	100
- Acc. depreciation on operating assets sold	-416	-43 217	-7 011	0	**-50 644**	-328
Accumulated dep. and write-downs 31.12.2020	**793 665**	**863 283**	**98 602**	**0**	**1 755 552**	**197 693**
Book value 31.12.2020	**1 001 596**	**278 713**	**26 281**	**19 319**	**1 325 908**	**44 967**

Depreciations and write-downs includes NOK 6,1 million in write-downs for "Software and licenses" and NOK 2,0 million in write-downs for "Machinery and Equipment" in 2021.

Estimated useful lives are as follows:

- Buildings 25-50 years
- Machinery & equipment 5-16 year
- Operating movables and fixtures 2-10 years
- Licences and patents 5 years
- Software 3 years
- No depreciation of Land property

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

NOTE 11 Property, Plant, Equipment and Intangible assets (contd.)

Intangible assets from the purchase price allocations
Goodwill is not depreciated in the consolidated financial statements, but is tested annually for impairment.

Customer relationships and brand names are depreciated on a straight-line basis over estimated lifetime. Estimated lifetime customer relationships are rated at 25 years for the Stressless® segment and 20 years for the IMG segment. For brands, the estimated lifetime is estimated at 50 years for the Stressless® segment and 20 years for the IMG segment. Depreciation expense is included in ordinary depreciation in the income statement.

In connection with the purchase price allocation, excess values were identified related to brand names, customer relationships, real estate and fixed assets.

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(Figures in NOK 000)	Goodwill	Customer relationships	Brand name	Total
Acquisition value 1.1.2021	1 561 115	1 302 291	1 656 419	**4 519 825**
Accumulated depreciation 1.1.2021	**0**	**141 026**	**94 904**	**235 930**
Depreciations in 2021	0	59 132	40 673	**99 805**
Accumulated depreciation 31.12.2021	**0**	**200 157**	**135 578**	**335 735**
Accumulated currency translation differences 1.1.2021	**0**	**60 704**	**0**	**60 704**
Currency translation differences in 2021	0	-443	0	**-443**
Accumulated currency translation 31.12.2021	**0**	**60 261**	**0**	**60 261**
Book value 31.12.2021	**1 561 115**	**1 162 394**	**1 520 841**	**4 244 351**
Split per segment				
Stressless®	676 614	731 869	1 311 261	**2 719 744**
IMG	884 501	430 526	209 580	**1 524 607**
Book value 31.12.2021	**1 561 115**	**1 162 394**	**1 520 841**	**4 244 351**
Acquisition value 1.1.2020	1 561 115	1 302 291	1 656 419	**4 519 825**
Accumulated depreciation 1.1.2020	**0**	**78 033**	**54 231**	**132 264**
Depreciations in 2020	0	62 993	40 673	**103 666**
Accumulated depreciation 31.12.2020	**0**	**141 026**	**94 904**	**235 930**
Accumulated currency translation differences 1.1.2020	**0**	**44 711**	**0**	**44 711**
Currency translation differences in 2020	0	15 993	0	15 993
Accumulated currency translation 31.12.2020	**0**	**60 704**	**0**	**60 704**
Book value 31.12.2020	**1 561 115**	**1 221 969**	**1 561 515**	**4 344 599**
Split per segment				
Stressless®	676 614	769 450	1 339 360	**2 785 424**
IMG	884 501	452 519	222 155	**1 559 175**
Book value 31.12.2020	**1 561 115**	**1 221 969**	**1 561 515**	**4 344 599**

NOTE 11 Property, Plant, Equipment and Intangible assets (contd.)

Impairment assessment goodwill
The Group has performed an impairment assessment of goodwill at 31 December 2021 in accordance with IAS 36 and based on the methods as described in the standard. Book value of goodwill was NOK 1 561 millions at 31 December 2021, and was allocated to the two operating segments Stressless® and IMG at the acquisition date as presented in the table. The operating segments represent the lowest level within the entity at which the goodwill is monitored for internal management purposes. Each segment comprise several production and sales companies which are closely integrated and dependent of each other. Thus, management consider each of the operating segments as a joint group of cash generating units when performing impairment assessment for goodwill.

When performing impairment testing and measuring recoverable amount, value in use is calculated for each segment. Management projections are based on budget for 2022 approved by the Board of Directors and a forecast period of five years. Cash flow projections beyond the forecast period is estimated by extrapolating the projections using a steady growth rate for subsequent years equivalent to the expected inflation rate of 2,0%. When calculating value in use the future expected cash flows after tax are discounted applying an appropriate discount rate (WACC) after tax of 8,2% for both segments.

The most important assumptions when estimating future cash flows is management projections of revenue growth and operating margin. In the forecast period, the average expected growth rate is expected to be 7% for Stressless and 10% for IMG. EBITDA-margin are in the forecast period expected to be in line with budgeted margins per segment, Stressless® wiht an EBITDA-margin of 16% and IMG with 17%.

Based on management impairment assessment at 31 December 2021, recoverable amount is higher than carrying amount for both Stressless® and IMG, and the Group has concluded that it will not be necessary to make any impairments in the financial statements for 2021. Management has performed sensitivity analysis for changes in key assumptions when estimating recoverable amount. The outcome of the sensitivity analysis performed at 31 December 2021 is presented in the table below.

(Figures in NOK 000) **Potential impairment at following changes**		**Stressless®**	**IMG**
Growth in sales in forecast period	-1 %	0	0
EBITDA-margin	-1 %	0	0
Discount rate (WACC)	+1 %	0	0

Intangible assets
These are some of the company's most important intangible assets:
- Registered trademarks (Ekornes®, Stressless®, IMG og Svane®)
- Registered domains
- Patents
- Registered designs
- Distribution network (international)
- Market concept
- Product consepts
- Manufacturing expertise
- International marketing
- International sourcing

With the exception of some patents and domains, none of these assets has been included in the balance-sheet.

NOTE 12 Leasing agreements

The Group has entered into several different operational leasing agreements. The leasing agreements are primarily associated with non-Norwegian subsidiaries. The operating movables and machinery are leased in a 3-5-year period, while several of the office and warehouse have a longer time frame.

