

*Ekornes QM Holding Group
Financial statements for
the first half-year 2019*



HIGHLIGHTS IN THE FIRST HALF-YEAR

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

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

HIGHLIGHTS IN THE FIRST HALF YEAR 2019

- *Operating revenues of NOK 1 577 million, which is around 3% lower than comparable figures the year before. The main reason for the decrease is lower sales for both Stressless® and IMG in historically important markets, while sales in China clearly show positive development.*
- *Stressless®: Sales decrease due to reduction in North America, South Europe and Norway, while sales increased in China and Sweden, albeit from a low level.*
- *IMG: Sales decrease due to reduction in North America and Australia/New Zealand. Significant and escalating sales growth during the first half of 2019 in China and Southern Europe.*
- *EBIT in the period of NOK 140.2 million, with an EBIT margin of 8.9%.*
- *Continued improvement from cost efficiency initiatives and cost-optimised production for Stressless® had positive effects in the period and expected to impact the cost base positively in 2019 and beyond.*
- *The company continues to increase the customer offering in all main markets and several new products have been introduced and are well received during 2019. The ambitious product development program is expected to yield more launches in the second half of 2019.*

Key figures

		1H 2019	Q2 2019	Q1 2019
Gross operating revenue	TNOK	1 577 283	768 734	808 549
Stressless®	TNOK	1 234 768	595 280	639 488
IMG	TNOK	246 084	135 110	110 975
Svane®	TNOK	96 431	38 344	58 086
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Gross operating earnings (EBITDA)	TNOK	280 130	119 148	160 982
Operating earnings (EBIT)	TNOK	140 187	48 451	91 735
Operating margin (EBIT)		8,9%	6,3%	11,3%
Earnings before tax (EBT)	TNOK	117 283	-31 441	148 724
Net earnings	TNOK	180 071	64 945	115 126
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Net interest-bearing Debt (NIBD)	TNOK	-2 275 786	-2 275 786	-2 310 625
Cash and Bank deposits end of period	TNOK	277 749	277 749	68 310

COMPANY HISTORY AND OWNERSHIP

Ekornes QM Holding AS was founded 4 January 2018 with the purpose of acquiring the Ekornes Group. In May 2018, an offer was made to purchase the shares of all Ekornes shareholders. The share purchase was completed in August and Ekornes ASA was delisted from the Oslo Stock Exchange in October 2018.

Qumei Home Furnishings Group (90.5%) and Huatai Securities (9.5%), own the Ekornes Group through Ekornes Holding AS. The Norwegian ultimate parent company Ekornes QM Holding AS is a wholly owned subsidiary of Qumei Home Furnishing Group. Ekornes QM Holding AS owns 90,5% of the shares in Ekornes Holding AS. The Ekornes Group is the only operational part of the Ekornes QM Holding Group. The Ekornes Group is consolidated from the acquisition date.

The consolidated financial statements comprise the financial statements of the parent company Ekornes QM Holding AS and its subsidiaries as at 30 June 2019. As at 30 June 2019, Ekornes QM Holding AS has 90,5% shareholding and voting rights in Ekornes Holding AS, who in its turn has 100% owner share and voting rights for all other consolidated companies.

PERFORMANCE IN THE FIRST HALF YEAR OF 2019

Ekornes QM Holding AS ("EKOQMH") generated operating revenues of NOK 1 577.3 million in the first half year of 2019. The Stressless® segment's underlying sales revenues were NOK 1 234.8 mill., IMG's revenues were NOK 246.1 million while the Svane® segment's revenues were NOK 96.4 million.

EBIT for the first half year of 2019 totaled NOK 140.2 million, which gives an EBIT margin for the period of 8.9%. Net financial items were NOK -22.9 million in the period, with NOK -94.5 million in financial expenses, partly compensated by net gains on foreign exchange of NOK 56.9 million.

Profit before tax in the first half year of 2019 was NOK 117.3 million. The tax expense for the first half year of 2019 has been calculated at NOK -62.8 million, which gives a net profit of NOK 180.0 million.

