



EKORNES®

Ekornes QM Holding Group
Financial statements for the first quarter 2023

Highlights

First quarter 2023 results

- Robust revenue development with Q1 2023 operating revenue of NOK 1 135 million, down 24% from Q1 2022, but up 5% from Q4 2022
- Stressless® revenues down 19% year-over-year, but up 14% from Q4 2022. IMG revenues dropped 44% and 22% respectively, while Svane® revenues were down 14% year-over-year
- Q1 2023 EBIT of NOK -31 million (234) impacted by continued cost inflation, particularly for raw materials, one-off restructuring costs and unrealized losses on currency forward contracts
- Margin-improvement initiatives announced in January progressing as planned with production capacity right-sized, and the operations in Asia successfully concentrated into the Thailand facility
- Improved financial position with refinanced debt and increased equity during the quarter
- Net cash flow from operations positive at NOK 20 million for the quarter (75), helped by reduced inventories of NOK 104 million
- Order receipts up 15% from Q4 2022 to NOK 1 203 million indicating temporary improvement in demand
- Order reserve up 7% from Q4 2022 to NOK 804 million



MARGIN-IMPROVEMENT INITIATIVES PROGRESSING AS PLANNED

Global demand for home furniture has come down from the elevated levels experienced during the Covid-19 pandemic. Although sales and orders improved in the quarter, cost inflation remains at high levels, particularly for raw materials.

To control costs and protect the company's profitability, Ekornes initiated a series of initiatives across its operations as communicated early in the first quarter. The margin-improvement initiatives have all progressed according to plan. The company has right-sized production capacity as planned in the Nordics and Asia, with current capacity aligned with market conditions. This included the successful concentration of operations in Asia to the upgraded production facility in Thailand, with the final stages of closing the facilities in Vietnam taking place. As earlier projected, effects from the initiatives are expected to fully materialize in the second half of 2023.

As a part of the initiatives, Ekornes has taken actions to optimize its product portfolio to adjust inventory levels while maintaining a relevant and attractive product offering to its customers. During the first quarter, the inventory has been reduced by NOK 104 million, with the target maintained of an overall working capital reduction of NOK 200 million by year end.

Cost levels continue to impose a challenge for the industry, including Ekornes. Even though transportation rates have declined during the quarter, raw material prices remain elevated. The Group upholds a sharp focus on cost control and has continued to adjust sales prices in response to the high cost base.

The Group has further successfully completed a refinancing of the outstanding debt during the quarter. The new capital structure includes a NOK 1.2 billion bond loan and NOK 1.6 billion in refinanced bank debt. In addition, the equity is increased following a deposit from the new minority owner Hillhouse Investment. Overall, the refinanced capital structure reduces the total debt cost and improves the Group's financial position in a challenging market environment.

With an improved financial position combined with efficient production, strong brands and innovative product development, Ekornes is positioned to maintain its strong market position despite softer markets. As the initiated actions towards improving the margin materialize, Ekornes is building a solid foundation for long-term profitable growth.



