



EKORNES®

# Annual report

EKORNES QM HOLDING | 2022





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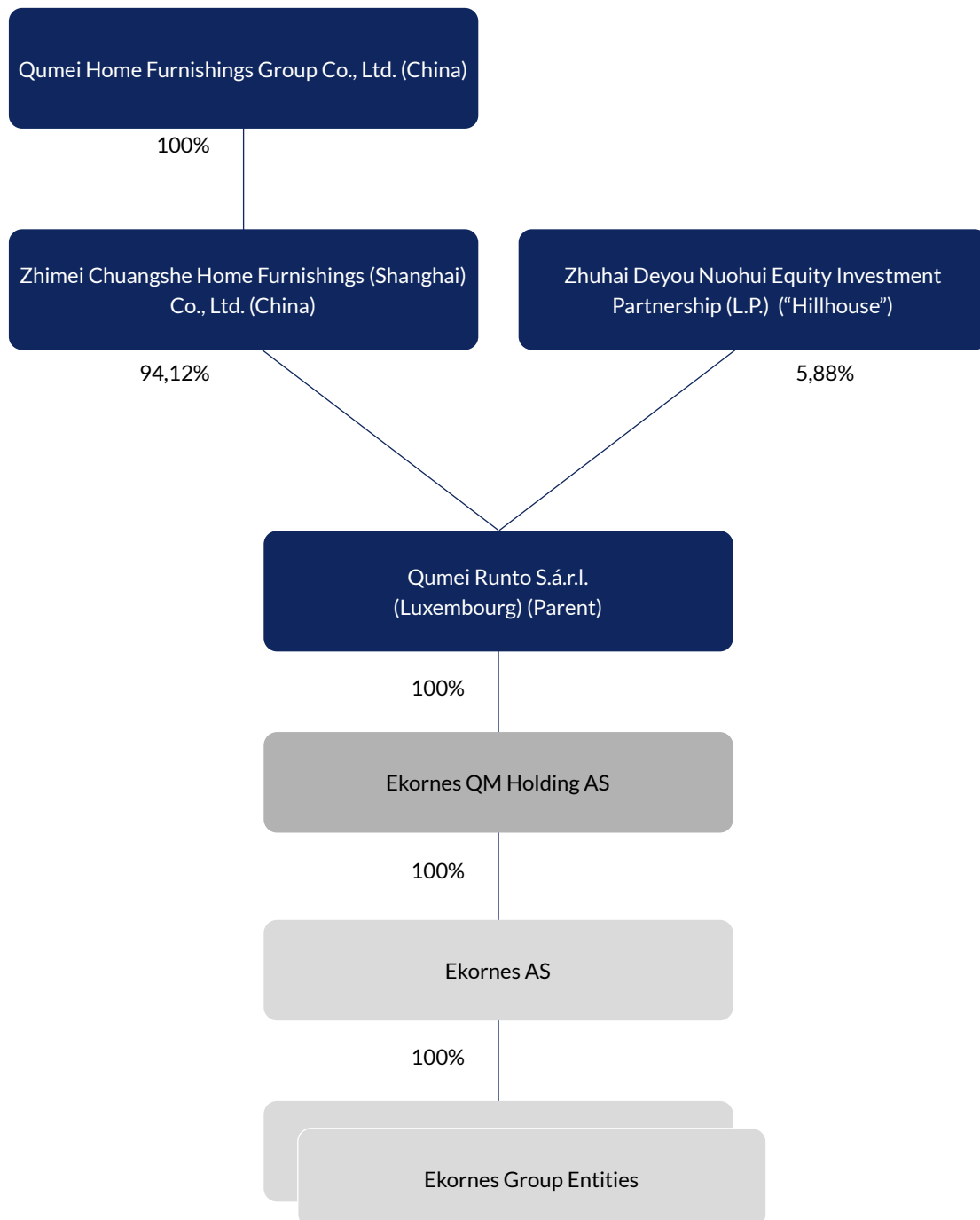
## Company history and ownership

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

Norwegian ultimate parent company Ekornes QM Holding AS is a subsidiary of Qumei Home Furnishings Group. Qumei Home Furnishings Group owns 94,12% and Hillhouse investment owns 5,88% of the shares in Qumei Runto S.á.r.l. Qumei Runto S.á.r.l. owns 100% of the shares in Ekornes QM Holding AS.

The Ekornes Group is the only operational part of the Ekornes QM Holding Group. The consolidated financial statements comprise the financial statements of the parent company Ekornes QM Holding AS and its subsidiaries as at 31 December 2022. Ekornes QM Holding AS had as at 31 December 2022 100% shareholding and voting rights in Ekornes AS who in its turn has a 100% ownership share and voting rights for all other consolidated companies.

## Ownership chart as at 31 December 2022





# Group management

## **FREDRIK ØDEGÅRD NILSEN (1988)**

### **CFO and Interim CEO**

**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.

Interim CEO of Ekornes since November 2022. CFO of Ekornes since April 2021. Member of Ekornes Group Management since August 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 Division, 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.





**JANNE STRØMMEN (1972)**

**SVP Marketing**

**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.

SVP Marketing of Ekornes and member of Ekornes Group Management since January 2022.



**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. Member of Ekornes Group Management since March 2020. Left Ekornes in March 2023.



**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.

# Group management

## **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 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.



## **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 Product Development of Ekornes since January 2022. Member of Group Management since March 2020.







**GURI BRENNHOVD (1973)**

**SVP Commercial Nordic**

**Education:** Bachelor in Sales and Marketing from Norwegian School of Management.

**Experience:** 25 years of experience from sales, category and marketing responsibility of well-known brands (Samsung, Electrolux, Sharp, Apple Computer and Expert Norge) within the retail/ consumer electronics industry. Her last position was as the Managing Director of Wilfa Norway.

SVP Commercial Nordic and member of Group Management since August 2022.



**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 member of Ekornes Group Management since autumn of 2017.



**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.



## Yue Qiu (1990), Director

**Position:** Vice President in Hillhouse Capital.

**Education:** MSc in Finance and Private Equity from London School of Economics.

**Board memberships:** Board observer in Jiangxiaobai.

**Experience:** Senior Associate in the Carlyle Group London office, responsible for numerous private equity investments across Europe and APAC. Board observer in Brintons and Akari Care.





**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:** Production 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 for the Ekornes Group

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

## Anti-corruption policy – UNs Global Compact

Ekornes has endorsed the UN Global Compact since 2009.

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

The UN Global Compact is based on openness, both with respect 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](http://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 [www.ekornes.no](http://www.ekornes.no). Everyone within the company has a duty to follow up and comply with these regulations. Managers in all parts of the company have a special responsibility for their follow-up.

## Code of Conduct for the Ekornes Group

1. 'Objectives and Values', company regulations, employment contracts and job descriptions also contain ethical rules with which the Ekornes Group complies. The rules contained in this overview should therefore not be considered exhaustive with respect to the Group's ethical standards.
2. A duty of confidentiality contained in company regulations, employment contracts or job descriptions does not prevent you from informing a superior should you become aware of breaches of regulations, legislation or rules laid down by the authorities. This also applies to internal guidelines, provisions or issues that might harm Ekornes' reputation or other parties' trust in Ekornes.
3. Ekornes shall comply with the laws, rules and regulations in the countries in which Ekornes companies have been established or in which business connections have been established.
4. In all contact with suppliers of raw materials, machinery, subsidiary materials and services of any kind, and contact with customers and other business connections, we shall aspire to honesty, integrity, openness, as well as correct and responsible business conduct. The objective is to arrive at the best offer for Ekornes.

5. Ekornes or employees of Ekornes shall not 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.

### **Organization 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 IR.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.

# Sustainability report

## Ekornes and sustainability

The Ekornes Group has made quality furniture for more than 80 years, always with uncompromising focus on delivering the best possible comfort. Sustainability is part of our heritage and today an integral part of our business strategy. We aim to make more from less and continue to produce long-lasting quality products that reduce the environmental footprint through its 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.

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

- Create quality furniture that last for generations and increase the quality of life.
- Value our customers, suppliers, employees, and stakeholders and treat them fair.
- Secure sustainable growth.

Ekornes use the UN Sustainable Development Goals (SDGs) as a compass and we set our direction towards six of these. They are naturally connected to our focus areas and thus link our strategy to global and common ambitions for sustainability.

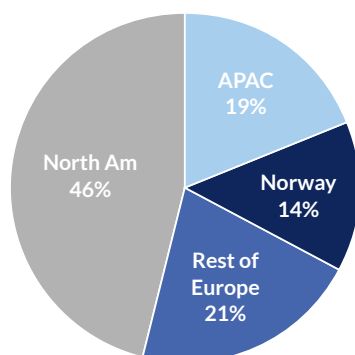


## Business model and strategy

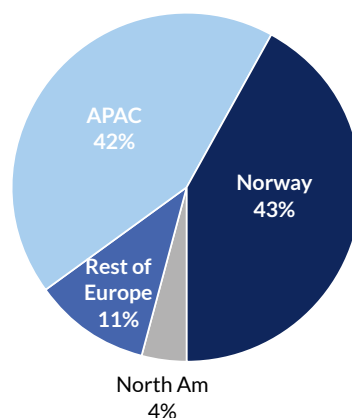
Ekornes is the largest furniture maker in the Nordics with head office in Sykkylven on the west coast of Norway. The Group develops and produces furniture that are marketed under the brands Stressless®, Svane® and IMG and also Ekornes® for the contract market. Stressless® is one of the world's most recognized furniture brands, while the brands Ekornes® and Svane® are the most well known in Norway. IMG is mainly marketed in the USA, Australia and New Zealand.

Ekornes has a global footprint and sales in 48 markets. The Group has 19 sales offices in 13 countries and more than 4,000 sales points globally, generating annual revenue of nearly NOK 5 billion. There are 8 factories located across Norway, the US, Thailand and Lithuania with a workforce of around 3,000.

Group Revenues



Group Employees





The Group's products are managed and designed in Norway, while production is spread across the factories depending on product line, proximity to end-user markets and cost levels. About 40% of the workforce is in Norway, while the remainder is spread internationally at our production locations and sales offices.

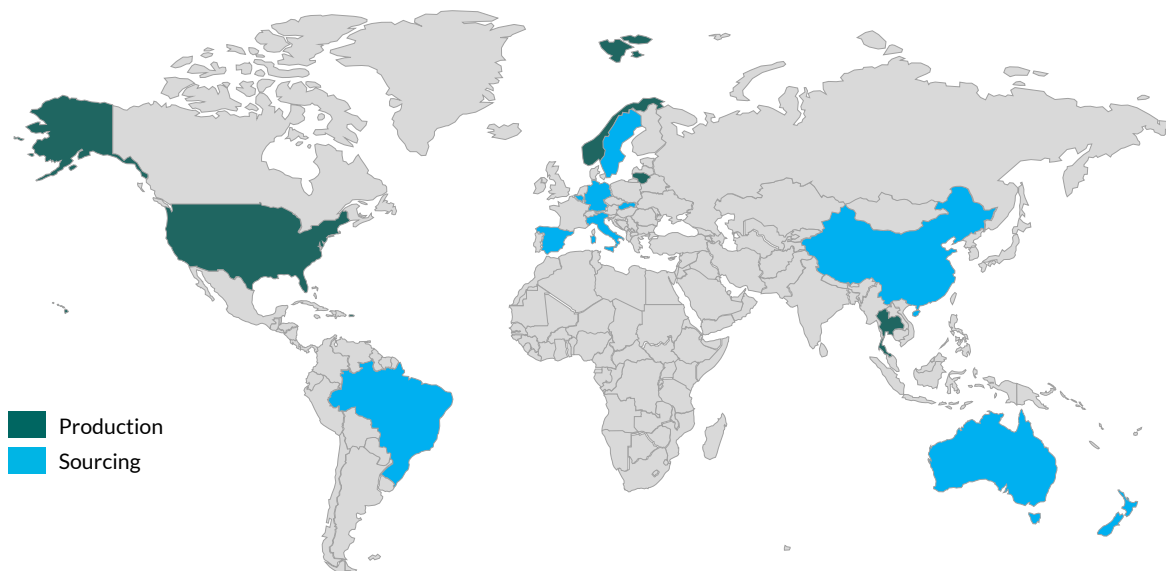
Ekornes has always focused on producing high quality products, with long lasting comfort and a good secondhand value. The Group has a circular perspective on product design, which means sourcing certified raw materials, designing the furniture with a focus on end-of-life separability, as well as recycling and reusing byproducts from the production processes. Environmental Product Declarations (EPDs) are key tools in managing the environmental impact through the products' lifespan.

Ekornes' strategy is to continue to build on its strong market brands to generate continued and profitable growth. The Group continues to focus highly on innovation and is continuously developing new products and concepts. Ekornes has historically enjoyed strong market positions in the Nordics, Europe and North America, and is in the process of developing stronger market positions in the Asia Pacific region.

### A transparent value chain

Ekornes sources its raw materials from around the globe. The key inputs are wood, leather hides, plastics, foam, steel and textiles. The final products are manufactured at the eight production facilities and transported to the end-markets. Ekornes focus on short production cycles as products are generally made-to-order, which reduces overall inventory levels.

### Ekornes production and raw materials sourcing



The sourcing of leather is likely to be impacted by the EU Deforestation Regulation (EUDR), which will lead to increased focus on deforestation issues in the leather value chain. Ekornes sources leather from several countries, with hides mainly coming from Brazil. Ekornes maintains an active policy towards its suppliers regarding animal welfare and deforestation. The focus of traceability has further increased with the Leather Working Group (LWG) targeting it as focus area. Ekornes continue to support this work as an active participant. In 2022, the Rainforest Association also contacted Ekornes regarding the leather value chain and its possible impact on deforestation.

Ekornes sources wood from European forests, mainly Slovakia and Germany. In 2021, Ekornes decided to use only materials certified by the Forest Stewardship Council (FSC) in our products to ensure that they 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. The Tynes facility in Norway was certified during 2022, enabling complete certified laminated wood components from raw material to finished product. For 2023, the target is to FSC-certify two sales companies in the Ekornes organization.

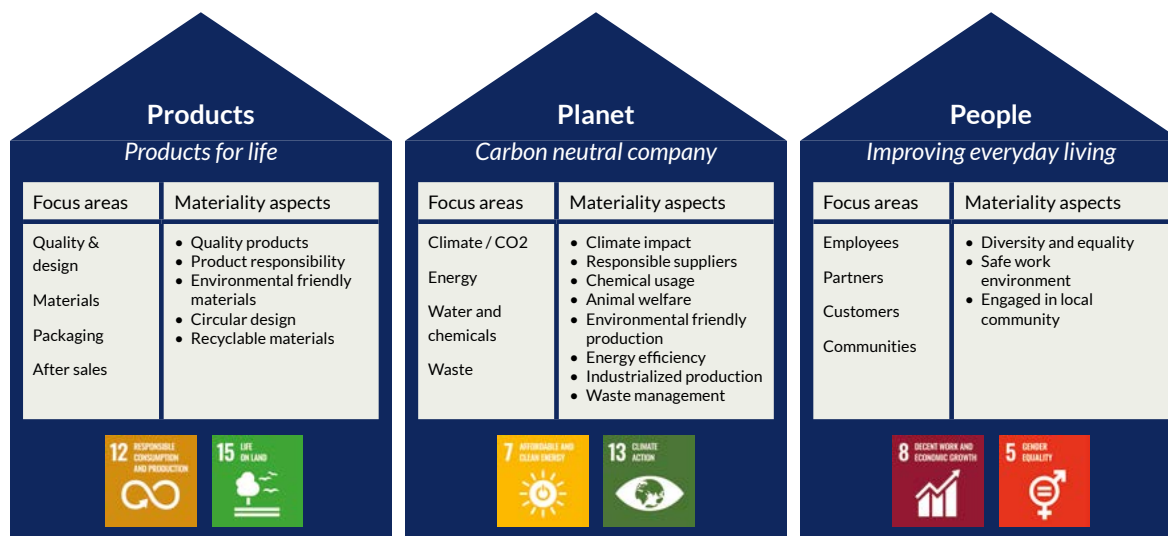
# Sustainability report

Ekornes sources textiles mainly from Norway, Belgium, China and Italy. The focus for Ekornes has been towards using durable textiles with high quality standards, as well as Oeko-tex certified textiles. Recently, environmental certificates have been prioritized and certification standards such as GOTS and GRS have been accepted in the Ekornes value chain.