Practical expedients applied
The Group has elected to apply the practical expedient and does not recognise lease liabilities or right-of-use assets for leases presented in the table below:
- Short-term leases (defined as 12 months or less) or
- Low value assets (< NOK 25 000)

Variable lease payments
In addition to the lease liabilities below, the Group is committed to pay variable lease payments for some of their leases. The variable lease payments are expensed as incurred.

Extension options
Several agreements involve a right of renewal which may be exercised during the last period of the lease terms. The Group assesses at the commencement whether it is reasonably certain to exercise the renewal right.

Restrictions
The leases do not contain any restrictions on the Group's dividend policy or financing. The Group does not have significant residual value guarantees related to its leases to disclose.

(Figures in NOK 000) Right-of-use assets	**Operating movables**	**Machinery and equipment**	**Office, warehouse and sites**	**Total**
Acquisition cost 1.1.2021	**20 804**	**4 198**	**207 976**	**232 978**
Addition of right-of-use assets	4 932	292	118 284	**123 508**
- New leasing agreements	4 387	182	105 458	**110 027**
- Excisting leasing agreements adjusted or extended	545	110	12 825	**13 481**
Disposals	3 169	219	14 706	**18 094**
Currency exchange differences	-132	882	-1 269	**-518**
Acquisition cost 31.12.2021	**22 435**	**5 154**	**310 285**	**337 874**
Accumulated depreciation and impairment 1.1.2021	**10 746**	**1 615**	**67 709**	**80 069**
Depreciation 2021	5 546	1 436	51 596	**58 577**
Disposals	3 169	219	14 706	**18 094**
Accumulated depreciation and impairment 31.12.2021	**13 123**	**2 832**	**104 598**	**120 553**
Carrying amount of right-of-use assets 31.12.2021	**9 312**	**2 322**	**205 687**	**217 321**

NOTE 12 Leasing agreements (contd.)

Lease liabilities

Undiscounted lease liabilities and maturity of cash outflows	Total
Less than one year	52 369
One to five years	138 335
More than five years	57 483
Total undiscounted lease liabilities at 31.12.2021	**248 187**

Total lease liabilities at 31.12.2021	
Current lease liabilities	51 622
Non-current lease liabilities	176 289

Total cash outflows for leases	58 110
Interest expense on lease liabilities	5 793
Short term leases and low-value leases recognized on a straight-line basis as expense	7 720

NOTE 13 Other receivables and other liabilities

(Figures in NOK 000)

Other receivables	31.12.2021	31.12.2020
Premium and contribution fund	1 334	1 891
Other receivables related to the production cycle	9 288	13 854
Prepayments to suppliers	17 095	7 418
Prepaid expenses	30 698	23 068
Prepaid tax and VAT refunds due	34 074	26 065
Other	17 900	7 972
Total other receivables	**110 388**	**80 267**

Other current liabilities	31.12.2021	31.12.2020
Salaries payable	181 229	158 008
Accrued bonus/market support to customers	42 595	37 032
Accrued other marketing costs	11 923	6 673
Accrued cash discounts to customers	4 430	4 017
Accrued commission to sales staff	9 204	4 886
Accrued administrative costs	11 948	8 780
Advances from customers (contract liabilities)	15 590	5 484
Accrued interest Bond	29 589	27 757
Accrued freight	23 151	2 285
Other	16 891	17 645
Total other liabilities	**346 551**	**272 567**

NOTE 14 Inventory

(Figures in NOK 000)	31.12.2021	31.12.2020
Inventory finished goods	434 930	281 547
Inventory semi-finished	112 842	66 299
Inventory raw materials	724 548	470 290
Total	**1 272 320**	**818 136**

All amounts are net after write-downs of NOK 46,7 million. Write downs of inventories at NOK 28,9 million have been recognised as cost of goods sold in 2021.

NOTE 15 Accounts receivable

Trade receivables

(Figures in NOK 000)	31.12.2021	31.12.2020
Receivables related to revenue from contracts with customers - external	461 829	424 740
Total accounts receivables (Gross)	**461 829**	**424 740**
Allowance for expected credit losses	12 929	9 155
Total accounts receivables (Net)	**448 900**	**415 585**

The change in provisions for bad debts is as follows:

(Figures in NOK 000)	2021	2020
Opening balance 1.1.	**9 155**	**7 054**
Actual bad debts in the year	216	2 071
Change in bad debt provisions	3 990	4 172
Closing balance 31.12.	**12 929**	**9 155**

Accounts receivables are non-interest bearing. The Group has more than 4,000 customers, with the largest group of stores accounting for around 4 per cent of sales revenues. The largest single customer accounts for around 1.0 per cent of total sales revenues. Bad debts are classified as other operating expenses in profit and loss. See Note 20 for details of credit and foreign exchange risks relating to trade receivables.

NOTE 16 Cash and bank deposits

(Figures in NOK 000)	31.12.2021	31.12.2020
Cash and bank deposits	350 083	454 624

In the statement of cash flow, cash and bank deposits are recognised as cash. Total restricted cash is NOK 153,0 million at 31.12.2021. In April 2019, Ekornes QM Holding AS issued a stock exchange bond to refinance the Group and part of the condition is to have a minimum liquidity in Ekornes QM Holding of NOK 125 million. The rest of the restricted cash, NOK 28,0 million at 31 December 2021 are related to the payment of employee tax deductions.

All the Norwegian subsidiaries in the Ekornes Group and its subsidiaries in Finland, Lithuania, Denmark, France and the UK participate in a multi-currency group account scheme, with the parent company Ekornes AS as the principal account holder. The parent company agrees permitted drawdowns on the group accounts for each individual subsidiary. All participants are jointly and severally liable for the amount at any time outstanding on the group account. The parent company has entered into agreements with respect to credit facilities with DNB and Sparebank Møre. See also Note 18.

As of 31.12.2021, the Group had the following foreign currency exposure with respect to its group account scheme:

Currency	Amount in 000 currency	Exchange rate 31.12.2021	Amount in 000 NOK
AUD	3 849	6,42	24 693
DKK	4 623	1,34	6 212
JPY	1 893	0,08	145
NOK	281 954	1,00	281 954
NZD	1 593	6,03	9 612
SEK	990	0,97	964
Total deposits in group account scheme			**323 580**
EUR	-10 743	9,99	-107 311
GBP	-57	11,94	-675
SGD	-359	6,54	-2 350
USD	-16 495	8,84	-145 756
Total drawn down on group account scheme			**-256 092**
Total group account			**67 487**

NOTE 17 Shares and shareholders

The Norwegian ultimate parent company Ekornes QM Holding AS is a wholly owned subsidiary of Qumei Home Furnishing Group Co., Ltd in China. Qumei Home Furnishing Group Co., Ltd is listed on Shanghai Stock exchange.