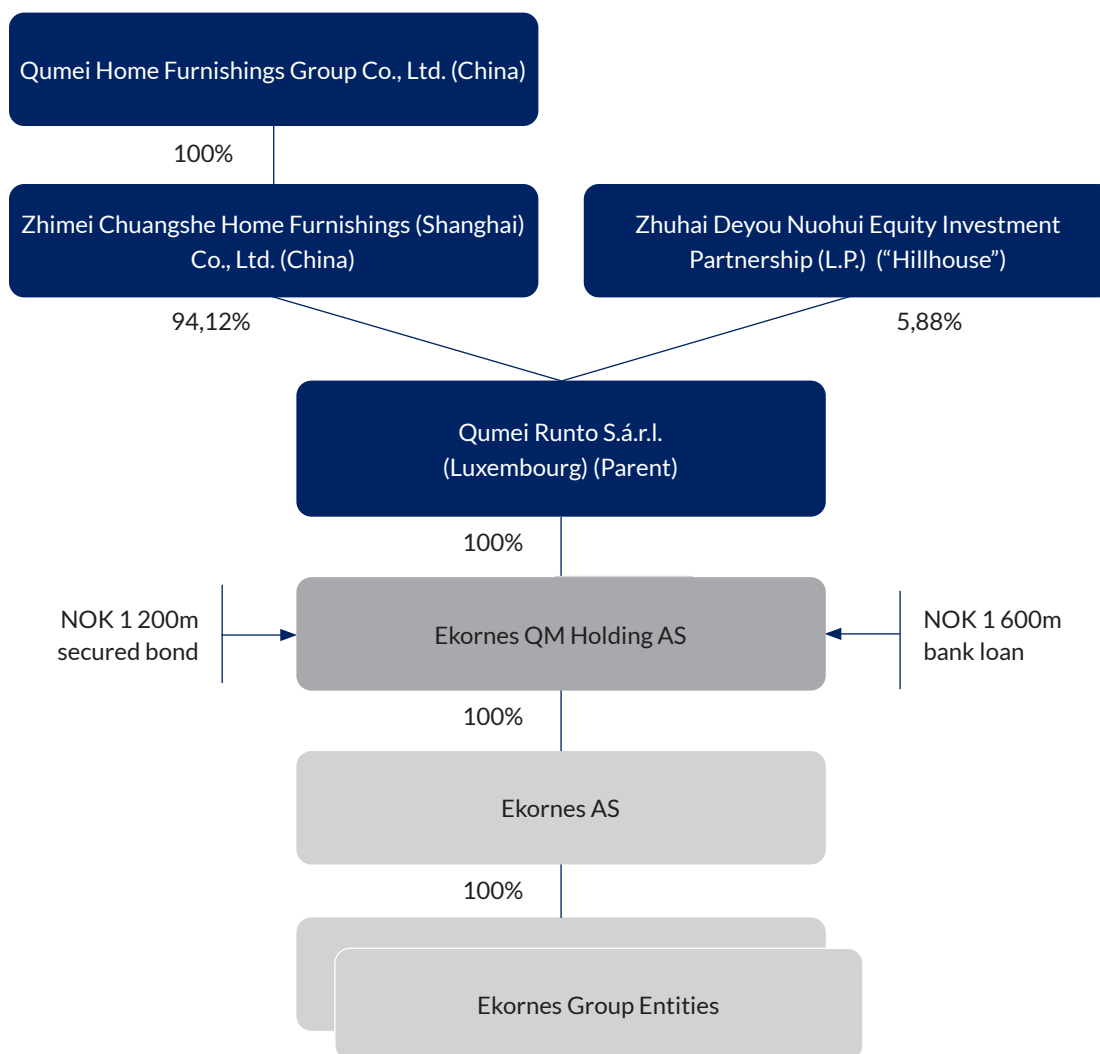
Company history and ownership

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 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 March 2023. Ekornes QM Holding AS had as at 31 March 2023 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 March 2023)



Key figures

		Q1 2023	Q1 2022	Q4 2022	Y 2022
Gross operating revenue	MNOK	1 134,6	1 487,5	1 075,8	4 928,2
Stressless®	MNOK	895,8	1 105,9	785,7	3 645,9
IMG	MNOK	165,7	296,9	213,7	994,3
Svane®	MNOK	73,1	84,7	76,4	288,0
Gross operating earnings (EBITDA)	MNOK	48,1	309,6	57,3	675,0
Operating earnings (EBIT)	MNOK	-31,1	234,0	-25,8	355,5
Operating margin (EBIT)	%	-2,7%	15,7%	-2,4%	7,2%
Earnings before tax (EBT)	MNOK	-75,5	163,4	-140,1	165,1
Net earnings	MNOK	-57,8	128,6	-103,1	138,6
Net interest-bearing Debt (NIBD)	MNOK	2 271,8	2 719,4	2 628,6	2 628,6
Cash and Bank deposits end of period	MNOK	528,2	368,0	428,9	428,9

FINANCIAL REVIEW

(Figures in brackets represent the corresponding period in 2022).

FIRST QUARTER 2023 FINANCIAL REVIEW

First quarter 2023 operating revenues came in at NOK 1 135 million, down 24% from the record revenue of 1 487 million in the first quarter 2022. The decline mainly reflects lower demand on the back of weakened consumer spending power from high inflation and interest rates. The level of revenue was still robust, with an increase of 5% from NOK 1 076 million in the fourth quarter 2022 and above the average quarterly revenue for 2021.

Sales revenue from the Stressless® segment was NOK 896 million (1 106), down 19% from the first quarter 2022, but up 14% from the previous quarter. Revenue from IMG decreased 44% to NOK 166 million (297), while Svane® revenue decreased 14% to NOK 73 million (85).

Cost of goods sold ended at NOK 397 million (468), with the improvement mainly driven by lower production capacity. Payroll expenses decreased to NOK 344 million (364) following a reduction in the workforce and lower production. Other operating expenses came in at NOK 289 million (359), a reduction of 19% mainly due to lower transportation costs as shipping rates have declined. The first quarter further included one-off costs associated with the restructuring and right-sizing of operations.

Net other losses amounted to NOK 56 million, mainly related to unrealized losses on currency forward contracts. This compares to a net gain of NOK 13 million in the first quarter 2022. The unrealized losses were primarily driven by a continued weakening of the NOK versus USD during the quarter. See note 3 in the financial statements for more information.

Total operating expenses for the period ended at NOK 1 166 million, down 7% from NOK 1 254 million in the first quarter 2022. Ekornes is addressing the cost levels and margin development by implementing the initiatives communicated in January. The company expects the initiatives to achieve full impact from the second half of 2023.

Operating earnings (EBIT) for the quarter came in at NOK -31 million (234), corresponding to an EBIT margin of -2.7%, compared to 15.7% in the first quarter 2022 and -2.4% in the previous quarter. The negative margin is mainly attributable to continued cost inflation, particularly for raw materials, one-off costs and the unrealized losses on currency forward contract outlined above.

