

*Ekornes QM Holding Group
Financial statements for
the fourth quarter and full year 2019*



HIGHLIGHTS IN 2019

Ekornes QM Holding AS completed the acquisition of all shares in Ekornes AS in August 2018 and the shares were delisted from the Oslo Stock Exchange. In April 2019, the company issued a NOK 2.0 billion bond to refinance the Group. The historical figures for Ekornes group are not fully comparable with the 2019 report for Ekornes QM Holding group, due to, among other things, depreciations of brand and customer relations related to the purchase of Ekornes, IFRS-16 leasing implemented on 1 January 2019 and one-off cost charges in the holding company.

However, there exists comparable figures for sales activities in the various geographical markets and across product segments and in this report, the company will provide comparisons with last year for the main market segments.

HIGHLIGHTS IN 2019

- Operating revenue of NOK 3 169 million, despite soft markets for main segment Stressless®
- EBIT at NOK 235.0 million impacted by lower sales in Stressless® and planned one-off costs related to operational improvements in IMG
- Net earnings at NOK 100.6 million impacted by bond interest rate costs
- Operating cash flow of NOK 371 million, driven by group underlying operational performance
- Stressless® revenue impacted by soft markets and limited motorized product offering
- Growth in revenue and order receipts for IMG
- Improvement efforts yielding results for Svane®
- Strong order receipts during the fourth quarter, order reserve up 14 % year-over-year

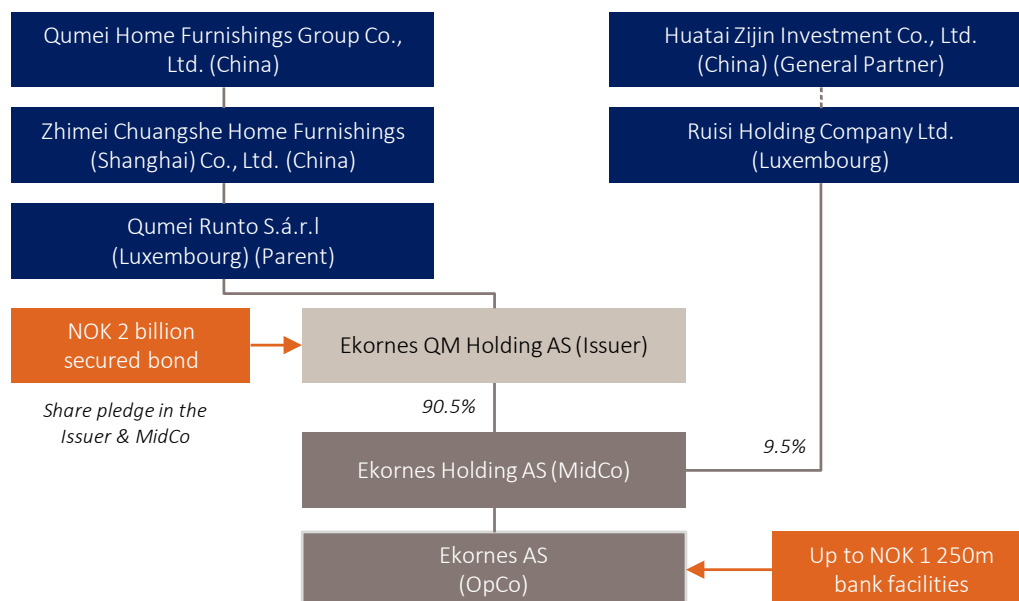
COMPANY HISTORY AND OWNERSHIP

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.

Qumei Home Furnishings Group (90.5%) and Huatai Securities (9.5%), own the Ekornes Group through Ekornes Holding AS. The Norwegian ultimate parent company Ekornes QM Holding AS is a wholly owned subsidiary of Qumei Home Furnishing Group. Ekornes QM Holding AS owns 90.5% of the shares in Ekornes Holding AS. The Ekornes Group is the only operational part of the Ekornes QM Holding Group. The Ekornes Group is consolidated from the acquisition date.

The consolidated financial statements comprise the financial statements of the parent company Ekornes QM Holding AS and its subsidiaries as at 31 December 2019. As at 31 December 2019, Ekornes QM Holding AS has 90.5% shareholding and voting rights in Ekornes Holding AS, who in its turn has 100% owner share and voting rights for all other consolidated companies.

GROUP STRUCTURE AND BOND TRANSACTION OVERVIEW



KEY FIGURES

		Y 2019	Q4 2019	Q3 2019	Q2 2019	Q1 2019
Gross operating revenue	MNOK	3 169,0	900,9	690,8	768,7	808,5
Stressless®	MNOK	2 402,4	672,8	494,8	595,3	639,5
IMG	MNOK	551,4	165,7	139,6	135,1	111,0
Svane®	MNOK	215,2	62,4	56,3	38,3	58,1
Gross operating earnings (EBITDA)	MNOK	524,3	132,4	111,9	119,1	161,0
Operating earnings (EBIT)	MNOK	235,0	56,0	38,7	48,5	91,7
Operating margin (EBIT)		7,4%	6,2%	5,6%	11,9%	11,3%
Earnings before tax (EBT)	MNOK	127,4	-10,3	20,4	-31,4	148,7
Net earnings	MNOK	100,6	-94,6	15,2	64,9	115,1
Net interest-bearing Debt (NIBD)	MNOK	2 163,2	2 163,2	2 254,7	2 378,9	2 310,6
Cash and Bank deposits end of period	MNOK	312,8	312,8	306,2	277,7	68,3

PERFORMANCE IN 2019

Ekornes QM Holding AS ("EKOQMH") generated operating revenue of NOK 3 169.0 million in 2019. Underlying sales revenue from the Stressless® segment was NOK 2 402.4 million, revenue from IMG was NOK 551.4 million while revenue from Svane® amounted to NOK 215.2 million. Operating revenue for the fourth quarter 2019 came to NOK 900.9 million. This is the best quarter in 2019, and 11% up from 4Q 2018. All segments increased the revenue compared to 4Q in 2018.

Development in Ekornes' main markets for Stressless® in Europe and North America have been weak throughout 2019. However, during the fourth quarter, the company experienced increased order receipts, indicating improvement entering 2020.

EBIT for the full year 2019 totaled NOK 235.0 million, corresponding to an EBIT margin of 7.4%. Earnings were impacted by the softening markets for Stressless® and planned one-off costs related to operational reorganizations within IMG. EBIT for the fourth quarter came in at NOK 55.9 million with a margin of 6.2%. This is slightly up from the previous quarter.