As of 31 December 2020 and 31 December 2021, Ekornes QM Holding's registered share capital comprised 30 000 ordinary shares. All shares have a face value of NOK 4.00. All shares in the company have equal voting and dividend rights. All shares give equal rights to the company's net assets. Ekornes QM Holding AS has no treasury shares as of 31.December 2020 or 31. December 2021.

The calculation of earnings per share and diluted earnings per share is shown in Note 9 Earnings per share.

As at 31 December 2020 and 31 December 2021, the company's sole shareholder was

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

As at 31 December 2020 and 31 December 2021, the board has been granted the following authorisations:
The board has been granted no authorisations.

NOTE 18 Interest-bearing loans and credits facilities

The Group regularly assesses its capital structure and risk profile. Total interest-bearing debt at the end of the period amounted to NOK 3 098 million.

Short-term borrowing agreement 31 December 2021
The Group has three loan agreements of a total of 1 087,5 million:
- The loan of NOK 337,5 million in DNB is unsecured. Quarterly instalments at NOK 12,5 million four times per year with the first instalment three months from disbursement date (27 July 2021) of the loan. Final maturity in September 2022. Interest expenses are paid quarterly.
- The loan of NOK 500 million in DNB is unsecured. No instalments are payable before maturity in September 2022. Interest expenses are paid quarterly.
- The loan of NOK 250 million in Sparebank Møre is unsecured. No instalments are payable before maturity in September 2022. Interest expenses are paid quarterly

The Group is in the process of refinancing the bank facilities maturing in September 2022. However, as at 31 December 2021, NOK 1 088 million were classified as short-term debt and available short-term credit facilities in DnB amounted to NOK 150 million. During the fourth quarter of 2021 and as at 31 December 2021, Ekornes was compliant with all covenant requirements in the bank agreements.

Senior Secured Bond at 31 December 2021
In April 2019, Ekornes QM Holding AS issued a stock exchange bond to refinance the Group. The bond was listed on Oslo Stock Exchange 10 July under the name "Ekornes QM Holding AS 19/23 FRN FLOOR C" , Ticker: EKO01.

The bond is secured with a share pledge in Ekornes QM Holding AS. No instalments are payable before maturity in October 2023 and interest expenses are paid quarterly. NIBOR is adjusted at the end of each quarter and at 31. December 2021 the coupon was 7.58%. For first quarter 2022 the coupon is 7.95%.

NOTE 18 Interest-bearing loans and credits facilities (contd.)

(Figures in NOK 000)

Currency	**NOK**
Issue Amount	2 000 000
Nibor 3M	0,58 %
Margin	7,00 %
Coupon	7,58 %
Tenor / redemption:	54 months /4,5 years
Settlement Date:	02.04.2019
Maturity Date:	02.10.2023

The changes in interest-bearing debt through the period 1. January to 31. December 2021 are as follows:

(Figures in NOK 000)

External interest-bearing debt	**Bond**	**Bank loan**	**Total**
Opening balance 1.1.2021	**2 001 348**	**500 000**	**2 501 348**
Proceeds from borrowings	0	600 000	600 000
Capitalization	9 096	0	9 096
Repayment of borrowings	0	-12 500	-12 500
Closing balance external debt 31.12.2021	**2 010 444**	**1 087 500**	**3 097 944**

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

Ekornes has call options to redeem the bond with the first expiry date in April 2022. The bond matures in October 2023. The Group is in the process of evaluating a refinancing process to find an optimal long-term financing structure.

Financial covenants related to the bond

The bond agreement is subject to a set of financial covenants, including a minimum liquidity of NOK 125 million and a maximum leverage ratio of Net debt / Adj. EBITDA starting at 5.25x for year 1 and 2,5.00x for year 3, 4.50x for year 4 and 4.00x for year 5, with equity cure (max. 3 times) counting as EBITDA for the subsequent three quarterly reporting periods. The covenants are measured quarterly on a 12-month rolling basis for Ekornes QM Holding Group.

During the fourth quarter of 2021 and as at 31 December 2021, Ekornes was compliant with all covenant requirements in the bond agreement. The leverage ratio at the end of the fourth quarter 2021 was 3,42, well within prevailing requirements.

NOTE 19 Reconciliation for liabilities arising from financing activities

Reconciliation of changes in liabilities arising from financing activities is shown in the tables below:

			Non-cash changes			
(Figures in NOK 000)	**01.01.2021**	**Cash flows**	**Annual meeting**	**New leases**	**Other**	**31.12.2021**
Interest-bearing debt - Bond	2 001 348	0	0	0	9 096	**2 010 444**
Interest-bearing debt - Bank	500 000	587 500	0	0	0	**1 087 500**
Lease liabilities	158 221	-58 110	0	127 800	0	**227 911**
Payment of dividend	9 241	-26 877	17 636	0	0	**0**
Total liabilities from financing activities	**2 668 810**	**502 512**	**17 636**	**127 800**	**9 096**	**3 325 855**

			Non-cash changes			
(Figures in NOK 000)	**01.01.2020**	**Cash flows**	**Annual meeting**	**New leases**	**Other**	**31.12.2020**
Interest-bearing debt - Bond	1 981 555	0	0	0	19 794	**2 001 348**
Interest-bearing debt - Bank	500 000	0	0	0	0	**500 000**
Lease liabilities	134 645	-48 547	0	72 123	0	**158 221**
Payment of dividend	10 545	-22 442	21 137	0	0	**9 241**
Total liabilities from financing activities	**2 626 745**	**-70 988**	**21 137**	**72 123**	**19 794**	**2 668 810**

NOTE 20 Financial risk

The Group operates in many markets, on both the sales and purchasing sides. The means the company has a natural spread with respect to its market, foreign exchange and sourcing risk. For The Group, financial risk is largely associated with fluctuations in exchange rates (NOK vs other countries' currencies), interest rate risk deriving from changes in interest rates and credit risk in the form of the ability of the Group's customers to pay what they owe (trade receivables).