There are no comparable reported financial figures for the first half year of 2018 for the group. However, there exists comparable figures for sales activities in the various geographical markets and across product segments, and the following will provide comparisons with the same period last year for the main markets

Gross operating revenue in local currency in the most important markets:

		Q2 2019	Q2 2018	Q1 2019	YTD Q2 2019	YTD Q2 2018	Change YTD Q2 2019/ YTD Q2 2018
Norway	TNOK	85 729	92 093	121 967	207 696	227 300	-9%
Central Europe	TEUR	15 552	17 914	18 601	34 153	35 009	-2%
Southern Europe	TEUR	5 393	5 972	6 419	11 812	13 871	-15%
UK/Ireland	TGBP	4 468	4 562	4 953	9 420	9 771	-4%
USA/Canada/Mexico	TUSD	28 745	32 632	25 503	54 248	63 536	-15%
Japan	TJPY	390 135	441 308	338 057	728 192	831 933	-12%

ORDER RECEIPTS

		Q2 2019	Q2 2018	Q1 2019	YTD Q2 2019	YTD Q2 2018	Change YTD Q2 2019/ YTD Q2 2018
Order receipts	TNOK	690 150	633 098	839 351	1 529 501	1 575 727	-2,9%
Order reserve	TNOK	281 570	312 545	349 094	281 570	312 545	-9,9%

The Group received orders worth NOK 1529 million in the first half year of 2019. At the close of the quarter, combined order reserve stood at NOK 281.6 million, compared with NOK 349 million at the close of the first quarter 2019. The decreased order reserve is mainly due to lower order receipts in Stressless®.



BALANCE SHEET

		30.6.2019	31.3.2019	31.12.2018
Working capital*	TNOK	838 380	849 729	778 640
Bank deposits	TNOK	277 749	68 310	107 595
Total assets	TNOK	7 546 761	7 410 278	7 323 863
Interest-bearing loans	TNOK	2 553 535	2 378 935	2 700 660
Total liabilities	TNOK	4 065 572	3 972 368	4 192 836
Equity	TNOK	3 481 190	3 437 910	3 131 028
Equity ratio	%	46,1%	46,4%	42,8%
Value of forward contracts	TNOK	90	-8 603	-23 622
Net interest-bearing Debt (NIBD)	TNOK	-2 275 786	-2 310 625	-2 593 065

* Working capital = trade receivables + inventory – trade payables

At the close of the period, Ekornes QM Holding group had a total of NOK 2 275.8 million in net interest-bearing debt. This is NOK 34.8 million less than at the close of the previous quarter. In April 2019, Ekornes QM Holding AS issued a NOK 2.0 billion stock exchange bond to refinance the Group. The bond was listed on Oslo Stock Exchange 10 July under the name "Ekornes QM Holding AS 19/23 FRN FLOOR C" with the ticker: EKO01. Part of the condition is to have a minimum liquidity in the legal entity Ekornes QM Holding of NOK 125 million.

At the close of the period, Ekornes QM Holding group had an equity ratio of 46.1%, compared with 46.4% at the close of last quarter and 42.8% at the start of the year. In addition to the Secured Bond listed on Oslo Stock Exchange, the Group has a long-term borrowing agreement with DNB. The group also has short term credit facilities with DNB and Sparebanken Møre of NOK 500 million and NOK 250 million respectively, of which NOK 675.5 million were available at 30 June 2019.

During 2019 and at 30 June 2019, the group was compliant with the covenants under the bank agreements and the bond agreement.

CASH FLOW

		1H 2019	Q2 2019	Q1 2019
Net cash flow from operating activities	TNOK	202 730	141 256	61 474
Net cash flow from investing activities	TNOK	-59 992	-26 240	-33 752
Net cash flow from financing activities	TNOK	27 416	94 424	-67 008
Net change in cash & cash equivalents	TNOK	170 154	209 439	-39 286
Cash & cash equivalents at the start of the period	TNOK	107 595	68 310	107 595
Cash & cash equivalents at the close of the period	TNOK	277 749	277 749	68 310

Net cash flow from operating activities in the first half year of 2019 came to NOK 202.7 million. Taxes paid in the period were NOK -79.4 million.

Net cash flow from investing activities in the period came to NOK -60.0 million and net cash flow from financing activities in the first half year of 2019 came to NOK 27.4 million.

The Group's overall holdings of cash and bank deposits at the close of the period was NOK 277.7 million. In April 2019, Ekornes QM Holding AS issued a stock exchange bond to refinance the Group and part of the condition is to have a minimum liquidity in the legal entity Ekornes QM Holding of NOK 125 million.

SEGMENTS

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

Ekornes' business is divided into the segments:

- Stressless®, which covers the Stressless® product area
- Svane®, which covers the Svane® product area
- IMG, which covers the IMG product area



Stressless®

		1H 2019	Q2 2019	Q1 2019
Gross operating revenue	TNOK	1 234 768	595 280	639 488
Gross operating earnings (EBITDA)	TNOK	249 130	109 936	139 195
Operating earnings (EBIT)	TNOK	141 280	55 787	85 494
Operating margin (EBIT)		11,4%	9,4%	13,4%

The Stressless® segment's performance in the first half year of 2019 was mixed. Sales were lower, and the total invoiced number of seats decreased with around 9% compared with the first half year of 2018. The main reason for the decline was a drop in US revenue in local currency, partly offset by a weaker Norwegian krone. In Central Europe, total revenue fell around 4% compared with the first half year of 2018. Sales in China increased with 50% from the same period previous year.