The availability of wood is subject to risks related to geopolitics, as well as world trade patterns. Ekornes stopped sourcing wood from Russia from 2022. Earlier, Ekornes had the country on its internal watchlist due to corruption risks. The changes in world trade patterns have resulted in a change of wood construction materials due to somewhat restricted levels of availability. Certification is also an issue, as it is not always easy to obtain FSC certified materials to meet Ekornes' target of more than 70% of inputs from certified sources.

## Material sustainability matters

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



The material aspects relating to our products are i) quality, ii) product responsibility, iii) environmentally friendly materials, iv) circular design and v) recyclable materials.

As a company, Ekornes has the responsibility to reduce the impact our operations have on the climate and the environment, which means attention to climate impact, energy efficiency, water usage, chemicals usage, waste management, as well as animal welfare.

With a large workforce spread over many countries and cultures, we have a strong focus on diversity and equality, a safe working environment and local community engagement.

## Stakeholders

Ekornes' stakeholder analysis was updated in 2023 and includes nine categories of stakeholders, each with their specific needs and expectations when it comes to our operations. Their inputs are incorporated into our ISO 9001:2015 quality management system, which in turn specifies certain impact areas that must be considered at all risk scenarios.

Stakeholder	Needs and expectations
<b>Customers</b>	Our customers are found both as dealers and end-users (consumers). The right product at the right time is key to both categories. Dealers need the products delivered according to specifications and in accordance with laws, regulations and standards, while consumers need products without harmful chemicals. Dealers expect products that enable profitability, as well as good marketing support, communications, and efficient claims handling. Consumers will have high expectations based on marketing and expect a healthy indoor environment
<b>Suppliers</b>	Our suppliers need prompt payment of deliveries and expect good communications, adequate specifications, and predictability.
<b>Industry associations</b>	Our industry associations need adherence to agreements and tariffs and expect our participation in expert groups, initiatives, projects, and events that aim for the good of the industry. Information sharing is also important.
<b>Authorities</b>	Ekornes needs to comply with legal requirements, to handle non-conformities and to report pursuant to legal requirements. The authorities expect good communication and transparency from us.
<b>Certification organizations</b>	These organizations require adherence to standards and expect good communication, transparency, and adequate handling of non-conformities.
<b>NGOs</b>	These expect a proactive stance towards environmental, social and ethical matters, as well as transparency and honesty.
<b>Local communities</b>	Their needs are focused on production without unlawful noise and pollution and expect activity and jobs, as well as support for voluntary organizations and clubs.
<b>Employees</b>	The workforce needs proper working environments and salaries according to tariffs and agreements. They expect safe and stable jobs, respect for their expertise and personal development, as well as a good working environment.
<b>Owners</b>	Our owners need delivery of our products at the right time and with the right quality, as well as high profitability. They expect good earnings and that the company develops over time.
<b>Media</b>	The media expect honest business practices that follow laws and regulations, as well as avoidance of unnecessary pollution. Communication must be transparent.

Ekornes regularly engages with their stakeholders in various forms and their feedback is used to further improve our performance and to inform our quality management system.

## Sustainability governance and risk management

Sustainability has been integrated into our business since our inception 80 years ago. Ekornes has always sought to make products that last for generations through using solid materials and excellent craftsmanship. Today, this is more important than ever.



# Sustainability report

Ekornes is a member of the UN Global Compact, implementing global and general principles for labour rights, human rights, anti-corruption and sustainable production that protects the environment.

The following key points are always part of our business:

- Ekornes is environmentally conscious, and our products shall have the lowest possible environmental impact
- Ekornes aims to minimize the risks related to health and safety at the workplace
- Ekornes invests to avoid damage to the environment and people
- Environmental information, such as EPDs, shall be publicly available
- Ekornes shall inform in a transparent and factual way on how the company manages its environmental responsibility.

We have an extensive set of policies to ensure that we manage out material sustainability matters in line with the above principles:

## 1. Ekornes Code of Conduct

The Code covers all areas of ethical business conduct and anti-corruption, as well as accounting and internal control.

## 2. Supplier Code of Conduct

The Code covers all areas of labour and human rights, child labour, discrimination, health & safety, living wages, environmental regulations and corruption and bribery. It is based on the principles of the UN Global Compact, as well as international standards and benchmarks.

## 3. Environmental Policy

The policy outlines Ekornes' commitments to increase resource efficiency and product longevity through circular designs, transparency in environmental reporting and sets clear targets for key parameters relating to climate change and environmental impacts.

The Board of Directors has oversight of Ekornes' approach to and management of sustainability matters and considers this as an integral part of the corporate strategy. There are dedicated resources at the management level.

Sustainability issues are evaluated continuously, and any non-conformities are reported in our system. KPIs are evaluated together with production management monthly.

Ekornes has a risk management system where risks are evaluated on several levels. The mapping of environmental risks is evaluated at least annually on department levels. Risks related to the supply chain are evaluated on an annual basis and generates a supplier audit program for the following year. We also perform an internal SWOT analysis, where sustainability matters are part of several aspects of the analysis.

## Climate and the environment

The issues of climate change and protection of the environment are integral to Ekornes' business and strategy. Our vision "Ekornes for life" means creating products for life and aiming to be a carbon neutral company.

To create products for life means designing products for the future with the view of reuse and recyclability to minimize the life cycle impact on climate and the environment. It also means a constant focus on product quality to ensure that our products do not need to be replaced often. Everything from raw materials, design, packaging, the utilization of byproducts in production to separability of components at the end-of-life stage works together to achieve this goal.

Ekornes strives to reduce emissions related to our production processes through the focus on energy efficiency and renewable energy sources wherever possible. Related to this is a focus on responsible suppliers, water usage, chemicals usage and emissions and waste reduction.

Ekornes is convinced that our future success depends on our ability to continue to produce long-lived quality furniture with a circular design in the most climate- and environmentally friendly way.

## Impacts, risks and opportunities

Ekornes' operations impact on the climate and the environment in several ways and the key issues are managed through monitoring performance and setting targets for reduction:

- GHG emissions from production processes, primarily related to energy consumption
- GHG emissions from transportation of raw materials and finished products
- Water use in the production processes
- Pollution from the use of chemicals in the production process
- Consumption of virgin raw materials such as wood and leather hides

These are all areas subject to our efforts to reduce our overall climate and environmental footprint.

The key risks from a climate and environmental perspective are related to the above matters but there are also stand-alone issues that Ekornes needs to address, such as:

- Production costs may increase due to rising energy prices, for example through lack of renewable energy availability and from increased carbon pricing on fossil fuel sources
- Transport and distribution costs may increase due to a lack of alternatives to fossil fuels for transportation, for example through higher carbon taxes
- Regulatory requirements regarding emission levels and waste treatment may result in higher costs and the need for investments
- Disruption in the supply chain due to physical climate change, such as adverse weather events, droughts and so forth
- Disruption in the supply chain due to increased focus on certified environmentally friendly materials
- Changing customer demand patterns with increased focus on the use of non-virgin raw materials, circularity, and low life-cycle emissions

As a company with a long history in incorporating sustainability into our business and strategy there are also opportunities for Ekornes to capture:

- Providing certified products with low life-cycle climate and environmental emissions
- Providing products based on circular designs and on a high degree of recycled materials
- Sourcing certified, environmentally friendly raw materials
- Maintaining a constant quality focus to ensure long-lived products with less replacement needs
- Reducing our footprint in the value chain through new or better transportation methods

## Policies

Ekornes has an environmental policy that sets out our commitments, with clear ambitions and targets within climate and environmental matters and specifically to:

- Continuously and transparently improve our environmental performance to reduce our impact on the environment
- Adhere to all regulatory requirements, as well as our own demands, through managing our environmental performance according to ISO 14001 standards
- Choose proper materials with long life cycles and as much as possible from recycled resources
- Design our products with a circular perspective
- Ensure a high degree of environmental consciousness and competence in the Group and among our suppliers
- Cooperate with research and development organisations, authorities and other organizations nationally and internationally
- Provide transparency on environmental information, for example through EPDs

These commitments are further granulated into specific targets outlined below.

## Actions and action plans

As an extension of our corporate strategy, our assessment of material issues related to climate change and the environment, as well as our policy commitments, result in several initiatives and plans aiming at achieving our targets.

# Sustainability report

## Energy efficiency

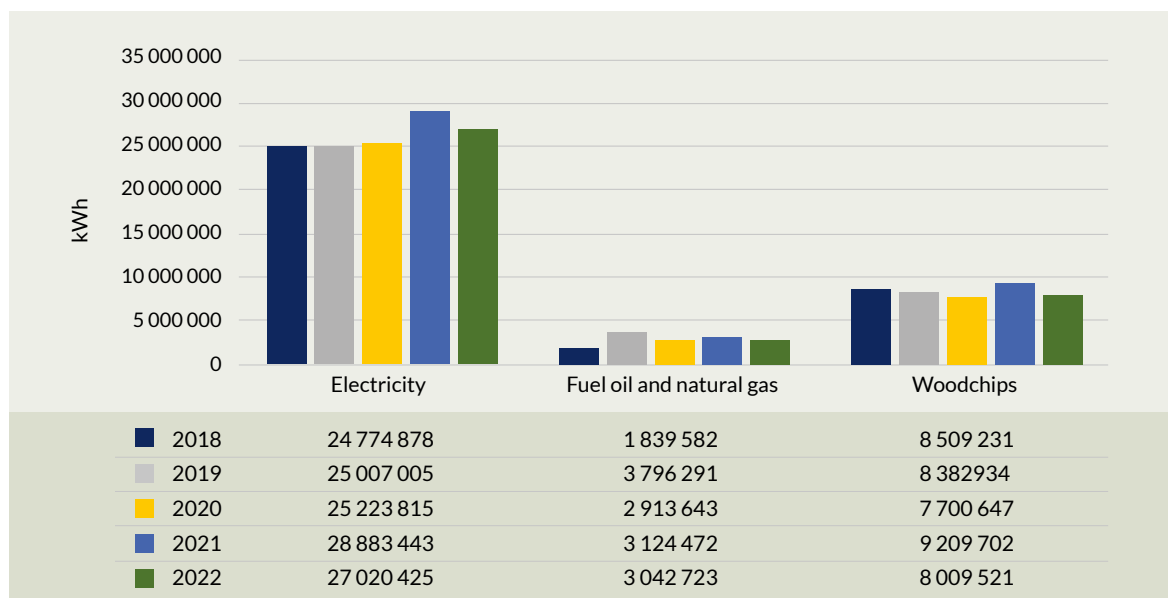
Our production facilities consume a high level of electricity in the production of our quality products. For all Ekornes production facilities in Norway, the energy consumed in 2022 was based on 100% renewable hydropower. This has been certified in accordance with the EU Renewable Directive. Despite 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 and achieved a reduction of 15% by 2022. 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, with 2015 as a baseline.

The main levers to achieve this goal are:

- Solar panels for our Thailand facility
- Using woodchips from the manufacturing process as bioenergy for heating
- Switching to LED lights
- Insulation
- Energy management systems

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



## Water usage

Stressless® main facility is located at Ikorntnes close to the Sykkylvsfjord. 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 are delivered to an approved recipient. In recent years, the factory in Thailand has increased the recirculation of water from its surface coating facilities to reduce the overall water consumption.

Water is an important resource for our production. Throughout 2022, Ekornes measured several of its sources of water consumption and set 2022 as baseline for targets. On the sources measured, Ekornes aims to reduce the consumption with 10% before 2027.



## Green transport plan

Transport materially affects our carbon footprint. Ekornes has a goal to ship >70% of its outbound transportation on ships, which something that reduces the total carbon footprint per produced seat and the impact on the road infrastructure. During 2022, Ekornes achieved 58% percent of the transportation from Ikorntnes with ships.

Local transportation in Norway is by road and Ekornes has, together with its transportation supplier DB Schenker, made an agreement to secure a biofuel transportation line between Oslo and Ikorntnes, which will indirectly reduce our carbon footprint. The transportation line was started in February 2023 in parallel with a third-party fueling station in nearby Ålesund.

Ekornes is also building up a fleet of electrical vehicles for its inhouse transportation and took delivery of the first units in 2021. In 2022 Ekornes tested an electric truck from Volvo, and the focus is still on increasing the number of internal electrical vehicles.

Ekornes has a development project with Norwegian Hydrogen regarding the use of hydrogen from the Hellesylt Hydrogen facility for the external transportation fleet when this facility is ready for operation.

Launched in 2022, the most ambitious project is for an autonomous vessel for container transportation between Ikorntnes harbour and Ålesund harbour. As a zero-emission vessel, this will reduce local emissions and lower the impact on local infrastructure from traditional transportation.

## Circularity

Ekornes is 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 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 2022, Ekornes launched washable and removable covers for the Stressless® Dining products. Using 3D knitting technology, the climate footprint of these covers has been reduced by 15 %, compared to traditional upholstery production. The technology reduces waste and enhances the circularity for the consumer, as the covers can be changed.

In the Ekornes longevity project, the main aim is to make the products as circular as possible through making spare parts more available through designing products for separability and designing disassembly instructions.

Moreover, Ekornes has a focus to utilize byproducts from the furniture production. One of the resources that are recycled on site, directly into the production cycle, are offcuts of foamed plastic. The offcuts are collected, shredded and remolded. We are also currently running an external project to recycle textile fibers from production into new fibers, to reduce waste and increase recycling rate.

In addition to reusing some by-products from the 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 continuously seeks 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. Through 2022 there was a low volume of leather offcuts sold to other producers. We therefore offered a lot of our offcuts for schools and local initiatives to ensure value creation of our byproduct.

## Quality products

Long lasting products reduce life cycle emissions and environmental impacts. Ekornes has always focused on producing high quality products with long shelf lives and follows the requirements for strength, stability and security set by the Norwegian "Møbelfakta". This is a Norwegian industry initiative to promote high furniture standards. Quality Certification of furniture requires extensive quality testing by an accredited furniture testing laboratory according to specifications in accordance with international standards (EN standards). These standards meet European requirements. Furthermore, Ekornes tests towards international requirements to ensure that our products are compliant in all 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 done in interdisciplinary collaboration with manufacturing and purchasing.

# Sustainability report

## 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. Chemical usage is monitored, evaluated, and controlled by an internal resource group. During 2022 Ekornes performed ten substitute changes on chemicals with focus on health, safety and the environment.

