EKORNES®

Annual report
Ekornes 2017

Stressless®

IMG® NORWAY

svane®

Stressless® Chilli high D100 dining chairs, shown in Calido light grey/Walnut. **Stressless® Madeira T200** table, shown in Walnut.

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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. Production takes place at the Group's nine factories, five of which are in Norway, one in the USA, one in Thailand and two in Vietnam. 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 ASA is the Group's parent company. 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 105–109 in this annual report.

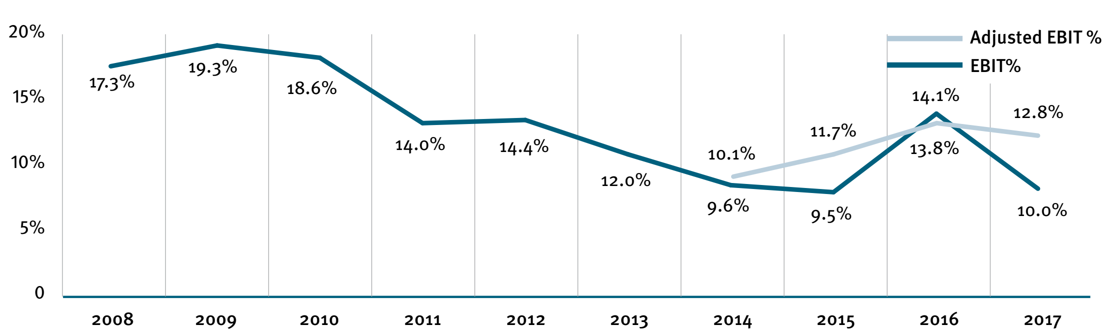
Key figures		2017	2016	2015	2014	2013
Gross operating revenues (consolidated)	NOK million	3 078.9	3 143.4	3 171.8	2 689.3	2 611.3
Operating earnings	NOK million	309.4	444.3	301.3	266.0	312.9
Earnings before tax	NOK million	288.9	446.1	278.2	248.8	334.0
Net profit for the year	NOK million	200.5	320.3	184.1	160,5	222.3
Investments (net)	NOK million	238.1	49.7	117.8	496.1	148.1
Depreciation and write downs	NOK million	120.4	160.4	146.7	132.6	133.8
Equity ratio	%	47.3%	70.1%	52.3%	56.9%	79.3%
No. of employees	#	2 140	2 146	2 324	2 388	1 576
No. of shareholders	#	2 695	2 348	2 405	2 516	2 359
Earnings per share	NOK	5.43	8.70	5.00	4.36	6.04
Dividend per share	NOK	6.00	25.00	4.00	4.00	5.50
Dividend ratio	%	110.4%	287.4%	80.0%	91.7%	91.1%
Share price 31.12	NOK	118.50	106.50	99.50	95.00	82.25
Market capitalisation 31.12	NOK million	4 371.8	3 922.0	3 664.3	3 498.5	3 029.0

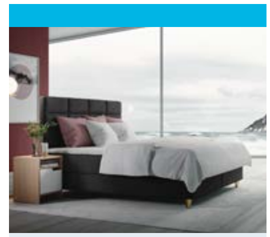
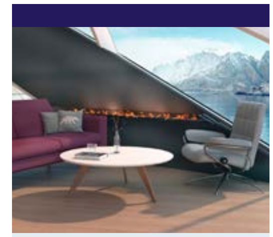
Revenues in NOK million: **3 078.9**

EBIT margin: **10.0%**

Earnings per share in NOK: **5.43**

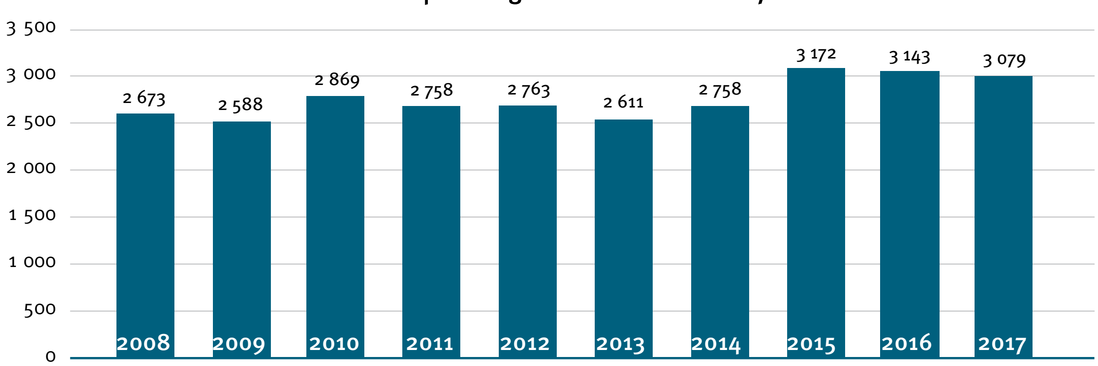
EBIT-margin and Adjusted EBIT-margin



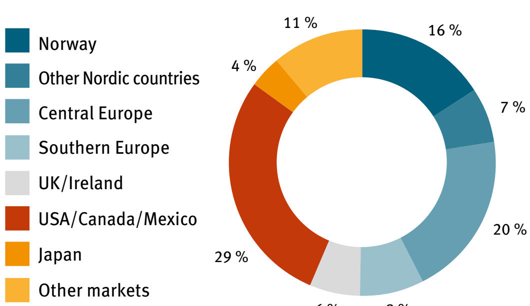
Stressless®	IMG	Svane®	Ekornes® Contract
			
Gross operating revenues in NOK mill.	Gross operating revenues in NOK mill.	Gross operating revenues in NOK mill.	Gross operating revenues in NOK mill.
2 292.9	478.6	255.2	52.2
EBIT in NOK mill.	EBIT in NOK mill.	EBIT in NOK mill.	EBIT in NOK mill.
185.0	136.4	-12.6	0.5
No. of employees	No. of employees	No. of employees	No. of employees
1 305	743	84	8

Figures in NOK mill.

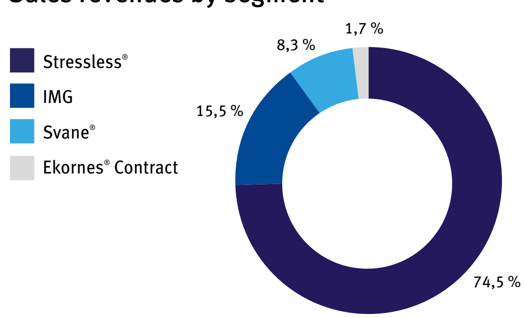
Gross operating revenues 2008-2017



Sales revenues by market



Sales revenues by segment



EKORNES

SALES COMPANIES

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

Director, Sweden: Johannes Liivrand

J.E. Ekornes Aps
Director: Denmark: 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.
(Kina, 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 ASA
Marketing Director: Marianne Strand

EKORNES CONTRACT AS
Managing Director: John Terje Drege

EKORNES BEDS AS
Managing Director: Jafar Zareen

EKORNES BEDS GMBH
Managing Director: Jafar Zareen

IMG SKANDINAVIA AS
Managing Director: Renate Karlsen

IMG USA Inc.
Managing Director: Peter Bjerregaard

IMG AUSTRALIA PTY LTD
Managing Director: Sam Joukadjian

IMG NEW ZEALAND LTD
Managing Director: Brian Preston

IMGC PTY LTD
Managing Director: Jacques Chan Chin

FABRIKKER

J.E. EKORNES AS
Production Director: Ola Arne Ramstad

AVD. AURE
Factory Manager: Ole André Småge

AVD. TYNES
Factory Manager: Per Jarle Tynes

AVD. GRODÅS
Factory Manager: Knut Ove Rygg

EKORNES BEDS AS
Managing Director: Jafar Zareen

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
avd. Grodås
Ekornes Beds AS
Fetsund
IMG
Vietnam
IMG
Thailand
Sales companies
Factories

TO OUR SHAREHOLDERS

Jens E. Ekornes, who founded the company in 1934, was always at the forefront when it came to adopting the latest technology. He travelled far and wide to learn from others, then took his new-found knowledge back to share with his employees. He remained curious and thirsty for new ideas that could help to further develop the company. Although Ekornes's business idea is still the development, manufacture and sale of furniture, things have changed enormously since its foundation. New technology and new competence have helped turn Ekornes into the global enterprise it is today.

Digitalisation progressing fast

The term "digitalisation" has become part of everyday speech. In many areas, Ekornes has been at the forefront with regards to digitalisation, too. Yet although our Stressless® production in Norway is highly automated, and makes extensive use of industrial robots, I believe there are still benefits to be gained through the further digitalisation of our manufacturing processes.

However, I also believe the biggest benefits of digitalisation are to be found on the sales side. The customer's entire journey, from the moment she first becomes interested in a product until it has been bought and paid for, is changing radically as a result of digitalisation. The first thing many people do now, when they are looking to buy a new piece of furniture, is to scour the internet. Online sales of furniture are rising sharply. New players have entered the market, and existing players are evaluating new business models to adapt to this new reality.

In 2017, we embarked on a project to establish a new digital platform that will allow us to better showcase our Stressless® products online, either through our own or our distributors' websites, or via online-only stores. The platform will also enable us to sell our products online. Investments are being made to digitalise the customer's buying journey in the IMG and Svane® segments, too. Our business model is to sell our products through selected distributors in more than 40 countries. By establishing a stronger digital platform, we will be better equipped to support our distributors as they sell our furniture. At the same time, we are strengthening our own ability to communicate directly with the final consumer and gain new insights into their needs. This insight is crucial if we are to deliver the products that will be in demand in the future.

Value creation for shareholders

All in all, 2017 was a good year for the Ekornes Group. Together with our distributors, and their more than 4,000 retail outlets around the world, we have satisfied a substantial number of people's desire for high-quality, comfortable furniture. In 2017, we sold around NOK 3.1 billion worth of products, from which we made over NOK 400 million in adjusted operating earnings. And we continued to generate a substantial cash flow through the year – a good measure of a company's financial sustainability.

In 2017, our share price rose by 11.3 per cent, from NOK 106.50 per share at the start of the year, to NOK 118.50 per share at its close. During the year, an ordinary dividend of NOK 6.00 per share was paid out, as well as a supplementary dividend of NOK 19.00 per share, bringing the total dividend paid out for 2016 to NOK 25.00 per share.

Clear plans for growth and profitability

Nevertheless, we are still not satisfied with the Group's performance. We have not managed to create growth in the Stressless® segment. And although IMG boosted sales and achieved good profitability, our ambition for growth is higher. 2017 was another challenging year for the Svane® segment, which made an operating loss. Our objectives, which we presented in detail at our capital markets day in June 2017, remain in effect and our plans are clear.

To realise Ekornes's long-term ambition to increase revenue by 3–5 per cent annually, we are concentrating in the near term on expanding the range of Stressless® products we can offer customers through more product development, and on expanding IMG's distribution network in both existing and new markets. At the same time, we must ensure the cost-effectiveness that will give us the flexibility and resources we need to grow.

The priority in the Svane® segment is to gain control of costs and work systematically to boost sales revenues through close cooperation with our distribution network.

Looking ahead, our aim is to achieve an operating margin of 16–18 per cent. We have extremely efficient factories with available capacity. Increased sales means increased volumes and higher profitability. We will also be more cost effective, not least through the continued optimisation of our manufacturing and logistics processes.

The journey continues

We aim to meet our final customers' needs in an even better way than today, thereby creating a foundation for growth and greater profitability. For that reason, we have implemented a number of structural changes in recent years. These changes, allied with our market position and continued investments in growth-enhancing measures going forward, mean that we are ready to embark on the next leg of the journey we started several years ago. A journey we will take together: the company's board, management and, not least, all our highly competent employees around the world.

We continue this journey in the spirit of our founder, Jens E. Ekornes, by being curious and open and swift to spot new opportunities, so that we can continue to create value for our shareholders, employees and society at large in 2018 as well.

Olav Holst-Dyrnes
CEO Ekornes

GROUP MANAGEMENT

OLAV HOLST-DYRNES (1970)
CEO

Education: A 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.

No. of shares: 6,120

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.

No. of shares: 2,834

ØYSTEIN VIKINGSEN FAUSKE (1978)
Director for 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

No. of shares: 1,568

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.

No. of shares: 2,068

“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	1 305	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.

Sales revenues in 2017 were slightly down on the year before. This trend is not satisfactory, and the company has implemented several initiatives to boost growth. These include the allocation of even greater resources to product development.

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.

To promote growth, Ekornes adopted a new market and customer strategy in 2015. This strategy continued to be pursued in 2017.

To expand the segment's customer base, it was decided to increase the number of sales outlets in the company's main markets. In addition to new distributors in new regions, two equal, but different Stressless® collections were launched to increase the distributor density in areas where Stressless® already had a presence, without abandoning the principle of selective distribution. At the close of 2017, there were more Stressless® distributors than the year before. The implementation of two equal, but different Stressless® collections has been a success in certain markets, including Norway and the UK.

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. Further development of the company's digital marketing and communications capabilities will continue to have a high priority going forward. This has, for example, led Ekornes to gain control of the top domain www.stressless.com.

J.E. EKORNES AS

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

Dept. Aure (Sykkylven)
Produces Stressless® and Ekornes® Collection sofas.

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 2018 **Stressless® Aura Signature** shown in Paloma Copper.

NEW 2018 **Stressless® Sky Signature** shown in Paloma Crystal Blue.

Revenues in NOK mill.	Share of Group revenue in %	Sales outside Norway in %
2 292.9	74.5	91.9

Stressless® Chilli High D200 dining chairs, shown in Paloma Taupe/Walnut. **Stressless® Madeira T100** table, shown in Walnut.

Stressless® Aurora sofa, shown in Paloma Copper. **Stressless® Style** table.

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. Several important initiatives were launched in 2017, as part of the company's ongoing efforts to generate new growth. One such initiative, the brand-new Stressless® Dining concept, was launched at the annual IMM international interiors show in Cologne, Germany, in January 2018. 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.

In addition, two new Stressless® chairs and two new design-matching Stressless® sofas were also launched.

As part of our objective of always having an optimal product portfolio, as well as building a strong and engaging global brand, the product development and marketing departments were merged under joint leadership in the latter part of 2017.

Markets

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

The Norwegian furniture market grew slightly through the year. Stressless® sales have been satisfactory, rising 4 per cent from 2016 to 2017.

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.

At the close of 2017, sales of Stressless® in Sweden were down by around 15 per cent compared with the year before.

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

The Danish economy is picking up. This is also reflected to some extent in the furniture market, which had grown by 4 per cent at the end of October.

At the close of 2017, Stressless® sales were down by 12 per cent compared with the year before. The decrease derives primarily from the larger chains, which are currently engaged in a restructuring process. Sales through other Stressless® distributors in Denmark are progressing well.

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

Although the overall economic situation in Finland is good, sales of furniture, particularly at the higher end of the price scale, decreased. Some retailers and chains have reported a significant decline compared with the year before.

At the close of 2017, Stressless® sales were down by 19 per cent compared with the year before.

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.

The latest official statistics show a negative trend in the German furniture market. It seems as though the low-price segment is gaining ground, while developments in the mid-range and high-end portions of the market have been poor.

At the close of 2017, Stressless® sales were 9 per cent lower than in the year before. The decrease came primarily in the sofa segment. Sales of chairs held relatively steady through the year.

SOUTHERN EUROPE 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 position of the Stressless® brand in Southern Europe remains weakened. At the close of 2017, overall sales in this market were down by a total of 19 per cent compared with 2016.

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. Through the year, Stressless® expanded its distribution network, which boosted its results, despite the weak market.

Sales of Stressless® in 2017, were around 5 per cent higher than the year before.

USA Ekornes has distribution agreements with both independent retailers and several regional furniture chains of varying sizes.

The US furniture market grew through the year. Stressless® made good progress, with sales rising 6.7 per cent.

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.

Some indicators are showing a positive trend in Japan, after many years of economic stagnation. The overall furniture market in Japan has been weak since the introduction of VAT at the start of 2014. Both the number of furniture stores and the proportion of imported furniture has been falling steadily.

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. Overall, Stressless® sales have grown slightly in 2017, with the latter part of the year being stronger than the start. The general economic situation in the region is stable. Demand for high-end furniture remains unchanged.

OTHER ASIA (South Korea, China/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 making good progress. The other markets in Asia held steady compared with the year before.

Changes have been made in the operational model in Asia, with a centralisation of administrative functions and the establishment of a larger central warehouse in the region.

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.

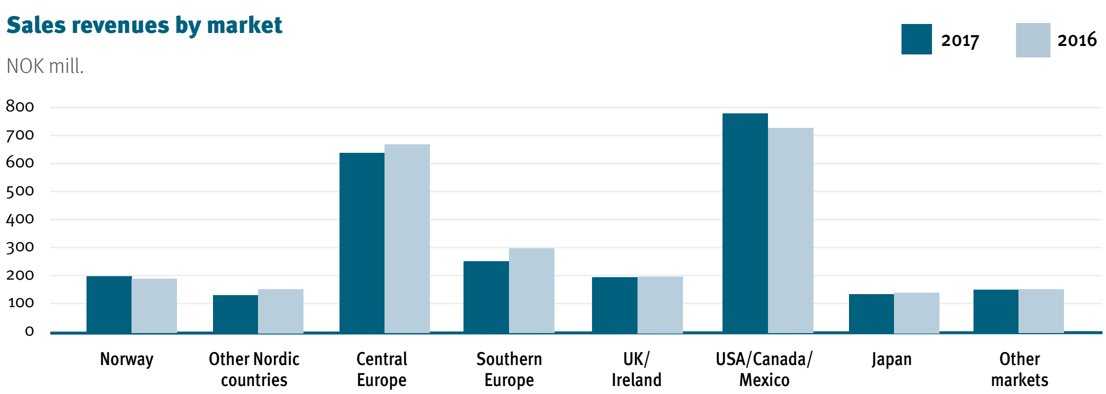
The Morganton facility in the USA undertakes sewing operations and the assembly of sofas for the American market based on components made at the Norwegian plants. The US facility was established to offer shorter lead times for Stressless®sofas to the distribution network in the USA.

