Annual report

Ekornes 2018

Stressless svane IMG EKORNES®

THIS IS EKORNES

Ekornes is the largest furniture producer in Norway and owns the brand names Ekornes®, Stressless®, Svane® and IMG. Stressless® is one of the world's most well-known furniture brands, while Ekornes®, Stressless® and Svane® are the best known in the Norwegian furniture sector. IMG is best known in Australia and the USA. Production takes place at the Group's nine (soon ten) factories, five of which are in Norway, one in the USA, one in Thailand and two in Vietnam. Ekornes is also on course to open a new factory in Lithuania 2019. Ekornes sells its products over large parts of the world, either through its own sales companies or via importers.

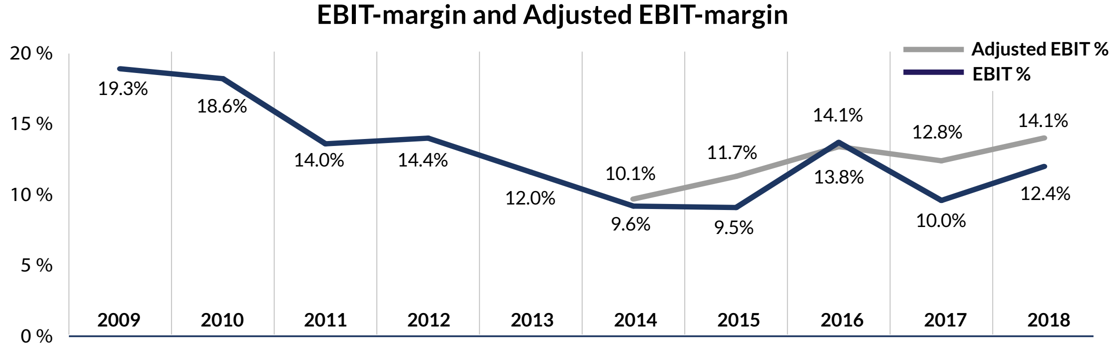
Ekornes's business idea is to develop and manufacture products which offer outstanding comfort and functionality, and whose design and price appeal to a wide audience. Ekornes is headquartered at the company's factory at Ikornnes in Sykkylven, on the west coast of Norway. Ekornes AS is the Group's parent company. The Group's factories are organised according to product segment: Stressless®, Svane® and IMG. Ekornes was founded in 1934 when Jens E. Ekornes started producing furniture springs at the J.E. Ekornes Fjærfabrikk in Sykkylven. The first Stressless® chairs were launched onto the Norwegian market in 1971. A more complete presentation of the company's history can be found on pages 101–105 in this annual report.

Key figures		2018	2017	2016	2015	2014
Gross operating revenues (consolidated)	NOK million	3 166.1	3 078.9	3 143.4	3 171.8	2 757,5
Operating earnings	NOK million	391.2	309.4	444.3	301.3	266.0
Earnings before tax	NOK million	394.8	288.9	446.1	278.2	248.8
Net profit for the year	NOK million	298.2	200.5	320.3	184.1	160.5
Investments (net)	NOK million	119.3	238.1	49.7	117.8	496.1
Depreciation and write downs	NOK million	114.5	120.4	160.4	146.7	132.6
Equity ratio	%	50,4%	47.3%	70.1%	52.3%	56.9%
No. of employees	#	2 147	2 140	2 146	2 324	2 388
No. of shareholders	#	1	2 695	2 348	2 405	2 516
Earnings per share	NOK	8.08	5.43	8.70	5.00	4.36
Dividend per share	NOK	5.50	6.81*	25.00	4.00	4.00
Dividend ratio	%	68.0 %	125.4 %	287.4%	80.0%	91.7%
Share price 31.12	NOK	N/A	118.50	106.50	99.50	95.00
Market capitalisation 31.12	NOK million	N/A	4 371.8	3 922.0	3 664.3	3 498.5

* In December 2018, a general meeting of shareholders decided to pay out a supplementary dividend of NOK 30 million. The total dividend paid for 2017 therefore came to NOK 6.81 per share.

Revenues in NOK million:	EBIT margin:	Earnings per share in i NOK:
3 166.1	12.4%	8.08

EBIT-margin and Adjusted EBIT-margin

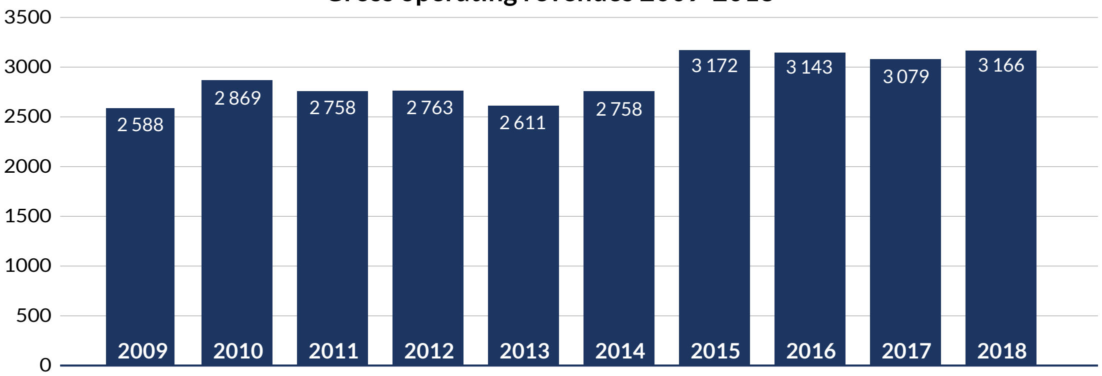


Stressless®	IMG	Svane®
		
Gross operating revenues in NOK mill. **2 462.6**	Gross operating revenues in NOK mill. **500.8**	Gross operating revenues in NOK mill. **202.8**
EBIT in NOK mill. **282.1**	EBIT in NOK mill. **124.8**	EBIT in NOK mill. **-15.6**
No. of employees **1 289**	No. of employees **773**	No. of employees **85**

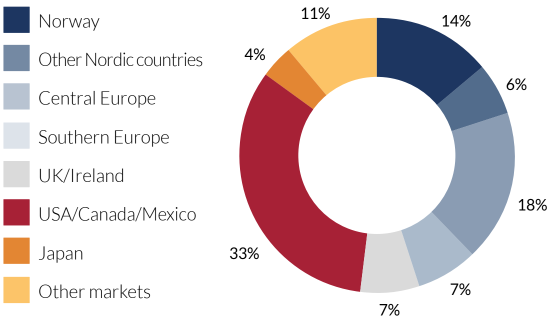
With effect from 2018, Ekornes Contract is included in the Stressless® product segment. Comparable figures have been restated accordingly.

Figures in NOK mill.

Gross operating revenues 2009-2018

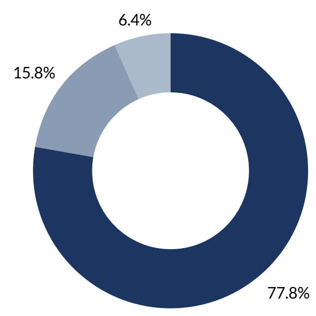


Sales revenues by market



Sales revenues by segment

Stressless®
IMG
Svane®



With effect from 2018, Ekornes Contract is included in the Stressless® product segment.

EKORNES

SALES COMPANIES

SKANDINAVIA
Ekornes Skandinavia AS
(Norway, Sweden)
Director: Norway: Eldar Blindheim

Director, Sweden: Johannes Liivrand

J.E. Ekornes Aps (Denmark)
Director: Peter Hjelmholm

FINLAND
Oy Ekornes Ab (Finland/Baltics)
Director: Toni Juutilainen

UK/IRLAND
Ekornes Ltd.
Director: James Thompson

CENTRAL EUROPE
Ekornes Möbelvertriebs GmbH
(Germany, The Netherlands, Luxembourg, Switzerland, Slovenia, Austria, Poland)
Director: Ralf Arp

SOUTHERN EUROPE
Ekornes S.A.R.L.
(France, Belgium, Spain, Italy)
Director: Bernard Lafond

Ekornes Iberica S.L.
Director: Bernard Lafond

USA/CANADA/MEXICO
Ekornes Inc.
Director: Peter Bjerregaard

ASIA
Ekornes Asia Pte Ltd.
(Hong Kong, Taiwan, Korea, Singapore, Malaysia, Indonesia, India)
Director: Mark Kelsey

Ekornes China Co Ltd.
Director: Chris Wang

JAPAN
Ekornes KK
Director: Kenji Oyama

AUSTRALIA/NEW ZEALAND
Ekornes Pty. Limited
Director: John Candi

EXPORT (OTHER MARKETS)
Ekornes AS
SVP Marketing and R&D Stressless®:
Marianne Strand

EKORNES CONTRACT AS
It has been decided to merge this company with Ekornes Skandinavia AS with effect from 1 January 2019.

EKORNES BEDS AS
Managing Director: Pål Aage Nordahl

EKORNES BEDS GMBH
Managing Director: Pål Aage Nordahl

IMG SKANDINAVIA AS
Director: Renate Karlsen

IMG USA Inc.
Director: Peter Bjerregaard

IMG AUSTRALIA PTY LTD
Director: Sam Joukadjian

IMG NEW ZEALAND LTD
Managing Director: Brian Preston

IMGC PTY LTD
Managing Director: Jacques Chan Chin

FACTORIES

J.E. EKORNES AS
SVP Production Stressless®:
Ola Arne Ramstad

DEPT. AURE
Factory Manager: Ole André Småge

DEPT. TYNES
Factory Manager: Per Jarle Tynes

DEPT. GRODÅS
Factory Manager: Knut Ove Rygg

EKORNES BEDS AS
Managing Director: Pål Aage Nordahl

J.E. EKORNES USA, INC.
Factory Manager: Rolf Aarseth

IMG THAILAND
Factory Manager: Kampon Petakew

IMG VIETNAM
Factory Manager: Nguyen Kim Long


J.E. Ekornes AS
Dept. Ikornnes (Sykkylven)
J.E. Ekornes AS
Dept. Tynes (Sykkylven)
J.E. Ekornes AS
Dept. Aure (Sykkylven)
J.E. Ekornes AS
Dept. Grodås
IMG Litauen *under construction*
Completion in second quarter 2019
Ekornes Beds AS
Fetsund
IMG
Vietnam
IMG
Thailand
Sales companies
Factories

MESSAGE FROM THE CEO

Meaningful purpose

At Ekornes, we serve a basic human need, the need everyone shares for rest and relaxation. Every day, our comfortable, high-quality furniture gives people's bodies, minds and hearts a chance to relax and recharge. Across the world, from big cities in the US, Asia and Australia to the countryside in Germany and France, or in small towns in the Nordic countries, people experience how Ekornes's furniture brands make their lives more comfortable. And that is why we, in 2018, introduced our new Ekornes slogan: "We improve everyday living".

Making quality furniture is not something we take lightly. We have a long history of challenging the conventional way of making furniture. Understanding the science of comfort and movement has fuelled our innovative spirit and desire to design some of the most comfortable and unique pieces of furniture in the world. This has made the Stressless® brand a global leader. And our other brands, IMG and Svane®, share the same dedication to making comfortable, high-quality furniture and mattresses.

At Ekornes we live for our brands and products, their relevance and the experiences they create.

Strong heritage

I am proud to be a part of Ekornes, a company with great brands, products, customers and partners, and a truly amazing workforce. Ekornes is built on a strong heritage of furniture manufacture and innovation. This heritage, and our skilled and hard-working employees, have taken us far. Stressless® is one of the world's best-known furniture brands. IMG is a challenger in markets across Asia, Europe and North America. And our products are marketed around the world by a network of well-reputed and loyal retailers. To support this network, products are manufactured at five highly automated production facilities in Norway (Stressless® and Svane®), one factory in the US (Stressless®), and three factories in Asia (IMG). In 2018, we started building a fourth IMG factory in Lithuania, which will open in 2019.

Welcoming new ownership and new growth opportunities

Ekornes's strong position has attracted attention, not least from China's Qumei Home Furnishings Group. In May 2018, Qumei, a leading Chinese furniture group, together with the financial institution Huatai Securities, made an offer for Ekornes that was supported by the board and accepted by the shareholders. The acquisition was concluded in the early autumn and on 1 October 2018, Ekornes was delisted from the Oslo Stock Exchange. This marked the start of a new stage in our journey, now under the auspices of our new owners Qumei and Huatai.

There is a strong industrial and strategic logic to the combination of Ekornes and Qumei. It represents an attractive opportunity for Ekornes to reinforce its position as a leader in the home furnishings sector and to expand its position in the global marketplace.

Qumei had been following Ekornes for many years and was impressed by its strong brand and advanced production methods. But obviously, new ownership represents a new reality that both Ekornes's employees and partners around the world will have to get used to. After getting to know Qumei and its founder and chairman Mr Ruihai Zhao, it became evident that Qumei represented new growth opportunities for Ekornes and our brands, both in China and in existing markets. With close to 1,000 stores in China, Ekornes can benefit from Qumei's insight into domestic consumers' design and product preferences, and gain accelerated access to the Chinese market. Combined with Huatai's extensive experience of cross-border deals and strong support in establishing close relations between the new owners and Ekornes, we believe we are on the way to finding a new winning formula for Ekornes.

I want to underline that Ekornes' strong heritage and long and proud history as a flagship in the Norwegian furniture industry is important to Qumei and Huatai. They put great emphasis on protecting the value of the Ekornes organisation and brands. The intention is for Ekornes to remain an independent business, which will continue to be run from Sykkylven. Our new owners understand that Ekornes's employees have played a key role in the company's success, and plan to build on its strong corporate culture and tradition of close cooperation with the workforce. Following the takeover, the employees' existing representatives on the board of directors, as well as those previously elected by the shareholders, have all remained in place. At the end of 2018, we also had the pleasure of welcoming Qumei's founder, Mr Zhao as our new Board Chair.

Another good year for value creation (but we have higher ambitions for our operations)

2018 was another good year for the Ekornes Group. Together with our customers, representing more than 4,000 retail outlets around the world, we continued to meet consumers' demand for comfortable, high-quality furniture. A milestone well worth celebrating in 2018, was the fact that revenue from the sale of Stressless® products in North America exceeded USD 100 million for the first time in the Group's history.

Group-wide, we made a net profit of NOK 298 million from gross revenues of NOK 3.2 billion. This reflects a stable underlying performance for Stressless® and growth investments in IMG. It also includes costs related to the takeover process. Ekornes continued to generate a substantial positive cash flow through the year, which, combined with our solid balance sheet, enabled us to pay an ordinary dividend of NOK 6.00 per share in April 2018.

When Qumei made its voluntary cash offer of NOK 139 per share for all outstanding shares in Ekornes, it valued the Group's total share capital at approximately NOK 5.1 billion. This represented a premium of 28.4 per cent compared with the 60-day, volume-weighted average share price for the period ending 22 May 2018, and a premium of 17.3 per cent compared with the share price at the start of the year. In my view, we once again provided a good dividend and return on our shareholders' investment in 2018, as we have in recent years.

Strategy remains firm

While our ownership changed in 2018, our strategy remains firm. We aim to grow and to increase our profitability. Growth and good margins support our ability to continuously develop our brands and product offering. Our goal is to exceed the expectations of both our customers and end-consumers.

While quantifying the expectations of our customers and consumers might be challenging, measuring financial performance is easier. Our goal of increasing turnover by 3-5 per cent year-on-year remains, as does the EBIT-margin target of 16-18 per cent.

Our plan for how to get there is in place. We will continue to innovate and deliver a positive user experience through market-leading products made available the way consumers want them – in physical stores or online – together with our retail partners. We will continue to seek further economies of scale through increased sales and volume, and benefit from efficiencies in all areas, especially in the supply chain. We will continue to optimise production and logistics, and further develop our vertical integration.

More specifically, we need to make sure Stressless® continues to be a leading worldwide consumer furniture brand – also for new generations. We need to succeed with IMG's entry into Europe and the US, and increase sales. We also believe we can succeed in China with both Stressless® and IMG. And we need to resolve the issues we have at Svane®.

Smart sustainable investments

Spending our resources and capital wisely is obviously important to us. One of our major investment projects in 2018, representing a total of EUR 11 million, is the factory in Lithuania. This modern and energy-efficient facility will strengthen IMG's presence in Europe, improve distribution and support a wider range of products. The factory is scheduled to go into production in May 2019.

Innovating and designing uniquely comfortable experiences

Creating growth by making sure we are relevant for our customers through innovation and product development is at the core of our strategy. In 2018, we brought an entirely new category of Stressless® products to market. Dining furniture. What was the reasoning behind that decision? The dining area is often the heart of a home. A place where we spend a lot of time, with family and friends. Although enjoyable in spirit, these hours at the table can put a strain on the body. The body's natural response is to move around. When we designed our Stressless® Dining collection, we wanted the chairs to work with the body, not against it. We are therefore excited to see that the market response to our dining furniture has exceeded expectations. Customers, particularly in the Nordic countries, have responded very positively and sales in these markets have got off to a good start. In 2019, we will expand this category still further – with more options that will also cater to preferences in additional markets.

Exciting future

Together with our new owners, we can look forward to an exciting future built on our already strong heritage in the fields of furniture and innovation. People around the world want quality furniture, and they want our products and the experiences they create. We have the people, the skills, the resources, the supply chain and the partners to meet this demand. And we have a new and supportive owner. As we have done since 1934, we continue our journey in the spirit of our founder, Jens E. Ekornes, by being curious and open to new opportunities. In that way, we can continue to create value for our customers, employees, owners and society at large.

Olav Holst-Dyrnes
CEO

GROUP MANAGEMENT

OLAV HOLST-DYRNES (1970)
CEO

Education: Master's degree in engineering from the Norwegian Institute of Technology (NTH), and completed officer training in the Norwegian Armed Forces.

Experience: CEO of Havfisk ASA. Sourcing Manager at Stokke AS. Ten years in the Norwegian Armed Forces.

CEO of Ekornes since October 2014.

TRINE-MARIE HAGEN (1977)
CFO

Education: Master's degree in Economics from the Norwegian School of Economics (NHH). Part 1 Law from the University of Bergen.

Experience: CFO of Mentor Medier AS , Norske Skog ASA (several positions including VP Business Performance and Finance Manager at two factories), trainee and consultant at Intentia.

CFO and a member of Ekornes group management since January 2015.

Trine-Marie Hagen has resigned her position at Ekornes AS and will leave the company in the summer of 2019.

ØYSTEIN VIKINGSEN FAUSKE (1978)
EVP HR and Digitalisation – CHRO & CDO

Education: Master's degree in Industrial Economy and Technology Management (Norwegian University of Science and Technology) High Potentials Leadership Program (Harvard Business School)

Experience: COO (Operating Director) Sopra Steria Business Consulting Scandinavia, various management roles at Sopra Steria (including Head of Operational Strategy and Improvement and Head of IT-Advisory). Over 10 years consulting experience.

Director for ICT and Digitalisation, and a member of Ekornes group management since April 2016. HR Director since 2017.

JAMES TATE (1978)
President IMG

Education: BSc (Macquarie University Sydney), Graduate Diploma in Management (University of London)

Experience: More than 10 years at Ekornes (various positions, including CEO for Stressless® UK/Ireland and Australia/New Zealand). Sales Director for Leggett & Platt Europe and furniture industry consultant.

President of IMG and a member of Ekornes group management since the autumn of 2017.

THE BUSINESS

Ekornes shall make Stressless® the world's best-known furniture brand, and the brand shall be famous for quality and comfort.

STRESSLESS®

Start-up	Employees	Factories
1935	1,289	5

Product area Stressless® is Ekornes's largest product area, and one of the strongest furniture brands in the world.

The Stressless® product range encompasses various Stressless® chair models, Stressless® Dining, Stressless® Office, Stressless® sofas and Ekornes® Collection sofas. These are all premium products, offering a high level of quality.

The year's sales revenues were slightly down on the year before. Changes in foreign exchange rates were however favourable for the segment. This development is not satisfactory, and the company has implemented several growth-promoting measures. These include greater resources dedicated to product development and the introduction of a new and more attractive in-store display concept.

Market and customer strategy Stressless® products are distributed through carefully selected distributors. Stressless® aims to be its distributors' preferred supplier by offering attractive product and marketing concepts.

In 2015, the segment adopted a new market and customer strategy to create growth. This strategy involved a greater level of product differentiation between distributors and a larger number of distributors overall. The strategy has been adjusted through 2017 and 2018 to tailor it more closely to the prevailing conditions in the various markets.

A high level of product development is important to secure future growth. In 2018, therefore, the Stressless® product development area was further reinforced.

Marketing concept Ekornes pursues a long-term and systematic brand strategy, whose aim is to safeguard and enhance the brands' value. Stressless® is currently the best-known furniture brand in Europe. In the American market, brand recognition is lower, but efforts are being made to boost brand recognition in this market as well. Globally, the Stressless® brand is recognised by over 85 million people.

The marketing concept comprises a variety of different elements whose purpose is to ensure a consistent and attractive profile, and to communicate engagingly with consumers. In addition to in-store display solutions (studios), the market concept also includes training and motivational activities for retail staff, national and regional marketing campaigns, as well as close collaboration with distributors in relation to local marketing activities.

Today, online and digital communications account for a large proportion of Ekornes's marketing activities. Considerable resources have been devoted to developments in this area in recent years. Investments have also been made in new tools intended to involve consumers and simplify the buying process. This includes a new e-commerce solution. Further development of the company's digital marketing and communications capabilities will continue to have a high priority going forward. In 2018, a new web-page has been launched at www.stressless.com.

Towards the end of 2018, a new Stressless® communications platform was finalised. This will be implemented in 2019. The platform is aiming at building positive associations to the brand and included new studio solution for stores and also the smaller change of the Stressless® logo.

J.E. EKORNES AS

Dept. Ikornnes (Sykkylven)
Produces Stressless® chairs and Stressless® components.

Dept. Aure (Sykkylven)
Produces Stressless® sofaer.

Dept. Grodås
Produces wood products and components.

Dept. Tynes (Sykkylven)
Produces laminated products and wood components.

J.E. EKORNES USA, Inc. (Morganton)
Produces Stressless® sofas.

NEW IN 2019 **Stressless® Tokyo**

All Stressless® Starbase chairs are now avaliable with matte-black base and the low back models are avaliable with adjustable headrest.

Revenues in NOK mill.	Share of Group revenue	Sales outside Norway
2 462.6	77.8 %	91.2 %

NEW IN 2019

Stressless® Laurel High D300 dining chairs with black steel legs and **Stressless® Spice** sofa in fabric Jasmine Dark grey.

NEW IN 2019

Stressless® Bella sofa and ottoman in fabric Calido Dark grey.

STRESSLESS®

Product development The aim of the Stressless® product development department is to create products and product concepts that stand out as offering the best comfort, afford differentiating product benefits and help to reinforce the Stressless® brand name in the market. The products' design is a vital element in attracting customer interest. At the same time, the quality of the products will never be compromised.

It is Stressless®'s objective to constantly develop and launch new products that are highly innovative and adapted to market trends. One of the initiatives to increase growth in Stressless® has been the Stressless® Dining concept that was launched late 2017. This is an innovative and new dining concept with global patent. Stressless® Dining gives great comfort for the user. This innovative and ultra-comfortable range of reclining dining chairs, which has been patented worldwide, builds on the company's years of Stressless® experience. With the Stressless® Dining range, the segment has expanded into a new product category that represents both potential sales volumes and an opportunity to recruit new users to the Stressless® brand. On the annual furniture fair in Cologne in January 2019, several new Stressless® Dining products were launched to further develop this category. Also two new Stressless® sofas with the unique Balance Adapt™ stystem was launched, in addition to several new Stressless® chairs.

Markets

NORWAY Stressless® has distribution agreements with two major furniture chains and several independent retailers.

Stressless® has not performed in 2018, and sales fell by 11 per cent compared with the year before. Although the launch of the Stressless® Dining range was very successful in the Norwegian market, Stressless® lost market share in the sofa segment.

SWEDEN Stressless® has distribution agreements with both furniture chains and independent retailers.

The Swedish furniture market is growing, but the increase is still being captured by players in the lower price segment, partly at the expense of traditional furniture retailers.

By the close of the year, Stressless® had lost ground in the market. However, 2019 has started well.

DENMARK Stressless® has distribution agreements with three chains as well as independent retailers.

Stressless® lost market share in Denmark in 2018, which resulted in lower sales revenues. The market for electrically powered recliners is growing in Denmark. This is an area in which Stressless® does not have much of a presence.

The Stressless® Dining concept was well received in Denmark.

FINLAND Stressless® has distribution agreements with three chains as well as independent retailers.

In Finland, there was a decrease in Stressless® sales revenues in 2018. The Stressless Dining concept was well received when it was launched in the Finnish market.

CENTRAL EUROPE Stressless® has distribution agreements with several of the largest furniture chains in Germany, Austria, Switzerland and the Netherlands. Its position in the market and its distribution structure are strong, particularly in Germany.

Revenues from the sale of Stressless® products was 12 per cent lower than the year before. The downturn was largely in the sofa segment, where there is increasing competition from electrically powered products. Sales of chairs remained relatively stable through the year.

SOUTHERN EUROPE (France, Belgium, Spain and Italy) Stressless® has distribution agreements largely with independent retailers. Towards the end of 2017, the number of distributors was cut, with around 200 distribution contracts not being renewed. This was to give greater leeway for distributors who invest in Stressless®. The move was well received in 2018, overall sales in this market were down by more than 10 per cent compared with 2017.

The position of the Stressless® brand in Southern Europe remains weakened.

The downturn through the year was particularly evident in the sofa segment.

UK/IRELAND Stressless® products are sold through both chains and independent retailers in the UK/Ireland. The economic situation brightened somewhat towards the close of the year, but the continued uncertainty surrounding Brexit has led to a generally weak furniture market and several chains have gone into liquidation. Through the year, Stressless® expanded its distribution network, which boosted its results, despite the weak market.

Revenues from the sale of Stressless® products rose by around 4 per cent in 2018 compared with the year before.