Net financial items were negative NOK 107.6 million for the full year 2019. Financial expenses amounted to NOK 213.6 million for the period, partly compensated by net gains on foreign exchange of NOK 73.8 million. For the fourth quarter 2019, net financial items ended at NOK -66.5 million, of which financial expenses amounted to NOK 61.5 million. Net loss from foreign exchange amounted to NOK 12.5 million during the quarter.

Profit before tax for the year came in at NOK 127.4 million. Tax amounted to NOK 26.7 million, which gave a net profit of NOK 100.6 million for 2019. For the fourth quarter 2019, profit before tax came in at NOK -10.3 million. Tax was calculated to NOK 84.4 million, and the net loss ended at NOK 94.6 million for the quarter.

The earnings are impacted by lower sales in Stressless®, planned one-off costs related to operational improvements in IMG and bond interest rate costs.

ORDER RECEIPTS

		Q4 2019	Q4 2018	Q3 2019	Y 2019	Y 2018	Change Y 2019/Y 2018
Order receipts	MNOK	810,3	725,3	860,8	3 200,5	3 143,7	1,8%
Order reserve	MNOK	374,5	329,3	378,7	374,5	329,3	13,7%

The Group received orders worth NOK 3 200.5 million in 2019, an increase of 1.8% from 2018. Order receipts for Stressless® were down, while order receipts for IMG and Svane® increased during the year.

Order receipts during the fourth quarter 2019 amounted to NOK 810.3 million. This was down from NOK 860.8 million in the previous quarter, but up from NOK 725.3 million in the corresponding quarter in 2018. Compared to fourth quarter 2018, order receipts improved for all segments.

As at 31 December 2019, Ekornes combined order reserve stood at NOK 374.5 million, marginally down from NOK 378.7 million at the end of the previous quarter and up from NOK 329.3 million at the end of 2018, corresponding to an increase of 13.7% year-on-year.

BALANCE SHEET

		31.12.2019	30.9.2019	30.6.2019	31.3.2019	31.12.2018
Working capital*	MNOK	804,2	845,3	838,4	849,7	778,6
Bank deposits	MNOK	312,8	306,2	277,7	68,3	107,6
Total assets	MNOK	7 435,7	7 599,2	7 546,8	7 410,3	7 323,9
Interest-bearing loans	MNOK	2 481,6	2 560,9	2 553,5	2 378,9	2 700,7
Total liabilities	MNOK	3 984,5	4 076,4	4 065,6	3 972,4	4 192,8
Equity	MNOK	3 451,2	3 522,9	3 481,2	3 437,9	3 131,0
Equity ratio	%	46,4%	46,4%	46,1%	46,4%	42,8%
Value of forward contracts	MNOK	-2,6	-13,4	0,1	-8,6	-23,6
Net interest-bearing Debt (NIBD)	MNOK	2 163,2	2 254,7	2 275,8	2 310,6	2 593,1

* Working capital = trade receivables + inventory – trade payables

As at 31 December 2019, Ekornes had total assets of NOK 7 435.7 million, compared with NOK 7 599.2 million three months earlier. Total interest-bearing debt amounted to NOK 2 481.6 million (2 560.9 million three months earlier).

Ekornes has short-term credit facilities with DNB and Sparebanken Møre of NOK 500 million and NOK 250 million respectively, of which NOK 750.0 million were available at 31 December 2019.

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 currently at 5.25. The covenants are measured quarterly on 12 months rolling basis for Ekornes QM Holding Group.

For additional information on bond covenants, see: <https://www.oslobors.no/markedsaktivitet/#/details/EKO01.OSE/data>.

The loan agreement with DNB is subject to a set of financial covenants, including a minimum equity ratio of 30% of total consolidated balance and maximum NIBD/EBITDA ratio of 3.5. The covenants are measured on a 12-months rolling basis for Ekornes group.

During 2019 and at 31 December 2019, the group was compliant with all covenants under the bank- and the bond agreements. The bond agreement also includes restrictions on dividend payments from the issuer, and Ekornes QM Holding AS is not in position to distribute any dividends.

CASH FLOW

		Y 2019	Q4 2019	Q3 2019	Q2 2019	Q1 2019
Net cash flow from operating activities	MNOK	371,0	120,3	48,0	141,3	61,5
Net cash flow from investing activities	MNOK	-95,2	-17,1	-18,0	-26,2	-33,8
Net cash flow from financing activities	MNOK	-75,9	-101,7	-1,5	94,4	-67,0
Net change in cash & cash equivalents	MNOK	200,0	1,4	28,4	209,4	-39,3
Cash & cash equivalents at the start of the period	MNOK	107,6	306,2	277,7	68,3	107,6
Cash & cash equivalents at the close of the period	MNOK	312,8	312,8	306,2	277,7	68,3

Net cash flow from operating activities in 2019 was NOK 371.0 million, driven by group underlying operational performance. This was partly offset by paid tax of NOK 101.9 million and an increase in net working capital of NOK 25.6 million during the period.

Net cash flow from investing activities during the year amounted to NOK 95.2 million, all related to ongoing investments in day-to-day operations.

Net cash flow from financing activities during the year was negative NOK 75.9 million. Following the bond issuance in April 2019, long-term debt increased by NOK 1 981.5 million. This was mainly offset by reductions in internal loans of NOK 1 897.6 million. Payments of lease liabilities and changes in short-term debt to credit institutions amounted to NOK 36.5 and NOK 111.9 million respectively.

Net change in cash and cash equivalents was positive by NOK 200.0 million during the year, and as at 31 December 2019 total holding of cash and cash equivalents amounted to NOK 312.8 million.



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®

		Y 2019	Q4 2019	Q3 2019	Q2 2019	Q1 2019
Gross operating revenue	MNOK	2 402,4	672,8	494,8	595,3	639,5
Gross operating earnings (EBITDA)	MNOK	433,2	106,1	77,9	109,9	139,2
Operating earnings (EBIT)	MNOK	209,0	48,9	18,8	55,8	85,5
Operating margin (EBIT)		8,7%	7,3%	3,8%	9,4%	13,4%

The overall market situation for Stressless® has been difficult throughout 2019, however, with some signs of improvement during the fourth quarter.

Full year operating revenue for Stressless® ended at NOK 2 402.4 million. EBIT came in at NOK 209.0 million, corresponding to an operating margin of 8.7%. Fourth quarter operating revenue came in at NOK 672.8 million which is a 7% increase from fourth quarter 2018. EBIT for the quarter was NOK 48.9 million and the operating margin was 7.3%.

