

A close-up photograph of a black leather chair, showing the texture and stitching of the seat and backrest. The EKORNES logo is prominently displayed in white text across the upper portion of the chair.

EKORNES®

Ekornes QM Holding Group
Financial statements for the first half year | 2022

Highlights

Second quarter and first half year 2022 results

- Q2 2022 operating revenue of NOK 1 233 million, up 16% from Q2 2021
- Strong sales in all markets lifted underlying sales revenue for Stressless® 14% to NOK 903 million, IMG revenue 30% to NOK 265 million and Svane® revenue 2% to NOK 64 million
- Q2 2022 EBIT of NOK 86 million (132), impacted by higher costs and negative effects on currency forward contracts
- Net cash flow from operating activities was positive at NOK 125 million (80) for the quarter, driven by strong cash earnings
- Order receipts down 25% from Q1 2022 to NOK 1 039 million on reduced customer demand due to higher interest rates and inflation
- Order reserve down 16% to NOK 1 053 million during the quarter due to high level of deliveries and reduced order intake



SOLID PERFORMANCE AS DEMAND EASES

Following a strong market momentum which drove revenues to record high levels during the first months of the year, Ekornes experienced a reduction in demand towards the end of the second quarter. Although sales decreased somewhat compared to the record levels in the first quarter of the year, both Stressless® and IMG showed a continued strong performance, with revenue up 14% and 30% respectively, compared to the second quarter of 2021.

The pandemic and the war in Ukraine have led to significant global supply chain disruptions and inflationary costs for the industry in general. Although Ekornes has continuously taken actions to mitigate the increased costs, mainly by price increases and negotiations with suppliers, the inflationary pressure continues to intensify. The company monitors the situation closely and continuously reviews its pricing strategy.

Higher prices and increased interest rates are expected to result in more normalized activity levels for the furniture industry compared to the elevated demand experienced during the pandemic. With inflation close to 8% in key markets such as the US, combined with a shift in consumer spending towards leisure and travel, retailers are reducing inventory to adapt to changes in market conditions. For Ekornes, this has led to reduced order intake in the second quarter. However, the company has strengthened its market position during the pandemic with sales well above pre-pandemic levels and is benefitting from a strong order backlog. This especially applies for Stressless® as a premium brand, where orders are less impacted by market fluctuations.

Ekornes remains committed to offering innovative and relevant products to customers. This includes developing products in new categories under existing brands. During the second quarter, the recliners Stressless® Cross Base and Rome were successfully launched in the European markets, while IMG has new product lines set to be introduced in the second half of 2022. Along with the introduction of new products, Ekornes continues to expand its distribution capabilities, utilizing the brands' strengths and capabilities across segments and markets.

The company's focus on improving operational efficiency of its operations continues. This includes concentration of automated, labour-intensive and other specialized processes to production units with comparative advantages, across segments. For example, production capacity for IMG in Lithuania and Thailand has been utilized for labour-intensive assemblies of the strong-selling power products. These efforts have contributed to increased production and faster deliveries in a challenging supply chain. Ekornes intends to continue combining operations across segments to optimize production and reduce delivery time, especially for sofas.

Despite challenging market conditions, Ekornes has managed to maintain timely and reliable deliveries. With a robust distribution network and a favourable diversification of supply and market demand, the company's market position remains healthy. Although demand is expected to ease off, the company has a solid order reserve, and a wide product offering with demonstrated robust sales in previous economic slowdowns. Combined with a good pipeline of new products ready for introduction to new markets, the company is in a good position to handle possible changes to market conditions and to capitalize on future market opportunities.



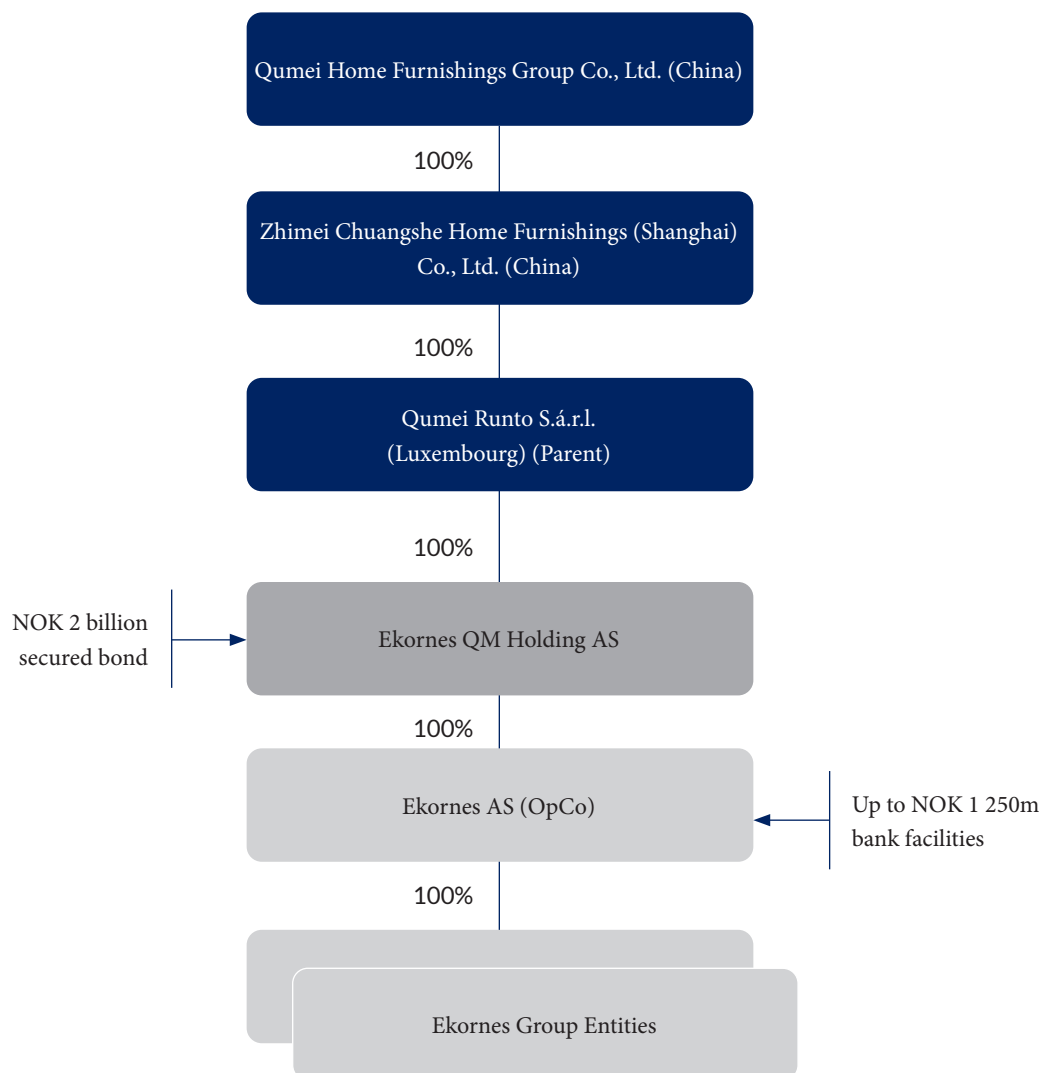
Company history and ownership

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

Norwegian ultimate parent company Ekornes QM Holding AS is a wholly owned subsidiary of Qumei Home Furnishings Group. 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 30 June 2022. Ekornes QM Holding AS had as at 30 June 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 30 June 2022)