For the period, net financial items were NOK -44 million (-70). This includes net foreign exchange gains of NOK 55 million (-18) and financial income of NOK 17 million (4). Financial expenses amounted to NOK 116 million during the period (57), with the increase reflecting expenses related to the refinanced capital structure in the quarter.

Earnings before tax for the quarter ended at NOK -76 million (163). Tax benefit for the period is calculated to NOK 18 million, compared to a tax expense of NOK 35 million in the first quarter 2022. This resulted in a net loss of NOK 58 million, compared to a net profit of 129 million in the corresponding period in 2022.

Order receipts and order reserve

		Q1 2023	Q1 2022	Q4 2022	Y 2022	CHANGE YTD 2023 / YTD 2022
Order receipts	MNOK	1 202,9	1 382,6	1 042,7	4 350,7	-13%
Order reserve	MNOK	804,4	1 260,2	750,7	750,7	-36%

Order receipts in the first quarter 2023 amounted to 1 203 million, down 13% from the record order intake of NOK 1 383 million in the first quarter 2022. Compared to the fourth quarter 2022, order receipts grew by 15%, indicating somewhat recovery in demand.

As of 31 March 2023, Ekornes' combined order reserve was NOK 804 million, down 36% from NOK 1 260 million at the end of the first quarter 2022. The order reserve at the end of the Q4 2022 was NOK 1 260 million.

Balance Sheet

		31.3.2023	31.3.2022	31.12.2022
Working capital*	MNOK	1 486,5	1 575,6	1 481,5
Bank deposits	MNOK	528,2	368,0	428,9
Total assets	MNOK	8 212,4	8 228,5	8 104,9
Interest-bearing loans	MNOK	2 800,0	3 087,5	3 057,5
Total liabilities	MNOK	4 468,1	5 031,8	4 749,1
Equity	MNOK	3 744,4	3 196,7	3 355,9
Equity ratio	%	45,6%	38,8%	41,4%
Value of forward contracts	MNOK	-40,9	14,4	-2,7
Net interest-bearing Debt (NIBD)	MNOK	2 271,8	2 719,4	2 628,6

* Working capital = trade receivables + inventory - trade payables

As of 31 March 2023, Ekornes had total assets of NOK 8 212 million, compared to NOK 8 105 million three months earlier. The increase is mainly driven by an improved cash position.

Total equity was NOK 3 744 million at the end of the quarter, corresponding to an equity ratio of 46%. This compares to NOK 3 356 million and 41% at the end of the previous quarter, where the change mainly reflects the NOK 352 million in injected equity in the quarter.

Total interest-bearing debt at the end of the period amounted to NOK 2 800 million, down from NOK 3 058 million from the preceding quarter. Outstanding bond and bank debt were successfully refinanced in the first quarter. The new debt structure includes a NOK 1.2 billion bond and a NOK 1.6 billion secured term loan with DNB and Sparebanken Møre . The bond matures in September 2026 and the bank loan in March 2026.

The bond was issued 10 March 2023 by Ekornes QM Holding AS and partly refinanced the former NOK 2.0 billion bond. The new bond is expected to be listed on Oslo Stock Exchange within the next six months. Ekornes has call options to redeem the new bond prior to maturity.

The new financing structure with more equity, less bond debt and more bank debt reduces the total debt cost and improves the Group's financial position.

Financial covenants

The bond agreement is subject to a set of financial covenants, including a minimum liquidity of NOK 350 million and a maximum leverage ratio of 8.0 at issuance. The maximum allowed leverage ratio has a gradual step-down mechanism towards 4.5 by end-2024. The covenants are measured quarterly on a 12-month rolling basis for Ekornes QM Holding Group. 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.

Since the refinancing and on 31 March 2023, Ekornes was compliant with all covenant requirements in the bond agreement. The leverage ratio at the end of the first quarter 2023 was 5,15 well below the maximum allowed.

Cash flow

		Q1 2023	Q1 2022	Q4 2022	Y 2022
Net cash flow from operating activities	MNOK	19,8	75,3	123,8	340,5
Net cash flow from investing activities	MNOK	-21,3	-28,4	-36,9	-145,3
Net cash flow from financing activities	MNOK	91,5	-27,3	-32,9	-112,0
Change in net cash & cash equivalents	MNOK	89,9	19,6	54,0	83,3
Effect of exchange gains / (losses) on cash and cash equivalents	MNOK	9,5	-1,8	8,6	-4,5
Net cash & cash equivalents at the start of the period	MNOK	428,9	350,1	366,2	350,1
Net cash & cash equivalents at the close of the period	MNOK	528,2	368,0	428,9	428,9

Net cash flow from operating activities in the first quarter 2023 was NOK 20 million (75), following reduced earnings. Inventories were reduced by NOK 104 million during the quarter, mainly as a result of ongoing initiatives to right-size operations and to optimize the product portfolio. This was offset by a NOK 77 million increase in trade receivables and a NOK 31 million decrease in trade payables. Overall, the company remains committed to reduce the working capital and expects a reduction of approximately NOK 200 million by the end of 2023.