The general development in European furniture markets is increasingly driven by price incentives and promotional activities. In Germany, one of Stressless®' main European markets, the economy has stagnated with a corresponding weak furniture market and the UK market has been negatively affected by the Brexit uncertainty. In the US, the overall economy showed in 2019 signs of slowing down, with similar adjustments of consumer spending.

In addition, Stressless® has over time lost market shares to motorized products, which gradually have been an increasingly important feature in new sofas and recliners. Stressless® sales in Southern Europe and North America were down 9% and 5% respectively compared to the year before, while sales in Central Europe were down 2%.

Ekornes has a clear strategy to improve Stressless®' performance, and core priorities to improve commercial conditions include product-development and innovation, optimized distribution, closer customer partnerships and targeted market initiatives with updates and relevant customer offerings.

In 2018, Stressless® Dining was well received when introduced to select markets in the Nordics, Europe and the US. Throughout 2019, new ranges of motorized products have been developed. The first collection of motorized Stressless® sofas was launched in Europe and the US during the fourth quarter, and reception has been good. Moving into 2020, early orders from upcoming collections are promising and these new products are expected to contribute positively to sales going forward. Furthermore, to give a more updated and contemporary display of the Stressless® products, Ekornes has initiated the roll out of its new Studio Concept (shop-in-shop) in select markets.

Stressless® revenues from the Chinese market are promising, and 2019 sales were up 60% from 2018, although from a low level. The distribution in China is based on a mono-brand concept, with stores exclusively selling Stressless® products. At the end of fourth quarter, there were 83 Stressless® stores in the Chinese market, up from 70 in the third quarter. Ekornes has ambitions to significantly expand its dealer network, primarily by utilizing the dealer network of Ekornes' main shareholder, Qumei Home Furnishing Group. Qumei products are currently distributed through more than 800 independent dealers, of which a significant share already has indicated interest in distributing Stressless® products.

In addition to sales promotional initiatives, Ekornes has a relentless focus on cost reduction initiatives to strengthen competitiveness and profitability.

IMG

		Y 2019	Q4 2019	Q3 2019	Q2 2019	Q1 2019
Gross operating revenue	MNOK	551,4	165,7	139,6	135,1	111,0
Gross operating earnings (EBITDA)	MNOK	115,5	31,0	30,6	32,2	24,9
Operating earnings (EBIT)	MNOK	49,3	8,5	14,1	16,5	10,2
Operating margin (EBIT)		8,9%	5,1%	10,1%	12,2%	9,2%

IMG delivered growth in both revenue and order receipts in 2019. Earnings were impacted by planned one-off costs related to operational reorganizations in Asia and the commencement of the operations in Lithuania.

Operating revenue for 2019 was NOK 551.4 million. During the year, IMG successfully launched private label concepts and commenced operations in Lithuania, and experienced growth both on new platforms and in new markets. Revenue for the fourth quarter isolated ended at NOK 165.7 million, an all-time quarterly high for IMG.

The operating result (EBIT) for the year was NOK 49.3 million and an operating margin 8.9%. The earnings reflect a change in product mix when entering new markets, planned one-off costs related to operational changes in Vietnam, increased production capacity in Thailand, in addition to higher costs associated with the commencement of the Lithuanian production and distribution center. In addition, the result was impacted by currency effects from a strengthened US dollar towards NOK.

EBIT for the fourth quarter was NOK 8.5 million, corresponding to an operating margin of 5.1%.

In Europe, IMG saw growth in both revenue and order receipts in the fourth quarter. The order receipts increased by 33% year-on-year, mainly driven by the opening of the Lithuanian facility, a core priority to strengthen distribution and product range for the European market. The new facility allows IMG to offer high-quality collections with 6-8 weeks' lead time. The initiative has already given good results, especially in the Scandinavian markets.

In Asia-Pacific, the order receipts were somewhat mixed during the quarter. The positive developments in traditional IMG markets continued, whilst new markets were softer. In China, fourth quarter sales weakened after a very strong third quarter. IMG revenue from China increased from NOK 2.6 million to NOK 43.4 million in 2019. The operational initiatives in Thailand and Vietnam are beginning to yield results and are expected to contribute positively to sales going forward.

Developments in North America were positive during the quarter, with strong revenue and order receipts. During the period, IMG successfully opened its new warehouse and operations facility in California, ensuring necessary capacity for continued growth in new regions in the US. IMG order receipts for 2019 amounted to NOK 568.6 million, up 11% from 2018. The increase was mainly driven by solid underlying growth, in addition to positive currency effects. For the fourth quarter, order receipts increased 17% year-on-year.





Svane®

		Y 2019	Q4 2019	Q3 2019	Q2 2019	Q1 2019
Gross operating revenue	MNOK	215,2	62,4	56,3	38,3	58,1
Gross operating earnings (EBITDA)	MNOK	-6,7	3,2	5,4	-12,8	-2,5
Operating earnings (EBIT)	MNOK	-10,0	2,4	4,6	-13,6	-3,3
Operating margin (EBIT)		-4,6%	3,8%	8,2%	-35,6%	-5,7%

The positive development for the Svane® segment seen earlier in 2019 continued in the fourth quarter. Especially in the Norwegian and the German markets, Svane® had a strong development driven by successful campaign programs and the promising launch of a new collection. Operating revenue for the full year 2019 was NOK 215.2 million, up 6% from the year before. Fourth quarter revenue amounted to NOK 62.4 million.

Order receipts for the year were up 9% compared to 2018, while order receipts for the fourth quarter were up 17% from the corresponding period in 2018.

Efforts to improve the Svane® segment's operational efficiency and profitability have been underway for some time, with focus on brand renewal, production optimization and costs reductions. The initiatives are proving themselves and in the fourth quarter, the segment achieved a positive EBIT of NOK 2.4 million. Accumulated for the year, segment EBIT was negative at NOK 10.0 million.



H & S

As at 31 December 2019, Ekornes employed a total of 2 287 people, of which around 50% 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 18 lost-time injuries in 2019, up from 11 injuries in 2018. This gives an H1-value for the period of 4.0, compared to 2.6 the year before. The Group had a sickness absence rate of 3.2% in 2019, a 0.2 percentage point increase from 2018.

RELATED PARTIES

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

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

No other material transactions were undertaken with related parties during the quarter.

CHANGE OF LEADERSHIP FOR EKORNES

Roger Lunde is appointed new CEO of Ekornes to succeed Olav Holst-Dyrnes, who has led the Norwegian furniture group for six years. Roger Lunde assumed his new position on 24 February 2020.