The total number of chairs sold was down around 6% compared with the same period last year, while the decrease in seats sold for sofas was around 16%. For chairs, the transition from Classic base to Signature base continued with positive effects and there was a positive sales development within the starbase (steel). Stressless® Dining has shown an increase in turnover compared to same period last year.

The segment achieved an EBIT of NOK 141.3 million in the six-month period with a margin of 11.4%.

To compensate for lower sales and earnings, cost reductions have been put in place where amongst others, four-day production weeks in Stressless® were introduced for some weeks in second quarter. In addition, cost reducing measures will be implemented throughout the second half of the year.



IMG

		1H 2019	Q2 2019	Q1 2019
Gross operating revenue	TNOK	246 084	135 110	110 975
Gross operating earnings (EBITDA)	TNOK	57 139	32 226	24 912
Operating earnings (EBIT)	TNOK	26 666	16 486	10 180
Operating margin (EBIT)		10,8%	12,2%	9,2%

In the first half year of 2019 the IMG-segment had operating revenues of NOK 246,1 million, a marginal increase from the comparable period last year. The operating result ended at NOK 26.7 million with an operating margin of 10.8%. In addition to costs associated with starting up the Lithuanian production and distribution center, the strong US dollar also had a negative impact on results for the segment.

However, performance has gradually improved during the year, especially in the US, China, Australia and New Zealand. The order intake was strong towards the end of the six-month period in most of the markets.



Svane®

		1H 2019	Q2 2019	Q1 2019
Gross operating revenue	TNOK	96 431	38 344	58 086
Gross operating earnings (EBITDA)	TNOK	-15 345	-12 830	-2 516
Operating earnings (EBIT)	TNOK	-16 966	-13 637	-3 329
Operating margin (EBIT)		-17,6%	-35,6%	-5,7%

The Svane® segment's sales revenues fell in Norway in and other markets during the first half year of the year. Gross operating revenues totaled NOK 96.4 million in the period, around 10% lower compared the same first half 2018.

Active efforts to improve the Svane® segment's operational efficiency and profitability have been underway for some time. The main focus has been to optimise production and cut costs, and stricter cost control has improved profits, despite the lower revenues. So far in 2019, costs and accruals increased mainly because of manning reductions of 25 of a total of 81 employees and change of management.

The segment achieved an EBIT of NOK -17 million in the six-month period with a margin of -17.6%. The profit-enhancing measures will materialize in the second half of 2019. In addition to these measures, Ekornes is continuously continuously considering strategic alternatives for Svane®.

H & S

As at 30 June 2019, Ekornes employed a total of 2 237 people, where around 50% are employed in Norway.

Ekornes gives high priority to the safety of its workforce and aims for zero work-related personal injuries. The Group is working actively in the areas of prevention and emergency preparedness to reduce the number of personal injuries incurred. There were 7 lost-time injuries in the first half year of 2019. This gives an H1-value for the period of 4.4. The Group had a sickness absence rate of 3.5% in the first half year.

RELATED PARTIES

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

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

With the understanding of the board of directors, board member Nils Gunnar Hjellegjerde (he was director in Ekornes AS until 9th May 2019), who has particular expertise in the area of product and market development in the furniture sector, acted as an hourly paid consultant to the group management. Mr. Hjellegjerde also has shares in Hove D.K. Co., Ltd. (Thailand), which supplies laminate products to Ekornes AS's subsidiary IMG Group AS, of which he was the main shareholder until the company was sold to Ekornes AS in 2014. The agreement in question expired in the end of second quarter 2019 and was at market terms and based on the arm's length principle.

Ekornes AS has bought the old house that belonged to the Ekornes founder Jens E. Ekornes. The house is bought from the legal entity "Jens og Petrine Ekornes Minne AS". Stian Ekornes, director in Ekornes AS, owns 34% of the legal entity. The agreement regulating this transaction has been entered into at market terms and on the basis of the arm's length principle.

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

RISKS AND UNCERTAINTIES

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

Ekornes's business risk relates to fluctuations in the economic cycle, changes in market conditions, competitors, political and legal conditions as well as general patterns of consumption in the markets in which the Group operates. Among the largest uncertainties going forward are how the trade agreement with the USA develops, as well as the outcome of Brexit negotiations between the UK and EU.

Product development and the launch of new concepts is one part of Ekornes's growth strategy. How the market responds to new products is always uncertain. In addition, there is always a risk of unforeseen operational problems, which could result in higher operating costs and lower earnings than predicted and expected.