Key figures

		Q2 2022	Q2 2021	Q1 2022	YTD Q2 2022	YTD Q2 2021	Y 2021
Gross operating revenue	MNOK	1 232,7	1 059,5	1 487,5	2 720,2	2 103,3	4 317,9
Stressless®	MNOK	903,1	792,4	1 105,9	2 008,9	1 536,9	3 166,6
IMG	MNOK	265,3	204,1	296,9	562,3	423,1	850,0
Svane®	MNOK	64,4	63,0	84,7	149,0	143,3	301,2
Gross operating earnings (EBITDA)	MNOK	167,3	205,0	309,6	476,9	441,1	833,3
Operating earnings (EBIT)	MNOK	85,9	131,7	234,0	319,9	293,8	514,0
Operating margin (EBIT)	%	7,0%	12,4%	15,7%	11,8%	14,0%	11,9%
Earnings before tax (EBT)	MNOK	84,1	96,8	163,4	247,5	207,8	338,1
Net earnings	MNOK	66,8	78,1	128,6	195,4	167,1	273,9
Net interest-bearing Debt (NIBD)	MNOK	2 686,3	2 067,3	2 719,4	2 686,3	2 067,3	2 747,9
Cash and Bank deposits end of period	MNOK	393,2	440,5	368,0	393,2	440,5	350,1

FINANCIAL REVIEW

(Figures in brackets represent the corresponding period in 2021).

SECOND QUARTER 2022 FINANCIAL REVIEW

Second quarter 2022 operating revenues came in at NOK 1 233 million, up 16% from NOK 1 059 million in the second quarter 2021. The increase follows higher sales in all segments, driven by strong demand for home furnishing products and Ekornes' wide and relevant product offering. In addition, revenues were lifted by strong operational performance and a high number of orders shipped and invoiced during the quarter, proving the Group's ability to maintain timely and reliable deliveries during times with challenging market conditions.

Underlying sales revenue from the Stressless® segment was NOK 903 million (792), up 14% from Q2 2021. Revenue from IMG increased by 30% to NOK 265 million (204), while Svane® revenue amounted to NOK 64 million (63).

Costs of goods sold ended at NOK 388 million (295), due to higher prices on raw materials in addition to higher production in all segments. Payroll expenses amounted to NOK 344 million, up from NOK 317 million during the second quarter of 2021, driven by hiring of more employees to increase capacity. Other operating expenses amounted to NOK 289 million, compared with NOK 238 million in Q2 2021. This increase was due to higher transport and distribution costs, and marketing costs. Net other losses amounted to NOK 45 million, all related to realized and unrealized losses on currency forward contracts. This compares to a net loss of NOK 5 million in Q2 2021.

Total operating expenses for the period ended at NOK 1 147 million, up from NOK 928 million in the second quarter 2021, mainly due to generally higher cost levels. During the last 18 months Ekornes has increased prices by some 10-15% to offset the effects of its higher cost base. The company continuously assesses its pricing strategy and optimizes the balance between price and sales volumes. With the current market conditions with spiking raw material prices and increasing interest rates, the company is prepared for a slower pace in sales and might consider capacity reductions to adapt to the situation.

Operating earnings (EBIT) for Q2 2022 came in at NOK 86 million (132), corresponding to an EBIT margin of 7.0%. This compares to 12.4% in the corresponding period in 2021 and 15.7% in Q1 2022. The decrease from the previous quarter is mainly attributable to higher operating expenses and negative effects on currency forward contracts. Excluding the latter yields an EBIT of NOK 131 million, equal to an EBIT margin of 10.6%.

For the second quarter 2022, net financial items were negative NOK 2 million (-35). This includes net foreign exchange gains of NOK 53 million (7) and financial income of NOK 6 million (2). Financial expenses amounted to NOK 61 million during the period (44).

Earnings before tax for the quarter ended at NOK 84 million (97). Tax expense for the period is calculated to NOK 17 million (19), which resulted in a net profit for the quarter of NOK 67 million (78).

FIRST HALF 2022 FINANCIAL REVIEW

For the first half year, Ekornes generated operating revenue of NOK 2 720 million (2 103). The increase in revenues compared to the same period in 2021 is largely due to increased sales, particularly during the record-strong first quarter, fuelled by continued demand for household and furniture, combined with shutdowns in markets during parts of the first half year 2021.

Sales were higher in all segments. Underlying sales revenue from the Stressless® segment was NOK 2 009 million (1 537), revenue from IMG was NOK 562 million (423), while revenue from Svane® amounted to NOK 149 million (143).

Operating earnings (EBIT) for the first half year 2022 came in at NOK 320 million (294). The increase from the first half year of 2021 is mainly driven by increased sales throughout the period and improved profitability from higher capacity utilization during the first quarter 2022.

Due to higher activity and increased capacity, payroll expenses increased to NOK 708 million during the period, from NOK 616 million for the first six months of 2021. Other operating expenses, including sales and marketing costs, ended at NOK 648 million, compared to NOK 498 million in the first half year 2021.

Net financial items were negative at NOK 72 million (-86), driven by financial expenses of NOK 117 million (91). Earnings before tax for the first half year came in at NOK 248 (208). Tax expense is calculated at NOK 52 million (41), which gave a net result of NOK 195 (167).

Order receipts and order reserve

		Q2 2022	Q2 2021	Q1 2022	YTD Q2 2022	YTD Q2 2021	Y 2021	CHANGE YTD 2022 / YTD 2021
Order receipts	MNOK	1 039,4	1 226,5	1 382,6	2 422,1	2 429,2	4 874,7	-0,3%
Order reserve	MNOK	1 052,7	1 174,0	1 260,2	1 052,7	1 174,0	1 379,6	-10,3%

Order receipts in the second quarter 2022 amounted to NOK 1 039, down 15% from NOK 1 227 million in the corresponding quarter in 2021. Order receipts in the first quarter 2022 were NOK 1 383 million.

As at 30 June 2022, Ekornes' combined order reserve was NOK 1 053 million, down from NOK 1 260 million at the end of the first quarter 2022, with the decrease mainly driven by significant deliveries in the quarter. Order reserve at the end of the second quarter 2021 was NOK 1 174 million.