Customer and credit risk

The Group sells its products to distributors through its own sales companies and the customers are generally furniture retailers. The Group has more than 4,000 customers, with the largest group of stores accounting for around 4 per cent of sales revenues. The largest single customer accounts for around 1.0 per cent of total sales revenues. 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. An analysis of expected losses is carried out at the close of each reporting period. The estimation reflects the probability-weighted outcome, the time-value of money and reasonable and verifiable information about events and actual conditions available on the reporting date. Trade receivables will generally be written off if they have fallen due for payment one year or more in the past and no debt recovery process is ongoing. Based on the fact that The Group generally has B2B customers, few receivables overdue and historically few bad debts, the assessment of expected losses has not led to any material change in the provision for bad debts as at 31 December 2021. The deposition matrix will be based on historical experiences, updated with todays expectations for the future customized to the customers characteristics (Segment, geography, maturity on customer relations). The table below show details of the Group's exposure to credit risk on trade receivables using a provision matrix.

(Figures in NOK 000)

31.12.2021	Total	Not due	<30 d	30-60d	60-90d	>90d
Trade receivables – gross	461 829	361 495	58 285	30 545	5 207	6 297
Expected default rate	2,8 %	1,0 %	0,5 %	0,5 %	49,4 %	100,0 %
Expected credit losses	12 929	3 615	291	153	2 573	6 297

31.12.2020	Total	Not due	<30 d	30-60d	60-90d	>90d
Trade receivables – gross	424 740	346 587	52 375	11 449	3 799	10 529
Expected default rate	2,2%	0,4 %	0,4 %	0,4 %	0,4 %	73,0 %
Expected credit losses	9 155	1 232	186	41	14	7 682

Interest-rate risk

Interest-rate risk is the risk of fluctuations in future cash flows from a financial instrument as a result of changes in market rates. The Group's exposure to interest rates is primarily related to its short-term and long-term borrowings at floating interest rates. Loans at floating interest rates represent an interest-rate risk for the Group's cash flow, which is partly offset by the opposite effect of cash and cash equivalents at floating interest. The borrowing portfolio is currently at a floating rate of interest, which means the Group is affected by changes in interest rates. At the close of 2021, the Group had total interest-bearing debt of NOK 3 087,5 million. The Group has a stable financing structure. Lenders are well-reputed Norwegian banks and a bond listed on Oslo Stock exchange. The table below shows sensitivity to a potential change in interest rates on that part of the Group's affected borrowings. The estimate is based on actual loans at the end of 2021, and by keeping all other variables remaining constant the Group's profit/loss and equity before tax will be affected as follows by changes in debt instruments at floating interest rates.

(Figures in NOK 000)	Increase/decrease in base points	Effect on profit/loss before tax	Effect before tax on equity
31.12.2021	100	30 875	30 875
31.12.2020	100	25 013	25 013

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group manages this risk by ensuring, as far as possible, that it always has sufficient liquidity available to meet its obligations both under normal and challenging circumstances, and without incurring unacceptable losses or risk of damaging the Group's reputation. At the close of 2021, the Group had cash reserves of NOK 350,1 million in the form of bank deposits, of which NOK 28,1 million was restricted to the payment of employees' tax deductions and NOK 125 million restricted is part of the bond condition is to have a minimum liquidity in Ekornes QM Holding AS. In addition, the Group had unused drawing rights of NOK 150.0 million. The board considers the Group's liquidity situation to be satisfactory. The table below shows a maturity analysis for the Group's financial liabilities based on contractual, non-discounted payments. When a counterparty has a choice about when an amount is to be paid, the liability is included at the earliest date the business can expect to receive payment. Financial liabilities which must be repaid upon demand are included in the "<1 year" column.

NOTE 20 Financial risk (contd.)

(Figures in NOK 000)			Remaining term (years)			
31.12.2021	**<1**	**1 to 2**	**2 to 3**	**3 to 5**	**> 5**	**Total**
Financial liabilities						
Interest-bearing debt – Bond	159 000	2 139 250	0	0	0	**2 298 250**
Interest-bearing debt –- Bank	1 105 036	0	0	0	0	**1 105 036**
Leasing	52 369	43 179	39 397	55 759	57 483	**248 187**
Trade payables and other liabilities	678 686	1 491	1 491	0	7 855	**689 524**
Total	**1 995 091**	**2 183 921**	**40 888**	**55 759**	**65 338**	**4 340 997**

(Figures in NOK 000)			Remaining term (years)			
31.12.2020	**<1**	**1 to 2**	**2 to 3**	**3 to 5**	**> 5**	**Total**
Financial liabilities						
Interest-bearing debt - Bond	150 000	150 000	2 170 000	0	0	**2 470 000**
Interest-bearing debt - Bank	8 550	506 413	0	0	0	**514 963**
Dividend	9 241	0	0	0	0	**9 241**
Leasing	42 390	33 445	29 945	27 945	37 891	**171 617**
Trade payables and other liabilities	515 814	1 793	1 793	0	8 438	**527 838**
Total	**725 996**	**691 651**	**2 201 738**	**27 945**	**46 329**	**3 693 659**

Foreign exchange risk
The Group sells its products internationally and bills its customers primarily in the respective countries' own currencies. The Group manages all matters related to currency and foreign exchange risk from head office. Currency hedging is an integral part of the Group's operational activities.

As part of the company's efforts to reduce its foreign exchange risk/currency exposure the Group also seeks to purchase goods and services for use in Norway on international markets, where cost-effective. Together with the Group's distribution, sales and marketing activities, and associated administrative organization, this provides natural operational hedging of the company's foreign exchange risk (natural hedging) for part of its cash flow. In addition to natural hedging, the company uses forward contracts for additional currency hedging. This does not reduce the long-term foreign exchange risk, but provides predictability within the hedging horizon. According to the group's strategy, 80 per cent of the expected currency exposure in the coming six-month period is hedged in currencies where the expected annual exposure exceeds NOK 75 million, and correspondingly for 50 per cent of the expected exposure in the coming 6-12-month period. Financial risk is primarily associated with fluctuations in exchange rates and the ability of the Group's customers to pay what they owe. The Group's competitiveness is affected, over time, by movements in the value of the NOK in relation to other currencies. The Group actively seeks to limit this risk.