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

EVENTS AFTER THE BALANCE SHEET DATE

No material events have occurred from the balance sheet date until the publication of the financial statements that have had any material impact on the Group's financial position and that should have been reflected in the published financial statements.

CHANGE IN MANAGEMENT

Mette Toft Bjørgen (43) has been appointed as Ekornes AS' new CFO.

Mette Toft Bjørgen is currently CFO of Viken Skog SA, Norway's largest forest owners' cooperative, a position she has held since 2015. As CFO, MetteToft Bjørgen has played a key role in helping Viken Skog to undertake a major restructuring operation that has seen it go from loss to profit.

Before Mette Toft Bjørgen joined Viken Skog, she spent a long time at Statoil (now Equinor). After beginning her career there as a trainee, she was involved in the merger between Hydro and Statoil, and has worked with international oil and gas exploration, performance management and risk management at the company.

Mette Toft Bjørgen has a master's degree in economics from the Norwegian School of Economics and Business Administration (NHH) in Bergen. She officially joins Ekornes on 1 October.

OUTLOOK

It is the company's long-term ambition to grow the revenues profitably. A number of measures are and will be taken to achieve this goal.

Within the Stressless® segment a number of new products have been introduced during 2019 and these are well received in the market. The increased emphasis on new product development will also yield more launches during the second half 2019. One of the major market investments in 2019 and the coming years is a new in-store solution to be implemented among retailers selling Stressless®. This will be replacing the current in-store solutions that has been used for the last 10 years. The new solution is well received among the Stressless® retailers.

Within the IMG segment a new production facility in Lithuania opened in May 2019. This will increase the competitiveness of IMG in the European market. IMG has during first half of 2019 been introduced to the Chinese market by Qumei giving a substantial increase in sales in the Chinese market. This development is expected to continue. All sales to Qumei is done on market terms and arm-lengths distance principle.

For Svane® the turnaround continues and the reduction in numbers of employees together with other cost reducing measures will give a lower cost in second half of 2019. With the aim of increasing the revenues, Svane® will during the second half of the year introduce new market concepts in the Norwegian market in close cooperation with the main retail chains.

STATEMENT BY THE BOARD OF DIRECTORS AND CEO

We confirm, to the best of our knowledge, that the unaudited, condensed half-year financial statements for the period 1 January to 30 June 2019 have been prepared in conformity with IAS 34 Interim Reporting, and that the information in the financial statements provides a fair view of the enterprise and the Group's assets, liabilities, financial position and overall results, and that the half-year report provides a fair overview of the information specified in section 5-6, fourth paragraph, of the Norwegian Securities Trading Act.

Oslo, August 27th 2019
The board of Ekornes QM Holding AS

Ruihai Zhao
Chair

Mogens Falsig
Director and CEO



CONSOLIDATED INCOME STATEMENT

<i>(Figures in TNOK, except per share data)</i>	Note	Q2 2019	Q2 2018	Q1 2019	YTD Q2 2019	YTD Q2 2018	Y 2018
Gross operating revenue	2	768 734	0	808 549	1 577 283	0	1 131 180
Cost of goods sold		203 461	0	193 498	396 959	0	320 219
Payroll expenses		240 595	0	247 250	487 845	0	303 950
Depreciation and write downs	5	70 696	0	69 247	139 943	0	82 680
Other operating expenses		210 035	0	215 083	425 117	0	350 162
Net other losses (gains)		-4 504	0	-8 263	-12 768	0	12 842
Total operating expenses		720 283	0	716 814	1 437 096	0	1 069 854
Operating earnings (EBIT)		48 451	0	91 735	140 187	0	61 326
Financial income		7 565	0	7 052	14 617	0	8 588
Net gains (losses) on foreign exchange		-14 054	0	70 990	56 936	0	27 207
Financial expenses		73 404	0	21 053	-94 456	0	29 107
Net financial items		-79 892	0	56 989	-22 904	0	-47 726
Earnings before tax (EBT)		-31 441	0	148 724	117 283	0	13 600
Calculated tax cost (Income)	9	-96 386	0	33 598	-62 788		3 125
Net earnings		64 945	0	115 126	180 071	0	10 475
Earnings are attributable to:							
Controlling interests		53 688	0	104 758	158 446	0	6 285
Non-controlling interests		11 258	0	10 368	21 625	0	4 189
Earnings per share		2 164,8	0	3 837,5	6 002,4	0	349,2
Earnings per share (diluted)		2 164,8	0	3 837,5	6 002,4	0	349,2