The new CEO has extensive operational and management experience from international industrial and commercial activities. He comes from the position of CEO of Brødrene Dahl AS. Roger Lunde holds a degree in economics and has previously held management positions in several international groups with Norwegian roots, including the Kongsberg Group, Scatec Solar, DNB and Aker Solutions.

Olav Holst-Dyrnes, who now resigns, has served as CEO for six years. He has led Ekornes through a demanding and successful restructuring and through the change of ownership, which in 2018 resulted in Qumei Home Furnishing Group becoming the company's main shareholder.

RISKS AND UNCERTAINTIES

Ekornes is exposed to risk on both the sales and purchasing sides in different geographic markets. Furthermore, the Group has production facilities in Norway, Lithuania, Vietnam, Thailand and the USA. This means that the company's market, currency and sourcing risks have a certain natural diversification, at the same time as its competitiveness is affected by changes in exchange rates against the NOK. The Group seeks to minimize this risk by making use of various forms of hedging, such as currency hedging.

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. Among the largest uncertainties going forward are how the trade agreement with the USA develops, as well as the outcome of Brexit negotiations between the UK and EU.

The corona virus situation has a temporary negative effect on the sales in China and surrounding markets. Should the situation prolong there will be temporary adverse effect on sourcing from China and ability to produce some of the group's products.

Product development and the launch of new concepts is one 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 could result in higher operating costs and lower earnings than predicted and expected.

Reference is otherwise made to the 2018 annual report for more detailed information on the Group's risk factors and risk management.

EVENTS AFTER THE BALANCE SHEET DATE

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.

OUTLOOK

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

Due to weak overall development in important European markets and shift in market preferences towards product features outside the Stressless® portfolio, performance for Stressless® has not met ambitions. Combined with delays in IMG's expansion plans for Europe due to limitations in distribution power and product offering, Ekornes has experienced stagnation in both revenue and earnings growth in recent years.

To address these challenges, Ekornes has initiated a broad range of initiatives throughout the organization.

Within the Stressless® segment the main priorities are innovation and product development, improved distribution and strengthened customer relations and partnerships.

During 2019 the company introduced new features to existing products, matching new market preferences. This includes motorized sofas. The launch was well received in the market and early order receipts indicate a positive earnings contribution from this product line going forward.

To strengthen the presence and visibility of the Stressless® brand and products in retail stores, Ekornes has invested in new modernized in-store solutions replacing current in-store solutions that has been used for the last 10 years. During the year the new solutions were introduced and implemented among a broad range of Stressless® retailers. The program will continue in all markets going forward.

The main priority for IMG has been to expand its presence and strengthen distribution in the European market. The new production and distribution facility in Lithuania, opened in May 2019, will reduce IMG's time to market significantly and broaden the company's product range. The new facility has already provided good results in the Scandinavian markets and a similar development is expected for other European markets.

For Svane® the turnaround initiatives are giving positive results, generating positive earnings in the second half of 2019. The introduction of a new collection combined with campaign programs and additional cost reducing measures, is expected to improve the performance for Svane® going forward.

The increase in overall order receipts toward the end of 2019 and a higher order reserve at the end of the year point towards improved performance going forward.

*Oslo, February 27th, 2020
The board of Ekornes QM Holding AS*

*Ruihai Zhao
Chair*

*Mogens Falsig
Director and CEO*



CONSOLIDATED INCOME STATEMENT

<i>(Figures in MNOK, except per share data)</i>	Note	Q4 2019	Q4 2018*	Q3 2019	Y 2019	Y 2018*
Gross operating revenue	2	900,9	814,2	690,8	3 169,0	1 131,2
<i>Cost of goods sold</i>		272,7	238,5	176,0	845,6	320,2
<i>Payroll expenses</i>		251,0	226,8	198,9	937,7	304,0
<i>Depreciation and write downs</i>	5	76,4	62,3	73,1	289,5	82,7
<i>Other operating expenses</i>		247,0	233,8	188,5	860,6	350,2
<i>Net other losses (gains)</i>		-2,2	29,1	15,6	0,6	12,8
Total operating expenses		844,9	790,5	652,1	2 934,0	1 069,9
Operating earnings (EBIT)		56,0	23,7	38,7	235,0	61,3
<i>Financial income</i>		7,7	6,0	9,9	32,2	8,6
<i>Net gains (losses) on foreign exchange</i>		-12,5	-18,8	29,3	73,8	27,2
<i>Financial expenses</i>		61,5	20,5	57,7	213,6	29,1
Net financial items		-66,5	-33,4	-18,4	-107,6	-47,7
Earnings before tax (EBT)		-10,3	-9,7	20,4	127,4	13,6
<i>Calculated tax cost (Income)</i>	9	84,3	-2,3	5,2	26,7	3,1
Net earnings		-94,6	-7,3	15,2	100,6	10,5
Earnings are attributable to:						
<i>Controlling interests</i>		-89,5	-4,4	10,4	79,4	6,3
<i>Non-controlling interests</i>		-5,1	-2,9	4,8	21,2	4,2
<i>Earnings per share</i>		-3 154,2	-244,9	506,7	3 354,9	349,2
<i>Earnings per share (diluted)</i>		-3 154,2	-244,9	506,7	3 354,9	349,2

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<i>(Figures in MNOK)</i>	Note	Q4 2019	Q4 2018*	Q3 2019	Y 2019	Y 2018*
Net earnings		-94,6	-7,3	15,2	100,6	10,5
Other income and expenses:						
Items which can be reclassified to earnings and loss:						
<i>Translation differences</i>		25,6	15,0	25,2	50,2	20,1
<i>Translation difference - net financing subsidiaries</i>		-0,8	0,4	1,0	0,2	0,5
<i>Change in deferred tax - net financing subsidiaries</i>		0,2	-0,1	-0,2	0,0	-0,1
Total other income and expenses		24,9	15,4	26,0	50,4	20,5
Total comprehensive income		-69,7	8,0	41,2	151,0	30,9

*The figures for 2018 are not comparable with the historical figures for Ekornes group. Ekornes Group is consolidated from the acquisition date in August 2018, so only four months of revenue and cost related to Ekornes group is included in the financial statement for 2018.