JAPAN Stressless® has a relatively large number of distributors in Japan, where many are small, family-operated stores. Sales are showing a tendency to veer towards the larger outlets. Stressless® is following up this trend through good positioning with nationwide chains.

Stressless® sales in Japan were on a par with the year before.

AUSTRALIA/NEW ZEALAND Stressless® is sold through both chains and independent retailers. The goal is to increase distribution somewhat in Australia, while New Zealand is well covered by Stressless® distributors. In total, Stressless® and IMG have most of the market within their individual segments in Australia, though competition is increasing.

Revenues from the sale of Stressless products grew by 4 per cent in these markets in 2018.

OTHER ASIA (South Korea, China including Hong Kong, Singapore, Taiwan, Malaysia, India, UAE)
Stressless® has exclusive agreements with importers in South Korea, India and the Middle East. Ekornes itself acts as importer in the other markets.

The two largest markets in this region are South Korea and China. Sales in China are limited, but revenues doubled in 2018 compared with the year before. The impact of collaboration with Qumei in China is expected to be seen in 2019.

Other asian markets have performed on par with last year.

NORD-AMERIKA (USA, Canada, Mexico) Stressless® is sold through medium-sized, independent retailers as well as large and medium-sized regional chains in the North American market. Stressless® has performed well in the North American market, which is dominated by the USA. Sales in 2018 rose by 8 per cent compared with 2017. In recent years, Ekornes has adapted its market strategy to place greater emphasis on increased distribution through the large regional chains. This has been a successful move and, combined with positive macroeconomic conditions, has resulted in strong growth. North America was the largest single market for Stressless® in 2018, with sales revenues in excess of USD 100 million.

Production Stressless® products are manufactured at five factories, four of which are located on the northwest coast of Norway, while the fifth is in Morganton, North Carolina, in the USA. Production is divided between components and final products. The production of final products is order driven.

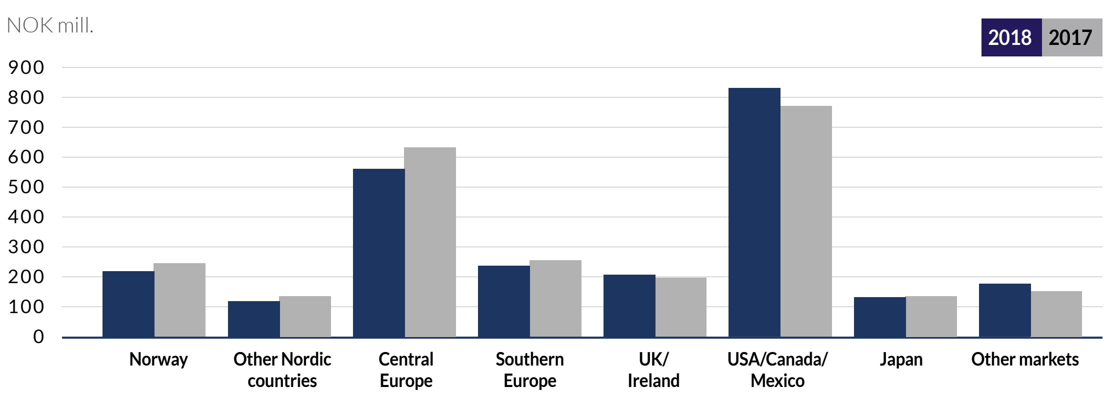
The Ikornnes factory in Sykkylven, Norway, produces the Stressless® chair collection, as well as steel and foam components for other parts of the collection. Component manufacture is highly automated, with extensive use of industrial robots.

The Stressless® sofa collection is made at the company's Aure facility in Sykkylven. The Tynes factory, also in Sykkylven, specialises in the manufacture and processing of laminated wood components, while the plant at Grodås makes other wood components for the Stressless® collections.

The Morganton facility in the USA undertakes sewing operations and the assembly of sofas for the American market based on components made at the Norwegian plants. The US facility was established to offer shorter lead times for Stressless® sofas to the distribution network in the USA.

Sales revenues by market

NOK mill.



IMG

Start-up	Employees	Factories
2006	773	3

IMG Thailand

IMG Vietnam (1)

IMG Vietnam (2)

Product area IMG operates as an independent business unit within the Ekornes Group. The position in the furniture market is as an industry brand from a distributor and retailer perspective, and as a discovery brand from the consumer's view point. Products with good quality and competitive prices gives good value for the customer.

The ambition is to double the revenue over the next five years. Sales revenues increased by almost 5 per cent. This is below the expectations and the long-term growth ambitions.

IMGs market position in existing main markets is strong. However, it will be important to continue strengthen the position by developing additional distribution in the existing main markets as well as in new markets like UK, France and Germany.

Construction of a new production facility got underway in 2018. It is scheduled to go into production in the first half of 2019. The factory will boost IMG's competitiveness in Europe through shorter lead times and a broader product portfolio that is more closely adapted to the market's requirements.

Market and distribution IMG's customers comprise major chains and independent retailers. The current main markets are Australia/New Zealand, US/Canada and Norway/Scandinavia.

AUSTRALIA/NEW ZEALAND There has been a good development in Australia and New Zealand in recent years. However, in 2018 there was a slight downturn in IMG's sales revenues in both these markets. The decrease is attributable partly to changing market conditions and partly to increased competition.

Revenues in NOK mill.	Share of Group revenue	Sales outside Norway
500.8	15.8 %	85.6 %

USA/CANADA In 2018, high priority was given to developing the distribution network through agreements with more of the furniture market's major players. IMG has built a strong starting point for further growth in the years ahead.

IMG performed well in the USA and Canada in 2018, with over 20 per cent growth in both markets. New product concepts have been well received and several major customers have been added through the year. The start of 2019 was slightly weaker, but it is expected that sales in these markets will pick up again as the year progresses.

NORWAY/SCANDINAVIA The market conditions in the Scandinavian region have been challenging throughout 2018. These markets face a strong price pressure from retailers with several other manufacturers having shorter lead times than IMG. Performance in Sweden was weak, and the situation in Norway was also challenging. Developments in Denmark, however, were positive. IMG's competitiveness in these markets is expected to be considerably enhanced when production in Lithuania gets underway.

ASIA Developments in China and in other Asian markets were positive in 2018. The good performance achieved in China was due to the fact that IMG started selling its products through some of Qumei's furniture stores. Although progress was good, sales revenues in China remained limited in 2018. In 2019, IMG's products will be sold through more of Qumei's stores, and good growth in this market is expected going forward.

CENTRAL EUROPE Results in Central Europe were weaker than expected in 2018, with revenues lower than the year before. With effect from 2019, the new factory in Lithuania will provide shorter lead times and a broader available product portfolio.

UK IMG entered the UK market in 2017, and developments in 2018 were good. However, revenues in this market remain limited.

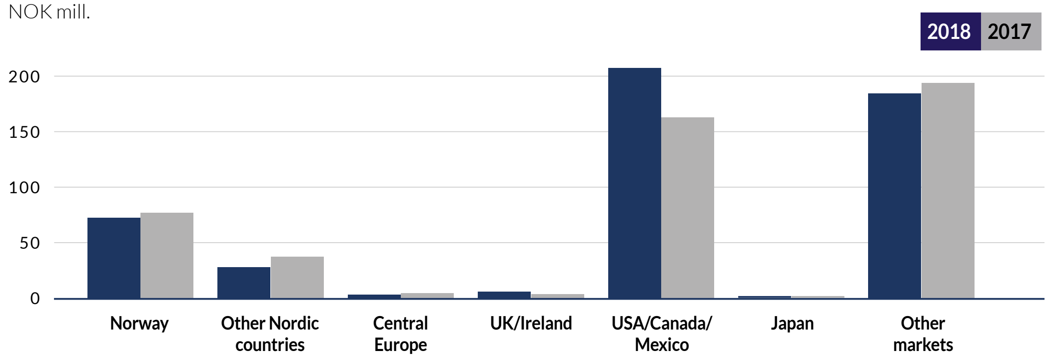
Production IMG has two manufacturing entities with three separate factories (two in Vietnam and one in Thailand). The production involves a high degree of vertical integration, with in-house manufacturing of most of the components used in the products.

The factories' nominal production capacity was higher than actual capacity utilisation in 2018. Increased output will require more employees, but limited investments.

Logistics IMG serves the customers through two modes in the supply chain. Bigger customers are being served by direct container shipments from the Asian production sites. IMG has also warehouses in the major markets, to serve customers that requires smaller shipments.

Sales revenues by market

NOK mill.



SVANE®

Start-up	Employees	Factories
1937	85	1

EKORNES BEDS AS
Fetsund

The development, manufacture and sale of mattresses and beds is carried out via the subsidiary Ekornes Beds AS, under the brand name Svane®. The Svane® brand was launched in 1937, just a few years after Ekornes went into business. Today, it is one of the most well-known brands in the Norwegian furniture market, with an unassisted brand recognition rate of over 52 per cent.

Svane® mattresses have been made at the company's factory in Fet, not far from Oslo, since the mid-1960s. Ekornes Beds sells its products in an extremely competitive bed and mattress market, and the segment has made an operating loss in recent years. A large number of restructuring measures have been implemented to boost profitability, and this process continued in 2018.

The segment continued to develop a differentiated brand position in 2018. Efforts to renew the product range and standardise the portfolio on the basis of a few platforms continued through the year. The restructuring efforts made in recent years have resulted in substantial underlying improvements, but the segment has still not achieved profitability.

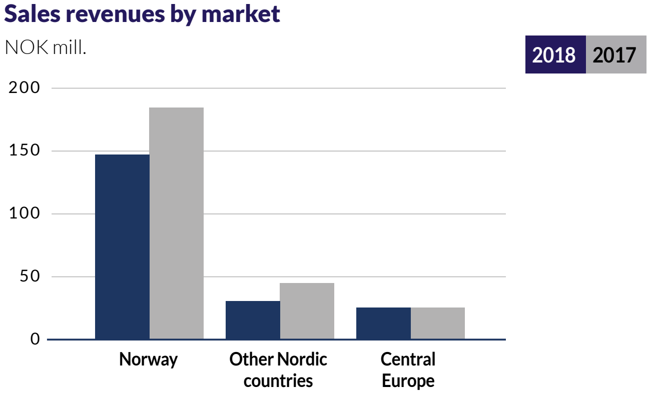
Production The factory has been substantially modified. Today, it engages principally in assembly and warehousing. However, there is still some in-house production, such as IntelliGel®, foamed plastic and some wooden frames. The factory is equipped for the rational manufacture of large production runs.

Product development In 2018, Svane simplified its portfolio. At the same time, new products were developed and launched at the end of the year. The new products will come onto the market in 2019.

Markets The market for beds and mattresses continues to be characterised by fierce price competition. Sales revenues for the Svane segment were 20 per cent lower in 2018 than in 2017. The main market for Svane products is Norway, where the general market situation is stable. Despite this, the segment's revenues have fallen. Svane has also experienced a decrease in sales revenues in the other Nordic markets. Developments in Germany remained stable through the year.

Sales revenues by market

NOK mill.



Svane® Zense continental bed

Svane® Zense adjustable bed

svane

Revenues in NOK mill.	Share of Group revenue	Sales outside Norway
202.8	6.4 %	27.5 %

CODE OF CONDUCT FOR THE EKORNES GROUP

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

Anti-corruption policy – UNs Global Compact

Ekornes has endorsed the UN Global Compact since 2009.

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

The UN Global Compact is based on openness, both with respect to the company's dealings with all stakeholders and the challenges Ekornes meets at the local and global level. Since 2012 Ekornes has been a member of the UN Global Compact's Nordic network. Participation in the network enables Ekornes to exchange experiences with other businesses which have social responsibility high on the agenda.

Through the UN Global Compact, Ekornes is obligated to set goals for and work continuously to improve its practices in this area. Each year Ekornes reports its performance to the UN in the form of a Communication on Progress (COP). This may be found on the company's website under ir.ekornes.no/environmental-and-social-responsibilities.

Ekornes will conduct its business activities responsibly, and will operate in compliance with all relevant laws, regulations and strict ethical norms. We support, and strive to live up to the UN's Global Compact. This means that in all parts of our operations we will maintain high standards with regard to:

1. Respect for and compliance with the Universal Declaration of Human Rights.
2. Respect for workers' rights and needs.
3. Environmental responsibility.
4. Combatting corruption in Norway and abroad.

This document, "Ethical Values and Anti-Corruption Policy", as well as "Objectives and Values", have been distributed to all employees. These regulations have also been distributed to external relations and have been published on the company's website www.ekornes.no. Everyone within the company has a duty to follow up and comply with these regulations. Managers in all parts of the company have a special responsibility for their follow-up.

Code of Conduct for the Ekornes Group

1. 'Objectives and Values', company regulations, employment contracts and job descriptions also contain ethical rules with which the Ekornes Group complies. The rules contained in this overview should therefore not be considered exhaustive with respect to the Group's ethical standards.

2. A duty of confidentiality contained in company regulations, employment contracts or job descriptions does not prevent you from informing a superior should you become aware of breaches of regulations, legislation or rules laid down by the authorities. This also applies to internal guidelines, provisions or issues that might harm Ekornes' reputation or other parties' trust in Ekornes.

3. Ekornes shall comply with the laws, rules and regulations in the countries in which Ekornes companies have been established or in which business connections have been established.

4. In all contact with suppliers of raw materials, machinery, subsidiary materials and services of any kind, and contact with customers and other business connections, we shall aspire to honesty, integrity, openness, as well as correct and responsible business conduct. The objective is to arrive at the best offer for Ekornes.

5. Ekornes or employees of Ekornes shall not take part in "bribery" or its equivalent in order to achieve special advantages or access to such.

6. Business connections such as those mentioned above shall not be furnished with more information about Ekornes than they need to provide a satisfactory offer with respect to price, level of service, delivery times, technology and specifications, or what they need to exercise their business relationship with Ekornes.

7. Suppliers and business connections shall under no circumstances receive information about other suppliers and business connections via Ekornes.

8. Employees of Ekornes shall participate in trips, dinners and events arranged by suppliers and business connections only when there is a professional reason for the event/trip or it provides business-related opportunities. In cases of such participation the travel, entertainment and accommodation of employees of Ekornes shall always be paid by Ekornes.

9. Employees of Ekornes are not permitted to receive benefits or gifts (in the form of products, services or trips, etc) from business connections other than small promotional items of limited value. The same applies to private purchases of goods at discounts from suppliers to Ekornes without the approval of a superior. Individuals must also avoid becoming in any way beholden to customers or suppliers.

10. Suppliers and business connections shall be made aware of the contents of this document and also be made aware that any attempt to contravene these ethical rules could result in exclusion.

Accounting and internal control requirements

Ekornes requires transparency in all operations. All Ekornes entities shall therefore ensure that transactions are correctly registered and supported by proper documentation in accordance with local and international accounting principles. Anti-corruption law requires that Ekornes has in place effective internal accounting controls and maintains books and records that accurately reflect the companies' transactions. All entities within the Group must correctly account for income and expenditures, and must ensure that payments are not recorded falsely in company books.

All expenses shall be approved under standard company procedures, documented and recorded in accordance with appropriate accounting standards.

Organisation and follow-up

This document, "Ethical Values and Anti-Corruption Policy", as well as "Objectives and Values", have been distributed to all employees. These regulations have also been distributed to external relations and have been published on the company's website www.ekornes.no. Everyone within the company has a duty to follow up and comply with these regulations.

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

In the autumn of 2018, a new vision "We improve everyday living" and a new set of values was adopted. The new values are Honest, Authentic, Enthusiastic and Adaptable. These were communicated to all employees through staff meetings, internal communications channels and eLearning courses.

INTANGIBLE ASSETS AND COMPETENCE

Ekornes is a competence-driven enterprise, which makes extensive use of advanced production equipment. This means that manufacturing processes, particularly in the Stressless® segment, are highly automated and make extensive use of industrial robots. Knowledge of brands and brand-building, as well as international marketing, are also key elements in the business.

Intangible assets:

The company's intangible assets comprise the following, among others:

- Registered trademarks (Ekornes®, Stressless®, IMG and Svane®)
- Registered domains
- Patents
- Registered designs
- International distributor network
- Market concepts
- Product concepts
- Industrial expertise
- International marketing
- International sourcing

With the exception of some patents and domains, none of these assets is included in the company's balance sheet.

Competence and training

The competence of its workforce is Ekornes's most important resource. It is therefore crucial that Ekornes is capable of both retaining and attracting competent staff, and of developing its existing competence base. Emphasis is placed on making Ekornes an attractive workplace, which offers opportunities for advancement within the Group.

Craft apprenticeships are a key area for Ekornes in Norway. In 2018, Ekornes was an approved training company within six craft disciplines and employed 20 apprentices. During the year, eight people passed their final exams to become qualified craftsmen or women. Close cooperation with lower and upper secondary schools, as well as the various training offices, are important for maintaining the high quality of the vocational training provided.

A number of training measures were implemented in 2018, both as a result of statutory requirements and to boost the Group's level of competence.

Ekornes has established a good dialogue with several university colleges in Norway, and participates in numerous events at which business meets students. Over the past two years, Ekornes has staged a summer internship programme for students from a variety of disciplines. The internship lasted for five weeks from June to August. During that time, the participating students were allocated a project to complete, and were given guidance by mentors in a variety of disciplines. A summer internship programme offers the company an opportunity to showcase its operations, but also a chance for employees to learn and be challenged by young students.

Company in Norway	No. of employees	% women	% men	No. of managers	% female managers	% male managers
Ekornes AS	79	42 %	58 %	17	29 %	71 %
J.E. Ekornes AS	958	44 %	56 %	31	16 %	84 %
Ekornes Contract AS	8	50 %	50 %	2	0 %	100 %
Ekornes Skandinavia AS	8	13 %	87 %	1	0 %	100 %
Ekornes Beds AS	80	29 %	71 %	9	33 %	67 %
IMG Group AS	15	27 %	73 %	4	25 %	75 %
IMG Skandinavia AS	6	50 %	50 %	1	100 %	0 %

Board members						
Ekornes AS*		33 %	67 %			

*Of the board members elected by the shareholders, 37.5 % are women and 62.5 % men.

ENVIRONMENT AND SOCIAL RESPONSIBILITY

The Ekornes Group has been making quality furniture for over 80 years. This focus on quality helps to reduce the overall environmental impact of the products, and thereby the environmental impact of the Group as a whole. A sustainable Ekornes is an Ekornes which shares the value it creates between its shareholders, employees and the communities affected by its operational activities. Ekornes has implemented numerous measures at its factories which have lessened the company's environmental impact. New technologies, environment-friendly materials and new product solutions have resulted in one of the most efficient manufacturing environments in the furniture industry today.

Sustainable production

By engaging in sustainable production, the Ekornes Group will reduce the environmental impact of its products, measured over their entire lifespan. For Ekornes, a sustainable piece of furniture is one that is robust, and that does not need to be replaced often. A high-quality piece of furniture will also have a high second-hand value. In recent years, considerable resources have been devoted to increasing the focus on continuous improvement, and a number of improvement measures were implemented on the production side in 2018. This contributes to the sustainable development not only of the products, but of the Group as a whole. Any move that helps to increase quality or reduce raw materials wastage, time and energy is a step in the right direction. For the Ekornes Group, and the furniture industry in general, reducing the amount of chemicals used is an important area. Ekornes is working actively to reduce and replace chemicals in components such as furniture leather, foamed plastics, textiles, wood coatings and adhesives. Ekornes is constantly working to ensure that the company's products do not expose consumers to potentially hazardous chemicals. At the same time, J.E. Ekornes works closely with its local company health service to assess chemical use and maintain a safe workplace.

Ekornes helps to influence the industry and disseminate new knowledge. Ekornes plays a key role in the efforts of the Federation of Norwegian Industries (Design Industry) to promote quality and protect the environment. Ekornes also participates in other industry projects to ensure sustainable production and the circular economy. In order for Ekornes to achieve manufacturing sustainability, it is important that the Group closely monitors and follows up its environmental performance. Ekornes's environmental policy is the foundation on which its environmental performance management rests.

Environmental policy

Ekornes has included a number of core principles relating to the environment and corporate social responsibility in the document entitled "Objectives and Values", which is available to all employees and other stakeholders. The following core principles have been adopted and apply throughout Ekornes:

- Ekornes shall be an environment-friendly company.
- Ekornes's products shall have the smallest possible impact on the environment and pose no health risk.
- Ekornes aims to minimise the risk to health in the workplace.
- Ekornes invests to prevent damage to health and the environment.
- Environmental information shall be freely available, eg through environmental product declarations (EPD).
- Ekornes shall communicate factually and openly about the way it handles its environmental responsibility.

These principles are specified in further detail in a separate policy, and in targets for the Group's various business units.

Environmental management

Compliance with Ekornes's environment policy is verified through follow-up and measurement. In order for Ekornes to act in compliance with its environment policy, it is necessary to be aware of associated risks and opportunities. Together with internal conditions, this provides a basis for the Group's environment-related activities. In 2018, the production company J.E. Ekornes AS was certified in accordance with the ISO 9001:2015 and the ISO 14001:2015 standards.

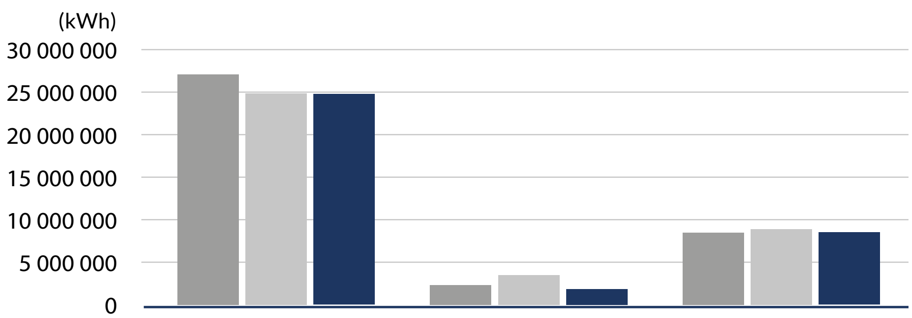
Energy and heat

One of Ekornes's environmental goals is to phase out fossil fuel oil in the heating of its factories by 2020. In recent years, the company has upgraded the heating system at its Ikornnes facility to achieve this goal. Fossil fuel is currently used only for heating in particularly cold periods.

Ekornes also aims to reduce the electricity consumption at its Norwegian plants by 10 per cent by 2020. The Group's Norwegian plants largely use bioenergy for heating. Woodchips, which are a by-product from the manufacturing process, constitute the primary energy source for heating at the factories on the northwest coast of Norway, while the plant at Fetsund uses a combination of woodchips, electricity and gas. The factories in the USA, Thailand and Vietnam are less affected by ambient temperatures, and their energy consumption relates largely to their machine park. The use of daylight at the factories in Vietnam and Thailand has improved in the past year, which has reduced the need for artificial lighting. In recent years, the factory at Fetsund has switched to LED lighting in its premises, which has also reduced energy consumption.

In 2018, IMG started building a new factory in Lithuania. This facility has an A+ energy certification, based on its use of geothermal energy and its high level of insulation.

The production company J.E. Ekornes aims to reduce its electricity consumption to 50 kWh per Stressless® seat unit produced by 2020. This target was set to help meet the Group's overarching environmental goals. In 2018, it took 69.4 kWh of electricity to produce one Stressless® seat unit. The graph below shows the Ekornes Group's consumption of electricity, woodchips, fuel oil and natural gas in kWh. Overall, the Group's energy consumption in 2018 was marginally less than the year before.



	Electricity	Fuel oil and natural gas	Woodchips
2016	27 082 677	2 306 996	8 455 666
2017	24 875 823	3 505 178	8 866 734
2018	24 774 878	1 839 582	8 509 231

Waste handling

Furniture production generates waste. Efforts to reduce the volume of waste and to increase recycling are therefore important. Ekornes sorts all its waste at source in such a way that the bulk of the waste is reused, recycled or used for energy recovery at its own plants. For Ekornes's factories in Norway and the USA, sorting and recycling accounted for over 75 per cent of all recorded waste. This is less than the year before, when just under 80 per cent was recycled. The change is due partly to clean-up operations at a disused factory. Efforts are being made to convert the company's own waste into useful by-products that can be reincorporated into its own manufacturing processes. For J.E. Ekornes AS, the goal is to reduce the proportion of waste that cannot be exploited at its plants or recycled elsewhere down from approx. 2 kg per seat unit in 2015 to 1.5 kg by 2020. In addition to reusing some by-products from production at Ekornes's own factories, other by-products can represent valuable raw materials for other enterprises. Hides are a valuable raw material, which Ekornes is continuously seeking to make maximum use of. Investments in modern technology have helped to reduce the volume of offcuts. Remaining leather offcuts are collected and sold to producers of small articles.

To achieve its waste-reduction target, Ekornes monitors the volume of waste from its production facilities. Efforts are also made to increase the individual employee's awareness in this area, so that everyone can contribute to target realisation. The table below shows the volume of waste in tonnes produced by the Group's facilities in Norway and the USA, and is characterised according to the waste's value in use. The categories are: landfill, mixed waste for energy recovery, wood for combustion at our own or external facilities, and reuse or recycling. Waste sent for reuse or recycling is waste that can be utilised by other parties.

Figures in tonnes per plant	Ikornnes	Tynes	Aure	Grodås	Fetsund	Morganton	Total	Total %
Landfill	0	0	0	0	0	6	**6**	0,2 %
Mixed waste for energy recovery	311	84	20	53	193	0	**661**	17,3 %
Wood for incineration at own or external facilities	668	719	213	526	119	0	**2246**	58,6 %
Reuse or recycling	617	27	4	11	83	24	**766**	20,0 %
Hazardous waste/waste electrical items	144	0	0	2	6	0	**152**	4,0 %
Total volume of waste from Ekornes plants excl. IMG	**1741**	**830**	**237**	**593**	**401**	**30**	**3832**	**100,0 %**

Emissions

Direct emissions to air from the manufacturing process are primarily generated by oil and solid fuel boilers. Three of Ekornes's factories are subject to licences granted by the County Governor. The most recent licence application was approved by the County Governor in 2018. There are also some emissions of diisocyanate gas and carbon dioxide from the production of foamed plastic at factories in Norway, Thailand and Vietnam. Ekornes also produces emissions in connection with internal transport between the company's factories and in connection with business travel. These emissions are calculated and reported on the basis of fossil fuel consumption.