STATEMENT OF COMPREHENSIVE INCOME

<i>(Figures in TNOK)</i>	Note	Q2 2019	Q2 2018	Q1 2019	YTD Q2 2019	YTD Q2 2018	Y 2018
Net earnings		64 945	0	115 126	180 071	0	10 475
Other income and expenses:							
Items which can be reclassified to earnings and loss:							
Translation differences		-1 315	0	824	-491	0	20 065
Translation difference - net financing subsidiaries		339	0	-344	-5	0	515
Change in deferred tax - net financing subsidiaries		-75	0	76	1	0	-106
Total other income and expenses		-1 051	0	556	-495	0	20 473
Total comprehensive income		63 894	0	115 682	179 576	0	30 948

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

CONSOLIDATED BALANCE SHEETS

<i>(Figures in TNOK)</i>	Note	30.6.2019	30.6.2018	31.3.2019	31.12.2018
ASSETS					
Non-current assets					
<i>Buildings and sites</i>		1 064 330	0	1 067 709	1 011 425
<i>Machinery and equipment</i>		317 967	0	324 607	322 205
<i>Operating movables, fixtures</i>		20 468	0	20 130	19 661
<i>Assets under construction</i>		21 090	0	21 456	89 071
<i>Right-of-use assets</i>	7	118 602	0	113 688	0
Total property, plant & equipment		1 542 458	0	1 547 589	1 442 362
<i>Software and licenses</i>		47 888	0	48 809	49 296
<i>Brand name</i>	5	1 622 525	0	1 632 693	1 642 861
<i>Goodwill</i>	5	1 645 575	0	1 645 575	1 645 575
<i>Customer relations</i>	5	1 254 771	0	1 269 027	1 283 283
<i>Deferred tax assets</i>		83 237	0	81 758	81 718
Total non-current intangible assets		4 653 995	0	4 677 861	4 702 733
<i>Other receivables and investments</i>		18 284	0	16 943	19 167
Total non-current financial assets		18 284	0	16 943	19 167
Total non-current assets		6 214 737	0	6 242 393	6 164 262
Current assets					
<i>Inventory</i>		585 966	0	587 577	557 170
<i>Trade receivables</i>		384 966	0	405 391	379 488
<i>Value of forward contracts</i>		90	0	0	0
<i>Other short-term receivables</i>		83 253	0	106 608	115 348
<i>Cash and bank deposits</i>		277 749	30	68 310	107 595
Total current assets		1 332 024	30	1 167 886	1 159 601
TOTAL ASSETS		7 546 761	30	7 410 278	7 323 863

The figures for 2018 are not comparable with the historical figures for Ekornes

CONSOLIDATED BALANCE SHEETS

(Figures in TNOK)	Note	30.6.2019	30.6.2018	31.3.2019	31.12.2018
EQUITY AND LIABILITIES					
Equity					
Contributed equity					
Share capital	8	120	30	120	120
Premium paid		2 807 354	0	2 807 354	2 807 354
Total contributed equity		2 807 474	30	2 807 474	2 807 474
Retained earnings					
Translation difference		18 080	0	21 029	20 473
Other equity		164 731	0	111 043	6 285
Total retained earnings		182 811	0	132 072	26 758
Owners of the company		2 990 285	30	2 939 546	2 834 232
Non-controlling interests		490 904	0	498 364	296 795
Total equity		3 481 190	30	3 437 910	3 131 028
Non-current liabilities					
Pension liabilities		5 104	0	4 742	6 053
Provisions		4 381	0	4 411	4 492
Deferred tax	9	878 824	0	973 961	983 154
Lease liabilities	7	90 001	0	86 612	0
Interest-bearing debt - Bond	6	1 979 155	0	0	0
Interest-bearing debt - Bank	6	500 000	0	500 000	500 000
Total non-current liabilities		3 457 466	0	1 569 727	1 493 699
Current liabilities					
Interest-bearing debt - Related parties	6	0	0	1 832 404	2 088 782
Trade payables		132 552	0	143 239	158 041
Public charges payable		65 117	0	51 941	57 819
Tax payable		35 557	0	78 062	74 840
Forward currency contracts		0	0	8 603	23 622
Interest-bearing debt - Bank	6	74 380	0	46 531	111 878
Dividend		19 760	0	0	0
Lease liabilities	7	30 383	0	27 918	0
Other current liabilities		250 356	0	213 943	184 154
Total current liabilities		608 105	0	2 402 641	2 699 136
Total liabilities		4 065 572	0	3 972 368	4 192 835
TOTAL EQUITY AND LIABILITIES		7 546 761	30	7 410 278	7 323 863