Net cash flow from investing activities was negative at NOK 21 million in the quarter (-28), all related to ongoing investments in day-to-day operations. As part of the initiatives to safeguard performance in current weak markets, Ekornes has temporarily reduced investments to ensure adequate cash flow generation.

Net cash flow from financing activities was positive at NOK 91 million during the quarter, compared to negative NOK 27 million in the corresponding period in 2022. This includes proceeds from the equity deposit and the refinanced bank and bond debt. Cash outflows from financing activities included payment of lease liabilities and repayment of the former bank and bond debt.

Net change in cash and cash equivalents was positive NOK 90 million during the quarter and as at 31 March 2023, Ekornes had total holdings of cash and cash equivalents of NOK 528 million. This compares to NOK 368 million 12 months earlier and NOK 429 million at the end of the fourth quarter 2022.

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

Stressless®

		Q1 2023	Q1 2022	Q4 2022	Y 2022
Gross operating revenue	MNOK	895,8	1 105,9	785,7	3 645,9
Gross operating earnings (EBITDA)	MNOK	32,2	243,1	74,3	538,1
Operating earnings (EBIT)	MNOK	-23,7	188,4	14,1	305,4
Operating margin (EBIT)		-2,6%	17,0%	1,8%	8,4%

Stressless® maintained a robust sales performance in the first quarter despite challenging market conditions. The premium brand has increased its market share during the last two years and sales indicate the brand is less impacted by market fluctuations, although not immune. Revenues for the first quarter decreased by 19% to NOK 896 million compared to the first quarter 2022, but improved by 14% from the previous quarter. Compared to the first quarter 2019, which was the last year without any impact from the Covid-19 pandemic, Stressless® revenues have grown by more than 40%, reflecting the strong market position the brand has gained over recent years.

Operating earnings (EBIT) for the quarter ended at negative NOK 24 million (188), corresponding to an operating margin of -3% (17%). The weak margin mainly reflects higher costs, particularly for input factors, and for orders delivered ahead of price increases. Ekornes is addressing the weak margin development through the ongoing initiatives to reduce the cost base, increase prices and optimize operations and the product portfolio.

In North America, sales have come down from the elevated levels experienced during the pandemic, where North America was the main driver of strong sales. Current levels are still clearly above 2019-levels and despite high inflation and tighter household finances in the region, performance in the quarter was above expectations. Lower shipping rates to the US markets have also positively impacted cost levels. Additionally, Stressless® Sleeping was introduced in April with the launch of the Sky mattress. This is the first launch of a mattress in the Stressless® collection and the North American markets will serve as a pilot for the potential of the segment.

The European markets in the first quarter saw lower activity in stores and a decrease in consumer confidence. Southern Europe was also hurt by strikes. Despite these challenges, sale of sofas and dining products remained at good levels, while recliners experienced reduced sales. To drive sale of recliners, Ekornes has introduced new models and refreshed classic models, initiatives expected to have a positive impact on sales in the coming months. While the overall economic outlook in Europe remains uncertain, these measures are expected to stimulate growth and improve sales performance.

Sales in the Nordic markets have also been impacted by lower consumer spending and fewer visitors in stores. However, premium products seem to be less impacted by these trends and Stressless® is maintaining its market position as sales decline across the industry. Focus is on improving comfort and quality of the existing product range. Additionally, the Stressless® Dining segment continues to grow in the Nordics and Ekornes is committed to supporting further growth of this product line.

In Asia-Pacific, order intake was weak during the quarter as retailers' inventories were still at high levels following large marketing campaigns ahead of Christmas 2022. In addition, some markets were still impacted by Covid-19-related restrictions in the beginning of the quarter, particularly in China. However, activity picked up in February and March, and with the trend continuing in April, a strong recovery is expected in the region. The strategic ambition of Stressless® for expansion in the Chinese market remains, with stores in eleven cities scheduled to open during the year.

Sales in New Zealand decreased somewhat in the quarter, while Australia was stable from the previous quarter. Both markets were impacted by a drop in store traffic, however, there was a larger share of visitors who completed a purchase. Several initiatives are ongoing to boost sales in the region, including sharpening the product portfolio and launching new sales studios, which are expected to have a positive impact going forward.

Although a global slowdown in demand has also impacted Stressless®, the brand continues to deliver robust performance, and sales in the first quarter also indicate that the brand is selling above pre-pandemic levels. While cost levels remain a challenge, Ekornes is focused on implementing the initiatives outlined above. Overall, Ekornes is committed to offering relevant Stressless® products with premium quality to customers. Efforts are ongoing to revamp existing models while introducing new innovative products. These include introducing Stressless® mattresses in North America and supporting continued growth of the dining segment. With a strong market position and a proven, flexible operating model, Stressless® has a solid foundation for long-term profitable growth.