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. The Tynes facility was certified during 2022, ensuring that only certified laminated wood components are used in production. For 2023, the target is FSC certify two sales companies. One issue that is slowing this process is the lack of availability of certified materials due to global economic headwinds.

## Recycled packaging

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

During 2022, Ekornes started using recycled plastic materials in the plastic bags used in the Stressless packaging. Our policy is that all packaging shall contain recycled materials, including cardboard, EPS and plastic. The enhanced recycling rate matches governmental requirements in several of the selling markets.

## Partnerships for sustainable development

Ekornes actively seeks partnerships to enhance our ability to meet our own and the overall society's goals 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 value chains 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 lab's main goal is to help partners achieve The UN Sustainable Development Goals
- EUROPUR CIRCULAR GROUP Organisation for producers of polyurethane foam, putting challenges regarding furniture and pur-material on the agenda.
- CEN (European Committee for Standardization) committee member for the development of an international standard for circular furniture.

## Targets and performance

Ekornes' targets for climate and environmental performance are part of our Environmental Policy and are natural extensions of our strategy and commitments:

Description	Baseline year	Target year	Target	2022
Recycling rate in Stressless® production	n.m.	2025	> 90%	73%
Group recycling rate	n.m.	2030	100%	74%
Share of outbound transportation on ships	n.m.	2024	> 70%	63%
Energy usage per product	2015	2030	- 40%	-29%
GHG emissions Scope 1 and 2	2015	2030	-55%	5%

During 2022, Ekornes managed to reduce overall energy consumed by 6%, compared to 2021. This was despite a significant rise in revenues (+ 14%) and production (+8%), so that the energy intensity per revenue unit declined by 18% from 2021. We are now getting closer to reducing our energy usage per product by 40% within 2030.

The energy mix changed slightly as the woodchip boiler at the Ikornes facility was out of operation and heating oil was used as a temporary substitute.

Scope 1 and 2 GHG emissions declined by 13% (location based) and 15% (market based) from 2021. The CO<sub>2</sub>e intensity, measured as Scope 1 and 2 market-based GHG emissions, declined by 25% from the previous year because of our targeted efforts.

Scope 3 GHG emissions increased 57% year-on-year due to a resumption of air travel after the Covid-19 pandemic subsided.

Total waste volumes declined by 12% during 2022, despite increased production volumes, so that the waste intensity was down 19% from 2021.

## Social

Ekornes has 2,945 employees in 19 countries and production facilities at eight locations in four countries. Our workforce is diverse and multicultural and represents our most important resource. Our employees' alignment with our culture, history and strategy is what will drive the company forward.

To ensure such alignment, Ekornes needs to offer a healthy and safe working environment to all. Our focus on maintaining strong credentials in avoiding accidents and incidents and to ensure the health and wellbeing of our employees, is therefore a prerequisite for the company to maintain strong operating performance.

Offering fair and equal opportunities regardless of gender, ethnicity or religion is a requirement for our operations across the world and key to attract talented personnel. Producing furniture to our high-quality standards is demanding and Ekornes places great emphasis on having a workforce with continuity and continuous training.

### Equality and non discrimination

Our people strategy states that we shall be a truly inclusive workplace, with genuine diversity, where the term is interpreted broadly - everything that makes people and groups unique and different from each other. The workplace should be a place to thrive and where people help each other to reach their full potential. Ekornes should also be a place where people stay, where it is safe, fair, and with well-functioning social dialogue.

Broken down more concretely in the strategy, this means that we are working to attract more diverse talent, while offering different career paths to our employees, and ensuring an increased share of women at management level.

### Inclusive culture

At Ekornes, we are actively working across our organisations to increase understanding of the role we all play in creating an inclusive culture.

We are not there yet, but we are continuously working to promote an inclusive work environment where every employee is included, feels comfortable being themselves, feels a sense of belonging and is valued.

We know that this creates unquestionable value for our customers, our employees and society at large. Diverse backgrounds and different perspectives provide a more complete basis for decision-making, leading to more robust decisions, and underpinning our core values.

Our internal employee surveys/work environment surveys confirm that we have an inclusive work environment and that the company treats employees equally, regardless of gender, ethnicity, national origin, sexual orientation, skin colour, language, religion, beliefs, etc.

# Sustainability report

## Personal growth and development

Prioritising the personal growth and development of our employees is a key success factor for us at Ekornes. We invest heavily in the further development of our employees and in creating the most stimulating and equal working environment possible.

## Policies

Our approach to social matters is anchored in the UN Global Compact principles and clearly stated in the company's Code of Conduct:

- Protection of internationally proclaimed human rights
- Uphold the freedom of association and recognize the right collective bargaining
- Elimination of all forms of forced and compulsory labour
- Abolishment of child labour
- Elimination of discrimination in employment and occupation

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). The company makes an annual statement of equality and non-discrimination for the legal companies Ekornes AS and Ekornes Beds AS in Norway, which is available from the company's website [www.ekornes.com/nb-no/samfunnsansvar](http://www.ekornes.com/nb-no/samfunnsansvar).

Ekornes works systematically with its value chain pursuant to its Supplier Code of Conduct. The Code includes a requirement for suppliers to have management systems that ensure compliance, specifying requirements relating to 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 anti-bribery provisions.

## Actions and action plans

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, contributing to lower absentee rates. One way of providing individual adaptation is through the Green working stations. These working stations are designed to ease work for employees with smaller disabilities.

Ekornes has had 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.

The company also strives to have a close cooperation with employee trade unions on all matters, which ensures constructive dialogue and contributes positively to operations.

## Targets and performance

### Ekornes has several objectives within HSE:

1. **Ekornes** shall have a zero injuries and accidents. This means that we shall work to avoid work-related injuries each year.
2. **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.
3. **Ekornes** has a goal to have zero impositions from external controls/ inspections through pro-active HSE management.

The health and safety parameters showed a negative development during 2022 with a meaningful increase in lost time injuries, as well as an increase in the sickness absence rate. These factors will require renewed attention going forward.



HEALTH AND SAFETY		2020	2021	2022	% '22/21
<b>Employee Hours</b>					
Hours worked	Mill. hrs	5,0	7,1	7	-2 %
Lost time injuries (LTI)	#	17	30	33	+10 %
Total recordable injuries (TRI)	#	57	72	72	0 %
Lost time injuries frequency (LTIF)	# / mn hrs	3.4	4.2	4.7	+12 %
Total recordable injuries rate (TRIF)	# / mn hrs	11.4	10.1	10.3	+2 %
Total fatalities	0%	0%	0%	0%	0%
Sickness absence rate	%	2.5%	3.5%	4.2%	+20%

## Business conduct

Ekornes has endorsed the UN Global Compact since 2009 and has been a member of the UN Global Compact's Nordic network since 2012. Participation in the network enables Ekornes to exchange experiences with other businesses with social responsibility high on the agenda.

Supply chain governance is of particular importance to Ekornes. We want to ensure that we only source materials and inputs from suppliers that adhere our principles with regards to human rights, labour rights and business conduct.

Ekornes takes great pride in our ability offer furniture with the highest quality and the lowest possible climate and environmental footprint possible. A key factor is to source materials from responsible sources, also from a labour and human rights perspective.

## Policies

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

Ekornes conducts its business activities responsibly, and operates in compliance with all relevant laws, regulations and strict ethical norms. This is embedded in our Code of Conduct, where the main principles relating to business conduct are:

- Compliance with the laws, rules and regulations in the countries where Ekornes companies have been established or in which business connections have been established.
- Ekornes shall aspire to honesty, integrity, openness, as well as correct and responsible business conduct in all contact with suppliers of raw materials, machinery, subsidiary materials and services of any kind, and in contact with customers and other business connections.
- Ekornes or employees of Ekornes shall not take part in bribery or its equivalent to achieve special advantages or access to such.
- Business connections 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.
- Suppliers and business connections shall under no circumstances receive information about other suppliers and business connections via Ekornes.
- Employees of Ekornes shall only participate in trips, dinners and events arranged by suppliers and business connections 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.

# Sustainability report

- 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.
- 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, as well as documented and recorded in accordance with appropriate accounting standards.

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

## Actions and plans

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 reflect the Ekornes Supplier Code of Conduct. Additionally, Ekornes performs specific due diligence analysis on different input materials, such as wood materials.

The annual supplier audit evaluation has several parameters that are considered in relation to their risks to the company:

- Economic significance to Ekornes
- Single, dual or plural sourcing possibilities
- Criticality of supplies
- Acceptance of the Ekornes Supplier Code of Conduct
- Country of administration or production (risks based on CPI score, EPI score, HDI rank and child labour risks from Unicef)
- Delivery precision and quality

The audit program is set based on an overall score. The audits are generally performed by third parties, but Ekornes also performs our own audits through the use of the internal audit group. Since Ekornes is also a member of LWG, we also rely on the audits performed by LWG on our leather suppliers.

One of Ekornes main areas of focus within the sustainability strategy is traceability and transparency. Ekornes has worked for several years with risk management of our supplied components. Ekornes continuous work with risk management in the value chain and the obligation to report on the Norwegian transparency act ("åpenhetsloven") can be found at [www.ekornes.com/en/sustainability](http://www.ekornes.com/en/sustainability)

This sustainability report for the fiscal year of 2022 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 2022 is additionally our Communication on Progress (COP) for 2022 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

TARGETS RELATED TO CLIMATE AND THE ENVIRONMENT	Baseline year	Target year	Target	2022	22 vs Target
<b>Production Numbers</b>					
Recycling rate in Stressless® production	n.m.	2025	> 90%	73%	
Group recycling rate	n.m.	2030	100 %	74 %	0%
Share of outbound transportation on ships	n.m.	2024	> 70%	58 %	n.m.
Energy usage per product	2015	2030	- 40%	-29%	n.m.
GHG emissions Scope 1 and 2	2015		- 55%	-5 %	n.m.
<b>Revenue (NOK million)</b>		<b>3 482</b>	<b>4 318</b>	<b>4 928</b>	

CLIMATE PERFORMANCE	Unit	2020	2021	2022	Chg '22/21
<b>Production Numbers</b>					
Number of seats and beds produced	#	315 435	402 846	435 944	
Total production	#	315 435	402 846	435 944	8%

<b>ENERGY</b>					
<b>Energy Consumption</b>					
Coal and coal products	MWh	0	0	0	n.m.
Crude oil and petroleum products*	MWh	426	557	641	15%
Natural gas	MWh	249	224	539	140%
Other non-renewable sources	MWh	2 642	2 859	2 356	-18%
Nuclear products	MWh	0	0	0	n.m.
Purchased or acquired electricity, heat, steam and cooling from non-renewable sources	MWh	3 805	5 254	4 693	-11%
<b>Total non-renewable energy consumption</b>	<b>MWh</b>	<b>7 122</b>	<b>8 895</b>	<b>8 229</b>	<b>-7%</b>
Fuel consumption from renewable sources	MWh	0	0	0	n.m.
Consumption of purchased or acquired electricity, heat, steam and cooling from renewable sources	MWh	22 095	24 255	23 524	-3%
Consumption of self-generated non-fuel renewable energy	MWh	345	765	0	-100%
Total renewable energy consumption	MWh	22 440	25 020	23 524	-6%
Share of renewable sources in total energy consumption	%	76%	74%	74%	
Direct Energy Consumption	MWh	3 317	3 640	3 536	-3%
Indirect Energy Consumption	MWh	26 245	30 274	28 217	-7%
Total Energy Consumed	MWh	29 562	33 915	31 753	-6%
Energy Intensity	MWh/NOKm revenue	8,5	7,9	6,4	-18%

\* Woodchip boiler at Ikorannes facility out of operation. Crude oil used as heating in emergency

# Sustainability report

CLIMATE PERFORMANCE	Unit	2020	2021	2022	Chg '22/21
<b>GHG EMISSIONS</b>					
<b>Scope 1 GHG Emissions</b>					
Gross Scope 1 GHG emissions	tCO <sub>2</sub> e	883	984	916	-7%
<b>Scope 2 GHG Emissions</b>					
Gross location-based Scope 2 emissions	tCO <sub>2</sub> e	2 449	3 243	2 765	-15%
Gross market-based Scope 2 emissions	tCO <sub>2</sub> e	8 370	3 943	3 288	-17%
Total GHG emissions (Scope 1 + Scope 2, Market Based)	tCO <sub>2</sub> e	9 253	4 927	4 204	-15%
Carbon Intensity (Scope 1 + 2, Market Based)	tCO <sub>2</sub> e/NOKm revenue	2,7	1,1	0,9	-25%
<b>Scope 3 Emissions**</b>					
- From employee business travel	tCO <sub>2</sub> e	63	66	247	272%
- From waste production	tCO <sub>2</sub> e	412	514	664	29%

\*\* Increase due to use of airtravel

ENVIRONMENTAL PERFORMANCE	Unit	2020	2021	2022	Chg '22/21
<b>Waste</b>					
Hazardous waste generated*	Mt	182	165	150	-9%
Hazardous waste diverted from disposal	Mt	182	165	150	-9%
Hazardous waste directed to disposal	Mt	0,0	0,0	0,0	n.m.
Non-hazardous waste generated	Mt	4 007	5 011	4 383	-13%
Non-hazardous waste diverted from disposal	Mt	3 346	4 159	3 220	-23%
Non-hazardous waste directed to disposal**	Mt	661	852	1 164	37%
Total waste generated	Mt	4 188	5 177	4 533	-12%
Total waste diverted from disposal	Mt	3 528	4 325	3 370	-22%
Total waste directed to disposal	Mt	661	852	1 164	37%
Recycling rate Svane and Stressless facilities	%	80%	83%	73%	-10%
Recycling rate Group	%	84%	84%	74%	-9%
<b>Waste Intensity</b>					
Hazardous waste per produced unit	Mt	0,0	0,0	0,0	-1,1
Total waste per produced unit	Mt	0,0	0,0	0,0	-19%

\* Included electronic waste

\*\* Reduced ability to recycle leather waste



Social Disclosures	Unit	2020	2021	2022	% '22/21
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#### HEALTH AND SAFETY

##### Employee Hours

Hours worked	Mill. hrs	5,0	7,1	7,0	-2%
Lost time injuries (LTI)	#	17	30	33	10%
Total recordable injuries (TRI)	#	57	72	72	0%
Lost time injuries frequency (LTIF)	# / mn hrs	3,4	4,2	4,7	12%
Total recordable injuries rate (TRIF)	# / mn hrs	11,4	10,1	10,3	2%
Total fatalities	#	0	0	0	n.m.
Sickness absence rate	%	2,5%	3,5%	4,2%	20%

WORKFORCE, DIVERSITY, TRAINING	Unit	2020	2021	2022	% '22/21
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##### Number of employees

Total number of permanent employees	#	2 846	3 221	2 945	-9%
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##### Employees by region

Norway	%	50%	40%	43%	
International	%	50%	60%	57%	

##### Employees - by age in Norwegian facilities

< 30	#	n.a.	n.a.	217	
30-39	#	n.a.	n.a.	238	
40 - 49	#	n.a.	n.a.	305	
50 - 59	#	n.a.	n.a.	324	
> 60	#	n.a.	n.a.	183	

##### Employees - by gender in Norwegian facilities

Male	#	n.a.	808	763	66%
Female	#	n.a.	516	5,4	-100%
Male	%	n.a.	74%	60%	
Female	%	n.a.	26%	40%	

Social Disclosures	Unit	2020	2021	2022	% '22/21
<b>BUSINESS CONDUCT</b>					
<b>Human rights and corruption</b>					
On-site audits of suppliers on human rights	#	0	3	2	
Self-directed audits of suppliers on human rights	#	0	0	2	
Human rights violations recorded	#	0	0	0	
Proportion of workforce completed human rights training	%	0	0	0	
Proportion of workforce completed anti-corruption training	%	0	0	0	
Anti-corruption violations recorded	#	0	0	0	
Whistleblower incidents recorded	#	0	0	0	



# The Board of Directors

Ekornes QM Holding AS

# The board of directors

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## **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), representative 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

The strong market momentum from 2021 continued into 2022 with record-high sales during the first months, before consumer demand for home furnishing gradually returned to pre-pandemic levels during the year. While higher prices and increased sales lifted revenues from last year, earnings were negatively impacted by the sequential slowdown and global cost inflation.