Ekornes's production philosophy is based on LEAN thinking and continuous improvement. During the year, a large number of improvement measures of all sizes were implemented. For example, the cutting of leather and textiles has been centralised at one facility at Ikornnes. This enables materials to be used more efficiently and cuts waste. At the Aure facility, line production has replaced unit production, improving the work flow and efficiency at the plant.

At the close of 2017, the nominal production capacity for the Stressless® segment was 1,600 seat units per day. However, actual capacity varies depending on the product mix. In 2017, output averaged 1,562 seat units per day of production.

Sales revenues by market

NOK mill.



IMG

Start-up	Employees	Factories
2006	743	3

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 in over the next five years. In 2017 revenues rose by 5.8 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 and Germany.

A new manufacturing site is under establishment in Lithuania. This will significantly increase the competitiveness in Europe through shorter lead-times on a wider, more flexible product portfolio. The building of the factory starts in 2018, and will be completed in mid-2019.

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. Based on IMGs market share in these markets we expect a more moderate growth going forward.

USA/CANADA Consumer confidence in the US is strong and the furniture market is growing steadily. In 2017 it has been a high priority to develop distribution towards bringing on more major players in the furniture market. With the operational changes made in 2016 and 2017, together with a product portfolio well suited for the US market, IMG has a strong platform for growth in the years to come.

IMG Thailand

Produces armchairs with laminated wood features

IMG Vietnam (1)

Produces armchairs and sofas with footstools

IMG Vietnam (2)

Produces wood components, steel parts and mechanisms

Codi 3500

Narvik 3-seter Duo

Space

Revenues in NOK mill.	Share of Group revenue in %	Sales outside Norway in %
478.6	15.5	83.9

All sales in Canada are via direct containers from the Asian factories. This market has, with a weak Canadian dollar and low oil prices, been challenging over the last few years. An improving economy in 2017 along with a strengthening Canadian dollar has boosted the furniture sector. In combination with an improved sales network this has given good development in 2017 and the outlook for 2018 is positive.

NORWAY/SCANDINAVIA The market conditions in the Scandinavian region have been challenging throughout 2017. These markets face a strong price pressure from retailers with several other manufacturers having shorter lead times than IMG.

ASIA In the Asian market IMG finished 2017 behind expectations, but with some good traction in Northern Asia for the beginning of 2018. In fourth quarter 2017 the first delivery to Japan was made.

CENTRAL EUROPE Performance in Central-Europe has been below expectations with steps being taken to increase the competitive position in the market. IMG commenced operation of a European warehouse in Poland in the second quarter of 2017. In 2019 the new production facility in Lithuania will give shorter lead times and a broader available product portfolio.

UK As a newly established market results from the UK have been limited but key distribution agreements have been reached and the outlook for the market is positive into 2018. The product portfolio is especially attractive to the UK consumer and this has allowed the UK business to commence as a direct container market.

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.

Reclining chairs and sofas with integrated footstools and fixed-back sofas are manufactured at the two factories in Vietnam, while the factory in Thailand mainly manufactures Nordic-style recliners.

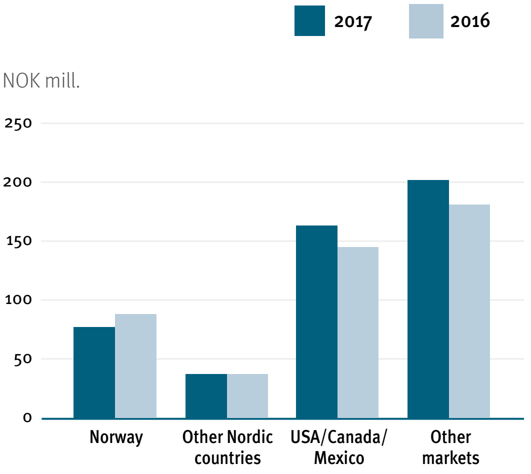
The base capacity in the factories is higher than what is utilized in 2017. Increased output will require more employees, but limited investments.

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.

Scandi 1000

Sales revenues by market



SVANE®

Start-up
1937

Employees
84

Factories
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. In 2017, Ekornes Beds continued its efforts to restructure its value chain and develop a differentiated brand position. Efforts to develop new products and streamline the portfolio on the basis of a few standard platforms continued through the year. A chain-specific collection was also introduced in 2017. Although the restructuring efforts implemented over the past few years have resulted in major improvements, the segment is still not profitable.

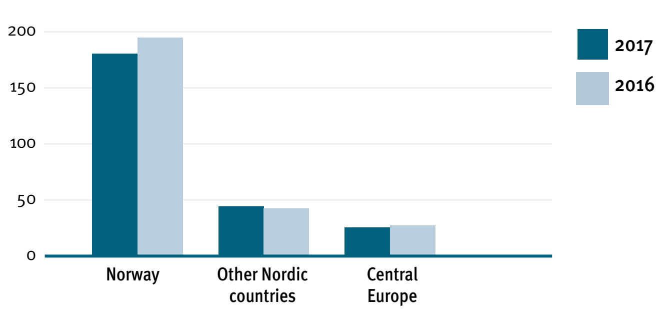
Production The factory has been substantially modified. Today, it engages principally in assembly and warehousing. However, there is still some in-house production, such as IntelliGel®, foamed plastic and some wooden frames. The factory is equipped for the rational manufacture of large production runs.

Product development In line with the company's strategy, product development work continued to have a high priority in 2017. A new bed category, the Base Bed, was introduced during the year. This covers a segment between divans and bed-frame mattresses. A product especially adapted to the German/Swiss market was also developed. This product went on sale in stores in the second quarter 2017.

Markets The market for beds and mattresses continues to be characterised by fierce price competition. Sales in 2017 were down on 2016, though developments in the different markets varied. In Norway, which is the largest market by far for Svane®, sales revenues decreased, as they did in Sweden, Germany and Switzerland as well. However, sales rose in Finland and Denmark.

Sales revenues by market

NOK mill.



Svane® Zense continental bed premium

Svane® Zense adjustable bed premium

Revenues in NOK mill.	Share of Group revenue in %	Sales outside Norway in %
255.2	8.3	27.6

EKORNES CONTRACT

Start-up	Employees	
1989	8	**EKORNES CONTRACT AS** **Sykkylven**

Share of Group revenue in %	Revenues in NOK mill.	Sales outside Norway in %
1.7	52.2	11.7

From offices in Sykkylven, Ekornes® Contract focuses primarily on the shipping/offshore market and the hotel markets. It also supplies the Norwegian office furniture market.

Shipping/Offshore Market Sales in the shipping/offshore segment fell by 34 per cent compared with 2017, due to challenging market conditions. However, despite lower deliveries to offshore customers, there was growth in other parts of the market, such as large fishing vessels.

Hotel Market Hotels have become increasingly interested in furnishing their guest rooms with Stressless® chairs in 2017. The potential in this market will therefore probably rise going forward. Sales in 2017 were more than twice what they were in 2016.

Office Furniture Market Despite substantial competition in this market, developments during the year were strong. Sales in 2017 were 25 per cent higher than in 2016.

"Ekornes sees good corporate governance as involving candid, substantive and responsible dialogue and interaction between shareholders, the board of directors and the company's management, based on a long-term perspective and with value creation as its aim.

CORPORATE GOVERNANCE

Ekornes sees good corporate governance as involving candid, substantive and responsible dialogue and interaction between share¬holders, the board of directors and the company's management, based on a long-term perspective and with value creation as its aim.

1 Corporate governance at Ekornes

In its annual report, Ekornes is required to disclose its principles for and practice of corporate governance, pursuant to s 3-3(b) of the Norwegian Accounting Act, as well as the Norwegian Code of Practice for Corporate Governance, see also the "Listing Rules for Equities on the Oslo Stock Exchange". Ekornes complies with the current version of the Norwegian Code of Practice for Corporate Governance, last revised on 30 October 2014, with the exceptions specified below. The code may be downloaded from www.nues.no.

The board and management of Ekornes review the Code of Practice every year, and an overall account of what Ekornes has done through the year to comply with the code's recommendations is included in the annual report. The annual report is available from the company's website at http://ir.ekornes.com. The auditor has assessed the extent to which the information in this account coincides with the information presented in Ekornes's year-end financial statements. Reference is here made to the auditor's statement on page 100.

Compliance with the Code of Practice is on a "comply or explain" principle, such that any non-compliances are commented. In the company's own assessment, Ekornes deviated from the Code of Practice in three main respects as at the close of 2017. In this connection, please see section 6 below on general meetings and section 14 on takeovers for further details.

Values, ethics and social responsibility

In 2017, Ekornes embarked on a review of its objectives and values, to ensure that these reflect the Group as it is today. Ekornes's values are "honesty and integrity towards everyone we deal with", "openness and credibility both internally and externally" and "innovation to keep us always ahead of our competitors". These values build on the Group's vision, as stated in the document "Objectives and Values". These values also underpin the Group's internal ethical guidelines, which are set out in the document "Code of Conduct for the Ekornes Group". Both these publications are available from the company's website, www. ekornes.com. The "Code of Conduct" is reproduced in extenso elsewhere in this annual report.

Ekornes endorsed the UN Global Compact in 2009. Through participation in this scheme, Ekornes has pledged to operate its business responsibly and in line with the Global Compact's principles covering labour rights, human rights, sustainable production which protects the environment and the struggle to combat corruption. With effect from 2012, Ekornes has been involved in the Global Compact's Nordic network. Participation in this network provides opportunities for the Group to share experiences with other enterprises that have corporate social responsibility high on the agenda.

Through the UN Global Compact, Ekornes has also pledged to set targets for and work towards the continuous improvement of its practices. These efforts are reported annually to the UN in the form of a Communication on Progress (COP). This is available as a "Sustainability Report" and may be downloaded from the company's website: www.ekornes.no/om-ekornes/miljo-og-samfunsansvar.

2 Business and objectives

Ekornes shall be one of the most attractive and leading brand name suppliers of furniture and mattresses for home use, both nationally and internationally. The company's articles of association are more general with regard to defining what business activities the company shall undertake.

Article 2 of the company's articles of association states: 'The company's purpose is to operate business activities and whatever may be associated therewith, including participation in other companies.' The strategies, goals and values that apply to the company's business are set out in its handbook "Objectives and Values for the Ekornes Group".

3 Share capital and dividend

Equity

According to its dividend policy, Ekornes shall seek to have an equity ratio of at least 30 per cent. The board considers it important that the company has at all times sufficient financial flexibility and strength. As at 31 December 2017, the Group's equity totalled NOK 1,072 million, corresponding to an equity ratio of 47.3 per cent.

Dividend policy

Ekornes aims to manage its shareholders' investments in such a way that their return, measured as the sum of dividend and increase in share price, will be as high as possible over time. A substantial portion of the Group's net profit for the year, normally at least 50 per cent, shall, as a general rule, be paid out in the form of a dividend. Moreover, it is the Group's ambition to pay out a stable and rising dividend. However, in its assessments relating to the payment of a dividend, account will be taken of necessary capital expenditure and the rate of growth, while efforts will be made to keep the equity ratio at at least 30 per cent. For 2016, an ordinary dividend of NOK 6.00 per share was paid, along with a supplementary dividend of NOK 19.00 per share, which was paid out in the third quarter 2017. The total dividend for 2016 that was paid out in 2017 therefore came to NOK 25.00 per share. For 2017, the board is proposing that the AGM approve payment of an ordinary dividend of NOK 6.00 per share.

Board authorisations

As at 31 December 2017, the board has been granted the following authorisations:

- The board is authorised to purchase treasury shares with a face value up to NOK 736,535. When acquiring shares in Ekornes ASA, no less than NOK 30 per share and no more than NOK 200 per share shall be paid for each share with a face value of NOK 1.00. In the event of any change in the face value of the shares, the specified amounts shall be adjusted accordingly. The board is at liberty to decide how the acquisition and disposal of treasury shares shall take place, as long as all the shareholders are treated equally. This authorisation is valid up until the 2018 AGM, and is recorded in the Brønnøysund Register Centre.

- Authorisation to increase the share capital of Ekornes ASA by up to NOK 200,000. Within this overall ceiling, the authorisation may be utilised several times. The authorisation may be used only to issue shares in connection with the Share Programme 2017, as well as the Incentive Programme 2017. The resolution granting this authorisation states that shareholders' pre-emption rights under s 10-4 of the Public Limited Companies Act may be waived. This authorisation is valid up until the 2018 AGM, and is recorded in the Brønnøysund Register Centre.

For further details, please see the minutes of the 2017 AGM for Ekornes ASA, which may be downloaded from the company's website at www.ir.ekornes.no.

4 Equal treatment of shareholders and transactions with related parties

The company has only one class of shares. In principle, existing shareholders have pre-emption rights with respect to any share capital increase. Particular circumstances may result in this principle being waived. As in previous years, the AGM has authorised a certain amount of trading in treasury shares, for the purpose of acquiring whatever shares are required in connection with whatever employee share purchase schemes may be in effect at the time. Reference is here made to the AGM's authorisation to the board with respect to capital increases relating to the Group's share and incentive programmes. In accordance with the Group's non-discrimination principles, a proposed resolution was put to the company's AGM. Through the issue of new shares in respect of the authorisation granted, the share capital has been increased by NOK 66,236 to NOK 36,892,989. Any trading in treasury shares is conducted through the Oslo Stock Exchange.

Otherwise, the company abides by the Code of Practice' proposed guidelines for transactions with related parties, under the terms of which valuations by independent third parties and notification to the board of directors shall be carried out in the event of not-immaterial transactions or material interests. For further details of transactions with related parties, please see Note [17] to the financial statements for 2017.

5 Free transferability

Article 5 of the company's articles of association states that: 'Shares are freely transferable'. The company's articles of association place no restrictions on voting rights.

6 General meetings

General meetings are open to all shareholders and shall, pursuant to its articles of association, be held at the company's offices unless another venue is determined by resolution of the board of directors. The 2018 Annual General Meeting will be held on 24 April 2018.

An invitation to attend shall be sent out at least 21 days before the date set. Pursuant to Ekornes's articles of association, documents which are to be considered at the general meeting may be made available via the company's website. The same applies to documents which, by law, must be included in or attached to the invitation to the general meeting. If the documents are made available in this way, the statutory requirement with regard to distribution to shareholders is not applicable. Shareholders may nevertheless contact the company and request that documents relating to matters to be considered at the general meeting be sent to them by post.

The general meeting's agenda is determined by the board, and the key items on the AGM's agenda are regulated by Article 8 of the company's articles of association.

Details regarding notification of attendance and deadlines therefor are included in the invitation. The board encourages as many shareholders as possible to attend. Shareholders who are unable to attend in person are encouraged to do so by proxy. The company will help arrange proxy authorisations. Proxy authorisation may be restricted to specific items on the agenda. Information relating to the procedures for attending via a proxy, a proxy form and information regarding who may be appointed to vote for the shareholders by proxy are enclosed with the invitation. Only those shareholders registered as such in the Norwegian Central Securities Depository (VPS) on the date of the general meeting are entitled to vote for their shares.

As a minimum, the board chair, the chair of the nomination committee and the auditor shall attend. Management shall be represented by at least the CEO and the CFO. At the opening of the general meeting, it is normally proposed that its proceedings be led by the board chair. The board considers this to be the most effective solution. When electing representatives to the board or other company bodies, it shall be possible to vote for individual candidates.

The outcome of votes by the general meeting will be published immediately (and within the recommended deadline) after the general meeting has been held.

Ekornes deviates from article 6 of the Norwegian Code of Practice for Corporate Governance with respect to the board's participation at general meetings. The rules of procedure for the board of Ekornes ASA state that the board chair, CEO, external auditor and chair of the nomination committee shall attend general meetings of shareholders, while the board's other members should attend. This is based on an assessment of the real need for their presence at such meetings.

7 Nomination committee

The requirement for a nomination committee is set out in Article 9 of the company's articles of association. The committee shall comprise three members elected by the AGM for one year at a time. The members must be shareholders or shareholder representatives. The AGM also elects the nomination committee's chair.

The nomination committee's work is regulated by its mandate, adopted by the AGM of 24 March 1998, and last amended at the AGM of 3 May 2017. The nomination committee's task is to make recommendations to the company's AGM with respect to the election of the shareholders' representatives on the board of directors, its chair and vice-chair, as well as submit proposals with respect to the remuneration payable to the board's members. The nomination committee organises its work as it sees fit. The nomination committee's recommendations are enclosed along with the invitation to attend the AGM, and must be presented to the AGM by the committee's chair.

As at 31 December 2017, the nomination committee comprised:

- Kathryn Moore Baker (Chair)
- Olav Arne Fiskerstrand
- Marianne Johnsen

None of the nomination committee's members is a company director or member of group management. The nomination committee's remuneration is determined by the AGM.

