

*Ekornes QM Holding Group  
Financial statements for  
the third quarter 2020*



# HIGHLIGHTS

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## FIRST NINE MONTHS AND THIRD QUARTER HIGHLIGHTS

- The first nine months of 2020 were characterized by a good start, followed by adverse conditions and a sharp sales decline during the initial phase of the Covid-19 pandemic. After Easter, the home renovation effect contributed to a strong rebound in sales in all segments during summer and the third quarter
- Third quarter operating revenue up 20% to NOK 832 million, first nine months operating revenue up 4% to NOK 2 361 million
- Despite adverse conditions in the second quarter, first nine months underlying sales revenue from Stressless® was NOK 1 729 million, in line with corresponding period 2019, IMG revenue up 17% to NOK 451 million and Svane® revenue up 18% to NOK 180 million
- EBIT for the third quarter was NOK 93 million (39), for the first nine months NOK 168 million (179)
- Net cash flow from operations for the third quarter was NOK 40 million (48), for the first nine months NOK 194 million (251)
- High operational and financial flexibility enabled a swift response to an extraordinary situation, giving a solid financial position at the end of the third quarter
- Third quarter order receipts up 40% to NOK 1 207 million, order reserve at the end of the quarter up 120% to NOK 832 million
- Meeting strong customer demand, while safeguarding people, operations, partnerships and financial flexibility are key in moving forward in a continued uncertain world

## RECORD HIGH ORDER RESERVE AFTER STRONG REBOUND IN ALL MARKETS AND SEGMENTS

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*After a major drop in demand during the second quarter initiated by the outbreak of Covid-19, demand and order receipts in all markets and segments increased significantly during the third quarter, building a record high order reserve for the remainder of the year.*

*In an environment with significant changes in market conditions, Ekornes' priority has been to ensure production and ability to serve markets and end customers with relevant products, while at the same time ensuring operational and financial flexibility to strengthen Ekornes' resilience.*

*Throughout the first wave of Covid-19, Ekornes has proven high operational and financial flexibility and the ability to adapt to rapid changes in market conditions, and the company is well positioned to take advantage of emerging business opportunities as it is prepared to adapt to a situation with new limitations following a possible second wave of the Covid-19 pandemic.*



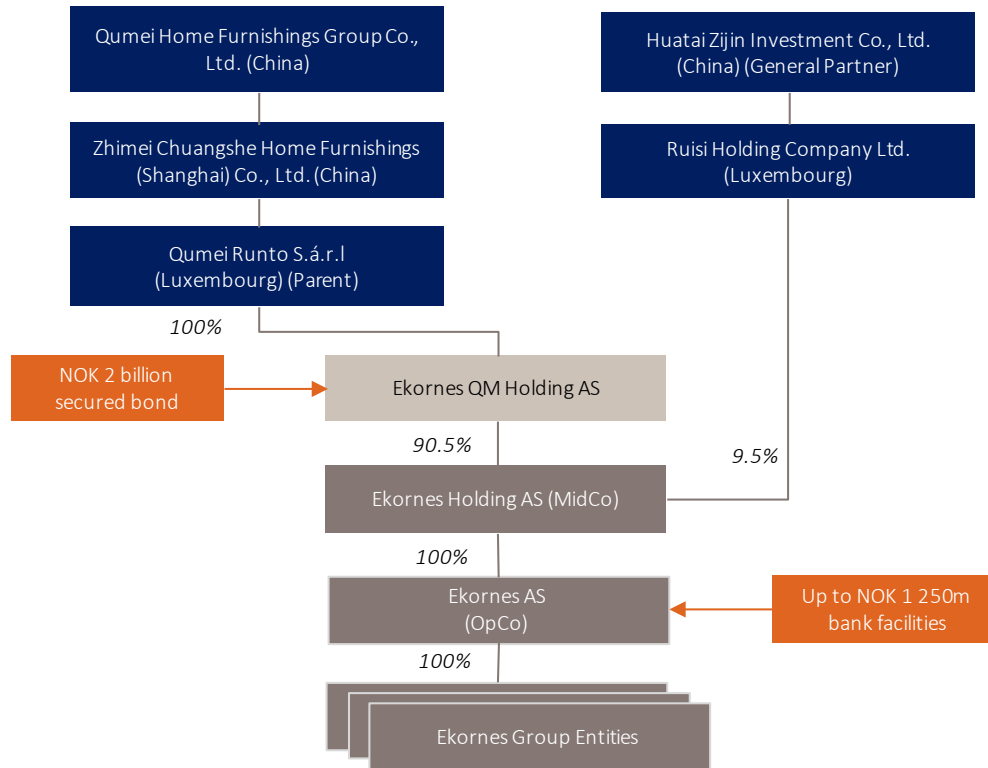
## COMPANY HISTORY AND OWNERSHIP

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 30 September 2020. As at 30 September 2020, 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

		Q3 2020	Q3 2019	Q2 2020	YTD Q3 2020	YTD Q3 2019	Y 2019
<b>Gross operating revenue</b>	<b>MNOK</b>	<b>832,3</b>	<b>690,8</b>	<b>644,4</b>	<b>2 360,5</b>	<b>2 268,1</b>	<b>3 169,0</b>
Stressless®	MNOK	580,9	494,8	467,3	1728,8	1729,6	2 402,4
IMG	MNOK	178,0	139,6	130,9	451,5	385,7	551,4
Svane®	MNOK	73,4	56,3	46,1	180,2	152,8	215,2
Gross operating earnings (EBITDA)	MNOK	165,4	111,9	149,9	389,7	392,0	524,3
<b>Operating earnings (EBIT)</b>	<b>MNOK</b>	<b>92,6</b>	<b>38,7</b>	<b>74,8</b>	<b>167,7</b>	<b>178,9</b>	<b>235,0</b>
<b>Operating margin (EBIT)</b>	<b>%</b>	<b>11,1 %</b>	<b>5,6 %</b>	<b>11,6 %</b>	<b>7,1 %</b>	<b>7,9 %</b>	<b>7,4 %</b>
Earnings before tax (EBT)	MNOK	53,6	20,4	-18,3	51,3	137,6	127,4
<b>Net earnings</b>	<b>MNOK</b>	<b>41,4</b>	<b>15,2</b>	<b>-17,5</b>	<b>36,3</b>	<b>195,3</b>	<b>100,6</b>
Net interest-bearing Debt (NIBD)	MNOK	2 080,5	2 254,7	2 083,3	2 080,5	2 254,7	2 163,2
Cash and Bank deposits end of period	MNOK	422,0	306,2	344,2	422,0	306,2	312,8

## FINANCIAL REVIEW

(Figures in brackets represent the corresponding period in 2019).