During the extraordinary period the previous years, with macroeconomic uncertainties and rapidly shifting market conditions, Ekornes has increased capacity and optimized operations and supply chains while remaining financially solid. This has supported timely and reliable deliveries and limited the impact from supply chain disruptions.

However, the supply chain shocks arising from the pandemic, the energy crisis in Europe and the war in Ukraine have led to high inflation globally. In response, central banks have increased interest rates, weakening demand. As seen across the industry, this has severely increased Ekornes' cost base, particularly within raw materials and transportation, thus putting pressure on margins. Ekornes has during 2022 taken several mitigating initiatives, mainly through repricing efforts and capacity adjustments.

Although early indicators show improved demand in 2023, cost levels have continued to rise. In response, the company has launched several initiatives to protect profitability and stay competitive through the "Focus 23" programme. The objective of the programme is to increase margins and efficiency, reduce the company's cost base and to safeguard cash flow. Initiatives include portfolio optimization, further price increases, renegotiations with partners and suppliers and rightsizing of operational capacity to align with prevailing consumer demand. Combined, the programme targets cost reductions of NOK 200 million by the end of 2023, ensuring a more resilient business model.

Ekornes has historically handled periods of global downturns well, enabled by a robust operating model, strong brands and a comprehensive distribution network. The initiated measures will protect long-term profitability while optimizing operations across segments and markets, positioning Ekornes to maintain its strong market position and customer attractiveness.

The Group views resilience and flexibility as key enablers to ensure sustainable operations and long-term competitiveness. The ability to deliver relevant products with short delivery times is core to Ekornes and has been crucial for the strong performance during challenging periods. The Group remains

focused on efficient production, developing innovative and relevant products and maintaining the strong market positions to secure future, profitable growth for Ekornes.

## Company history and ownership

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

Norwegian ultimate parent company Ekornes QM Holding AS is a subsidiary of Qumei Home Furnishings Group. The Qumei group owns 94.12% of the shares in Qumei Runto S.à.r.l and Hillhouse owns the remaining shares.

Qumei Runto S.à.r.l owns 100% of the shares in Ekornes QM Holding AS. The Ekornes Group is the only operational part of the Ekornes QM Holding Group. The consolidated financial statements comprise the financial statements of the parent company Ekornes QM Holding AS and its subsidiaries as at 31 December 2022. Ekornes QM Holding AS had as at 31 December 2022 100% shareholding and voting rights in Ekornes AS who in 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, positioning itself 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 are located at Ikkornes



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 eight factories as follows: Norway (5), Thailand (1), the USA (1) and Lithuania (1).

As at 31 December 2022, Ekornes employed a total of 2 945 people, of which about 40% were employed in Norway.

### Financial performance

Ekornes QM Holding Group generated operating revenue of NOK 4 928 million in 2022, up 14% from NOK 4 318 million in 2021. The increase compared to 2021 was driven by higher prices and increased sales, particularly during the first half of the year, while the second half of the year was affected by a sequential slowdown.

Sales were higher in all segments except Svane®. Underlying sales revenue from the Stressless® segment was NOK 3 646 million (3 167), revenue from IMG was NOK 994 million (850), while revenue from Svane® amounted to NOK 288 million (301).

Total operating expenses for the year amounted to NOK 4 573 million, a 20% increase from NOK 3 804 million in 2021, mainly reflecting increased capacity and higher activity.

Cost of goods sold increased 35% to NOK 1 632 million (1 205), corresponding to a 33% share of total revenues (28%). The increase is due to higher production volumes, as well as substantially increased raw material costs.

The higher activity also resulted in an increase of payroll expenses, amounting to NOK 1 289 million for the year, compared with NOK 1 210 million in 2021. While overall expenses increased, payroll expense's share of total revenues was down 2 percentage points to 26%.

Other operating expenses, including transportation, sales and marketing costs, ended at NOK 1 309 million (1 083), with the increase mainly related to campaigns and extraordinary marketing activities towards the end of the year. As a share of operating revenues, other operating expenses were 27%, up from 25% in 2021.

In 2022, research and development costs totalling NOK 49,6 million (NOK 45,7 million in 2021) 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 2022 (NOK 0.0 million in 2021).

Operating earnings (EBIT) for the full year 2022 came in at NOK 355 million, compared to NOK 514 million in 2021. This corresponds to an EBIT margin of 7.2%, down from 11.9% in 2021. The decrease in earnings mainly reflects an overall higher cost base.

Net financial items were negative at NOK 190 million (-176). These include financial expenses of NOK 264 million (191), partly offset by net gains from foreign exchange of NOK 39 million (6) and financial income of NOK 34 million (9).

Earnings before tax for the year ended at NOK 165 million (338). Tax expenses amounted to NOK 27 million (64), which gave a net result for 2022 of NOK 139 million (274).

### Cash flow

Net cash flow from operating activities in 2022 was NOK 341 million. Cash flow was driven by good underlying operational performance, partly offset by paid taxes of NOK 140 million.

Net cash flow from investing activities during the year was negative at NOK 145 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 at NOK 112 million, all related to payment of lease liabilities and repayment of borrowings.

Net change in cash and cash equivalents during the year was NOK 83 million, and as at 31 December 2022, the total holding of cash and cash equivalents stood at NOK 429 million.

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

### Financial position

At the close of 2022, the Group's working capital\* totalled NOK 1 482 million, compared with NOK 1 389 million the year before. During the year, inventory decreased by NOK

75 million, while receivables increased by NOK 25 million. Trade payables decreased by NOK 142 million.

As at 31 December 2022, Ekornes had total assets of NOK 8 105 million, compared with NOK 8 090 million 12 months earlier. Book value of properties, plants and equipment amounted to NOK 1 476 million. Total intangible assets totalled NOK 4 379 million, of which brand name and goodwill accounted for NOK 1 480 million and NOK 1 561 million, respectively.

Total equity amounted to NOK 3 356 million, corresponding to an equity ratio of 41%, up from 38% the year before.

As at 31 December 2022, total interest-bearing debt amounted to NOK 3 058 million, down from NOK 3 098 million at the end of 2021. This included a NOK 2 020 million bond loan and NOK 1 038 million in bank loan facilities with DNB and Sparebanken Møre. Ekornes was compliant with all covenants in the bond agreement as at 31 December 2022, including minimum liquidity of NOK 125 million and a maximum leverage ratio of 5.25. Available short-term credit facilities amounted to NOK 150 million.

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

\*Working capital = trade receivables + inventory - trade payables

### Financial covenants and bond agreement

The new bond agreement is subject to a set of financial covenants, including a maximum leverage ratio of 8.0 and a minimum liquidity of NOK 350 million on a consolidated basis. The liquidity, included undrawn and available amounts under any credit facilities which may be applied towards working capital or general corporate purposes of the Group.

The covenants are measured quarterly on a 12-month rolling basis for Ekornes QM Holding Group.

Ekornes has call options to redeem the bond every six months with the first expiry date in September 2024. The bond matures in September 2026.

See note 6 for more details on interest-bearing loans and credit facilities.

### 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 2022.

### Allocation of net profit

It is proposed that the company Ekornes QM Holding AS's loss for the year, in the amount of NOK 9.5 million, be transferred from 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 2022 financial year and the company and Group's financial position at the close of the year.

### Risk exposure and risk management

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

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

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

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

Ekornes has production facilities in Norway, Lithuania, Thailand and the USA. This implies that the company’s market, currency and sourcing risks are naturally diversified, at the same time as the company’s competitiveness is affected by changes in exchange rates versus the NOK. The Group seeks to minimize this risk by various forms of hedging, including currency forward contracts.

Product development and the launch of new concepts are part of Ekornes’ growth strategy. How the market responds to new products is always uncertain. In addition, there is always a risk of unforeseen operational problems which may result in costs and earnings deviating from predictions.

#### **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 regulations 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, when 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 1% 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. Loans at floating interest rates constitute an interest rate risk for the Group’s cash flows. The Group has a stable financial structure.

#### **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's production is considered to represent a slightly higher operational risk than Stressless® production.

#### **Supplier risk**

A crucial 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® for the full year 2022 continued the strong momentum from last year, with an overall revenue growth of 15%. However, with markets gradually moving back to normalized pre-pandemic levels, momentum softened during the year, with quarterly sales growth gradually decreasing and fourth quarter revenues ending down 7% compared to the corresponding period in 2021.

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 2022.

Full-year operating revenue for Stressless® ended at NOK 3 646 million, up from NOK 3 167 in 2021.

Operating earnings (EBIT) came in at NOK 305 million (417), corresponding to an operating margin of 8.4% (13.2%). The lower margin mainly reflects higher costs, including raw material and transportation. Further, revenue growth for the Stressless® segment during the year was driven by increased sales for Stressless® sofas, products with more

labour-intensive production processes with corresponding lower margins. In addition, earnings were impacted by inventory write-downs.

Ekornes is continuously evaluating its product portfolio and pricing strategy to optimize the balance between prices and sales volumes.

Following a good start to the year with a strong order intake, particularly in Europe, order receipts declined towards the summer, stabilizing below 2021 levels. For the full year, order receipts for Stressless® declined 10%.

The wide product offering of Stressless® is a key success factor in the European markets. During the year, classic recliners posted stable sales accompanied by growing demand for power sofas. To further optimize operational efficiency, Ekornes continued to utilize IMG capacity for the most labour-intensive processes, including assembly of Stressless® power sofas, reducing lead times and supporting stable and reliable deliveries. Stressless® Dining maintained a positive development with solid growth as the rollout to new markets continued.

While the impact from the Covid-19 pandemic dwindles, uncertainties from the war in Ukraine and the cost-of-living crisis remain. In the Nordics, order receipts were down 9% during the year and the first half year of 2023 is expected to be challenging in the region.

After a strong first half of the year with continued growth in order intake, Stressless® sales in the North American markets softened during the second half with order receipts for the year as a whole ending down 23% from 2021.

Development during the year was impacted by retailers selling from inventories and continued supply chain issues following the Covid-19 pandemic. In addition, the North American markets were affected by tighter household finances driven by high inflation and rising interest rates.

However, Stressless® has over the last two years strengthened its position as a premium brand in this region and keeps delivering robust sales despite the challenging market environment, with power products in the Stressless® line-up continuing to perform well.

Developments in Asia were mixed during the year, mainly due to variations in Covid conditions in the respective markets. While sales in Australia and New Zealand picked

up gradually during the year, the Chinese market was heavily impacted by Covid-19 related restrictions, leaving major cities in lockdown with logistics and deliveries from warehouses suffering from the situation.

Ekornes remains positive to the Chinese market and continues to build a wide Stressless® distribution network of a broad range of showrooms channelling traffic to major flagship stores. During the year, more than 20 new showrooms opened in major cities, strengthening the strategic ambitions of Stressless® in China.

With demand returning to pre-pandemic levels, combined with a general slowdown in the global economy, the sales and order development is expected to soften going forward. Addressing the situation, Ekornes is taking actions to right-size Stressless® production capacity through workforce reductions, bringing the organization back to pre-pandemic levels.

Inflated prices of input material and higher logistics and distribution costs have increased the overall cost base. While Ekornes has a sharp focus on customer and partner needs, the Group is implementing further price increases to mitigate the effects of increased costs.

While increased costs came into effect immediately, measures taken to increase prices take longer to materialize, impacting margins in the short term.

The ability to deliver relevant products with short delivery times is core to Ekornes and has been crucial for the performance of the Group, supported by a comprehensive distribution network and a favourable diversification of raw material sourcing and market presence. However, to optimize production and maintain economies of scale, Ekornes will focus on product portfolio refinement to improve margins going forward.

### **IMG**

IMG continued the strong performance in 2022, with sales increasing 17% to NOK 994 million year-over-year. Order intake was stable throughout the year, though down 26% compared to 2021, due to large orders with major US retailers received during the second quarter 2021.

North America remains the largest market for IMG, driven by distribution enhancement as well as growth in established channels. Representing the strongest performance for the year 2021, North America was the cornerstone for IMG's development also in 2022.

As for Stressless®, development in the Asian markets varied. In Australia and New Zealand, IMG continued to capitalize on its strong market position, while sales in China were heavily impacted by Covid-related restrictions, particularly during the third quarter. Europe continued to post solid percentage growth off its small base, while the Nordics remains the most challenging region with a small decline in like-for-like revenue for the year.

Operating earnings ended at NOK 62 million (93), corresponding to a margin of 6.2% (10.9%). The decrease is mainly related to higher prices on input material and increased costs related to transport and logistics.

It is clear that the furniture market has softened in most regions and especially so in North America, where news of inventory overload across retail sectors has been in focus. Orders across all regions outside of the expansion markets in Europe softened toward the end of the year, with Q4 orders 27% lower than in Q4 2021. North America and China remained especially challenging in terms of order development due to high inventories in the USA and Covid-19 restrictions in China. The order backlog moving into 2023 is significantly lower than in the preceding year, which will drag on revenue in early 2023.

Combined with continued cost inflation, increasing interest rates and tighter household finances, markets are expected to revert to pre-pandemic levels. Adapting to the market development, IMG has taken steps to match production capacity to current and short-term demand to maintain efficient operations by concentrating operations in Thailand, discontinuing activities in Vietnam, and by workforce reductions. Entering 2023, IMG will release a range of new product concepts and options that will support the order development in 2023. These actions are targeted towards both established and new markets.

### **Svane®**

After a positive start of the year with order intake and revenues picking up from 2021, sales performance during the year was increasingly impacted by weaker markets in general and reduced consumer spending on durable goods with overall living costs rising.

Operating revenue for the year ended at NOK 288 million, down 4% from NOK 301 million in 2021. Operating earnings (EBIT) were negative at NOK 9.9 million compared with positive NOK 5.9 million in 2021, mainly due to a higher cost base, including increased raw material and logistics costs.



The Norwegian mattress market remains highly competitive, with aggressive pricing and heavy marketing campaigns. The increased cost of living has favoured low-cost alternatives to the Svane® offering. Supply chain issues have further impacted the availability of crucial raw materials, resulting in delays and longer lead times.

Following a positive start of the year, the development in the Danish and Central European markets softened during the course of the year as consumer spending eased and fewer shoppers appeared in stores. The trend was addressed by marketing campaigns, particularly for low-priced products. Finland and Sweden remained challenging, as demand to a large extent was skewed towards products outside the Svane® offering. The tide turned somewhat towards the end of the year, driven by new contracts with large retailers on the back of a renewed strategy in these markets.