The following average exchange rates applied to forward contracts exercised in 2021:

Valuta/ Currency	Volume (Figures in NOK 000)	Volume (Figures in Currency 000)	Average exchange rate (In NOK)
AUD	120 192	18 450	6,51
DKK	74 244	51 660	1,44
EUR	348 215	32 480	10,72
GBP	127 610	10 665	11,97
USD	160 420	17 650	9,09

NOTE 20 Financial risk (contd.)

New forward contracts
In 2021, the Group entered into forward contracts, and all realised and unrealised gains and losses associated with these contracts are recognised in net other losses/(gains). In 2021, these contracts resulted in a NOK 31.8 million realised gains and NOK 18,6 million in negative change in value of realised and unrealised contracts. All contracts that are open as at 31 December 2021 fall due for payment in the next 12 months. As at 31 December 2021, the market value of existing forward currency contracts came to NOK 4,1 million.

(Figures in NOK 000) **Market value of forward contracts**	**31.12.2021**	**31.12.2020**
Share in 2021	0	22 732
Share in 2022	4 130	0
Total	**4 130**	**22 732**

Total net other (losses)/gains comprises:	**2021**	**2020**
Realised (losses)/gains on new forward contracts	31 767	-37 584
Change in value of realised and unrealised contracts	-18 601	25 283
Net other (losses)/gains	**13 166**	**-12 300**

Classifications of financial assets and financial liabilities 31. December 2021

(Figures in NOK 000)	**Fair value through profit and loss**	**Amortised cost Bank and receivables**	**Amortised cost Other financial liabilities**
Cash & cash equivalents	0	350 083	0
Forward currency contracts	4 130	0	0
Stocks & shares in other enterprises	1 333	0	0
Trade & other current receivables	0	559 288	0
Non-current receivables	0	22 737	0
Long-term debt related to bond issued	0	0	2 010 444
Short-term debt to credit institutions	0	0	1 087 500
Trade & other current payables	0	0	763 018
TOTAL	**5 463**	**932 109**	**3 860 962**

Classifications of financial assets and financial liabilities 31. December 2020

(Figures in NOK 000)	**Fair value through profit and loss**	**Amortised cost Bank and receivables**	**Amortised cost Other financial liabilities**
Cash & cash equivalents	0	454 624	0
Forward currency contracts	22 732	0	0
Stocks & shares in other enterprises	1 333	0	0
Trade & other current receivables	0	495 852	0
Non-current receivables	0	19 528	0
Long-term debt to credit institutions	0	0	500 000
Long-term debt related to bond issued	0	0	2 001 348
Trade & other current payables	0	0	665 212
TOTAL	**24 065**	**970 004**	**3 166 560**

NOTE 21 Group entities

The following subsidiaries are included in Ekornes QM Holding AS's consolidated financial statements. Ekornes QM Holding AS has 100% voting and ownership in all other group companies through Ekornes AS.

Company	Primary business activity	Registered office	Domicile
Ekornes AS	HQ and Sales	Ikornnes	Norway
J. E. Ekornes AS	Production and sales	Ikornnes	Norway
J. E. Ekornes ApS	Sales	Odense	Denmark
Ekornes K.K	Sales	Tokyo	Japan
OY Ekornes AB	Sales	Helsinki	Finland
Ekornes Inc.	Sales	Somerset, NJ	US
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 Singapore PTE. Ltd	Sales	Singapore	Singapore
Ekornes Pty Ltd	Sales	Sydney	Australia
Ekornes Asia Pacific Co Ltd	Sales	Bangkok	Thailand
Ekornes China Co Ltd	Sales	Shanghai	China
J. E. Ekornes USA, Inc	Production and sales	Morganton, NC	US
Ekornes Taiwan Ltd.	Sales	Taipei	Taiwan
Ekornes Hong Kong Co, Ltd	Sales	Hong Kong SDR.	China
Ekornes Beds AS	Production and sales	Fetsund	Norway
Ekornes Beds GmbH	Sales	Hamburg	Germany
IMG Group AS	Holding og Sales	Ikornnes	Norway
IMG Holdco AS	Holding	Ikornnes	Norway
IMG Europe GmbH	Sales	Hamburg	Germany
IMG (Vietnam) Co, Ltd	Production and sales	Binh Duong	Vietnam
IMG Australia PTY Ltd	Sales	Melbourne	Australia
IMGC PTY Ltd	Sales	Melbourne	Australia
Ekornes (THAILAND) Limited	Production and sales	Chachoengsao	Thailand
IMG New Zealand Limited	Sales	Auckland	New Zealand
Ekornes Lithuania UAB	Production and sales	Panevezys	Lithuania
International Mobel Group USA, Inc	Sales	Corona, CA	US

Changes in group structure in 2021
30 July 2021, Ekornes QM Holding acquired the remaining 9.5% of the shares in Ekornes Holding AS from Ruisi Holding Company Limited for NOK 741 million. Following the transaction Ekornes QM Holding controls all shares in Ekornes Holding AS.

Ekornes QM Holding AS and Ekornes Holding AS have in December 2021 merged. Ekornes QM Holding AS had 100% voting and ownership of Ekornes Holding AS. Ekornes QM Holding AS took over the entire business operations, comprising assets, rights and liabilities from Ekornes Holding AS. The merger was undertaken with effect for accounting purposes from 1 January 2021. The purpose of the merger was to simplify the Group structure.

NOTE 22 Subsequent events

The Company is in the final stage of negotiating extensions of existing loan facilities with Sparebanken Møre and DNB for a total of NOK 1 250 million until 15 April 2023. The loan extensions are expected to be confirmed during April 2022. No other 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 QM Holding AS

Financial statements

Income statement for Ekornes QM Holding AS

(Figures in NOK 000)	Notes	2021	2020
Operating income and operating expenses			
Other operating expenses	6	2 368	2 656
Total operating expenses		**2 368**	**2 656**
Operating profit		**-2 368**	**-2 656**
Financial income and expenses			
Income from subsidiaries	7	194 851	168 010
Other interest income	7	405	688
Net gains (losses) on foreign exchange	7	0	42
Other interest expenses	7	183 142	182 393
Net financial items		**12 114**	**-13 653**
Earnings before tax		**9 746**	**-16 309**
Tax expense	5	-1 412	-24
EARNINGS FOR THE YEAR		**11 158**	**-16 285**
Brought forward			
Allocated to/from other equity		11 158	-16 285
Net brought forward		**11 158**	**-16 285**

Balance sheet for Ekornes QM Holding AS

ASSETS (Figures in NOK 000)	Notes	31.12.2021	31.12.2020
Financial fixed assets			
Investments in subsidiaries	1	5 667 114	4 489 885
Total financial fixed assets		**5 667 114**	**4 489 885**
Total fixed assets		**5 667 114**	**4 489 885**
Current assets			
Debtors			
Other short-term receivables		168	163
Receivables from group companies	2	282 851	256 041
Total receivables		**283 019**	**256 204**
Cash and bank deposits	**8**	**165 502**	**170 273**
Total current assets		**448 522**	**426 477**
Total assets		**6 115 635**	**4 916 362**

(Continued on next page)

Balance sheet for Ekornes QM Holding AS (contd.)