IMG

		Q1 2023	Q1 2022	Q4 2022	Y 2022
Gross operating revenue	MNOK	165,7	296,9	213,7	994,3
Gross operating earnings (EBITDA)	MNOK	20,0	63,2	-9,6	145,8
Operating earnings (EBIT)	MNOK	-2,6	43,0	-31,7	62,0
Operating margin (EBIT)		-1,6%	14,5%	-14,8%	6,2%

The first quarter 2023 delivered subdued results compared to 2022, which was a record year in terms of revenues. IMG revenues for the quarter came in at NOK 166 million (297), a 44% decrease from the corresponding period in 2022. Compared to the fourth quarter 2022, revenues were down 22%. The decline in performance is attributable to a low order reserve entering 2023 and a weak development in demand during the quarter. Furthermore, quarterly revenues were impacted by capacity adjustments and consolidation of production in Thailand following the planned closure of the facilities in Vietnam during the quarter.

EBIT for the segment ended at negative NOK 3 million (43), corresponding to an operating margin of -2% (15%). In addition to the lower revenues, the quarterly margin was impacted by non-recurring costs associated with the consolidation of Asian operations in Thailand. However, operational optimization and combining production of Stressless® and IMG are expected to positively contribute to cost reductions going forward.

Order intake for the quarter was 7% down compared to the first quarter 2022, but up more than 21% from the previous quarter. Compared with pre-pandemic levels, order intake is 71% above the corresponding quarter in 2019.

The performance was especially driven by orders from Europe, which continues to gather momentum as an expansion region for IMG. The Asian-Pacific region was the other stand-out performer for the quarter with orders improving versus the previous quarter, as the region, especially China, experienced a gradual recovery of demand.

North America and Australia dragged on the order development, with each region well down from the first quarter 2022. Ekornes expects that North America will improve in the coming quarters as built-up inventories are depleted and new product launches come on-line.

Australia is expected to remain subdued as sales have been at high levels from the strong performance in recent years. Growth in this region is not expected until the second half of 2023 when new products reach shop floors in the market.

The overall market view indicates that Europe will outperform last year. In North America, with the order intake holding up well in the first quarter, and positive signs of sales recovery there, the company anticipates a steady improvement for IMG in the coming quarters.

IMG remains focused on right-sizing operations to match expected demand for 2023. Throughout the last few quarters, Ekornes has put significant efforts into increasing efficiency in production and streamlining the product portfolio of IMG. These efforts will continue throughout 2023.



Svane®

		Q1 2023	Q1 2022	Q4 2022	Y 2022
Gross operating revenue	MNOK	73,1	84,7	76,4	288,0
Gross operating earnings (EBITDA)	MNOK	-3,1	4,2	-6,9	-6,8
Operating earnings (EBIT)	MNOK	-3,9	3,4	-7,8	-9,9
Operating margin (EBIT)		-5,3%	4,0%	-10,2%	-3,4%

The weak market for beds and mattresses continued to weigh on Svane® in the quarter, with operating revenues of NOK 73 million (85), down 14% from the first quarter 2022. Compared to the previous quarter, revenues declined 4%. Operating earnings (EBIT) came in at a negative NOK 4 million which compares to a positive NOK 3 million in the corresponding period last year. The negative operating margin of 5% reflects cost pressure across the value chain, which is the case for the whole industry.

The Norwegian market was driven by demand for lower-priced products, as customers' purchasing power has weakened from high energy prices and overall increased living costs. As a result, retailers continue to favour own low-priced labels which reduces demand for high-quality products in the Svane® product offering.

In Central Europe, Svane® performed well in the quarter, particularly in the high-end mattress segment in Germany. Despite lower traffic in stores, revenue per visitor remained good. Sales of complete bed solutions have declined, a trend which is expected to continue. However, the successful launch of new mattresses gives Svane® a positive outlook in Central Europe.

Sales in Denmark and Sweden were impacted by few visitors in stores and corresponding weak sales. New products are planned to be launched in 2023 which is expected to improve sales and margins.

The Finnish market showed a positive sales development in the quarter, although margins were impacted by cost pressure. A new agreement with a leading retailer was entered into during the quarter, which is expected to support the development in Finland.



Outlook

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

While demand has come down from the elevated levels experienced during the Covid-19 pandemic, sales in the first quarter indicated some signs of improvement. Although demand for quality furniture is expected to be firm in the longer term, the short-term outlook remains uncertain.

Cost pressure continues to impact the industry and Ekornes, with raw material prices in particular at high levels. Ekornes has a relentless focus on cost and the company is progressing the measures initiated in January to improve the margin and reduce costs. With the improvements expected to materialize from the second half 2023, this will lay a solid foundation to ensure long-term competitiveness.

Following the debt refinancing and the equity injection from the owners during the quarter, the financial position of Ekornes has been strengthened. With the new capital structure and strong liquidity in place, Ekornes has improved its resilience to address weaker market conditions.