Demand for beds is expected to remain impacted by strong inflation and constrained consumer finances going forward. To adapt to the situation, Svane® is focusing on reducing costs while launching tailored marketing and discount campaigns to boost sales. In addition, further improving the Svane® offering while launching new products under the Stressless® brand is expected to provide a strong foundation going forward.

### Production

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

The overall 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.

During the sequential slowdown during the second part of 2022, production was reduced at some of Ekornes' production facilities. Ekornes has also leveraged synergies through cross-productional collaboration between production sites during the year. Production capacity may also be rightsized through adjustments in working hours or 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 based on the arm's length principle.

No other material transactions were undertaken with related parties during the 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 2022, Ekornes employed a total of 2 945 people. 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 33 lost-time injuries in 2022, compared with 30 injuries in 2021. This gives an H1-value for the period of 4.7, compared to 4.2 the year before.

The Group had a sickness absence rate of 4.2% in 2022, compared to 3.5% the year before.

See the chapter "Sustainability report" and section "Social" for more information.

### Sustainability

The Ekornes Group has made quality furniture for over 80 years. Sustainability has been part of our heritage and history throughout that time. 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.

See the chapter "Sustainability report" 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 organizing and performing the company's financial reporting and for its content/quality. Together with supervision of the organization 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 have 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 have 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.

### **The Transparency Act**

The act relating to enterprises' transparency and work on fundamental human rights and decent working conditions (the Transparency Act) entered into force on 1 July 2022. The Transparency Act is applicable to the Ekornes Group, and the group must comply with obligation of the Transparency Act as of 1 July 2022.

The core of the Transparency Act is the companies' duty to carry out due diligence on fundamental human rights and decent working conditions in line with the OECD Guidelines for Multinational Enterprises. The duty to carry out due diligence requires the Company to identify, assess, prevent, and mitigate possible adverse impacts on fundamental human rights and decent working conditions. The due diligence shall include an assessment of the Company's own operations, its supply chains and business partners.

The Transparency Act further imposes an obligation on Ekornes to publish an account of the information the group has become aware of during its due diligence. The purpose is to ensure the public access to information about the Group's due diligence and the result of thereof. The board of directors will ensure that the group publish the account in accordance with the guidelines of the Transparency Act before the deadline 30 June 2023. The statement will be available on <https://www.ekornes.com/en/sustainability>.

### **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 2022, Ekornes QM Holding AS had a total of 30 000 outstanding shares, all of which were held by one shareholder Qumei Runto S.à.r.l. in Luxembourg.

As at 31 December 2022, Ekornes QM Holding AS has 100% voting and ownership in all other Group companies through Ekornes AS.

### **Events after the balance sheet date**

Ekornes provided an operational update on 4 January 2023, regarding Group initiatives to adapt to the current market development and protect the Group's resilience to ensure competitiveness in markets across the world. The initiatives include the rightsizing of operations in Norway, the restructuring of activities in Asia and measures to manage cost and margin development. As a result, the organisation in Norway is being reduced by up to 190 full-time employees while the workforce in the Asia Pacific region is being downsized by up to 700 full-time employees.

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

On 2 March 2023, Ekornes QM Holding AS announced an increase in equity of NOK 352 million following a deposit from sole shareholder Qumei Runto S.à.r.l. The equity deposit strengthens the company's financial position and is a part of the company's refinancing and capital structure optimisation.

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 presented here.

### **Outlook**

Ekornes' long-term ambition is to grow revenues profitably and responsibly. While the company delivered record sales for the year, the second half saw sales decline to more normalized levels with order receipts slowing. Although demand for quality furniture is expected to be firm in the longer term, the outlook for the first part of 2023 is challenging. Nevertheless, with order receipts of NOK 447 million in January 2023, the second highest ever, there are grounds for some optimism going forward.

In early January, Ekornes announced initiatives to adapt to the current market development and protect the Group's resilience to ensure competitiveness in markets across the world. The "Focus 23" project include the rightsizing of operations in Norway, the restructuring of activities in Asia, as well as further measures to manage cost and margin development, as well as cash flows, and will be the primary focus for the Group during 2023. It is expected that the effect of these initiatives will result in improved margins and profitability from the second half of 2023. By the end of the year, Ekornes targets cost reductions of NOK 200 million and a reduction of working capital of NOK 300 million.

The Group remains focused on maximizing operational efficiency across all activities. This includes leveraging synergies through cross-production collaboration between production sites such as utilizing IMG capacity for labour-intensive Stressless® operations. The Group also expects to finalize the concentration of Asian operations in Thailand in the first quarter of 2023, improving the overall value chain in this region.

Ekornes has a solid financial position, with strengthened liquidity and a refinanced capital structure of bond and bank debt. Combined with efficient production, strong brands and innovative product development, Ekornes is positioned to maintain its strong market position and attractiveness towards customers and end-users in the long term.

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Oslo, 27 April 2023

The board of Ekornes QM Holding AS

Ruihai Zhao  
Chair

Mogens Falsig  
Director and CEO





## Ekornes QM Holding Group

# Consolidated financial statements

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# Consolidated income statement

(Figures in NOK 000)	Notes	Y 2022	Y 2021
<b>Operating revenues</b>	2	<b>4 928 153</b>	<b>4 317 868</b>
Cost of goods sold	14	1 632 158	1 205 332
Payroll expenses	3, 4	1 289 020	1 209 578
Depreciation and write downs	11, 12	319 551	319 274
Other operating expenses	5, 6, 12	1 308 720	1 082 817
Net other losses (gains)	20	23 254	-13 166
<b>Total operating expenses</b>		<b>4 572 702</b>	<b>3 803 835</b>
<b>OPERATING EARNINGS</b>		<b>355 451</b>	<b>514 032</b>
<b>Financial income and expenses</b>			
Financial income	7	33 905	8 999
Net gains (losses) on foreign exchange	7	39 459	6 087
Financial expenses	7	263 697	191 067
<b>Net financial items</b>		<b>-190 333</b>	<b>-175 981</b>
<b>Earnings before tax</b>		<b>165 118</b>	<b>338 052</b>
Tax expense	8	26 559	64 108
<b>EARNINGS FOR THE YEAR</b>		<b>138 559</b>	<b>273 944</b>
<b>Earnings are attributable to:</b>			
Controlling interests		138 559	246 241
Non-controlling interests		0	27 702
Basic earnings per share	9	4 618,62	9 131,46
Diluted earnings per share	9	4 618,62	9 131,46

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



## Consolidated statement of comprehensive income

(Figures in NOK 000)	Y 2022	Y 2021
<b>Earnings for the year</b>	<b>138 559</b>	<b>273 944</b>
<i>Other comprehensive income</i>		
<i>Items which may be reclassified to profit and loss</i>		
Translation differences	134 326	-1 846
<b>Total other comprehensive income</b>	<b>134 326</b>	<b>-1 846</b>
<b>Total Comprehensive Income For The Period</b>	<b>272 885</b>	<b>272 097</b>

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

# Consolidated balance sheet

(Figures in NOK 000)	Notes	31.12.2022	31.12.2021
<b>ASSETS</b>			
<b>Non-current assets</b>			
Buildings and sites	11	945 227	945 664
Machinery and equipment	11	266 919	277 837
Operating movables and fixtures	11	29 259	24 478
Asset under construction	11	21 234	26 847
Right-of-use assets	12	213 383	217 321
<b>Total property, plant and equipment</b>		<b>1 476 023</b>	<b>1 492 148</b>
Software and licences	11	47 574	36 075
Goodwill	11	1 561 115	1 561 115
Customer relations	11	1 194 154	1 162 394
Brand name	11	1 480 168	1 520 841
Deferred tax assets	8	96 795	107 661
<b>Total non-current intangible assets</b>		<b>4 379 805</b>	<b>4 388 087</b>
Other receivables and investments		23 077	24 070
<b>Total non-current financial assets</b>		<b>23 077</b>	<b>24 070</b>
<b>Total non-current assets</b>		<b>5 878 906</b>	<b>5 904 304</b>
<b>Current assets</b>			
Inventory	14	1 197 183	1 272 320
Trade receivables	15	474 248	448 900
Value of forward contracts	20	0	4 130
Other short-term receivables	13	125 714	110 388
Cash and bank deposits	16	428 879	350 083
<b>Total current assets</b>		<b>2 226 024</b>	<b>2 185 822</b>
<b>TOTAL ASSETS</b>		<b>8 104 930</b>	<b>8 090 126</b>

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

## Consolidated balance sheet (contd.)

(Figures in NOK 000)	Notes	31.12.2022	31.12.2021
<b>Contributed equity</b>			
Share capital	17	120	120
Premium paid		2 807 354	2 807 354
<b>Total contributed equity</b>		<b>2 807 474</b>	<b>2 807 474</b>
<b>Retained earnings</b>			
Translation difference		193 207	58 881
Other equity		355 174	216 615
<b>Total retained earnings</b>		<b>548 381</b>	<b>275 497</b>
<b>Total equity</b>		<b>3 355 855</b>	<b>3 082 970</b>
<b>Non-current liabilities</b>			
Pension liabilities	3	7 401	7 855
Provisions		3 631	2 983
Deferred tax	8	783 786	791 052
Lease liabilities	12	171 803	176 289
Interest-bearing debt - Bond	18	0	2 010 444
<b>Total non-current liabilities</b>		<b>966 621</b>	<b>2 988 622</b>
<b>Current liabilities</b>			
Trade payables		189 918	332 135
Public charges payable		65 552	84 331
Tax payable	8	47 626	116 394
Value of forward contracts	20	2 653	0
Interest-bearing debt - Bank	18	1 037 500	1 087 500
Interest-bearing debt - Bond	18	2 020 000	0
Other current liabilities	13, 18	361 093	346 551
Lease liabilities	12	58 112	51 622
<b>Total current liabilities</b>		<b>3 782 453</b>	<b>2 018 534</b>
<b>Total liabilities</b>		<b>4 749 075</b>	<b>5 007 156</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>8 104 930</b>	<b>8 090 126</b>

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

Oslo, 27 April 2023

Ruihai Zhao  
Chair

The board of Ekornes QM Holding AS

Mogens Falsig  
Director and CEO

# Consolidated statement of cash flow

(Figures in NOK 000)	Notes	Y 2022	Y 2021
<b>Cash flows from operating activities</b>			
Earnings before tax (EBT)		165 118	338 052
Tax paid for the period	8	-139 776	-90 094
Depreciation and write downs	11, 12	319 551	319 274
Change in inventory	14	75 136	-454 183
Change in trade receivables	15	-25 348	-33 315
Change in trade payables		-142 217	88 888
Change in other time limited records		88 059	71 966
<b>Net cash flow from operating activities</b>		<b>340 523</b>	<b>240 588</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of PP&E	11	9 748	242
Payments for purchase of PP&E	11	-155 068	-109 662
<b>Net Cash flows from investing activities</b>		<b>-145 320</b>	<b>-109 420</b>
<b>Cash flows from financing activities</b>			
Payment of lease liabilities	12, 19	-61 950	-58 110
Payment of dividend	19	0	-26 877
Repayment of borrowings	18	-50 000	-12 500
Proceeds from borrowings	18	0	600 000
Transactions with non-controlling interests		0	-741 000
<b>Net cash flow from financing activities</b>		<b>-111 950</b>	<b>-238 488</b>
<b>Change in net cash &amp; cash equivalents</b>		<b>83 253</b>	<b>-107 320</b>
Effect of exchange gains / (losses) on cash and cash equivalents		-4 457	2 780
Net cash & cash equivalents at the start of the period	16	350 083	454 624
<b>Net cash &amp; cash equivalents at the close of the period</b>	<b>16</b>	<b>428 879</b>	<b>350 083</b>
Restricted cash at the end of the period		149 299	152 970
Unrestricted cash at the end of the period		279 579	197 113

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 2022 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	Sum	Non-controlling interests	Total equity
<b>Equity 31.12.2020</b>	<b>120</b>	<b>2 807 354</b>	<b>61 455</b>	<b>200 551</b>	<b>3 069 480</b>	<b>500 030</b>	<b>3 569 510</b>
Earnings for the period	0	0	0	246 241	<b>246 241</b>	27 702	<b>273 944</b>
Other comprehensive income	0	0	-2 574	0	<b>-2 574</b>	727	<b>-1 846</b>
Dividend	0	0	0	0	<b>0</b>	-17 636	<b>-17 636</b>
Acquisition of non-controlling interests*	0	0	0	-230 177	<b>-230 177</b>	-510 823	<b>-741 000</b>
<b>Equity 31.12.2021</b>	<b>120</b>	<b>2 807 354</b>	<b>58 881</b>	<b>216 615</b>	<b>3 082 970</b>	<b>0</b>	<b>3 082 970</b>
<b>Equity 31.12.2021</b>	<b>120</b>	<b>2 807 354</b>	<b>58 881</b>	<b>216 615</b>	<b>3 082 970</b>	<b>0</b>	<b>3 082 970</b>
Earnings for the period	0	0	0	138 559	<b>138 559</b>	0	<b>138 559</b>
Other comprehensive income	0	0	134 326	0	<b>134 326</b>	0	<b>134 326</b>
<b>Equity 31.12.2022</b>	<b>120</b>	<b>2 807 354</b>	<b>193 207</b>	<b>355 174</b>	<b>3 355 855</b>	<b>0</b>	<b>3 355 855</b>

### \*Acquisition of non-controlling interests

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. Ekornes QM Holding AS and Ekornes Holding AS merged in december 2021. Ekornes QM Holding AS had 100% voting and ownership of 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 Ikkornes.

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 eight factories. The Group has five factories in Norway, one in the USA, one in Thailand 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 2022 were approved at a board meeting on 27 April 2023. The consolidated financial statements were proposed for final adoption at the ordinary General Meeting on 28 April 2023.

### 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 equitable 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 2022, and Norwegian disclose requirements listed in the Norwegian Accounting Act as of 31.12.2022.

## CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

No changes in IFRS effective for the 2022 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 2022. As at 31 December 2022, 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.

## **(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 as 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 and Thailand 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 2022	Y 2021
<b>Operating revenues by product area</b>		
Stressless®	3 645 856	3 166 625
IMG	994 277	850 014
Svane®	288 021	301 229
<b>Total</b>	<b>4 928 153</b>	<b>4 317 868</b>
<b>EBITDA per segment</b>		
Stressless®	538 107	648 274
IMG	145 756	177 918
Svane®	-6 773	9 482
Other/eliminations *	-2 088	-2 368
<b>Total</b>	<b>675 002</b>	<b>833 307</b>

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

<b>EBIT per segment</b>		
Stressless®	305 368	417 483
IMG	62 041	92 989
Svane®	-9 869	5 928
Other/eliminations *	-2 088	-2 368
<b>Total</b>	<b>355 451</b>	<b>514 032</b>

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

<b>Operating revenues by market</b>		
Norway	571 429	581 181
Other Nordic	218 315	230 642
Central Europe	812 983	730 192
Southern Europe	281 147	256 216
UK/Ireland	363 632	265 336
USA/Canada/Mexico	1 888 112	1 485 265
Japan	130 845	140 435
Australia	372 786	352 894
China	159 542	150 457
Other Markets	129 362	125 249
<b>Total</b>	<b>4 928 153</b>	<b>4 317 868</b>



## Note 3 Salary and personnel expenses

(Figures in NOK 000)	2022	2021
Payroll expenses	1 082 286	1 022 502
Employer's national insurance contributions	107 471	120 100
Pensions	61 302	47 194
Other personnel costs	37 961	19 783
<b>Total personnel expenses</b>	<b>1 289 020</b>	<b>1 209 578</b>
Average number of full-time equivalents	3 330	3 069

### 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 61,3 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)	31.12.2022	31.12.2021
Accumulated pension liabilities	7 401	7 855

### 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 2022. 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 2022, as well as those retiring during 2022, are entitled to receive a bonus for 2022. For accounting purposes, the bonus is treated as a cash bonus.