## THIRD QUARTER 2020 FINANCIAL REVIEW

Operating revenue was NOK 832 million in the third quarter 2020, up from NOK 691 million in the third quarter 2019. The increase mainly relates to a significant increase in consumer spending on home refurbishment and furniture during Covid-19.

Underlying sales revenue from the Stressless® segment was NOK 581 million (495). Revenue from IMG was NOK 178 million (140), while revenue from Svane® amounted to NOK 73 million (56). Costs of goods sold amounted to NOK 207 million during the quarter. This corresponds to a gross margin of 25%, unchanged from Q3 2019.

Payroll expenses amounted to NOK 250 million during the quarter up from NOK 199 million in Q3 2019, driven by higher activity increasing the number of employees, particularly in the Asia production facilities for IMG. Due to high automation, the need for additional manual labor to increase production capacity for Stressless® is limited. However, to handle the strong order receipts in July, workers in Stressless® production agreed to cancel one week of summer holidays.

Further, as part of the operational adjustments to adapt to the downturn following the Covid-19 outbreak, bonus programs for employees were terminated. With a significantly improved market situation and higher operational activity, new programs have been introduced. Corresponding provisions during the third quarter 2020 amounted to some NOK 28 million. Operating earnings (EBIT) for the third quarter 2020 came in at NOK 93 million (39).

The improvement in earnings is mainly due to higher sales in the quarter. With a relatively high share of fixed costs, particularly in Stressless® production, profitability increases with higher volumes.

For the third quarter 2020, net financial expenses were negative NOK 39 million (-18). The increase in expenses is due to lower financial income and lower net gains from foreign exchange. Earnings before tax for the quarter came in at NOK 54 million (20). Tax expense is calculated to NOK 12 million (5), which gave a net profit for the quarter of NOK 41 million (15).

## FINANCIAL REVIEW FOR THE FIRST NINE MONTHS OF 2020

For the first nine months of 2020, Ekornes generated operating revenue of NOK 2 361 million (2 268). Revenues were driven by a strong start of the year and a significant increase in demand during Q3, offset by the major drop in activity during the first 2-3 months following the outbreak of the Covid-19 pandemic.

Underlying sales revenue from the Stressless® segment was NOK 1 729 million (1 730). Revenue from IMG was NOK 451 million (386), while revenue from Svane® amounted to NOK 180 million (153).

Operating earnings (EBIT) for the first nine months of 2020 came in at NOK 168 million (179). The decrease from the corresponding period in 2019 is mainly related to losses on realized and unrealized forward contracts of NOK 48 million during the period. Compared to its main trading currencies, NOK was very volatile during the first nine months of the year, with record low quotes in the wake of the Covid-19 pandemic spread during the second half of March.

## KEY FIGURES (CONT.)

For the first nine months of 2020, net financial items were negative at NOK 116 million (-41), driven by financial expenses of NOK 170 million (152), partly offset by net gains from foreign exchange of NOK 45 million (86) and financial income of NOK 9 million (25).

Earnings before tax for the first nine months of 2020 came in at NOK 51 million (138). Tax expense is calculated to NOK 9 million (-58), which gave a net profit of NOK 36 million (195).

## ORDER RECEIPTS AND ORDER RESERVE

		Q3 2020	Q3 2019	Q2 2020	YTD Q3 2020	YTD Q3 2019	CHANGE YTD Q3 2020 / YTD Q3 2019
Order receipts	MNOK	1 207,0	860,8	638,3	2 794,8	2 390,3	16,9%
Order reserve	MNOK	831,9	378,7	420,4	831,9	378,7	119,7%

Order receipts in the third quarter 2020 amounted to NOK 1 207 million, almost a doubling from NOK 638 million in the previous quarter, and up from NOK 861 million in the corresponding quarter in 2019. Compared to third quarter 2019, order receipts increased for all three segments.

As at 30 September 2020, Ekornes' combined order reserve was NOK 832 million, up from NOK 420 million at the end of second quarter 2020 and up from NOK 379 million at the end of third quarter 2019, corresponding to an increase of 120% year-over-year.

## BALANCE SHEET

		30.9.2020	30.9.2019	30.6.2020	31.12.2019
Working capital*	MNOK	939,4	845,3	876,7	804,2
Bank deposits	MNOK	422,0	306,2	417,1	312,8
Total assets	MNOK	7 704,2	7 599,2	7 667,6	7 435,7
Interest-bearing loans	MNOK	2 502,5	2 560,9	2 500,4	2 481,6
Total liabilities	MNOK	4 134,1	4 076,4	4 109,5	3 984,5
Equity	MNOK	3 570,1	3 522,9	3 558,1	3 451,2
Equity ratio	%	46,3%	46,4%	46,4%	46,4%
Value of forward contracts	MNOK	-11,3	-13,4	-21,9	-2,6
Net interest-bearing Debt (NIBD)	MNOK	2 080,5	2 254,7	2 083,3	2 163,2

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

As at 30 September 2020, Ekornes had total assets of NOK 7 704 million, compared with NOK 7 668 million three months earlier. The increase is mainly driven by increased inventory and trade receivables related to the increase in order receipts.

Total equity was NOK 3 570 million, corresponding to an equity ratio of 46.3% which is the same level as the previous quarter. Total interest-bearing debt amounted to NOK 2 503 million, unchanged from three months earlier.

In April 2019, Ekornes QM Holding AS issued a NOK 2.0 billion bond to refinance the Group. The bond was listed on Oslo Stock Exchange on 10 July under the name "Ekornes QM Holding AS 19/23 FRN FLOOR C" with the ticker: EKO01.

In addition to the bond, the Group has a long-term borrowing agreement with DNB. The loan is unsecured with no instalments until maturity in September 2022.

Ekornes also has short-term credit facilities with DNB and Sparebanken Møre of NOK 500 million and NOK 250 million respectively, of which NOK 750 million were available at 30 September 2020.

### Financial covenants bond agreement

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

Following a good start of the year with strong sales, Ekornes experienced a significant impact on operations from March to May due to the lockdowns due to the Covid-19 pandemic. During this period, Ekornes performed stress tests on key financial indicators with satisfactory results. However, the outlook for a negative impact on earnings was substantial short- to mid-term. Facing a risk of a covenant breach in the bond agreement by the end of second quarter 2020, Ekornes entered an agreement with bondholders for amendments to covenants (see note 6 in this report for more details).

The bond agreement also includes restrictions on dividend payments from Ekornes QM Holding AS, and Ekornes QM Holding AS is not in position to distribute any dividends. During third quarter of 2020 and at 30 September 2020, the group was compliant with all covenants requirements in the bond agreement. Leverage ratio at the end of the third quarter 2020 was 4,62.