Ability to deliver relevant products with short delivery times remains core to Ekornes. With efficient production, strong brands and innovative product development, the company expects to maintain its strong market position also in softer markets. Combined with a comprehensive distribution network and a favourable diversification of raw material sourcing and market presence, the company is well positioned to deliver long-term profitable growth.

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 31 March 2023, Ekornes employed a total of 2 610 people, of which over 42% 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 6 lost-time injuries in the first quarter 2023. This gives an H1-value for the period of 4,5 compared to 7,0 the same period the year before.

The Group had a sickness absence rate of 4,3% in the first quarter 2023, compared to 4,9% in the first quarter 2022.

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.

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.

For more information on the Group's risk factors and risk management, reference is made to the company's 2022 Annual Report.

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.

Oslo, April 28th, 2023
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	Q1 2023	Q1 2022	Q4 2022	Y 2022
Gross operating revenue	2	1 134,6	1 487,5	1 075,8	4 928,2
Cost of goods sold		397,5	468,1	412,9	1 632,2
Payroll expenses		343,7	364,0	290,9	1 289,0
Depreciation and write downs	5	79,2	75,6	83,1	319,6
Other operating expenses		289,5	359,1	345,5	1 308,7
Net other losses (gains)	3	55,8	-13,3	-30,8	23,3
Total operating expenses		1 165,6	1 253,5	1 101,6	4 572,7
Operating earnings (EBIT)		-31,1	234,0	-25,8	355,5
Financial income		16,6	4,2	13,5	33,9
Net gains (losses) on foreign exchange		54,9	-18,2	-48,8	39,5
Financial expenses		115,9	56,5	79,0	263,7
Net financial items		-44,4	-70,6	-114,3	-190,3
Earnings before tax (EBT)		-75,5	163,4	-140,1	165,1
Calculated tax cost (Income)		-17,7	34,8	-37,0	26,6
Net earnings		-57,8	128,6	-103,1	138,6
Earnings per share		-1 927,3	4 287,4	-3 436,1	4 618,6
Earnings per share (diluted)		-1 927,3	4 287,4	-3 436,1	4 618,6

Consolidated statement of comprehensive income

(Figures in MNOK)	Note	Q1 2023	Q1 2022	Q4 2022	Y 2022
Net earnings		-57,8	128,6	-103,1	138,6
Other income and expenses:					
Items which can be reclassified to earnings and loss:					
Translation differences	5	94,3	-14,9	-93,1	134,3
Total other income and expenses		94,3	-14,9	-93,1	134,3
Total comprehensive income		36,5	113,7	-196,2	272,9

Consolidated balance sheets

(Figures in MNOK)	Note	31.3.2023	31.3.2022	31.12.2022
ASSETS				
Non-current assets				
Buildings and sites		945,7	920,9	945,2
Machinery and equipment		258,0	275,5	283,1
Operating movables and fixtures		29,0	24,7	28,6
Assets under construction		32,8	43,9	5,8
Right-of-use assets		218,1	220,0	213,4
Total property, plant & equipment		1 483,6	1 485,1	1 476,0
Software and licenses		46,7	34,8	47,6
Brand name	5	1 470,0	1 510,7	1 480,2
Goodwill	5	1 561,1	1 561,1	1 561,1
Customer relations	5	1 253,1	1 136,0	1 194,2
Deferred tax assets		97,3	99,9	96,8
Total non-current intangible assets		4 428,2	4 342,5	4 379,8
Other receivables and investments		26,8	26,9	23,1
Total non-current financial assets		26,8	26,9	23,1
Total non-current assets		5 938,7	5 854,5	5 878,9
Current assets				
Inventory		1 093,4	1 209,4	1 197,2
Trade receivables		551,7	682,8	474,2
Forward currency contracts	3	0,0	14,4	0,0
Other short-term receivables		100,4	99,4	125,7
Cash and bank deposits		528,2	368,0	428,9
Total current assets		2 273,7	2 373,9	2 226,0
TOTAL ASSETS		8 212,4	8 228,5	8 104,9

Consolidated balance sheets

(Figures in MNOK)	Note	31.3.2023	31.3.2022	31.12.2022
EQUITY AND LIABILITIES				
Equity				
Contributed equity				
Share capital	7	0,2	0,1	0,1
Premium paid		3 159,3	2 807,4	2 807,4
Total contributed equity		3 159,5	2 807,5	2 807,5
Retained earnings				
Translation difference		287,5	43,9	193,2
Other equity		297,4	345,2	355,2
Total retained earnings		584,9	389,2	548,4
Total equity		3 744,4	3 196,7	3 355,9
Non-current liabilities				
Pension liabilities		7,9	7,7	7,4
Provisions		4,0	3,0	3,6
Deferred tax		796,9	779,6	783,8
Lease liabilities		173,3	182,4	171,8
Interest-bearing debt - Bond	6	1 188,2	2 012,3	0,0
Interest-bearing debt - Bank	6	1 592,0	0,0	0,0
Total non-current liabilities		3 762,5	2 985,1	966,6
Current liabilities				
Trade payables		158,6	316,6	189,9
Public charges payable		60,2	87,1	65,6
Tax payable		8,4	89,8	47,6
Forward currency contracts	3	40,9	0,0	2,7
Interest-bearing debt - Bank	6	0,0	1 075,0	1 037,5
Interest-bearing debt - Bond	6	0,0	0,0	2 020,0
Lease liabilities		62,9	49,8	58,1
Other current liabilities		374,6	428,5	361,1
Total current liabilities		705,6	2 046,7	3 782,5
Total liabilities		4 468,1	5 031,8	4 749,1
TOTAL EQUITY AND LIABILITIES		8 212,4	8 228,5	8 104,9