CONSOLIDATED BALANCE SHEETS

<i>(Figures in MNOK)</i>	Note	31.12.2019	30.9.2019	31.12.2018*
ASSETS				
Non-current assets				
<i>Buildings and sites</i>		1 041,4	1 055,3	1 011,4
<i>Machinery and equipment</i>		309,8	305,2	322,2
<i>Operating movables, fixtures</i>		19,9	23,2	19,7
<i>Assets under construction</i>		16,6	28,9	89,1
<i>Right-of-use assets</i>	7	131,2	125,4	0,0
Total property, plant & equipment		1 518,8	1 538,0	1 442,4
<i>Software and licenses</i>		47,8	44,5	49,3
<i>Brand name</i>	5	1 602,2	1 612,4	1 642,9
<i>Goodwill</i>	5	1 561,1	1 645,6	1 645,6
<i>Customer relations</i>	5	1 269,0	1 240,5	1 283,3
<i>Deferred tax assets</i>		66,9	85,4	81,7
Total non-current intangible assets		4 547,0	4 628,4	4 702,7
<i>Other receivables and investments</i>		16,9	17,3	19,2
Total non-current financial assets		16,9	17,3	19,2
Total non-current assets		6 082,7	6 183,6	6 164,3
Current assets				
<i>Inventory</i>		575,4	636,0	557,2
<i>Trade receivables</i>		381,9	369,9	379,5
<i>Value of forward contracts</i>		0,0	0,0	0,0
<i>Other short-term receivables</i>		82,8	103,6	115,3
<i>Cash and bank deposits</i>		312,8	306,2	107,6
Total current assets		1 353,0	1 415,6	1 159,6
TOTAL ASSETS		7 435,7	7 599,2	7 323,9

*The figures for 2018 are not comparable with the historical figures for Ekornes group.

CONSOLIDATED BALANCE SHEETS

<i>(Figures in MNOK)</i>	Note	31.12.2019	30.9.2019	31.12.2018*
EQUITY AND LIABILITIES				
Equity				
Contributed equity				
Share capital	8	0,1	0,1	0,1
Premium paid		2 807,4	2 807,4	2 807,4
Total contributed equity		2 807,5	2 807,5	2 807,5
Retained earnings				
Translation difference		64,1	42,0	20,5
Other equity		85,7	175,2	6,3
Total retained earnings		149,8	217,2	26,8
Owner of the company		2 957,3	3 024,7	2 834,2
Non-controlling interests		493,9	498,2	296,8
Total equity		3 451,2	3 522,9	3 131,0
Non-current liabilities				
Pension liabilities		6,0	5,6	6,1
Provisions		4,4	4,5	4,5
Deferred tax	9	878,9	870,5	983,2
Lease liabilities	7	100,4	95,4	0,0
Interest-bearing debt - Bond	6	1 981,6	1 980,1	0,0
Interest-bearing debt - Bank	6	500,0	500,0	500,0
Total non-current liabilities		3 471,3	3 456,1	1 493,7
Current liabilities				
Interest-bearing debt - Related parties	6	0,0	0,0	2 088,8
Trade payables		153,2	160,6	158,0
Public charges payable		63,2	44,4	57,8
Tax payable		27,3	48,5	74,8
Forward currency contracts		2,6	13,4	23,6
Interest-bearing debt - Bank	6	0,0	80,8	111,9
Dividend		10,5	19,8	0,0
Other current liabilities	7	222,2	220,2	184,2
Lease liabilities	7	34,2	32,5	0,0
Total current liabilities		513,2	620,2	2 699,1
Total liabilities		3 984,5	4 076,4	4 192,8
TOTAL EQUITY AND LIABILITIES		7 435,7	7 599,2	7 323,9

*The figures for 2018 are not comparable with the historical figures for Ekornes group.

CONSOLIDATED STATEMENT OF CASH FLOWS

<i>(Figures in MNOK)</i>	Q4 2019	Q4 2018*	Q3 2019	Y 2019	Y 2018*
Cash flows from operating activities					
Earnings before tax (EBT)	-10,3	-9,7	20,4	127,4	13,6
Tax paid for the period	-22,1	-19,3	-0,4	-101,9	-24,1
Depreciation and write downs	76,4	62,3	73,1	289,5	82,7
Change in inventory	60,5	20,5	-50,0	-18,3	13,6
Change in trade receivables	-12,1	24,7	15,1	-2,4	-49,5
Change in trade payables	-7,4	38,2	28,0	-4,9	21,5
Change in other time limited records	35,2	-38,1	-38,2	81,7	114,0
Net cash flow from operating activities	120,3	78,6	48,0	371,0	171,9
Cash flows from investing activities					
Proceeds from sale of PP&E	2,2	4,3	-0,3	2,3	4,8
Payments for purchase of PP&E	-19,4	-31,5	-17,8	-97,5	-45,0
Payment of acquisitions of Ekornes AS	0,0	0,0	0,0	0,0	-4 541,4
Net Cash flows from investing activities	-17,1	-27,2	-18,0	-95,2	-4 581,6
Cash flows from financing activities					
Payment of lease liabilities	-11,7	0,0	-8,9	-36,5	0,0
Payment of dividend	-10,6	0,0	0,0	-11,5	0,0
Change in net long-term debt - Bond	6	1,5	0,9	1 981,6	0,0
Change in internal loan	6	0,0	0,0	-1 897,6	4 595,9
Change in net short-term debt to credit institutions	6	-80,8	6,5	-111,9	-91,5
Net cash flow from financing activities	-101,7	-74,0	-1,5	-75,9	4 504,4
Change in net cash & cash equivalents	1,4	-22,6	28,4	200,0	94,6
Effect of exchange gains / (losses) on cash and cash equivalents	5,2	12,9	0,0	5,2	12,9
Net cash & cash equivalents at the start of the period	306,2	117,3	277,7	107,6	0,0
Net cash & cash equivalents at the close of the period	312,8	107,6	306,2	312,8	107,6
Restricted cash at the end of the period	146,1	20,6	138,1	146,1	20,6
Unrestricted cash at the end of the period	166,7	87,0	168,1	166,7	87,0

*The figures for 2018 are not comparable with the historical figures for Ekornes group. Ekornes Group is consolidated from the acquisition date in August 2018, so only four months of revenue and cost related to Ekornes group is included in the financial statement for 2018.

In the statement of cash flow, cash and bank deposits are recognized as cash. Per 31 December 2018 restricted deposits are related to the payment of employee tax deductions.