Discharges to water are a measurable parameter in the Ekornes Group. Ekornes aims to have no unwanted incidents resulting in discharges to water from its production processes. The bulk of the production processes involving water consumption are performed in closed systems. Discharges to water are normally channelled through our own and local authority waste treatment facilities, or are delivered to an approved recipient. In recent years, the factories in Thailand and Vietnam have increased the recirculation of water from their surface coating facilities in order to reduce their overall water consumption.

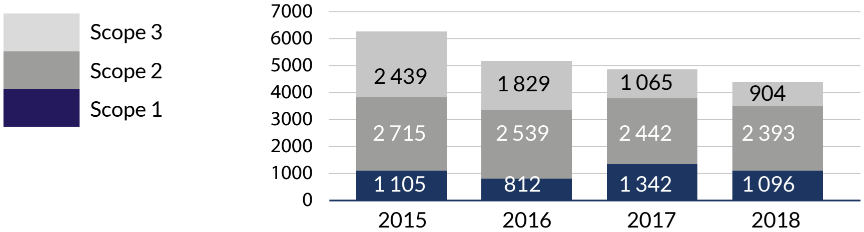
Ekornes strives to reduce the emissions associated with the transport of its own finished goods. This is being done partly by increasing the proportion of finished goods that are transported by sea rather than by road. The goal is for 70 per cent of all such transport to be carried out by sea, while 30 per cent goes by road. In 2018, Ekornes's greenhouse gas emissions totalled an estimated 4,392 tonnes of carbon equivalents. For the Group as a whole, this corresponds to 2.1 tonnes of carbon equivalents per full-time-equivalent employee in 2018.

Ekornes reports its greenhouse gas emissions in three so-called "scopes". For Ekornes, emissions in Scope 1 (direct emissions) derive from internal transport, heating with natural gas and oil, as well as carbon dioxide released during polyurethane foam production. Scope 2 encompasses indirect emissions deriving from the generation of electricity by a third party. Scope 3 is associated with the treatment of waste, air travel and authorised business use of motor vehicles. Through its updated travel policy, Ekornes has paved the way for a reduction in business travel, which may lead to a reduction in the Group's greenhouse gas emissions.

The table below shows a breakdown of annual emissions by "scope" and confirms a reduction in total greenhouse gas emissions from 2015 to 2018.

Previously reported greenhouse gas emission figures for the Group have taken account of the fact that the Norwegian facilities deliver their residual waste to landfill. This is not the case. A higher factor for greenhouse gas emissions in Scope 3 has therefore been used. This error was identified and amended with effect from 2017. Historic figures are therefore only truly comparable with effect from the 2017 annual report.

The Group's greenhouse gas emissions (tonnes CO_2 eq.)



Social responsibility

Through its participation in the UN Global Compact, Ekornes has undertaken to operate its business responsibly in line with the UN Global Compact's 10 principles covering human rights, anti-corruption, labour rights and the environment. This commitment is laid down in Ekornes's "Objectives and Values" document, as well as its Code of Conduct. The UN Global Compact is based on openness both with respect to dialogue and learning in relation to all the company's stakeholders and the challenges Ekornes is facing both locally and globally. A summary of the work done by Ekornes with respect to the environment and social responsibility is reported annually to the Global Compact in the form of a "Communication on Progress" (COP), and both underpins and complements the information provided in this annual report. The COP report is the Group's reporting pursuant to section 3-3c of the Accounting Act. Ekornes's COP is available from the Global Compact's website or the company's website www.ekornes.no/om-ekornes/miljo-og-samfunnsansvar.

Shared value creation

Ekornes has a long tradition of contributing to the local communities in which its operations are located. The Ekornes Group depends on having qualified staff at all its factories, and the company's engagement in the local community helps to foster an enjoyable and positive working environment for employees. For several years, employees engaged in Stressless® production have donated Christmas gifts to worthy causes in the local community through a special fund. Decisions regarding the allocation of these Christmas donations are taken by a committee made up of employees. 2018 was the tenth year in a row that the local communities in which Ekornes's factories are located received Christmas donations. In 2018, the donations went to various local initiatives, particularly those relating to musical leisure activities in the Sykkylven and Hornindal districts. In addition, Ekornes sponsors and participates in activities for children and teens in those districts in which it has production facilities.

HSE

Ekornes gives a high priority to health, safety and the environmental (HSE). Every year, the Group invests in measures to make its workplaces safer and to reduce the amount of physically strenuous work processes.

In 2018, efforts to automate a variety of work processes continued. This has led to a further reduction in the amount of manual and physically arduous operations.

Special requirements

Ekornes has facilities for the production of foamed plastic at J.E. Ekornes AS's Ikornnes plant and at Ekornes Beds AS. Isocyanates, which are hazardous to health, are used in connection with the production of foamed plastic. Both facilities have the capacity to store over 100 tonnes of toluene diisocyanate and are therefore subject to major accident regulations. Safety reports are prepared at both sites. These are regularly updated and submitted to the authorities in accordance with the major accident regulations. The companies have emergency response plans that are designed to address the issues described in their safety reports. The regulatory authorities perform annual inspections of both plants, and both meet existing environmental regulations.

Health

The Group's overall sickness absence rate came to 3.0 per cent in 2018. This is a decrease of 0.5 percentage points from 2017. Long-term sickness absence (over 16 days) accounted for the bulk of the sickness absence. In the Norwegian part of the Group, efforts related to the 'Inclusive Working Life' scheme, the workplace rehabilitation committee and individual follow-up have been implemented with a view to reducing sickness absence.

Safety

Ekornes aims to have zero work-related personal injuries through the year. The Group is working systematically to reduce the number of injuries. The reporting of undesirable incidents and careful follow-up of incidents and near-misses form an important part of this effort. In 2018, there were a total of 11 lost-time injuries in the Group. This is five less than in 2017. The H1 value (number of lost-time injuries per million hours worked) for the Group came to 2.6 in 2018. In 2017, the H1 value came to 3.9.

Industrial safety – emergency preparedness

All the Norwegian factories have an organised industrial safety capability. Emergency response plans are drawn up at each factory. The necessary drills and training have been carried out at all facilities.

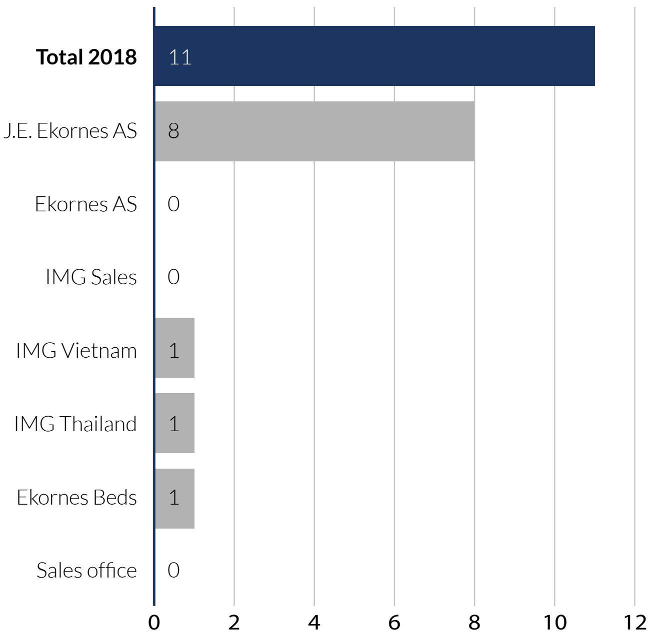
Inclusive Working Life

Ekornes has Inclusive Working Life agreements for the period 2014–2018. The Inclusive Working Life scheme stems from a tripartite agreement between employers' organisations, trade unions and the government, to make it possible for everyone who is able and willing to work. Ekornes's Inclusive Working Life agreements cover its facilities at Sykkylven and Grodås in Hornindal.

Sickness absence in 2018

	Total sickness absence in %
J.E. Ekornes AS	6,9 %
Ekornes Beds AS	5,1 %
Ekornes AS	0,9 %
Ekornes Contract AS	3,2 %
IMG:	
IMG Thailand	0,8 %
IMG Vietnam	0,6 %
IMG Sales	1,8 %
Sales office Stressless®:	
Scandinavia	2,0 %
Finland	1,0 %
UK/Ireland	0,6 %
Central Europe	3,9 %
Southern Europe	1,3 %
USA/Canada/Mexico	0,9 %
Asia	0,4 %
Japan	0,0 %
Australia/New Zealand	3,0 %
Total for the Group	**3,0 %**

No. of lost-time injuries per factory/office for 2018 as a whole:



The Board
of Directors 2018

THE BOARD OF DIRECTORS

Ruihai Zhao (1965), Chair

Position: Chair and CEO of Qumei Group

Education: MBA (Cheung Kong Graduate School of Business, China), degrees in global business management from Tsinghua University, China and University of Minnesota, USA.

Erfaring: Founder and chair of Qumei Home Furnishings Group, with more than 30 years' experience of the furniture industry.

Lei Yang (1983), Director

Position: Partner at Huatai Ruilian Fund Management Co, Ltd.

Education: BCOM Economics and Commerce (University of Melbourne, Australia)
Experience: Several senior positions in the financial sector, including a partnership with Huatai Ruilian Fund management and Head of Cross-Border Merger and Acquisition at Huatai United Securities. Was previously an investment analyst at China International Capital Corp (CICC) and JP Morgan.

Nora Förisdal Larssen (1965), Director

Position: Senior Investment Manager at Nordstjernan AB

Education: MSc in Economics (Norwegian School of Economics and Business Administration (NHH)), MBA (Duke University, USA)

Board memberships: Chair of Etac AB and Emma S. AB, director of Nobia AB

Experience: Former partner at McKinsey&Company and Product Line Manager at Electrolux Europe. Numerous previous directorships.

Kjersti Kleven (1967), Director

Position: Active co-owner of John Kleven AS

Education: Master's degree in sociology (University of Oslo)

Board memberships: Chair of SEA Europe and John Kleven AS. Director of Myklebust Verft AS, Sparebank1 Søre Sunnmøre, SINTEF Ålesund AS and NCE iKuben AS. Member of the Norwegian Minister of Trade and Industry's strategic advisory council on maritime development.

Experience: Investor through John Kleven AS. Researcher with the Institute for Labour and Social Research (FAFO), personnel manager at Rolls-Royce Marine and project manager at Nordvest Forum. Formerly chair of the Norwegian Federation of Industries' executive board and a member of the boards of several privately owned and publicly listed companies.

Tine Gottlob Wollebekk (1962), Director

Position: CEO of Bank Norwegian ASA

Education: MSc in International Business (Copenhagen Business School, Denmark)

Experience: Numerous executive positions at Telenor ASA, global head of financial services at Telenor Financial Services AS, several executive positions at SEB, including CEO SEB Kort and country manager for SEB in Norway. Membership of the boards of several companies, including Gjensidige.

Stian Ekornes (1963), Director

Position: Investor

Education: The Norwegian Merchants Institute (today BI Varehandel)

Experience: 30 years' experience of the furniture industry. Extensive experience as CEO, board chair and director within the furniture industry, chain management and property development.

Lars I. Røiri (1961), Director

Position: CEO of Flokk Holding AS

Education: Master of Economics and Business Administration (BI Norwegian Business School).

Board memberships: Director of Cappelen Holding AS, Glamox AS, Ulefos Holding AS and the Norwegian Federation of Industries' Design Industry Association.

Experience: Commercial management positions at Tomra ASA, Mølnlycke AB and Jordan AS, CEO of Coloplast AS and HÅG ASA. Membership of the boards of numerous companies, including Molift AS, Netonnet AB, Enghav AS and Design & Architecture Norway, and of the Norwegian Advisory Board of the private equity company Ratos.

Nils Gunnar Hjellegjerde (1966), Director

Position: Senior advisor and investor

Education: MBA, AFA and Master of Economics (Norwegian School of Economics and Business Administration (NHH)).

Board memberships: Partner and chair of Hove DK Co., Ltd. Director and chair of various investment and property companies.

Experience: Founder and formerly the largest shareholder and CEO of IMG. CFO and CEO of Hjellegjerde ASA, head of Hjellegjerde Asia. Various positions at Arthur Andersen & Co and Sparebanken Møre.

Tone Helen Hanken (1962), Director (employee elected)

Position: Sewing machine operator at J. E. Ekornes AS, Aure

Education: Upper secondary school (social science major). Various courses at different educational establishments.

Experience: Sewing machine operator at J.E. Ekornes AS, Aure, Velledalen fabrikker, Hjellegjerde Møbler, J.E. Ekornes AS and Vestlandske. Union representative and employees' representative on the boards of subsidiaries. A total of 18 years as leader of Sykkylven Industri Energi branch 0789 (trade union), eight years as a member of Industri Energi's national executive committee and 27 years as a member of the union's central wage negotiation committee.

Atle Berntzen (1967), Director (employee elected)

Position: Team leader and deputy manager, warehouse/goods inwards at Ekornes Beds AS

Education: Upper secondary school (commercial studies major).

Experience: Sales person and warehouse operative at General Motors AS. Warehouse operative at Ekornes Beds AS.

Arnstein Johannessen (1956), Director(employee elected)

Position: Facilitator in the upholstery department at J.E. Ekornes AS

Education: Management and communication, and the Supervisor School (in-house courses)

Board memberships: Director and deputy director at Ekornes AS for several periods.

Experience: Various positions at Ekornes, including the upholstery and steel departments and the warehouse. Previously senior union representative, union representative and member of the negotiating committee.

Knut Ove Rygg (1978), Director (employee elected)

Position: Plant manager at J.E. Ekornes AS, Grodås

Education: Vocational College (Teknisk Fagskule), Diploma in Business and Administration (BI Norwegian Business School).

Board memberships: Chair of Stryn Small Business Centre. Member of the boards of Nordvestvinduet AS, Fjellkårstad og Sønner AS, Gode Vegar AS, Stryn Næringssamskipnad and Lean Forum Nordvest.

Experience: Production worker, production technician and production engineer at J.E. Ekornes AS.

REPORT OF THE BOARD OF DIRECTORS 2018

The sale of Ekornes to Chinese investors played a major role in 2018. In May, an offer was made to purchase the shares of all Ekornes shareholders. The share purchase was completed in August and the Group was delisted from the Oslo Stock Exchange at the beginning of October. Ekornes's new owners are the Chinese Qumei Home Furnishings Group (90.5 per cent) and Huatai Securities (9.5 per cent).

The Group generated gross operating revenues of NOK 3.2 billion in 2018, which was 2.8 per cent more than in 2017. The underlying profitability of the Group's two main business segments remained relatively stable.

For the Stressless® segment, growth-promoting initiatives have had a high priority. During the year, a number of measures were put in place to pave the way for growth, including the development and launch of new products and the development of a new in-store studio concept. At the same time, efforts continued to optimise production and reduce costs.

IMG is aiming high with respect to growth. In 2018, however, measures to strengthen the sales and marketing organisation to create the conditions for growth resulted in increased costs. IMG also incurred costs in connection with the planning of a new factory in Lithuania. IMG's goal is to double its operating revenues in the course of the next five years.

Sales revenues have fallen sharply in the Svane® segment and, despite the efforts made to reduce costs, it reported an operating loss in 2018. New managment took charge of the segment in February 2019.

Nature of the business and strategy

Ekornes owns and manages the brands Stressless®, IMG, Svane® and Ekornes®, and markets these through selected distributors in many countries.

Sales primarily targets the home furnishings market, where Stressless® and IMG are marketed globally, while Svane® is marketed in the Nordic region and selected markets in Northern Europe.

Stressless® is currently the most well-known furniture brand in Europe. Over 85 million people recognise the brand worldwide. Stressless® is Ekornes's premium-segment brand, and investments are being made to expand consumer awareness of the brand name. IMG's goal, on the other hand, is to build up a strong brand awareness among furniture distributors, where it is positioned in a more reasonably priced segment of the market than Stressless®.

Ekornes sells all its brands through selected distribution partners. These are primarily furniture chains and independent retailers, but other relevant distribution channels are also deployed.

The Group's corporate headquarters is located at Ikornnes in Sykkylven, Norway. The Group has sales offices in Norway, Denmark, Finland, Germany, the UK, France, the USA, China, Japan, Thailand, New Zealand and Australia. Production takes place at nine factories in Norway (5), Thailand (1), Vietnam (2) and the USA (1). In addition, a factory is currently under construction in Lithuania. This will be completed in the first half of 2019.

At the close of 2018, the Ekornes Group employed 2,147 people.

Important events in 2018

Recent years have seen a lack of organic growth for the Ekornes Group as a whole. For Stressless®, the aim is to increase sales revenues by providing customers with a better offering. Key elements in this strategy are innovation and the development of new products, as well as improved distribution and availability through additional traditional and new channels. At the same time, efforts are underway to cut costs. In 2018, the Stressless® Dining range was launched. This range has been well received in the Nordic countries. Through the year, several other new products were introduced, including the Stressless® Stella and Stressless® Bella sofa series, which was unveiled right at the end of the year.

For IMG, the aim is to double sales revenues in the coming five years. When working to develop new and existing markets, it is important that the segment's decentralised sales organisation has the right competence and capacity, at the same time as good support functions are developed centrally. For the European market, in particular, it is crucial to strengthen distribution and achieve a better flow of goods through the supply chain. For this reason, it was decided to invest EUR 11 million in a new production and distribution facility in Lithuania. Construction of the plant has gone to plan through the year, and it is scheduled to go into production in the first half of 2019.

Higher volumes will also lead to improved capacity utilisation and manufacturing efficiency in all business areas. Together with optimised logistics and a continued strong focus on costs, this will result in higher profitability.

In 2018, Ekornes's largest market was North America. Efforts to improve and expand the distribution network in the North American market continued through the year for both Stressless® and IMG, and good growth was achieved in this market. As part of the Group's efforts to make its products more widely available, Ekornes completed a major investment in eCommerce in 2018. The aim is that digitalising the customer's journey will lead to increased growth. Direct digital communication is intended to help establish a closer relationship and better dialogue with consumers. At the same time, the data collected will help enhance the company's insight into consumers' needs and preferences. New eCommerce platforms help to optimise sales communications with the customer, and boost the effectiveness of Ekornes's interactions with its distributors.

In 2018, the Stressless® Dining collection was launched. This entry into a new market segment exploits the existing brand name and builds further on its established reputation for comfort. The collection has been well received in the Nordic market, among others. Work continues to expand the product range.

In line with the company's dividend policy, a dividend of NOK 221 million was paid out in May. It was further decided to pay a supplementary dividend of NOK 30 million. As at 31 December 2018, NOK 15 million of this sum remained unpaid. The amount was paid in March 2019.

For further details regarding R&D in the Stressless®, IMG and Svane® segments, please see the appropriate section under Product Segments and in Note 21 to the consolidated financial statements.

Events after the close of the period

No material events have occurred between the balance sheet date and the presentation of the financial statements that have materially affected the Group's financial position and which should have been reflected in the financial statements presented.

Financial performance

Ekornes AS is the parent company in the Ekornes Group. The Ekornes Group generated gross operating revenues of NOK 3,166 million in 2018, up 2.8 per cent from NOK 3,079 million in 2017. Sales revenues in the Stressless® segment were negatively affected by forward currency contracts in 2017. In 2018, Stressless® sales revenues were 5 per cent higher than in 2017. Sales revenues for IMG rose by 4.6 per cent from 2017 to 2018, which was less than expected for the segment. Sales revenues for the Svane® segment in 2018 were 20.5 per cent lower than the year before.

Forward currency contracts entered into before 31 December 2015 drew down the reported operating EBIT by NOK 189 million in 2017. This breaks down into a NOK 93 million realised loss, and a NOK 96 million decrease in value. In 2018, only a small residue of the forward currency contracts entered into in previous years remained. These negatively affected profit by NOK 11 million.

Despite NOK 40 million in costs relating to the sale of the company in 2018, Ekornes made a reported operating EBIT for the year of NOK 391 million, up from NOK 309 million the year before. The increase is attributable to the Stressless® segment, where the difference between negative changes in forward contracts in 2017 and 2018 comes to around NOK 171 million. 2018 was, moreover, negatively affected by unrealised forward contracts (entered into after 31 December 2015) totalling NOK 16 million. The result was also negatively affected by the Svane® segment's weak performance. Svane® made an operating loss of NOK 16 million in 2018.

Adjusted for the costs associated with the sale of Ekornes, as well as losses linked to unrealised forward contracts, EBIT for 2018 came to NOK 447. Adjusted EBIT for 2017 came to NOK 405 million.

Net financial items for 2018 as a whole totalled NOK 4 million: NOK -13 million in net financial items and NOK 17 million in gains on foreign exchange. Net financial items in 2017 came to NOK -21 million.

Profit before tax totalled NOK 395 million in 2018, compared with NOK 289 million the year before. A tax expense of NOK 97 million was recognised in 2018, which corresponds to a tax rate of 24.5 per cent. Tax totalling NOK 88 million was paid in 2017, which corresponds to a tax rate of 30.6 per cent.

As a result, Ekornes made a net profit for 2018 of NOK 298 million, up from 201 million in 2017. Earnings per share came to NOK 8.08 in 2018, compared with NOK 5.43 the year before.

Cash flow

Net cash flow from operating activities totalled NOK 430 million in 2018, compared with NOK 349 million in 2017. The increase is largely attributable to the improved operating profit.

Net cash flow from investing activities totalled NOK 119 million, compared with NOK 238 million the year before. In 2017, NOK 150 million was paid out in contingent consideration relating to the acquisition of IMG.

Net cash flow from financing activities totalled NOK 342 million. During the year, a total of NOK 236 million was paid out in dividends. At the same time, the Group's interest-bearing debt was reduced by NOK 106 million. In 2017, net cash flow from financing activities came to NOK 209 million, largely related to the payment of NOK 921 million in dividends and a NOK 706 million increase in interest-baring debt.

The Group had NOK 101 million in cash and cash equivalents at the close of 2018, down NOK 31 million from the close of 2017.

In addition, the Group has unused drawing rights totalling NOK 638 million, up from NOK 532 million at the close of 2017. The board considers the Group's liquidity position to be satisfactory.

Financial position

At the close of 2018, the Group's working capital totalled NOK 781 million, compared with NOK 780 million the year before. During the period, inventory rose by NOK 35 million, while receivables decreased by 35 million. Trade payables remain largely unchanged.

At the close of 2018, the Ekornes Group had a total interest-bearing debt of NOK 611 million, compared with NOK 718 million 12 months earlier. Ekornes has a total borrowing capacity of NOK 1,250 million, NOK 500 million of which is a long-term loan that matures in September 2022. In 2018, an ordinary dividend of NOK 221.3 million was paid out in May, and a supplementary dividend totalling NOK 15 million in December. It was also decided that a further NOK 15 million would be paid out in 2019.

Unrealised forward contracts had a negative value of NOK 24 million at the close of the year, compared with negativ NOK 20 million at the close of 2017.

As at 31 December 2018, the Group had an equity ratio of 50.4 per cent, up 3.2 percentage points from the close of 2017.

Dividend

The board is proposing a dividend of NOK 5.50 per share for 2018. This corresponds to a total payout of NOK 202.9 million. For 2017 the ordinary and extra dividend was in total NOK 6.81 per share and NOK 251 million in total.

Allocation of net profit

It is proposed that Ekornes AS's net profit for the year, in the amount of NOK 226.3 million, be allocated as follows: Dividend, NOK 202.9 million. Transferred to other equity, NOK 23.4 million.

The company's equity and liquidity are deemed to be satisfactory.

Going concern

In accordance with section 3-3 of the Norwegian Accounting Act, it is hereby confirmed that the financial statements have been prepared on the assumption that the entity is a going concern. The board considers that the annual financial statements for Ekornes AS and the Group provide a true and fair picture of the company's results for the 2018 financial year and the company and Group's financial position at the close of the year.

Risk exposure and risk management

Market and business risk

Ekornes seeks to develop products and concepts that can provide international market opportunities. Distribution of sales across several markets offers possibilities for continued growth, at the same time as it spreads market risk and reduces the Group's dependence on individual markets and individual customers.

Ekornes's business risk relates to economic cycles, market conditions, political and legislative changes and changes in the competitive climate, as well as the general pattern of consumption in the markets in which it operates. Ekornes competes in a fragmented international market, with many players on both the production and the distribution side. It is on the distribution side that the structural changes with respect to the players' size have been, and remain, the most significant. In several markets, the extensive formation of retail chains has taken place. Online selling is also changing the distribution environment to a greater and greater extent. With respect to furniture manufacturing, a growing proportion takes place in low-cost countries in Europe and Asia. Ekornes is aware of the challenges these changes entail, and seeks to respond through continuous improvements in its production processes, sourcing, market concepts, product development and business relations.

Financial risk

For Ekornes, financial risk relates primarily to fluctuations in exchange rates (the NOK against other countries' currencies) and to credit risk, i.e. the ability of the Group's customers to pay what they owe.

Foreign exchange risk: Ekornes's competitiveness is affected over time by movements in the value of the NOK in relation to other currencies. Ekornes sells its products internationally and bills its customers largely in the respective countries' domestic currencies.

Ekornes manages all matters relating to foreign currencies and foreign exchange risk from the Group's head office. Currency hedging is an integrated part of Ekornes's operational activities. IMG and Svane® have no currency hedging.

As part of the Group's efforts to reduce its currency risk/exposure, Ekornes also seeks to purchase goods and services for use in Norway from abroad, where this is cost-effective. This, combined with the Group's distribution, sales and marketing activities, along with the associated administrative organisation required, provides a natural operational hedge for the exchange rate risk (natural hedging) associated with part of its cash flow.

In addition to natural hedging, the company makes use of forward contracts for further currency hedging. This does not reduce the long-term foreign exchange risk, but provides predictability within the hedging period.