## CASH FLOW

		Q3 2020	Q3 2019	Q2 2020	YTD Q3 2020	YTD Q3 2019	Y 2019
Net cash flow from operating activities	MNOK	40,4	48,0	80,3	193,9	250,8	371,0
Net cash flow from investing activities	MNOK	-28,3	-18,0	-0,7	-50,0	-78,0	-95,2
Net cash flow from financing activities	MNOK	-9,5	-1,5	-11,6	-41,0	25,9	-75,9
Net change in cash & cash equivalents	MNOK	2,5	28,4	68,0	102,9	198,6	200,0
Effect of exchange gains / (losses) on cash and cash equivalents	MNOK	2,5	0,0	4,8	6,3	0,0	5,2
Cash & cash equivalents at the start of the period	MNOK	417,1	277,7	344,2	312,8	107,6	107,6
<b>Cash &amp; cash equivalents at the close of the period</b>	<b>MNOK</b>	<b>422,0</b>	<b>306,2</b>	<b>417,1</b>	<b>422,0</b>	<b>306,2</b>	<b>312,8</b>

Net cash flow from operating activities in the third quarter amounted to NOK 40 million (48), negatively impacted by increased working capital during the quarter. Inventories and receivables increase by NOK 91 and NOK 27 million respectively, partly offset by an increase in trade payables of NOK 55 million.

Cash flow from operations for the first nine months of 2020 was NOK 194 million (251).

Net cash flow from investing activities was NOK -28 million in the quarter (-18), all related to ongoing investments in day-to-day operations. Cash flow from investments during the first nine months of the year amounted to NOK -50 million (-78). To ensure liquidity and financial solidity, Ekornes reduced investments to a minimum during Covid-19. Following the recent recovery, maintenance investments will revert to normal levels going forward.

Net cash flow from the financing activities was negative NOK 10 million in the quarter (-2), all related to payment of lease liabilities. Cash flow from financing activities for the first nine months amounted to NOK -41 million (26), related to payment of lease liabilities and dividend.

Net change in cash and cash equivalents was positive by NOK 2 million in the quarter and NOK 103 million during the first nine months. As at 30 September 2020 the total holding of cash and cash equivalents amounted to NOK 422 million (306).

## 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®

		Q3 2020	Q3 2019	Q2 2020	YTD Q3 2020	YTD Q3 2019	Y 2019
Gross operating revenue	MNOK	580,9	494,8	467,3	1 728,8	1 729,6	2 402,4
Gross operating earnings (EBITDA)	MNOK	114,5	77,9	125,9	282,4	327,1	433,2
<b>Operating earnings (EBIT)</b>	<b>MNOK</b>	<b>60,3</b>	<b>18,8</b>	<b>69,6</b>	<b>116,5</b>	<b>160,1</b>	<b>209,0</b>
Operating margin (EBIT)		10,4 %	3,8 %	14,9 %	6,7 %	9,3 %	8,7%

The positive trend seen towards the end of the first half year continued in the third quarter with strong order receipts across markets, particularly in Germany and the Nordic region. Following a period of downscaling and lay-offs during the first phase of Covid-19, Stressless® production is now fully operational with capacity even increased by some 15% compared to pre-Covid 19 levels.

Operating revenue for Stressless® ended at NOK 581 million for the third quarter 2020, compared with NOK 495 million in the third quarter 2019. Revenues for the first nine months amounted to NOK 1 729 million, in line with the corresponding period last year.

Operating earnings (EBIT) for the quarter ended at NOK 60 million, compared to NOK 19 million in the third quarter in 2019. The increase from corresponding period in 2019 relates to increased sales.

Stressless® has over time focused on improving commercial conditions including product development and innovation, optimized distribution, closer customer partnerships and targeted market initiatives with updates and relevant customer offerings. With people spending summer holidays in their home country, combined with an easing Covid-19 situation, furniture and interior design shops experienced increased money in circulation among consumers. The "cocooning effect", combined with new ranges of motorized products and increased promotional activities, increased sales of Stressless® products substantially during the period.

Sales development in the Nordic markets was strong in the third quarter, especially in Denmark and Norway, with highest demand for recliner and dining categories. The new 2021 collection was well received, and the first part of collection changes will give Ekornes positive effects already in the fourth quarter. As for now, most dealers in the Nordic markets are back to normal operations, announcing good order receipts into the fourth quarter. However, with recent developments in the Covid-19 situation indicating a second wave of the pandemic, uncertainty remains high.

Markets in Continental Europe experienced a strong rebound during the quarter, as the region emerged from lockdown. Sales were particularly strong in Central Europe and the UK, while the development in Southern Europe was more stable. The recliner category has seen the strongest performance, but the development has been good also for Sofa, particularly in the UK.

Increased promotional activities may impact margins short term but will be offset by significantly higher volumes. Due to the strong order receipts, third quarter and year-to-date sales were up 61% and 9% respectively compared to the corresponding periods last year.

With markets remaining open for business, a continued situation with local lockdowns resulting in work from home and the corresponding cocooning effect, the outlook for furniture sales remain positive.

The trend in the US market is similar to the other regions, but the development is somewhat lagging with the region being in a different stage of the Covid-19 pandemic. As for the other regions, the US furniture markets is benefiting from consumers inability to travel and spending less in other areas of discretionary spending, and Stressless® has experienced strong demand during the period. Order receipts more than doubled compared to the previous quarter and are 37% higher than in the third quarter 2019.

However, the situation has required creativity to maintain business as usual. For instance, launching new products has been a challenge. With a lack of arenas where retailers felt safe to visit, regional sales managers drove the samples across the country to present products to



dealers and sales teams. As a result, Stressless® now has more than 70% placement for the new motorized recliner series. To ensure secure access to the stores for consumers, dealers have arranged for exclusive viewing and shopping appointments for customers. Covid-19 precautions in the stores differ around the country, but retailers are, in general, open for business.

The US furniture market is very strong right now and is expected to remain so for the remainder of 2020. However, there are several variables that could change quickly. A renewed Covid-19 outbreak could result in another round of shutdowns, or if there is more of an economic slowdown, the market could slow down just as fast.

Overall performance in Asian markets was good. However, the development varied significantly between markets, with Australia particularly strong and China on the weaker side.

In Australia, all states are operational from November 1 while New Zealand has business as usual. Order receipts were up some 40% compared to the previous quarter and almost double compared to third quarter 2019. Restrictions on interstate travel have helped the sales performance due to continued shifts in spending of disposable income. A decline is expected when interstate travel resumes across the major states. New product launches are scheduled for fourth quarter, with new motorized recliner models in stock and ready to be presented, pending retailer availability.