In April 2019, Ekornes QM Holding AS issued a stock exchange bond to refinance the Group and part of the condition is to have a minimum liquidity in Ekornes QM Holding of NOK 125 million. The rest of the restricted cash at 30 September and 31 December 2019 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	Sum	Non-controlling interests	Total equity
Equity 04.01.2018	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Earnings for the year	0,0	0,0	0,0	6,3	6,3	4,2	10,5
Other comprehensive income	0,0	0,0	20,5	0,0	20,5	0,0	20,5
Minority shareholders at time of group establishment	0,0	0,0	0,0	0,0	0,0	292,6	292,6
Capital increase	0,1	2 807,4	0,0	0,0	2 807,4	0,0	2 807,4
Equity 31.12.2018	0,1	2 807,4	20,5	6,3	2 834,2	296,8	3 131,0
Equity 31.12.2018	0,1	2 807,4	20,5	6,3	2 834,2	296,8	3 131,0
Earnings for the year	0,0	0,0	0,0	79,4	79,4	21,2	100,6
Recl. Other comprehensive income 2018	0,0	0,0	-1,9	0,0	-1,9	1,9	0,0
Other comprehensive income	0,0	0,0	45,6	0,0	45,6	4,8	50,4
Dividend*	0,0	0,0	0,0	0,0	0,0	-22,0	-22,0
Debt conversion**	0,0	0,0	0,0	0,0	0,0	191,2	191,2
Equity 31.12.2019	0,1	2 807,4	64,1	85,7	2 957,3	493,9	3 451,2

*Dividend from Ekornes Holding AS

On 28 May 2019 an ordinary General Assembly was held in Ekornes Holding AS. The general meeting resolved to approve the year-end financial statements for the Company, directors' report and audit statement for 2018. The Board furthermore resolved, in accordance with the proposal of the Board, that NOK 217.0 million will be distributed as a dividend.

On 17 December 2019 an extraordinary General Assembly was held in Ekornes Holding AS. The general assembly resolved, in accordance with the proposal of the Board, that NOK 15.0 million will be distributed as a supplementary dividend.

(Figures in MNOK)

Approved dividend to	Ownership	Annual general assembly	Extraordinary general assembly	Total
Ekornes QM Holding AS	90.5%	196,4	13,6	210,0
Ruisi Holding Company Limited	9.5%	20,6	1,4	22,0
Total	100.0%	217,0	15,0	232,0

The dividend to Ekornes QM Holding is eliminated in the group financial statement of Ekornes QM Holding. The dividend of NOK 22.0 million will be paid to the non-controlling interest Ruisi Holding. As at 31 December 2019, NOK 10.5 million remained unpaid.

**Debt Conversion in Ekornes Holding AS

On 28 September 2018, Ekornes Holding AS entered into two loan agreements with respectively Ekornes QM Holding AS and Ruisi Holding Company Limited (Luxembourg) in connection with the acquisition Ekornes AS. As part of the settlement of the financing structure set up by the group in relation the acquisition of Ekornes AS, the board carried out a share capital increase towards Ekornes QM Holding AS and Ruisi Holding Company Limited (Luxembourg), by increasing the par value of the Company's shares with NOK 1. The payment for the share capital increase was settled by way of setting off the outstanding amount under the Loan Agreements. For the non-controlling interest, the debt conversion amounts to NOK 191.2 million.

The proportionate ownership between Ekornes QM Holding AS and Ruisi Holding Company Limited (Luxembourg) remains unchanged following the share capital increase, with respectively 905 000 shares that represent 90.5% of the share capital and the votes in Ekornes Holding AS, and 95 000 shares that represent 9.5% of the share capital and the votes in Ekornes Holding AS.

NOTE 1 ACCOUNTING PRINCIPLES

The consolidated financial statements for the fourth quarter 2019, closed as at 31 December 2019, 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 2018. The Group's consolidated financial statements and the financial statements for the parent company Ekornes QM Holding AS for 2018, may be found on the company's website ir.Ekornes.com.

The accounting principles used in the preparation of these interim financial statements are the same as those applied to the consolidated financial statements for 2018, with the exception of the new IFRS 16 standard implemented January 1, 2019.

IFRS 16 Leases

Ekornes implemented IFRS 16 Leases on January 1, 2019. The standard was implemented retrospectively with the cumulative effect of initially applying the standard recognized in the balance sheet as of January 1, 2019. IFRS 16 requires all leases except short-term leases and small asset leases to be recognized on the balance sheet as a right-of-use asset and a lease liability.

At implementation of IFRS 16, the liabilities are measured as the contractually fixed payments in future periods discounted using the estimated alternative borrowing rate for the relevant duration and currency. Renewal options that at initial recognition are highly probable to be used are included in the contractual cash flows when measuring the lease liability. The right-of-use assets are measured as the remaining liability for close to all contracts. The right-of-use asset is depreciated over the lease term. Contractual payments represent a combination of interest on the liability and repayment of the principal amount. Lease amounts representing variable payments based on such factors as specific cost elements in related services or usage, lease amounts for short-term leases of a duration of up to 12 months as well as lease amounts for small asset leases covering such elements as PCs and other office equipment, is expensed as Other expenses over the lease term.

See note 7 for more information

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)	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Y 2019	Y 2018
Revenues per segment						
Stressless®	672,8	494,8	595,3	639,5	2 402,4	889,9
IMG	165,7	139,6	135,1	111,0	551,4	175,3
Svane®	62,4	56,3	38,3	58,1	215,2	66,0
Total	900,9	690,8	768,7	808,5	3 169,0	1 131,2
EBITDA per segment						
Stressless®	106,1	77,9	109,9	139,2	433,2	124,3
IMG	31,0	30,6	32,2	24,9	115,5	43,5
Svane®	3,2	5,4	-12,8	-2,5	-6,7	-7,5
Other/eliminations *	-8,1	-2,1	-10,2	-0,6	-17,7	-16,4
Total	132,3	111,9	119,1	161,0	524,3	144,0
EBIT per segment						
Stressless®	48,9	18,8	55,8	85,5	209,0	59,7
IMG	8,5	14,1	16,5	10,2	49,3	26,3
Svane®	2,4	4,6	-13,6	-3,3	-10,0	-8,2
Other/eliminations *	-3,7	1,2	-10,2	-0,6	-13,3	-16,4
Total	56,0	38,7	48,5	91,7	235,0	61,3
Operating revenues by market						
Norway	130,2	93,7	85,7	122,0	431,6	157,0
Other Nordic	47,6	36,9	34,3	52,9	171,8	64,6
Central Europe	160,2	85,5	151,1	181,2	578,0	191,8
Southern Europe	60,1	40,9	52,4	62,5	215,9	82,3
United Kingdom/Ireland	53,8	51,4	49,6	55,3	210,2	85,3
USA/Canada/Mexico	287,4	235,4	248,5	218,8	990,0	374,6
Japan	35,9	46,9	30,7	26,3	139,8	45,8
China	37,5	26,3	29,2	20,6	113,6	16,4
Other Markets	88,3	73,8	87,2	68,9	318,1	113,4
Total	900,9	690,8	768,7	808,5	3 169,0	1 131,2

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

The figures for 2018 are not comparable with the historical figures for Ekornes group. Ekornes Group is consolidated from the acquisition date in August 2018, so only four months of revenue and cost related to Ekornes group is included in the financial statement for 2018.