8 Corporate Assembly and board of directors, composition and independence

The company does not have a Corporate Assembly. Pursuant to Article 5 of Ekornes's articles of association, the board of directors shall comprise three to 10 members, along with up to 10 deputy members at the AGM's discretion, of which four directors and their deputies shall be elected by and from among the employees of the Group's Norwegian companies. As at 31 December 2017, the board comprises six members elected by the shareholders and four elected by the employees. The table below provides an overview of current board members:

Namn		First elected	Current term	No. of board meetings 2017	Up for election in 2018	No. of shares in Ekornes as at 31.12.2017
Nora Förisdal Larssen	Chair, shareholder-elected	2009	2017-2019	20	No	0
Kjersti Kleven	Vice-Chair, shareholder-elected	2008	2017-2019	19	No	0
Tine Wollebekk	Shareholder-elected	2017	2017-2019	10	No	0
Stian Ekornes	Shareholder-elected	2008	2016-2018	20	Yes	115 488
Lars I. Røiri	Shareholder-elected	2014	2016-2018	17	Yes	3 300
Nils Gunnar Hjellegjerde	Shareholder-elected	2017	2017-2019	2	No	566 000
Tone Helen Hanken	Employee-elected	2005	2017-2019	20	No	1 215
Arnstein Edgard Johannessen	Employee-elected	1997	2017-2019	13	No	0
Atle Berntzen	Employee-elected	2007	2017-2019	20	No	0
Knut Ove Rygg	Employee-elected	2017	2017-2018	18	Yes	616

All shareholder-elected board members are elected by the AGM for a term of two years. The board's chair and vice-chair are elected from among the board's members. At the 2017 AGM Nora Förisdal Larssen was elected to chair the board, while Kjersti Kleven was elected vice-chair. An extraordinary general meeting of shareholders was also held, at which it was decided to amend the articles of association such that a further shareholder-elected board member could be elected. Nils Gunnar Hjellegjerde was thus elected to the board of directors for a period up until the 2019 AGM. As a consequence of the amendment to the articles of association, the employees have also elected an additional representative to the board of directors, while the position of observer has ceased to exist. All board members are entitled to re-election.

The nomination committee submits the names of candidates for shareholder-elected seats ahead of the AGM. Efforts shall be made to tailor the backgrounds, competence and capacity of the company's board members to its operations, needs and diversity. An overview of the individual directors' competence and background is available from the company's website www.ir.ekornes.no and elsewhere in this annual report.

All shareholder-elected directors are deemed to be independent with respect to the company's business associates, and the majority are considered independent with respect to group management and the main shareholders. Stian Ekornes and Nora Förisdal Larssen have an association with the company's main shareholders. With the understanding of the board, director Nils Gunnar Hjellegjerde, who has particular expertise in the field of product and market development within the furniture sector, also acts as an hourly paid consultant on behalf of group management. In addition, he holds shares in the company Hove D.K. Co., Ltd. (Thailand). The company supplies laminate products to Ekornes ASA's subsidiary IMG Group AS, of which he was the largest shareholder until the company was sold to Ekornes ASA in 2014. The agreement concerned was entered into at market rates and in accordance with the arm's length principle. Apart from this, all board members are independent of the company's main shareholders and group management.

9 Board responsibilities

The board of directors is the company's highest executive body, and is therefore responsible for the company's administration, as well as supervising its day-to-day management and commercial activities in general. This means that the board must ensure the business is properly organised, must determine the Group's overall objectives and strategy, must approve plans and budgets for the Group's operations and ensure that the business, financial statements and asset management are subject to satisfactory controls.

The duties of the board are governed by applicable legislation, the company's articles of association, instructions issued by general meetings of shareholders, as well as the board mandate dated 21 June 2017 plus any supplementary board resolutions. The board's mandate encompasses the board's tasks and responsibilities, the division of labour between the board and the CEO, procedural guidelines, notification and minutes of board meetings, objectives and plans for the board's activities, the delegation of authority and board committees, independence and impartiality, confidentiality and non-disclosure, as well as the appointment of a spokesperson for the board.

There is a clear division of responsibilities between the board and management of the company. The board is responsible for making sure that management's tasks are carried out efficiently and correctly within the legislative and regulatory framework, and in accordance with the board's responsibilities. The CEO is responsible for the Group's day-to-day operations, and the CEO's duties and obligations with respect to the board are regulated by a separate mandate. The applicable mandate was originally adopted in 2017, and is regularly reviewed by the board. Furthermore, job descriptions have been drawn up for the CEO and other senior executives. The board's working committees have their own mandates. These were also revised in 2017.

Each month the board receives financial reports showing the Ekornes Group's performance and status. In connection with the presentation of the year-end financial statements, the CEO and the CFO declare that the accounts have been prepared in accordance with generally accepted accounting principles, and that to the best of their knowledge all information is accurate and no material information has been omitted.

The board should normally hold 6–10 ordinary board meetings per year, including one on group strategy and one on the budget. In 2017, the board held 20 meetings, of which 10 were brief telephone/email meetings. The board emphasises the need to rotate the venue for its meetings to different operational units, both in Norway and abroad. This also includes visiting certain of the company's customers (distributors). The board's yearly plan and the minutes of its meetings are not confidential unless the information is likely to materially influence the share price. Confidentiality may apply to certain individual cases, in which event this will be made plain to the directors attending the meeting. The smooth working of the board and its working methods and duties are discussed regularly and appear as a specific agenda item at one board meeting during the year.

Towards the end of each year, the board adopts a detailed plan for its meetings in the following financial year. This plan covers the follow-up of the company's operations, internal control, strategy development and other issues. It also includes a discussion and assessment of the board's experiences and the organisation of its own activities, with proposals for improvement in the coming period. These activities are regulated by a separate mandate adopted at the board meeting of 21 June 2017.

The compensation committee is tasked with preparing and making recommendations to the board with respect to the remuneration payable to the CEO, as well as ensuring that the Group's remuneration system is in line with its Code of Conduct. The committee's recommendation with respect to the statement of executive remuneration is then tabled for discussion at the AGM.

The compensation committee comprises up to three board members, who are elected for a term of one year at a time. The committee shall meet at least twice a year. The compensation committee held five meetings in 2017. As at 31 December 2017, the compensation committee comprised:

- Nora F Larsen (Chair)
- Kjersti Kleven
- Tone Helene Hanken

The audit committee is tasked with ensuring that the Group is subject to independent and effective internal and external auditing, as well as good internal control mechanisms and satisfactory financial reporting in compliance with applicable legislation and regulations.

The audit committee shall comprise up to three board members, who are elected for a term of one year. As at 31 December 2017, the audit committee comprised:

- Tine Wollebekk (Chair)
- Knut Ove Rygg
- Lars I. Røiri

The audit committee shall meet at least three times per year with the CEO and CFO, and, if necessary, a representative of the external auditor. In addition, the committee shall meet at least once a year with the external auditor without management being present. The Group's corporate services department acts as the audit committee's secretariat. The audit committee held seven meetings in 2017.

10 Risk management and internal control

The board has overall responsibility for ensuring that the company exercises good risk management and internal control, in compliance with those provisions applicable to its business activities.

Internal control is a fixed item on the agenda of one board meeting during the year. The company's auditor is also present at this meeting. The Ekornes Group does not have a specific internal auditing unit. Risk monitoring and internal control of the finance and accounting area is led by the CFO, who, together with the group chief accountant/head of corporate accounting, carries out routine follow-up activities and provides status reports to the audit committee. Uniform routines, guidelines and procedures have been drawn up within the accounting area.

The board of directors receives regular financial reports that meet the board's needs with respect to supervision. The internal control systems relating to the field of accounting/finance comprise job descriptions, procedures, control routines and guidelines/templates for organising and performing the company's financial reporting and for its content/quality. Together with supervision of the organisation and performance of Health, Safety and Environment activities, this is intended to ensure that the company operates in compliance with relevant laws and regulations, and its internal rules and guidelines.

Evaluation of operational risk, which includes marketing and sales developments, production and developments in the raw materials markets, are among those areas that are continuously reported to and reviewed by the board of directors. Relevant areas of risk, including exchange rates, HSE, internal auditing, finance and IT, as well as strategic risk, are reviewed no less than once a year.

Ekornes considers it important that the Group's values and ethical guidelines form an integral part of its business operations. The company guidelines, laid down in "Objectives and Values for the Ekornes Group" and "Code of Conduct", provide guidance for employees in order to reduce the possibility of the company being placed in situations that may harm its reputation or financial standing. It is expected that employees and business associates comply with them. In addition, routines have been established for the reporting and follow-up of wrongdoing and other causes for concern, and efforts are constantly being made to further develop and follow up the Group's corporate social responsibility.

11 Directors' fees

Directors' fees are determined by the AGM on the basis of the nomination committee's recommendation. Directors' fees are not performance-related and share options are not granted to directors elected by the shareholders. Additional remuneration is paid to board members who participate in the board's working committees. All forms of remuneration paid to the company's directors are specified in the Note 17 to the financial statements.

12. Remuneration for senior executives

Ekornes's policy is that the remuneration payable to its executives shall be competitive and based on salary levels for similar positions in the country in which the position is located. Guidelines for the remuneration paid to the CEO and other senior executives are determined by the board of directors pursuant to the remuneration committee's recommendations, and are tabled as a separate agenda item at the AGM.

The remuneration paid to senior executives comprises a fixed portion and a variable portion in the form of a performance-related bonus. Furthermore, in 2017 it was decided to establish a share-option scheme for senior executives, which was implemented during the year. The Statement of Executive Remuneration, as well as details relating to the share option scheme are included in the invitation to attend the 2017 AGM, available from the company's website www.ir.ekornes.no. Information regarding the remuneration and bonus schemes applicable to senior executives is also presented Note 17 to the financial statements for 2017.

13. Information and communication

Ekornes complies with the Oslo Stock Exchange's recommendations regarding the reporting of investor-related information, and the company has drawn up a communications strategy based on the principles of openness, honesty and credibility, as well as the equal treatment of all shareholders. Ekornes is also subject to the Oslo Stock Exchange's rules relating to information which may affect the company's share price.

Ekornes will strive to provide shareholders and investors with correct, clear, relevant and updated information, while treating all market players equally. The company also aims to keep its workforce well informed about the company's situation and what is happening in other parts of the business. It is management's responsibility to ensure the timely provision of necessary information and avoid sudden surprises. The CEO and CFO are responsible for day-to-day communication with shareholders and for investor relations generally.

Ekornes will continue to publish interim reports in line with the Oslo Stock Exchange's recommendation, and quarterly results should be published no later than 45 days after the close of the quarter. Complete year-end financial results, including an annual report, will be made available no less than three weeks prior to the AGM, at the latest by the close of April each year.

The company's management holds open presentations by webcast in connection with its quarterly reporting. The presentations are subsequently published on its website. In addition, the CEO and CFO hold regular meetings will analysts, investors and shareholders through the year. The exchange of information with distributors and suppliers is also important to avoid surprises and promote mutual understanding of the parties' strategies and patterns of action.

The company's financial calendar is published on the Oslo Stock Exchange and on Ekornes's website http://ir.ekornes.com before 31 December each year. Information to the company's shareholders is distributed on an ongoing basis via the Oslo Stock Exchange's newsfeed www.newsweb.no and the company's website, immediately after decisions have been made. All information is published in both Norwegian and English.

14 Acquisition

The parent company Ekornes ASA's articles of association contain no limitations with regard to share acquisition. Ekornes's board of directors have not established any principles for how it will behave in the event of a takeover bid. If such a situation should occur, the board will base its response on the principles of openness and the equal treatment of all shareholders.

15 Auditor

The company's principal auditor is PWC. Each autumn, the auditor prepares a plan for auditing activities in the coming year. The auditor attends the board's review of the company's internal auditing activities and provides his assessment of the status of the company's accounting practices, reporting requirements and internal controls. The audit committee will monitor the neutrality of the auditor. For large-scale consultancy projects, Ekornes uses qualified providers other than the company's auditor, who is given any resultant reports to read through and comment on.

This practice has been chosen to comply with the requirement for auditor independence. However, the auditor is used in connection with activities that are closely related to the auditing function, such as assistance with the preparation and verification of the consolidated accounts and tax returns, interpretation of accounting and tax regulations, and as a discussion partner with respect to audit-related matters. Each year, the AGM is informed of the remuneration paid to the company's auditor, broken down by ordinary auditing and other services. The amounts are presented in the notes to the financial statements.

Guidelines for group management's use of the auditor for services other than auditing have been drawn up as part of Ekornes ASA's board mandate.

16 Other issues – management of subsidiaries

All subsidiaries of the Ekornes Group have their own boards of directors, in which the parent company is represented by members of group management. The general managers of some of the Group's non-Norwegian companies are also directors of their respective companies. Svane® also has external directors, and employee representatives sit on the boards of some subsidiaries.

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 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 www.ekornes.no/om-ekornes/miljo-og-samfunnsansvar.

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 be party to "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.

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®, Ekornes® Collection, 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 2017, Ekornes was an approved training company within 7 craft disciplines and employed 24 apprentices. During the year, 12 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 2017, both as a result of statutory requirements and to boost the Group's level of competence. A leadership development programme for managers in Norway was also staged. In addition, the HR function has been expanded, in part to help reinforce the long-term development of the Group's sales forces in all segments.

For the first time ever, Ekornes offered a summer internship programme in 2017. The internship lasted for seven 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.

During the year, efforts have also been made to strengthen the competence of the sales organisation in several parts of both IMG and Stressless®.

Company in Norway	No. of employees	% women	% men	No. of managers	% women	% men
Ekornes ASA	78	38%	62%	16	38%	63%
J.E. Ekornes AS	986	45%	55%	36	11%	89%
Ekornes Contract AS	8	38%	63%	2	0%	100%
Ekornes Skandinavia AS	5	20%	80%	1	0%	100%
Ekornes Beds AS	84	29%	71%	10	30%	70%
IMG Group AS	13	31%	69%	4	25%	75%
IMG Skandinavia AS	6	50%	50%	1	100%	0%

Board members			
Ekornes ASA*		40%	60%

*Of the board members elected by the shareholders, 50% are women and 50% are 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 2017. 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. One example can be found in the IMG segment, which, in 2017, undertook a project to make the packing of goods more effective. The initiative reduced the consumption of cardboard packaging materials and improved space utilisation in the shipping containers. 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. In 2017, Ekornes became a member of LWG, an organisation that promotes a sustainable and environment-friendly value chain for furniture leather. Where necessary, Ekornes makes use of independent technical expertise to ensure that its requirement and testing specifications are updated in line with current legislation and recommendations. 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

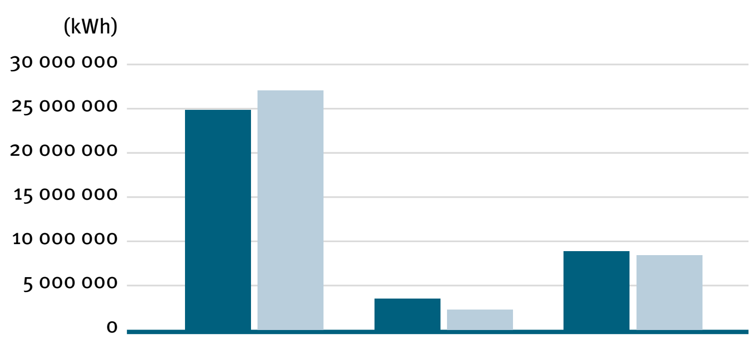
Compliance with Ekornes's environment policy is verified through follow-up and measurement. In order for Ekornes to act in compliance with its environment policy, it is necessary to be aware of associated risks and opportunities. Together with internal conditions, this provides a basis for the Group's environment-related activities. In 2017, 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 environment goals is to phase out the use of fossil fuel to heat its Norwegian factories by 2020. In 2017, the company upgraded the heating system at its main Ikornnes plant. Here, waste from wood used in production is used for fuel in conjunction with seawater-source heat pumps. Fossil fuel is currently used only for heating during particularly cold periods. Oil is therefore not used as a primary source of heat at any of the factories. To reduce oil consumption even further, an investment was made in 2017 to acquire a new multifuel boiler at the Ekornes Beds factory in Fetsund. This will also reduce its greenhouse gas emissions.

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 oil. 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.

The manufacturing company J.E. Ekornes AS aims to cut its electricity consumption to 50 kWh per Stressless® seat unit produced by 2020. This target has been set to help meet the Group's overarching environmental goals. In 2017, the production of a Stressless® seat unit required, on average, 68.2 kWh. This is a marginal improvement from 2016. The graph below shows the Group's consumption of electricity, woodchips, heating oil and natural gas in kWh. 2016 has been put as a new baseline for comparison, since older measurements have shown an incorrectly high level of consumption. Comparable figures from further back are therefore not available.



	Electricity	Fuel oil and natural gas	Woodchips
2017	24 875 823	3 505 178	8 866 734
2016	27 082 677	2 306 996	8 455 666

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 80 per cent of all recorded waste. Ekornes wishes to transform as much of its waste as possible into useful by-products that are reused in its own production cycle. 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 2017, this figure stood at 1.8 kg, an improvement on previous years.

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. In 2017, IMG invested in new leather-cutting equipment, which has increased the raw material's utilisation rate. Remaining leather offcuts are collected and sold to producers of small articles. Measures like the acquisition of specialised containers for hazardous waste storage have helped improve hazardous waste control. For Ekornes Beds, the acquisition of hazardous waste lockers has helped improve the systematisation and control of the plant's hazardous waste.

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	1,7	0,7	0	0	0	98,0	**100,3**	2,4%
Mixed waste for energy recovery	296,8	111,8	27,1	57,3	223,8	0	**718,8**	17%
Wood for incineration at own or external facilities	718,6	761,8	43,5	639,2	267,8	0	**2430,9**	57,6%
Reuse or recycling	590,1	60,5	16,4	2,0	111,7	71,9	**852,5**	20,2%
Hazardous waste/waste electrical items	108,4	0	1,1	0	11,5	0	**120,9**	2,9%
Total volume of waste from Ekornes plants excl. IMG	**1715,5**	**934,7**	**88,1**	**700,5**	**614,8**	**169,9**	**4223,6**	**100%**

Emissions

Direct emissions to air from the manufacturing process are primarily generated by oil and solid fuel boilers. One of Ekornes's facilities in Norway is subject to a licence issued by the County Governor, while licence applications for two others are under consideration. 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.