See Note 4 for details of remuneration and salary paid to CEO 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 2022. The bonuses payable to CEO are included in salary in the table below. The following tables show the remuneration to CEO, as well as to the members of the boards of operating company Ekornes AS and the Group.

### Remuneration to CEO in 2022

(Figures in NOK 000)	Salary	Benefits in kind	Pension cost	Total remuneration
Roger Lunde*	9 481	184	83	9 749
Fredrik Ødegård Nilsen - Interim CEO from 23 Nov 2022	292	10	5	306
<b>Total remuneration</b>	<b>9 773</b>	<b>194</b>	<b>88</b>	<b>10 056</b>

\*CEO Roger Lunde stepped down as CEO in november 2022. The Board of Directors has appointed Fredrik Ødegård Nilsen, Ekornes' current CFO, as interim CEO and have initiated a process to identify the Company's next CEO.

### Remuneration to CEO in 2021

(Figures in NOK 000)	Salary	Benefits in kind	Pension cost	Total remuneration
Roger Lunde	4 738	127	85	4 949
<b>Total remuneration</b>	<b>4 738</b>	<b>127</b>	<b>85</b>	<b>4 949</b>

### Remuneration to Board of directors

(Figures in NOK 000)	2022	2021
<b>Total remuneration</b>	<b>3 535</b>	<b>2 465</b>

## NOTE 5 Other operating expenses

(Figures in NOK 000)

<b>Breakdown of other operating expenses</b>	<b>2022</b>	<b>2021</b>
Transport and other distribution cost	500 100	382 892
Marketing cost	213 348	208 279
Commission to representatives	101 890	92 348
Market support	74 067	69 251
ICT Cost	88 958	68 979
Maintenance expenses	52 650	52 332
Guarantee cost of returns/warranties	69 861	44 672
Other	207 846	164 064
<b>Total</b>	<b>1 308 720</b>	<b>1 082 817</b>

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

(Figures in NOK 000)

<b>Breakdown of auditing fees</b>	<b>2022</b>	<b>2021</b>
Statutory auditing services	9 962	8 658
Other certification services	44	334
Other non-auditing services	283	542
Tax advisory services	781	1 168
<b>Total</b>	<b>11 070</b>	<b>10 703</b>

Auditing fees are stated ex. VAT.

## NOTE 6 Research & Development

In 2022, research and development costs totalling NOK 49,6 million (NOK 45,7 million in 2021) 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 million in 2022 (NOK 0.0 million in 2021).

## NOTE 7 Net financial items

(Figures in NOK 000)	2022	2021
Interest income	33 878	8 992
Financial income	27	7
<b>Total financial income</b>	<b>33 905</b>	<b>8 999</b>
<b>Gain/(loss) on foreign exchange</b>	<b>39 459</b>	<b>6 087</b>
Interest expenses*	259 436	187 461
Financial expenses	4 261	3 606
<b>Total financial expense</b>	<b>263 697</b>	<b>191 067</b>
<b>Total financial items</b>	<b>-190 333</b>	<b>-175 981</b>

### \*Transactions cost amortized

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)	2022	2021
<b>Tax expense included in net result:</b>		
<b>Period taxes:</b>		
Tax payable in the period	46 586	154 398
<b>Deferred tax</b>		
Changes in deferred tax liability	-20 027	-90 290
<b>Tax expense</b>	<b>26 559</b>	<b>64 108</b>

Expensed tax payable is higher than the Group's tax payable in the balance sheet as of 31. December 2022. This is because parts of the year's tax payable in foreign subsidiaries has been paid in advance.

## NOTE 8 Tax related costs (contd.)

(Figures in NOK 000)

Reconciliation of effective tax rate:	2022	2021
<b>Earnings before tax</b>	<b>165 118</b>	<b>338 052</b>
Tax calculated at 22% (22 %)	36 326	74 371
Effect of other tax rates	929	-8 100
Permanent differences	11 281	311
Adjustment in respect of current income tax of previous years	-21 976	-2 475
<b>Tax expense</b>	<b>26 559</b>	<b>64 108</b>
Deferred tax assets	96 795	107 661
Deferred tax liabilities	783 786	791 052
<b>Net deferred tax</b>	<b>-686 991</b>	<b>-683 391</b>

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 2022, the Group had a tax-loss carryforward of NOK 13.4 million. NOK 4.2 million of this was capitalised as at 31 December 2022. Deferred tax assets relating to tax-loss carryforwards in two of our subsidiaries have not been recognised as at 31 December 2022 since the companies does not expect to utilise the loss in the foreseeable future.

Net deferred tax	2022	2021
Intangible assets	-657 504	-661 320
Property, plant & equipment	-95 964	-98 691
Inventory	46 441	50 520
Receivables	1 998	2 314
Pensions	2 886	126
Provisions	8 475	2 730
Other items	2 474	10 847
Tax-loss carried forward	4 204	10 082
<b>Net Deferred tax at 31.12</b>	<b>-686 991</b>	<b>-683 391</b>

The Group's carry forward tax deficit has the following maturity:	31.12.2022	31.12.2021
2023	0	0
2024	0	1 847
2025	0	0
2026	4 776	1 637
No final maturity date	8 590	12 214
<b>Total tax-loss carryforward</b>	<b>13 366</b>	<b>15 698</b>

NOK 4.2 million of the total tax-loss carryforard was capitalised as at 31 December 2022.

## NOTE 9 Earnings per share

	2022	2021
Profit for the period	138 558 690	273 943 721
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	4 618,62	9 131,46
Diluted earnings per share	4 618,62	9 131,46

There are no instruments with a diluting effect.



## NOTE 10 Estimation uncertainty

In the process of applying the Group's accounting policies in accordance with IFRS, management has made several judgements and estimates. All estimates are assessed to the most probable outcome based on the management's 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 losses 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
<b>Acquisition value 1.1.2022</b>	<b>1 797 608</b>	<b>1 188 632</b>	<b>117 114</b>	<b>26 847</b>	<b>3 130 202</b>	<b>228 436</b>
Currency difference 1.1.2022	8 909	10 270	2 995	0	<b>22 175</b>	65
+ additions	52 299	46 798	12 365	17 300	<b>128 763</b>	26 305
+/- reclassification	10 094	12 819	0	-22 913	<b>0</b>	0
- disposals	-34 342	-55 928	-1 785	0	<b>-92 055</b>	-7 690
<b>Acquisition value 31.12.2022</b>	<b>1 834 568</b>	<b>1 202 593</b>	<b>130 689</b>	<b>21 234</b>	<b>3 189 084</b>	<b>247 116</b>
<b>Accumulated dep. and write-downs 1.1.2022</b>	<b>851 945</b>	<b>910 795</b>	<b>92 635</b>	<b>0</b>	<b>1 855 375</b>	<b>192 362</b>
Currency difference 1.1.2022	2 575	2 585	1 685	0	<b>6 845</b>	22
Depreciations and write-downs in 2022	59 515	77 966	9 078	0	<b>146 559</b>	10 394
- Acc. depreciation on operating assets sold	-24 694	-55 672	-1 970	0	<b>-82 336</b>	-3 234
<b>Accumulated dep. And write-downs 31.12.2022</b>	<b>889 341</b>	<b>935 673</b>	<b>101 429</b>	<b>0</b>	<b>1 926 444</b>	<b>199 543</b>
<b>Book value 31.12.2022</b>	<b>945 227</b>	<b>266 919</b>	<b>29 259</b>	<b>21 234</b>	<b>1 262 640</b>	<b>47 574</b>

Depreciations and write-downs includes NOK 9,4 million i write-downs for "Software and licenses" in 2022.

<b>Acquisition value 1.1.2021</b>	<b>1 795 261</b>	<b>1 141 997</b>	<b>124 883</b>	<b>19 319</b>	<b>3 081 460</b>	<b>242 660</b>
Currency difference 1.1.2021	-3 452	-1 515	-1 418	0	<b>-6 385</b>	-60
+ additions	7 705	56 000	9 735	25 771	<b>99 210</b>	10 452
+/- reclassification	68	18 174	0	-18 242	<b>0</b>	0
- disposals	-1 973	-26 024	-16 087	0	<b>-44 083</b>	-24 617
<b>Acquisition value 31.12.2021</b>	<b>1 797 608</b>	<b>1 188 632</b>	<b>117 114</b>	<b>26 847</b>	<b>3 130 202</b>	<b>228 436</b>
<b>Accumulated dep. and write-downs 1.1.2021</b>	<b>793 665</b>	<b>863 283</b>	<b>98 602</b>	<b>0</b>	<b>1 755 550</b>	<b>197 693</b>
Currency difference 1.1.2021	-22	-104	-866	0	<b>-993</b>	-17
Depreciations and write-downs in 2021	57 916	72 933	10 741	0	<b>141 590</b>	19 303
- Acc. depreciation on operating assets sold	387	-25 317	-15 841	0	<b>-40 772</b>	-24 617
<b>Accumulated dep. And write-downs 31.12.2021</b>	<b>851 945</b>	<b>910 795</b>	<b>92 635</b>	<b>0</b>	<b>1 855 375</b>	<b>192 362</b>
<b>Book value 31.12.2021</b>	<b>945 664</b>	<b>277 837</b>	<b>24 478</b>	<b>26 847</b>	<b>1 274 826</b>	<b>36 074</b>

Depreciations and write-downs includes NOK 6,1 million i write-downs for "Software and licenses" and NOK 2,0 million in writedowns 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.

(Figures in NOK 000)	Goodwill	Customer relationships	Brand name	Total
Acquisition value 1.1.2022	1 561 115	1 302 291	1 656 419	4 519 825
<b>Accumulated depreciation 1.1.2022</b>	<b>0</b>	<b>200 157</b>	<b>135 578</b>	<b>335 735</b>
Depreciations in 2022	0	62 936	40 673	103 609
<b>Accumulated depreciation 31.12.2022</b>	<b>0</b>	<b>263 093</b>	<b>176 251</b>	<b>439 344</b>
<b>Accumulated currency translation differences 1.1.2022</b>	<b>0</b>	<b>60 261</b>	<b>0</b>	<b>60 261</b>
Currency translation differences in 2022	0	94 695	0	94 695
<b>Accumulated currency translation 31.12.2022</b>	<b>0</b>	<b>154 956</b>	<b>0</b>	<b>154 956</b>
<b>Book value 31.12.2022</b>	<b>1 561 115</b>	<b>1 194 154</b>	<b>1 480 168</b>	<b>4 235 437</b>
<b>Split per segment</b>				
Stressless®	676 614	759 132	1 283 163	2 718 909
IMG	884 501	435 022	197 005	1 516 528
<b>Book value 31.12.2022</b>	<b>1 561 115</b>	<b>1 194 154</b>	<b>1 480 168</b>	<b>4 235 437</b>
Acquisition value 1.1.2021	1 561 115	1 302 291	1 656 419	4 519 825
<b>Accumulated depreciation 1.1.2021</b>	<b>0</b>	<b>141 026</b>	<b>94 904</b>	<b>235 930</b>
Depreciations in 2021	0	59 132	40 673	99 805
<b>Accumulated depreciation 31.12.2021</b>	<b>0</b>	<b>200 157</b>	<b>135 578</b>	<b>335 735</b>
<b>Accumulated currency translation differences 1.1.2021</b>	<b>0</b>	<b>60 704</b>	<b>0</b>	<b>60 704</b>
Currency translation differences in 2021	0	-443	0	-443
<b>Accumulated currency translation 31.12.2021</b>	<b>0</b>	<b>60 261</b>	<b>0</b>	<b>60 261</b>
<b>Book value 31.12.2021</b>	<b>1 561 115</b>	<b>1 162 394</b>	<b>1 520 841</b>	<b>4 244 351</b>
<b>Split per segment</b>				
Stressless®	676 614	731 869	1 311 261	2 719 744
IMG	884 501	430 526	209 580	1 524 607
<b>Book value 31.12.2021</b>	<b>1 561 115</b>	<b>1 162 394</b>	<b>1 520 841</b>	<b>4 244 351</b>

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

### Impairment assessment goodwill

The Group has performed an impairment assessment of goodwill at 31 December 2022 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 2022, 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 2023 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 9,4% 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 15% for IMG. EBITDA-margin are in the forecast periode expected to be in line with budgeted margins per segment, Stressless wiht a EBITDA-margin of 16% and IMG with 18%.

Based on management impairment assessment at 31 December 2022, 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 2022. Management has performed sensitivity analysis for changes in key assumptions when estimating recoverable amount. The outcome of the sensitivity analysis performed at 31 December 2022 is presented in the table below.

<b>(Figures in NOK 000)</b>			
<b>Potential impairment at following changes</b>		<b>Stressless*</b>	<b>IMG</b>
Growth in sales in forecast period	-1 %	0	-91 464
EBITDA-margin	-1 %	0	-367
Discount rate (WACC)	+1 %	0	-123 235

### 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 concepts
- 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
<b>Acquisition cost 1.1.2022</b>	<b>22 435</b>	<b>5 154</b>	<b>306 971</b>	<b>334 560</b>
Addition of right-of-use assets	3 592	915	37 893	<b>42 400</b>
- New leasing agreements	3 219	805	32 065	<b>36 090</b>
- Existing leasing agreements adjusted or extended	373	109	5 828	<b>6 310</b>
Disposals	-569	-133	-2 936	<b>-3 638</b>
Currency exchange differences	-55	59	11 597	<b>11 600</b>
<b>Acquisition cost 31.12.2022</b>	<b>25 403</b>	<b>5 994</b>	<b>353 525</b>	<b>384 922</b>
<b>Accumulated depreciation and impairment 1.1.2022</b>	<b>13 123</b>	<b>2 832</b>	<b>101 284</b>	<b>117 239</b>
Depreciation 2022	4 722	1 561	53 652	<b>59 935</b>
Disposals 2022	-578	-109	-2 969	<b>-3 656</b>
<b>Accumulated depreciation and impairment 31.12.2022</b>	<b>17 188</b>	<b>4 267</b>	<b>150 084</b>	<b>171 539</b>
<b>Carrying amount of right-of-use assets 31.12.2022</b>	<b>8 216</b>	<b>1 727</b>	<b>203 441</b>	<b>213 383</b>

## NOTE 12 Leasing agreements (contd.)

### Lease liabilities

Undiscounted lease liabilities and maturity of cash outflows	Total
Less than one year	61 134
One to five years	148 773
More than five years	45 433
<b>Total undiscounted lease liabilities at 31.12.2022</b>	<b>255 340</b>
<b>Total lease liabilities at 31.12.2022</b>	
Current lease liabilities	58 112
Non-current lease liabilities	171 803
Total cash outflows for leases	61 950
Interest expense on lease liabilities	6 452
Short term leases and low-value leases recognized on a straight-line basis as expense	1 045

## NOTE 13 Other receivables and other liabilities

(Figures in NOK 000)

Other receivables	31.12.2022	31.12.2021
Premium and contribution fund	0	1 334
Other receivables related to the production cycle	12 562	9 288
Prepayments to suppliers	9 827	17 095
Prepaid expenses	50 787	30 698
Prepaid tax and VAT refunds due	34 592	34 074
Other	17 945	17 900
<b>Total other receivables</b>	<b>125 714</b>	<b>110 388</b>
<b>Other current liabilities</b>		
	<b>31.12.2022</b>	<b>31.12.2021</b>
Salaries payable	185 650	181 229
Accrued bonus/market support to customers	45 061	42 595
Accrued other marketing costs	15 366	11 923
Accrued cash discounts to customers	3 621	4 430
Accrued commission to sales staff	4 570	9 204
Accrued administrative costs	10 378	11 948
Advances from customers (contract liabilities)	13 773	15 590
Accrued interest Bond	44 245	29 589
Accrued freight	14 556	23 151
Other	23 873	16 891
<b>Total other liabilities</b>	<b>361 093</b>	<b>346 551</b>

## NOTE 14 Inventory

<b>(Figures in NOK 000)</b>	<b>31.12.2022</b>	<b>31.12.2021</b>
Inventory finished goods	438 980	434 930
Inventory semi-finished	110 112	112 842
Inventory raw materials	648 092	724 548
<b>Total</b>	<b>1 197 183</b>	<b>1 272 320</b>

All amounts are net after write-downs of 31.12.2022. Ekornes has incurred NOK 75 million of inventory write downs during Q4 2022, related to the closure of the Vietnam operations, the discontinuation of product categories, a general portfolio clean-up and a conservative valuation of excessive stock.