EQUITY AND LIABILITIES (Figures in NOK 000)	Notes	31.12.2021	31.12.2020
Equity			
Contributed equity			
Share capital	3 , 4	120	120
Premium paid	3	2 807 354	2 807 354
Total contributed equity		**2 807 474**	**2 807 474**
Retained earnings			
Other equity	3	500 588	74 006
Total retained earnings		**500 588**	**74 006**
Total equity		**3 308 062**	**2 881 480**
Non-current liabilities			
Deferred tax	5	3 838	5 250
Interest-bearing debt - Bond	8	2 010 444	2 001 348
Interest-bearing debt - Group companies	2 , 3	763 588	0
Total non-current liabilities		**2 777 870**	**2 006 598**
Current debt			
Trade creditors		47	462
Other current debt	8	29 656	27 822
Total current debt		**29 703**	**28 284**
Total liabilities		**2 807 573**	**2 034 883**
Total equity and liabilities		**6 115 635**	**4 916 362**

Oslo , 6 April 2022

The board of Ekornes QM Holding AS

Ruihai Zhao
Chair

Mogens Falsig
Director and CEO

Statement of cash flow for Ekornes QM Holding AS

(Figures in NOK 000)	Note	2021	2020
Cash flow from operations			
Profit before income taxes		9 746	-16 309
Dividend/Group contribution not received		-194 851	-168 010
Gain / loss currency exchange		0	-42
Change in trade payables		-852	-2 301
Change in other accruals		33 512	8 711
Net cash flow from operations		**-152 444**	**-177 951**
Cash flow from investments			
Dividends from subsidiary		172 834	168 535
Net cash flow from investments		**172 834**	**168 535**
Cash flow from financing			
Payment of dividend	1	-26 877	0
Proceeds from borrowings from Ekornes AS	8	741 000	0
Transactions with non-controlling interests	2	-741 000	0
Net cash flow from financing		**-26 877**	**0**
Exchange gains / (losses) on cash and cash equivalents		**0**	**42**
Net change in cash and cash equivalents		-6 487	-9 374
Cash and cash equivalents at the beginning of the period		170 273	179 647
Cash and cash equivalents at the beginning of the period		1 717	0
Cash and cash equivalents at the end of the period		**165 502**	**170 273**

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 2021. 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 recognized at the value of the consideration on the date of the transaction. Revenues are recognized when they are earned and costs are matched with earned revenues.

The accounting principles are elaborated below. Assets/liabilities relating to the production cycle, and items falling due for payment within a year of the balance date, are classified as current assets/current liabilities. Current assets/current liabilities are valued at the lower/higher of acquisition cost and fair value. Fair value is defined as the estimated future sales price, less anticipated sales costs. Other assets are classified as non-current assets. Non-current assets are valued at acquisition cost. Non-current assets, whose value falls 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.

FOREIGN CURRENCY

Transactions in foreign currencies are translated based on monthly exchange rates. Monetary items denominated in foreign currencies are translated at the rate of exchange on the balance sheet date. Translation differences are recognized in profit and loss as gain/loss on foreign exchange. Non-monetary assets and liabilities that 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 recognized at fair value are translated to NOK at the exchange rate in effect when fair value is determined.

SUBSIDIARIES

Subsidiaries are valued at cost in the company accounts. The investment is valued as cost of the shares in the subsidiary, less any impairment losses. An impairment loss is recognised if the impairment is not considered temporary, in accordance with generally accepted accounting principles. Impairment losses are reversed if the reason for the impairment loss disappears in a lather period.

Dividends, group contributions and other distributions from subsidiaries are recognised in the same year as they are recognised in the financial statement of the provider. If dividends / group contribution exceed withheld profits after the acquisition date, the excess amount represents repayment of invested capital, and the distribution will be deducted from the recorded value of the acquisition in the balance sheet for the parent company.

FINANCIAL LIABILITIES

Loans, borrowings and payables are recognised at fair value net of directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. The effective interest method amortisation is included as finance costs in the income statement. Payables are measured at their nominal amount when the effect of discounting is not material.

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.

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.

DEFERRED TAX AND TAX EXPENSE

Deferred tax liabilities are calculated on the basis of temporary differences between the carrying values recognized in the financial statements for the year and the carrying values recognized 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.

Note 1 Subsidiary

Ekornes QM Holding AS has 100% ownership and voting right in Ekornes AS.

(Figures in NOK 000)	Location	Ownership/ voting right	Result last year (100%)	Equity 31.12 (100%)	Book value 31.12
Ekornes AS	Ikornnes	100 %	281 348	657 902	5 667 114
Book value investments in subsidiaries at 31.12.2021		**100 %**	**281 348**	**657 902**	**5 667 114**

Changes in group structure in 2021
30 July 2021, Ekornes QM Holding acquired the remaining 9.5% of the shares in Ekornes Holding AS from Ruisi Holding Company Limited for NOK 741 million. Following the transaction Ekornes QM Holding controls all shares in Ekornes Holding AS.

Ekornes QM Holding AS and Ekornes Holding AS have in December 2021 merged. Ekornes QM Holding AS had 100% voting and ownership of Ekornes Holding AS. Ekornes QM Holding AS took over the entire business operations, comprising assets, rights and liabilities from Ekornes Holding AS. The merger was undertaken with effect for accounting and tax purposes from 1 January 2021. The purpose of the merger was to simplify the Group structure.