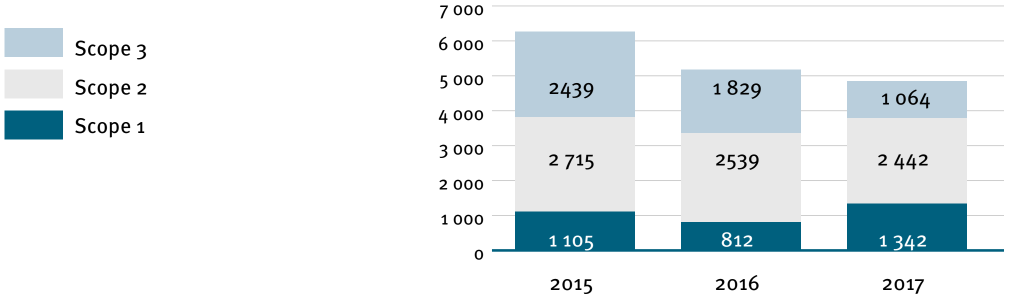
Ekornes strives to reduce the emissions associated with the transport of its own finished goods. This is being done partly by increasing the proportion of finished goods that are transported by sea rather than by road. The goal is for 70 per cent of all such transport to be carried out by sea, while 30 per cent goes by road.

Each year Ekornes reports the Group's greenhouse gas emission figures to CDP (formerly the Carbon Disclosure Project). CDP ranks companies in accordance with the openness and completeness of their climate change reporting. In 2017, Ekornes's total carbon footprint was calculated at 4,848.8 tonnes of carbon equivalents. For the Group as a whole, this corresponds to 2.4 tonnes of carbon equivalents per full-time equivalent.

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 between the various "scopes" per year and an overall reduction in total greenhouse gas emissions from 2015–2017.

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



Previously reported greenhouse gas figures for the Group have been based on the assumption that the Norwegian facilities deliver residual waste to landfills. This is not the case. As a result, the factor for greenhouse gas emissions in Scope 3 has been too high. With effect from the 2017 reporting cycle, this error has been identified and amended. Historical figures are therefore incorrect, and any future comparison will only be valid from the 2017 annual report onward.

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. In 2017, Christmas donations were given to various local initiatives intended to promote active engagement in outdoor pursuits in Sykkylven and Hornindal. Donations were also made to support local care homes for the elderly. 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 2017, 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 3.5 per cent in 2017. This is a decrease of 0.3 percentage points from 2016. 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 2017, there were a total of 16 lost-time injuries in the Group. This is one less than in 2016. The H1 value (number of lost-time injuries per million hours worked) for the Group came to 3.9 in 2017. In 2016, the H1 value came to 4.1.

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.

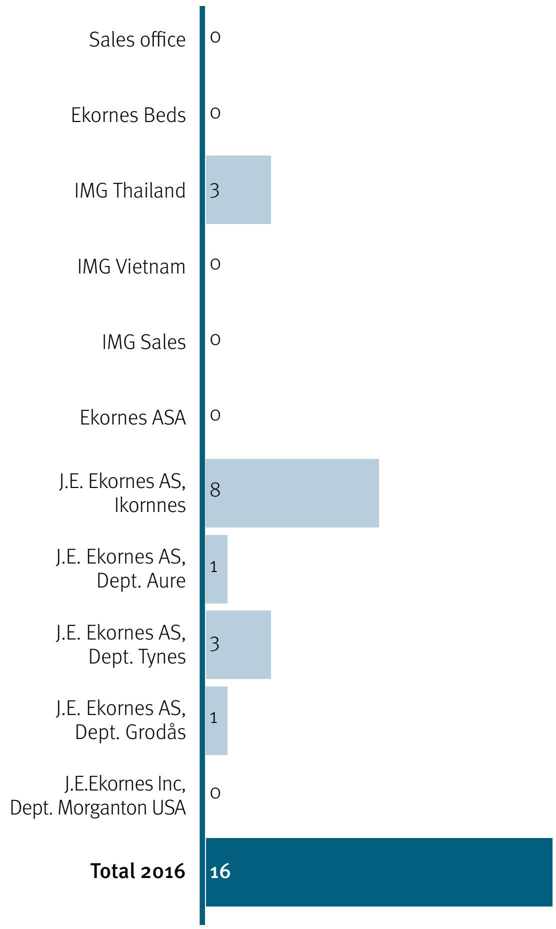
Inclusive Working Life

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, Grodås and Hornindal.

Sickness absence in 2017

	Total sickness absence in %
J.E. Ekornes AS, Ikornnes	7.2%
J.E. Ekornes AS, Aure	12.2%
J.E. Ekornes AS, Tynes	6.9%
J.E. Ekornes AS, Grodås	4.1%
J.E.Ekornes Inc, Morganton	3.7%
Ekornes Beds AS	4.9%
Ekornes ASA	4.0%
Ekornes Contract AS	2.3%
IMG:	
IMG Thailand	0.7%
IMG Vietnam	0.9%
IMG Sales	3.0%
Sales offices:	
Scandinavia	0.0%
Finland	1.4%
UK/Ireland	0.5%
Central Europe	2.2%
Southern Europe	3.0%
USA/Canada/Mexico	1.1%
Asia	0.5%
Japan	0.0%
Australia/New Zealand	2.0%
Total for the Group	**3.5%**

No. of lost-time injuries per factory/office for 2017 as a whole:



The Board of Directors 2017

THE BOARD OF DIRECTORS

Nora Förisdal Larssen (1965)
CHAIR

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)
VICE-CHAIR

Position: Active co-owner of John Kleven AS

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

Board memberships: Chair of Kleven Maritime AS and associated subsidiaries Kleven Maritime Holding AS and John Kleven AS. President of Sparbanken Møre's corporate assembly. Vice-Chair of SEA Europa, member of the Norwegian Minister of Trade and Industry's strategic advisory council on maritime development. Director of iKuben and SINTEF Ålesund AS

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)

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, 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), 8 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: Deputy warehouse supervisor 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 ASA 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.

BOARD OF DIRECTORS' REPORT 2017

For the Ekornes Group, 2017 was characterised by restructuring and renewal. Further changes were made under the cost-reduction programme, and growth-enhancing measures were implemented. At the company's capital markets day in June 2017, Ekornes announced revised goals for long-term growth and profitability.

At well over NOK 3 billion, the Group's gross operating revenues were on a par with 2016. The underlying profitability of Ekornes's two main business segments also held relatively steady.

In the Stressless® segment in 2015 and 2016, important steps were taken to cut costs. In 2017, growth-enhancing measures were given priority. Throughout the year, a variety of initiatives were implemented to lay the foundations for growth. At the same time, more work was done to optimise the segment's operational efficiency and improve its cost effectiveness.

At IMG, costs rose in both 2016 and 2017 in connection with the reinforcement of the sales and marketing organisation, which will create the conditions necessary for further growth. Despite the slightly negative impact these measures had on its margin, IMG's profitability remains good. The aim is for IMG to double its sales revenues over the next five years.

In the Svane® segment, efforts to increase profitability continued. Despite this, however, sales revenues fell in 2017 and the segment posted an operating loss. Strategic alternatives for this business area are constantly under review.

The nature of the business and strategy

Ekornes owns and manages the furniture brands Stressless®, IMG, Svane® and Ekornes®, which it markets through selected distributors worldwide.

Sales are largely targeted at the home furnishings market, with Stressless®, Ekornes® Collection and IMG being marketed globally, while Svane® is sold in the Nordic region and selected northern European markets.

Stressless® is currently the most well-known furniture brand in Europe. Globally, over 85 million people recognise the brand name. Stressless® is Ekornes's premium-segment brand, and resources are being invested to build additional brand recognition among consumers. With IMG, the aim is rather to build good brand recognition among distributors, where its products are positioned in a less expensive price segment than Stressless®.

Ekornes distributes all its brands through selected retail partners, primarily furniture chains and independent retailers. However, other relevant types of distribution may be utilised.

The Group is headquartered at Ikornnes in Sykkylven, on the west coast of 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).

At the close of 2017, the Ekornes Group employed 2,140 people.

Important events in 2017

In recent years, the Ekornes Group as a whole has experienced a lack of organic growth.

At the company's capital markets day in June 2017, revised goals for long-term annual revenue growth (3–5 per cent) and operating margin (16–18 per cent) were presented. At the same time, the company presented updated plans for how these goals will be achieved.

For Stressless®, the aim is to increase sales revenues through improvements in the range of products offered to customers. This will be based on innovation and the development of new products, as well as improved distribution and availability through more and new channels. At the same time efforts will continue to reduce costs.

For IMG, the aim is to double sales revenues in the next five years. The development of existing and new markets will require the right competence and capacity in the central sales organisation, as well as the development of good central support functions. For the European market in particular, it will be crucial to strengthen distribution, as well as improve the flow of goods along the value chain. It has therefore been decided to invest EUR 11 million in a new IMG production and distribution facility in Lithuania.

Higher volumes will also contribute to better capacity utilisation and improved manufacturing efficiency in all business areas. Along with the optimisation of logistics and a constant focus on costs, this will help to boost profitability.

Ekornes's largest market in 2017 was North America. Efforts to improve and expand the distribution network in the North American market continued through the year, both for Stressless® and IMG. As part of the Group's efforts to make its products available in additional channels, Ekornes strengthened its competence and capacity in the field of eCommerce in 2017. The aim is to increase sales by offering customers a digitalised purchasing pathway. Direct digital communication will help to establish closer relations and a better dialogue with consumers. At the same time, the data collected will strengthen the Group's knowledge of consumer needs and preferences. New eCommerce platforms help to optimise sales communication with the final customer, and boost the efficacy of interactions with distributors.

In 2017, the company put the finishing touches to its brand-new range of dining chairs, whose seat and back automatically adjust to the user's movements. The Stressless® Dining concept brings the Stressless® brand's established reputation for comfort and quality to a whole new area of the furniture market. The collection was presented to European distributors in the fourth quarter of 2017 and the first quarter of 2018. It will be launched in the USA in the second quarter of 2018.

In line with Ekornes's stated aim of optimising the Group's capital structure, a supplementary dividend of NOK 700 million was paid out, in addition to an ordinary dividend of NOK 221 million. At the same time, Ekornes completely refinanced its debt. At the close of the year, Ekornes had an interest-bearing debt of NOK 586 million (NOK 0 million), and an equity ratio of 47.3 per cent (70.1 per cent). A solid balance sheet and good financial capacity remain the Group's objective, and are well taken care of under the new financing structure.

Further details of the research and development being undertaken in connection with Stressless®, IMG and Svane® can be found in the Product Segments section.

Events after the balance sheet date

No material events have occurred in the period between the balance sheet date and the presentation of the financial statements that have affected the Group's financial position to any material extent and that should have been reflected in the financial statements so presented.

Income statement

Ekornes ASA is the parent company in the Ekornes Group. The Ekornes Group generated gross operating revenues of NOK 3,079 million in 2017, 2.1 per cent less than the NOK 3,143 million generated in 2016. IMG's sales revenues rose by 5.9 per cent in 2017. The Svane® segment's operating revenues were 5.7 per cent below the level achieved in 2016, while the Contract segment's operating revenues were down by 10.1 per cent.

Forward currency contracts entered into before 31 December 2015 reduced the reported operating profit by NOK 189 million in 2017, divided between NOK 93 million in realised losses and a NOK 96 million decrease in overall value. In 2016, forward currency contracts negatively affected the reported operating profit negative by NOK 63 million, divided between NOK 159 million in realised losses and a NOK 95 million increase in value.

The reported operating profit (EBIT) for the year came to NOK 309 million, down from NOK 444 million the year before. The decrease is largely attributable to the Stressless® segment, where the difference between the increase in the value of forward contracts in 2016 and the decrease in the value of forward contracts in 2017 comes to a substantial NOK 191 million. Operating profit was also negatively affected by the weak performance of the Svane® segment, which posted an operating loss of NOK 13 million. In 2016, the Svane® segment made an operating profit of just over NOK 1 million.

Adjusted EBIT ended the year at NOK 405 million, down from NOK 441 million in 2016. The adjusted EBIT margin came to 12.8%, down from 13.8% in 2016.

Net financial items for 2017 as a whole totalled NOK -21 million, divided between net financial items of NOK -10 million and disagio of NOK -10 million, largely related to the revaluation of balance sheet items as at 31 December 2017. Net financial items in 2016 amounted to NOK 2 million.

Profit before tax totalled NOK 289 million in 2017, compared with NOK 446 million the year before. The year's tax expense came to NOK 88 million in 2017, compared with NOK 126 million in 2016. This corresponds to a tax rate of 30.6 per cent (28 per cent).

Net profit for 2017 therefore totalled NOK 201 million, down from NOK 320 million in 2016. Earnings per share came to NOK 5.43 in 2017, compared with NOK 8.70 the year before.

Cash flow

Net cash flow from operating activities totalled NOK 349 million in 2017, compared with NOK 495 million in 2016. The decrease is attributable primarily to weaker operating profits.

Cash flow from investing activities came to NOK 238 million, compared with NOK 50 million the year before. Ongoing operating investments accounted for NOK 92 million in 2017, up from NOK 53 million the year before. In addition, a contingent consideration of NOK 150 million was paid out in 2017 in connection with the earlier acquisition of IMG.

Net cash flow from financing activities totalled NOK -209 million in 2017. During the year, a total of NOK 921 million was paid out in dividends. At the same time, the Group's interest-bearing debt rose by NOK 706 million. In 2016, net cash flow from financing activities totalled NOK -445 million, which was largely related to the payment of a NOK 147 million dividend and repayment of debt in the amount of NOK 297 million.

The Group had NOK 132 million in cash and cash equivalents at the close of 2017, down NOK 98 million on the close of 2016.

In addition, the Group has unused drawing rights totalling NOK 532 million. The board considers the Group's liquidity situation to be good.

Financial position

Working capital at the close of the year totalled NOK 780 million, compared with NOK 768 million at the same point a year before. During the period, inventory rose by NOK 57 million, trade payables rose by NOK 33 million, while receivables fell by NOK 12 million. The increase in inventory is attributable partly to the establishment of a new warehouse Bangkok.

At the close of the year, the Ekornes Group had a total interest-bearing debt of NOK 718 million, compared with NOK 12 million at the close of 2016. The NOK 706 million increase is attributable to the payment of a supplementary dividend in the third quarter 2017. At the same time the Group's debt was completely refinanced, which has given it a longer term. The total borrowing limit is set at NOK 1,250 million, of which NOK 500 million is a long-term loan that matures in September 2022. In 2017, an ordinary dividend of NOK 6.00 per share was paid out in May, while a supplementary dividend of NOK 19 per share was paid out in September.

The value of unrealised forward contracts at the close of the year came to NOK -20 million, compared with NOK -102 million a year before. The change is primarily due to the realisation of forward contracts in 2017.

As at 31 December 2017, the Group's equity ratio stood at 47.3 per cent, down 22.8 percentage points from the close of 2016.

Dividend

The board is proposing a dividend of NOK 6.00 per share for 2017, totalling NOK 221 million. The AGM will be held on 24 April 2018, and the ex-date will be 25 April. Payment is planned for 3 May 2018. The dividend for 2016 comprised a NOK 6.00 per share payout plus a NOK 19.00 per share supplementary dividend, bringing the total amount paid out in dividends for 2016 to NOK 25.00 per share.

Allocation of the year's result

The following allocation of Ekornes ASA's NOK 242 million profit for the year is proposed:
NOK 221 million to be paid out in dividends, while NOK 21 million to be transferred to other equity. 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.

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, ie 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 it's 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 8 per cent of sales revenues. The largest individual customer represents less than 4 per cent of total revenues. Ekornes's customer and credit risk is considered low. Outstanding accounts 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 2017 were 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. In France and Germany, the Stressless® sofa segment had the weakest performance, while Stressless® chairs held relatively steady. The competitive situation in these markets is challenging, with the low-cost segment taking market share. Ekornes has taken steps to strengthen its position in these markets, partly through the introduction of new products. Efforts are actively being made to optimise the distribution network and this, along with better incentive arrangements, is expected to bear fruit in the time ahead. At the same time, new products that are better adapted to market preferences are constantly being developed and launched. Developments in the USA have been positive. Over time, the company has worked actively to expand and improve its distribution network. Combined with a raft of sales-promoting activities, this has produced good results.

In the Norwegian market, Stressless® has held steady, while the trend in the other Nordic countries has been weak due to stronger competition. In Asia, Stressless® has made headway.

Overall, IMG boosted its sales revenues by just under 6 per cent in 2017. However, performance in the different markets was mixed. In the USA, sales rose, largely as a result of the company's long-term efforts to develop its sales and distribution network. In the markets of Central Europe, sales remain limited. The development of effectives sales and distribution structures in this market has a high priority. To provide a stronger platform for its engagement in Europe, IMG has decided to build a new production and distribution unit in Lithuania.

IMG's performance in the Scandinavian markets was weak. This is partly due to stiff competition and partly because IMG has had a smaller product range and longer lead times than its competitors. In the longer term, however, it is expected that the new production and distribution unit in Lithuania will help improve the company's market position. Developments in Australia and New Zealand have remained stable.

IMG aims to double its sales revenues in the next five years. To achieve this goal, the company is giving priority to a further expansion of its sales organisations in existing and new markets, a strengthening of its central support functions, product development and innovation, as well as greater efficiency in the value chain in the European markets. At the same time, the company seeks to maintain low costs through strict cost controls, a focus on quality and optimised production runs, as well as vertical integration to maintain and safeguard operational flexibility.