Consolidated statement of cash flows

(Figures in MNOK)	Note	Q1 2023	Q1 2022	Q4 2022	Y 2022
Cash flows from operating activities					
Earnings before tax (EBT)		-75,5	163,4	-140,1	165,1
Tax paid for the period		-10,3	-60,1	-40,1	-139,8
Depreciation and write downs		79,2	75,6	83,1	319,6
Change in inventory		103,8	63,0	210,6	75,1
Change in trade receivables		-77,4	-233,9	159,6	-25,3
Change in trade payables		-31,3	-15,6	-64,8	-142,2
Change in other time limited records		31,3	82,9	-84,4	88,1
Net cash flow from operating activities		19,8	75,3	123,8	340,5
Cash flows from investing activities					
Proceeds from sale of PP&E		0,1	9,6	0,0	9,7
Payments for purchase of PP&E		-21,5	-38,0	-36,9	-155,1
Net Cash flows from investing activities		-21,3	-28,4	-36,9	-145,3
Cash flows from financing activities					
Payment of lease liabilities		-15,5	-14,8	-20,4	-62,0
Proceeds from issue of share capital		352,0	0,0	0,0	0,0
Proceeds from bond borrowings	6	1 200,0	0,0	0,0	0,0
Repayment of bond borrowings	6	-2 020,0	0,0	0,0	0,0
Proceeds from bank borrowings	6	1 600,0	0,0	0,0	0,0
Repayment of bank borrowings	6	-1 025,0	-12,5	-12,5	-50,0
Net cash flow from financing activities		91,5	-27,3	-32,9	-112,0
Change in net cash & cash equivalents		89,9	19,6	54,0	83,3
Effect of exchange gains / (losses) on cash and cash equivalents		9,5	-1,8	8,6	-4,5
Net cash & cash equivalents at the start of the period		428,9	350,1	366,2	350,1
Net cash & cash equivalents at the close of the period		528,2	368,0	428,9	428,9
Restricted cash at the end of the period*		15,2	153,0	149,3	149,3
Unrestricted cash at the end of the period		513,0	215,0	279,6	279,6

In the statement of cash flow, cash and bank deposits are recognized as cash. The restricted cash on 31 March 2023 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 31.12.2021	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	138,6	138,6	0,0	138,6
Other comprehensive income	0,0	0,0	134,3	0,0	134,3	0,0	134,3
Equity 31.12.2022	0,1	2 807,4	193,2	355,2	3 355,9	0,0	3 355,9
Equity 31.12.2022	0,1	2 807,4	193,2	355,2	3 355,9	0,0	3 355,9
Earnings for the period	0,0	0,0	0,0	57,8	57,8	0,0	57,8
Other comprehensive income	0,0	0,0	194,3	0,0	194,3	0,0	194,3
Proceeds from issue of share capital	0,0	352,0	0,0	0,0	352,0	0,0	352,0
Equity 31.3.2023	0,2	3 159,3	287,5	297,4	3 744,4	0,0	3 744,4

Notes to the consolidated financial statements

NOTE 1 Accounting principles

The consolidated financial statements for the first quarter 2023, closed as at 31 March 2023 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 2022. The 2022 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 2022.

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
- IMG, which covers the IMG product area
- Svane®, which covers the Svane® 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)	Q1 2023	Q1 2022	Q4 2022	Y 2022
Revenues per segment				
Stressless®	895,8	1 105,9	785,7	3 645,9
IMG	165,7	296,9	213,7	994,3
Svane®	73,1	84,7	76,4	288,0
Total	1 134,6	1 487,5	1 075,8	4 928,2
EBITDA per segment				
Stressless®	32,2	243,1	74,3	538,1
IMG	20,0	63,2	-9,6	145,8
Svane®	-3,1	4,2	-6,9	-6,8
Other/eliminations *	-0,9	-0,8	-0,5	-2,1
Total	48,1	309,6	57,3	675,0
EBIT per segment				
Stressless®	-23,7	188,4	14,1	305,4
IMG	-2,6	43,0	-31,7	62,0
Svane®	-3,9	3,4	-7,8	-9,9
Other/eliminations *	-0,9	-0,8	-0,5	-2,1
Total	-31,1	234,0	-25,8	355,5
Operating revenues by market				
Norway	141,1	184,7	131,5	571,4
Other Nordic	52,8	66,1	57,6	218,3
Central Europe	218,7	240,5	181,3	813,0
Southern Europe	90,4	86,2	55,8	281,1
United Kingdom/Ireland	87,7	112,0	92,5	363,6
USA/Canada/Mexico	389,7	598,1	331,4	1 888,1
Japan	29,6	30,3	34,1	130,8
Australia	75,7	89,9	88,5	372,8
China	24,7	44,2	51,1	159,5
Other Markets	24,1	35,5	51,9	129,4
Total	1 134,6	1 487,5	1 075,8	4 928,2