In China, order receipts were stable compared to the previous quarter. The work to replace under-performing dealers with new more competent dealers continues, so while the total number of stores remains unchanged, the store quality is improving.

In Japan, Ekornes has managed to maintain a strong position in the market, strengthening its relative position towards main competitors, partly through its ability to uphold short delivery times. After the first main Covid-19 wave earlier in the year, the furniture market has been recovering, driven by “stay-at-home demand” and there has been no negative effects or shutdowns among Ekornes’ dealers. The exception is department stores whose traffic is still some 80% of last year’s levels.

Business sentiment among Japan’s large manufacturers has recorded its first improvement since 2017, confirming that recovery is underway. Despite the rebound, data still points to extremely weak confidence and a huge challenge ahead for policymakers and businesses as they try to return the economy to its pre-crisis level.



## IMG

		Q3 2020	Q3 2019	Q2 2020	YTD Q3 2020	YTD Q3 2019	Y 2019
Gross operating revenue	MNOK	178,0	139,6	130,9	451,5	385,7	551,4
Gross operating earnings (EBITDA)	MNOK	46,6	27,4	24,5	98,5	84,5	115,5
<b>Operating earnings (EBIT)</b>	<b>MNOK</b>	<b>28,6</b>	<b>14,1</b>	<b>5,6</b>	<b>44,3</b>	<b>40,8</b>	<b>49,3</b>
Operating margin (EBIT)		16,1 %	10,1 %	4,3 %	9,8 %	10,6 %	8,9%

IMG recorded an operating revenue of NOK 178 million in the third quarter, an increase of 27% compared to third quarter 2019. Year to date, operating revenue amounted to NOK 452 million, up 17% compared to the corresponding period last year. The operating earnings (EBIT) for third quarter was NOK 29 million, up from NOK 14 million in the corresponding period 2019.

Revenue and result have been positively impacted by renewed consumer focus on the home furnishing segment, along with strong promotional execution in key markets. Development was positive in all markets, with Scandinavia and Australia continuing the strong year-to-date performance and a solid return of the North American market. US order receipts during the period include a 15,000-unit order from Costco, with expected deliveries distributed over coming months. Results in Asia also significantly improved.

Combined with capacity restraints, challenges related to logistics when receiving and sending goods, lead times have become an increasing issue within the furniture industry. IMG has over time worked extensively to address these challenges, including the establishment of the production and distribution hub in Lithuania. Lead times from Lithuania and Vietnam are regarded as satisfactory and represent a competitive advantage to competitors. Following the strong increase in order receipts, particularly related to the 15,000-unit order from Costco, lead times out of Thailand have increased and IMG is working to increase capacity. All 200 employees laid off following the Covid-19 outbreak, and an additional 200 workers, are back in operation and production capacity is currently 15% above pre-Covid levels.





## Svane®

		Q3 2020	Q3 2019	Q2 2020	YTD Q3 2020	YTD Q3 2019	Y 2019
Gross operating revenue	MNOK	73,4	56,3	46,1	180,2	152,8	215,2
Gross operating earnings (EBITDA)	MNOK	5,6	5,4	1,5	11,1	-9,9	-6,7
<b>Operating earnings (EBIT)</b>	<b>MNOK</b>	<b>4,9</b>	<b>4,6</b>	<b>0,9</b>	<b>9,3</b>	<b>-12,4</b>	<b>-10,0</b>
Operating margin (EBIT)		6,7 %	8,2 %	2,0 %	5,1 %	-8,1 %	-4,6 %

As for chairs and sofas, Ekornes has also experienced a significant increase in demand in the bed and mattress markets due to the increased focus on home refurbishment during Covid-19. With strong focus on short delivery times and security of supply, combined with successful execution of campaigns, Svane® has strengthened its market position during these turbulent times.

Operating revenue for Svane® ended at NOK 73 million during the quarter (56) and NOK 180 million for the first nine months (153).

Development in the Norwegian market is positively impacted by the successful launch of a new product line characterized by increased product and price diversification. Activities are carried out in close collaboration with retailers and the campaign concepts are in place with all chains and partners.

Development in Germany and Denmark is driven by solid underlying demand. In Finland, sales are positively impacted by contract orders during the quarter, and a positive development is seen among chain customers.

Svane® expects a strong development also towards the end of the year, but underlines the high uncertainty related to how the Covid-19 situation develops going forward.



## OUTLOOK

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Following a period of easing of actions taken to address the Covid-19 situation and a cross market rebound in demand and sales for Ekornes, Covid-19 and its effects continue to create uncertainty related to future market and demand development as governments again announce measures to curb the second Covid-19 wave.

However, the strong market development for home furnishing experienced in the third quarter is expected to persist short term and combined with the record high order reserve, the outlook for Ekornes in the fourth quarter is good.

For Stressless®, all customers are back to normal operations and based on current order receipts, the company is on track to recover territory lost at the beginning of the corona epidemic. The IMG segment has shown a strong improvement with the growth in the private label segment, and this trend is expected to continue into Q4. The positive development for Svane® is expected to continue into Q4, contributing to a strong ending of the year.

While Ekornes' long-term ambition is to grow profitably, the short-term priorities are to ensure production and ability to serve markets and end customers with relevant products, while at the same time ensuring operational and financial flexibility to secure Ekornes' resilience.

Throughout the first wave of Covid-19, Ekornes has, with indispensable help from its employees, proven its ability to adapt operational activity to changes in market conditions. During the recent months' rebound, Ekornes has rebuilt and extended production capacity and is well prepared to utilize emerging market opportunities going forward.



## H & S

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As at 30 September 2020, Ekornes employed a total of 2 496 people.

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 13 lost-time injuries in the first nine months of 2020, compared to 10 injuries in the corresponding period in 2019. This gives an H1-value for the period of 3.8 compared to 3 the same period in 2019.

The Group had a sickness absence rate of 2.6% in the first nine months of 2020 compared to 3.0% in the corresponding period in 2019.

## RELATED PARTIES

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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.

## RISKS AND UNCERTAINTIES

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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.

The outbreak of the Covid-19 pandemic largely increased the uncertainty in the business outlook for Ekornes. The spreading of the virus made authorities in many countries enact strong measures affecting global and local economic activity, and trade flows and the supply chain remain exposed to restrictions on travel and on product shipments.

Ekornes experienced a severe demand drop during the first months following initial outbreaks of Covid-19. However, due to increased consumer spending on home refurbishment and furniture, the company has experienced a significant rebound moving into summer and during the third quarter. At the same time, the Covid-19 virus continues to spread and expand, and Ekornes must be prepared for lower economic activity and consumer spending that may affect demand in the furniture industry, which in turn will affect demand for Ekornes' products, its sales channels and other parts of the value chain. The length and scale of the Covid-19 situation remains uncertain, and thus, represents a risk of lowered activity and profitability beyond 2020.