In 2017, the negative trend continued for the Svane® segment, whose financial results were unacceptably low. The market is characterised by growing competition and a squeeze on prices. Ekornes keeps strategic alternatives for Svane® under constant review.

Production

As a whole, capacity utilisation at the Stressless® factories was satisfactory in 2017, though there were some production challenges at the start of the year in connection with the amalgamation of sofa production at one site. Production at IMG has been normal throughout the year.

Stressless® has a nominal production capacity of 1,650 seat units per day. However, production capacity varies according to the number of models being made. Newly introduced models normally also take longer to produce. Production capacity can be increased by increasing the number of employees. This applies to the manufacture of Stressless®, IMG and Svane®.

Related parties

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 ASA'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.

Corporate governance

Ekornes aims to comply with the Norwegian Code of Practice for Corporate Governance, last updated on 30 October 2014. In addition, the Group complies with those laws, regulations and recommendations to which a publicly limited company is subject, including section 3-3b of the Norwegian Accounting Act on corporate governance and the obligations of companies listed on the Oslo Stock Exchange.

In the company's own assessment, Ekornes deviates from the Norwegian Code of Practice for Corporate Governance with respect to three points: the appointment of an independent chair at shareholders meetings and the board's participation therein (both Chapter 6), and the framing of its principles for corporate takeovers (Chapter 14).

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 2017 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.ekornes.no/om-ekornes/miljo-og-samfunnsansvar.

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 2017 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.ekornes.no/om-ekornes/miljo-og-samfunnsansvar.

Shares and shareholders

At the close of 2017, Ekornes had a total of 36.9 million shares outstanding, divided between 2,695 shareholders. The number of shares increased by 66,236 in 2017 as a result of a share issue carried out in connection with the share purchase programme for employees and managers. In the same connection, Ekornes ASA sold 393 treasury shares during the period. As at 31 December 2016, therefore, the Group held a total of 3,299 treasury shares.

The company's largest shareholder, Nordstjernan AB, owns 17.2 per cent of the company's shares. As at 31 December 2017, the 20 largest shareholders owned 71.5 per cent of the total number of shares outstanding.

The final share price at the close of the year was NOK 118.50, compared with NOK 106.50 at the close of 2016. This represents a rise of 11.2 per cent. Through the year, the share price fluctuated between NOK 99.00 and NOK 138.00.

Just over 6.5 million shares were traded in 2017. This corresponds to 17.6 per cent of the total number of shares outstanding. The average daily trading volume in 2017 was 25,798 shares.

Dividends totalling NOK 25.00 per share were paid out in 2017.

Outlook

Ekornes aims to increase the company's value through systematic and continuous development of its brands and business areas. Through growth and increased efficiency, its profitability will be strengthened and form the basis for providing shareholders with a competitive return on their investment and employees with secure and forward-looking workplaces.

In 2017, Ekornes adopted new goals for income growth and profit margins, and identified which areas will contribute to the achievement of these goals.

The company will intensify its efforts in the field of product development and innovation. This also includes paving the way for a more regionally adapted product portfolio.

At the close of the year, the new Stressless® Dining concept was introduced, and both Stressless® and IMG launched a number of new models within existing product lines in 2017.

Given the fact that the Svane® segment has posted weak results over a long period of time, Ekornes's board of directors will assess strategic alternatives for this part of the business.

Declaration by the board of directors

The board of directors and CEO have this day reviewed and approved the board report and year-end financial statements for Ekornes ASA, the Group and parent company, for the calendar year 2017 and as at 31 December 2017 (2017 annual report). The consolidated financial statements have been prepared in accordance with EU-approved IFRSs and associated statements of interpretations, as well as the additional Norwegian requirements with respect to disclosure set out in the Norwegian Accounting Act and applicable as at 31 December 2017. The year-end financial statements for the parent company have been prepared in accordance with the Norwegian Accounting Act and generally accepted accounting practice in Norway (NGAAP) as at 31 December 2017. The board report, including the statements relating to corporate governance and corporate social responsibility, for the Group and parent company complies with the provisions of the Norwegian Accounting Act and Norwegian Accounting Standard No. 16 as at 31 December 2017.

We hereby affirm that to the best of our knowledge:

- the 2017 year-end financial statements for the Group and parent company have been prepared in accordance with applicable accounting standards.
- the information contained in the financial statements provides a true and fair view of the Group and parent company's assets, liabilities and financial position and results as a whole as at 31 December 2017.
- the board report for the Group and parent company provides a true and fair view of:
    - the Group and parent company's business development, financial results and position.
    - the most important risk factors and uncertainties facing the Group and parent company.

Ikornnes, 31 December 2017/21 March 2018

The Board of Directors of Ekornes ASA

Nora Förisdal Larssen Chair	Kjersti Kleven Vice-Chair	Stian Ekornes Director	Lars I. Røiri Director
Tine Gottlob Kirstan Wollebekk 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 statemens

CONSOLIDATED INCOME STATEMENT

1.1 - 31.12

(Figures in NOK 000)	Notes	2017	2016
Operating revenues	1	**3 078 859**	**3 143 372**
Cost of goods sold		853 106	863 484
Payroll expenses	2, 16, 17	878 564	866 146
Depreciation and write downs	8	120 403	160 409
Other operating expenses	5, 10, 17, 20	906 502	946 683
Net other losses/(gains)	22	10 925	-137 615
Total operating expenses		**2 769 500**	**2 699 108**
OPERATING EARNINGS		**309 359**	**444 264**
Financial income and expenses			
Financial income	4	20 164	4 636
Net gains/losses on foreign exchange	4	-10 320	7 444
Financial expenses	4	30 352	10 243
Net financial items		**-20 508**	**1 838**
Earnings before tax		**288 851**	**446 102**
Tax expense	15	88 348	125 835
EARNINGS FOR THE YEAR		**200 503**	**320 267**
Basic earnings per share	13	**5,43**	**8,70**
Diluted earnings per share	13	**5,43**	**8,70**

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	2017	2016
Earnings for the year		**200 503**	**320 267**
Other comprehensive income			
Items which may be reclassified to profit and loss			
Effect of cash flow hedges	22	178 073	200 993
Change in deferred tax on cash flow hedges		-46 880	-48 274
Translation differences - subsidiaries' equity		2 966	-7 803
Translation differences – loans to subsidiaries		-2 713	-3 521
Change in deferred tax – translation of loans to subsidiaries		651	1 025
Total other comprehensive income		**132 098**	**142 419**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**332 601**	**462 686**

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

CONSOLIDATED BALANCE SHEET

(Figures in NOK 000)	Note	31.12.2017	31.12.2016
ASSETS			
Non-current assets			
Buildings and sites	8	512 167	532 946
Machinery and equipment	8	218 003	236 475
Operating movables, fixtures	8	21 940	23 444
Total property, plant & equipment		**752 110**	**792 865**
Software and licences	8	35 316	26 108
Goodwill	8	208 012	208 012
Customer relations	8	21 047	25 415
Deferred tax assets	15	63 667	78 674
Total non-current intangible assets		**328 042**	**338 210**
Other receivables and investments	7	26 029	26 959
Total non-current financial assets		**26 029**	**26 959**
Total non-current assets		**1 106 180**	**1 158 033**
Current assets			
Inventory	9	521 892	465 016
Trade receivables	10	414 821	426 798
Other short-term receivables	6	92 486	80 889
Cash and bank deposits	11	132 051	230 176
Total current assets		**1 161 251**	**1 202 879**
TOTAL ASSETS		**2 267 431**	**2 360 913**

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

CONSOLIDATED BALANCE SHEET (contd.)

(Figures in NOK 000)	Note	31.12.2017	31.12.2016
EQUITY AND LIABILITIES			
Equity			
Contributed equity			
Share capital	12, 18	36 893	36 827
Treasury shares	12, 18	-3	-4
Premium paid	12	393 876	388 304
Total contributed equity		**430 766**	**425 127**
Retained earnings			
Hedging reserve	12	-14 905	-146 098
Translation difference	12	104 173	103 269
Other equity		551 846	1 271 874
Total retained earnings		**641 114**	**1 229 045**
Total equity		**1 071 880**	**1 654 172**
Non-current liabilities			
Pension liabilities	16	4 812	5 040
Provisions		6 418	6 112
Deferred tax	15	130	128
Interest-bearing debt	14	500 000	0
Total non-current liabilities		**511 360**	**11 280**
Current liabilities			
Trade payables		157 130	124 220
Public charges payable		56 383	43 210
Tax payable	15	66 002	73 258
Forward currency contracts	22	19 953	102 058
Interest-bearing debt	14	218 000	11 810
Other current liabilities	6	166 722	340 904
Total current liabilities		**684 191**	**695 461**
Total liabilities		**1 195 551**	**706 741**
TOTAL EQUITY AND LIABILITIES		**2 267 431**	**2 360 913**

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

Ikornnes, 31 December 2017/21 March 2018

The Board of Directors of Ekornes ASA

Nora Förisdal Larssen
Chair

Kjersti Kleven
Vice-Chair

Stian Ekornes
Director

Lars I. Røiri
Director

Tine Gottlob Kirstan Wollebekk
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	2017	2016
Cash flows from operating activities			
Earnings before tax (EBT)		**288 851**	**446 102**
Tax paid for the period		-125 258	-136 116
Depreciation and write downs	8	120 403	160 409
Change in inventory	9	-56 876	29 880
Change in trade receivables	10	11 977	31 370
Change in trade payables		32 910	-19 069
Change in other accruals		76 578	-17 765
Net cash flow from operating activities		**348 585**	**494 810**
Cash flows from investing activities			
Proceeds from sale of PP&E		3 455	2 775
Payments for purchase of PP&E	8	-91 561	-52 454
Payments for other investments	6	-150 000	0
Net Cash flows from investing activities		**-238 106**	**-49 679**
Cash flows from financing activities			
Capital increase	12	5 739	0
Change in treasury shares	18	45	-379
Payment of dividend	18	-920 577	-147 308
Change in net long-term debt to credit institutions	14	500 000	0
Change in net short-term debt to credit institutions	14	206 190	-296 851
Net cash flow from financing activities		**-208 604**	**-444 537**
Change in net cash & cash equivalents		-98 125	619
Net cash & cash equivalents at the start of the period	11	230 176	229 556
Net cash & cash equivalents at the close of the period	**11**	**132 051**	**230 176**

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 31.12.2015	**36 827**	**0**	**388 304**	**-298 817**	**113 569**	**1 099 290**	**1 339 172**
Earnings for the year						320 267	**320 267**
Other comprehensive income				152 719	-10 300		**142 419**
Dividend paid						-147 307	**-147 307**
Purchase of treasury shares		-4				-376	**-379**
Equity 31.12.2016	**36 827**	**-4**	**388 304**	**-146 098**	**103 269**	**1 271 874**	**1 654 172**
Equity 31.12.2016	**36 827**	**-4**	**388 304**	**-146 098**	**103 269**	**1 271 874**	**1 654 172**
Earnings for the year						200 503	**200 503**
Other comprehensive income				131 193	905		**132 098**
Dividend paid						-920 576	**-920 576**
Capital increase	66		5 572				**5 639**
Sale of treasury shares		0				44	**45**
Equity 31.12.2017	**36 893**	**-3**	**393 876**	**-14 905**	**104 173**	**551 846**	**1 071 880**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

REPORTING ENTITIES AND PRESENTATION

The consolidated financial statements cover Ekornes ASA and its consolidated subsidiaries (Ekornes).

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. Production takes place at the Group's nine factories. The Group has five factories in Norway, one in the USA, one in Thailand and two in Vietnam. 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 ASA is a public limited company, registered in Norway and listed on the Oslo Stock Exchange. The company's head office is in Sykkylven, Norway. Ekornes ASA's consolidated financial statements for the 2017 accounting year were adopted at a board meeting on 21 March 2018. The consolidated financial statements will be put to the Annual General Meeting on 24 April 2018 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 ASA's 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 2017 or later, plus further requirements for disclosure pursuant to the Norwegian Accounting Act as of 31 December 2017.

MATERIAL ACCOUNTING PRINCIPLES

(A) PRINCIPLES FOR CONSOLIDATION

The consolidated financial statements encompass the financial statements of the parent company and its subsidiaries as at 31 December 2017. As at 31 December 2017, 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) DERIVATIVE FINANCIAL INSTRUMENTS

Ekornes uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from 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.

(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 associated with warranty liabilities are recognised at the time the claims are submitted.

(ii) Restructuring
A provision for restructuring is recognised when Ekornes has approved a detailed and formal restructuring plan, and the restructuring has either commenced or notification thereof has been 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
The Ekornes Group has sales companies in its most important markets, which are responsible for the sale of products, while manufacturing takes place at factories which supply the sales companies. The goods produced are sent directly from the factory to the customer, with the exception of customers in the USA and Asia, where the goods are sent to a dedicated warehouse. IMG's products are sent from factories in Vietnam and Thailand directly to customers or to warehouses belonging to IMG's sales companies. The goods sent from the factories to the company's own warehouses abroad are treated as goods in transit. IMG engages in both order-driven and mass production.

IFRS 15, effective from 1 January 2018, deals with the recognition of revenues deriving from customer contracts and related disclosure requirements. It will replace IAS 18 Operating Revenues. The standard requires the identification of obligations to deliver a product or service in each individual customer contract. Revenues will be recognised when the performance obligation has been met, at the amount that the company expects to receive in respect of the identified performance obligation.

Ekornes has reviewed its customer contracts in line with the new five-step model and has assessed when revenue is deemed to have been earned in line with IFRS. For Ekornes, no material differences between IFRS 15 and IAS 18 have been identified.
The review identified certain discrepancies between the agreed delivery terms in customer contracts and those recorded in the ERP system. As at 31 December 2017, this had no material impact, and the terms have been updated on an ongoing basis.

(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 areas Stressless® and Ekornes® Collection
- Svane®, which covers mattresses and furniture within the Svane® product area
- IMG, which covers furniture from the IMG product area
- Contract, which covers sales to the contract market

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) 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 9 Financial Instruments

IFRS 9, effective from 1 January 2018, will replace IAS 39 Financial Instruments – recognition and measurement. IFRS 9 introduces a new model for the classification and measurement of financial assets and liabilities, a modified approach to hedge accounting and a more forward-looking depreciation model.

Implementation of IFRS 9 will have no effect on the classification and measurement of the Group's financial assets and liabilities. However, Ekornes expects that it will result in additional disclosures relating to its forward contracts in the notes to the 2018 financial statements.

Ekornes has implemented IFRS 9 with effect from 1 January 2018.

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.

An assessment will be made in 2018 of each individual contract to determine whether all the leasing agreements included in Note 20 'Leasing agreements' in this annual report, or contracts which are not currently defined as leasing agreements, would qualify as leasing agreements under the new standard. It is expected that this will relate primarily to sales companies abroad and that capitalised non-current assets and liabilities will increase by a corresponding change in the classification of certain costs from other expenses, partly to depreciation and partly to interest expenses. Key figures that are calculated on the basis of EBIT or total capital may be affected. The amount of the changes will depend on the portfolio of leasing agreements as at 1 January 2019.

Ekornes will implement IFRS 16 with effect from 1 January 2019 and expects at that point to apply the modified retrospective implementation method. 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.
Ekornes's business is divided into the segments/product areas:

- Stressless®, which includes the product areas Stressless® and Ekornes® Collection
- Svane®, which covers the Svane® product area
- IMG, which covers furniture produced by IMG
- Contract, which covers sales to the contract market

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	**2017**	**2016**
Stressless®	2 292 883	2 362 772
IMG	478 596	451 966
Svane®	255 181	270 582
Contract	52 199	58 052
Total	**3 078 859**	**3 143 372**
EBIT per segment		
Stressless®	185 027	368 222
IMG	136 356	138 716
Svane®	-12 562	1 302
Contract	538	5 240
Contingent consideration IMG	0	-69 215
Total	**309 359**	**444 264**
Operating revenues by market		
Norway	506 710	527 533
Other Nordic	217 476	239 868
Central Europe	662 784	712 425
Southern Europe	255 121	302 903
United Kingdom/Ireland	199 901	202 597
USA/Canada/Mexico	933 167	878 158
Japan	135 886	146 743
Other Markets	345 887	334 138
Total	**3 256 932**	**3 344 365**
Gains/losses on realised forward currency contracts	-178 073	-200 993
Total	**3 078 859**	**3 143 372**

NOTE 2 Personnel expenses

(Figures in NOK 000)	2017	2016
Payroll expenses	725 857	722 524
Employer's national insurance contributions	95 039	97 193
Pensions	32 919	20 928
Other personnel costs	24 750	25 501
Total personnel expenses	**878 564**	**866 146**
Average number of full-time equivalents	2 071	2 171

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
- Valuation of trade receivables
- Valuation of inventory

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 2017.

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.

Inventory and trade receivables
Inventory and trade receivables contain qualified estimates, underpinned by historic data and figures based on experience, and are not deemed to have a significant impact on the financial statements.

NOTE 4 Net financial items

(Figures in NOK 000)	2017	2016
Interest income	18 982	4 141
Financial income	1 182	495
Total financial income	**20 164**	**4 636**
Gain/loss on foreign exchange	**-10 320**	**7 444**
Interest expenses	26 955	7 104
Financial expenses	3 398	3 138
Total financial expenses	**30 352**	**10 243**
Total financial items	**-20 508**	**1 838**

All borrowing costs are recognised in expenses as they arise.