Balance Sheet

		30.6.2022	30.6.2021	30.3.2022	31.12.2021
Working capital*	MNOK	1 694,8	1 312,9	1 575,6	1 389,1
Bank deposits	MNOK	393,2	440,5	368,0	350,1
Total assets	MNOK	8 472,1	7 971,2	8 228,5	8 090,1
Interest-bearing loans	MNOK	3 079,5	2 507,7	3 087,3	3 097,9
Total liabilities	MNOK	5 059,2	4 271,4	5 031,8	5 007,2
Equity	MNOK	3 412,9	3 699,7	3 196,7	3 083,0
Equity ratio	%	40,3%	46,4%	38,8%	38,1%
Value of forward contracts	MNOK	-25,3	13,0	14,4	4,1
Net interest-bearing Debt (NIBD)	MNOK	2 686,3	2 067,3	2 719,4	2 747,9

* Working capital = trade receivables + inventory - trade payables

At 30 June 2022, Ekornes had total assets of NOK 8 472 million, compared with NOK 8 228 million three months earlier. The increase mainly follows higher intangible assets, capacity extensions at production facilities and higher working capital from increased inventory.

Total equity was NOK 3 413 million at the end of the quarter, corresponding to an equity ratio of 40%. This compares to NOK 3 197

million and 39% at the end of the previous quarter, where the change attributes to increased retained earnings.

Total interest-bearing debt at the end of the period amounted to NOK 3 079 million, down from NOK 3 088 million at the end of first quarter 2022, mainly due to a NOK 12.5 million repayment of bank debt during the quarter. Interest-bearing debt includes unsecured bank loans with DNB and Sparebanken Møre totalling NOK 1 063 million. In the second quarter, the company extended its existing bank loan facilities of NOK 750 million until 15 April 2023.

In April 2019, Ekornes QM Holding AS issued a NOK 2.0 billion bond to refinance the Group. The bond was listed on Oslo Stock Exchange on 10 July 2019 under the name "Ekornes QM Holding AS 19/23 FRN FLOOR C" with the ticker: EKO01. Ekornes has call options to redeem the bond with expiry dates in October 2022 and April 2023 before the bond matures in October 2023. The company is in the process of evaluating a refinancing process to find an optimal long-term financing structure.

Financial covenants

The bond agreement is subject to a set of financial covenants, including a minimum liquidity of NOK 125 million and a maximum leverage ratio of 5.25. The covenants are measured quarterly on a 12-month rolling basis for Ekornes QM Holding Group.

In 2020, Ekornes experienced a significant impact on operations from March to May due to the lockdowns from the Covid-19 pandemic. During this period, Ekornes performed stress tests on key financial indicators with satisfactory results. However, with the outlook for a negative impact on earnings being substantial short to medium term and the risk of a covenant breach in the bond agreement, Ekornes entered an agreement with bondholders for amendments to covenants. However, due to the significant rebound during the second half of 2020 which has continued throughout 2021 and into 2022, Ekornes' financial position as at 30 June 2022 was solid. The bond agreement also 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 second quarter of 2022 and as at 30 June 2022, Ekornes was compliant with all covenant requirements in the bond agreement. The leverage ratio at the end of the second quarter 2022 was 3,47, well within prevailing requirements.

Cash flow

		Q2 2022	Q2 2021	Q1 2022	YTD Q2 2022	YTD Q2 2021	Y 2021
Net cash flow from operating activities	MNOK	124,6	80,5	75,3	199,9	64,0	240,6
Net cash flow from investing activities	MNOK	-60,0	-15,8	-28,4	-88,4	-47,6	-109,4
Net cash flow from financing activities	MNOK	-26,7	-15,1	-27,3	-54,0	-31,4	-238,5
Change in net cash & cash equivalents	MNOK	37,9	49,6	19,6	57,5	-15,0	-107,4
Effect of exchange gains / (losses) on cash and cash equivalents	MNOK	-12,7	-1,5	-1,8	-14,4	0,8	2,8
Net cash & cash equivalents at the start of the period	MNOK	368,0	392,4	350,1	350,1	454,6	454,6
Net cash & cash equivalents at the close of the period	MNOK	393,2	440,5	368,0	393,2	440,1	350,1

Net cash flow from operating activities in the second quarter 2022 was NOK 125 million (81), driven by strong cash earnings and positive working capital effects compared to second quarter of 2021. The operating cash flow was impacted by a NOK 119 million increase in working capital, driven by higher inventory of NOK 125 million. In Q2 2021, working capital increased by NOK 134 million.

Net cash flow from investing activities was negative NOK 60 million in the quarter (-16), including capacity expansion of the production facility in Lithuania and ongoing investments in day-to-day operations. Ekornes expects investments to stabilise at current levels to adapt to somewhat lower sales levels in the short to medium term. However, the company has a flexible operating model and is positioned to support continued growth of the fastest-growing segments and capture emerging market opportunities.

Net cash flow from financing activities was negative at NOK 27 million during the quarter (-15). This includes a NOK 14 million payment of lease liabilities and a NOK 12.5 million repayment of short-term debt.

Net change in cash and cash equivalents was positive NOK 38 million during the quarter and as at 30 June 2022, total holdings of cash and cash equivalents amounted to NOK 393 million. This compares to NOK 440 million 12 months earlier and NOK 368 million at the end of the first quarter 2022.

SEGMENTS

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

Stressless®

		Q2 2022	Q2 2021	Q1 2022	YTD Q2 2022	YTD Q2 2021	Y 2021
Gross operating revenue	MNOK	903,1	792,4	1 105,9	2 008,9	1 536,9	3 166,6
Gross operating earnings (EBITDA)	MNOK	114,9	161,8	243,1	358,0	344,5	648,3
Operating earnings (EBIT)	MNOK	54,8	108,8	188,4	243,2	238,1	417,5
Operating margin (EBIT)		6,1%	13,7%	17,0%	12,1%	15,5%	13,2%

Stressless® started the quarter with strong sales in key markets before market conditions shifted somewhat in April and May with demand coming down from the elevated levels seen during the pandemic. However, Stressless® delivered strong operational performance with a high number of deliveries in the quarter, driving revenues to NOK 903 million, up 14% from NOK 792 million in the second quarter 2021. Total sales for the first six months of the year amounted to NOK 2 009 million, an increase of 31% compared to corresponding period in 2021.

Operating earnings (EBIT) for the quarter ended at NOK 55 million, corresponding to an operating margin of 6% (14%). The decrease in margin relates to higher costs, including raw material and transportation, and that a significant part of order deliveries during the period were executed ahead of the price increases initiated towards the end of the period. EBIT was further negatively impacted by losses on forward contracts related to currency hedging. For the first half of the year, the operating margin was 12%. With prices of Stressless® products already increased considerably over the last 18 months and cost pressure further intensifying, Ekornes is continuously evaluating its pricing strategy to optimize the balance between price and sales volumes.