The sharp short-term sales decline in March-May proved the increased need for resilience in an uncertain world. Due to the ongoing pandemic and its effects on economies, markets and people, Ekornes has initiated a series of operational and financial actions to mitigate market, operational and financial risk.

In general, Ekornes is exposed to risk on both the sales and purchasing sides of business in several different geographic markets. When parts of the dealer network were shut down in the first half year, Ekornes accelerated initiatives to address sales and distribution risk, including introducing e-commerce platform in cooperation with its dealer network in 11 new countries in two weeks.

Furthermore, Ekornes 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 forward contracts.

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 2019 annual report for more detailed information about the Group's risk factors and risk management.

## CHANGE OF LEADERSHIP FOR EKORNES

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*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.*

## EVENTS AFTER THE BALANCE SHEET DATE

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*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, October 21th, 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	Q3 2020	Q3 2019	Q2 2020	YTD Q3 2020	YTD Q3 2019	Y 2019
<b>Gross operating revenue</b>	2	<b>832,3</b>	<b>690,8</b>	<b>644,4</b>	<b>2 360,5</b>	<b>2 268,1</b>	<b>3 169,0</b>
<i>Cost of goods sold</i>		207,4	176,0	169,5	601,3	572,9	845,6
<i>Payroll expenses</i>		250,3	198,9	189,7	706,7	686,7	937,7
<i>Depreciation and write downs</i>	5	72,8	73,1	75,1	221,9	213,1	289,5
<i>Other operating expenses</i>		208,8	188,5	172,8	615,1	613,6	860,6
<i>Net other losses (gains)</i>	3	0,5	15,6	-37,4	47,8	2,8	0,6
<b>Total operating expenses</b>		<b>739,7</b>	<b>652,1</b>	<b>569,7</b>	<b>2 192,8</b>	<b>2 089,2</b>	<b>2 934,0</b>
<b>Operating earnings (EBIT)</b>		<b>92,6</b>	<b>38,7</b>	<b>74,8</b>	<b>167,7</b>	<b>178,9</b>	<b>235,0</b>
<i>Financial income</i>		2,2	9,9	1,6	9,2	24,5	32,2
<i>Net gains (losses) on foreign exchange</i>		4,6	29,3	-26,1	44,8	86,3	73,8
<i>Financial expenses</i>		45,7	57,7	68,6	170,3	152,1	213,6
<b>Net financial items</b>		<b>-39,0</b>	<b>-18,4</b>	<b>-93,1</b>	<b>-116,4</b>	<b>-41,3</b>	<b>-107,6</b>
<b>Earnings before tax (EBT)</b>		<b>53,6</b>	<b>20,4</b>	<b>-18,3</b>	<b>51,3</b>	<b>137,6</b>	<b>127,4</b>
<i>Calculated tax cost (Income)</i>	9	12,2	5,2	-0,8	15,0	-57,6	26,7
<b>Net earnings</b>		<b>41,4</b>	<b>15,2</b>	<b>-17,5</b>	<b>36,3</b>	<b>195,3</b>	<b>100,6</b>
<b>Earnings are attributable to:</b>							
<i>Controlling interests</i>		34,5	10,4	-20,6	21,7	168,9	79,4
<i>Non-controlling interests</i>		6,9	4,8	3,1	14,5	26,4	21,2
<i>Earnings per share</i>		1 380,4	506,7	-583,6	1 208,4	6 509,0	3 354,9
<i>Earnings per share (diluted)</i>		1 380,4	506,7	-583,6	1 208,4	6 509,0	3 354,9

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<i>(Figures in MNOK)</i>	Note	Q3 2020	Q3 2019	Q2 2020	YTD Q3 2020	YTD Q3 2019	Y 2019
<b>Net earnings</b>		<b>41,4</b>	<b>15,2</b>	<b>-17,5</b>	<b>36,3</b>	<b>195,3</b>	<b>100,6</b>
<b>Other income and expenses:</b>							
<b>Items which can be reclassified to earnings and loss:</b>							
<i>Translation differences</i>	5,9	-29,4	26,0	-66,9	103,7	25,5	50,4
<b>Total other income and expenses</b>		<b>-29,4</b>	<b>26,0</b>	<b>-66,9</b>	<b>103,7</b>	<b>25,5</b>	<b>50,4</b>
<b>Total comprehensive income</b>		<b>12,0</b>	<b>41,2</b>	<b>-84,4</b>	<b>140,0</b>	<b>220,8</b>	<b>151,0</b>



## CONSOLIDATED BALANCE SHEETS

<i>(Figures in MNOK)</i>	Note	30.9.2020	30.9.2019	30.6.2020	31.12.2019
<b>ASSETS</b>					
<b>Non-current assets</b>					
<i>Buildings and sites</i>		1 018,7	1 055,3	1 027,0	1 041,4
<i>Machinery and equipment</i>		290,8	305,2	296,7	309,8
<i>Operating movables and fixtures</i>		21,6	23,2	22,7	19,9
<i>Assets under construction</i>		9,2	28,9	14,5	16,6
<i>Right-of-use assets</i>	7	138,4	125,4	152,1	131,2
<b>Total property, plant &amp; equipment</b>		<b>1 478,7</b>	<b>1 538,0</b>	<b>1 513,0</b>	<b>1 518,8</b>
<i>Software and licenses</i>		45,6	44,5	48,1	47,8
<i>Brand name</i>	5	1 571,7	1 612,4	1 581,9	1 602,2
<i>Goodwill</i>	5	1 561,1	1 645,6	1 561,1	1 561,1
<i>Customer relations</i>	5	1 333,5	1 240,5	1 375,9	1 269,0
<i>Deferred tax assets</i>		75,9	85,4	77,6	66,9
<b>Total non-current intangible assets</b>		<b>4 587,8</b>	<b>4 628,4</b>	<b>4 644,6</b>	<b>4 547,0</b>
<i>Other receivables and investments</i>		18,0	17,3	18,2	16,9
<b>Total non-current financial assets</b>		<b>18,0</b>	<b>17,3</b>	<b>18,2</b>	<b>16,9</b>
<b>Total non-current assets</b>		<b>6 084,5</b>	<b>6 183,6</b>	<b>6 175,8</b>	<b>6 082,7</b>
<b>Current assets</b>					
<i>Inventory</i>		733,3	636,0	642,4	575,4
<i>Trade receivables</i>		384,1	369,9	357,6	381,9
<i>Other short-term receivables</i>		80,3	103,6	74,6	82,8
<i>Cash and bank deposits</i>		422,0	306,2	417,1	312,8
<b>Total current assets</b>		<b>1 619,7</b>	<b>1 415,6</b>	<b>1 491,7</b>	<b>1 353,0</b>
<b>TOTAL ASSETS</b>		<b>7 704,2</b>	<b>7 599,2</b>	<b>7 667,6</b>	<b>7 435,7</b>