The figures for 2018 are not comparable with the historical figures for Ekornes

CONSOLIDATED STATEMENT OF CASH FLOWS

(Figures in TNOK)	Q2 2019	Q2 2018	Q1 2019	YTD Q2 2019	YTD Q2 2018	Y 2018
Cash flows from operating activities						
Earnings before tax (EBT)	-31 441	0	148 724	117 283	0	13 600
Tax paid for the period	-40 311	0	-39 134	-79 445	0	-24 110
Depreciation and write downs	70 696	0	69 247	139 943	0	82 680
Change in inventory	1 611	0	-30 408	-28 796	0	13 606
Change in trade receivables	20 424	0	-25 903	-5 478	0	-49 494
Change in trade payables	-10 687	0	-14 803	-25 489	0	21 526
Change in other time limited records	130 962	0	-46 250	84 713	0	114 042
Net cash flow from operating activities	141 256	0	61 474	202 730	0	171 851
Cash flows from investing activities						
Capital increase	0	0	0	0	30	0
Proceeds from sale of PP&E	360	0	0	360	0	4 760
Payments for purchase of PP&E	-26 601	0	-33 752	-60 353	0	-44 990
Payment of acquisitions of Ekornes AS	0	0	0	0	0	-4 541 367
Net Cash flows from investing activities	-26 240	0	-33 752	-59 992	30	-4 581 597
Cash flows from financing activities						
Payment of lease liabilities	-15 805	0	0	-15 805	0	0
Payment of dividend	-855	0	0	-855	0	0
Change in net long-term debt - Bond	6 1 979 155	0	0	1 979 155	0	0
Change in internal loan	6 -1 895 921	0	-1 661	-1 897 582	0	4 595 889
Change in net short-term debt to credit institutions	6 27 849	0	-65 347	-37 498	0	-91 522
Net cash flow from financing activities	94 424	0	-67 008	27 416	0	4 504 367
Change in net cash & cash equivalents	209 439	0	-39 286	170 154	30	94 620
Effect of exchange gains / (losses) on cash and cash equivalents	0	0	0	0	0	12 946
Net cash & cash equivalents at the start of the period	68 310	30	107 595	107 595	0	30
Net cash & cash equivalents at the close of the period	277 749	30	68 310	277 749	30	107 595
Restricted cash at the end of the period	151 656	0	12 579	151 656	0	20 600
Restricted and unrestricted cash at the end of the period	126 093	30	55 731	126 093	30	86 995

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

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

In April 2019, Ekornes QM Holding AS issued a stock exchange bond to refinance the Group and part of the condition is to have a minimum liquidity in Ekornes QM Holding of NOK 125 million. The rest of the restricted cash at 30 June 2019 are related to the payment of employee tax deductions.

STATEMENT OF CHANGES IN EQUITY

(Figures in TNOK)	Share capital	Premium paid	Translation difference	Other	Sum	Non-controlling interests	Total equity
Equity 04.01.2018	30	0	0	0	30	0	30
Earnings for the year				6 285	6 285	4 189	10 475
Other comprehensive income			20 473		20 473		20 473
Minority shareholders at time of group establishment					0	292 606	292 606
Capital increase	90	2 807 354			2 807 444	0	2 807 444
Equity 31.12.2018	120	2 807 354	20 473	6 285	2 834 233	296 795	3 131 028
Equity 31.12.2018	120	2 807 354	20 473	6 285	2 834 233	296 795	3 131 028
Earnings for the year				158 446	158 446	21 626	180 071
Reclas. other comprehensive income 2018			-1 945		-1 945	1 945	0
Other comprehensive income			-448		-448	-47	-495
Dividend*					0	-20 615	-20 615
Debt Conversion **					0	191 201	191 201
Equity 30.6.2019	120	2 807 354	18 080	164 731	2 990 286	490 904	3 481 190

***Dividend from Ekornes Holding AS**

On 28 May 2019 an ordinary General Assembly was held in Ekornes Holding AS. The general meeting resolved to approve the year-end financial statements for the Company, directors' report and audit statement for 2018. The Board furthermore resolved, in accordance with the proposal of the Board, that NOK 217 million will be distributed as a dividend:

Approved dividend to	Ownership	Dividend approved
Ekornes QM Holding AS	90.5%	196 385 000
Ruisi Holding Company Limited	9.5%	20 615 000
Total	100.0%	217 000 000

The dividend to Ekornes QM Holding is eliminated in the group financial statement of Ekornes QM Holding. The dividend of NOK 20.6 million will be paid to the non-controlling interest Ruisi Holding.