North America remains one of the key markets for Stressless® and delivered another strong quarter. Although retailers in general are reducing inventory, order intake from large retailers remained at good levels in the second quarter. The period also saw deliveries at very strong levels. With inflation being a major concern across all aspects of the US economy, a somewhat slower pace in the furniture industry is expected. However, Stressless® has a large order backlog and combined with a well-established position in the US markets, this supports continued strong sales of the premium brand in this region.

In Europe, all markets posted strong sales at the beginning of the quarter, before sales slowed somewhat in June compared to the corresponding month in 2021 when markets re-opened following long lockdowns. Overall, sales in the first half year were solid and are expected to normalise at above pre-pandemic levels.

Recliners are posting stable sales in the European markets along with successful launches of new products, widening the Stressless® offering. Sofas continue the positive trend despite longer lead times than desired from more labour-intensive production. During the quarter, Ekornes utilized production capacity at IMG's facility in Lithuania for the labour-intensive and time-consuming processes such as assembly of Stressless® sofas. This has reduced lead times supporting reliable deliveries of Stressless® in the quarter.

In Australia and New Zealand, sales were boosted by successful sales campaigns and rebound in activity following the slowdown in March due to the Covid-19 omicron outbreak. Several new stores were also opened in the quarter, supporting continued expansion of the Stressless® distribution network. Going forward, the outlook in these markets remain positive, supported by a strong labour market and growth in private consumption.

The Chinese market delivered sales for the quarter slightly above the levels seen in the second quarter 2021. However, the market has been heavily impacted by Covid-19 related restrictions, leaving numerous major cities in lockdown during the quarter. Logistics and deliveries from warehouses have furthered suffered from the situation. Luckily, in June, several cities reopened as restrictions were loosened, and activity is expected to rebound as this trend continues in the third quarter.

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 second quarter, seven new showrooms opened in five cities, strengthening the strategic ambitions of Stressless® in China.

In Japan, Stressless® kept its strong position with solid sales despite a softening economy. The quarter included a well-received introduction of Stressless® Rome to retailers in Tokyo and Osaka. In general, the Japanese market is marked by high inflation, driving wholesale prices up by close to 10% since the second quarter 2021. Despite this, Stressless® continues its strong performance, fuelled by timely deliveries and a relevant, premium offering.

Supply chain disturbances and capacity constraints emerging from the pandemic, combined with increased macro uncertainties from Russia's invasion of Ukraine, have increased the overall cost base for the entire furniture industry. Although Stressless® has counteracted significant cost inflation by price increases, continued cost pressure may challenge profitability in the short to medium term. Ekornes continuously reviews its pricing strategy and is committed to find an optimal balance between price and sales volumes.

Stressless® has strengthened its market position across segments and main markets during tough market conditions in recent years. Despite an overall softening for the furniture industry, sales of premium brands are expected to stabilise above pre-pandemic levels as these are more resistant to market fluctuations. Consistent deliveries and close collaboration with a wide distribution network of retailers put Stressless® in a strong position for future expansion and introduction of new products and segments.



IMG

(Figures in MNOK)		Q2 2022	Q2 2021	Q1 2022	YTD Q2 2022	YTD Q2 2021	Y 2021
Gross operating revenue	MNOK	265,3	204,1	296,9	562,3	423,1	850,0
Gross operating earnings (EBITDA)	MNOK	57,8	44,2	63,2	121,0	94,6	177,9
Operating earnings (EBIT)	MNOK	37,2	24,8	43,0	80,2	55,5	93,0
Operating margin (EBIT)		14,0%	12,1%	14,5%	14,3%	13,1%	10,9%

IMG continued its strong development in the second quarter, generating revenues of NOK 265 million, up 30% from the same period last year, but behind the record of the previous quarter. Revenue year-to-date is at an all-time high for the first half of a year at NOK 562 million. The revenue was driven by the large order reserve. However, during the quarter, the order reserve has declined as orders have faced strong but expected headwinds throughout the period.

North America was the largest revenue contributor during the quarter, with Australia also having a strong period. Nordics performed well, somewhat ahead of the corresponding period last year. Asian markets remained weak as impacts from COVID-19 delayed order invoicing.

Order intake for the quarter was down some 35% against the same period in 2021. However, Q2 2021 orders were significantly impacted by a series of exceptionally large orders booked in the period. So far this year, orders have been more evenly booked.

Regardless, it is clear 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.

According to its strategic plan, IMG continues to expand distribution across key markets, and remains committed to introducing new product lines to offset the more difficult trading environment. These initiatives are not expected to fully counter the current market slowdown but is more about future market development for IMG.

Operating results remain strong for IMG, as the revenue development is more than covering the significant cost base increases seen especially in raw materials and transport. Year-to-date, the operating result is 45% ahead of 2021, standing at NOK 80 million.

IMG's focus on cost control will be important in protecting profitability as cost pressures remain and revenue is expected to soften due to the weaker order inflow experienced in the second quarter. With markets overstocked, weaker consumer sentiment towards home furnishings and ongoing supply chain challenges and high transport costs weighing on performance, expectations for orders inflow in the near term remain subdued.

However, IMG's strategy remains. The company will continue to focus on the development of key markets in North America and APAC. In addition, distribution opportunities are present within the UK and European markets and established channels will benefit from new product launches in the near term.

Overall, IMG's position is expected to remain solid in terms of achieving the ambitions of 2022 despite the more difficult trading environment.



Svane®

		Q2 2022	Q2 2021	Q1 2022	YTD Q2 2022	YTD Q2 2021	Y 2021
Gross operating revenue	MNOK	64,4	63,0	84,7	149,0	143,3	301,2
Gross operating earnings (EBITDA)	MNOK	-4,9	-0,5	4,2	-0,7	3,3	9,5
Operating earnings (EBIT)	MNOK	-5,6	-1,4	3,4	-2,2	1,6	5,9
Operating margin (EBIT)		-8,7%	-2,3%	4,0%	-1,5%	1,1%	2,0%

Sales performance of Svane® during the quarter was impacted by the weaker markets and in general lower consumer spending in the segment. Operating revenues came in at NOK 64 million, in line with the second quarter 2021, but down 24% compared to the previous quarter. Year-to-date, revenue came in at NOK 149 million, 4% up from 2021. Operating earnings (EBIT) for the second quarter was negative NOK 6 million, down from negative NOK 1 million in the corresponding period last year, mostly due to the higher cost base.

The Norwegian market during the second quarter was characterized by large cost increases and consumer spending switching to travel and leisure, particularly in the early summer months May and June, when orders for mattresses and beds declined. The increased cost of living for consumers has also 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. Despite the challenging trading environment, Svane® has maintained its market share.