Note 2 Balance with related parties

(Figures in NOK 000)	31.12.2021	31.12.2020
Other short-term receivables		
Group contribution from Ekornes AS	282 851	256 041
Total	**282 851**	**256 041**
Non-current liabilities		
Interest-bearing debt to Ekornes AS	763 588	0
Total	**763 588**	**0**

Interest-bearing debt to Ekornes AS
In July 2021, Ekornes QM Holding acquired the remaining 9.5% of the shares in Ekornes Holding AS from Ruisi Holding Company Limited for NOK 741 million. Following the transaction Ekornes QM Holding controls all shares in Ekornes Holding AS. The transaction was funded with internal loan from Ekornes AS of NOK 741 million and with an interest rate of NIBOR 3 M and 6,5% margin.

No instalments are payable before maturity in 31 December 2023. Interest expenses shall accrue each year and including the date of disbursement to the maturity date 31 December 2023.

Financial income and expenses from / to related parties are listed in note 7.

Note 3 Shareholders' equity

(Figures in NOK 000)	Share capital	Share premium	Other equity	Total
Equity 31.12.2020	**120**	**2 807 354**	**74 006**	**2 881 480**
Profit for the year	0	0	11 158	**11 158**
Merger	0	0	415 425	415 425
Equity 31.12.2021	**120**	**2 807 354**	**500 588**	**3 308 062**

Ekornes QM Holding AS and Ekornes Holding AS have in December 2021 merged. Ekornes QM Holding AS had 100% voting and ownership of Ekornes Holding AS. Ekornes QM Holding AS took over the entire business operations, comprising assets, rights and liabilities from Ekornes Holding AS. The merger was undertaken with effect for accounting and tax purposes from 1 January 2021. The purpose of the merger was to simplify the Group structure.

Note 4 Share capital and shareholder information

As of 31 December 2021, Ekornes QM Holding's registered share capital comprised 30 000 ordinary shares. All shares have a face value of NOK 4.00. All shares in the company have equal voting and dividend rights. All shares give equal rights to the company's net assets. Ekornes QM Holding AS has no treasury shares as of 31.Deceember 2021.

As at 31 December 2021, the company's sole shareholder was:

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

As at 31 December 2021, the board has been granted the following authorisations:
The board has been granted no authorisations.

Note 5 Taxes

(Figures in NOK 000)	2021	2020	
Components of the income tax expense			
Change of deferred tax	-1 412	-24	
Tax expense	**-1 412**	**-24**	
Basis for tax payable			
Profit before taxes	9 746	-16 309	
Permanent differences	0	16 201	
Temporary differences	-9 746	108	
Taxable income (basis for payable taxes in the balance sheet)	**0**	**0**	
Reconciliation of the tax expense			
Result before taxes	9 746	-16 309	
Calculated tax	**2 144**	**-3 588**	
Tax of permanent differences	0	3 564	
Adjustment in respect of current income tax of previous years	-3 556	0	
Sum	**-1 412**	**-24**	
Effective tax rate in %	-14,5 %	0,1 %	
Calculation of deferred tax/deferred tax benefit	**31.12.2021**	**31.12.2020**	**Change**
Other	17 446	23 865	-6 419
Total	**17 446**	**23 865**	**-6 419**
Deferred tax/(Deferred tax benefit) (22% / 22%)	**3 838**	**5 250**	**-1 412**

Note 6 Other operating expenses

The company has no employees. Neither the chairman of the Board, nor the general manager, has any bonus agreement or any severance pay agreement.

The following is related to renumeration to auditor:

Breakdown of auditing fees (Figures in NOK 000)	2021	2020
Statutory auditing services	1 107	340
Other non-auditing services	0	6
Tax advisory services	0	226
Total	**1 107**	**572**

Auditing fees are stated including VAT.

Note 7 Specification of financial income and expenses

(Figures in NOK 000) **Financial income**	**2021**	**2020**
Group Contribution form Ekornes AS	194 851	168 010
Other interest expenses	405	688
Total financial income	**195 256**	**168 698**
Net gains (losses) on foreign exchange	0	42
Financial expenses		
Interest expenses Bond	160 549	182 391
Interest expenses to Ekornes AS*	22 588	0
Other interest expenses	5	1
Total financial expenses	**183 142**	**182 393**

*Interest expenses to Ekornes AS. See note 2 for more information.

Note 8 Bond

Senior Secured Bond at 31 December 2021
In April 2019, Ekornes QM Holding AS issued a stock exchange bond to refinance the Group. The bond was listed on Oslo Stock Exchange 10 July under the name "Ekornes QM Holding AS 19/23 FRN FLOOR C" , Ticker: EKO01.

The bond is secured with a share pledge in Ekornes QM Holding AS. No instalments are payable before maturity in October 2023 and interest expenses are paid quarterly. NIBOR is adjusted at the end of each quarter and at 31. December 2021 the coupon was 7.58%. For first quarter 2022 the coupon is 7.95%.

Currency (Figures in NOK 000)	**NOK**
Issue Amount	2 000 000
Nibor 3M	0,58 %
Margin	7,00 %
Coupon	7,58 %
Tenor / redemption:	54 months /4,5 years
Settlement Date:	02.04.2019
Maturity Date:	02.10.2023

The changes in interest-bearing debt through the period 1. January to 31. December 2021 are as follows:

External interest-bearing debt (Figures in NOK 000)	**Bond**
Opening balance 1.1.2021	**2 001 348**
Capitalization	9 096
Closing balance external debt 31.12.2021	**2 010 444**

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

Ekornes has call options to redeem the bond with the first expiry date in April 2022. The bond matures in October 2023. The Group is in the process of evaluating a refinancing process to find an optimal long-term financing structure.

Financial covenants related to the bond
The bond agreement is subject to a set of financial covenants, including a minimum liquidity of NOK 125 million and a maximum leverage ratio of Net debt / Adj. EBITDA starting at 5.25x for year 1 and 2,5.00x for year 3, 4.50x for year 4 and 4.00x for year 5, with equity cure (max. 3 times) counting as EBITDA for the subsequent three quarterly reporting periods. The covenants are measured quarterly on a 12-month rolling basis for Ekornes QM Holding Group.

During the fourth quarter of 2021 and as at 31 December 2021, Ekornes was compliant with all covenant requirements in the bond agreement. The leverage ratio at the end of the fourth quarter 2021 was 3,42, well within prevailing requirements.

Note 9 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 Company's financial position and which should have been reflected in the financial statements here presented.