## NOTE 15 Accounts receivable

### Trade receivables

<b>(Figures in NOK 000)</b>	<b>31.12.2022</b>	<b>31.12.2021</b>
Receivables related to revenue from contracts with customers - external	487 094	461 829
<b>Total accounts receivables (Gross)</b>	<b>487 094</b>	<b>461 829</b>
Allowance for expected credit losses	12 846	12 929
<b>Total accounts receivables (Net)</b>	<b>474 248</b>	<b>448 900</b>

### The change in provisions for bad debts is as follows:

<b>(Figures in NOK 000)</b>	<b>2022</b>	<b>2021</b>
<b>Opening balance 1.1.</b>	<b>12 929</b>	<b>9 155</b>
Actual bad debts in the year	2 086	216
Change in bad debt provisions	2 002	3 990
<b>Closing balance 31.12.</b>	<b>12 846</b>	<b>12 929</b>

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

<b>(Figures in NOK 000)</b>	<b>31.12.2022</b>	<b>31.12.2021</b>
Cash and bank deposits	428 879	350 083

In the statement of cash flow, cash and bank deposits are recognised as cash. Total restricted cash is NOK 149,3 million at 31.12.2022. 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 24,3 million at 31 December 2022 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, UK and the US 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. See also Note 18.

As of 31.12.2022, the Group had the following currency exposure with respect to its group account scheme:

<b>Currency</b>	<b>Amount in 000 currency</b>	<b>Exchange rate 31.12.2022</b>	<b>Amount in 000 NOK</b>
NOK	235 139	1,00	235 139
USD	9 721	9,86	95 819
GBP	288	11,85	3 416
SEK	3 226	0,95	3 050
NZD	145	6,26	909
<b>Total deposits in group account scheme</b>			<b>338 333</b>
EUR	-17 815	10,51	-187 301
AUD	-2 308	6,70	-15 462
SGD	-368	7,35	-2 705
DKK	-532	1,41	-753
JPY	-3 650	0,07	-273
<b>Total drawn down on group account scheme</b>			<b>-206 493</b>
<b>Total group account</b>			<b>131 840</b>

## NOTE 17 Shares and shareholders

The Norwegian ultimate parent company Ekornes QM Holding AS is a subsidiary of Qumei Home Furnishing Group Co., Ltd in China. Qumei Home Furnishing Group Co., Ltd is listed on Shanghai Stock exchange. Qumei Group owns 94,12% of the shares in Qumei Runto S.à.r.l and Hillhouse investment owns the remaining shares.

As of 31 December 2021 and 31 December 2022, 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 2021 or 31 December 2022.

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

### As at 31 December 2021 and 31 December 2022, the company's sole shareholder was

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

### As at 31 December 2021 and 31 December 2022, 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 3 057,5 million. In February 2023, Ekornes successfully refinanced outstanding debt with a NOK 1 200 million bond loan and bank facility of NOK 1 600 million with DNB and Sparebank Møre.

Ekornes QM Holding AS placed NOK 1,200 million in 3.5-year senior secured floating rate bonds due 10 September 2026. The net proceeds from the bond issue will be used to refinance (in whole) the outstanding bond issue with ticker EKO01 (ISIN: NO0010848401) and general corporate purposes. An application will be made for the bonds to be listed on the Oslo Stock Exchange within six months. In conjunction with the new bond issue, Ekornes bought back EKO01 bonds from existing bondholders participating in the new bond issue, at a price of 103% of par. Ekornes called the remaining EKO01 bonds and the bond was repaid on 30 March 2023.

Ekornes QM Holding AS' has obtained NOK 1,950 million in committed bank facilities from DNB and Sparebanken Møre to refinance its existing bank debt, where NOK 1,600 million is drawn term loan and NOK 350 million undrawn RCF/overdraft at issue date.

The new financing structure strengthens the financial position and supports the strategy for long-term profitable growth.

### Short-term borrowing agreement 31 December 2022

The Group has three loan agreements of a total of 1 037,5 million:

- The loan of NOK 287,5 million in DNB is unsecured. Quarterly installments at NOK 12,5 million, four times per year with the first installment three months from disbursement date (27 July 2021) of the loan. Final maturity in April 2023. Interest expenses are paid quarterly.
- The loan of NOK 500 million in DNB is unsecured. No instalments are payable before maturity in April 2023. Interest expenses are paid quarterly.
- The loan of NOK 250 million in Sparebank Møre is unsecured. No instalments are payable before maturity in April 2023. Interest expenses are paid quarterly.

During the fourth quarter of 2022 and as at 31 December 2022, Ekornes was compliant with all covenant requirements in the bank agreement. The three loans was repaid to DNB and Sparebank Møre on 30 March 2023.

### Senior Secured Bond at 31 December 2022

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 2022 the coupon was 9,9%. For first quarter 2023 the coupon is 10.26%.

### (Figures in NOK 000)

Currency	NOK
Issue Amount	2 000 000
Nibor 3M	2,90 %
Margin	7,00 %
Coupon	9,90 %
Tenor / redemption:	54 months /4,5 years
Settlement Date:	02.04.2019
Maturity Date:	02.10.2023

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

The changes in interest-bearing debt through the period 1. January to 31. December 2022 are as follows:

(Figures in NOK 000)

External interest-bearing debt	Bond	Bank loan	Total
<b>Opening balance 1. January</b>	<b>2 010 444</b>	<b>1 087 500</b>	<b>3 097 944</b>
Capitalization	9 556	0	9 556
Repayment of borrowings	0	-50 000	-50 000
<b>Closing balance external debt 31. December</b>	<b>2 020 000</b>	<b>1 037 500</b>	<b>3 057 500</b>

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 million, including a fee of 20 million.

Other current liabilities include accrued bond interest of 44,2 million and accrued bank interest of 2,8 million. The bond interest was paid 2 January 2023 and the bank interest in March 2023.

### 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 2022 and as at 31 December 2022, Ekornes was compliant with all covenant requirements in the bond agreement. The leverage ratio at the end of the fourth quarter 2022 was 4,16, 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:

(Figures in NOK 000)	01.01.2022	Cash flows	Non-cash changes			31.12.2022
			Annual meeting	Change in leases	Other	
Interest-bearing debt - Bond	2 010 444	0	0	0	9 556	2 020 000
Interest-bearing debt - Bank	1 087 500	-50 000	0	0	0	1 037 500
Lease liabilities	227 911	-61 950	0	63 955	0	229 915
<b>Total liabilities from financing activities</b>	<b>3 325 855</b>	<b>-111 950</b>	<b>0</b>	<b>63 955</b>	<b>9 556</b>	<b>3 287 415</b>

(Figures in NOK 000)	01.01.2021	Cash flows	Non-cash changes			31.12.2021
			Annual meeting	Change in leases	Other	
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
<b>Total liabilities from financing activities</b>	<b>2 659 569</b>	<b>529 390</b>	<b>0</b>	<b>127 800</b>	<b>9 096</b>	<b>3 325 855</b>

## NOTE 20 Financial risk

The Group operates in many markets, on both the sales and purchasing sides. This 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 2022. The deposition matrix will be based on historical experiences, updated with today's 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.

## NOTE 20 Financial risk (contd.)

(Figures in NOK 000)

<b>31.12.2022</b>	<b>Total</b>	<b>Not due</b>	<b>&lt;30 d</b>	<b>30-60d</b>	<b>60-90d</b>	<b>&gt;90d</b>
Trade receivables – gross	487 094	385 105	70 732	13 391	5 938	11 928
Expected default rate	2,6 %	1,1 %	0,4 %	1,1 %	40,0 %	50,0 %
Expected credit losses	12 846	4 065	290	152	2 375	5 964

<b>31.12.2021</b>	<b>Total</b>	<b>Not due</b>	<b>&lt;30 d</b>	<b>30-60d</b>	<b>60-90d</b>	<b>&gt;90d</b>
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

### 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 2022, the Group had total interest-bearing debt of NOK 3 037,5 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 2022, 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.

<b>(Figures in NOK 000)</b>	<b>Increase/decrease in base points</b>	<b>Effect on profit/loss before tax</b>	<b>Effect before tax on equity</b>
31.12.2022	100	30 375	30 375
31.12.2021	100	30 875	30 875

### 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 2022, the Group had cash reserves of NOK 428,9 million in the form of bank deposits, of which NOK 24,3 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)					Total
	<1	1 to 2	2 to 3	3 to 5	> 5	
<b>31.12.2022</b>						
<b>Financial liabilities</b>						
Interest-bearing debt – Bond	2 061 450	0	0	0	0	<b>2 061 450</b>
Interest-bearing debt -- Bank	1 049 055	0	0	0	0	<b>1 049 055</b>
Leasing	61 134	52 548	39 537	56 687	45 433	<b>255 340</b>
Trade payables and other liabilities	616 562	1 816	1 816	0	7 401	<b>627 594</b>
<b>Total</b>	<b>3 788 201</b>	<b>54 364</b>	<b>41 353</b>	<b>56 687</b>	<b>52 834</b>	<b>3 993 439</b>

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

### 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 2022:

Valuta/ Currency	Volume (Figures in NOK 000)	Volume (Figures in Currency 000)	Average exchange rate (In NOK)
AUD	197 741	30 670	6,45
DKK	97 165	70 710	1,37
EUR	421 654	41 260	10,22
GBP	209 143	17 610	11,88
USD	214 013	24 250	8,83



## NOTE 20 Financial risk (contd.)

### New forward contracts

In 2021 and 2022, the Group entered into forward contracts, and all realised and unrealised gains and losses associated with these contracts are recognised in net other gains/(losses). All contracts that are open as at 31 December 2022 fall due for payment in the next 12 months. As at 31 December 2022, the market value of existing forward currency contracts came to negative NOK 2,7 million.

<b>(Figures in NOK 000)</b>		
<b>Market value of forward contracts</b>	<b>31.12.2022</b>	<b>31.12.2021</b>
Share in 2022	0	4 130
Share in 2023	-2 653	0
<b>Total</b>	<b>-2 653</b>	<b>4 130</b>

<b>Total net other (losses)/gains comprises:</b>		
	<b>2022</b>	<b>2021</b>
Realised (losses)/gains on new forward contracts	-16 470	31 767
Change in value of realised and unrealised contracts	-6 784	-18 601
<b>Net other (losses)/gains</b>	<b>-23 254</b>	<b>13 166</b>

### Classifications of financial assets and financial liabilities 31. December 2022

<b>(Figures in NOK 000)</b>	<b>Fair value through profit and loss</b>	<b>Amortised cost Bank and receivables</b>	<b>Amortised cost Other financial liabilities</b>
Cash & cash equivalents	0	428 879	0
Stocks & shares in other enterprises	1 333	0	0
Trade & other current receivables	0	599 962	0
Non-current receivables	0	21 744	0
Short-term debt related to bond issued	0	0	2 020 000
Forward currency contracts	2 653	0	0
Short-term debt to credit institutions	0	0	1 037 500
Trade & other current payables	0	0	616 562
<b>TOTAL</b>	<b>3 986</b>	<b>1 050 585</b>	<b>3 674 062</b>

### Classifications of financial assets and financial liabilities 31. December 2021

<b>(Figures in NOK 000)</b>	<b>Fair value through profit and loss</b>	<b>Amortised cost Bank and receivables</b>	<b>Amortised cost Other financial liabilities</b>
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
<b>TOTAL</b>	<b>5 463</b>	<b>932 109</b>	<b>3 860 962</b>

## 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 , 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	Morganton, NC	US
Ekornes Taiwan Ltd.	Sales	Taipei	Taiwan
Ekornes Hong Kong Co, Ltd	Sales	Hong Kong	China
Ekornes Beds AS	Production and sales	Fetsund	Norway
Ekornes Beds GmbH	Sales	Hamburg	Germany
IMG Holdco AS	Holding	Ikornnes	Norway
IMG Europe GmbH	Sales	Hamburg	Germany
IMG (Vietnam) Co, Ltd	Production	Binh Duong	Vietnam
IMG Australia PTY Ltd	Sales	Melbourne	Australia
IMGC PTY Ltd	Sales	Melbourne	Australia
Ekornes (THAILAND) Limited	Production	Chachoengsao	Thailand
IMG New Zealand Limited	Sales	Auckland	New Zealand
Ekornes Lithuania UAB	Production	Panevezys	Lithuania
International Mobel Group USA, Inc	Sales	Corona, CA	US
Ekornes Lithuania UAB	Production	Panevezys	Lithuania
International Mobel Group USA, Inc	Sales	Corona, CA	US

### Changes in group structure in 2022

Ekornes AS, J E Ekornes AS and IMG Group AS have in December 2022 merged. Ekornes AS took over the entire business operations, comprising assets, rights and liabilities from J E Ekornes AS and IMG Group AS. The merger was undertaken with effect for accounting purposes from 1 January 2022. The purpose of the merger was to simplify the Group structure.

## NOTE 22 Subsequent events

Ekornes provided an operational update on 4 January 2023, regarding Group initiatives to adapt to the current market development and protect the Group's resilience to ensure competitiveness in markets across the world. The initiatives include the rightsizing of operations in Norway, the restructuring of activities in Asia and measures to manage cost and margin development. As a result, the organisation in Norway is being reduced by up to 190 full-time employees while the workforce in the Asia Pacific region is being downsized by up to 700 full-time employees.

In February 2023, Ekornes successfully refinanced outstanding debt with a NOK 1 200 million bond loan and bank facility of NOK 1 950 million with DNB. The new financing structure strengthens the financial position and supports the strategy for long-term profitable growth.