In Central Europe, sales of Svane® mattresses are showing a good development, while complete bed solutions are challenged by fewer visitors in stores and lower demand.

The Danish and Finnish markets had a negative trend in the quarter. Efforts to reverse the trend are ongoing in both markets, including marketing campaigns and improvements to the product offering to better match market preferences. The initiatives are expected to positively impact sales in the second half of the year.

Going forward, the market for beds remains challenging, impacted by continued strong inflation and supply chain difficulties. Svane® has focus on mitigating these effects by price increases and focusing sales on more expensive premium products while securing access to raw materials. Delivery times are also expected to stabilize. Furthermore, the roll-out of several new and relevant products has been successful, and the launch of new products under the Stressless® brand is expected to attract new customers in new markets.



Outlook

Ekornes' long-term ambition is to grow revenues profitably and responsibly.

While the strong sales momentum seen in 2021 continued during the first five months of 2022, Ekornes is seeing signs of dampened demand compared to the elevated levels experienced during the pandemic. With higher prices and increasing interest rates, combined with a shift in consumer spending, Ekornes is prepared for a slower pace in the industry in general.

The pandemic has had a major impact on global supply chains. Capacity constraints on logistics and reduced access to raw materials have driven prices to record levels and increased lead times, a situation expected to continue in the second half of 2022. Cost increases have largely been offset by repricing efforts. However, continued inflation may require additional initiatives and Ekornes is continuously evaluating its pricing strategy to optimize the balance between price and sales volumes.

Ekornes' ability to provide relevant products with short delivery times has been a success factor for the performance throughout the pandemic. Overall, the company has experienced limited interruptions so far owing to a solid distribution network, combined with a favourable diversification of supply and market demand. The situation is still challenging, such as the continued lockdowns in China that Ekornes is closely monitoring it and remains committed to minimizing its impact.

Ekornes relentlessly focuses on operational efficiency, and to improve capacity utilization the company has initiated a plan to reorganize operations, including concentrating automated, labour-intensive and other specialized processes to production units with comparative advantages, across segments. Going forward, the company is considering reconditioning current facilities to optimize production processes further.

Continued development and introduction of new products remain high on the agenda. A key priority is to capitalize on current strong demand for power products while launching several new product initiatives over the next year. Combined with strengthened customer collaboration, Ekornes holds a strong position as a renowned global premium furniture manufacturer as markets now normalize.

The Group has a solid financial position with good liquidity. Ekornes intends to optimize the long-term financing structure to maintain financial flexibility in continued uncertain market conditions.

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 in the quarter.

As at 30 June 2022, Ekornes employed a total of 3 397 people, of which about 40% were employed in 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 9 lost-time injuries in the second quarter 2022. This gives an H1-value for the period of 4,8 compared to 4,9 the same period the year before.

The Group had a sickness absence rate of 3,9% in the second quarter 2022, compared to 2,4% in the same quarter in 2021.

Risks and uncertainties

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.

Following outbreaks of Covid-19 in 2020, Ekornes experienced a severe demand drop during the first months of the pandemic. The sharp short-term sales decline proved the increased need for resilience in an uncertain world. Due to the pandemic's effect on economies, markets and people, 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 throughout 2021 and into 2022. At the same time, the SARS-CoV-2 virus is still present and impacts both markets and operations with shutdowns and restrictions.

In general, Ekornes is exposed to risk on both the sales and purchasing sides of business in several different geographic markets. When parts of the dealer network were shut down in the first half year 2020, Ekornes accelerated initiatives to address sales and distribution risk, including introducing an e-commerce platform in cooperation with its dealer network. The company also took actions to secure access to critical components, establishing relations with alternative suppliers, and increasing inventory as a buffer to secure operations.

As a consequence of the pandemic, logistics and transportation have become increasing challenges for the furniture industry, impacting both the ability to bring products to market and secure access to input factors. Ekornes has taken actions to secure access to crucial raw materials and transportation services. However, the situation is expected to increase input and transportation prices further. Ekornes follows the situation closely and regularly reviews its pricing strategy to account for an overall increased cost base.

Furthermore, the Russian invasion of Ukraine in late February has led to increased geopolitical tension and put additional pressure on an already constrained supply chain. Ekornes has reduced exposure to Russia and Ukraine, both on the supplier and demand side, and is therefore less impacted by the prolonged conflict. The company follows the wide international community and condemns Russia's invasion of Ukraine and chose to stop all distribution of furniture to Russia and Belarus.

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" effects from the pandemic seems to be subsiding. As a result, Ekornes must be prepared for lower economic activity that may affect demand for its products, its sales channels and for other parts of the value chain. The Group has a flexible operating model and is positioned to adjust production capacity to prevailing demand.

Moreover, Ekornes has production facilities in Norway, Lithuania, Vietnam, 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 is 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.

Reference is otherwise made to the 2021 Annual Report for more detailed information about the Group's risk factors and risk management.

Events after the balance sheet date

No significant events have occurred between the balance sheet date and the date of publication of the financial statements which have materially affected the Company's financial position, and which should have been reflected in the financial statements presented here. No material events have occurred from the balance sheet date until the publication of the financial statements that have had any material impact on the Group's financial position and that should have been reflected in the published financial statements.

Statement by the board of directors and CEO

We confirm, to the best of our knowledge, that the unaudited, condensed half-year financial statements for the period 1 January to 30 June 2022 have been prepared in conformity with IAS 34 Interim Reporting, and that the information in the financial statements provides a fair view of the enterprise and the Group's assets, liabilities, financial position and overall results, and that the half-year report provides a fair overview of the information specified in section 5-6, fourth paragraph, of the Norwegian Securities Trading Act.

Oslo, August 29th, 2022
The board of Ekornes QM Holding AS

Ruihai Zhao
Chair

Mogens Falsig
Director and CEO



Consolidated income statement

(Figures in MNOK, except per share data)	Note	Q2 2022	Q2 2021	Q1 2022	YTD Q2 2022	YTD Q2 2021	Y 2021
Gross operating revenue	2	1 232,7	1 059,5	1 487,5	2 720,2	2 103,3	4 317,9
Cost of goods sold		387,7	294,9	468,1	855,7	559,3	1 205,3
Payroll expenses		344,0	317,1	364,0	708,0	615,7	1 209,6
Depreciation and write downs	5	81,3	73,3	75,6	157,0	147,3	319,3
Other operating expenses		289,1	237,9	359,1	648,2	497,9	1 082,8
Net other losses (gains)	3	44,7	4,6	-13,3	31,5	-10,7	-13,2
Total operating expenses		1 146,8	927,8	1 253,5	2 400,3	1 809,5	3 803,8
Operating earnings (EBIT)		85,9	131,7	234,0	319,9	293,8	514,0
Financial income		6,2	1,6	4,2	10,4	3,6	9,0
Net gains (losses) on foreign exchange		52,8	7,2	-18,2	34,5	1,2	6,1
Financial expenses		60,9	43,7	56,5	117,3	90,8	191,1
Net financial items		-1,8	-34,9	-70,6	-72,4	-85,9	-176,0
Earnings before tax (EBT)		84,1	96,8	163,4	247,5	207,8	338,1
Calculated tax cost (Income)		17,3	18,7	34,8	52,1	40,7	64,1
Net earnings		66,8	78,1	128,6	195,4	167,1	273,9
Earnings are attributable to:							
Controlling interests		66,8	67,8	128,6	195,4	145,2	246,2
Non-controlling interests		0,0	10,3	0,0	0,0	21,9	27,7
Earnings per share		2 226,2	2 603,7	4 287,4	6 513,6	5 570,9	9 131,5
Earnings per share (diluted)		2 226,2	2 603,7	4 287,4	6 513,6	5 570,9	9 131,5