****Debt Conversion in Ekornes Holding AS**

On 28 September 2018, Ekornes Holding AS entered into two loan agreements with respectively Ekornes QM Holding AS and Ruisi Holding Company Limited (Luxembourg) in connection with the acquisition Ekornes AS. As part of the settlement of the financing structure set up by the group in relation the acquisition of Ekornes AS, the board carried out a share capital increase towards Ekornes QM Holding AS and Ruisi Holding Company Limited (Luxembourg), by increasing the par value of the Company's shares with NOK 1. The payment for the share capital increase was settled by way of setting off the outstanding amount under the Loan Agreements. For the non-controlling interest, the debt conversion amounts to NOK 191,2 million.

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

NOTE 1 *ACCOUNTING PRINCIPLES*

The consolidated financial statements for the second quarter 2019, closed as at 30 June 2019, have been prepared in accordance with International Financial Reporting Standards (IFRS) as approved by the EU, and include Ekornes QM Holding AS and its subsidiaries. The interim report has not been audited. The interim report does not include all the information required of a complete set of year-end financial statements and should therefore be read in conjunction with the consolidated financial statements for 2018. The Group's consolidated financial statements and the financial statements for the parent company Ekornes QM Holding AS for 2018, may be found on the company's website ir.Ekornes.com.

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

IFRS 16 Leases

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

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

See note 7 for more information

NOTE 2 BUSINESS AREAS – SEGMENTS - MARKETS

Segments

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

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

- Stressless®, which covers the Stressless® product area
- Svane®, which covers the Svane® product area
- IMG, which covers the IMG product area

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

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

(Figures in TNOK)	Q2 2019	Q2 2018	Q1 2019	YTD Q2 2019	YTD Q2 2018	Y 2018
Revenues per segment						
Stressless®	595 280	0	639 488	1 234 768	0	889 863
IMG	135 110	0	110 975	246 084	0	175 327
Svane®	38 344	0	58 086	96 431	0	65 991
Total	768 734	0	808 549	1 577 283	0	1 131 180
EBITDA per segment						
Stressless®	109 936	0	139 195	249 130	0	124 332
IMG	32 226	0	24 912	57 139	0	43 537
Svane®	-12 830	0	-2 516	-15 345	0	-7 451
Other/eliminations *	-10 184	0	-609	-10 794	0	-16 412
Total	119 148	0	160 982	280 130	0	144 006
EBIT per segment						
Stressless®	55 787	0	85 494	141 280	0	59 679
IMG	16 486	0	10 180	26 666	0	26 257
Svane®	-13 637	0	-3 329	-16 966	0	-8 198
Other/eliminations *	-10 184	0	-609	-10 794	0	-16 412
Total	48 451	0	91 735	140 187	0	61 326
Operating revenues by market						
Norway	85 729	0	121 967	207 696	0	157 044
Other Nordic	34 299	0	52 913	87 212	0	64 617
Central Europe	151 107	0	181 210	332 317	0	191 809
Southern Europe	52 401	0	62 529	114 930	0	82 283
United Kingdom/Ireland	49 644	0	55 325	104 969	0	85 286
USA/Canada/Mexico	248 507	0	218 776	467 282	0	374 641
Japan	30 703	0	26 328	57 030	0	45 780
China	29 171	0	20 648	49 820	0	16 353
Other Markets	87 173	0	68 854	156 027	0	113 368
Total	768 734	0	808 549	1 577 283	0	1 131 180

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

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

NOTE 3 CURRENCY

The Group sells its products internationally and bills its customers primarily in the respective countries' own currencies. The Group manages all matters related to currency and foreign exchange risk from head office. Currency hedging is an integral part of The Group's operational activities. IMG and Svane® have no currency hedging. As part of the company's efforts to reduce its foreign exchange risk/currency exposure The Group also seeks to purchase goods and services for use in Norway on international markets, where cost-effective. Together with the Group's distribution, sales and marketing activities, and associated administrative organization, this provides natural operational hedging of the company's foreign exchange risk (natural hedging) for part of its cash flow.

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

The following average exchange rates applied to forward contracts exercised in the period (all currency amounts stated in million):

The following net foreign exchange volume was undertaken in first half-year 2019:

Currency	Volume in NOK	Volume in Currency	Average exchange rate (in NOK)
AUD	40 296 365	6 705 000	6,0099
DKK	32 379 841	24 980 000	1,2962
EUR	179 086 245	18 510 000	9,6751
GBP	49 769 576	4 580 000	10,8667
USD	63 561 958	8 050 000	7,8959

NOTE 4 NO. OF EMPLOYEES

	30.06.2019	31.03.2019	31.12.2018
Employees in Norway	1115	1 135	1 151
Employees abroad	1122	1 086	988
Total	2 237	2 221	2 139

NOTE 5 GOODWILL, BRAND AND CUSTOMER RELATIONS

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

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

Depreciation expense is included in depreciation in the income statement.