Statement pursuant to section 5-5 of the securities trading act

We hereby confirm that the annual accounts for the Group and the company for 2021 to the best of our knowledge have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and the company taken as a whole.

The Directors' report gives a true and fair view of the development and performance of the business and the position of the Group and the company, as well as a description of the principal risks and uncertainties facing the Group.

Oslo, 6 April 2022

The Board of Directors of Ekornes QM Holding AS

Ruihai Zhao
Chair of the Board

Mogens Falsig
Director and CEO

To the General Meeting of Ekornes QM Holding AS

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Ekornes QM Holding AS, which comprise:

- The financial statements of the parent company Ekornes QM Holding AS (the Company), which comprise the balance sheet as at 31 December 2021, the income statement and statement of cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The consolidated financial statements of Ekornes QM Holding AS and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2021, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flow for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion:

- the financial statements comply with applicable statutory requirements,
- the financial statements give a true and fair view of the financial position of the Company as at 31 December 2021, 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, and
- the financial statements give a true and fair view of the financial position of the Group as at 31 December 2021, 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 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 the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in

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Statsautoriserte revisorer, medlemmer av Den norske Revisorforening og autorisert regnskapsførerselskap

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

To the best of our knowledge and belief, no prohibited non-audit services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided.

We have been the auditor of the Company for 4 years from the election by the general meeting of the shareholders on 28 September 2018 for the accounting year 2018.

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. The business activities are largely unchanged compared to last year. We have not identified regulatory changes, transactions or other events that qualified as new Key audit matters for our audit of the 2021 financial statements. The *impairment assessment of intangible assets* continues to be an important focus area in our audit.

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment intangible assets	
Ekornes QM Holding Group (Group) has recognized goodwill of NOK 1 561 million, brand name of NOK 1 521 million and customer relationship of NOK 1 162 million in the balance sheet as of 31 December 2021. The goodwill and other intangible assets are related to the acquisition of Ekornes AS in August 2018. Goodwill with an indefinite useful life is subject to impairment assessments annually. The Board of Directors have carried out an impairment assessment as of 31 December 2021 and concluded with no recognition of impairment loss in the income statement for 2021. Goodwill and other intangible assets are allocated to groups of cash generating units identified in accordance with two of the Group's operating segments, Stressless and IMG. The impairment assessment of goodwill showed that the recoverable amount was higher than carrying amount for both segments, and that consequently no impairment was required.	We obtained and reviewed management's impairment assessment of goodwill. The documentation contained an assessment of the cash generating units and key assumptions applied by management. We considered whether the model contained the elements and methodology required by IFRS. We found the model to be reasonable and in accordance with our expectations. Our procedures to evaluate management's impairment assessment included challenging key assumptions such as revenue growth, operating margins, reinvestments and changes in net working capital. We assessed the reasonableness of the prognosis for the two segments compared to historical performance, budgets approved by the Board, management forecast and long-term strategic plans. We also considered external available information relevant to the industry and our own knowledge of the industry. In order to assess the reasonableness of the discount rate applied by management, we compared key components with external market data. All together, we found management's conclusion and assumptions to be within a reasonable range. Further, we evaluated the adequacy of the disclosures to the financial statements and found them to appropriately explain management's valuation

(2)

The valuations require that management apply judgement related to, among other, future cash flows and discount rate applied. We focus on this area due to the magnitude of the amount of goodwill and other intangible assets recognised and due to judgements made by management when determining the assumptions applied to support the valuation of goodwill and other intangible assets.

We refer to disclosures in note 11 for the Group's accounting policy for impairment of goodwill and other intangible assets, and where the Board of Directors explain their valuation process for the Group's goodwill and other intangible assets.

process and the uncertainties inherent in some of management's assumptions.

We also compared the booked value of the intangible assets against the acquisition price of the non-controlling interest of 9.5 % in the group. This transaction involved two independent, professional parties. On a 100 % basis, this acquisition price reflects a higher value than the acquisition price in 2018 of which the value of the goodwill is based upon. This supports our assessment of no need for any impairment of the value of goodwill and other intangible assets in 2021.

Other Information

The Board of Directors and the Managing Director (management) are responsible for the information in the Board of Directors' report and the other information accompanying the financial statements. The other information comprises information in the annual report, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the information in the Board of Directors' report nor the other information accompanying the financial statements.

In connection with our audit of the financial statements, our responsibility is to read the Board of Directors' report and the other information accompanying the financial statements. The purpose is to consider if there is material inconsistency between the Board of Directors' report and the other information accompanying the financial statements and the financial statements or our knowledge obtained in the audit, or whether the Board of Directors' report and the other information accompanying the financial statements otherwise appears to be materially misstated. We are required to report if there is a material misstatement in the Board of Directors' report or the other information accompanying the financial statements. We have nothing to report in this regard.

Based on our knowledge obtained in the audit, it is our opinion that the Board of Directors' report

- is consistent with the financial statements and
- contains the information required by applicable legal requirements.

Our opinion on the Board of Director's report applies correspondingly to the statements on Corporate Social Responsibility.

(3)

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for the preparation and true and fair view of the consolidated 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 Company use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations. The consolidated 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.

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 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 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 and the Group'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 and the Group 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 a true and fair view.

- 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.

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

Report on compliance with Regulation on European Single Electronic Format (ESEF)

Opinion
We have performed an assurance engagement to obtain reasonable assurance that the financial statements with file name 52990054TSRF5YXFTY82-2021-12-31-en.zip have been prepared in accordance with Section 5-5 of the Norwegian Securities Trading Act (Verdipapirhandelloven) and the accompanying Regulation on European Single Electronic Format (ESEF).

In our opinion, the financial statements have been prepared, in all material respects, in accordance with the requirements of ESEF.

Management's Responsibilities
Management is responsible for preparing, tagging and publishing the financial statements in the single electronic reporting format required in ESEF. This responsibility comprises an adequate process and the internal control procedures which management determines is necessary for the preparation, tagging and publication of the financial statements.

Auditor's Responsibilities
For a description of the auditor's responsibilities when performing an assurance engagement of the ESEF reporting, see: https://revisorforeningen.no/revisjonsberetninger

Bergen, 6 April 2022
PricewaterhouseCoopers AS

Jan Roger Hånes
State Authorised Public Accountant

(6)

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