Consolidated statement of comprehensive income

(Figures in MNOK)	Note	Q2 2022	Q2 2021	Q1 2022	YTD Q2 2022	YTD Q2 2021	Y 2021
Net earnings		66,8	78,1	128,6	195,4	167,1	273,9
Other income and expenses:							
Items which can be reclassified to earnings and loss:							
Translation differences	5	149,4	3,7	-14,9	134,5	-19,3	-1,8
Total other income and expenses		149,4	3,7	-14,9	134,5	-19,3	-1,8
Total comprehensive income		216,2	81,8	113,7	329,9	147,9	272,1

Consolidated balance sheets

(Figures in MNOK)	Note	30.6.2022	30.6.2021	31.3.2022	31.12.2021
ASSETS					
Non-current assets					
Buildings and sites		924,8	969,6	920,9	945,7
Machinery and equipment		276,4	275,7	275,5	277,8
Operating movables and fixtures		28,9	31,6	24,7	24,5
Assets under construction		68,4	19,1	43,9	26,8
Right-of-use assets	7	225,7	143,0	220,0	217,3
Total property, plant & equipment		1 524,1	1 439,0	1 485,1	1 492,1
Software and licenses		32,9	46,7	34,8	36,1
Brand name	5	1 500,5	1 541,2	1 510,7	1 520,8
Goodwill	5	1 561,1	1 561,1	1 561,1	1 561,1
Customer relations	5	1 230,9	1 180,3	1 136,0	1 162,4
Deferred tax assets		115,7	88,0	99,9	107,7
Total non-current intangible assets		4 441,1	4 417,3	4 342,5	4 388,1
Other receivables and investments		28,3	20,8	26,9	24,1
Total non-current financial assets		28,3	20,8	26,9	24,1
Total non-current assets		5 993,6	5 877,1	5 854,5	5 904,3
Current assets					
Inventory		1 334,3	1 033,4	1 209,4	1 272,3
Trade receivables		645,4	515,1	682,8	448,9
Forward currency contracts	3	0,0	13,0	14,4	4,1
Other short-term receivables		105,6	92,2	99,4	110,4
Cash and bank deposits		393,2	440,5	368,0	350,1
Total current assets		2 478,5	2 094,1	2 373,9	2 185,8
TOTAL ASSETS		8 472,1	7 971,2	8 228,5	8 090,1

Consolidated balance sheets

(Figures in MNOK)	Note	30.6.2022	30.6.2021	31.3.2022	31.12.2021
EQUITY AND LIABILITIES					
Equity					
Contributed equity					
Share capital	8	0,1	0,1	0,1	0,1
Premium paid		2 807,4	2 807,4	2 807,4	2 807,4
Total contributed equity		2 807,5	2 807,5	2 807,5	2 807,5
Retained earnings					
Translation difference		193,4	44,0	43,9	58,9
Other equity		412,0	345,8	345,2	216,6
Total retained earnings		605,4	389,8	389,2	275,5
Owner of the company		3 412,9	3 197,3	3 196,7	3 083,0
Non-controlling interests		0,0	502,4	0,0	0,0
Total equity		3 412,9	3 699,7	3 196,7	3 083,0
Non-current liabilities					
Pension liabilities		8,3	7,8	7,7	7,9
Provisions		3,3	3,1	3,0	3,0
Deferred tax		802,5	813,4	779,6	791,1
Lease liabilities	7	189,0	109,3	182,4	176,3
Interest-bearing debt - Bond	6	2 017,0	2 007,7	2 012,3	2 010,4
Interest-bearing debt - Bank	6	0,0	500,0	0,0	0,0
Total non-current liabilities		3 020,2	3 441,3	2 985,1	2 988,6
Current liabilities					
Trade payables		284,9	235,6	316,6	332,1
Public charges payable		91,2	98,0	87,1	84,3
Tax payable		97,7	110,4	89,8	116,4
Forward currency contracts		25,3	0,0	0,0	0,0
Interest-bearing debt - Bank	6	1 062,5	0,0	1 075,0	1 087,5
Dividend		0,0	18,9	0,0	0,0
Lease liabilities	7	51,9	40,3	49,8	51,6
Other current liabilities		425,4	327,0	428,5	346,6
Total current liabilities		2 039,0	830,2	2 046,7	2 018,5
Total liabilities		5 059,2	4 271,4	5 031,8	5 007,2
TOTAL EQUITY AND LIABILITIES		8 472,1	7 971,2	8 228,5	8 090,1

Consolidated statement of cash flows

(Figures in MNOK)	Q2 2022	Q2 2021	Q1 2022	YTD Q2 2022	YTD Q2 2021	Y 2021
Cash flows from operating activities						
Earnings before tax (EBT)	84,1	96,8	163,4	247,5	207,8	338,1
Tax paid for the period	-33,6	-25,6	-60,1	-93,8	-32,5	-90,1
Depreciation and write downs	81,3	73,3	75,6	157,0	147,3	319,3
Change in inventory	-124,9	-124,4	63,0	-62,0	-215,3	-454,2
Change in trade receivables	37,4	-37,3	-233,9	-196,5	-99,5	-33,3
Change in trade payables	-31,7	27,3	-15,6	-47,3	-7,7	88,9
Change in other time limited records	112,0	70,3	82,9	194,9	63,8	72,0
Net cash flow from operating activities	124,6	80,5	75,3	199,9	64,0	240,6
Cash flows from investing activities						
Proceeds from sale of PP&E	0,0	-0,6	9,6	9,6	0,2	0,2
Payments for purchase of PP&E	-60,0	-15,2	-38,0	-98,0	-47,8	-109,7
Net Cash flows from investing activities	-60,0	-15,8	-28,4	-88,4	-47,6	-109,4
Cash flows from financing activities						
Payment of lease liabilities	-14,2	-11,2	-14,8	-29,0	-23,4	-58,1
Payment of dividend	0,0	-3,9	0,0	0,0	-8,0	-26,9
Repayment of borrowings	-12,5	0,0	-12,5	-25,0	0,0	-12,5
Proceeds from borrowings	0,0	0,0	0,0	0,0	0,0	600,0
Transactions with non-controlling interests	0,0	0,0	0,0	0,0	0,0	-741,0
Net cash flow from financing activities	-26,7	-15,1	-27,3	-54,0	-31,4	-238,5
Change in net cash & cash equivalents	37,9	49,6	19,6	57,5	-15,0	-107,3
Effect of exchange gains / (losses) on cash and cash equivalents	-12,7	-1,5	-1,8	-14,4	0,8	2,8
Net cash & cash equivalents at the start of the period	368,0	392,4	350,1	350,1	454,6	454,6
Net cash & cash equivalents at the close of the period	393,2	440,5	368,0	393,2	440,5	350,1
Restricted cash at the end of the period*	159,3	154,9	153,0	159,3	154,9	153,0
Unrestricted cash at the end of the period	233,9	285,6	215,0	233,9	285,6	197,1