Customer and credit risk: Ekornes's customers are largely furniture retailers. Ekornes has more than 4,000 customers, with the largest grouping of stores accounting for around 6 per cent of sales revenues. The largest individual customer represents around 1.1 per cent of total revenues. Ekornes's customer and credit risk is considered low. Trade receivables are followed up on an ongoing basis, to detect payment irregularities and limit bad debts.

Interest rate risk

The Group's interest rate risk is associated with both short-term and long-term borrowings. Loans at floating interest rates constitute an interest rate risk for the Group's cash flows, which is partly offset by the opposite effect of cash equivalents that earn interest at floating rates.

The Group has a stable financial structure. Lenders are well-reputed Norwegian banks.

Operational risk

At any given time, the Group is exposed to the risk of unforeseen operational problems, which may lead to higher operating costs and lower earnings than predicted and expected. To reduce the financial consequences of unforeseen events, Ekornes has insurance covering losses deriving from major incidents or lengthy business interruptions.

To ensure operational efficiency, Ekornes has good systems and routines for maintenance, training and quality assurance – all factors which help to reduce the risk of operational non-conformances. IMG is considered to represent a slightly higher operational risk than Stressless® production.

Supplier risk: An important element in Ekornes's strategy for ensuring efficient operations is reliable access to raw materials and other input factors of consistent quality. Ekornes seeks to always have at least two or three actual or potential suppliers for its strategically most important input factors. In some cases, however, this is neither possible nor expedient. The objective is nevertheless that sole-supplier situations should be the exception, and preferably be avoided altogether.

Markets

Market developments for Stressless® in 2018 were once again mixed. While developments in the markets of continental Europe were weak, the trend in North America – and particularly in the USA – was positive throughout the year. For Stressless® in France and Germany, the sofa segment was particularly weak, while sales of chairs remained relatively stable. The competitive situation in these markets is challenging, with the low-price segment taking market share.

Ekornes has implemented various initiatives to strengthen its position in these markets, including the introduction of new products. Efforts are actively being made to optimise the distribution network and, together with improved incentive schemes, these are expected to bear fruit going forward. At the same time, work is underway to develop and launch products that better meet the market's needs.

Overall, IMG's sales revenues grew by just under 4.6 per cent in 2018, which is less than expected. Market developments were mixed. The trend was positive in the USA, largely as a result of long-term efforts to develop the company's sales and distribution network. Sales remain limited in Central European markets. Development of an effective sales and distribution structure in this region has a high priority. A new production and distribution unit will therefore be established in Lithuania. This unit will provide a springboard for IMG in European markets. As a result of stiff competition, as well as a more limited product range and longer lead times than its competitors, IMG's performance in the Scandinavian markets was weak. However, it is expected that the new production and distribution unit in Lithuania will eventually help to improve the company's position in the market. Developments in Australia and New Zealand were stable.

IMG aims to double its sales revenues in the next five years. To reach this goal, the company will focus on reinforcing not only its sales organisation in existing and new markets, but also its key central support functions. It will also give priority to product development and innovation, as well as efforts to boost the efficiency of the supply chain in Europe. At the same time, the company seeks to keep its costs low, though strict cost control, focus on quality and the optimisation of production runs, as well as maintain and secure operating flexibility.

The Svane® segment's negative trend continued in 2018, and it posted an operating loss. The market is characterised by increased competition and pressure on prices. Ekornes continues to evaluate strategic alternatives for the Svane® segment.

Production

On the whole, capacity utilisation at the Stressless® factories was satisfactory in 2018. Production at IMG and Svane® was normal through the year.

Production capacity may be increased by increasing the number of employees. This applies to Stressless®, IMG and Svane®.

Related parties

The Chair of the Board Mr. Ruihai Zhao is one of the main shareholders of Qumei Home Furnishing Group. IMG sells furniture in the Chinese market via Qumei's stores in China. The agreement regulating the transaction is at market terms and following arm's lenght principels. With the understanding of the board of directors, one of its members, Nils Gunnar Hjellegjerde, who has particular competence in the fields of furniture product development and sales, also acts as an hourly paid consultant for Group management. In addition, he owns shares in the company Hove D.K. Co., Ltd., which is based in Thailand. The company supplies laminate products to Ekornes AS's subsidiary IMG Group AS, in which Mr Hjellegjerde was the majority shareholder until its sale to Ekornes ASA in 2014. The consultancy agreement is at market terms and is based on the arm's length principle.

No material transactions with related parties took place during the reporting period.

Organisation and corporate social responsibility

Ekornes recognises that its employees are the company's most important resource. The Group therefore wishes to promote a healthy, safe and fair working environment, offering equal opportunities regardless of gender, ethnicity or religion, in line with prevailing legislation and regulations. The Group has endorsed the UN Global Compact since 2009. It therefore has a duty to integrate the Global Compact's 10 principles into its business strategy and promote those principles with respect to its workforce and business partners. In 2014, Ekornes drew up a new code of conduct encompassing general principles for ethical business practice and personal behaviour, as well as corporate social responsibility, that form the basis for the attitudes and values underpinning the Group's corporate culture. These are reproduced in extenso in the chapter entitled "Code of Conduct for the Ekornes Group" in the 2018 annual report. Furthermore, Ekornes attaches considerable importance to environmental protection, and has drawn up a separate environment policy which is set out in the document "Objectives and Values", available from www.ir.ekornes.no/environmental-and-socia-responsibilities.

An account of how these principles and guidelines are integrated into the Group's business strategy, day-to-day operations and relations with its various stakeholders, is included in various chapters in the 2018 annual report, including "HSE", "Intangible Assets and Competence", and "Environment and Corporate Social Responsibility". As a member of the Global Compact, Ekornes also reports annually on what it has done in its day-to-day operations to achieve the goals set. This Sustainability Report is available from the company's website www.ir.ekornes.no/environmental-and-socia-responsibilities.

Shares and shareholders

At the close of 2018, Ekornes had a total of 36.9 million outstanding, all of which were held by one shareholder. The company's owner is Ekornes Holding AS, which is – in turn – owned by Qumei Home Furnishing (90.5 per cent) and Huatai Securities (9.5 per cent) through an ownership structure.

Outlook

Ekornes aims to increase the company's value by means of the systematic and continuous development of its brands and business areas. Through growth and greater efficiency, Ekornes will increase its profitability, providing its shareholders with a competitive return on their investment and its employees with secure and forward-looking jobs.

In 2017, Ekornes set new targets for earnings growth and operating margin, and identified which areas will contribute to their realisation. The long term targets are to have an annual growth between 3 and 5 percent, and EBIT-margin between 16 and 18 percent.

The company has intensified its efforts in the area of product development and innovation. This includes paving the way for a more regionally tailored product range.

In 2018, the new Stressless® Dining concept was introduced, and both Stressless® and IMG launched a large number of new models within existing product areas in 2018.

Ikornnes, 31 December 2018/9 April 2019

The Board of Directors of Ekornes AS

Ruihai Zhao Chair	Lei Yang Director	Nora Førisdal Larssen Director	Stian Ekornes Director
Lars Ivar Røiri Director	Tine Gottlob Kirstan Wollebekk Director	Kjersti Kleven Director	Nils Gunnar Hjellegjerde Director
Tone Helen Hanken Director (employee elected)	Knut Ove Rygg Director (employee elected)	Arnstein Edgard Johannessen Director (employee elected)	Atle Berntzen Director (employee elected)
Olav Holst-Dyrnes CEO			

Ekornes Group

Consolidated financial statements

CONSOLIDATED INCOME STATEMENT
1.1 - 31.12

(Figures in NOK 000)	Notes	2018	2017
Operating revenues	1, 23	**3 166 088**	**3 078 859**
Cost of goods sold		853 329	853 106
Payroll expenses	2, 16, 17	886 525	878 564
Depreciation and write downs	8	114 464	120 403
Other operating expenses	5 , 10, 17 ,20	912 712	906 502
Net other losses/(gains)	22	7 844	10 925
Total operating expenses		**2 774 874**	**2 769 500**
OPERATING EARNINGS		**391 213**	**309 359**
Financial income and expenses			
Financial income	4	20 832	20 164
Net gains/losses on foreign exchange	4	16 803	-10 320
Financial expenses	4	34 067	30 352
Net financial items		**3 567**	**-20 508**
Earnings before tax		**394 781**	**288 851**
Tax expense	15	96 582	88 348
EARNINGS FOR THE YEAR		**298 199**	**200 503**
Basic earnings per share	13	**8,08**	**5,43**
Diluted earnings per share	13	**8,08**	**5,43**

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME 1.1 - 31.12

(Figures in NOK 000)	Notes	2018	2017
Earnings for the year		**298 199**	**200 503**
Other comprehensive income			
Items which may be reclassified to profit and loss			
Effect of cash flow hedges	22	19 357	178 073
Change in deferred tax on cash flow hedges	15	-4 452	-46 880
Translation differences - subsidiaries' equity		18 993	2 966
Translation differences – loans to subsidiaries		1 233	-2 713
Change in deferred tax – translation of loans to subsidiaries	15	-271	651
Total other comprehensive income		**34 859**	**132 098**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**333 058**	**332 601**

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

CONSOLIDATED BALANCE SHEET

(Figures in NOK 000)	Notes	31.12.2018	31.12.2017
ASSETS			
Non-current assets			
Buildings and sites	8	547 911	512 167
Machinery and equipment	8	198 387	218 003
Operating movables, fixtures	8	19 661	21 940
Total property, plant & equipment		**765 960**	**752 110**
Software and licences	8	49 296	35 316
Goodwill	8	208 012	208 012
Customer relations	8	16 717	21 047
Deferred tax assets	15	75 900	63 667
Total non-current intangible assets		**349 925**	**328 042**
Other receivables and investments	7	19 167	26 029
Total non-current financial assets		**19 167**	**26 029**
Total non-current assets		**1 135 052**	**1 106 180**
Current assets			
Inventory	9	557 170	521 892
Trade receivables	10	379 488	414 821
Other short-term receivables	6	115 324	92 486
Cash and bank deposits	11	100 809	132 051
Total current assets		**1 152 791**	**1 161 251**
TOTAL ASSETS		**2 287 843**	**2 267 431**

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

CONSOLIDATED BALANCE SHEET (contd.)

(Figures in NOK 000)	Notes	31.12.2018	31.12.2017
EQUITY AND LIABILITIES			
Equity			
Contributed equity			
Share capital	12, 18	36 893	36 893
Treasury shares	12, 18	0	-3
Premium paid	12	393 952	393 876
Total contributed equity		**430 845**	**430 766**
Retained earnings			
Hedging reserve	12	0	-14 905
Translation difference	12	124 128	104 173
Other equity		599 085	551 846
Total retained earnings		**723 213**	**641 114**
Total equity		**1 154 059**	**1 071 880**
Non-current liabilities			
Pension liabilities	16	6 053	4 812
Provisions		4 492	6 418
Deferred tax	15	0	130
Interest-bearing debt	14	500 000	500 000
Total non-current liabilities		**510 545**	**511 360**
Current liabilities			
Trade payables		155 973	157 130
Public charges payable		57 819	56 383
Tax payable	15	74 793	66 002
Forward currency contracts	22	23 622	19 953
Interest-bearing debt	11, 14	111 878	218 000
Supplementary dividend	18	15 000	0
Other current liabilities	6	184 154	166 722
Total current liabilities		**623 239**	**684 191**
Total liabilities		**1 133 785**	**1 195 551**
TOTAL EQUITY AND LIABILITIES		**2 287 843**	**2 267 431**

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

Ikornnes, 31 December 2018/9 April 2019

The Board of Directors of Ekornes AS

Ruihai Zhao
Chair

Lei Yang
Director

Nora Førisdal Larssen
Director

Stian Ekornes
Director

Lars Ivar Røiri
Director

Tine Gottlob Kirstan Wollebekk
Director

Kjersti Kleven
Director

Nils Gunnar Hjellegjerde
Director

Tone Helen Hanken
Director
(employee elected)

Knut Ove Rygg
Director
(employee elected)

Arnstein Edgard Johannessen
Director
(employee elected)

Atle Berntzen
Director
(employee elected)

Olav Holst-Dyrnes
CEO

CONSOLIDATED STATEMENT OF CASH FLOW 1.1 - 31.12

(Figures in NOK 000)	Notes	2018	2017
Cash flows from operating activities			
Earnings before tax (EBT)		**394 781**	**288 851**
Tax paid for the period		-118 566	-125 258
Depreciation and write downs	8	114 464	120 403
Change in inventory	9	-35 278	-56 876
Change in trade receivables	10	35 333	11 977
Change in trade payables		-1 157	32 910
Change in other accruals		40 494	76 578
Net cash flow from operating activities		**430 070**	**348 585**
Cash flows from investing activities			
Proceeds from sale of PP&E		4 760	3 455
Payments for purchase of PP&E		-124 071	-91 561
Net cash flow from investing activities		0	-150 000
Net Cash flows from investing activities		**-119 311**	**-238 106**
Cash flows from financing activities			
Receipt of equity	12	0	5 739
Change in treasury shares	18	459	45
Payment of dividend	18	-236 338	-920 577
Change in net long-term debt to credit institutions	14	0	500 000
Change in net short-term debt to credit institutions	14	-106 122	206 190
Net cash flow from financing activities		**-342 002**	**-208 604**
Change in net cash & cash equivalents		-31 242	-98 125
Net cash & cash equivalents at the start of the period	11	132 051	230 176
Net cash & cash equivalents at the close of the period	**11**	**100 809**	**132 051**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Figures in NOK 000)	Share capital	Treasury shares	Premium paid	Hedging reserve	Translation difference	Other equity	Total
Equity 31.12.2016	**36 827**	**-4**	**388 304**	**-146 098**	**103 269**	**1 271 874**	**1 654 172**
Earnings for the year	0	0	0	0	0	200 503	**200 503**
Other comprehensive income	0	0	0	131 193	905	0	**132 098**
Dividend	0	0	0	0	0	-920 577	**-920 577**
Capital increase	66	0	5 572	0	0	0	**5 639**
Sale of treasury shares	0	0	0	0	0	44	**45**
Equity 31.12.2017	**36 893**	**-3**	**393 876**	**-14 905**	**104 173**	**551 846**	**1 071 880**
Equity 31.12.2017	**36 893**	**-3**	**393 876**	**-14 905**	**104 173**	**551 846**	**1 071 880**
Earnings for the year	0	0	0	0	0	298 199	**298 199**
Other comprehensive income	0	0	0	14 905	19 955	0	**34 859**
Dividend*	0	0	0	0	0	-251 338	**-251 338**
Sale of treasury shares	0	3	76	0	0	379	**459**
Equity 31.12.2018	**36 893**	**0**	**393 952**	**0**	**124 128**	**599 085**	**1 154 059**

* Pursuant to Norwegian regulations, it is the equity in Ekornes AS that constitutes any legal restriction on the payment of dividend by the Ekornes Group. Dividend may be paid out to the extent that the company has an appropriate level of equity and liquidity. In December 2018, an extraordinary general meeting of shareholders in Ekornes AS decided to pay a supplementary dividend for 2018 of NOK 30 million. As at 31 December 2018, NOK 15 million remained unpaid. This amount was paid out in March 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

REPORTING ENTITY AND PRESENTATION

The consolidated financial statement for Ekornes AS and its subsidiaries.

Ekornes is the largest furniture producer in Norway, and includes the brand names Ekornes®, Stressless®, Svane® and IMG. Stressless® is one of the world's most well-known furniture brand, while Ekornes®, Stressless® and Svane® are the most well-known furniture brands in Norway. IMG is best known in Australia and the USA. Production takes place at the Group's nine (soon ten) factories. The Group has five factories in Norway, one in the USA, one in Thailand and two in Vietnam. Ekornes will also open a new factory in Lithuania in 2019. Products are sold throughout large parts of the world either via the Group's own sales companies or importers. Ekornes's business idea is to develop and manufacture products which are outstanding with respect to comfort and functionality, and whose price and design appeals to a wide audience.

Ekornes AS is a limited company registered in Norway, whose registered office is located in Sykkylven. Ekornes AS's consolidated financial statements for 2018 were approved at a board meeting on 9 April 2019. The consolidated financial statements will be put to the Annual General Meeting on 9 May 2019 for final approval. The board is authorised to amend the year-end financial statements up until their final adoption.

Presentation

The functional currency is determined for each company in the Group, based on the currency in the primary economic environment in which each individual company does business. Ekornes AS' functional currency is the Norwegian krone (NOK). The presentation currency for Ekornes's consolidated financial statements is the NOK.

The consolidated financial statements have been prepared on the basis of uniform accounting principles for similar transactions and events under otherwise similar conditions. The accounting principles have been applied consistently by all group companies.

The sum of the figures in one or more columns in the financial statements may deviate from the reported sum for the column as a consequence of rounding off.

STATEMENT OF COMPLIANCE

Ekornes's consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRSs) adopted by the EU, and whose application is compulsory for accounting years starting on 1 January 2018 or later, plus further requirements for disclosure pursuant to the Norwegian Accounting Act as of 31 December 2018.

MAIN ACCOUNTING PRINCIPELS

(A) PRINCIPLES FOR CONSOLIDATION

The consolidated financial statements encompass the financial statements of the parent company and its subsidiaries as at 31 December 2018. As at 31 December 2018, Ekornes has a 100 per cent shareholding and voting rights in all consolidated companies. See Note 19 for a list of subsidiaries included in Ekornes's consolidated financial statements.

(i) Acquisitions

The purchase of subsidiaries is recognised in accordance with the acquisition method on the date on which Ekornes obtains control. Both payment and assets acquired are measured at fair value. Any excess value attributable to goodwill is tested annually for impairment. Transaction costs are recognised as expenses in the consolidated financial statements.

Any contingent consideration is valued at fair value on the date of acquisition, to the extent that it is an amount which, under IFRS, may be treated as part of the consideration. Contingent consideration which, under IFRS, is deemed to be payment of future services is charged to expenses over the period in which the supplementary consideration may be earned.

(ii) Subsidiaries

Subsidiaries are entities controlled by Ekornes. Control exists when Ekornes has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights which may be exercised or converted are taken into account. Subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Ekornes has no associates or jointly controlled enterprises. Nor are there any companies within the Group that have non-controlling interests.

(iii) Transactions eliminated on consolidation
Intra-group balances and any unrealised gains and losses or income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

(B) ESTIMATES
Preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. These form the basis for the book value of those assets and liabilities whose value is not readily apparent from other sources. Actual figures may differ from these estimates.

The estimates and underlying assumptions are reviewed continuously. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period. If the revision also affects future periods, the effect of the revision is distributed over the current and future periods.

(C) FOREIGN CURRENCY
(i) Foreign currency transactions
Transactions in foreign currencies are translated on the basis of monthly average rates on the date of the transaction. Monetary assets denominated in foreign currencies are translated to NOK at the exchange rate in effect on the balance sheet date. Foreign exchange differences arising on translation are recognised in the income statement as agio/disagio. Non-monetary assets and liabilities that are measured in terms of historic cost in a foreign currency are translated using the exchange rate in effect on the transaction date. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated into NOK at the exchange rate in effect on the date fair value was determined.

(ii) Financial statements of foreign operations
The assets and liabilities of foreign operations are translated into NOK at the exchange rates in effect on the balance sheet date. The revenues and expenses of foreign operations are translated into NOK at monthly average exchange rates.

(iii) Net investment in foreign operations
Foreign currency differences arising from the translation of the net investment in foreign operations are recognised in other comprehensive income.

Foreign exchange gains and losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of the net investment in the foreign operation and are recognised in other comprehensive income and presented as translation differences in equity.

In respect of all foreign operations, any differences that have arisen after 1 January 2004, the date of transition to IFRS, are entered as a separate item under equity (Foreign Currency Transaction Reserve).

(D) DERIVATES
The Group makes use of derivatives to hedge currency risks arising from its operational, financing and investment activities. In accordance with its treasury policy, Ekornes does not hold or issue derivative financial instruments for trading purposes.

In principle, derivatives are recognised at their fair value on acquisition. Gains or losses deriving from reassessment of fair value are recognised in profit and loss immediately.

(E) CASH FLOW HEDGING
Although hedge accounting was discontinued with effect from 1 January 2016, the principle is applied to hedging instruments established before that date. Hedge accounting means that unrealised changes in the value of a derivative earmarked as a cash-flow hedging instrument are recognised in other comprehensive income, and expenses presented as a hedging reserve in equity. The amount recognised in other comprehensive income is transferred to profit and loss in the same period in which the hedged object affects profit and loss. In connection with transfer to profit and loss, the same line is used in the presentation of comprehensive income for the hedged object and the hedging instrument. Any inefficiency in the hedging relationship is recognised directly in profit and loss.

When the hedging instrument no longer fulfils the criteria for hedge accounting, expires, is sold, concluded or exercised, or when earmarking is withdrawn, hedge accounting is discontinued. Accumulated gains or losses are recognised in other comprehensive income, and are presented in the hedging reserve, where they are kept until the expected transaction affects profit and loss. The assessment and testing performed indicates that the object and instrument fall due at approximately the same time, such that hedging is effective. If the hedged object is a capitalised non-financial asset, the amount recognised in other comprehensive income is transferred to the book value of the asset when this is recognised. In connection with the hedging of expected transactions, where the transaction is no longer expected to occur, the amount recognised in other comprehensive income is recognised in profit and loss. In other cases, the amount recognised in other comprehensive income is transferred to profit and loss in the same period in which the hedged object affects profit and loss.

(F) PROPERTY, PLANT AND EQUIPMENT

(i) Own assets

Items of property, plant and equipment are stated at acquisition cost less accumulated depreciation (see below) and impairment losses (see accounting policy k). The acquisition cost of self-constructed assets includes the cost of materials, direct labour and an appropriate proportion of production overheads.

When material parts of a non-current tangible asset have different useful lives, they are deemed to be separate components for accounting purposes.

(ii) Leased assets

Ekornes has entered into rental agreements for warehouse, showroom and production premises in connection with the operations of several of its subsidiaries. These are all classified as operational leasing agreements.

(iii) Subsequent costs

In the acquisition cost of an item of property, plant or equipment, Ekornes recognises the cost of replacing part of any such item, when the expenditure is expected to bring future economic benefits to the Group, and the cost of the replaced parts can be measured reliably. The carrying amount of the replaced part is deducted. All other expenses are recognised in profit and loss as they accrue.

(iv) Depreciation

Is charged to profit and loss on a straight-line basis over the estimated useful life of each operating asset. Land is not depreciated.

(G) INTANGIBLE ASSETS

(i) Research and Development

Expenses relating to research activities are recognised in profit and loss as they arise. Development costs are capitalised to the extent that the product or process is technically and commercially viable, and Ekornes has sufficient resources to complete their development. Capitalised costs include materials costs, direct payroll costs and a share of directly attributable overheads. Capitalised development costs are recognised at acquisition cost less accumulated depreciation and write-downs. Capitalised development costs are depreciated in a straight line over the asset's estimated usable life.

(ii) Capitalised licences and software

Expenses relating to the purchase of new software are capitalised as an intangible asset if these expenses are not part of the acquisition cost of a piece of hardware. Software is normally depreciated in a straight line over its expected usable life. Expenses incurred as a result of maintenance or to retain the software's future utility are charged to expenses unless the changes in the software increase its future economic utility.

(iii) Goodwill

Goodwill is calculated as the sum of the consideration paid for and the recognised value of non-controlling shareholdings and the fair value of previously owned shareholdings, less the net value of identifiable assets and liabilities calculated on the date of takeover. Goodwill is not depreciated, but is tested at least annually for impairment. In connection with the assessment of impairment, goodwill is allocated to the cash-generating entities or groups of cash-generating entities to which it belongs.

If the fair value of the net assets in a business combination exceed the consideration paid (negative goodwill), the difference is recognised in profit and loss on the date of acquisition.

(iv) Customer relations
The value of customer relations arising from the acquisition of subsidiaries is valued at acquisition cost less accumulated depreciation, which is allocated in a straight line over the relationship's expected lifespan.

Costs relating to the in-house development and maintenance of brand names and other intangible assets are charged to expenses in the period in which they arise. Any purchases of such assets are capitalised.

(H) TRADE AND OTHER RECEIVABLES
Trade and other receivables are stated at cost less a provision for bad debts. Transition to IFRS 9 has changed the way the Group recognises bad debt provisions. Under IAS 39, such provisions were based on objective evidence that a loss event has occurred. IFRS 9 requires provisions to be made on the basis of expected credit losses. In connection with the transition to IFRS 9, the Group has not identified any further losses on trade or other receivables.

(I) INVENTORY
Inventory is recognised at the lower of acquisition cost and net sales price. Net sales price is the estimated sales price under ordinary operating conditions, less estimated expenses for completion, marketing and distribution. Acquisition cost is based on the first-in/first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their present location and condition. Self-produced goods include variable costs and fixed overheads which can be allocated on the basis of normal operating capacity.

(J) CASH AND CASH EQUIVALENTS
Cash includes cash in hand and bank deposits. Cash equivalents are short-term liquid investments which may be immediately converted into a predetermined amount of cash and with a maximum term of three months. Funds which are originally tied up for more than three months are not included in cash and cash equivalents (see Note 11).

(K) IMPAIRMENT
An impairment arises when the book value of an asset or cash-generating entity (assessment entity) exceeds its recoverable value. Impairment write-downs are recognised in profit and loss. The recoverable amount is defined at the higher of the asset or cash-generating entity's fair value less sales costs and value in use.

(L) SHARE CAPITAL
(i) Buyback of own (treasury) shares
If Ekornes buys back its own shares, the amount of the consideration paid, including directly attributable costs, is recognised as a change in equity. Treasury shares are presented as a reduction in total equity.

(ii) Dividends
Dividends are recognised as a liability in the period in which they are approved. Any proposed dividend remains part of equity until the date of its final approval.

(M) EMPLOYEE BENEFITS
(i) Defined-contribution pension plans
Liabilities in respect of contributions to defined-contribution pension plans are recognised as an expense in profit and loss as they accrue.