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. IMG and Svane® have no currency hedging. As part of the company's efforts to reduce its foreign exchange risk/currency exposure The Group also seeks to purchase goods and services for use in Norway on international markets, where cost-effective. Together with the Group's distribution, sales and marketing activities, and associated administrative organization, this provides natural operational hedging of the company's foreign exchange risk (natural hedging) for part of its cash flow.

In addition to natural hedging, the company uses forward contracts for additional currency hedging. This does not reduce the long-term foreign exchange risk but provides predictability within the hedging horizon. According to the group's strategy, 80 per cent of the expected currency exposure in the coming six-month period is hedged in currencies where the expected annual exposure exceeds NOK 75 million, and correspondingly for 50 per cent of the expected exposure in the coming 6-12-month period. Financial risk is primarily associated with fluctuations in exchange rates and the ability of the Group's customers to pay what they owe. The Group's competitiveness is affected, over time, by movements in the value of the NOK in relation to other currencies. The Group actively seeks to limit this risk.

The following net foreign exchange volume was undertaken in 2019:

Currency	Volume in Currency (Million)	Average exchange rate (in NOK)
AUD	11,1	6,0072
DKK	41,5	1,2978
EUR	28,3	9,6926
GBP	7,6	10,8700
USD	12,7	7,9898

NOTE 4 NO. OF EMPLOYEES

	31.12.2019	30.9.2019	31.12.2018
Employees in Norway	1 083	1 085	1 151
Employees abroad	1 204	1 168	988
Total	2 287	2 253	2 139

NOTE 5 GOODWILL, BRAND AND CUSTOMER RELATIONS

Goodwill is not depreciated in the consolidated financial statements but is tested annually for impairment.

Customer relationships and brand names are depreciated on a straight-line basis over estimated lifetime. Estimated lifetime customer relationships are rated at 25 years for the Stressless® segment and 10 years for the IMG segment. For brands, the estimated lifetime is estimated at 50 years for the Stressless® segment and 10 years for the IMG segment.

Depreciation expense is included in depreciation in the income statement.

<i>(Figures in MNOK)</i>	Goodwill	Customer relationships	Brand name	Total
Acquisition value 31.12.2019	1 645,6	1 302,3	1 656,4	4 604,3
Accumulated depreciation 31.12.2018	0,0	19,0	13,6	32,6
<i>The year's depreciation</i>	0,0	59,0	40,7	99,7
Accumulated depreciation 31.12.2019	0,0	78,0	54,2	132,3
<i>Currency translation differences</i>	0,0	44,7	0,0	44,7
<i>Reassessment PPA *</i>	-84,5	0,0	0,0	-84,5
Book value 31.12.2019	1 561,1	1 269,0	1 602,2	4 432,3
<i>* Refer to change in measurement of deferred tax liabilities on excess values from the acquisition as described in note 9 Deferred tax related to excess values.</i>				
<i>Stressless®</i>	676,6	792,9	1 367,5	2 837,0
<i>IMG</i>	884,5	476,1	234,7	1 595,3
Book value 31.12.2019	1 561,1	1 269,0	1 602,2	4 432,3
	Goodwill	Customer relationships	Brand name	Total
<i>Addition by acquisition of Ekornes AS</i>	1 645,6	1 302,3	1 656,4	4 604,3
Acquisition value 31.12.2018	1 645,6	1 302,3	1 656,4	4 604,3
Accumulated depreciation 4.1.2018	0,0	0,0	0,0	0,0
<i>The year's depreciation</i>	0,0	19,0	13,6	32,6
<i>Accumulated depreciation 31.12.2018</i>	0,0	19,0	13,6	32,6
Book value 31.12.2018	1 645,6	1 283,3	1 642,9	4 571,7
<i>Stressless®</i>	750,1	798,2	1 395,6	2 943,9
<i>IMG</i>	895,5	485,0	247,3	1 627,8
Book value 31.12.2018	1 645,6	1 283,3	1 642,9	4 571,7

NOTE 6 INTEREST-BEARING LOANS AND CREDIT FACILITIES

The Group regularly assesses its capital structure and risk profile. In April 2019, Ekornes QM Holding AS issued a stock exchange bond to refinance the Ekornes QM Holding Group. As a result, the loan from Qumei Runto S.A.R.L. to Ekornes QM Holding AS of NOK 1 832,4 million including accrued interest as of 31 March 2019, was paid in full in April 2019.

(Figures in MNOK)

Short-term borrowing agreement 31 December 2019	Credit facility	Amount drawn	Available
DNB	500,0	0,0	500,0
Sparebank Møre	250,0	0,0	250,0
Total	750,0	0,0	750,0

Long-term borrowing agreement 31 December 2019

The Group has a long-term borrowing agreement with DNB. The loan of NOK 500 million is unsecured. No instalments are payable before maturity in September 2022. Interest expenses are paid quarterly.

Senior Secured Bond at 31 December 2019

In April 2019, Ekornes QM Holding AS issued a stock exchange bond to refinance the Group. The bond was listed on Oslo Stock Exchange 10 July:

Bond	FRN Ekornes QM Holding AS Senior Secured Callable Bond Issue 2019/2023
Ticker:	EKO01
Currency	NOK
Issue Amount	2 000
Nibor	1,77% (1.86% from 2. January 2020)
Margin	7,00%
Coupon	8,77% (8.86% from 2. January 2020)
Tenor / redemption:	54 months /4,5 years
Settlement Date:	02.4.2019
Maturity Date:	02.10.2023

The changes in interest-bearing debt through the period 1 January 2019 to 31 December 2019 are as follows:

Internal interest-bearing debt

Opening balance	2 088,8
Debt conversion	-191,2
Change in internal loan	-1 897,6
Closing balance internal interest-bearing debt	0,0

External interest-bearing debt

Opening balance	611,9
Change in net short-term debt - Bank	-111,9
Change external debt - Bond	1 976
Closing balance external debt	2 476

Total interest-bearing debt	2 476
------------------------------------	--------------

Covenants under the bond agreement:

Minimum liquidity: Liquidity of minimum NOK 125 million on an unconsolidated basis in the Issuer (at all times and measured at each Quarter Date)

Financial covenant: Net debt / Adj. EBITDA starting at 5.25x for year 1 and 2, 5.00x for year 3, 4.50x for year 4 and 4.00x for year 5, with equity cure (max. 3 times) counting as EBITDA for the for the subsequent three quarterly reporting periods

During 2019 and at 31 December 2019, the company was in compliance with the covenants under the bank-agreement in DnB and the bond agreement.