On 2 March 2023, Ekornes QM Holding AS announced an increase in equity of NOK 352 million following a deposit from sole shareholder Qumei Runto S.à.r.l. The equity deposit strengthens the company's financial position and is a part of the company's refinancing and capital structure optimisation.

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 presented here.



## Ekornes QM Holding AS

# Financial statements

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# Income statement for Ekornes QM Holding AS

(Figures in NOK 000)	Notes	2022	2021
<b>Operating income and operating expenses</b>			
Other operating expenses	6	2 088	2 368
<b>Total operating expenses</b>		<b>2 088</b>	<b>2 368</b>
<b>Operating profit</b>		<b>-2 088</b>	<b>-2 368</b>
<b>Financial income and expenses</b>			
Income from subsidiaries	7	242 743	194 851
Other interest income	7	2 119	405
Other interest expenses	7	254 964	183 142
<b>Net financial items</b>		<b>-10 102</b>	<b>12 114</b>
<b>Earnings before tax</b>		<b>-12 191</b>	<b>9 746</b>
Tax expense	5	-2 682	-1 412
<b>EARNINGS FOR THE YEAR</b>		<b>-9 509</b>	<b>11 158</b>
<b>Brought forward</b>			
Allocated to/from other equity		-9 509	11 158
<b>Net brought forward</b>		<b>-9 509</b>	<b>11 158</b>

## Balance sheet for Ekornes QM Holding AS

ASSETS (Figures in NOK 000)	Notes	31.12.2022	31.12.2021
<b>Financial fixed assets</b>			
Investments in subsidiaries	1	5 667 114	5 667 114
<b>Total financial fixed assets</b>		<b>5 667 114</b>	<b>5 667 114</b>
<b>Total fixed assets</b>			
		<b>5 667 114</b>	<b>5 667 114</b>
<b>Current assets</b>			
<b>Debtors</b>			
Other short-term receivables		860	168
Receivables from group companies	2	346 743	282 851
<b>Total receivables</b>		<b>347 603</b>	<b>283 019</b>
<b>Cash and bank deposits</b>			
	8	179 704	165 502
<b>Total current assets</b>		<b>527 307</b>	<b>448 522</b>
<b>Total assets</b>		<b>6 194 421</b>	<b>6 115 635</b>

(Continued on next page)



## Balance sheet for Ekornes QM Holding AS (contd.)

EQUITY AND LIABILITIES (Figures in NOK 000)	Notes	31.12.2022	31.12.2021
<b>Equity</b>			
<b>Contributed equity</b>			
Share capital	3, 4	120	120
Premium paid	3	2 807 354	2 807 354
<b>Total contributed equity</b>		<b>2 807 474</b>	<b>2 807 474</b>
<b>Retained earnings</b>			
Other equity	3	491 080	500 588
<b>Total retained earnings</b>		<b>491 080</b>	<b>500 588</b>
<b>Total equity</b>		<b>3 298 554</b>	<b>3 308 062</b>
<b>Non-current liabilities</b>			
Deferred tax	5	1 156	3 838
Interest-bearing debt - Bond	8	0	2 010 444
Interest-bearing debt - Group companies	2	0	763 588
<b>Total non-current liabilities</b>		<b>1 156</b>	<b>2 777 870</b>
<b>Current debt</b>			
Trade creditors		500	47
Interest-bearing debt - Bond	8	2 020 000	0
Interest-bearing debt - Group companies	2	829 881	0
Other current debt	8	44 330	29 656
<b>Total current debt</b>		<b>2 894 711</b>	<b>29 703</b>
<b>Total liabilities</b>		<b>2 895 867</b>	<b>2 807 573</b>
<b>Total equity and liabilities</b>		<b>6 194 421</b>	<b>6 115 635</b>

Oslo, 27 April 2023

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	2022	2021
<b>Cash flow from operations</b>			
Profit before income taxes		-12 191	9 746
Dividend/Group contribution not received		-242 743	-194 851
Change in trade payables		454	-852
Change in other accruals		89 831	33 512
<b>Net cash flow from operations</b>		<b>-164 649</b>	<b>-152 444</b>
<b>Cash flow from investments</b>			
Dividends from subsidiary		178 851	172 834
<b>Net cash flow from investments</b>		<b>178 851</b>	<b>172 834</b>
<b>Cash flow from financing</b>			
Payment of dividend	1	0	-26 877
Proceeds from borrowings from Ekornes AS	8	0	741 000
Transactions with non-controlling interests	2	0	-741 000
<b>Net cash flow from financing</b>		<b>0</b>	<b>-26 877</b>
<b>Exchange gains / (losses) on cash and cash equivalents</b>		<b>0</b>	<b>0</b>
Net change in cash and cash equivalents		14 202	-6 487
Cash and cash equivalents at the beginning of the period		165 502	171 990
<b>Cash and cash equivalents at the end of the period</b>		<b>179 704</b>	<b>165 502</b>

# 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 2022. 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 recognized 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 later period.

Dividends, group contributions and other distributions from subsidiaries are recognized in the same year as they are recognized 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 recognized 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 %	301 529	1 372 020	5 667 114
<b>Book value investments in subsidiaries at 31.12.2022</b>		<b>100 %</b>	<b>301 529</b>	<b>1 372 020</b>	<b>5 667 114</b>

## Note 2 Balance with related parties

(Figures in NOK 000)	31.12.2022	31.12.2021
<b>Other short term receivables</b>		
Group contribution from Ekornes AS	346 743	282 851
<b>Total</b>	<b>346 743</b>	<b>282 851</b>
<b>Non-current liabilities</b>		
Interest-bearing debt to Ekornes AS	829 881	763 588
<b>Total</b>	<b>829 881</b>	<b>763 588</b>

### 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. Ekornes QM Holding AS and Ekornes Holding AS merged in December 2021.

No instalments are payable before the bond has been repaid in full or maturity in 31 December 2023. Interest expenses shall accrue each year and including the date of disbursement. The loan and accrued interest was repaid to Ekornes AS on 30 March 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
<b>Equity 31.12.2021</b>	<b>120</b>	<b>2 807 354</b>	<b>500 588</b>	<b>3 308 062</b>
Profit for the year	0	0	-9 509	-9 509
<b>Equity 31.12.2022</b>	<b>120</b>	<b>2 807 354</b>	<b>491 080</b>	<b>3 298 554</b>

## Note 4 Share capital and shareholder information

As of 31 December 2022, 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 2022.

**As at 31 December 2022, the company's sole shareholder was:**

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

**As at 31 December 2022, the board has been granted the following authorisations:**

The board has been granted no authorisations.

## Note 5 Taxes

(Figures in NOK 000)	2022	2021	
<b>Components of the income tax expense</b>			
Change of deferred tax	-2 682	-1 412	
<b>Tax expense</b>	<b>-2 682</b>	<b>-1 412</b>	
<b>Basis for tax payable</b>			
Profit before taxes	-12 191	9 746	
Temporary differences	12 191	-9 746	
<b>Taxable income (basis for payable taxes in the balance sheet)</b>	<b>0</b>	<b>0</b>	
<b>Reconciliation of the tax expense</b>			
Result before taxes	-12 191	9 746	
<b>Calculated tax</b>	<b>-2 682</b>	<b>2 144</b>	
Adjustment in respect of current income tax of previous years	0	-3 556	
<b>Sum</b>	<b>-2 682</b>	<b>-1 412</b>	
Effective tax rate in %	22,0 %	-14,5 %	
<b>Calculation of deferred tax/deferred tax benefit</b>	<b>31.12.2022</b>	<b>31.12.2021</b>	<b>Change</b>
Other	5 255	17 446	-12 191
<b>Total</b>	<b>5 255</b>	<b>17 446</b>	<b>-12 191</b>
<b>Deferred tax/(Deferred tax benefit) (22% / 22%)</b>	<b>1 156</b>	<b>3 838</b>	<b>-2 682</b>

## 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 remuneration to auditor:

<b>Breakdown of auditing fees (Figures in NOK 000)</b>	<b>2022</b>	<b>2021</b>
Statutory auditing services	948	1 107
Other non-auditing services	0	0
Tax advisory services	0	0
<b>Total</b>	<b>948</b>	<b>1 107</b>

Auditing fees are stated including VAT.

## Note 7 Specification of financial income and expenses

<b>(Figures in NOK 000)</b>	<b>2022</b>	<b>2021</b>
<b>Financial income</b>		
Group Contribution form Ekornes AS	242 743	194 851
Other interest income	2 116	405
<b>Total financial income</b>	<b>244 859</b>	<b>195 256</b>
Net gains (losses) on foreign exchange	3	0
<b>Financial expenses</b>		
Interest expenses Bond	188 669	160 549
Interest expenses to Ekornes AS*	66 293	22 588
Other interest expenses	2	5
<b>Total financial expenses</b>	<b>254 964</b>	<b>183 142</b>

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

## Note 8 Bond

### Senior Secured Bond at 31 December 2022

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 2022 the coupon was 9,9%. For first quarter 2023 the coupon is 10,26%.

Ekornes has call options to redeem the bond with expiry dates in April 2023 before the bond matures in October 2023. Ekornes called the remaining EKO01 bonds and the bond was repaid on 30 March 2023.

<b>Currency (Figures in NOK 000)</b>	<b>NOK</b>
Issue Amount	2 000 000
Nibor 3M	2,90 %
Margin	7,00 %
Coupon	9,90 %
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 2022 are as follows:

<b>External interest-bearing debt</b>	<b>Bond</b>
<b>Opening balance 1.1.2022</b>	<b>2 010 444</b>
Capitalization	9 556
<b>Closing balance external debt 31.12.2022</b>	<b>2 020 000</b>

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 million, including a fee of 20 million.

### 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. The bond agreement includes restrictions on dividend payments from Ekornes QM Holding AS, and Ekornes QM Holding AS is not in position to distribute any dividends.

During the fourth quarter of 2022 and as at 31 December 2022, Ekornes was compliant with all covenant requirements in the bond agreement. The leverage ratio at the end of the fourth quarter 2022 was 4,16, well within prevailing requirements.



## Note 9 Subsequent events

Ekornes QM Holding AS placed in February 2023 an NOK 1,200 million in 3.5-year senior secured floating rate bonds due 10 September 2026. The net proceeds from the bond issue was used to refinance (in whole) the outstanding bond issue with ticker EKO01 (ISIN: NO0010848401) and general corporate purposes. An application will be made for the bonds to be listed on the Oslo Stock Exchange within six months. In conjunction with the new bond issue, Ekornes bought back EKO01 bonds from existing bondholders participating in the new bond issue, at a price of 103% of par. Ekornes called the remaining EKO01 bonds and the bond was repaid on 30 March 2023.

Ekornes QM Holding AS' obtained in february an NOK 1 700 million in committed bank facilities from DNB and Sparebanken Møre to refinance its existing bank debt, where NOK 1 600 million is drawn term loan and NOK 150 million undrawn RCF at issue date.

On 2 March 2023, Ekornes QM Holding AS announced an increase in equity of NOK 352 million following a deposit from sole shareholder Qumei Runto S.à.r.l. The equity deposit strengthens the company's financial position and is a part of the company's refinancing and capital structure optimisation.

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.

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

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We hereby confirm that the annual accounts for the Group and the company for 2022 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.

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Oslo, 27 April 2023

**The Board of Directors of Ekornes QM Holding AS**

Ruihai Zhao  
Chair of the Board

Mogens Falsig  
Director and CEO



Stressless





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 2022, 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 balance sheet as at 31 December 2022, the income statement, statement of comprehensive income, statement of changes in equity and 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 2022, and its financial performance and its cash flows for the year then ended in accordance with Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and
- the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2022, 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.

Our opinion is consistent with our additional report to the Audit Committee.

#### 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 relevant laws and regulations in Norway 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 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 5 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

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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 Group's business activities are largely unchanged compared to last year. Furthermore, *Impairment assessment of goodwill and intangible assets* has the same characteristics and risks as in the prior year, and therefore continues to be an area of focus this year.

Key Audit Matter	How our audit addressed the Key Audit Matter
------------------	--

**Impairment assessment of goodwill and intangible assets**

Ekornes QM Holding Group (Group) has recognized goodwill of NOK 1 561 115 thousand, brand name of NOK 1 480 168 thousand and customer relations of NOK 1 194 154 thousand in the balance sheet on 31 December 2022. Goodwill and other intangible assets are related to the acquisition of Ekornes AS in August 2018. Goodwill and other intangible assets with an indefinite useful life is subject to impairment assessments at least annually. Management has carried out an impairment assessment at the balance sheet date and concluded with no recognition of impairment loss in the income statement for 2022.

Goodwill and other intangible assets are allocated to cash generating units identified in accordance with two of the Group's operating segments, Stressless and IMG. Management determined that the recoverable amount exceeded the carrying amount for both segments, and consequently that no impairment was required.

Impairment assessments require application of management judgement related to, among other, future cash flows and discount rate applied. We focused on this area due to the magnitude of the amounts of goodwill and other intangible assets recognised, and due to the application of management judgement required when determining the assumptions applied to support the valuation of goodwill and other intangible assets.

We refer to disclosures in note 11 for information on the Group's accounting policy for impairment of goodwill and other intangible assets, and

We obtained and reviewed management's impairment assessment of goodwill and other intangible assets. 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 we expected. 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 prognoses for the two segments compared to historical performance, budgets approved by the Board of Directors, management forecast and long-term strategic plans. We also considered external available information relevant to the industry and our own knowledge of the industry. 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. However, we observed that goodwill for the IMG segment is sensitive to even small changes in some of the key assumptions in the discounted cash flow model. We refer to disclosures in note 11 which shows potential impairment at 1% changes to key assumptions.

We also compared the booked value of goodwill and other intangible assets with the acquisition price from late 2022 of the non-controlling interest of 5.88% in the Group's parent company, Qumei Runto S.à.r.l. (Luxembourg). This transaction involved two independent,



where Management explains their valuation process.

professional parties. On a 100% basis, this acquisition price reflects a higher value than the acquisition price in 2018 which the values of goodwill and other intangible assets are based upon. This further corroborates management's assessment of no need for impairment of goodwill and other intangible assets in 2022.

Further, we evaluated the adequacy of the disclosures to the financial statements and found them to appropriately explain management's valuation process and the uncertainties inherent in some of management's assumptions.

### 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 appear 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 statutory requirements.

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

### 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 and the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's 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.





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

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

## Report on Other Legal and Regulatory Requirements

### Report on Compliance with Requirement on European Single Electronic Format (ESEF)

#### *Opinion*

As part of the audit of the financial statements of Ekornes QM Holding AS, we have performed an assurance engagement to obtain reasonable assurance about whether the financial statements included in the annual report, with the file name *52990054TSRF5YXFTY82-2022-12-31-en*, have been prepared, in all material respects, in compliance with the requirements of the Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation) and regulation pursuant to Section 5-5 of the Norwegian Securities Trading Act, which includes requirements related to the preparation of the annual report in XHTML format, and iXBRL tagging of the consolidated financial statements.

In our opinion, the financial statements, included in the annual report, have been prepared, in all material respects, in compliance with the ESEF regulation.

#### *Management's Responsibilities*

Management is responsible for the preparation of the annual report in compliance with the ESEF regulation. This responsibility comprises an adequate process and such internal control as management determines is necessary.

#### *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, 27 April 2023

**PricewaterhouseCoopers AS**

Jan Roger Hånes

State Authorised Public Accountant



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