(ii) Defined-benefits pension plans
Net liabilities in respect of defined-benefit pension plans are calculated separately for each plan. This is achieved by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. These future benefits are discounted to determine their present value, and the fair value of any plan assets is deducted to arrive at a net liability. When the benefits of a plan are improved, the portion of the increased benefit relating to past accruals is recognised as an expense in profit and loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in profit and loss.

Actuarial gains and losses are recognised directly in equity when they arise.

(iii) Employee bonus payments (see also Note 16)

Employee bonuses: Most group employees are entitled to a bonus based on the profitability of the segment in which they are employed. The bonus is calculated as a percentage of each employee's monthly salary. Bonuses earned are paid in cash and are considered to be a purely cash bonus. The fair value of accrued bonuses is recognised as an expense in profit and loss, and as a liability in the balance sheet.

(N) PROVISIONS

A provision is recognised when Ekornes has incurred an obligation (legal or self-imposed) as a result of a past event, and it is probable (more probable than not) that this obligation will come to a financial settlement and the amount payable can be reliably measured. If the effect is substantial, the provision is calculated by discounting expected future cash flows by a discount rate before tax that reflects the market's pricing of the time value of the money and, if relevant, risks specifically linked to the obligation.

(i) Warranties

Costs relating to warranties are recognised on the date a claim is made.

(ii) Restructuring

Provisions for restructuring are recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring process has either started or has been publicly announced.

(iii) Site restoration

In accordance with Ekornes's environmental report (which is included in its annual report) and applicable legal requirements, a provision for site restoration in respect of contaminated land is recognised to the extent that the land is contaminated and remediation has been ordered. As of today, Ekornes is subject to no such requirements.

(O) REVENUE

(i) Goods sold

Ekornes implemented IFRS 15 Revenues from Contracts with Customers with effect from 1 January 2018. The standard has been implemented retrospectively, with the total impact of the standard's initial application being recognised in equity. IFRS 15 is thereby applied only for the result reported for 2018, while the results reported for 2017 are recognised in accordance with the principles set out in IAS 18 Operating Revenues. Transition to IFRS is described in point S "Changes in accounting principles and new accounting standards".

IFRS 15 requires that the Group, for each contract with a customer, identify delivery liabilities, determine the transaction price, match the transaction price to the delivery liabilities if the contract encompasses more than one delivery liability, decide if operating revenues must be recognised over time or on one date, and recognise operating revenues on the date of or over the period for the fulfilment of the delivery liability concerned.

Ekornes recognises operating revenues on the date of delivery to the customer. A delivery liability is fulfilled on the date the customer gains control of the delivered item. The most important discretionary assessment for Ekornes, with respect to the implementation of IFRS 15, is calculation of the transaction price. This is because the price to the customer includes several different discounts and bonuses. The estimation of expected bonuses in particular requires the application of discretionary judgement.

(ii) Government grants

Grants that compensate the Group for the acquisition cost of an asset are recognised as a reduction in the asset's acquisition value. Grants that compensate for expenses incurred are recognised as a cost reduction in the financial statements covering the same period as the expenses they are intended to cover.

(P) COSTS

(i) Operational leasing

Leasing agreements in which the bulk of the risk and returns relating to ownership of an asset are not transferred are classified as operational leasing agreements. Leasing payments are classified as operating expenses and are recognised in profit and loss over the contract period.

(Q) TAX

Tax on the year's profit comprises tax payable and deferred tax. Tax is included in profit and loss with the exception of tax that is recognised directly in equity or in other comprehensive income. Tax payable comprises the expected tax payable on the year's taxable earnings at the rate applicable on the balance sheet date, plus any corrections in tax payable for previous years.

Deferred tax is calculated on temporary differences between the recognised values of assets and liabilities in the financial statements and their value for tax purposes. The following temporary differences are not taken into account:

Initial recognition of assets or liabilities which affect neither profit/loss in the accounts or for tax purposes, as well as differences relating to investments in subsidiaries that are not expected to be reversed in the foreseeable future. Deferred tax liabilities and assets are measured on the basis of expected future tax rates applicable to group companies in which temporary differences have arisen. Deferred tax liabilities and assets are recognised at nominal value.

Deferred tax assets are capitalised only to the extent that it is probable that the asset may be utilised in connection with future taxable profits. Deferred tax assets are reduced to the extent that it is no longer probable that the tax assets will be utilised.

(R) SEGMENT REPORTING

Under IFRS, a business segment is defined as a part of the Group engaged in business operations capable of generating revenues and expenses, including revenues and expenses deriving from transactions with other group segments, and whose operating profit/loss is reviewed regularly by the enterprise's highest decision-maker for the purpose of determining which resources shall be appropriated to the segment and evaluating its earnings.

Ekornes carries out its business within the segments/product areas:

- Stressless®, which covers furniture within the product area Stressless®
- Svane®, which covers mattresses and furniture within the Svane® product area
- IMG, which covers furniture from the IMG product area

The division into product areas is based on the Group's management and internal reporting structure. Note 1 includes a numerical list of the segments that comply with Ekornes's internal segment reporting.

(S) CHANGES IN ACCOUNTING PRINCIPLES AND NEW ACCOUNTING STANDARDS

Ekornes implemented IFRS 9 and IFRS 15 with effect from 1 January 2018.

IFRS 15 Revenues from Contracts with Customers

Ekornes implemented IFRS 15 Customers with effect from 1 January 2018. The standard has been implemented retrospectively, with the total impact of the standard's initial application being recognised in equity.

IFRS 15 requires that we, for each contract with a customer, identify delivery liabilities, determine the transaction price, match the transaction price to the delivery liabilities if the contract encompasses more than one delivery liability, decide if operating revenues must be recognised over time or on one date, and recognise operating revenues on the date of or over the period for the fulfilment of the delivery liability concerned.

Ekornes has reviewed its contracts with customers in line with the new five-stage model for assessing when revenue is deemed to have been earned pursuant to IFRS. No material differences have been identified on the part of Ekornes between IFRS 15 and IAS 18. No transitional effects have therefore been recognised in equity as at 1 January 2018.

IFRS 9 Financial Instruments

Ekornes has implemented IFRS 9 with effect from 1 January 2018. The standard has been implemented retrospectively, with any transitional effects deriving from initial application of the standard being recognised in equity at that time.

IFRS 9 has not caused any material changes in the date of recognition or the method by which assets and liabilities, and associated income and expenses, are measured. No transitional effects have been recognised in equity as at 1 January 2018.

(T) ACCOUNTING STANDARDS AND INTERPRETATIONS PUBLISHED, BUT NOT APPLIED

The standards and interpretations which have been approved prior to the adoption of the consolidated financial statements, but which have not yet come into force, are listed below. The Group intends to implement the relevant amendments when they come into force.

Relevant new standards are:

IFRS 16 Leases

IFRS 16, effective from 1 January 2019, deals with the recognition of leasing agreements and associated disclosures in the notes to the financial statements. It will replace IAS 17 Leases. The new standard requires that for all contracts qualifying as leasing agreements under the standard's definition, the lessee must recognise a 'right-of-use asset' and a 'leasing liability' in the balance sheet, while leasing payments must be recognised as an interest cost and a reduction in the leasing liability. When applying the new model, the lessee must recognise assets and liabilities for all leasing contracts lasting more than 12 months, unless the underlying asset is of low value, and must recognise the depreciation of leased assets separately from interest on leasing liabilities in profit and loss.

Ekornes implemented IFRS 16 with effect from 1 January 2019, and elected to apply the modified retrospective implementation model. Comparable figures will not be restated, and the effect will be posted to OB in the implementation year 2019.

NOTE 1 Business areas – segments – markets

The division into product areas is based on the Group's management and internal reporting structures, and coincides with the division into segments. With effect from 2018, Ekornes Contract is included in Stressless. Comparable figures have been restated.

Ekornes's business is divided into the segments/product areas:

- Stressless®, which covers the Stressless® product area
- Svane®, which covers the Svane® product area
- IMG, which covers furniture produced by IMG

The Group's administration expenses and other shared overheads are allocated to the segments. Internal pricing between the segments is based on arm's length prices at corresponding terms as transactions with independent third parties. Management regularly monitors the business segments' profit/loss and uses this information to perform analyses of their performance and to make decisions regarding resource allocation. Each segment's performance is assessed on the basis of its operating profit and is measured consistently with the operating profit in the consolidated financial statements.

Information relating to the Group's reportable business segments is presented below:

(Figures in 000 NOK)

Operating revenues by product area	**2018**	**2017**
Stressless®	2 462 578	2 345 082
IMG	500 756	478 596
Svane®	202 754	255 181
Sum	**3 166 088**	**3 078 859**
EBIT per segment		
Stressless®	282 084	185 566
IMG	124 760	136 356
Svane®	-15 631	-12 562
Total	**391 213**	**309 359**
Operating revenues by market		
Norway	437 864	506 710
Other Nordic	176 988	217 476
Central Europe	589 237	662 784
Southern Europe	237 627	255 121
United Kingdom/Ireland	212 890	199 901
USA/Canada/Mexico	1 038 226	933 167
Japan	131 997	135 886
Other Markets	360 615	345 887
Total	**3 185 445**	**3 256 932**
Gains/losses on realised forward currency contracts	-19 357	-178 073
Total	**3 166 088**	**3 078 859**

NOTE 2 Personnel expenses

(Figures in NOK 000)	2018	2017
Payroll expenses	722 283	725 857
Employer's national insurance contributions	102 224	95 039
Pensions	31 523	32 919
Other personnel costs	30 495	24 750
Total personnel expenses	**886 525**	**878 564**
Average number of full-time equivalents	2 078	2 071

NOTE 3 Uncertain estimates

When preparing the year-end financial statements, management has made use of estimates based on its best judgement and assumptions considered to be realistic. However, changes in the market or other situations may arise that could alter certain estimates, thereby affecting the company's assets, liabilities, equity and earnings.

The company's most significant accounting estimates relate to the following items:

- Depreciation and write-downs on property, plant & equipment
- Valuation of goodwill

Plant & equipment
The expected useful life of the company's production equipment is based largely on the experience and best judgement of its senior staff. Historic experience has shown that assessments of equipment's useful life have been correct, but that some production equipment has lasted longer than initially anticipated.

In June 2016, it was decided to amalgamate sofa production at the Vestlandske factory in Sykkylven and the Hareid plant at the Vestlandske facility (now called Aure), and discontinue further production at Hareid. Following the amalgamation, Ekornes no longer needed the Hareid plant, and it was decided that the property would either be sold or leased out. It is not considered very likely that the property's sales price will match its book value. Based on management's best estimate for the amount recoverable on the property, including a real estate agent's valuation, the property was written down by NOK 18 million in 2016. This estimate remains in effect in management's assessment as at 31 December 2018.

Goodwill
The company's recognised goodwill relating to IMG is tested annually for impairment. The valuation rests largely on qualified estimates relating to future sales volumes, gross margins and applicable rate-of-return targets. See Note 8 for further details regarding the valuation of goodwill.

NOTE 4 Net financial items

(Figures in NOK 000)	2018	2017
Interest income	19 451	18 982
Financial income	1 381	1 182
Total financial income	**20 832**	**20 164**
Gain/loss on foreign exchange	**16 803**	**-10 320**
Interest expenses	28 730	26 955
Financial expenses	5 337	3 398
Total financial expenses	**34 067**	**30 352**
Total financial items	**3 567**	**-20 508**

All borrowing costs are recognised in expenses as they arise.

NOTE 5 Other operating expenses

(Figures in NOK 000)		
Breakdown of auditing fees	**2018**	**2017**
Statutory auditing services	7 208	6 980
Other certification services	440	305
Other non-auditing services	821	1 418
Tax advisory services	511	785
Total	**8 980**	**9 488**

Auditing fees are stated ex. VAT

NOTE 6 Other receivables and other liabilities

(Figures in NOK 000)

Other receivables	**2018**	**2017**
Premium and contribution fund	2 958	2 382
Other receivables linked to the production cycle	6 450	15 305
Prepayments to suppliers	24 264	25 428
Periodised expenses	25 896	19 894
Marketing materials	0	8 493
Prepaid tax and VAT refunds due	37 764	0
Other	17 993	20 985
Total other receivables	**115 324**	**92 486**

Other current liabilities	**2018**	**2017**
Salaries payable	121 139	119 839
Accrued bonus/market support to customers	16 172	17 931
Accrued other marketing costs	5 198	5 956
Accrued cash discounts to customers	3 133	4 386
Accrued commission to sales staff	7 037	5 862
Accrued administrative costs	9 807	6 032
Prepayments (contract liabilities)	7 616	2 454
Other	14 052	4 263
Total other liabilities	**184 154**	**166 722**

NOTE 7 Other investments

Investments at 31.12.2018 (Figures in NOK 000)

Non-current assets	Shareholding	Acquisition cost	Book value
Investments in other companies		1 343	1 343
Total		**1 343**	**1 343**

Investments at 31.12.2018 (Figures in NOK 000)

Non-current assets	Shareholding	Acquisition cost	Book value
Sykkylvsbrua AS	37,5 %	8 790	8 141
Investments in other companies		1 046	1 268
Total		**9 836**	**9 409**

Investment in Sykkylvsbrua AS

After the Sykkylvsbrua bridge was opened in October 2000, the Norwegian Public Roads Administration took it over and assumed responsibility for its maintenance and operations. The duties of the company Sykkylvsbrua AS are therefore limited to operating the toll collection system and following up loan agreements, including their maintenance and repayment. The practical operation of the toll station and management of the computer system have also been outsourced to an external service provider. The company has no employees. The Group therefore considers that it has no such influence as required under IAS 28 for Sykkylvsbrua AS to be treated as an associate. The collection of bridge tolls ceased in February 2018. This investment was repaid to Ekornes AS in its entirety in September 2018.

NOTE 8 Property, plant and equipment

(Figures in NOK 000)	Sites and buildings	Machinery and equipment	Operating movables	Software and licenses	Total
Acquisition value 31.12.2016	**1 135 072**	**905 897**	**99 467**	**244 777**	**2 385 214**
Translation difference 31.12.2016	-409	-843	-343	-2	-1 596
+ additions	21 204	36 945	10 560	22 852	91 561
- disposals	-3 259	-13 521	-12 951	-4 615	-34 346
Acquisition value 31.12.2017	**1 152 609**	**928 478**	**96 734**	**263 011**	**2 440 833**
Acquisition value 31.12.2016	**602 126**	**669 423**	**76 023**	**218 669**	**1 566 241**
+ additions	39 775	54 037	8 581	13 642	116 034
- acc. depreciation on operating assets sold	-1 459	-12 984	-9 811	-4 615	-28 869
Acquisition value 31.12.2017	**640 442**	**710 476**	**74 794**	**227 696**	**1 653 407**
Book value 31.12.2017	**512 167**	**218 003**	**21 940**	**35 316**	**787 426**
Acquisition value 31.12.2017	**1 152 609**	**928 478**	**96 734**	**263 011**	**2 440 832**
Translation difference 31.12.2017	2 395	2 468	1 076	9	5 948
+ additions	75 772	37 636	6 232	26 471	146 111
+/- reclassification	-850	39 406	24 772	1 225	64 553
- disposals	-7 583	-26 852	-6 193	-8 268	-48 896
Acquisition value 31.12.2018	**1 222 343**	**981 135**	**122 621**	**282 449**	**2 608 548**
Acquisition value 31.12.2017	**640 442**	**710 476**	**74 794**	**227 696**	**1 653 407**
Translation difference 31.12.2017	1 444	2 044	651	11	4 149
+ additions	38 329	51 270	8 046	12 489	110 134
+/-reclassification	187	39 406	24 772	1 225	65 591
- acc. depreciation on operating assets sold	-5 970	-20 447	-5 303	-8 268	-39 988
Accumulated dep. and write-downs 31.12.2018	**674 432**	**782 748**	**102 960**	**233 153**	**1 793 292**
Book value 31.12.2018	**547 911**	**198 387**	**19 661**	**49 296**	**815 256**

Estimated useful lives are as follows:
- Buildings 25 - 50 years
- Machinery & equipment 5 - 12 years
- Operating movables and fixtures 2 - 10 years
- Licences and patents 5 years
- Software 3 years

Depreciation method, useful life and residual value are reassessed annually.

Write-downs
In June 2016, it was decided to amalgamate sofa production at the Vestlandske factory in Sykkylven and the Hareid plant at the Vestlandske facility (now called Aure), and discontinue further production at Hareid. Following the amalgamation, Ekornes no longer needed the Hareid plant, and it was decided that the property would either be sold or leased out. It is not considered very likely that the property's sales price will match its book value. Based on management's best estimate for the amount recoverable on the property, including a real estate agent's valuation, the property was written down by NOK 18 million in 2016. This estimate remains in effect in management's assessment as at 31 December 2018.

Government grants
Investments totalled NOK 146.1 million in 2018. The Group received NOK 6.0 million in government grants for automation projects in 2018. The grants have been offset against the acquisition cost of the year's investments.

Sureties
No property, plant and equipment had been pledged as surety as at 31 December 2018.

NOTE 8 Driftsmidler (forts.)

Goodwill and customer relations (Figures in NOK 000)	Goodwill	Customer relations	Total
Acquisition value 31.12.2016	**208 012**	**34 638**	**242 650**
Acquisition value 31.12.2017	**208 012**	**34 638**	**242 650**
Accumulated depreciation 31.12.2016	**0**	**9 223**	**9 223**
The year's depreciation	0	4 369	4 369
Accumulated depreciation 31.12.2017	**0**	**13 591**	**13 591**
Regnskapsmessig bokført verdi 31.12.2017	**208 012**	**21 047**	**229 059**
Acquisition value 31.12.2017	208 012	34 638	242 650
Acquisition value 31.12.2017	**208 012**	**34 638**	**242 650**
Accumulated depreciation 31.12.2017	**0**	**13 591**	**13 591**
The year's depreciation	0	4 330	4 330
Accumulated depreciation 31.12.2018	**0**	**17 921**	**17 921**
Book value 31.12.2018	**208 012**	**16 717**	**224 729**

Goodwill and customer relations
Goodwill is not depreciated in the consolidated financial statements, but is tested annually for impairment. Customer relations are depreciated in a straight line over the relation's expected life, which is deemed to be eight years. Depreciation costs are included under ordinary depreciation in profit and loss.

Test for impairment of goodwill
IMG comprises a parent company, IMG Group AS (which sells both internally and externally), two manufacturing companies, five sales companies and two companies with limited business activity. The companies are closely integrated and mutually interdependent. As a result, group management considers that IMG must be seen as one cash-generating entity. All capitalised goodwill is linked to this cash-generating entity. Value in use is applied when calculating the recoverable amount. The most important assumptions for cash flow will be forecasted for sales volume and gross margins. A valuation has been performed by discounting cash flow estimates, which are based on the 2019 budget, but adjusted down to a more conservative level.

Based on the downwardly revised 2019 budget, we have drawn up two alternative scenarios:
Alternative 1 is based on 5 per cent growth over the next 5 years, 2 per cent long-term growth and a 25 per cent margin.
Alternative 2 is based on 5 per cent growth over the next 5 years, 0 per cent long-term growth and a 25 per cent margin.
A pre-tax discount rate of 8.7 per cent, has been applied in both scenarios..

Sensitivity analyses imply that no realistic changes in these assumptions would result in a lower value in use than book value. The consideration paid for IMG comprised a cash consideration of NOK 389 million, which was paid in 2014, and a contingent consideration ("earn-out") of up to NOK 150 million, for which provisions were made in the period 2014–2016, and which was paid out in 2017.

Nothing has happened after these calculations were made that would indicate a need for their reassessment. In the company's opinion, therefore, there is nothing to indicate the need to write down the book value of goodwill.

Intangible assets
These are some of the company's most important intangible assets:
• Registered trademarks (Ekornes®, Stressless®, IMG and Svane®)
• Registered domains
• Patents
• Registered designs
• Distribution network (international)
• Market concept
• Product concepts
• Manufacturing expertise
• International marketing
• International sourcing
With the exception of some patents and domains, none of these assets has been included on the company's balance sheet.

NOTE 9 Inventory 31.12

(Figures in NOK 000)	2018	2017
Inventory finished goods	224 500	231 924
Inventory semi-finished	45 500	41 222
Inventory raw materials	287 169	248 745
Total	**557 170**	**521 892**

All amounts are net after write-downs.

NOTE 10 Trade receivables 31.12

(Figures in NOK 000)
The table below shows a breakdown of trade receivables pre-due and post-due, less deductions for bad debts:

	Total	Pre-due	<30 d	30-60 d	60-90 d	>90 d
2018	**379 488**	234 239	96 607	33 071	6 214	9 357
2017	**414 821**	248 889	144 174	13 242	5 627	2 890

No customer accounts for more than 6 per cent of sales revenues. See Note 22 for details of credit and foreign exchange risks relating to trade receivables.

The change in provisions for bad debts is as follows:

(Figures in NOK 000)	2018	2017
Opening balance	**4 427**	**6 515**
Actual bad debts in the year	118	544
Reversal of previous provisions	-1 420	1 545
Closing balance	**5 728**	**4 427**

Bad debts are classified as other operating expenses in profit and loss.

NOTE 11 Cash and bank deposits 31.12

(Figures in NOK 000)	2018	2017
Bank	100 809	132 051

In the statement of cash flow, cash and bank deposits are recognised as cash. NOK 20.6 million of the Group's bank deposits are restricted to the payment of employee tax deductions (NOK 21.7 million in 2017).

All the Norwegian subsidiaries and the subsidiaries in Finland, Lithuania, Denmark and the UK participate in a multi-currency group account scheme, with the parent company Ekornes AS as the principal account holder. The parent company agrees permitted drawdowns on the group accounts for each individual subsidiary. All participants are jointly and severally liable for the amount at any time outstanding on the group account. The parent company has entered into agreements with respect to credit facilities with DNB. See also Note 14.

As at 31.12.2018, the Group had the following foreign currency exposure with respect to its group account

Currency	Amount (in 000)	Exchange rate 31.12.2018	Total as at 31.12.2018 (NOK 000)
NOK	78 628	1,000	78 628
USD	20 267	8,689	176 091
AUD	10 131	6,133	62 139
NZD	4 485	5,833	26 159
SEK	19 601	0,970	19 015
JPY	81 629	0,079	6 453
Other			1 684
Total deposits in group account			**370 167**
EUR	-47 919	9,948	-476 709
GBP	-270	11,121	-3 002
SGD	-366	6,381	-2 334
Total drawn down on group account			**-482 045**
Total group account			**-111 878**

NOTE 12 Equity

Share capital and premium:
As at 31 December 2018, Ekornes's registered share capital comprised 36,892,989 ordinary shares (2017: 36,892,989 shares). All shares have a face value of NOK 1.00.

The owners of ordinary shares are entitled to the dividend which, in each individual case, is determined by the general meeting of shareholders, and they are entitled to one vote per share at general meetings. All shares confer equal rights to the company's net assets. Ekornes AS owned no treasury shares as at 31 December 2018 (3,299 shares as at 31 December 2017).

Hedging reserve:
The hedging reserve equals the value of the forward contracts recognised for hedge accounting purposes, less deferred tax. As at 31 December 2018, the hedging reserve equals NOK 0, after the last hedge accounting contracts were terminated with effect from March 2018.

Translation differences:
Translation differences comprise all the foreign exchange differences deriving from the translation of the financial statements belonging to foreign entities, including the translation of receivables deemed to form part of the net investment in the foreign entity.

Dividend:
For the 2018 financial year, the board is proposing a dividend of NOK 5.50 per share (NOK 6,81 per share in 2017) to be paid out in May 2019. The AGM will consider the proposal on 9. May 2019. NOK 5.50 per share corresponds to a total dividend payout of NOK 202,911,440 (2017: NOK 236 338 140). Pursuant to Norwegian regulations, it is Ekornes AS's equity that constitutes a potential restriction on the payment of dividend by the Ekornes Group. Dividend may be paid out to the extent that the company has an appropriate level of equity and liquidity.

The proposed dividend has not been recognised as a liability in the 2018 financial statements.

NOTE 13 Earnings per share

(Figures in NOK 000)	2018	2017
Profit for the period	298 198 671	200 503 261
No. of shares 1.1	36 892 989	36 826 753
Capital increase	0	66 236
Change in holding of treasury shares	-3 299	-393
No. of shares 31.12	36 892 989	36 892 989
Weighted average number of shares outstanding	36 890 790	36 846 501
Basic earnings per share	8,08	5,43
Diluted earnings per share	8,08	5,43

There are no instruments with a diluting effect.

NOTE 14 Interest-bearing loans and credits

(Figures in NOK 000)

The Group regularly assesses its capital structure and risk profile. In 2017, the Group has refinanced its credit facilities and entered into a long-term loan agreement. No change in 2018.

Status at 31.12.2018:	Credit facility	Amount drawn	Available
DNB	500 000	111 878	388 122
Sparebank Møre	250 000	0	250 000
Total	**750 000**	**111 878**	**638 122**

Long-term borrowing agreement
Ekornes has a long-term borrowing agreement with DNB. The loan is unsecured. No instalments are payable before maturity. Interest expenses are paid quarterly. There were no amortised interest expenses as at 31 December 2018.

	Maturing	At 31.12.2018	At 31.12.2017
DNB	September 2022	500 000	500 000

See Note 22 for details of interest-rate risk.

NOTE 15 Tax expense

(Figures in NOK 000)

Tax expense included in net result:	2018	2017
Tax payable		
Tax payable in the period	113 669	119 566
Deferred tax		
Change in deferred tax liability	-17 087	-31 219
Tax expense	**96 582**	**88 348**
Reconciliation of effective tax rates		
Earnings before tax	394 781	288 851
Tax calculated at 23% (24% i 2017)	**90 800**	**69 324**
Effect of other tax rates	2 985	15 081
Permanent differences	-190	-222
Withholding tax without credit deductions	38	1 566
Effect of change in tax rate in Norway	3 020	2 598
Other	-70	0
Tax expense	**96 582**	**88 348**

With effect from the 2019 financial year, the rate of corporation tax in Norway has decreased to 22 per cent. Deferred tax assets and liabilities for Norwegian companies as at 31 December 2018 were measured using the new tax rate. The effect constitutes an increase of NOK 3.0 million in the tax expense for 2018.