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	Total
Balance at 1 January	120,3
Depreciations	-34,4
Additions	45,3
Balance at 31 December	131,2
Lease liabilities	
<i>Maturity analysis - contractual undiscounted cash flows</i>	
Within one year	37,2
One to two years	27,7
Two to three years	17,8
Three to four years	14,3
Four to five years	12,1
More than five years	37,9
Total undiscounted lease liabilities at 31 December	147,0
<i>Lease liabilities included in the statement of financial position at 31 December</i>	
Current	34,2
Non-current	100,4

NOTE 8 SHARES AND SHAREHOLDERS

As of 31 December 2019, 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 31 December 2019.

As at 31 December 2019, the company's sole shareholder was

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

As at 31 December 2019, the company's sole shareholder was

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

As at 31 December 2019, the board has been granted the following authorizations:

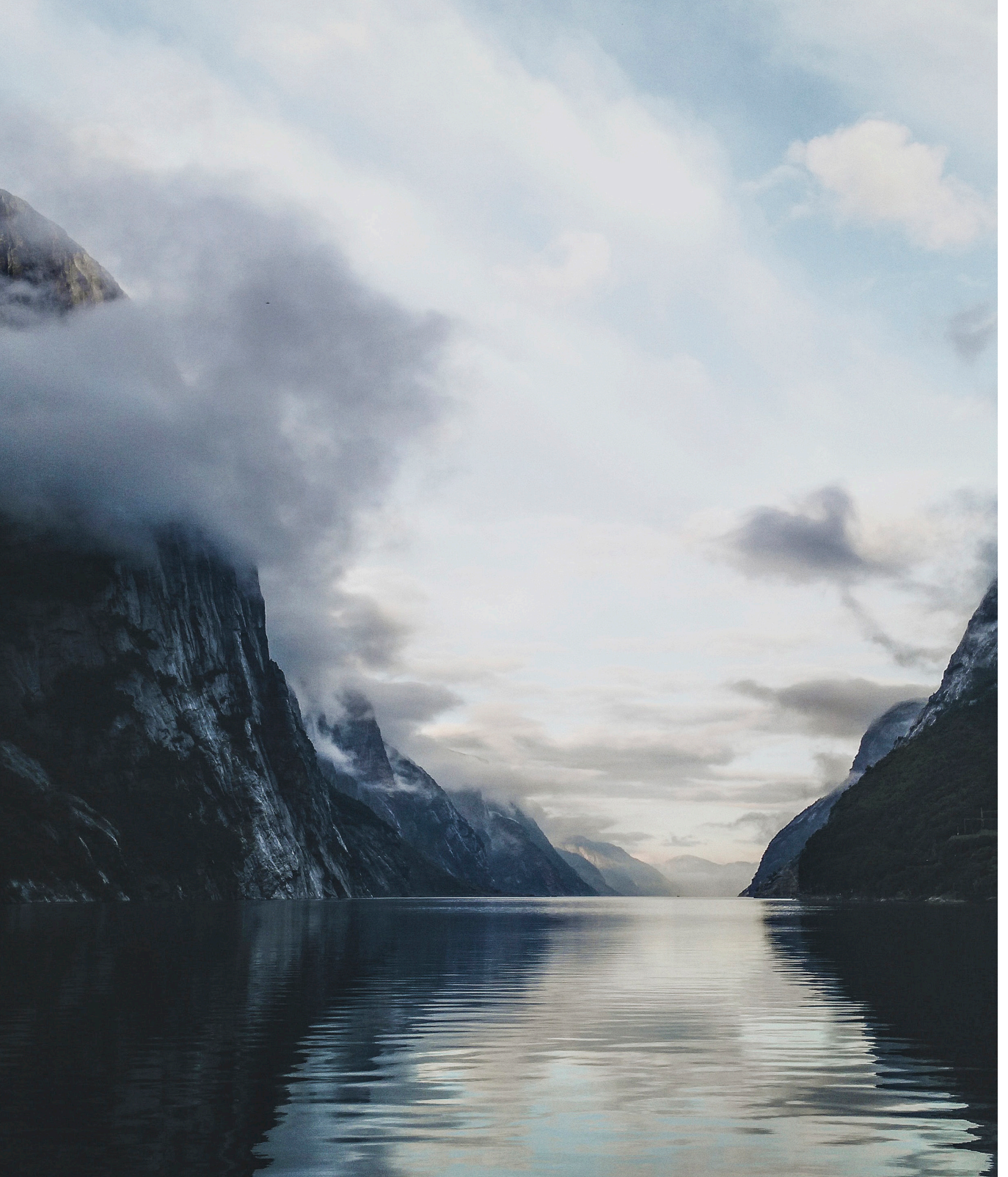
The board has been granted no authorizations.

NOTE 9 DEFERRED TAX RELATED TO EXCESS VALUES

In connection with the purchase price allocation following the acquisition of Ekornes AS, excess values were identified related to brand names, customer relationships, real estate and fixed assets. Deferred tax relating to allocated excess values at the time of acquisition was estimated and capitalized with NOK 995 million.

Ekornes has during the year carried out a more detailed analysis, updated the measurement of deferred tax liabilities related to the excess values and the technical implementation of the purchase price allocation. The updated implementation estimates a reduction of the deferred tax liabilities at the acquisition date of NOK 84 million with a corresponding reduction of the goodwill. The effect from the changes has been recognized in the balance sheet at year-end 2019 but has not been considered material for restatement of comparative information in prior periods as the change had no effect on equity at the date of acquisition, and only clearly insignificant effect on profit and loss in the comparative period.

The change in deferred tax liabilities related to the excess values were initially recognised as tax expenses in the first half-year 2019 report at 30 June 2019, but has been reclassified as a reduction of goodwill as part of the purchase price allocation.



EKORNES®

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