In the statement of cash flow, cash and bank deposits are recognized 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 AS of NOK 125 million. The rest of the restricted cash on 30 June 2022 are related to the payment of employee tax deductions.

Consolidated statement of changes in equity

(Figures in MNOK)	Share capital	Premium paid	Translation difference	Other equity	Sum	Non-controlling interests	Total equity
Equity 31.12.2020	0,1	2 807,4	61,5	200,6	3 069,5	500,0	3 569,5
Earnings for the period	0,0	0,0	0,0	246,2	246,2	27,7	273,9
Other comprehensive income	0,0	0,0	-2,6	0,0	-2,6	0,7	-1,8
Dividend	0,0	0,0	0,0	0,0	0,0	-17,6	-17,6
Acquisition of non-controlling interests*	0,0	0,0	0,0	-230,2	-230,2	-510,8	-741,0
Equity 31.12.2021	0,1	2 807,4	58,9	216,6	3 083,0	0,0	3 083,0
Equity 31.12.2021	0,1	2 807,4	58,9	216,6	3 083,0	0,0	3 083,0
Earnings for the period	0,0	0,0	0,0	195,4	195,4	0,0	195,4
Other comprehensive income	0,0	0,0	134,5	0,0	134,5	0,0	134,5
Equity 30.6.2022	0,1	2 807,4	193,4	412,0	3 412,9	0,0	3 412,9

*Acquisition of non-controlling interests

30 July 2021, Ekornes QM Holding acquired the remaining 9.5% of the shares in Ekornes Holding AS from Huatai Securities for NOK 741 million. Following the transaction Ekornes QM Holding controls all shares in Ekornes Holding AS.

Notes to the consolidated financial statements

NOTE 1 Accounting principles

The consolidated financial statements for the first quarter 2022, closed as at 30 June 2022 have been prepared in accordance with International Financial Reporting Standards (IFRS) as approved by the EU, and include Ekornes QM Holding AS and its subsidiaries.

The interim report has not been audited. The interim report does not include all the information required of a complete set of year-end financial statements and should therefore be read in conjunction with the consolidated financial statements for 2021. The 2021 annual report, which contains the Group's consolidated financial statements and the financial statements for the parent company Ekornes QM Holding AS, may be found on the company's website www.ekornes.com/en/investor-relations/reports.

The accounting principles used in the preparation of these interim financial statements are the same as those applied to the consolidated financial statements for 2021.

NOTE 2 Business areas – segments - markets

Segments

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 the IMG product area

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 MNOK)	Q2 2022	Q2 2021	Q1 2022	YTD Q2 2022	YTD Q2 2021	Y 2021
Revenues per segment						
Stressless®	903,1	792,4	1 105,9	2 008,9	1 536,9	3 166,6
IMG	265,3	204,1	296,9	562,3	423,1	850,0
Svane®	64,4	63,0	84,7	149,0	143,3	301,2
Total	1 232,7	1 059,5	1 487,5	2 720,2	2 103,3	4 317,9
EBITDA per segment						
Stressless®	114,9	161,8	243,1	358,0	344,5	648,3
IMG	57,8	44,2	63,2	121,0	94,6	177,9
Svane®	-4,9	-0,5	4,2	-0,7	3,3	9,5
Other/eliminations *	-0,5	-0,5	-0,8	-1,3	-1,4	-2,4
Total	167,3	205,0	309,6	476,9	441,1	833,3
EBIT per segment						
Stressless®	54,8	108,8	188,4	243,2	238,1	417,5
IMG	37,2	24,8	43,0	80,2	55,5	93,0
Svane®	-5,6	-1,4	3,4	-2,2	1,6	5,9
Other/eliminations *	-0,5	-0,5	-0,8	-1,3	-1,4	-2,4
Total	85,9	131,7	234,0	319,9	293,8	514,0
Operating revenues by market						
Norway	119,4	130,8	184,7	304,2	298,2	581,2
Other Nordic	56,1	61,9	66,1	122,2	122,0	230,6
Central Europe	210,9	147,2	240,5	451,4	353,8	730,2
Southern Europe	79,9	90,1	86,2	166,2	156,6	256,2
United Kingdom/Ireland	77,8	45,6	112,0	189,8	94,3	265,3
USA/Canada/Mexico	503,3	411,7	598,1	1 101,4	717,2	1 485,3
Japan	30,8	27,4	30,3	61,1	59,0	140,4
Australia	103,8	82,8	89,9	193,7	167,1	352,9
China	23,8	33,0	44,2	68,0	73,3	150,5
Other Markets	26,8	29,1	35,5	62,3	61,7	125,2
Total	1 232,7	1 059,5	1 487,5	2 720,2	2 103,3	4 317,9

* Other/eliminations contain results from activities carried out by the parent company and other non-production-oriented companies in the group.

NOTE 3 Currency

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.

Forward contracts

In 2021 and first half-year 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). In second quarter, these contracts resulted in a NOK 5,0 million in realised loss and an unrealised loss of 39,8 million. All contracts that are open as at 30 June 2022 fall due for payment in the next 12 months. As at 30 June 2022, the market value of existing forward currency contracts came to negative NOK 25,3 million.