## CONSOLIDATED BALANCE SHEETS

<i>(Figures in MNOK)</i>	Note	30.9.2020	30.9.2019	30.6.2020	31.12.2019
<b>EQUITY AND LIABILITIES</b>					
<b>Equity</b>					
<b>Contributed equity</b>					
Share capital	8	0,1	0,1	0,1	0,1
Premium paid		2 807,4	2 807,4	2 807,4	2 807,4
<b>Total contributed equity</b>		<b>2 807,5</b>	<b>2 807,5</b>	<b>2 807,5</b>	<b>2 807,5</b>
<b>Retained earnings</b>					
Translation difference		158,0	42,0	184,6	64,1
Other equity		107,4	175,2	72,9	85,7
<b>Total retained earnings</b>		<b>265,4</b>	<b>217,2</b>	<b>257,6</b>	<b>149,8</b>
Owner of the company		3 072,9	3 024,7	3 065,0	2 957,3
Non-controlling interests		497,2	498,2	493,0	493,9
<b>Total equity</b>		<b>3 570,1</b>	<b>3 522,9</b>	<b>3 558,1</b>	<b>3 451,2</b>
<b>Non-current liabilities</b>					
Pension liabilities		7,2	5,6	6,8	6,0
Provisions		4,0	4,5	3,9	4,4
Deferred tax	9	885,5	870,5	901,5	878,9
Lease liabilities	7	108,4	95,4	115,3	100,4
Interest-bearing debt - Bond	6	2 002,5	1 980,1	2 000,4	1 981,6
Interest-bearing debt - Bank	6	500,0	500,0	500,0	500,0
<b>Total non-current liabilities</b>		<b>3 507,6</b>	<b>3 456,1</b>	<b>3 527,9</b>	<b>3 471,3</b>
<b>Current liabilities</b>					
Trade payables		178,0	160,6	123,3	153,2
Public charges payable		59,5	44,4	71,2	63,2
Tax payable		56,5	48,5	42,2	27,3
Forward currency contracts	3	11,3	13,4	21,9	2,6
Interest-bearing debt - Bank	6	0,0	80,8	0,0	0,0
Dividend		22,5	19,8	22,5	10,5
Lease liabilities	7	34,5	32,5	37,6	34,2
Other current liabilities		264,2	220,2	263,0	222,2
<b>Total current liabilities</b>		<b>626,5</b>	<b>620,2</b>	<b>581,6</b>	<b>513,2</b>
<b>Total liabilities</b>		<b>4 134,1</b>	<b>4 076,4</b>	<b>4 109,5</b>	<b>3 984,5</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>7 704,2</b>	<b>7 599,2</b>	<b>7 667,6</b>	<b>7 435,7</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS

<i>(Figures in MNOK)</i>	Q3 2020	Q3 2019	Q2 2020	YTD Q3 2020	YTD Q3 2019	Y 2019
<b>Cash flows from operating activities</b>						
Earnings before tax (EBT)	53,6	20,4	-18,3	51,3	137,6	127,4
Tax paid for the period	-2,4	-0,4	-2,4	-20,7	-79,8	-101,9
Depreciation and write downs	72,8	73,1	75,1	221,9	213,1	289,5
Change in inventory	-90,9	-50,0	12,2	-157,8	-78,8	-18,3
Change in trade receivables	-26,5	15,1	126,3	-2,2	9,6	-2,4
Change in trade payables	54,7	28,0	-52,7	24,8	2,5	-4,9
Change in other time limited records	-20,9	-38,2	-59,8	76,7	46,5	81,7
<b>Net cash flow from operating activities</b>	<b>40,4</b>	<b>48,0</b>	<b>80,3</b>	<b>193,9</b>	<b>250,8</b>	<b>371,0</b>
<b>Cash flows from investing activities</b>						
Proceeds from sale of PP&E	0,0	-0,3	0,0	0,8	0,1	2,3
Payments for purchase of PP&E	-28,3	-17,8	-0,7	-50,7	-78,1	-97,5
<b>Net Cash flows from investing activities</b>	<b>-28,3</b>	<b>-18,0</b>	<b>-0,7</b>	<b>-50,0</b>	<b>-78,0</b>	<b>-95,2</b>
<b>Cash flows from financing activities</b>						
Payment of lease liabilities	-9,5	-8,9	-11,6	-31,8	-24,7	-36,5
Payment of dividend	0,0	0,0	0,0	-9,2	-0,9	-11,5
Change in net long-term debt - Bond	6	0,0	0,0	0,0	1 980,1	1 981,6
Change in internal loan	6	0,0	0,0	0,0	-1 897,6	-1 897,6
Change in net short-term debt to credit institutions	6	0,0	6,5	0,0	-31,0	-111,9
<b>Net cash flow from financing activities</b>	<b>-9,5</b>	<b>-1,5</b>	<b>-11,6</b>	<b>-41,0</b>	<b>25,9</b>	<b>-75,9</b>
<b>Change in net cash &amp; cash equivalents</b>	<b>2,5</b>	<b>28,4</b>	<b>68,0</b>	<b>102,9</b>	<b>198,6</b>	<b>200,0</b>
Effect of exchange gains / (losses) on cash and cash equivalents	2,5	0,0	4,8	6,3	0,0	5,2
Net cash & cash equivalents at the start of the period	417,1	277,7	344,2	312,8	107,6	107,6
<b>Net cash &amp; cash equivalents at the close of the period</b>	<b>422,0</b>	<b>306,2</b>	<b>417,1</b>	<b>422,0</b>	<b>306,2</b>	<b>312,8</b>
Restricted cash at the end of the period	139,0	138,1	141,7	141,7	138,1	146,1
Unrestricted cash at the end of the period	283,0	168,1	275,4	275,4	168,1	166,7

In the statement of cash flow, cash and bank deposits are recognized as cash.