NOTE 15 Interest-bearing loans and credits (contd.)

Deferred tax assets and liabilities in the balance sheet	2018	2017
Intangible assets	7 179	11 912
Property, plant & equipment	16 425	14 258
Inventory	30 946	31 287
Receivables	577	-2 794
Pensions	-920	-1 409
Provisions	6 945	7 029
Other items	1 756	3 254
Tax-loss carried forwards	12 994	0
Deferred tax asset as at 31.12.	**75 900**	**63 536**

The Group recognises deferred tax assets and liabilities net only if the Group has a legal right to set them off against each other, and only deferred tax assets and liabilities within the same tax regime.

As at 31 December 2018, the Group had a tax-loss carryforward of NOK 20.75 million (31 December 2017: NOK 7.1 million). NOK 13.0 million of this was capitalised as at 31 December 2018 (31 December 2017: NOK 0). Deferred tax assets relating to tax-loss carryforwards in two of our subsidiaries have not been recognised as at 31 December 2018, since the company does not expect to utilise the loss in the foreseeable future.

Carry forward tax deficit at 31.12.2018 has the following maturity:

	2018
2020	1 052
2021	2 115
2022	4 935
2023	7 079
No final maturity date	5 569
Total tax loss carryforward	**20 750**

	2018	2017
Deferred tax assets	75 900	63 667
Deferred tax liabilities	0	130
Deferred tax assets as at 31.12.	**75 900**	**63 536**

Reconciliation of net deferred tax liabilities	2018	2017
Net deferred tax liabilities as at 1.1.	63 536	78 546
Recognised in profit and loss	17 087	31 219
Recognised in other comprehensive income	-4 723	-46 229
Deferred tax assets as at 31.12.	**75 900**	**63 536**

Tax recognised in total comprehensive income	2018	2017
Tax on forward currency contracts	-4 452	-46 880
Tax on translation differences for loans to subsidiaries	-271	651
Total	**-4 723**	**-46 229**

The total effect of the amended tax rate on the tax expense recognised in other comprehensive income comes to NOK 12.000.

Tax payable in the balance sheet	2018	2017
Tax payable for the year	**113 669**	**119 566**
of which paid in the year concerned	-38 876	-53 564
Tax payable in the balance sheet as at 31.12.	**74 793**	**66 002**

The payment of a dividend to the parent company's shareholders affects neither the amount of tax payable for the period nor deferred tax liabilities.

NOTE 16 Employee benefits

Board of Directors' declaration on the remuneration policy applying to senior executives

A major element of the remuneration policy established with respect to Ekornes AS and its subsidiaries is that executives should be offered competitive terms, with a salary comparable to similar positions in their national labour markets. The Company has established performance-related bonus schemes that form a major part of the overall compensation package offered to profit-centre managers. Salary and other remunerations are mainly adjusted in accordance with developments in salary/price levels in the country in which the position is located. In 2018, the remuneration paid to senior executives has complied with the declaration presented to the AGM in 2018. A new declaration will be presented at the AGM in 2019.

Pension commitments

A Group pension scheme (defined contribution plan) has been established for employees of the Group's Norwegian companies and in most of its foreign subsidiaries. The Group also has certain pension liabilities expensed continuously. For accounting purposes, pension schemes are treated in accordance to IAS 19. Norway's new AFP early retirement scheme is deemed to be a defined benefit multi-enterprise scheme. In principle, the liability shall be calculated and recognised. However, the scheme's current administrator is, for practical reasons, unable to perform these calculations. Until these calculations are made, the new AFP early retirement scheme must be recognised as a defined contribution scheme. See table below.

Mandatory occupational pension scheme

Pursuant to the Norwegian Mandatory Occupational Pensions Act, all the Group's Norwegian subsidiaries must establish a pension scheme for their employees. These companies have pension schemes that comply with Norwegian law.

Pension costs (Figures in NOK 000)	2018	2017
Contributions to defined contribution plans	30 282	33 147
Expenses relating to defined benefit plans	1 241	-228
Total	**31 523**	**32 919**

Pension liabilities (Figures in NOK 000)	2018	2017
Accumulated pension liabilities	6 053	4 812

The pension liability relates to two of the Group's non-Norwegian subsidiaries

Bonus-based incentives

Employee bonuses are calculated as a percentage of monthly salary, depending on the adjusted operating margin recognised in the segment in which the individual is employed. The bonus scheme applies only to those who do not receive payments under a personal bonus agreement. The bonus is paid on a pro rata basis according to the number of months employed during the year. Only those employed as at 31 December 2018, as well as those retiring during 2018, are entitled to receive a bonus for 2018. For accounting purposes, the bonus is treated as a cash bonus. Employees in the Stressless® segment will receive a bonus equivalent to 32 per cent of their monthly salary, while employees of IMG will receive a bonus equivalent to 23 per cent of monthly salary. No bonus for 2018 will be paid to employees in the Svane® segment.

See Note 17 for details of remuneration and salary paid to group management.

NOTE 17 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.

Individual bonus agreements were entered into with group management for 2018. 70 per cent of the bonus depends on the revenues and operating margin of the Group or individual segment, while 30 per cent depends on non-financial performance targets. CEO Olav Holst-Dyrnes has a separate bonus agreement, the terms of which are determined by the board. Should he resign from his position, six months' severance pay has been agreed. The bonuses payable to group management are included in salary in the table below.

With the understanding of the board of directors, board member Nils Gunnar Hjellegjerde, who has particular expertise in the area of product and market development in the furniture sector, acts as an hourly paid consultant to group management. Mr Hjellegjerde also has shares in Hove D.K. Co., Ltd. (Thailand), which supplies laminate products to Ekornes AS's subsidiary IMG Group AS, of which he was the main shareholder until the company was sold to Ekornes AS in 2014. The agreement in question is at market terms and based on the arm's length principle. No material transactions were undertaken with related parties during the period.

Remuneration to members of Group Management in 2018

(Figures in NOK)	Olav Holst-Dyrnes	Trine-Marie Hagen	Øystein Vikingsen Fauske	James Tate
Salaries	4 256 277	2 499 591	2 051 851	2 199 971
Pension costs	77 022	77 022	77 022	41 042
Other remuneration	41 427	38 614	17 446	0
Total	**4 374 726**	**2 615 227**	**2 146 319**	**2 241 013**

Remuneration to Board Members in 2018

(Figures in NOK)	Nora Førisdal Larssen	Kjersti Kleven	Stian Ekornes	Lars Ivar Røiri	Tine Gottlob Kirstan Wollebekk
Salaries	0	0	0	0	0
Pension costs	0	0	0	0	0
Directors' fee	610 000	445 000	350 000	410 000	450 000
Other remuneration	0	0	0	0	0
Total	**610 000**	**445 000**	**350 000**	**410 000**	**450 000**

Remuneration to Board Members in 2018

(Figures in NOK)	Nils Gunnar Hjellegjerde	Tone Helen Hanken	Knut Ove Rygg	Arnstein Edgard Johannessen	Atle Berntzen
Salaries		349 903	970 347	433 232	523 251
Pension costs		15 312	58 260	16 068	23 316
Directors' fee	350 000	180 000	180 000	180 000	180 000
Other remuneration	2 478 226	3 065	18 460	8 503	13 605
Total	**2 828 226**	**548 280**	**1 227 067**	**637 803**	**740 172**

NOTE 17 Related parties (cont.)

Remuneration to members of Group Management in 2017

(Figures in NOK)	Olav Holst-Dyrnes	Trine-Marie Hagen	Øystein Vikingsen Fauske	James Tate*	Arve Ekornes**
Salaries	3 131 140	2 398 276	1 659 215	833 796	751 592
Pension costs	56 087	56 087	56 087	14 292	21 810
Other remuneration	33 654	197 289	16 531	0	14 845
Total	**3 220 881**	**2 651 652**	**1 731 833**	**848 088**	**788 247**

(Figures in NOK)	Ola Arne Ramstad**	Lars Wittemann**	Svein Lunde**	Runar Haugen**	Jon-Erlend Alstad**
Salaries	1 218 207	1 078 715	2 009 203	1 577 080	838 892
Pension costs	37 391	37 391	0	37 391	37 391
Other remuneration	15 165	10 836	154 316	15 263	8 273
Total	**1 270 763**	**1 126 942**	**2 163 519**	**1 629 734**	**884 556**

* Joined group management with effect from 1 September 2017. The remuneration stated in the table above applies to the period during which he has been a member of group management.
** A member of group management up until 1 September 2017. The remuneration stated in the table above applies to the period during which he was a member of group management.
Senior executives received NOK 7.5 million in severance pay in 2017.

Remuneration to Board Members in 2017

(Figures in NOK)	Nora Førisdal Larssen	Kjersti Kleven	Stian Ekornes	Lars Ivar Røiri	Tine Gottlob Kirstan Wollebekk	Nils Gunnar Hjellegjerde
Salaries	0	0	0	0	0	0
Pension costs	0	0	0	0	0	0
Directors' fee	606 000	390 500	318 000	374 000	225 000	43 750
Other remuneration	0	0	0	0	0	859 000
Total	**606 000**	**390 500**	**318 000**	**374 000**	**225 000**	**902 750**

(Figures in NOK)	Tone Helen Hanken	Knut Ove Rygg	Arnstein Edgard Johannessen	Atle Berntzen	Jarle Roth	Sveinung Utgård
Salaries	178 002	906 753	410 235	545 606	0	813 074
Pension costs	6 791	43 518	15 121	23 318	0	35 598
Directors' fee	130 000	97 500	65 000	105 625	143 000	65 000
Other remuneration	1 690	18 746	1 690	9 181	0	8 452
Total	**316 483**	**1 066 517**	**492 046**	**683 730**	**143 000**	**922 124**

NOTE 18 Shares, shareholders and dividends

	31.12.18	31.12.17
No of shares, each with a face value of NOK 1	36 892 989	36 892 989

All the shares in the Company carry equal voting and dividend rights. The calculation of earnings per share and diluted earnings per share is shown in Note 13 Earnings per share.

Shareholders	No. of shareholders		% of share capital	
	31.12.18	31.12.17	31.12.18	31.12.17
Norwegian	1	2 500	100,0 %	48,1 %
Non-Norwegian	0	195	0,0 %	51,9 %
Total	**1**	**2 695**	**100 %**	**100,0 %**

The company's only shareholder as at 31.12.2018

Shareholder	Country	No. of shares held	Percentage
Ekornes Holding AS	NOR	36 892 989	100,0 %

As at 31.12.2017, the company's 20 largest shareholders were

Shareholders	Country	No. of shares held	Percentage
NORDSTJERNAN AB	SWE	6 359 652	17.2%
FOLKETRYGDFONDET	NOR	3 871 183	10.5%
RBC INVESTOR SERVICE S/A IRISH AIF CL ACC	IRL	3 076 011	8.3%
ODIN NORGE	NOR	1 716 003	4.7%
PARETO AKSJE NORGE	NOR	1 399 428	3.8%
UNHJEM BERIT EKORNES	NOR	1 080 331	2.9%
MERTENS GUNNHILD EKORNES	NOR	1 080 050	2.9%
STATE STREET BANK AN S/A SSB CLIENT OMNI	USA	976 909	2.6%
STATE STREET BANK AN A/C CLIENT OMNIBUS F	USA	845 538	2.3%
NORDEA NORDIC SMALL	FIN	842 905	2.3%
CLEARSTREAM BANKING	LUX	587 944	1.6%
NGH INVEST AS	NOR	566 000	1.5%
HOLBERG NORDEN VERDIPAPIRFONDET	NOR	556 705	1.5%
FONDITA NORDIC MICRO SKANDINAVISKA ENSKIL	FIN	550 000	1.5%
HOLBERG NORGE VERDIPAPIRFONDET	NOR	550 000	1.5%
FIDELITY INT SMALL C BNY MELLON SA/NV	USA	547 199	1.5%
ARCTIC FUNDS PLC BNY MELLON SA/NV	IRL	516 154	1.4%
EKORNES TORILL ANNE	NOR	507 398	1.4%
EKORNES KJETIL	NOR	394 959	1.1%
FORSVARETS PERSONELL	NOR	348 000	0.9%
Total		**26 372 369**	**71.5%**

NOTE 18 Shares, shareholders and dividends (cont.)

No. of shares held by members of the board and management	Office	No. of shares as at 31.12.2018	No. of shares as at 31.12.2017
Stian Ekornes	Director	0	115 488
Lars I. Røiri	Director	0	3 300
Nils Gunnar Hjellegjerde	Director	0	566 000
Tone H. Hanken	Director	0	1 215
Knut Ove Rygg	Director	0	616
Olav Holst-Dyrnes	CEO	0	6 120
Trine-Marie Hagen	CFO	0	2 834
Øystein Vikingsen Fauske	CHRO & CDO	0	1 568
James Tate	President IMG	0	2 068

Dividend paid for 2017 (NOK)

The company paid a dividend for 2017 of NOK 6.00 per share in May 2018. The general meeting of shareholders further decided to pay out a supplementary dividend of NOK 30 million in December 2018. NOK 15 million of this amount was paid out in 2018, while the remaining NOK 15 million was paid in March 2019.	251 315 988

Proposed dividend for 2018 (NOK)

The board's proposal for a NOK 5.50 per share dividend will be put to the AGM for approval on 9 May 2019	202 911 440

Treasury shares

Purchase and disposal of treasury shares	No.	Consideration
Holding 31.12.2017	3 299	334 640
Sold in 2018	3 299	458 558
Holding 31.12.2018	**0**	**0**

As at 31 December 2018, the board has been granted the following authorisations:
The board has been granted no authorisations.

NOTE 19 Group entities

The following subsidiaries are included in Ekornes AS's consolidated financial statements.
All the companies are wholly owned with a 100 per cent voting share.

Company	Primary business activity	Registered office	Domicile
J. E. Ekornes AS	Production	Ikornnes	Norway
Ekornes Skandinavia AS	Sales	Ikornnes	Norway
Ekornes Contract AS	Sales	Sykkylven	Norway
J. E. Ekornes ApS	Sales	Odense	Denmark
Ekornes K.K	Sales	Tokyo	Japan
OY Ekornes AB	Sales	Helsinki	Finland
Ekornes Inc.	Sales	Somerset, NJ	USA
Ekornes Ltd.	Sales	London	UK
Ekornes Möbelvertriebs GmbH	Sales	Hamburg	Germany
Ekornes S.A.R.L	Sales	Pau	France
Ekornes Iberica SL	Sales	Barcelona	Spain
Ekornes Singapore Ltd.	Sales	Singapore	Singapore
Ekornes Pty Ltd	Sales	Sydney	Australia
Ekornes Asia Pacific Co Ltd	Sales	Bangkok	Thailand
Ekornes China Co, Ltd.	Sales	Shanghai	China
J. E. Ekornes USA, Inc	Production	Morganton, NC	USA
Ekornes Malaysia SDN BHD	Sales	Kuala Lumpur	Malaysia
Ekornes Taiwan Ltd.	Sales	Taipei	Taiwan
Ekornes Hong Kong Co, Ltd	Sales	Hong Kong	Hong Kong S.A.R
Ekornes Beds AS	Production and sales	Fetsund	Norway
Ekornes Beds GmbH	Sales	Hamburg	Germany
IMG Group AS	Holding and sales	Sykkylven	Norway
IMG Europe GmbH	Sales	Hamburg	Tyskland
IMG Skandinavia AS	Sales	Sykkylven	Norway
IMG Holdco AS	Holding	Sykkylven	Norway
IMG AS	Sales	Sykkylven	Norway
IMG (Vietnam) Co., Ltd.	Production and sales	Ben Cat Town	Vietnam
IMG Australia PTY Ltd	Sales	Melbourne	Australia
IMGC PTY Ltd	Sales	Melbourne	Australia
IMG (THAILAND) LIMITED	Production and sales	Ban Po	Thailand
IMG New Zealand Limited	Sales	Auckland	New Zealand
IMG Lithuanua UAB	Production and sales	Vilnius	Litauen
International Mobel Group, USA Inc.	Sales	Corona, CA	USA

Changes
IMG Europe GmbH is a new sales company established in 2018

In February 2019 is was decided that Ekornes Skandinavia AS and Ekornes Contract AS should merge. The merger will be undertaken such that Ekornes Skandinavia AS takes over the entire business operations, comprising assets, rights and liabilities, from its sister company Ekornes Contract AS. The merger will be undertaken with effect for accounting purposes from 1 January 2019. The purpose of the merger is to simplify the Group structure.

NOTE 20 Leasing agreements

The Group has entered into several different operational leasing agreements with respect to office and warehouse space and other facilities. These are primarily associated with non-Norwegian subsidiaries.

Leasing costs comprised (Figures in 000 NOK)	2018	2017
Ordinary leasing payments	33 412	36 950

Remaining leasing period and annual leasing payment for the most important agreements are as follows:

Place	Agreement	Remaining term (years)	Annual payment
Somerset, New Jersey, USA	Office & warehouse	9	4 938
Corona , California , USA	Office & warehouse	1	2 107
Morganton, North Carolina, USA	Factory	3	1 816
Hamburg, Tyskland	Office	3	1 730
London, UK	Office	1	1 252
Las Vegas, Nevada, USA	Showrooms	2	1 178
High Point, North Carolina, USA	Showrooms	1	1 117
High Point, North Carolina, USA	Showrooms	4	1 050
Las Vegas, Nevada, USA	Showrooms	3	906

Most leasing agreements have an option to extend.

NOTE 21 Research & development

In 2018, research and development costs totalling NOK 38.7 million were recognised in expenses (NOK 44.4 million in 2017). These costs relate to salaries and other expenses, as well as the depreciation of capitalised R&D costs.

Costs directly associated with the development of a fixed operating asset are included in the capitalised value of the asset if all the criteria for capitalisation have been met. Expenses that arise early in the project phase, as well as maintenance costs, are recognised in expenses as they arise. Capitalised development costs totalled NOK 19.0 million in 2018 (NOK 2.2 million in 2017).

NOTE 22 Financial risk

Ekornes operates in many markets, on both the sales and purchasing sides. The means the company has a natural spread with respect to its market, foreign exchange and sourcing risk. For Ekornes, financial risk is largely associated with fluctuations in exchange rates (NOK vs other countries' currencies), interest rate risk deriving from changes in interest rates and credit risk in the form of the ability of the Group's customers to pay what they owe (trade receivables).

Customer and credit risk

Ekornes sells its products to distributors through its own sales companies and the customers are generally furniture retailers. Ekornes has more than 4,000 customers, with the largest group of stores accounting for around 6 per cent of sales revenues. the largest single customer accounts for around 1.1 per cent of total sales revenues. Routines have been established to ensure that sales are made to creditworthy customers and within specific credit limits to lessen market and credit risk. Customer and credit risk is considered low. Outstanding receivables are followed up on an ongoing basis and efforts are made to keep them at a reasonable level.

An analysis of expected losses is carried out at the close of each reporting period. The estimation reflects the probability-weighted outcome, the time-value of money and reasonable and verifiable information about events and actual conditions available on the reporting date. Trade receivables will generally be written down if they have fallen due for payment one year or more in the past and no debt recovery process is ongoing. Based on the fact that Ekornes generally has B2B customers, few receivables overdue and historically few bad debts, the assessment of expected losses has not led to any material change in the provision for bad debts as at 31 December 2018. The table below show details of the Group's exposure to credit risk on trade receivables using a provision matrix.

(Figures in NOK 000)	Total	Not due	<30 d	30-60d	60-90d	>90d
2018	385 216	234 525	97 179	34 217	7 646	11 648
Expected default rate		0,1 %	0,6 %	3,3 %	18,7 %	19,7 %
Expected credit losses	5 728	286	573	1 146	1 432	2 291

Interest-rate risk

Interest-rate risk is the risk of fluctuations in future cash flows from a financial instrument as a result of changes in market rates. the Group's exposure to interest rates is primarily related to its short-term and long-term borrowings at floating interest rates. Loans at floating interest rates represent an interest-rate risk for the Group's cash flow, which is partly offset by the opposite effect of cash and cash equivalents at floating interest. The borrowing portfolio is currently at a floating rate of interest, which means the Group is affected by changes in interest rates. At the close of 2018, the Group had total interest-bearing debt of NOK 611.9 million. The Group has a stable financing structure. Lenders are well-reputed Norwegian banks.

The table below shows sensitivity to a potential change in interest rates on that part of the Group's affected borrowings. The estimate is based on an average of real loans at the close of each month, and by keeping all other variables remaining constant the Group's profit/loss and equity before tax will be affected as follows by changes in debt instruments at floating interest rates.

(Figures in NOK 000)	Increase/decrease in base points	Effect on profit/loss before tax	Effect before tax on equity
2018	100	6 119	6 119
2017	100	7 180	7 180

NOTE 22 Financial risk (cont.)

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group manages this risk by ensuring, as far as possible, that it always has sufficient liquidity available to meet its obligations both under normal and challenging circumstances, and without incurring unacceptable losses or risk of damaging the Group's reputation. At the close of 2018, the Group had cash reserves of NOK 100.8 million in the form of bank deposits, of which NOK 20.6 million was restricted to the payment of employees' tax deductions. In addition, the Group had unused drawing rights of NOK 638.1 million. The board considers the Group's liquidity situation to be satisfactory.

The table bwlow shows a maturity analysis for the Group's financial liabilities based on contractual, non-discounted payments. When a counterparty has a choice about when an amount is to be paid, the liability is included at the earliest date the business can expect to receive payment. Financial liabilities which must be repaid upon demand are included in the "<1 year" column.

			Remaining term			
31.12.2018 (Figures in NOK 000)	**<1 year**	**1-2 years**	**2-3 years**	**3-4 years**	**More than 5 years**	**Total**
Financial liabilities						
Bank loans	111 878			500 000		611 878
Trade payables and other liabilities	487 739	2 000	4 492		4 053	498 285
Derivatives						
Forward currency contracts	23 622					23 622
Total	**623 239**	**2 000**	**4 492**	**500 000**	**4 053**	**1 133 785**

			Remaining term			
31.12.2017 (Figures in NOK 000)	**<1 year**	**1-2 years**	**2-3 years**	**3-4 years**	**More than 5 years**	**Total**
Financial liabilities						
Bank loans	218 000			500 000		718 000
Trade payables and other liabilities	446 238		6 548		4 812	457 598
Derivatives						
Forward currency contracts	19 953					19 953
Total	**684 191**	**0**	**6 548**	**500 000**	**4 812**	**1 195 551**

Foreign exchange risk

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

In 2016, the Group adopted a new currency hedging strategy. Under the new 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. The new strategy results in increased currency exposure, while securing the necessary leeway to implement operational and financial adjustments in the event of any more substantial exchange rate fluctuations. Financial risk is primarily associated with fluctuations in exchange rates and the ability of the Group's customers to pay what they owe. Ekornes'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.

NOTE 22 Financial risk (contd.)

The following average exchange rates applied to forward contracts exercised in 2018 and 2017 (all currency amounts stated in million):

	2018		2017	
Currency	Volume (in mill.)	Average exchange rate (in NOK)	Volume (in mill.)	Average exchange rate (in NOK)
USD	18,91	7,99248675	24,25	6,505994639
GBP	10,59	11,01436663	15,65	10,45449281
EUR	41,05	9,52907029	60,50	8,720616116
DKK	59,49	1,28510544	48,00	1,164508333
SEK	3,00	0,94881833	13,40	0,943908955
JPY	120,00	0,06899796	795,00	0,06587583

Discontinuation of hedge accounting
The Group decided to discontinue hedge accounting with effect from 1 January 2016. Accumulated gains or losses on hedging instruments that are still recognised in other comprehensive income from the period when hedge accounting was in effect, continue to be recognised separately in other comprehensive income up until the expected transaction takes place. In other words, the negative value of NOK 398.4 million is still recognised in other comprehensive income until the individual forward contracts mature. When the individual forward contract matures, the amount recognised is reversed in other comprehensive income (as at 31 December 2018) with a counter-entry in sales revenues.

The Group realised the last contracts recognised under hedge accounting in March 2018, and the Group made a loss thereon of NOK 11.3 million in 2018. The realised loss breaks down into the realisation of NOK 19.4 million in unrealised losses belonging to 2018 as at 31 December 2018 and an increase in value of NOK 8.1 million from 31 December 2015 until realisation. All realised and unrealised gains and losses occurring from 1 January 2016 onwards are no longer recognised in other comprehensive income, but are taken directly to profit and loss via "Other gains and losses".

New forward contracts
In 2018, the Group entered into new forward contracts, and all realised and unrealised gains and losses associated with these contracts are recognised in net other losses/(gains). In 2018, these new contacts resulted in a NOK 7.1 million realised gain. All new contracts that are open as at 31 December 2018 fall due for payment in 2019.

As at 31 December 2018, the market value of existing forward currency contracts came to NOK -23,6 million (31.12.2017: NOK -20.0 million). The forward currency contracts mature in the following periods:

(Figures in NOK 000) Market value of forward contracts	31.12.18	31.12.17
Share 2018		-19 953
Share 2019	-23 622	
Total	**-23 622**	**-19 953**

Total net other losses/(gains) comprises:	2018	2017
Realised losses/(gains) on new forward contracts	-7 117	0
Change in value of realised and unrealised contracts	14 962	10 925
Not other losses/(gains) in 2018	**7 844**	**10 925**

NOTE 22 Financial risk (contd.)