(Figures in MNOK)

Total net other gains/(losses) comprises:	Q2 2022	YTD Q2 2022	Q2 2021	YTD Q2 2021
Realised gains/(losses) on new forward contracts	-5,0	-2,0	13,5	20,4
Change in value of realised and unrealised contracts	-39,8	-29,5	-18,0	-9,7
Net other gains/(losses)	-44,8	-31,5	-4,6	10,7

The following net foreign exchange volume was undertaken in first-half year 2022:

Currency	Volume in Currency (Million)	Average exchange rate (in NOK)
AUD	11,2	6,44
DKK	25,0	1,38
EUR	15,0	10,23
GBP	7,5	11,88
USD	8,8	8,64

NOTE 4 No. of employees

	30.6.2022	30.6.2021	31.3.2022	31.12.2021
Employees in Norway	1 380	1 255	1 365	1 322
Employees abroad	2 017	1 926	2 115	1 999
Total	3 397	3 181	3 480	3 321

NOTE 5 Goodwill, customer relations and brand names

In connection with the purchase price allocation following the acquisition of Ekornes AS in September 2018, excess values were identified related to brand names, customer relationships, real estate and fixed assets. 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. Goodwill is not depreciated in the consolidated financial statements but is tested annually for impairment.

The customer related assets are allocated to the main markets for each segment based on their relative share of revenue. For Stressless®, the main markets are USA, Germany and France, while for IMG the main markets are USA, Australia and Norway. The deferred tax liabilities have been calculated based on the applicable legal tax rate for each country. In addition, the customer relations and related deferred tax have been allocated to the main markets and denominated in their functional currencies. Changes in currency rates will cause translation differences, related to the book value of the customer relations and the corresponding DTL, which will be recognized through other comprehensive income ("OCI").

(Figures in MNOK)	Brand name	Goodwill	Customer relationships	Total
Acquisition value 1.1.2022	1 656,4	1 561,1	1 302,3	4 519,8
Accumulated depreciation 1.1.2022	135,6	0,0	200,2	335,7
The period's depreciation	20,3	0,0	30,5	50,8
Accumulated depreciation 30.6.2022	155,9	0,0	230,6	386,5
Accumulated currency translation 1.1.2022	0,0	0,0	60,3	60,3
The period's currency translation differences	0,0	0,0	99,0	99,0
Accumulated currency translation 30.6.2022	0,0	0,0	159,2	159,2
Book value 30.6.2022	1 500,5	1 561,1	1 230,9	4 292,5
Split per segment				
Stressless®	1 297,2	676,6	776,6	2 750,4
IMG	203,3	884,5	454,3	1 542,1
Book value 30.6.2022	1 500,5	1 561,1	1 230,9	4 292,5
	Brand name	Goodwill	Customer relationships	Total
Acquisition value 1.1.2021	1 656,4	1 561,1	1 302,3	4 519,8
Accumulated depreciation 1.1.2021	94,9	0,0	141,0	235,9
The period's depreciation	40,7	0,0	59,1	99,8
Accumulated depreciation 31.12.2021	135,6	0,0	200,2	335,7
Accumulated currency translation 1.1.2021	0,0	0,0	60,7	60,7
The period's currency translation differences	0,0	0,0	-0,4	-0,4
Accumulated currency translation 31.12.2021	0,0	0,0	60,3	60,3
Book value 31.12.2021	1 520,8	1 561,1	1 162,4	4 244,4
Split per segment				
Stressless®	1 311,3	676,6	731,9	2 719,7
IMG	209,6	884,5	430,5	1 524,6
Book value 31.12.2021	1 520,8	1 561,1	1 162,4	4 244,4

NOTE 6 Interest-bearing loans and credit facilities

In April, Ekornes successfully extended the existing bank loan facilities in DnB and Sparebank Møre until 15 April 2023. The loan extensions demonstrate the banks' continued support of Ekornes and offer the company the financial flexibility to capture future market opportunities and further optimize the long-term capital structure.

Short-term borrowing agreement 30 June 2022

- The loan of NOK 312,5 million in DNB is unsecured. Quarterly instalments at NOK 12,5 million,- four times per year with the first instalment three months from disbursement date (27 July 2021) of the loan. Final maturity in 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.

Senior Secured Bond at 30 June 2022

In April 2019, Ekornes QM Holding AS issued a NOK 2.0 billion bond to refinance the Group. The bond was listed on Oslo Stock Exchange on 10 July 2019 under the name "Ekornes QM Holding AS 19/23 FRN FLOOR C" with the ticker: EKO01. Ekornes has call options to redeem the bond with expiry dates in October 2022 and April 2023 before the bond matures in October 2023. The company is in the process of evaluating a refinancing process to find an optimal long-term financing structure.

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 30 June 2022 the coupon was 8,32%. For third quarter 2022 the coupon is 8.68%.

(Figures in MNOK)

Bond	FRN Ekornes QM Holding AS Senior Secured Callable Bond Issue 2019/2023
Ticker:	EKO01
Currency	NOK
Issue Amount	2 000
NIBOR 3M	1,32%
Margin	7,00%
Coupon	8,32%
Tenor / redemption:	54 months /4,5 years
Settlement Date:	2.4.2019
Maturity Date:	2.10.2023

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

Financial covenants

The bond agreement is subject to a set of financial covenants, including a minimum liquidity of NOK 125 million and a maximum leverage ratio of 5.25. The covenants are measured quarterly on a 12-month rolling basis for Ekornes QM Holding Group.

In 2020, Ekornes experienced a significant impact on operations from March to May due to the lockdowns from the Covid-19 pandemic. During this period, Ekornes performed stress tests on key financial indicators with satisfactory results. However, with the outlook for a negative impact on earnings being substantial short to medium term and the risk of a covenant breach in the bond agreement, Ekornes entered an agreement with bondholders for amendments to covenants. However, due to the significant rebound during the second half of 2020 which has continued throughout 2021 and into 2022, Ekornes' financial position as at 30 June 2022 was solid. The bond agreement also 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 second quarter of 2022 and as at 30 June 2022, Ekornes was compliant with all covenant requirements in the bond agreement. The leverage ratio at the end of the second quarter 2022 was 3,47, well within prevailing requirements.

NOTE 7 Leasing

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. Some of the office and warehouse space leases have extension options and this has been considered.

(Figures in MNOK)

Right of use assets	
Balance at 31.12.2021	217,2
Depreciations	-28,4
Additions	19,7
Disposals	0,0
Currency exchange differences	17,2
Balance at 30.6.2022	225,7
Lease liabilities	
Less than one year	52,7
One to five years	146,5
More than five years	63,6
Total undiscounted lease liability at 30.6.2022	262,8
Lease liability included in the statement of financial position at 30.6.2022	
Non-current	189,0
Current	51,9

NOTE 8 Shares and shareholders

As of 30 June 2022, Ekornes QM Holding AS'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 30 June 2022.

As of 30 June 2022, the company's sole shareholder was

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

As of 30 June 2022, the board has been granted the following authorizations:

The board has been granted no authorizations.

EKORNES®

EKORNES QM Holding AS

Industrivegen 1, N-6222 Ikorndes, Norway. E-mail: office@ekornes.no, www.ekornes.com

Tel. +47 70 25 52 00. Foretaksregisteret NO 820 350 022