NOTE 5 Other operating expenses

(Figures in NOK 000)

Other operating expenses	2017	2016
Contingent consideration for IMG	0	69 215

Breakdown of auditing fees	2017	2016
Statutory auditing services	6 980	6 243
Other certification services	305	340
Other non-auditing services	1 418	1 203
Tax advisory services	785	644
Total	**9 488**	**8 431**

Auditing fees are stated ex. VAT

NOTE 6 Other receivables and other liabilities

(Figures in NOK 000)

Other receivables	2017	2016
Premium and contribution fund	2 382	883
Other receivables linked to the production cycle	15 305	14 856
Prepayments to suppliers	25 428	20 648
Periodised expenses	19 894	21 132
Marketing materials	8 493	11 525
Other	20 985	11 844
Total other receivables	**92 486**	**80 889**

Other liabilities	2017	2016
Contingent consideration for IMG	0	150 000
Salaries payable	119 839	129 401
Accrued bonus/market support to customers	17 931	22 581
Accrued other marketing costs	5 956	5 958
Accrued cash discounts to customers	4 386	6 029
Accrued commission to sales staff	5 862	5 606
Other	12 749	21 328
Total other liabilities	**166 722**	**340 904**

Contingent consideration for IMG

In 2014, Ekornes acquired IMG and incorporated it as a separate segment in the Group. In connection with the takeover, it was agreed that, under certain conditions, a contingent consideration of up to NOK 150 million would be paid after the close of the 2016 financial year. As at 31 December 2016, provisions totalling NOK 150 million had been made. The full contingent consideration was paid in 2017.

NOTE 7 Other investments

(Figures in NOK 000)

Non-current assets	Shareholding	Acquisition cost	Book value
Sykkylvsbrua AS	37,5%	8 790	8 141
Other shares		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. It is expected that the entire investment will be repaid to Ekornes ASA. The date of the repayment has yet to be determined.

NOTE 8 Property, plant and equipment

(Figures in NOK 000)	Sites and buildings	Machinery and equipment	Operating movables	Software and licenses	Total
Acquisition value 31.12.2015	**1 133 587**	**906 095**	**105 538**	**239 921**	**2 385 141**
Translation difference 31.12.2015	-1 513	-1 171	-1 900	-11	-4 596
+ additions	4 943	32 784	4 041	10 685	52 454
- disposals	1 944	31 810	8 212	5 818	47 785
Acquisition value 31.12.2016	**1 135 072**	**905 897**	**99 467**	**244 777**	**2 385 214**
Acquisition value 31.12.2015	**546 406**	**644 548**	**70 439**	**193 991**	**1 455 383**
Translation difference 31.12.2015	39 664	58 432	9 389	30 496	137 981
+ additions	18 000	0	0	0	18 000
- disposals	1 943	33 556	3 805	5 818	45 123
Acquisition value 31.12.2016	**602 126**	**669 423**	**76 023**	**218 669**	**1 566 240**
Book value 31.12.2016	**532 946**	**236 475**	**23 444**	**26 108**	**818 973**
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**
					0
Accumulated dep. & write-downs 31.12.2016	**602 126**	**669 423**	**76 023**	**218 669**	**1 566 241**
+ depreciation	39 775	54 037	8 581	13 642	116 034
- accumulated depreciation on disposals	-1 459	-12 984	-9 811	-4 615	-28 869
Accumulated dep. & write downs 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**

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 2017.

Government grants

Investments totalled NOK 91.6 million in 2017. The Group received NOK 6.9 million in government grants for automation projects in 2017 (NOK 1.7 million in 2016). 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 2017.

Goodwill and customer relations (Figures in NOK 000)	Goodwill	Customer relations	Total
Acquisition value 31.12.2015	**208 012**	**34 638**	**242 650**
Acquisition value 31.12.2016	**208 012**	**34 638**	**242 650**
Accumulated depreciation 31.12.2015	**-**	**4 795**	**4 795**
+ the year's depreciation		4 428	4 428
Accumulated depreciation 31.12.2016	**-**	**9 223**	**9 223**
Book value 31.12.2016	**208 012**	**25 415**	**233 427**
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	**-**	**9 223**	**9 223**
+ the year's depreciation		4 369	4 369
Accumulated depreciation 31.12.2017	**-**	**13 591**	**13 591**
Book value 31.12.2017	**208 012**	**21 047**	**229 059**

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 2018 budget, but adjusted down to a more conservative level.

Based on the downwardly revised 2018 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®, Ekornes® Collection, 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

(Figures in NOK 000)	2017	2016
Inventory finished goods	231 924	201 606
Inventory semi-finished	41 222	45 567
Inventory raw materials	248 745	217 842
Total	**521 892**	**465 016**

All amounts are net after write-downs.

NOTE 10 Trade receivables

(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
2017	**414 821**	248 889	144 174	13 242	5 627	2 890
2016	**426 798**	349 328	59 829	7 666	3 951	6 023

No customer accounts for more than 10 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:

	2017	2016
Opening balance	**6 515**	**18 629**
Actual bad debts in the year	544	5 575
Reversal of previous provisions	1 545	6 538
Closing balance	**4 427**	**6 515**

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

NOTE 11 Cash and bank deposits

(Figures in NOK 000)	2017	2016
Bank	132 051	230 176

In the statement of cash flow, cash and bank deposits are recognised as cash. NOK 21.7 million of the Group's bank deposits are restricted to the payment of employee tax deductions (NOK 19.9 million in 2016).

The Group's Norwegian companies participate in a group account scheme, with the parent company Ekornes ASA 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 14 for further details.

NOTE 12 Equity

Share capital and premium:
As at 31 December 2017, Ekornes's registered share capital comprised 36,892,989 ordinary shares (2016: 36,826,753 shares). All shares have a face value of NOK 1.00.

On 20 August 2017, the board of Ekornes ASA decided to carry out a capital increase in connection with the share purchase scheme for employees in the Group's Norwegian operations, as well as a Long-Term Incentive Programme. With respect to the share purchase scheme, it was decided to issue 24,885 new shares at a subscription price of NOK 91.14 per share. With respect to the LTIP, it was decided to issue 41,351 new shares at a subscription price of NOK 83.93 per share. The shares in the LTIP were issued at a 26.3 per cent discount in relation to a volume-weighted average price in week 31, and are subject to a lock-in period of almost 2.5 years. In total, it was decided to increase the share capital by NOK 66.236, through the issue of 66,236 new shares, each having a face value of NOK 1.00. Prior to the capital increase, the share capital totalled NOK 36,826,753, divided between 36,826,753 shares, each having a face value of NOK 1.00. Following registration of the capital increase in the Brønnøysund Register Centre on 4 September 2017, the company's share capital totals NOK 36,892,989, divided between 36,892,989 shares, each having 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. The rights to the company's treasury shares (a total of 3,299 shares as at 31 December 2017) are suspended until their transfer to another owner.

Capital increase	**5 738 608**
Costs relating to the capital increase	-100 000
Change in equity	**5 638 608**

Hedging reserve:
The hedging reserve equals the value of forward contracts entered into before 1 January 2016, less deferred tax.

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:
The board of Ekornes ASA normally proposes a dividend per share in connection with the publication of the year's last interim report in February the following year. The AGM then considers this proposal, normally in April or May, with the dividend subsequently being paid out to shareholders. The dividend is normally paid out in May. For shareholders outside Norway, withholding tax is deducted from the amount paid out in accordance with applicable Norwegian tax legislation.

For the 2017 financial year, the board is proposing a dividend of NOK 6.00 per share (NOK 25.00 per share in 2016) to be paid out in May 2018. The AGM will consider the proposal on 24 April 2018. A dividend of NOK 6.00 per share for 2017 will result in a total payout of NOK 221,338,140 (NOK 920,576,525 for 2016). The proposed dividend has not been recognised as a liability in the 2017 financial statements.

NOTE 13 Earnings per share

	2017	2016
Profit for the period	200 503 261	320 267 019
No. of shares 1.1	36 826 753	36 826 753
Capital increase	66 236	0
Change in holding of treasury shares	-393	3 692
No. of shares 31.12	36 892 989	36 826 753
Weighted average number of shares	36 846 501	36 826 445
Basic earnings per share	5,43	8,70
Diluted earnings per share	5,43	8,70

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.

Status at 31.12.2017:	Credit facility	Amount drawn	Available
DnB	500 000	-218 000	282 000
Sparebank Møre	250 000	0	250 000
Total	**750 000**	**-218 000**	**532 000**

Long-term bank loan

In 2017, Ekornes entered into 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 2017.

		Book value	
	Maturing	At 31.12.2017	At 31.12.2016
DnB	September 2022	500 000	0

See Note 22 for details of interest-rate risk.

NOTE 15 Tax expense

(Figures in NOK 000)

Tax expense recognised in profit and loss	2017	2016
Tax payable		
Tax payable in the period	119 566	145 162
Deferred tax		
Change in deferred tax liability	-31 219	-19 327
Tax expense	**88 348**	**125 835**
Reconciliation of effective tax rates		
Earnings before tax	288 851	446 102
Tax calculated at 24% (25% in 2016)	**69 324**	**111 525**
Effect of other tax rates	15 081	10 733
Permanent differences	-222	-289
Withholding tax without credit deductions	1 566	99
Effect of change in tax rate in Norway	2 598	3 767
Tax expense	**88 348**	**125 835**

With effect from the 2018 financial year, the rate of corporation tax in Norway has decreased to 23 per cent. Deferred tax assets and liabilities for Norwegian companies as at 31 December 2017 were measured using the new tax rate. The effect constitutes an increase of NOK 2.6 million in the tax expense for 2017.

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

Deferred tax assets and liabilities in the balance sheet	2017	2016
Intangible assets	11 912	0
Property, plant & equipment	14 258	2 929
Inventory	31 287	14 426
Receivables	-2 794	2 558
Pensions	-1 409	-1 821
Provisions	7 029	54 507
Other items	3 254	5 943
Tax-loss carried forwards	0	3
Deferred tax asset as at 31.12.	**63 536**	**78 546**

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. NOK 63.7 million has been recognised as deferred tax assets, while NOK 130,000 has been recognised as deferred tax liabilities.

	2017	2016
Deferred tax assets	63 667	78 674
Deferred tax liabilities	130	128
Deferred tax assets as at 31.12.	**63 536**	**78 546**

Reconciliation of net deferred tax liabilities	2017	2016
Net deferred tax liabilities as at 1.1.	**78 546**	**111 014**
Recognised in profit and loss	31 219	19 327
Recognised in other comprehensive income	-46 229	-51 795
Deferred tax assets as at 31.12.	**63 536**	**78 546**

Tax recognised in total comprehensive income	2017	2016
Tax on forward currency contracts	-46 880	-48 274
Tax on translation differences for loans to subsidiaries	651	-3 521
Total	**-46 229**	**-51 795**

The total effect of the amended tax rate on the tax expense recognised in other comprehensive income comes to NOK 193,000.

Tax payable in the balance sheet	2017	2016
Tax payable for the year	**119 566**	**145 162**
of which paid in the year concerned	-53 564	-71 904
Tax payable in the balance sheet as at 31.12.	**66 002**	**73 258**

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 ASA 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 2017, the remuneration paid to senior executives has complied with the declaration presented to the AGM in 2017. A new declaration will be presented at the AGM in 2018.

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)	2017	2016
Contributions to defined contribution plans	33 147	17 467
Expenses relating to defined benefit plans	-228	3 461
Total	**32 919**	**20 928**

Pension liabilities Figures in NOK 000)	2017	2016
Accumulated pension liabilities	4 812	5 040

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 2017, as well as those retiring during 2017, are entitled to receive a bonus for 2017. For accounting purposes, the bonus is treated as a cash bonus. The bonus will correspond to 28 per cent of monthly salary for employees in the Stressless® and Contract segments and the parent company Ekornes ASA, who all receive a bonus based on the adjusted operating margin achieved by the Stressless® segment. For employees of IMG, the bonus corresponds to 41 per cent of monthly salary. No bonus for 2017 will be paid to employees in the Svane® segment.

A bonus provision calculated in accordance with a best estimate as at 31 December 2017 has been made. 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 controlled by members of the board and management or over which they have a significant influence.

Individual bonus agreements for 2017 have been entered into with eight members of group management / former 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 CEO and CFO are entitled to six months' severance pay should they resign their positions. The bonuses payable to group management are included in salary in the table below.

In 2017, a Long-Term Incentive Programme was inititated. The LTIP encompasses 40 executives within the Group, including group management. Shares under the LTIP were issued at a 26.3 per cent discount in relation to a volume-weighted average share price in week 31, and are subject to a 2.5 year lock-in period. In connection with the LTIP, a total of 41,351 shares were subscribed. If the Group meets certain targets for the period 2017–2018, it may trigger bonus shares to be distributed in 2020. The number of bonus shares is capped at 59,837.

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.

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	-	14 845
Total	**3 220 881**	**2 651 652**	**1 731 833**	**848 088**	**788 247**

Remuneration to members of Group Management in 2017

(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	-	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						
Pension costs						
Directors' fee	606 000	390 500	318 000	374 000	225 000	43 750
Other remuneration						859 000
Total	**606 000**	**390 500**	**318 000**	**374 000**	**225 000**	**902 750**

Remuneration to Board Members in 2017

(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		813 074
Pension costs	6 791	43 518	15 121	23 318		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		8 452
Total	**316 483**	**1 066 517**	**492 046**	**683 730**	**143 000**	**922 124**

NOTE 17 Related parties (cont.)

Remuneration to members of Group Management in 2016

(Figures in NOK)	Olav Holst-Dyrnes	Arve Ekornes	Runar Haugen	Øystein Vikingsen Fauske	Svein Lunde
Salaries	3 429 858	1 726 113	2 528 010	1 217 151	2 466 519
Pension costs	55 453	48 457	55 453	55 453	
Other remuneration	24 892	21 295	26 733	9 850	212 912
Total	**3 510 203**	**1 795 865**	**2 610 196**	**1 282 454**	**2 679 431**

Remuneration to members of Group Management in 2016

(Figures in NOK)	Ola Arne Ramstad	Jon-Erlend Alstad	Lars Wittemann	Trine-Marie Hagen
Salaries	1 900 041	2 387 567	1 597 510	2 109 200
Pension costs	55 453	55 453	55 453	55 453
Other remuneration	22 288	14 304	10 816	180 046
Total	**1 977 782**	**2 457 324**	**1 663 779**	**2 344 699**

Remuneration to Board Members 2016

(Figures in NOK)	Nora Førisdal Larssen	Kjersti Kleven	Jarle Roth	Stian Ekornes
Salaries				
Pension costs				
Directors' fee	390 000	390 000	270 000	182 000
Other remuneration				
Total	**390 000**	**390 000**	**270 000**	**182 000**

Remuneration to Board Members 2016

(Figures in NOK)	Lars Ivar Røiri	Sveinung Utgård	Tone Helen Hanken	Atle Berntzen
Salaries		772 765	96 704	517 713
Pension costs		35 598	4 549	20 871
Directors' fee	273 000	130 000	130 000	130 000
Other remuneration		5 912	1 640	6 461
Total	**273 000**	**944 275**	**232 893**	**675 045**

NOTE 18 Shares, shareholders and dividends

	31.12.17	31.12.16
No of shares, each with a face value of NOK 1	36 892 989	36 826 753

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	
	31.12.17	31.12.16	31.12.17	31.12.16
Norwegian	2 500	2 153	48,1%	48.5%
Non-Norwegian	195	195	51,9%	51.5%
Total	**2 695**	**2 348**	**100%**	**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 18 Shares, shareholders and dividends (cont.)

As at 31 December 2016, the company's 20 largest shareholders were

Shareholder	Country	No. of shares held	Percentage
NORDSTJERNAN AB	SWE	6 359 652	17.3%
FOLKETRYGDFONDET	NOR	3 851 183	10.5%
RBC INVESTOR SERVICE S/A IRISH AIF CL ACC	LUX	1 935 112	5.3%
ODIN NORGE	NOR	1 716 003	4.7%
PARETO AKSJE NORGE	NOR	1 525 787	4.1%
NORDEA NORDIC SMALL	FIN	1 196 158	3.2%
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	790 066	2.1%
FONDITA NORDIC MICRO SKANDINAVISKA ENSKIL	FIN	650 000	1.8%
JPMORGAN CHASE BANK, A/C US RESIDENT NON	USA	649 789	1.8%
STATE STREET BANK AN A/C CLIENT OMNIBUS F	USA	611 844	1.7%
NGH INVEST AS	NOR	566 000	1.5%
CLEARSTREAM BANKING	LUX	534 566	1.5%
EKORNES TORILL ANNE	NOR	522 398	1.4%
THE NORTHERN TRUST C USL EXEMPT CL AC	GBR	425 150	1.2%
VPF NORDEA KAPITAL C/O JPMORGAN EUROPE	NOR	418 671	1.1%
EKORNES KJETIL	NOR	394 959	1.1%
FIDELITY INT SMALL C BNY MELLON SA/NV	USA	388 597	1.1%
FORSVARETS PERSONELL	NOR	348 000	0.9%
Total		**25 044 316**	**68.0%**

No. of shares held by members of the board and management	Office	No. of shares as at 31.12.2017	No. of shares as at 31.12.2016
Stian Ekornes	Director	115 488	113 488
Lars I.Røiri	Director	3 300	2 300
Nils Gunnar Hjellegjerde	Director	566 000	566 000
Tone H.Hanken	Director	1 215	1 084
Knut Ove Rygg	Director	616	0
Olav Holst-Dyrnes	CEO	6 120	3 500
Trine-Marie Hagen	CFO	2 834	700
Øystein Vikingsen Fauske	CHRO & CDO	1 568	0
James Tate	President IMG	2 068	0
Ola Arne Ramstad	Production Director Stressless®	2 218	525
Lars Wittemann	Supply Chain Director Stressless®	3 411	2 001
Svein Lunde	International Marketing Director Stressless®	2 170	0
Arve Ekornes	Business Development Director	1 651	0
Runar Haugen*	Marketing Director Stressless®	20	300

*Runar Haugen left Ekornes in September 2017.