<i>(Figures in TNOK)</i>	Goodwill	Customer relationships	Brand name	Total
Acquisition value 30.6.2019	1 645 575	1 302 291	1 656 419	4 604 285
Accumulated depreciation 31.12.2018	0	19 008	13 558	32 566
<i>The year's depreciation</i>	0	28 512	20 337	48 849
<i>Accumulated depreciation 30.6.2019</i>	0	47 520	33 894	81 415
Book value 30.6.2019	1 645 575	1 254 771	1 622 525	4 522 870
<i>Stressless®</i>	750 078	782 060	1 381 508	2 913 646
<i>IMG</i>	895 497	472 710	241 017	1 609 224
<i>Svane®</i>	0	0	0	0
Book value 30.6.2019	1 645 575	1 254 771	1 622 525	4 522 870
	Goodwill	Customer relationships	Brand name	Total
<i>Addition by acquisition of Ekornes AS</i>	1 645 575	1 302 291	1 656 419	4 604 285
Acquisition value 31.12.2018	1 645 575	1 302 291	1 656 419	4 604 285
Accumulated depreciation 4.1.2018	0	0	0	0
<i>The year's depreciation</i>	0	19 008	13 558	32 566
<i>Accumulated depreciation 31.12.2018</i>	0	19 008	13 558	32 566
Book value 31.12.2018	1 645 575	1 283 283	1 642 861	4 571 719
<i>Stressless®</i>	750 078	798 241	1 395 557	2 943 876
<i>IMG</i>	895 497	485 042	247 304	1 627 843
<i>Svane®</i>	0	0	0	0
Book value 31.12.2018	1 645 575	1 283 283	1 642 861	4 571 719

NOTE 6 INTEREST-BEARING LOANS AND CREDIT FACILITIES

The Group regularly assesses its capital structure and risk profile.

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

(Figures in TNOK)

Short-term borrowing agreement 30.6.2019	Credit facility	Amount drawn	Available
DNB	500 000	-74 380	425 620
Sparebank Møre	250 000	0	250 000
Total	750 000	-74 380	675 620

Long-term borrowing agreement 30 June 2019

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

Senior Secured Bond at 30 June 2019

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

Bond	FRN Ekornes QM Holding AS Senior Secured Callable Bond Issue 2019/2023
Ticker:	EKO01
Currency	NOK
Issue Amount	2 000 000
Nibor	1,34% (1,52% from 2 July 2019)
Margin	7,00%
Coupon	8,34%
Tenor / redemption:	54 months /4,5 years
Settlement Date:	02.4.2019
Maturity Date:	02.10.2023

The changes in interest-bearing debt through the period 1 January 2019 to 30 June 2019 are as follows:

(Figures in TNOK)

Internal interest-bearing debt	
Opening balance	2 088 782
Debt conversion	-191 201
Change in internal loan	-1 897 582
Closing balance internal interest-bearing debt	0
External interest-bearing debt	
Opening balance	611 878
Change in net short-term debt - Bank	-37 498
Change external debt - Bond	1 979 155
Closing balance external debt	2 553 535
Total interest-bearing debt	2 553 535

During 2019 and at 30 June 2019, the company was compliant with the covenants under the bank agreements and the bond agreement.

NOTE 7 LEASING

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

(Figures in TNOK)

Right of use assets	Total
Balance at 1.1.2019	120 299
Depreciations	-16 206
Additions	14 513
Balance at 30.6.2019	118 606
Lease liabilities	
Maturity analysis - contractual undiscounted cash flows	
Within one year	33 051
One to two years	26 758
Two to three years	16 992
Three to four years	9 975
Four to five years	9 227
More than five years	35 805
Total undiscounted lease liabilities at 30.6.2019	131 809
Lease liabilities included in the statement of financial position at 30.6.2019	
Current	30 383
Non-current	90 001

NOTE 8 SHARES AND SHAREHOLDERS

As of 30 June 2019, Ekornes QM Holding AS's registered share capital comprised 30 000 ordinary shares. All shares have a face value of NOK 4.00. All shares in the company have equal voting and dividend rights. All shares give equal rights to the company's net assets.

Ekornes QM Holding AS has no treasury shares as of 30 June 2019.

As at 30 June 2019, the company's sole shareholder was

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

As at 30 June 2018, the company's sole shareholder was

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

As at 30 June 2019, the board has been granted the following authorisations:

The board has been granted no authorisations.

NOTE 9 DEFERRED TAX RELATED TO EXCESS VALUES

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

Ekornes has updated the tax rate and measured the deferred tax liabilities related to the excess values per 30 June 2019. The deferred tax liabilities have been reduced with NOK 85.9 million.

The deferred tax related to excess values is NOK 878.8 million per 30 June 2019.

EKORNES[®]

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