In April 2019, Ekornes QM Holding AS issued a stock exchange bond to refinance the Group and part of the condition is to have a minimum liquidity in Ekornes QM Holding AS of NOK 125 million. The rest of the restricted cash at 30 September 2020 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
<b>Equity 31.12.2018</b>	<b>0,1</b>	<b>2 807,4</b>	<b>20,5</b>	<b>6,3</b>	<b>2 834,2</b>	<b>296,8</b>	<b>3 131,0</b>
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
<b>Equity 31.12.2019</b>	<b>0,1</b>	<b>2 807,4</b>	<b>64,1</b>	<b>85,7</b>	<b>2 957,3</b>	<b>493,9</b>	<b>3 451,2</b>
<b>Equity 31.12.2019</b>	<b>0,1</b>	<b>2 807,4</b>	<b>64,1</b>	<b>85,7</b>	<b>2 957,3</b>	<b>493,9</b>	<b>3 451,2</b>
Earnings for the period	0,0	0,0	0,0	21,7	21,7	14,5	36,3
Other comprehensive income	0,0	0,0	93,9	0,0	93,9	9,9	103,7
Dividend*	0,0	0,0	0,0	0,0	0,0	-21,1	-21,1
<b>Equity 30.9.2020</b>	<b>0,1</b>	<b>2 807,4</b>	<b>158,0</b>	<b>107,4</b>	<b>3 072,9</b>	<b>497,2</b>	<b>3 570,1</b>

### \*Dividend from Ekornes Holding AS

On 11 June 2020 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 2019. The Board furthermore resolved, in accordance with the proposal of the Board, that NOK 21.1 million will be distributed as a dividend to Ruisi Holding Company and a group contribution of NOK 201.4 million will be distributed to Ekornes QM Holding AS.

(Figures in MNOK)		Group Contribution	Dividend	Total
Ekornes QM Holding AS	90,5 %	201,4	0,0	201,4
Ruisi Holding Company Limited	9,5 %	0,0	21,1	21,1
<b>Total</b>	<b>100,0 %</b>	<b>201,4</b>	<b>21,1</b>	<b>222,5</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 1 ACCOUNTING PRINCIPLES

The consolidated financial statements for the third quarter 2020, closed as at 30 September 2020, 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 2019. The 2019 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 [ir.Ekornes.com](http://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 2019.

## 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)	Q3 2020	Q3 2019	Q2 2020	YTD Q3 2020	YTD Q3 2019	Y 2019
<b>Revenues per segment</b>						
Stressless®	580,9	494,8	467,3	1 728,8	1 729,6	2 402,4
IMG	178,0	139,6	130,9	451,5	385,7	551,4
Svane®	73,4	56,3	46,1	180,2	152,8	215,2
<b>Total</b>	<b>832,3</b>	<b>690,8</b>	<b>644,4</b>	<b>2 360,5</b>	<b>2 268,1</b>	<b>3 169,0</b>
<b>EBITDA per segment</b>						
Stressless®	114,5	77,9	125,9	282,4	327,1	433,2
IMG	46,6	27,4	24,5	98,5	84,5	115,5
Svane®	5,6	5,4	1,5	11,1	-9,9	-6,7
Other/eliminations *	-1,3	1,2	-2,1	-2,4	-9,6	-17,7
<b>Total</b>	<b>165,4</b>	<b>111,9</b>	<b>149,9</b>	<b>389,7</b>	<b>392,0</b>	<b>524,3</b>
<b>EBIT per segment</b>						
Stressless®	60,3	18,8	69,6	116,5	160,1	209,0
IMG	28,6	14,1	5,6	44,3	40,8	49,3
Svane®	4,9	4,6	0,9	9,3	-12,4	-10,0
Other/eliminations *	-1,3	1,2	-1,3	-2,4	-9,6	-13,3
<b>Total</b>	<b>92,6</b>	<b>38,7</b>	<b>74,8</b>	<b>167,7</b>	<b>178,9</b>	<b>235,0</b>
<b>Operating revenues by market</b>						
Norway	119,1	93,7	87,9	340,4	301,4	431,6
Other Nordic	54,3	36,9	43,5	145,1	124,1	171,8
Central Europe	126,2	85,5	131,0	448,8	417,8	578,0
Southern Europe	49,0	40,9	42,8	141,7	155,8	215,9
United Kingdom/Ireland	59,5	51,4	31,8	152,6	156,4	210,2
USA/Canada/Mexico	248,3	235,4	187,0	706,8	702,7	990,0
Japan	37,1	46,9	24,1	89,4	103,9	139,8
China	31,3	26,3	15,5	64,5	76,1	113,6
Other Markets	107,6	73,8	80,8	271,3	229,8	318,1
<b>Total</b>	<b>832,3</b>	<b>690,8</b>	<b>644,4</b>	<b>2 360,5</b>	<b>2 268,1</b>	<b>3 169,0</b>

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

## NOTE 3 CURRENCY

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

### Forward contracts

In 2019 and 2020, the Group entered into forward contracts, and all realised and unrealised gains and losses associated with these contracts are recognised in net other losses/(gains). In YTD Q3 2020, these contracts resulted in a NOK 39.0 million realised loss and a unrealised loss of 8.7 million. All new contracts that are open as at 30 September 2020 fall due for payment in the next 12 months. As at 30 September 2020, the market value of existing forward currency contracts came to NOK -11.3 million.

(Figures in MNOK)

Total net other losses/(gains) comprises:	YTD Q3 2020	Y 2020
Realised losses/(gains) on new forward contracts	39,0	21,7
Change in value of realised and unrealised contracts	-8,7	21,1
<b>Net other losses/(gains)</b>	<b>47,8</b>	<b>0,6</b>

The following net foreign exchange volume was undertaken in the YTD Q3 2020:

Currency	Volume in Currency (Million)	Average exchange rate (in NOK)
AUD	11,2	6,0954
DKK	38,4	1,3406
EUR	27,7	9,9621
GBP	8,2	11,3153
USD	12,5	8,7742

## NOTE 4 NO. OF EMPLOYEES

	30.9.2020	30.9.2019	30.6.2020	31.12.2019
Employees in Norway	1 042	1 085	1 009	1 025
Employees abroad	1 454	1 168	1 217	1 202
<b>Total</b>	<b>2 496</b>	<b>2 253</b>	<b>2 240</b>	<b>2 227</b>

## 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 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 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").