Classification of financial assets and liabilities 2018 (Figures in NOK 000)	Fair value through profit and loss	Amortised cost Bank and receivables	Amortised cost Other financial
Cash & cash equivalents		100 809	
Forward currency contracts	-23 622		
Stocks & shares in other enterprises	1 343		
Trade & other current receivables		494 812	
Non-current receivables		17 824	
Long-term debt to credit institutions			500 000
Trade & other current payables			472 739
Short-term debt to credit institutions			111 878
TOTAL	**-22 279**	**613 445**	**1 084 617**

Classification of financial assets and liabilities 2017 (Figures in NOK 000)	Fair value through profit and loss	Amortised cost Bank and receivables	Amortised cost Other financial
Cash & cash equivalents		132 051	
Forward currency contracts	-19 953		
Stocks & shares in other enterprises	9 409		
Trade & other current receivables		507 307	
Non-current receivables		16 620	
Long-term debt to credit institutions			500 000
Trade & other current payables			446 238
Short-term debt to credit institutions			218 000
TOTAL	**-10 544**	**655 979**	**1 164 238**

NOTE 23 Revenue from contracts with customers

The Group sells its products through sales companies it has established in the most important markets, while production takes place at factories which supply the sales companies. Goods produced are sent directly from the factory to the customer, with the exception of US and Asian customers where goods are sent to a dedicated storage facility. For IMG, goods are sent from factories in Vietnam and Thailand directly to the customer or to storage facilities owned by IMG's own sales companies. The goods sent from the factories to dedicated storage facilities abroad are treated as goods in transit. IMG has both production to order and off-the-shelf production.

Ekornes implemented IFRS 15 Revenue from Contracts with Customers with effect from 1 January 2018. Ekornes's most important delivery liability derives from products made to the customer's specification and orders. Ekornes recognises operating revenues on the date of delivery to the customer, ie the delivery liability is fulfilled at the moment when the customer gains control of the delivered item. Ekornes's most important discretionary judgement with respect to applying IFRS 15 relates to the calculation of the transaction price. This is because the price to the customer includes several different discounts and bonuses. The estimation of bonuses for the year in particular reacquire the exercise of discretionary judgement.

A breakdown of Ekornes's operating revenues by segment and customer location may be found in Note 1 "Product areas, segments and markets". Differences in the timing of revenue recognition between 2018 and 2017 are insignificant.

NOTE 24 Adjusted EBIT

(Figures in NOK 000)		
Reported EBIT	**2018**	**2017**
Operating revenue	**3 166 088**	**3 078 859**
EBITDA	505 677	429 762
Depreciation and write-downs	114 464	120 403
Total operating expenses	2 774 874	2 769 500
EBIT	**391 213**	**309 359**
EBIT margin	12,4 %	10,0 %
Profit/loss before tax	**394 781**	**288 851**
Net profit	**298 199**	**200 503**
Earnings per share	8,08	5,43
EBIT		
Change in value of forward contracts up to realisation	8 064	85 043
Adjusted operating revenue	**3 174 152**	**3 163 902**
Costs relating to the sale of Ekornes	-40 000	0
Change in value of forward contracts up to realisation	8 064	85 043
Change in value of unrealised forward contracts	-15 908	-95 968
Adjusted operating expenses	2 727 030	2 758 575
Adjusted/underlying EBIT	**447 122**	**405 327**
Adjusted/underlying EBIT margin	**14,1 %**	**12,8 %**

NOTE 25 Subsequent events

No significant events have occurred between the balance sheet date and the date of publication of the financial statements which have materially affected the Group's financial position and which should have been reflected in the financial statements here presented.

Ekornes AS

Financial statements

INCOME STATEMENT FOR EKORNES AS
1.1 - 31.12

(Figures in NOK 000)	Notes	2018	2017
Sales revenues	3	3 089	23 415
Other revenues	3, 13	225 824	230 377
Total operating revenues		**228 913**	**253 792**
Cost of goods sold	13	2 188	16 088
Personnel expenses	5, 6, 8	85 702	85 369
Depreciation and writedowns	7	48 057	49 330
Other operating expenses	6, 8	136 858	121 383
Total operating expenses		**272 804**	**272 171**
OPERATING EARNINGS		**-43 891**	**-18 379**
Financial income and expenses			
Dividend and group contribution	4, 13	340 809	353 922
Financial income	4	9 256	23 135
Gain/loss on foreign exchange	4	-1 766	-31 224
Financial expenses	4	17 460	19 942
Net financial items		**330 839**	**325 892**
Earnings before tax		**286 948**	**307 513**
Tax expense	14	60 599	65 407
EARNINGS FOR THE YEAR		**226 349**	**242 106**
DISTRIBUTED AS FOLLOWS			
Proposed dividend	15, 17	-202 911	-221 339
Proposed group contribution	15	-14 299	0
Proposed received group contribution	15	314 106	307 951
Other equity	15	129 453	-328 719
Total distributed		**226 349**	**-242 106**

BALANCE SHEET FOR EKORNES AS

ASSETS (Figures in NOK 000)	Notes	31.12.2018	31.12.2017
Non-current assets			
Software	7	43 946	31 846
Deferred tax assets	14	21 083	19 200
Total non-current intangible assets		**65 028**	**51 046**
Buildings, sites etc.	7	438 410	469 585
Operating movables, fixtures	7	1 529	2 132
Total property, plant & equipment		**439 939**	**471 716**
Shares in subsidiaries	9	142 156	144 031
Receivables from subsidiaries	11, 13	7 905	14 578
Other investments	10	1 343	9 409
Total non-current financial assets		**151 405**	**168 019**
Total non-current assets		**656 372**	**690 781**
Current assets			
Inventory finished goods		494	630
Trade receivables		384	360
Public charges/VAT receivable		1 915	2 422
Other receivables	13	21 015	12 187
Dividend outstanding from group companies	13	25 198	45 089
Receivables from subsidiaries	13	780 015	795 610
Cash and bank deposits	16	3 690	0
Total current assets		**832 711**	**856 317**
TOTAL ASSETS		**1 489 083**	**1 547 098**

(Continued on next page)

BALANCE SHEET FOR EKORNES AS (contd.)

EQUITY AND LIABILITIES (Figures in NOK 000)	Notes	31.12.2018	31.12.2017
Equity			
Share capital	15, 17	36 893	36 893
Treasury shares	15	0	-3
Premium paid	15	393 952	393 876
Total contributed equity		**430 845**	**430 766**
Other equity	15	47 287	64 480
Total retained earnings		**47 287**	**64 480**
Total equity		**478 132**	**495 246**
Non-current liabilities			
Provisions	6	1 966	1 940
Debt to credit institutions	12	500 000	500 000
Total non-current liabilities		**501 966**	**501 940**
Current liabilities			
Debt to credit institutions	12 , 16	111 878	204 194
Trade payables		26 569	25 261
Dividend	17	217 911	221 339
Public charges payable		6 430	6 377
Tax payable	14	54 928	53 727
Value of forward contracts	2	23 622	19 953
Other current liabilities	6, 13	67 646	19 061
Total current liabilities		**508 985**	**549 912**
Total liabilities		**1 010 951**	**1 051 852**
TOTAL EQUITY AND LIABILITIES		**1 489 083**	**1 547 098**

Ikornnes, 31 Desember 2018/9 April 2019 **The Board of Directors of Ekornes AS**

Ruihai Zhao
Chair

Lei Yang
Director

Nora Førisdal Larssen
Director

Stian Ekornes
Director

Lars Ivar Røiri
Director

Tine Gottlob Kirstan Wollebekk
Director

Kjersti Kleven
Director

Nils Gunnar Hjellegjerde
Director

Tone Helen Hanken
Director
(employee elected)

Knut Ove Rygg
Director
(employee elected)

Arnstein Edgard Johannessen
Director
(employee elected)

Atle Berntzen
Director
(employee elected)

Olav Holst-Dyrnes
CEO

STATEMENT OF CASH FLOW FOR EKORNES AS 1.1 - 31.12

(Figures in NOK 000)	2018	2017
Cash flow from operating activities	286 948	307 513
Earnings before tax	-57 992	-55 355
Depreciation and write-downs	48 057	49 330
Changes in inventory	136	1 978
Changes in trade receivables	-24	3 897
Changes in intra-group receivables	42 159	-69 681
Changes in trade payables	1 308	15 883
Changes in other accruals	41 081	-83 682
Net cash flow from operating activities	**361 674**	**169 882**
Cash flow from investing activities		
Investments in property, plant & equipment	-29 788	-40 621
Investments in shares and partnerships	0	-1 953
Net cash flow from investing activities	**-29 788**	**-42 574**
Cash flow from financing activities		
Receipts from new long-term borrowings	0	500 000
Net change in overdraft	-92 316	204 194
Change in holding of treasury shares	459	45
Dividend paid	-236 338	-920 577
Capital increase	0	5 639
Net cash flow from financing activities	**-328 196**	**-210 699**
Net change in cash and cash equivalents	**3 690**	**-83 391**
Cash and cash equivalents at the start of period	0	83 391
Cash and cash equivalents at the close of period	**3 690**	**0**

NOTE 1 Accounting principles

BASIC PRINCIPLES – ASSESSMENT AND CLASSIFICATION

The financial statements comprise the income statement, the balance sheet, cash flow statement and notes to the financial statements. They have been prepared in accordance with the Norwegian Accounting Act and generally accepted accounting practice in Norway, as applicable at 31 December 2018. The notes are therefore an integral part of the financial statements for the year.

The financial statements are based on the fundamental principles of historic cost, comparability, going concern, congruence and prudence. Transactions are recognised at the value of the consideration on the date of the transaction. Revenues are recognised when they are earned and costs are matched with earned revenues. Account is taken of hedging and portfolio management. The accounting principles are elaborated below.

Assets/liabilities relating to the production cycle, and items falling due for payment within a year of the balance date, are classified as current assets/current liabilities. Current assets/current liabilities are valued at the lower/higher of acquisition cost and fair value. Fair value is defined as the estimated future sales price, less anticipated sales costs. Other assets are classified as non-current assets. Non-current assets are valued at acquisition cost. Non-current assets, whose value falls over time, are depreciated. If the value of an asset is impaired and the impairment is not expected to be of a temporary nature, the value of the non-current asset is written down. Similar principles normally also apply to liabilities.

OPERATING REVENUES

Revenues from the sale of goods are recognised when delivery has occurred, and the bulk of the associated risk and control has been transferred to the customer. Sales revenues are presented net of VAT and discounts.

FOREIGN CURRENCY

Transactions in foreign currencies are translated on the basis of monthly average exchange rates on the date of the transaction. Monetary items denominated in foreign currencies are translated at the rate of exchange on the balance sheet date. Translation differences are recognised in profit and loss as gain/loss on foreign exchange. Non-monetary assets and liabilities that are measured at historic cost in a foreign currency are translated at the exchange rate in effect when the transaction takes place. Non-monetary assets and liabilities that are recognised at fair value are translated to NOK at the exchange rate in effect when fair value is determined.

TREATMENT OF SUBSIDIARIES IN THE PARENT COMPANY ACCOUNTS

The parent company's investments in subsidiaries are valued at the lower of acquisition cost and fair value.

TRADE RECEIVABLES

Trade receivables are recognised at face value less a deduction for anticipated bad debts.

INVENTORY

Inventory is valued at the lower of acquisition cost and anticipated sales price less sales costs. Deductions have been made for obsolescence.

PROPERTY, PLANT & EQUIPMENT

Property, plant & equipment are recorded as assets in the balance sheet at the original acquisition cost plus appreciation, less a deduction for accumulated depreciation. Depreciation is calculated in a straight line over the economic life of the asset on the basis of original acquisition cost plus appreciation.

MAJOR INDIVIDUAL TRANSACTIONS

The effects of major individual transactions are shown on separate lines in the income statement and/or commented on in the notes.

PENSIONS

The Company recognises pension costs and liabilities in accordance with IAS 19. All actuarial gains and losses are recognised directly in equity.

RELATED PARTIES

Related parties are defined as group companies, major shareholders, directors of the Company or its subsidiaries, and senior executives. Agreements relating to the remuneration paid to the board of directors and senior executives are detailed in Note 6. No transactions have been carried out, nor material agreements entered into, with related parties, apart from normal commercial transactions between group companies, in the financial year here presented or in any financial years for which comparable figures are shown.

DEFERRED TAX AND TAX EXPENSE

Deferred tax liabilities are calculated on the basis of temporary differences between the carrying values recognised in the financial statements for the year and the carrying values recognised for tax purposes. A nominal tax rate is used for calculation purposes. Positive and negative differences are set off against each other within the same period. A deferred tax asset arises if temporary differences give rise to a future tax deduction. The tax expense for the year comprises changes in deferred tax liabilities and deferred tax assets as well as tax payable for the financial year, adjusted for possible errors in previous years' calculations.

NOTE 2 Financial risk

Foreign exchange risk
Ekornes's competitiveness is affected by movements in the value of the Norwegian currency (NOK) against other currencies. Ekornes sells its products internationally, and bills its customers primarily in the respective countries' own currencies. Ekornes manages all matters related to currency and foreign exchange risk from head office. Currency hedging is an integral part of Ekornes'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, Ekornes 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 organisation (customer service, billing, accounting, debt collection), 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.

In 2016, the Group adopted a new currency hedging strategy. Under the new 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. The new strategy results in increased currency exposure, while securing the necessary leeway to implement operational and financial adjustments in the event of any more substantial exchange rate fluctuations. Financial risk is primarily associated with fluctuations in exchange rates and the ability of the Group's customers to pay what they owe. Ekornes'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.

As at 31 December 2018 the value of forward contracts was negative in the amount of NOK 23.6 million, which was recognised as a financial liability. As at 31 December 2017, the value of forward contracts was negative in the amount of NOK 20.0 million. Realised losses and changes in value in 2018 are recognised in under finance.

Finance (Figures in NOK 000)	**2018**	**2017**
Increase/decrease in value of forward contracts	-3 669	82 105
Realised gains/losses on forward contracts	-4 175	-93 030
Total finance	**-7 844**	**-10 925**

NOTE 3 Sales revenues and other revenues

(Figures in NOK 000)	**2018**	**2017**
Europe	324	462
Asia (ex. Japan)	0	20 235
Other	2 764	2 718
Total sales revenues	**3 089**	**23 415**

(Figures in NOK 000)	**2018**	**2017**
Property leasing income	55 380	54 111
Services	170 305	176 165
Other	140	100
Total sales revenues	**225 824**	**230 377**

NOTE 4 Merged items

(Figures in NOK 000)	2018	2017
Dividends from subsidiaries	26 702	45 971
Group contribution	314 106	307 951
Total dividend and group contribution	*340 809*	*353 922*
Income from subsidiaries	249	6 695
Financial income	9 007	16 440
Total financial income	*9 256*	*23 135*
Net gain/loss on foreign exchange	*-1 766*	*-31 224*
Interest expenses	-12 796	-18 547
Write-down of investments in subsidiaries	-1 875	0
Financial expenses	-2 788	-1 395
Total financial expenses	*-17 460*	*-19 942*
Net financial items	**330 839**	**325 892**

Classification
In the parent company's financial statements, dividends from subsidiaries are recognised in the year in which they are earned by the subsidiary, if it has been clarified that the dividend will be paid by the subsidiary to the parent company.

Net gain/loss on foreign exchange in the parent company comprises the net difference between the exchange rate stipulated in the respective forward contracts and the rate at which the receivables are bought, as well as any revaluation of monetary items at the closing rate.

Write-down of subsidiaries as at 31.12.2018
The fair value of the investment in Ekornes Singapore Pte Ltd has been measured at less than cost price. The investment has therefore been written down to NOK 1.00 as at 31 December 2018.

NOTE 5 Personnel expenses, number of employees, remuneration and pensions

(Figures in NOK 000)	2018	2017
Salaries	69 777	71 313
National insurance contributions	10 619	9 103
Pension costs	3 087	2 595
Other personnel expenses	2 219	2 358
Total	**85 702**	**85 369**
Average number of full-time equivalents	78	79

NOTE 6 Employee benefits

Pension liabilities and costs
A collective defined-contribution pension scheme has been established for company employees. The Company also has pensions expensed continuously plus an old early retirement scheme (AFP). The new AFP scheme is recognised as a defined-contribution plan.

The Company has elected to treat pension costs and liabilities in accordance with IAS 19.

Pensions cost (Figures in NOK 000)	2018	2017
Pension costs (defined contribution scheme)	3 087	2 595
Total	**3 087**	**2 595**

Mandatory occupational pension
Pursuant to the Norwegian Mandatory Occupational Pensions Act, the Company has a statutory duty to provide an occupational pension scheme. The Company's pension schemes comply with the terms of this legislation.

Board of Directors' declaration on the remuneration policy applying to senior executives
A major element of the remuneration policy established with respect to Ekornes AS and its subsidiaries is that executives should be offered competitive terms, with a salary comparable to similar positions in their national labour markets. The Company has established performance-related bonus schemes that form a major part of the overall compensation package offered to profit-centre managers. Salary and other remunerations are mainly adjusted in accordance with developments in salary/price levels in the country in which the position is located. In 2018, the remuneration paid to senior executives has complied with the declaration presented to the AGM in 2018. A new declaration will be presented at the AGM in 2019.

Special agreements:
The Group's related parties comprise members of the board and management, as well as companies controlled by members of the board and management or over which they have a significant influence.

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

Individual bonus agreements for 2018 have been entered into with three members of group management. 70 per cent of the bonus depends on the revenues and operating margin of the Group or individual segment, while 30 per cent depends on non-financial performance targets. CEO Olav Holst-Dyrnes has a separate bonus agreement, the terms of which are determined by the board. The bonuses payable to group management are included in salary in the table below.

With the understanding of the board of directors, board member Nils Gunnar Hjellegjerde, who has particular expertise in the area of product and market development in the furniture sector, acts as an hourly paid consultant to group management. Mr Hjellegjerde also has shares in Hove D.K. Co., Ltd. (Thailand), which supplies laminate products to Ekornes ASA's subsidiary IMG Group AS, of which he was the main shareholder until the company was sold to Ekornes ASA in 2014. The agreement in question is at market terms and based on the arm's length principle. No material transactions were undertaken with related parties during the period.

Bonus-based incentives
Employee bonuses
Employee bonuses are calculated as a percentage of monthly salary, depending on the adjusted operating margin recognised in the segment in which the individual is employed. The bonus scheme applies only to those who do not receive payments under a personal bonus agreement. The bonus is paid on a pro rata basis according to the number of months employed during the year. Only those employed as at 31 December 2018, as well as those retiring during 2018, are entitled to receive a bonus for 2018. For accounting purposes, the bonus is treated as a cash bonus.

(Continued on next page)

NOTE 6 Employee benefits (contd.)

Remuneration to members of Group Management in 2018

(Figures in NOK)	Olav Holst-Dyrnes	Trine-Marie Hagen	Øystein Vikingsen Fauske	James Tate
Salaries	4 256 277	2 499 591	2 051 851	2 199 971
Pension costs	77 022	77 022	77 022	41 042
Other remuneration	41 427	38 614	17 446	0
Total	**4 374 726**	**2 615 227**	**2 146 319**	**2 241 013**

Remuneration to Board Members in 2018

(Figures in NOK)	Nora Førisdal Larssen	Kjersti Kleven	Stian Ekornes	Lars Ivar Røiri	Tine Gottlob Kirstan Wollebekk
Salaries	0	0	0	0	0
Pension costs	0	0	0	0	0
Directors' fee	610 000	445 000	350 000	410 000	450 000
Other remuneration	0	0	0	0	0
Total	**610 000**	**445 000**	**350 000**	**410 000**	**450 000**

Remuneration to Board Members in 2018

(Figures in NOK)	Nils Gunnar Hjellegjerde	Tone Helen Hanken	Knut Ove Rygg	Arnstein Edgard Johannessen	Atle Berntzen
Salaries	0	349 903	970 347	433 232	523 251
Pension costs	0	15 312	58 260	16 068	23 316
Directors' fee	350 000	180 000	180 000	180 000	180 000
Other remuneration	2 478 226	3 065	18 460	8 503	13 605
Total	**2 828 226**	**548 280**	**1 227 067**	**637 803**	**740 172**

Godtgjørelse til konsernledelse i 2017

(Figures in NOK)	Olav Holst-Dyrnes	Trine-Marie Hagen	Øystein Vikingsen Fauske	James Tate*	Arve Ekornes**
Salaries	3 131 140	2 398 276	1 659 215	833 796	751 592
Pension costs	56 087	56 087	56 087	14 292	21 810
Other remuneration	33 654	197 289	16 531	0	14 845
Total	**3 220 881**	**2 651 652**	**1 731 833**	**848 088**	**788 247**

(Figures in NOK)	Ola Arne Ramstad**	Lars Wittemann**	Svein Lunde**	Runar Haugen**	Jon-Erlend Alstad**
Salaries	1 218 207	1 078 715	2 009 203	1 577 080	838 892
Pension costs	37 391	37 391	0	37 391	37 391
Other remuneration	15 165	10 836	154 316	15 263	8 273
Total	**1 270 763**	**1 126 942**	**2 163 519**	**1 629 734**	**884 556**

* Joined group management with effect from 1 September 2017. The remuneration stated in the table above applies to the period during which he has been a member of group management.
** A member of group management up until 1 September 2017. The remuneration stated in the table above applies to the period during which he was a member of group management.

Remuneration to Board Members in 2017

(Figures in NOK)	Nora Førisdal Larssen	Kjersti Kleven	Stian Ekornes	Lars Ivar Røiri	Tine Gottlob Kirstan Wollebekk	Nils Gunnar Hjellegjerde
Salaries	0	0	0	0	0	0
Pension costs		0	0	0	0	0
Directors' fee	606 000	390 500	318 000	374 000	225 000	43 750
Other remuneration	0	0	0	0	0	859 000
Total	**606 000**	**390 500**	**318 000**	**374 000**	**225 000**	**902 750**

(Figures in NOK)	Tone Helen Hanken	Knut Ove Rygg	Arnstein Edgard Johannessen	Atle Berntzen	Jarle Roth	Sveinung Utgård
Salaries	178 002	906 753	410 235	545 606	0	813 074
Pension costs	6 791	43 518	15 121	23 318	0	35 598
Directors' fee	130 000	97 500	65 000	105 625	143 000	65 000
Other remuneration	1 690	18 746	1 690	9 181	0	8 452
Total	**316 483**	**1 066 517**	**492 046**	**683 730**	**143 000**	**922 124**

Remuneration to the auditor (Figures in NOK 000)	2018	2017
Auditing services	2 205	2 307
Tax advisory services	406	575
Total	**2 611**	**2 882**

The auditor's fees are presented exclusive of VAT.

NOTE 7 Property plant and equipment

(Figures in NOK 000)	Software	Intangible assets	Sites, buildings	Operating movables, fixtures etc.	Total
Acquisition cost 31.12.2017	**243 851**	**12 877**	**1 099 011**	**14 691**	**1 370 431**
+ additions	22 591	0	6 613	584	29 788
- disposals at acquisition cost	8 268	0	0	2 042	10 310
Acquisition cost 31.12.2018	**258 175**	**12 877**	**1 105 624**	**13 234**	**1 389 910**
Accumulated dep. & write-downs 31.12.2017	**223 372**	**1 511**	**629 426**	**12 559**	**866 869**
+ the year's depreciations	9 074	1 418	36 387	1 178	48 057
- acc.dep sold non-curr. assets	8 268	0	0	2 033	10 301
Accumulated dep. & write-downs 31.12.2018	**224 178**	**2 929**	**665 814**	**11 704**	**904 625**
Book value 31.12.2018	**33 997**	**9 949**	**439 810**	**1 529**	**485 285**

Estimated useful lives are as follows:

- Buildings 25 - 50 years
- Machinery & equipment 5 - 12 years
- Operating movables and fixtures 2 - 10 years
- Capitalised licence expenses 5 years
- Software 3 years

Depreciation method, useful life and residual value are reassessed annually.

Write-downs

In June 2016, it was decided to amalgamate sofa production previously undertaken at both the Vestlandske (Sykkylven) and Hareid plants. Production would henceforth take place solely at the Vestlandske site and the Hareid plant would be closed. Following the amalgamation, Ekornes has no further need for the Hareid facility, and it was decided to sell it or lease it out. It was deemed unlikely that the property could be sold for a price equalling its book value. Based on management's best estimates with respect to the amount recoverable on the property, and a valuation from a real estate agent, the value of the property was written down by NOK 18 million in 2016. This estimate remains in effect in management's assessment as at 31 December 2018.

Sureties

No property, plant and equipment had been pledged as surety as at 31 December 2018.

NOTE 8 Intangible assets

Research and development costs totalling NOK 30 million were recognised in expenses in 2018 (NOK 37 million in 2017). The objective of the Stressless® segment's product development department is to design products and product concepts that stand out as the best in the market with respect to comfort, afford differentiating product benefits and help to reinforce the position of the Stressless® brand in the market.

Costs directly associated with the development of a fixed operating asset are included in the capitalised value of the asset if all the criteria for capitalisation have been met. Expenses that arise early in the project phase, as well as maintenance costs, are recognised in expenses as they arise. Capitalised development costs totalled NOK 19 million in 2018 (NOK 2.2 million in 2017).

NOTE 9 Shares in subsidiaries

Company (Figures in NOK 000)	Business office	Shareholding	Voting share	Book value
Directly owned				
J. E. Ekornes AS	Ikornnes	100 %	100 %	6 000
Ekornes Beds AS	Fetsund	100 %	100 %	9 425
Ekornes Skandinavia AS	Ikornnes	100 %	100 %	1 242
Ekornes Contract AS	Sykkylven	100 %	100 %	9 192
J. E. Ekornes ApS, Denmark	Odense	100 %	100 %	204
Ekornes K.K, Japan	Tokyo	100 %	100 %	2 680
OY Ekornes AB, Finland	Helsinki	100 %	100 %	69
Ekornes Inc., USA	Somerset, NJ	100 %	100 %	3 000
Ekornes Ltd., UK	London	100 %	100 %	225
Ekornes Möbelvertriebs GmbH, Germany	Hamburg	100 %	100 %	415
Ekornes S.A.R.L, France	Pau	100 %	100 %	550
Ekornes Iberica SL, Spain	Barcelona	100 %	100 %	79
Ekornes Singapore Pte Ltd., Singapore	Singapore	100 %	100 %	0
Ekornes Asia Pacifiec Co Ltd., Thailand	Bangkok	100 %	100 %	1 953
Ekornes Pty Ltd, Australia	Sydney	100 %	100 %	113
Ekornes China Co, Ltd., China	Shanghai	100 %	100 %	1 950
IMG Group AS	Sykkylven	100 %	100 %	105 060
Total directly owned				**142 157**

Write-down of subsidiaries as at 31.12.2018
The fair value of the investment in Ekornes Singapore Pte Ltd has been measured at less than cost price. The investment has therefore been written down to NOK 1.00 as at 31 December 2018.