NOTE 18 Shares, shareholders and dividends (contd.)

Dividend paid 2016 (NOK)

The company paid a dividend of NOK 25.00 per share in 2017	920 576 525

Proposed dividend 2017 (NOK)

The board's proposal for a NOK 6.00 per share dividend will be put to the AGM for approval on 24 April 2018	221 338 140

Treasury shares

Purchase and disposal of treasury shares	No	Consideration
Holding 1.1.2017	**3 692**	**379 413**
Sold in 2017	-393	-44 773
Holding 31.12.2017	**3 299**	**334 640**

Treasury shares were sold in 2017 in connection with the share purchase scheme for employees in the Norwegian part of the business.

As at 31 December 2017, the board has been granted the following authorisations:
Authorisation to acquire shares in Ekornes ASA up to a total face value of NOK 736,535. When acquiring shares in Ekornes ASA, the price paid shall be no less than NOK 30 per share and no more than NOK 200 per share, for each share with a face value of NOK 1.00. Should the face value of the shares be altered, the above-mentioned amount will be adjusted accordingly. The board is at liberty to purchase and dispose of treasury shares as it sees fit, as long as all shareholders are treated equally. This authorisation is valid up until the 2018 AGM and is recorded in the Register of Business Enterprises.

Authorisation to increase Ekornes ASA's share capital by up to NOK 200,000 face value. Within the overall ceiling, this authorisation may be utilised several times. The authorisation may be used only to issue shares in connection with the 2017 share purchase scheme, as well as the 2017 incentive programme. It follows from the authorisation that shareholders' preemptive rights under s 10-4 of the Public Limited Companies Act may be waived. This authorisation is valid up until the 2018 AGM and is recorded in the Register of Business Enterprises.

NOTE 19 Group entities

The following subsidiaries are included in Ekornes ASA'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 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

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 NOK)	2017	2016
Ordinary leasing payments	36 950	35 992

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	3	4 486
Las Vegas, Nevada, USA	Showrooms	3	1 047
High Point, North Carolina, USA	Showrooms	3	1 009
Morganton, North Carolina, USA	Factory	1	1 695
Hamburg, Tyskland	Office	4	1 730
London, UK	Office	2	1 057
Corona , California , USA	Office & warehouse	2	1 001
High Point, North Carolina, USA	Showrooms	5	2 059
Las Vegas, Nevada, USA	Showrooms	4	901
Australia/NSW	Office	3	869
Australia/NSW	Warehouse	1	941

Most leasing agreements have an option to extend.

NOTE 21 Research & development

In 2017, research and development costs totalling NOK 44.4 million were recognised in expenses (NOK 33.8 million in 2016). 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 2.2 million in 2017 (NOK 5.7 million in 2016).

NOTE 22 Financial risk

Ekornes operates in many markets on both the sales and procurement sides. As a result, the company has a natural spread of both market, currency and sourcing risk. For Ekornes, financial risk is largely associated with exchange rate fluctuations (the NOK against other countries' currencies) and credit risk, represented by the ability of the Group's customers to pay what they owe (outstanding receivables).

Customer and credit risk
The company sells its products to distributors through its own sales companies. 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.

Interest-rate risk
The Group's interest-rate risk relates to both short-term and long-term borrowing. 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 2017, the Group had total interest-bearing debt of NOK 718.0 million. The Group has a stable financing structure. Lenders are well-reputed Norwegian banks.

Liquidity risk
The Group's liquidity is followed up continuously. At the close of 2017, the Group had a liquidity reserve of NOK 132.2 million in the form of bank deposits, of which NOK 21.7 were restricted to the payment of employees' tax deductions. In addition, the Group had unused drawing rights totalling NOK 532.0 million. The board considers the Group's liquidity situation to be satisfactory.

Foreign exchange risk
In the main markets in which Ekornes has established a presence, the company maintains a long-term perspective. This means providing stable operating conditions to its own sales companies and to its customers (distributors). 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. 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 is expected to achieve full effect from the second quarter 2018, and will provide 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.

The following average exchange rates applied to forward contracts exercised in 2017 and 2016 (all currency amounts stated in million):

	2017		2016	
Currency	Volume (in mill.)	Average exchange rate (in NOK)	Volume (in mill.)	Average exchange rate (in NOK)
USD	24.25	6.5060	24.00	6.4558
GBP	15.65	10.4545	14.75	10.2011
EUR	60.50	8.7206	61.90	8.3695
DKK	48.00	1.1645	48.30	1.1252
SEK	13.40	0.9439	17.25	0.9199
JPY	795.00	0.0659	835.00	0.0676

NOTE 22 Financial risk (contd.)

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 2017) with a counter-entry in sales revenues.

The Group had a realised loss of NOK 93.0 million in 2017. The realised loss can be broken down into the realisation of unrealised losses belonging to 2017 in the amount of NOK 178.1 million as at 31 December 2017, and an increase in value of NOK 85.0 million from 31 December 2015 until realisation. All realised and unrealised gains and losses taking place from 1 January 2016 and forward in time are no longer recognised in other comprehensive income, but are posted directly to profit and loss via the item “Other losses/(gains)”.

(Figures in NOK 000) Total net other losses/(gains) comprise :	2017
Change in value from 1.1.2016 until the date of settlement for derivatives maturing in 2017	-85 043
Reversal of changes in value in the period 1.1.2016-31.12.2016 for derivatives maturing in 2017	89 393
Change in value from 1.1.2017 to 31.12.2017 for derivatives still held	6 575
Net other losses/(gains) in 2017	**10 925**

In 2017, 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 2017, these new contracts resulted in a NOK 6.5 million decrease in value. All new contracts entered into in 2017 mature in 2018.

As at 31 December 2017, the market value of existing forward currency contracts came to NOK -20,0 million (31.12.2016: NOK -102,1 million). The forward currency contracts mature in the following periods:

(Figures in NOK 000) Market value of forward contracts	2017	2016
Share 2017	0	-95 145
Share 2018	-19 953	-6 913
TOTAL	**-19 953**	**-102 058**

Classification of financial assets and liabilities 2017 (Figures in NOK 000)	Fair value Derivatives	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 22 Financial risk (contd.)

Classification of financial assets and liablities in 2016 (Figures in NOK 000)	**Fair value Derivatives**	**Amortised cost Bank deposits and receivables**	**Amortised cost Other financial liabilities**
Cash & cash equivalents		230 176	
Forward currency contracts	-102 058		
Stocks & shares in other enterprises	9 328		
Trade payables & other current receivables		507 687	
Non-current receivables		17 631	
Trade payables & other current liabilities			581 592
Short-term debt to credit institutions			11 810
TOTAL	**-92 730**	**755 494**	**593 402**

NOTE 23 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 ASA

Financial statemens

INCOME STATEMENT FOR EKORNES ASA

1.1 - 31.12

(Figures in NOK 000)	Notes	2017	2016
Sales revenues	3	23 415	32 785
Other revenues	3 , 13	230 377	239 263
Total operating revenues		**253 792**	**272 048**
Cost of goods sold	13	16 088	23 606
Personnel expenses	5, 6, 8	85 369	83 790
Depreciation and writedowns	7	49 330	83 916
Other operating expenses	6, 8	121 383	112 490
Total operating expenses		**272 171**	**303 802**
OPERATING EARNINGS		**-18 379**	**-31 754**
Financial income and expenses			
Dividend and group contribution	4 , 13	353 922	209 350
Financial income	4	23 135	13 262
Gain/loss on foreign exchange	2, 4	-31 224	-85 050
Financial expenses	4	19 942	4 280
Net financial items		**325 892**	**133 282**
Earnings before tax		**307 513**	**101 528**
Tax expense	14	65 407	20 471
EARNINGS FOR THE YEAR		**242 106**	**81 058**
DISTRIBUTED AS FOLLOWS			
Proposed dividend	15	-221 339	-920 577
Proposed group contribution		0	-1 900
Proposed group contribution		307 951	180 805
Other equity	15	-328 719	660 614
Total distributed		**-242 106**	**-81 058**

BALANCE SHEET FOR EKORNES ASA

ASSETS (Figures in NOK 000)	Notes	31.12.2017	31.12.2016
Non-current assets			
Software	7	31 846	22 352
Deferred tax assets	14	19 200	29 276
Total non-current intangible assets		**51 046**	**51 627**
Buildings, sites etc.	7	469 585	487 953
Operating movables, fixtures	7	2 132	1 967
Total property, plant & equipment		**471 716**	**489 920**
Shares in subsidiaries	9	144 031	142 078
Receivables from subsidiaries	11, 13	14 578	270 470
Other investments	10	9 409	9 328
Total non-current financial assets		**168 019**	**421 877**
Total non-current assets		**690 781**	**963 424**
Current assets			
Inventory finished goods		630	2 608
Trade receivables		360	4 363
Public charges/VAT receivable		2 422	15 466
Other receivables		12 187	5 471
Dividend outstanding from group companies		45 089	29 608
Receivables from subsidiaries	13	795 610	485 517
Cash and bank deposits	16	0	83 391
Total current assets		**856 317**	**626 424**
TOTAL ASSETS		**1 547 098**	**1 589 848**

(Continued on next page)

BALANCE SHEET FOR EKORNES ASA (contd.)

EQUITY AND LIABILITIES (Figures in NOK 000)	Note	31.12.2017	31.12.2016
Equity			
Share capital	15, 17	36 893	36 827
Treasury shares	15	-3	-4
Premium paid	15	393 876	388 304
Total contributed equity		**430 766**	**425 127**
Other equity	15	64 480	43 668
Total retained earnings		**64 480**	**43 668**
Total equity		**495 246**	**468 795**
Non-current liabilities			
Provisions	6	1 940	0
Debt to credit institutions	12	500 000	0
Total non-current liabilities		**501 940**	**0**
Current liabilities			
Debt to credit institutions	12, 16	204 194	0
Trade payables		25 261	9 378
Dividend	17	221 339	920 577
Public charges payable		6 377	7 264
Tax payable	14	53 727	55 318
Value of forward contracts	2	19 953	102 058
Other current liabilities	6	19 061	26 459
Total current liabilities		**549 912**	**1 121 053**
Total liabilities		**1 051 852**	**1 121 053**
TOTAL EQUITY AND LIABILITIES		**1 547 098**	**1 589 848**

Ikornnes, 31 December 2017/21 March 2018

The Board of Directors of Ekornes ASA

Nora Förisdal Larssen
Chair

Kjersti Kleven
Vice-Chair

Stian Ekornes
Director

Lars I. Røiri
Director

Tine Gottlob Kirstan Wollebekk
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 STATEMENT FOR EKORNES ASA 1.1 - 31.12

(Figures in NOK 000)	2017	2016
Kontantstrømmer fra driftsaktiviteter		
Cash flow from operating activities	307 513	101 528
Earnings before tax	-55 355	-43 956
Depreciation and write-downs	49 330	83 916
Changes in inventory	1 978	181
Changes in trade receivables	3 897	-2 150
Changes in intra-group receivables	-69 681	230 009
Changes in trade payables	15 883	-3 049
Changes in other accruals	-83 682	161 943
Net cash flow from operating activities	**169 882**	**528 422**
Cash flow from investing activities		
Investments in property, plant & equipment	-40 621	-11 736
Investments in shares and partnerships	-1 953	0
Net cash flow from investing activities	**-42 574**	**-11 736**
Cash flow from financing activities		
Change in net long-term debt to credit institutions	500 000	0
Net change in overdraft	204 194	-294 971
Change in holding of treasury shares	45	-379
Dividend paid	-920 577	-147 307
Capital increase	5 639	0
Net cash flow from financing activities	**-210 699**	**-442 657**
Net change in cash and cash equivalents	-83 391	74 029
Cash and cash equivalents at the start of period	83 391	9 362
Cash and cash equivalents at the close of period	**0**	**83 391**

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 2017. 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.

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

In the main markets in which Ekornes has established a presence, the company maintains a long-term perspective. This means providing stable operating conditions to its own sales companies and to its customers (distributors). 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. 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 is expected to achieve full effect from the second quarter 2018, and will provide 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.

Change in value of forward contracts in 2017 (Figures in NOK 000)	
Value of forward contracts 31.12.2016	**-102 058**
Realised loss on forward contracts maturing in 2017	93 030
Change in value from 1.1.2017 to 31.12.2017 of derivatives still held at 31.12.2017	-10 925
Value of forward contracts 31.12.2017	**-19 953**

The negative value of the forward contracts (NOK 20.0 million) as at 31 December 2017 is recognised as a liability. Realised losses and changes in value in 2017 are recognised under financial items.

NOTE 3 Sales revenues and other revenues

(Figures in NOK 000)	**2017**	**2016**
Europe	462	1 213
Asia	20 235	31 169
Other	2 718	403
Total sales revenues	**23 415**	**32 785**

(Figures in NOK 000)	**2017**	**2016**
Property leasing income - subsidiaries	54 111	56 985
Services to subsidiaries	176 165	181 994
Other	100	283
Total sales revenues	**230 377**	**239 263**

NOTE 4 Merged items

(Figures in NOK 000)	2017	2016
Financial income and expenses		
Dividends from subsidiaries	45 971	28 545
Group contribution	307 951	180 805
Total dividend and group contribution	**353 922**	**209 350**
Income from subsidiaries	6 695	8 886
Financial income	16 440	4 376
Total financial income	**23 135**	**13 262**
Net gain/loss on foreign exchange	**-31 224**	**-85 050**
Interest expenses	18 547	23
Financial expenses	1 395	4 257
Total financial expenses	**19 942**	**4 280**
Net financial items	**325 892**	**133 282**

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. See Note 2 for details of forward contracts in 2017.

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

(Figures in NOK 000)	2017	2016
Salaries	71 313	70 376
National insurance contributions	9 103	9 879
Pension costs	2 595	2 415
Other personnel expenses	2 358	1 120
Total	**85 369**	**83 790**
Average number of full-time equivalents	79	79

NOTE 6 Employee benefits

Pension liabilities and costs
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. 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)	2017	2016
Pension costs (defined contribution scheme)	2 595	2 415

Board of Directors' declaration on the remuneration policy applying to senior executives
A major element of the remuneration policy established with respect to Ekornes ASA 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 2017, the remuneration paid to senior executives has complied with the declaration presented to the AGM in 2017. A new declaration will be presented at the AGM in 2018.

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.

Individual bonus agreements for 2017 have been entered into with eight 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 CEO and CFO are entitled to six months' severance pay should they resign their positions. The bonuses payable to group management are included in salary in the table below.

In 2017, a Long-Term Incentive Programme was initiated. The LTIP encompasses 40 executives within the Group, including group management. Shares under the LTIP were issued at a 26.3 per cent discount in relation to a volume-weighted average share price in week 31, and are subject to a 2.5 year lock-in period. In connection with the LTIP, a total of 41,351 shares were subscribed. If the Group meets certain targets for the period 2017–2018, it may trigger bonus shares to be distributed in 2020. The number of bonus shares is capped at 59,837.

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 2017, as well as those retiring during 2017, are entitled to receive a bonus for 2017. 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 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	-	14 845
Total	**3 220 881**	**2 651 652**	**1 731 833**	**848 088**	**788 247**

Remuneration to members of Group Management in 2017

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

Remuneration to Board Members in 2017

(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		813 074
Pension costs	6 791	43 518	15 121	23 318		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		8 452
Total	**316 483**	**1 066 517**	**492 046**	**683 730**	**143 000**	**922 124**

Remuneration to members of Group Management in 2016

(Figures in NOK)	Olav Holst-Dyrnes	Arve Ekornes	Runar Haugen	Øystein Vikingsen Fauske	Svein Lunde
Salaries	3 429 858	1 726 113	2 528 010	1 217 151	2 466 519
Pension costs	55 453	48 457	55 453	55 453	
Other remuneration	24 892	21 295	26 733	9 850	212 912
Total	**3 510 203**	**1 795 865**	**2 610 196**	**1 282 454**	**2 679 431**

Remuneration to members of Group Management in 2016

(Figures in NOK)	Ola Arne Ramstad	Jon-Erlend Alstad	Lars Wittemann	Trine-Marie Hagen
Salaries	1 900 041	2 387 567	1 597 510	2 109 200
Pension costs	55 453	55 453	55 453	55 453
Other remuneration	22 288	14 304	10 816	180 046
Total	**1 977 782**	**2 457 324**	**1 663 779**	**2 344 699**

Remuneration to Board Members in 2016

(Figures in NOK)	Nora Förisdal Larssen	Kjersti Kleven	Jarle Roth	Stian Ekornes
Salaries				
Pension costs				
Directors' fee	390 000	390 000	270 000	182 000
Other remuneration				
Total	**390 000**	**390 000**	**270 000**	**182 000**

Remuneration to Board Members in 2016

(Figures in NOK)	Lars Ivar Røiri	Sveinung Utgård	Tone Helen Hanken	Atle Berntzen
Salaries		772 765	96 704	517 713
Pension costs		35 598	4 549	20 871
Directors' fee	273 000	130 000	130 000	130 000
Other remuneration		5 912	1 640	6 461
Total	**273 000**	**944 275**	**232 893**	**675 045**

Remuneration to the auditor (Figures in NOK 000)	2017	2016
Auditing services	2 307	2 276
Tax advisory services	575	273
Total	**2 882**	**2 549**

NOTE 7 Property plant and equipment

(Figures in NOK 000)	Software	Intangible assets	Sites, buildings	Operating movables, fixtures etc.	Total
Acquisition cost 31.12.2016	**236 175**	**3 694**	**1 081 600**	**17 087**	**1 338 556**
+ additions	12 291	9 183	17 411	1 735	40 621
- disposals at acquisition cost	4 615			4 130	8 746
Acquisition cost 31.12.2017	**243 851**	**12 877**	**1 099 011**	**14 691**	**1 370 431**
Accumulated dep. & write-downs 31.12.2016	**217 348**	**170**	**593 647**	**15 120**	**826 285**
+ the year's depreciations	10 639	1 341	35 779	1 570	49 330
- acc.dep sold non-curr. assets	4 615			4 130	8 746
Accumulated dep. & write-downs 31.12.2017	**223 372**	**1 511**	**629 426**	**12 559**	**866 869**
Book value 31.12.2017	**20 480**	**11 366**	**469 585**	**2 132**	**503 562**

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 2017.