* Other/eliminations contain results from activities carried out by the parent company Ekornes QM Holding AS

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 2022 and 2023, 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 first quarter, these contracts resulted in a NOK 17,5 million in realised loss and an unrealised loss of 38,3 million. All contracts that are open as at 31 March 2023 fall due for payment in the next 12 months. As at 31 March 2023, the market value of existing forward currency contracts came to negative NOK 40,9 million.

(Figures in MNOK)

Total net other gains/(losses) comprises:	Q1 2023	Q1 2022
Realised gains/(losses) on new forward contracts	-17,5	3,0
Change in value of realised and unrealised contracts	-38,3	10,3
Net other gains/(losses)	-55,8	13,3

The following net foreign exchange volume was undertaken in Q1 2023:

Currency	Volume in Currency (Million)	Average exchange rate (in NOK)
AUD	9,1	6,46
DKK	20,7	1,36
EUR	15,1	10,19
GBP	4,3	11,74
USD	9,7	9,55

NOTE 4 No. of employees

	31.3.2023	31.3.2022	31.12.2022
Employees in Norway	1 107	1 365	1 256
Employees abroad	1 503	2 115	1 689
Total	2 610	3 480	2 945

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 1.1.2023	1 656,4	1 561,1	1 302,3	4 519,8
Accumulated depreciation 1.1.2023	176,3	0,0	263,1	439,3
The period's depreciation	10,2	0,0	16,7	26,9
Accumulated depreciation 31.3.2023	186,4	0,0	279,8	466,3
Accumulated currency translation 1.1.2023	0,0	0,0	155,0	155,0
The period's currency translation differences	0,0	0,0	75,7	75,7
Accumulated currency translation 31.3.2023	0,0	0,0	230,6	230,6
Book value 31.3.2023	1 470,0	1 561,1	1 253,1	4 284,2
Split per segment				
Stressless®	1 276,1	676,6	804,1	2 756,9
IMG	193,9	884,5	448,9	1 527,3
Book value 31.3.2023	1 470,0	1 561,1	1 253,1	4 284,2
	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	40,7	0,0	62,9	77,1
Accumulated depreciation 31.12.2022	176,3	0,0	263,1	412,8
Accumulated currency translation 1.1.2022	0,0	0,0	60,3	60,3
The period's currency translation differences	0,0	0,0	94,7	169,9
Accumulated currency translation 31.12.2022	0,0	0,0	155,0	230,1
Book value 31.12.2022	1 480,2	1 561,1	1 194,2	4 337,2
Split per segment				
Stressless®	1 283,2	676,6	759,1	2 780,3
IMG	197,0	884,5	435,0	1 556,8
Book value 31.12.2022	1 480,2	1 561,1	1 194,2	4 337,2

NOTE 6 Interest-bearing loans and credit facilities

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

Long-term borrowing agreement 31 March 2023

Ekornes QM Holding AS' has obtained NOK 1 750 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. The old loans were repaid to DNB and Sparebank Møre on 30 March 2023.

The loan is secured with quarterly installments at NOK 32 million,- four times per year with the first installment 30 June 2024. Interest expenses are paid quarterly. Final maturity in March 2026.

During the first quarter of 2023 and as at 31 March 2023, Ekornes was compliant with all covenant requirements in the bank agreement.

Ekornes AS has also NOK 200 million undrawn overdraft at 31 March 2023.

Senior Secured Bond at 31 March 2023

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.

The bond agreement is subject to a set of financial covenants, including a minimum liquidity of NOK 350 million and a maximum leverage ratio of 8.0 at issuance. The maximum allowed leverage ratio has a gradual step-down mechanism towards 4.5 by end-2024. The covenants are measured quarterly on a 12-month rolling basis for Ekornes QM Holding Group. 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.

Since the refinancing and on 31 March 2023, Ekornes was compliant with all covenant requirements in the bond agreement. The leverage ratio at the end of the first quarter 2023 was 5,15 well below the maximum allowed.

NOTE 7 Shares and sole shareholder

As of 31 March 2023, Ekornes QM Holding AS's registered share capital comprised 30 000 ordinary shares. All shares have a face value of NOK 5.00. 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 March 2023.

As of 31 March 2023, the company's sole shareholder was

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

As of 31 March 2023, the board has been granted the following authorizations:

The board has been granted no authorizations.



EKORNES®

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