Merger in 2019
In February 2019 is was decided that Ekornes Skandinavia AS and Ekornes Contract AS should merge. The merger will be undertaken such that Ekornes Skandinavia AS takes over the entire business operations, comprising assets, rights and liabilities, from its sister company Ekornes Contract AS. The merger will be undertaken with effect for accounting purposes from 1 January 2019. The purpose of the merger is to simplify the Group structure.

NOTE 10 Other investments

Investments as at 31.12.2018 (Figures in NOK 000)

Non-current assets	Share	Acquisition Cost	Book value
Investments in misc. companies		1 343	1 343
Total		**1 343**	**1 343**

Investments as at 31.12.2018 (Figures in NOK 000)

Non-current assets	Share	Acquisition Cost	Book value
Sykkylvsbrua AS	37,5 %	8 790	8 141
Investments in misc. companies		1 046	1 268
Total		**9 836**	**9 409**

Investment in Sykkylvsbrua AS
After the Sykkylvsbrua bridge was opened in October 2000, the Norwegian Public Roads Administration took it over and assumed responsibility for its maintenance and operations. The duties of the company Sykkylvsbrua AS are therefore limited to operating the toll collection system and following up loan agreements, including their maintenance and repayment. The practical operation of the toll station and management of the computer system have also been outsourced to an external service provider. The company has no employees. The Group therefore considers that it has no such influence as required under IAS 28 for Sykkylvsbrua AS to be treated as an associate. The collection of bridge tolls ceased in February 2018. The investment was repaid to Ekornes AS in its entirety in September 2018.

NOTE 11 Receivables falling due later than one year

(Figures in NOK 000)	2018	2017
Loans to group companies	7 905	14 578
Total	**7 905**	**14 578**

NOTE 12 Interest-bearing loans and credits

The Group regularly assesses its capital structure and risk profile. In 2017, the Group has refinanced its credit facilities and entered into a long-term loan agreement. No change in 2018.

Status at 31.12.2018 (Figures in NOK 000)	Credit ceiling	Amount drawn	Available
DNB	500 000	111 878	388 122
Sparebank Møre	250 000	0	250 000
Total	**750 000**	**111 878**	**638 122**

The credit facility is unsecured. As at 31 December 2018, the Group is not in violation of any of the terms associated with the credit facilities.

Long-term bank loan
Ekornes has a long-term borrowing agreement with DNB. The loan is unsecured. No instalments are payable before maturity. Interest expenses are paid quarterly. There were no amortised interest expenses as at 31 December 2018.

(Figures in NOK 000)	Maturing	At 31.12.2018	At 31.12.2017
DNB	September 2022	500 000	500 000

NOTE 13 Intra-group balances and accounts

The parent company has undertaken several different transactions with subsidiaries. All transactions are carried out as part of the Group's ordinary business activities and at arms' length prices.

The most important transactions undertaken between Ekornes AS and its subsidiaries are as follows:

Transactions with subsidiaries (Figures in NOK 000)	2018	2017
Purchases	2 188	16 303
Sale of services	170 305	176 165
Purchase of services	6 135	8 161
Dividend from subsidiaries	26 702	45 971
Group contributions received	314 106	307 951
Group contribution	14 299	0
Commission	0	6 692
Interest income	249	6 695
Rental income	53 750	53 750

Other intra-group balances are shown on a separate line in the balance sheet, with the exception of the following items, which are included in other receivables and other current liabilities.

Other receivables - including the following outstanding balances with subsidiaries	2018	2017
Short-term loans to subsidiaries	7 905	0
Current liabilities - including the following outstanding balances with subsidiaries		
Outstanding balances linked to the group account	38 110	0
Group contributions payable	14 299	0

NOTE 14 Tax and temporary differences

(Figures in NOK 000)	2018	2017
Tax payable:		
Earnings before tax	286 948	307 513
Permanent differences	-27 809	-44 987
Changes in temporary differences	12 354	-38 505
Group contribution paid	-14 299	0
Tax base for the year	**257 195**	**224 020**
Tax payable on the year's earnings	**59 155**	**53 765**
Tax expense		
Tax payable on profit for the year	62 482	53 765
Change in deferred tax assets	-1 883	10 076
Withholding tax	0	1 566
Total tax	**60 599**	**65 407**
Tax payable in the balance sheet		
Tax payable on profit for the year	-14 027	-17 102
Tax payable on group contributions paid	-3 289	0
Tax payable on group contributions received	72 244	70 829
Withholding tax	0	-38
Tax payable in the balance sheet	**54 928**	**53 727**
Temporary differences linked to:	**31.12.2018**	**31.12.2017**
Property, plant & equipment	-68 466	-63 399
Non-current receivables/liabilities in foreign currencies	4 226	17 219
Inventory	-4 444	-5 670
Profit & loss account	-488	-610
Provisions, etc.	-24 694	-29 077
Other differences	-1 966	-1 940
Total temporary differences	**-95 831**	**-83 476**
Basis for deferred tax	**-95 831**	**-83 476**
Deferred tax/ Deferred tax assets	**-21 083**	**-19 200**

Change in the tax rate in 2017
With effect from the 2019 financial year, the rate of corporation tax in Norway has decreased to 22 per cent. Deferred tax assets and liabilities for Norwegian companies as at 31 December 2018 were measured using the new tax rate. The effect of the change in the tax rate from 23 per cent to 22 per cent constitutes an additional NOK 0.8 million in the tax expense for 2018.

NOTE 15 Equity

(Figures in NOK 000)	Share capital	Treasury shares	Premium reserve	Other equity	Total
Equity 31.12.2016	**36 827**	**-4**	**388 304**	**43 668**	**468 795**
Profit for the year				242 106	242 106
Purchase of treasury shares		0		44	45
Allocated to dividend				-221 339	-221 339
Capital increase	66		5 572		5 639
Equity 31.12.2017	**36 893**	**-3**	**393 876**	**64 480**	**495 246**
Equity 31.12.2017	**36 893**	**-3**	**393 876**	**64 480**	**495 246**
Profit for the year				226 349	226 349
Purchase of treasury shares		3	76	379	458
Group contribution paid				-11 010	-11 010
Supplementary dividend				-30 000	-30 000
Allocated to dividend				-202 911	-202 911
Equity 31.12.2018	**36 893**	**0**	**393 952**	**47 287**	**478 132**

NOTE 16 Cash and cash equivalents as at 31.12

(Figures in NOK 000)	2018	2017
Cash and bank deposits	3 690	0

In the statement of cash flow, only cash and bank deposits are recognised as cash. As at 31 December 2018, NOK 3.7 million of the company's bank deposits are restricted to the payment of employee tax deductions (NOK 3.8 million as at 31 December 2017). The Group's Norwegian companies participate in a group account scheme, with the parent company Ekornes AS as the main account holder. All participants of the group account scheme are jointly and severally liable for the amount outstanding at any given time. The parent company has also entered into agreements with respect to credit facilities. See Note 12 for further details.

NOTE 17 Share capital, shareholders and dividends

	31.12.18	31.12.17
No. of shares each with a face value of NOK 1	36 892 989	36 892 989

All company shares have equal voting rights and an equal dividend entitlement.

Shareholders	No. of shareholders		% of share capital	
	31.12.18	31.12.17	31.12.18	31.12.17
Norwegian	1	2 500	100,0 %	48,1 %
Non-Norwegian	0	195	0,0 %	51,9 %
Total	**1**	**2 695**	**100 %**	**100,0 %**

As at 31 December 2018, the company's sole shareholder was

Shareholder	Country	No. of shares held	Percentage
Ekornes Holding AS	NOR	36 892 989	100,0 %

As at 31 December 2017, the company's 20 largest shareholders were

Shareholders	Country	No. of shares held	Percentage
NORDSTJERNAN AB	SWE	6 359 652	17.2%
FOLKETRYGDFONDET	NOR	3 871 183	10.5%
RBC INVESTOR SERVICE S/A IRISH AIF CL ACC	IRL	3 076 011	8.3%
ODIN NORGE	NOR	1 716 003	4.7%
PARETO AKSJE NORGE	NOR	1 399 428	3.8%
UNHJEM BERIT EKORNES	NOR	1 080 331	2.9%
MERTENS GUNNHILD EKORNES	NOR	1 080 050	2.9%
STATE STREET BANK AN S/A SSB CLIENT OMNI	USA	976 909	2.6%
STATE STREET BANK AN A/C CLIENT OMNIBUS F	USA	845 538	2.3%
NORDEA NORDIC SMALL	FIN	842 905	2.3%
CLEARSTREAM BANKING	LUX	587 944	1.6%
NGH INVEST AS	NOR	566 000	1.5%
HOLBERG NORDEN VERDIPAPIRFONDET	NOR	556 705	1.5%
FONDITA NORDIC MICRO SKANDINAVISKA ENSKIL	FIN	550 000	1.5%
HOLBERG NORGE VERDIPAPIRFONDET	NOR	550 000	1.5%
FIDELITY INT SMALL C BNY MELLON SA/NV	USA	547 199	1.5%
ARCTIC FUNDS PLC BNY MELLON SA/NV	IRL	516 154	1.4%
EKORNES TORILL ANNE	NOR	507 398	1.4%
EKORNES KJETIL	NOR	394 959	1.1%
FORSVARETS PERSONELL	NOR	348 000	0.9%
Total		**26 372 369**	**71.5%**

NOTE 17 Share capital, shareholders and dividends (contd.)

No. of shares owned by members of the board and management

Shareholder	Position	No. of shares held at 31.12.2018	No. of shares held at 31.12.2017
Stian Ekornes	Director	0	115 488
Lars I.Røiri	Director	0	3 300
Nils Gunnar Hjellegjerde	Director	0	566 000
Tone H.Hanken	Director	0	1 215
Knut Ove Rygg	Director	0	616
Olav Holst-Dyrnes	CEO	0	6 120
Trine-Marie Hagen	CFO	0	2 834
Øystein Fauske	CDO&CHRO	0	1 568
James Tate	President IMG	0	2 068
Ola Arne Ramstad	Production Director Stressless®	0	2 218
Lars Wittemann	Supply Chain Director Stressless®	0	3 411
Svein Lunde	International Marketing Director Stressless®	0	2 170
Arve Ekornes	Business development	0	1 651
Runar Haugen*	Marketing Director Stressless®	0	20

*Runar Haugen left Ekornes in September 2017.

Dividend 2017 (NOK)

There was in total decided for a dividens of NOK 6,81 per share for 2017. The company paid out an ordinary dividend of NOK 6.00 per share in May 2018. A general meeting of shareholders in December 2018 decided that a further NOK 30 million in dividends should be paid out. This corresponds to NOK 0.81 per share. NOK 15 million of the supplementary dividend was paid out in 2018, while the remaining NOK 15 million was paid out in March 2019.	251 315 988

Proposed dividend 2018 (NOK)

The board's proposal for a NOK 5.50 per share dividend will be put to the AGM for approval on 9 May 2019	202 911 440

Treasury shares

Purchase and disposal of treasury shares	No.	Consideration
Holding 31.12.2017	**3 299**	**334 640**
Sold in 2018	3 299	458 558
Holding 31.12.2018	**0**	**0**

Board authorisations in effect as at 31 December 2018:
No authorisations had been granted to the board.

NOTE 18 Subsequent events

No significant events have occurred between the balance sheet date and the date of publication of the financial statements which have materially affected the Group's financial position and which should have been reflected in the financial statements here presented.

To the General Meeting of Ekornes AS

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Ekornes AS, which comprise:

- The financial statements of the parent company Ekornes AS (the Company), which comprise the balance sheet as at 31 December 2018, the income statement and statement of cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The consolidated financial statements of Ekornes AS and its subsidiaries (the Group), which comprise the balance sheet as at 31 December 2018, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.
- The accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

PricewaterhouseCoopers AS, Sandviksbodene 2A, Postboks 3984 - Sandviken, NO-5835 Bergen
T: 02316, org. no.: 987 009 713 VAT, www.pwc.no
State authorised public accountants, members of The Norwegian Institute of Public Accountants, and authorised accounting firm

Independent Auditor's Report - Ekornes AS

Other information

Management is responsible for the other information. The other information comprises information in the annual report, except the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (Management) are responsible for the preparation in accordance with law and regulations, including fair presentation of the financial statements of the Company in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for the preparation and fair presentation of the consolidated financial statements of the Group in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements of the Company use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations. The consolidated financial statements of the Group use the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

For further description of Auditor's Responsibilities for the Audit of the Financial Statements reference is made to https://revisorforeningen.no/revisjonsberetninger

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report concerning the financial statements, the going concern assumption and the proposed allocation of the result is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements *(ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the Company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Bergen, 9. april 2019
PricewaterhouseCoopers AS

Fredrik Gabrielsen
State Authorised Public Accountant

Note: This translation from Norwegian has been prepared for information purposes only.

History

HISTORY

1934 Production started at the J.E. Ekornes Fjærfabrikk in 1934, with three employees and German machinery. The Sunnmøre furniture industry had just started up and it was here that the founder, Jens E. Ekornes, found his first customers.

1937 The first Svane® mattresses were launched in three versions – Eva, Ideal and Rekord.

1948 The Swingbed was, for a time, one of Norway's best-selling beds. The "amazing sofa bed" was launched. Jens E. Ekornes supplies mattress springs to customers on the opposite side of the fjord.

1955 Mattress production is expanded.

1959 J.E. Ekornes Fabrikker AS begins production of foam rubber. This forms a very important part of the manufacturing process of Ekornes' own mattresses and furniture, although foam rubber is also produced for sale to other furniture manufacturers.

1963 The Combina series was launched in Germany, creating awareness of the potential in the German market. The Combina series, which had been developed three years earlier, became a solid success.

1966 Ekornes was the first furniture manufacturer in Norway to begin distributing product information to every household in Norway, known as "Svane® Information". Its success was followed up with annual direct mail from Ekornes for many years.

1971 The first Stressless® chairs were launched in the Norwegian market.

1972 Ekornes multiplied its production during the decade, thanks to the incorporation of, and collaboration with, other furniture manufacturers.

1975 Ekornes' Group turnover exceeds NOK 100 million.

1980 The Stressless® series' turnover exceeds NOK 100 million. Stressless® is introduced with a wooden base.

1983 Export exceeds NOK 100 million, and Stressless® no. 500,000 is produced. Conditions are now right to establish the sales company Ekornes Ltd. in England. The company's progress in the export market attracts attention, and Ekornes is awarded the 1983 Export Award.

1991 The Plus™ system is developed, patented and introduced on the Stressless® models.

1993 The DuoSystem® is launched. Customers can choose between a firmer or softer mattress simply by turning over the mattress – a competitive advantage unique to the Svane® mattress.

1995 Ekornes is listed on Oslo Stock Exchange.

1996 Ekornes takes over operation of Utgård Mestermøbler AS, Hareid.

1997 Ekornes acquires the company AS Vestlandske Møbler in Sykkylven. Ekornes passes NOK 1 billion in sales revenues.

2000 Construction starts on Ekornes' new Stressless® factory. The factory will provide increased capacity for further growth.


1930s


1940s


1950s


1960s

2001 Ekornes introduces a wider product range in the international markets. There are now 1,500 Ekornes® studios worldwide. Stressless® breaks the 1,000 unit production per day barrier. Ekornes opens new showrooms in Ålesund, at the Ekornes Bua.

2003 Sales revenues pass NOK 2 billion. Ekornes acquires the company Johan P. Tynes AS, which has been a supplier to Ekornes for many years.

2004 Launch of the Svane® Zenit mattress with IntelliGel®. Official opening of the new Stressless® plant in Sykkylven. Trade press names Ekornes "Industrial Company of the Year". Market survey shows that 36 million people in Europe and the USA recognise the Stressless® brand name.

2005 Ekornes is mentioned in Report No. 25 to the Storting on regional policy. Ekornes is pointed to as an example of Norwegian competence, technology and design succeeding in export markets.

2007 Expansion of the factory at Tynes in Sykkylven gets underway. The new deepwater dock at the Ikornnes factory goes into operation.

2008 Stressless® Jazz won the Norwegian Award for Design Excellence. Production starts at the upgraded and extended plant at Tynes in Sykkylven. Jens Petter Ekornes, former Managing Director, board member and CEO, passed away on 22 June 2008, after battling a long-term lung disease

2009 Ekornes decides to close its sofa factory at Stranda. The Ekornes Group celebrates its 75th anniversary. The jubilee was marked by an open air concert in Sykkylven centre, and a jubilee book "Fra springfjær til Stressless®" (From Mattress Springs to Stressless®) by the historian Eldar Høidal. On 1 July 2009, a planned change of management took place in Ekornes, when Nils-Fredrik Drabløs handed the rudder to Øvind Tørlen. Nils-Fredrik Drabløs had requested to be relieved of his role. Ekornes aims to operate its business with an expressed corporate social responsibility and has therefore joined the UN Global Compact. At the Ålesund autumn exhibition, Ekornes launched its new enhanced sitting comfort system, the ErgoAdapt™.

2010 Olav Kjell Holtan wins Norway's Chairperson of the Year award for 2010. Ekornes was a double prizewinner when the British interior design magazine, Interiors Monthly, announced its annual industry awards. Ekornes won the "Best Overseas Furniture Manufacturer" award and the award for "Best Marketing Support". Ekornes won its third Stockman Prize, in the category for small to medium-sized companies. Over 90 per cent of the Norwegian population recognises the Svane® and Stressless® brand names. According to a recent market survey carried out by Synovate on behalf of Ekornes, the three brands Ekornes®, Stressless® and Svane® are the most wellrecognised of all furniture manufacturers.

2011 In 2011, it is 40 years since the world's most well-known furniture brand saw the light of day. Since its introduction in 1971, over 6.5 million Stressle seat-units have been sold, and Stressless has been registered as a brand in over 60 countries. Around 2,500 distributors sell Stressless furniture around the world. In March, Ekornes puts the world's first robot capable of stitching elastic materials into operation. J.E. Ekornes AS opens a sofa factory in the USA, J.E. Ekornes USA, Inc, in Morganton, North Carolina.

2012 In 2012, it is 75 years since the first Svane mattresses appeared on the market. Svane was the Norwegian furniture industry's first brand name. The factory at Fetsund celebrates its 50th anniversary. Øyvind Tørlen steps down as Ekornes's CEO. Nils-Fredrik Drabløs is appointed as his successor. Ekornes becomes Norway's most highly automated company, with the installation of industrial robot no. 100. Robots now make up 10 per cent of the workforce in Norway.

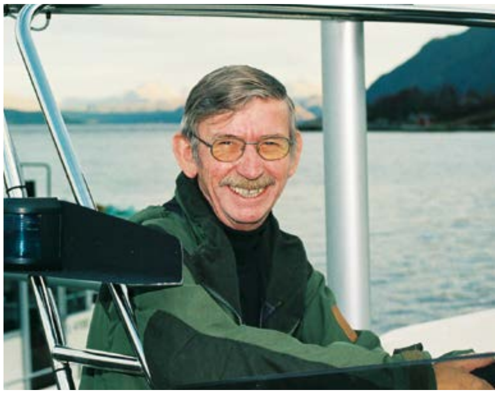
2013 The Stressless® City and Stressless® Metro are launched. These models have a completely new design, with steel/aluminium bases. For the fifth year running Ekornes UK wins the 'Best Marketing Support' award in 2013. It is also named 'Best Recliner Manufacturer'.

Contd. next page

1970s

1980s

1990s



2000s

HISTORY (continued)

2014 Board Chair Olav Kjell Holtan dies suddenly on 4 March while on a business trip for Ekornes. Holtan had chaired Ekornes ASA's board of directors since 1990. At the AGM Kjersti Kleven is elected as the new Board Chair. Olav Holst-Dyrnes is appointed as the new CEO at Ekornes. Ekornes acquires the furniture producer IMG. Stressless® launches a host of new products in the autumn of 2014. Among the innovations is the BalanceAdapt™ system, which allows the chair's back and seat to adjust automatically as the user's position changes

2015 The Group turnover exceeds NOK 3 billion. IMG's sales office in the USA is acquired and incorporated into the Group with effect from 1 January. Ekornes China, which will build up distribution for Stressless® in China, is established in April. IMG launches its new Regal product line during the spring.Ekornes wins the NFA Award for 2014. Ekornes is named "Brand-Builder of the Year 2015". Ekornes initiates a cost-cutting programme in August. At the annual furniture fair for Scandinavian distributors, Ekornes shows off a substantially expanded product range, with greater flexibility and freedom of choice in the collection. At the same time, a number of new products, including the new LegComfort™ function (integrated footrest), are unveiled. The main Stressless® collection is divided into two equal parts. The six Stressless® factories and Ekornes's product development department are certified in accordance with ISO 9001 and 14001.

2016 Nora Förisdal Larssen is elected as Ekornes ASA's new chair at the AGM in May. Ekornes amalgamates production at its Hareid and Vestlandske factories, co-locating sofa production in Sykkylven. The new unit is given the name J.E. Ekornes AS, Dept. Aure. The Stressless YOU James is voted Product of the Year in the chair category by readers of the popular German interior design magazine Wohnidee.

2017 In January, Stressless® returns to the IMM International Interiors exhibition in Cologne, Germany, for the first time since 2009. IMG also takes part in this exhibition for the first time, and Svane® has its own stand. During the spring, Ekornes initiates a wide-ranging eCommerce project for Stressless®, in response to consumers' increasing digitalisation. In April, the board of Ekornes ASA proposes changes to its capital structure and dividend policy. A total of NOK 25 per share is paid out in dividends through the year. In addition to the dividend payout, the share rises in value by NOK 12 from the start of 2017 to its close.

The unique sewing robot that was installed in the sewing department at the Ikornnes facility in 2015 passes a major milestone in April: 100,000 pieces sewn. This corresponds to the covers on approx. 6,000 Stressless® chairs.
In June, the Group stages a capital markets day, which includes presentations of its updated financial targets.
James Tate takes over as president of IMG in July.

Ekornes establishes an overarching management structure encompassing the three business areas Stressless®, IMG and Svane®. Following the change in September, group management comprises Olav Holst Dyrnes (CEO), Trine-Marie Hagen (CFO), James Tate (President IMG) and Øystein Vikingsen Fauske (CHRO and CDO).
The new structure establishes a clearer distinction between group management functions and the operational management of the various business areas.
In November, the Stressless range is expanded to include a new product concept: Stressless® Dining. These functional dining chairs, which adapt to the user's sitting position, prompt a great deal of positive attention.

The Svane® brand celebrates its 80th anniversary in 2017. It currently has a 52 per cent unassisted recognition rate in Norway. The Stressless® Crown chair receives the Consumer's Digest "Best Buy" award. This is the second time that Stressless® is highlighted as a "Best Buy" by the American magazine. Stressless® comes out on top in the upholstered furniture category in the "Freundin Markedliebling 2017/2018" survey of brand favourites. Freundin is a German popular magazine, with around 1.9 million readers.


2013


2014


2015


2016

2018 On 31 January, the entire Sykkylven district celebrates the removal of road toll collection installations on the Sykkylven Bridge. The collection period was supposed to last until the end of the year, but was shortened when the three largest shareholders in the company that owns the bridge (Sykkylven District Council, Ekornes ASA and Sparebanken Møre) and all the shareholders in Brufinans AS agreed to waive a price compensation totalling NOK 9.7 million.

The new www.stressless.com <http://www.stressless.com> website is rolled out in several European markets during the year. A dedicated eCommerce department for Stressless® is created. The eCommerce department will be responsible for strengthening the company's dialogue with end-users, through greater insight in customers' buying processes and direct digital communications. The stressless@home app is launched. With the help of the app's augmented reality (AR) technology, you can design your own Stressless® chair and see what it would look like in your own living room.

In competition with 27 other upholstered furniture manufacturers, Stressless® comes in first place in the large-scale German consumer survey, carried out by Deutsches Institut für Service-Qualität and the news channel n-tv. The survey asks which brands, companies and service providers consumers prefer, and publishes a ranking based on the replies of around 60,000 customers.

In April, IMG lays the foundation stone for its new factory in Lithuania. The building will be a production and distribution centre for IMG products destined for the European market.

In May, Signature base no. 150,000 was produced at the Stressless® factory in Tynes. The Signature base was first introduced in October 2014.

On 23 May it is announced that a group of Chinese investors led by Qumei Home Furnishings Group Co Ltd had made an offer to buy the company's shares. Ekornes's board of directors recommends the bid. Qumei is a leading Chinese furniture group, which develops, manufactures and sells quality home furnishings and accessories. Qumei was listed on the Shanghai Stock Exchange in 2015. Qumei's founder, Ruihai Zhao and his family are the company's principal shareholders. The company has over 850 stores and production in China. The acquisition is in line with Qumei's strategy, and is the first step in the company's international expansion. At the close of the offer period, Qumei has acquired 98.3 per cent of the company's shares. It is clear it will gain full control of Ekornes. The remaining shares are acquired through a compulsory buyout. Ekornes ASA asks to be delisted from the Oslo Stock Exchange and is told that it will be delisted with effect from Tuesday, 2 October. The Group's last day as a listed company is Monday, 1 October. Ekornes ASA becomes Ekornes AS.

In December, IMG's products make their first appearance in Qumei's stores in the Beijing area.

A new vision and updated values are presented to Ekornes's employees. The process of developing the company's vision and values started in the spring of 2017, and many people in the organisation have taken part. Emphasis has been placed on involving employees in all the business areas (Stressless®, Svane® and IMG) in order to come up with a vision and values that everyone can buy into.

Vision: We improve everyday living

Values: Honest, authentic, enthusiastic, adaptable

2017

2018

2018

EKORNES AS,
Industrivegen 1, N-6222 Ikornnes, Norway
E-mail: office@ekornes.no, www.ekornes.com
Tel. +47 70 25 52 00
Foretaksregisteret NO 964 976 430 MVA