Sureties

No property, plant and equipment had been pledged as surety as at 31 December 2017.

NOTE 8 Intangible assets

Research and development costs totalling NOK 37 million were recognised in expenses in 2017 (NOK 27.5 million in 2016). 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 2.2 million in 2017 (NOK 5.7 million in 2016).

NOTE 9 Shares in subsidiaries

Company (Figures in NOK 000)	Business office	Shareholding	Voting share	Book value
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%	1 875
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 shares in subsidiaries				**144 031**

NOTE 10 Shares in other companies, etc.

Shares in other companies (Figures in NOK 000)	Share	Acquisition Cost	Book value
Non-current assets			
Sykkylvsbrua AS	37,5%	8 790	8 141
Other shares		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. It is expected that the entire investment will be repaid to Ekornes ASA. The date of the repayment has yet to be determined.

NOTE 11 Receivables falling due later than one year

(Figures in NOK 000)	2017	2016
Loans to group companies	14 578	270 470
Total	**14 578**	**270 470**

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.

Status at 31.12.2017 (Figures in NOK 000)	Credit ceiling	Amount drawn	Available
DnB	500 000	-218 000	282 000
Sparebank Møre	250 000	0	250 000
Total	**750 000**	**-218 000**	**532 000**

The credit facility is unsecured. As at 31 December 2017, the Group is not in violation of any of the terms associated with the credit facilities.

Long-term bank loan

In 2017, Ekornes entered into 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 2017.

		Book value	
(Figures in NOK 000)	Maturing	At 31.12.2017	At 31.12.2016
DnB	September 2022	500 000	0

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 ASA and its subsidiaries are as follows:

Transactions with subsidiaries (Figures in NOK 000)	2017	2016
Purchases	16 303	23 610
Sale of services	176 165	181 994
Purchase of services	8 161	5 835
Dividend from subsidiaries	45 971	28 545
Group contributions received	307 951	180 805
Group contribution	0	1 900
Commission	6 692	9 564
Interest income	6 695	8 886
Rental income	53 750	56 550

All intra-group balances are shown on separate lines in the balance sheet.

NOTE 14 Tax and temporary differences

(Tall i NOK 000)	2017	2016
Tax payable:		
Earnings before tax	307 513	101 528
Permanent differences	-44 987	-3 005
Changes in temporary differences	-38 505	119 644
Group contribution paid	0	-1 900
Tax base for the year	**224 020**	**216 267**
Tax payable on the year's earnings	**53 765**	**54 067**
Tax expense		
Tax payable on profit for the year	53 765	54 067
Correction to tax payable in previous years	0	308
Gross change in deferred tax	10 076	-33 904
Withholding tax	1 566	0
Total tax	**65 407**	**20 471**
Tax payable in the balance sheet		
Tax payable on profit for the year	53 765	54 067
Withholding tax on dividend received	-38	1 251
Tax payable in the balance sheet	**53 727**	**55 318**
Temporary differences linked to:		
Property, plant & equipment	-63 399	-57 273
Non-current receivables/liabilities in foreign currencies	17 219	51 478
Inventory	-5 670	-1 405
Profit & loss account	-610	-762
Provisions, etc.	-29 077	-110 718
Other differences	-1 940	-3 301
Total temporary differences	**-83 476**	**-121 982**
Differences not offset	0	0
Basis for deferred tax	-83 476	-121 982
Deferred tax/ Deferred tax assets	**-19 200**	**-29 276**

Change in the tax rate in 2017
With effect from the 2018 financial year, the rate of corporation tax in Norway has decreased to 23 per cent. Deferred tax assets and liabilities for Norwegian companies as at 31 December 2017 were measured using the new tax rate. The effect of the change in the tax rate from 24 per cent to 23 per cent constitutes an additional NOK 0.8 million in the tax expense for 2017.

NOTE 15 Equity

(Figures in NOK 000)	Share capital	Treasury shares	Premium reserve	Other equity	Total
Equity 1.1.2015	**36 827**	**0**	**388 304**	**883 566**	**1 308 696**
Profit for the year				81 058	81 058
Purchase of treasury shares		-4		-376	-379
Allocated to dividend				-920 577	-920 577
Other				-3	-3
Equity 1.1.2016	**36 827**	**-4**	**388 304**	**43 668**	**468 795**
Equity 1.1.2016	**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**

Capital increase
As at 31 December 2017, Ekornes's registered share capital comprised 36,892,989 ordinary shares (2016: 36,826,753 shares). All shares have a face value of NOK 1.00.

On 20 August 2017, the board of Ekornes ASA decided to carry out a capital increase in connection with the share purchase scheme for employees in the Group's Norwegian operations, as well as a Long-Term Incentive Programme. With respect to the share purchase scheme, it was decided to issue 24,885 new shares at a subscription price of NOK 91.14 per share. With respect to the LTIP, it was decided to issue 41,351 new shares at a subscription price of NOK 83.93 per share. The shares in the LTIP were issued at a 26.3 per cent discount in relation to a volume-weighted average price in week 31, and are subject to a lock-in period of almost 2.5 years. In total, it was decided to increase the share capital by NOK 66.236, through the issue of 66,236 new shares, each having a face value of NOK 1.00. Prior to the capital increase, the share capital totalled NOK 36,826,753, divided between 36,826,753 shares, each having a face value of NOK 1.00. Following registration of the capital increase in the Brønnøysund Register Centre on 4 September 2017, the company's share capital totals NOK 36,892,989, divided between 36,892,989 shares, each having 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. The rights to the company's treasury shares (a total of 3,299 shares as at 31 December 2017) are suspended until their transfer to another owner.

NOTE 16 Cash and cash equivalents as at 31.12

(Figures in NOK 000)	2017	2016
Cash and bank deposits	-204 194	83 391

In the statement of cash flow, only cash and bank deposits are recognised as cash. As at 31 December 2017, NOK 3.8 million of the company's bank deposits are restricted to the payment of employee tax deductions (NOK 3.0 million as at 31 December 2016). The Group's Norwegian companies participate in a group account scheme, with the parent company Ekornes ASA 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

	31.12.17	31.12.16
No. of shares each with a face value of NOK 1	36 892 989	36 826 753

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. The rights to the company's treasury shares (a total of 3,299 shares as at 31 December 2017) are suspended until their transfer to another owner.

Shareholders	No. of shareholders		% of share capital	
	31.12.17	31.12.16	31.12.17	31.12.16
Norwegian	2 500	2 153	48,1%	48,5%
Non-Norwegian	195	195	51,9%	51,5%
Total	**2 695**	**2 348**	**100%**	**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.)

As at 31 December 2016, the company's 20 largest shareholders were

Shareholder	Country	No. of shares held	Percentage
NORDSTJERNAN AB	SWE	6 359 652	17.3%
FOLKETRYGDFONDET	NOR	3 851 183	10.5%
RBC INVESTOR SERVICE S/A IRISH AIF CL ACC	LUX	1 935 112	5.3%
ODIN NORGE	NOR	1 716 003	4.7%
PARETO AKSJE NORGE	NOR	1 525 787	4.1%
NORDEA NORDIC SMALL	FIN	1 196 158	3.2%
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	790 066	2.1%
FONDITA NORDIC MICRO SKANDINAVISKA ENSKIL	FIN	650 000	1.8%
JPMORGAN CHASE BANK, A/C US RESIDENT NON	USA	649 789	1.8%
STATE STREET BANK AN A/C CLIENT OMNIBUS F	USA	611 844	1.7%
NGH INVEST AS	NOR	566 000	1.5%
CLEARSTREAM BANKING	LUX	534 566	1.5%
EKORNES TORILL ANNE	NOR	522 398	1.4%
THE NORTHERN TRUST C USL EXEMPT CL AC	GBR	425 150	1.2%
VPF NORDEA KAPITAL C/O JPMORGAN EUROPE	NOR	418 671	1.1%
EKORNES KJETIL	NOR	394 959	1.1%
FIDELITY INT SMALL C BNY MELLON SA/NV	USA	388 597	1.1%
FORSVARETS PERSONELL	NOR	348 000	0.9%
Totalt		**25 044 316**	**68.0%**

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

Shareholder	Office	No. of shares held at 31.12.2017	No. of shares held at 31.12.2016
Stian Ekornes	Director	115 488	113 488
Lars I. Røiri	Director	3 300	2 300
Nils Gunnar Hjellegjerde	Director	566 000	566 000
Tone H. Hanken	Director	1 215	1 084
Knut Ove Rygg	Director	616	0
Olav Holst-Dyrnes	CEO	6 120	3 500
Trine-Marie Hagen	CFO	2 834	700
Øystein Vikingsen Fauske	CHRO & CDO	1 568	0
Svein Lunde	International Marketing Director Stressless®	2 170	0
Ola Arne Ramstad	Production Director Stressless®	2 218	525
Lars Wittemann	Supply Chain Director Stressless®	3 411	2 001
Arve Ekornes	Business Development Director	1 651	0
Runar Haugen*	Marketing Director Stressless®	20	300

*Runar Haugen left Ekornes in September 2017.

Dividend paid 2016 (NOK)	
The Company paid a dividend of NOK 25.00 per share in 2017	920 576 525

Proposed dividend 2017 (NOK)	
The board's proposal for a NOK 6.00 per share dividend will be put to the AGM for approval on 24 April 2018	221 338 140

Treasury shares

Purchase and disposal of treasury shares	No.	Consideration
Holding 1.1.2017	**3 692**	**379 413**
Sold in 2017	-393	-44 773
Holding 31.12.2017	**3 299**	**334 640**

Treasury shares were sold in 2017 in connection with the share purchase scheme for employees in the Norwegian part of the business.

As at 31 December 2017, the board has been granted the following authorisations:
Authorisation to acquire shares in Ekornes ASA up to a total face value of NOK 736,535. When acquiring shares in Ekornes ASA, the price paid shall be no less than NOK 30 per share and no more than NOK 200 per share, for each share with a face value of NOK 1.00. Should the face value of the shares be altered, the above-mentioned amount will be adjusted accordingly. The board is at liberty to purchase and dispose of treasury shares as it sees fit, as long as all shareholders are treated equally. This authorisation is valid up until the 2018 AGM and is recorded in the Register of Business Enterprises.

Authorisation to increase Ekornes ASA's share capital by up to NOK 200,000 face value. Within the overall ceiling, this authorisation may be utilised several times. The authorisation may be used only to issue shares in connection with the 2017 share purchase scheme, as well as the 2017 incentive programme. It follows from the authorisation that shareholders' pre-emptive rights under s 10-4 of the Public Limited Companies Act may be waived. This authorisation is valid up until the 2018 AGM and is recorded in the Register of Business Enterprises

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 ASA

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Ekornes ASA. The Financial statements comprise:

- The financial statements of the parent company, which comprise the balance sheet as at 31 December 2017, and the income statement and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and

- The financial statements of the group, which comprise the balance sheet as at 31 December 2017, and income statement, statement of comprehensive income, statement of changes in equity, 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 parent company as at 31 December 2017, 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 financial statements give a true and fair view of the financial position of the group as at 31 December 2017, 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.

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Independent Auditor's Report - Ekornes ASA

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The activities of the group have not materially changed compared to prior year. We have not identified any regulatory changes, transactions or other events that qualify as Key audit matter for the 2017 audit. Consequently, our Key audit matters are the same as prior year.

Key Audit Matter	How our audit addressed the Key Audit Matter
Accrual of operating revenues	
As described in item O (i), in the accounting policies within the financial statements, operating revenues are recognised when delivery to customer has occurred and control has been transferred to the customer. Different terms of delivery apply and timing of revenue recognition varies accordingly. Revenue is primarily recognized when goods are delivered to the place determined by the customer. Ekornes manufacturing comprises both made to order and made for inventory production. The goods are dispatched from the factory to customers in a global market. The extent of goods in transit at the end of the fiscal year is therefore significant. We focused our attention on operating revenue accruals in the last month of the fiscal year, as misstatements, if any, may impact the financial statements significantly.	We have gained an understanding of the flow of goods from factory to customer, applied delivery terms and the Group's policies for revenue recognition through interviews with key personnel, review of the Group's process documentation and we reviewed a selection of customer contracts. In addition, we have assessed the note disclosure in item O (i) to the financial statements, which describe the group's accounting principles for recognition of operating revenues. For customers where agreed terms of delivery required that the goods had to be received by the customers before recognition of revenue could occur at Ekornes; we have obtained confirmations from selected customers that receipt of goods had taken place in the same period as Ekornes recognised revenue. The procedures performed showed that revenue was recognised appropriately. We have also applied IT based sampling methods to identify non-standard journal entries towards operating revenues recognised in the financial statements. Further, for each category of non-standard entries we have assessed the type and reasonableness of these entries, towards underlying transactions and documentation. Our procedures did not reveal any misstatements of significance.
Valuation of goodwill	
Per 31.12.2017, the Group has recognised goodwill of NOK 208 million related to acquisition of IMG in the balance sheet. See note 8 in the consolidated financial statements for further information. No impairment loss has been recognised on the income statement.	We have obtained and reviewed management's model for the impairment test of goodwill. The documentation contains an assessment of the cash generating unit and key assumptions applied by management. We found that the model complies with the requirements set out in IFRS and we controlled that the model was mathematically accurate.

Independent Auditor's Report - Ekornes ASA

The valuations require that management apply judgement related to, among other things, future cash flows and discount rate applied. We focus on this area due to the magnitude of the amount of goodwill recognized and due to judgements made by management when determining the assumptions applied to support the valuation of goodwill.	We have assessed the disclosure in note 8 to the financial statements referring to the impairment test of goodwill. The note disclosure appropriately reflect the assumptions and sensitivities in the valuation performed. We challenged the assumptions applied by management related to future revenue, price, operating expenses and reinvestments by comparing them to previous profits for the IMG segment and budgets approved by the Board of Directors. We found the assumptions applied to be in line with previous profits and budgets. In order to assess the reasonableness of the discount rate applied by management, we compared it to observable interest rates for Norwegian Treasury bonds, we compared the market risk premium to reputable research available in the market, and we compared the capital structure to other listed companies in the industry. The discount rate applied is considered to be appropriate.

Other information

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

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 parent 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 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

Independent Auditor's Report - Ekornes ASA

concern. The financial statements of the parent company use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations. The 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.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's or the Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Independent Auditor's Report - Ekornes ASA

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit

We also provide the Board of Directors with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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 and in the statements on Corporate Governance and Corporate Social Responsibility concerning the financial statements, the going concern assumption, and the proposal for the allocation of the profit 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, 21 March 2018
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. Ekornes Hareid AS is established on 25 April 1996, and is owned by Ekornes ASA.

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

1930s

1940s

1950s

1960s

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

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.

2002 New Stressless® logo introduced.

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, 25 March 2004. 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.

2006 Ekornes establishes a presence in Singapore and Shanghai. Ekornes' Svane® mattresses are the first Norwegian mattresses on the consumer market to receive environmental certification, and the new Stressless® Jazz premieres in November.

2007 Construction of an extension of 4,600 Sqm. begins at Tynes in Sykkylven. A new deep-water wharf came into operation at the company's main facilities in Ikornnes. The wharf is 81 meter long, covers around 2,000 Sqm. and has room for some 80 containers.

2008 Ekornes sells trademark rights to Sacco®. 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 On 8 January Ekornes decides to close its sofa factory at Stranda. Production of fixed-back sofas is transferred to Hareid. 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 Merger between J.E. Ekornes AS and Ekornes Møbler AS. 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.

(Continued on next page)

1970s

1980s

1990s

2000s

HISTORY (continued)

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'.

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, and an entirely new collection named the Stressless® YOU. Svane® launches the Svane® 630™ collection.

2015 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.

2017 At the start of 2017, all employees in the Stressless®, Svane® and Contract segments receive a bonus for 2016 corresponding to 32 per cent of their monthly salary.

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.

2013

2014

2015

2016

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.

It is decided to invest in a new IMG production facility in Panevezys in Lithuania. The facility will manufacture IMG products primarily for the European market.

For the first time, Ekornes stages a summer internship for students from a variety of disciplines. Seven students spend five weeks in their summer holidays working on an exciting project linked to a new product for the Stressless® collection.

James Tate takes over as president of IMG in July.

Employees are given the opportunity to share in the Group's value creation. All of Ekornes's employees in Norway are offered the chance to buy discounted shares through a share purchase scheme.

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 October, Jafar Zareen takes over as CEO of Ekornes Beds.

During the autumn, Ekornes launches its first official Stressless® flagship store in Asia's largest online retailer Tmall.com. The Ålesund furniture fair for Nordic distributors in November sees the launch of an entirely 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 Sykkylvsbrua bridge was opened in 2000 and has played a crucial role in ensuring the recruitment of staff to the company's largest factory. Ekornes and the other bridge shareholders agree in December to renounce any further price compensation, reducing the period during which a toll is paid by around seven months. From 1 February 2018, vehicles have been able to cross the Sykkylvsbrua bridge free of charge.

The Svane® brand celebrates its 80th anniversary in 2017. It currently has a 52 per cent unassisted recognition rate in Norway.

80 svane® 1937 - 2017

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.

2017

2017

2017

EKORNES

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