<i>(Figures in MNOK)</i>	Brand name	Goodwill	Customer relationships	Total
<b>Acquisition value 31.12.2019</b>	<b>1 656,4</b>	<b>1 561,1</b>	<b>1 302,3</b>	<b>4 519,8</b>
<b>Accumulated depreciation 31.12.2019</b>	<b>54,2</b>	<b>0,0</b>	<b>78,0</b>	<b>132,3</b>
<i>Depreciation in the period</i>	30,5	0,0	47,5	78,0
<b>Accumulated depreciation 30.9.2020</b>	<b>84,7</b>	<b>0,0</b>	<b>125,6</b>	<b>210,3</b>
<b>Accumulated currency translation differences 31.12.2019</b>	<b>0,0</b>	<b>0,0</b>	<b>44,7</b>	<b>44,7</b>
<i>Change currency translation differences in the period</i>	0,0	0,0	112,0	112,0
<b>Accumulated currency translation 30.9.2020</b>	<b>0,0</b>	<b>0,0</b>	<b>156,8</b>	<b>156,8</b>
<b>Book value 30.9.2020</b>	<b>1 571,7</b>	<b>1 561,1</b>	<b>1 333,5</b>	<b>4 466,3</b>
<b>Split per segment</b>				
<i>Stressless®</i>	1 346,4	676,6	845,2	2 868,2
<i>IMG</i>	225,3	884,5	488,3	1 598,1
<b>Book value 30.9.2020</b>	<b>1 571,7</b>	<b>1 561,1</b>	<b>1 333,5</b>	<b>4 466,3</b>
	Brand name	Goodwill	Customer relationships	Total
<b>Acquisition value 31.12.2019</b>	<b>1 656,4</b>	<b>1 645,6</b>	<b>1 302,3</b>	<b>4 604,3</b>
<b>Accumulated depreciation 31.12.2018</b>	<b>13,6</b>	<b>0,0</b>	<b>19,0</b>	<b>32,6</b>
<i>The year's depreciation</i>	40,7	0,0	59,0	99,7
<b>Accumulated depreciation 31.12.2019</b>	<b>54,2</b>	<b>0,0</b>	<b>78,0</b>	<b>132,3</b>
<i>Currency translation differences</i>	0,0	0,0	44,7	44,7
<i>Reassessment PPA</i>	0,0	-84,5	0,0	-84,5
<b>Book value 31.12.2019</b>	<b>1 602,2</b>	<b>1 561,1</b>	<b>1 269,0</b>	<b>4 432,3</b>
<b>Split per segment</b>				
<i>Stressless®</i>	1 367,5	676,6	792,9	2 837,0
<i>IMG</i>	234,7	884,5	476,1	1 595,3
<b>Book value 31.12.2019</b>	<b>1 602,2</b>	<b>1 561,1</b>	<b>1 269,0</b>	<b>4 432,3</b>

## 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 30 September 2020	Credit facility	Amount drawn	Available
DNB	500,0	0,0	500,0
Sparebank Møre	250,0	0,0	250,0
<b>Total</b>	<b>750,0</b>	<b>0,0</b>	<b>750,0</b>

### Long-term borrowing agreement 30 September 2020

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 30 September 2020

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 2019:

<b>Bond</b>	FRN Ekornes QM Holding AS Senior Secured Callable Bond Issue 2019/2023
<b>Ticker:</b>	EKO01
<b>Currency</b>	NOK
<b>Issue Amount</b>	2 000
<b>NIBOR 3M</b>	0,36% (0,28% from 2. October 2020)
<b>Margin</b>	7,00%
<b>Coupon</b>	7,36% (7,28% from 2. October 2020)
<b>Tenor / redemption:</b>	54 months /4,5 years
<b>Settlement Date:</b>	02.4.2019
<b>Maturity Date:</b>	02.10.2023

### Financial covenants

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

Following a good start of the year with strong sales, Ekornes experienced a significant impact on operations when the majority of the western world in mid-March was put in lockdown due to Covid-19. Due to the new situation, Ekornes performed stress tests on key financial indicators, with satisfactory results. However, with the outlook for a negative impact on earnings short- to mid-term, the leverage ratio could be above the level outlined in the bond agreement by the end of second quarter 2020, and the company reached out to bond holders, requesting amendments to covenants. The following was agreed:

### Leverage ratio

With effect from 30 June 2020 until and including 30 June 2021, the Leverage Ratio shall not exceed 9.00:1 (previously 5.25:1). The Leverage Ratio testing in the same period shall be suspended if the Liquidity exceeds NOK 200 million. Normal Leverage Ratio testing shall resume as at 30 September 2021.

### Escrow Account

By 30 June 2020 at the latest, the Issuer shall transfer NOK 125 million (an amount equal to the Minimal Liquidity requirement, and to be included in the calculation of Liquidity) to an Escrow Account, pledged and blocked in favor of the Bond Trustee. The amount on the Escrow Account shall be released on 1 October 2021 subject to no continuing Event of Default.

### Redemption of Bonds

The Outstanding Bonds will mature in full on the Maturity Date and shall be redeemed by the Issuer on the Maturity Date at a price equal to 101 (previously 100) per cent of the Nominal Amount. Adjustments of call and put options will be adjusted in line with new redemption price.

The bond agreement also includes restrictions on dividend payments from Ekornes QM Holding AS, and Ekornes QM Holding AS is not in position to distribute any dividends. During third quarter of 2020 and at 30 September 2020, the group was compliant with all covenants requirements in the bond agreement. Leverage ratio at the end of the third quarter 2020 was 4.62



## 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
<b>Balance at 1.1.2020</b>	<b>131,2</b>
Depreciations	-30,0
Additions	27,8
Disposals	0,0
Currency exchange differences	9,4
<b>Balance at 30.9.2020</b>	<b>138,4</b>
<b>Lease liabilities</b>	
<b>Maturity analysis - contractual undiscounted cash flows</b>	
Within one year	37,7
One to two years	27,4
Two to three years	19,9
Three to four years	17,3
Four to five years	13,2
More than five years	40,4
<b>Total undiscounted lease liabilities at 30.9.2020</b>	<b>156,0</b>
<b>Lease liabilities included in the statement of financial position at 30.9.2020</b>	
<b>Current</b>	<b>34,5</b>
<b>Non-current</b>	<b>108,4</b>

## NOTE 8 SHARES AND SHAREHOLDERS

As of 30 September 2020, Ekornes QM Holding AS's registered share capital comprised 30 000 ordinary shares. All shares have a face value of NOK 4.00. All shares in the company have equal voting and dividend rights. All shares give equal rights to the company's net assets.

Ekornes QM Holding AS has no treasury shares as of 30 September 2020.

As at 30 September 2020, 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 30 September 2020, the board has been granted the following authorizations:

The board has been granted no authorizations.

## NOTE 9 DEFERRED TAX

*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 878.7 million at 31 December 2019. We have also NOK 0.2 million in other deferred tax at 31.12.2019. Total NOK 878.9 million at 31 December 2019*

*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 deferred tax liabilities, which will be recognized through other comprehensive income ("OCI").*

**(Figures in MNOK)**

<b>Deferred tax liabilities 31.12.2019</b>	<b>878,9</b>
<i>Change taxes recognized through income statement</i>	<i>-26,3</i>
<i>Change taxes recognized through other comprehensive income ("OCI").</i>	<i>32,9</i>
<b>Deferred tax liabilities 30.9.2020</b>	<b>885,5</b>



# EKORNES®

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