

*Ekornes QM Holding Group
Financial statements for
the first half-year 2020*



HIGHLIGHTS

FIRST HALF-YEAR AND SECOND QUARTER HIGHLIGHTS

- An extraordinary first half-year marked by a good start, followed by adverse conditions and a sharp sales decline, turning to a strong rebound in sales in all segments in June
- Second quarter operating revenue down 16% to NOK 644 million, first half-year operating revenue down 3% to NOK 1 528 million
- First half-year underlying sales revenue from Stressless® down 7% to NOK 1 148 million, IMG revenue up 11% to NOK 273 million and Svane® revenue up 11% to NOK 107 million
- EBIT for the second quarter was NOK 75 million (48), for the first half-year NOK 75 million (140)
- Net cash flow from operations for the second quarter was NOK 80 million (141), for the first-half year NOK 154 million (203)
- High operational and financial flexibility enabling swift response to an extraordinary situation, and a solid financial position at the end of the first half-year
- Second quarter order receipts down 8% to NOK 638 million, order reserve at the end of the first half-year up 49% to NOK 420 million
- Meeting strong customer demand, while safeguarding people, operations, partnerships and financial flexibility are key in moving forward in a continued uncertain world

AN EXTRAORDINARY FIRST HALF-YEAR MARKED BY A GOOD START, FOLLOWED BY ADVERSE CONDITIONS, TURNING TO A STRONG REBOUND

Ekornes experienced a good start of 2020 with good sales in all segments during the two first months of the year. Sales were driven by sales growth across key markets for IMG, successful introduction of new features and concepts for Stressless® and launch of a new product portfolio for Svane®.

When the Covid-19 pandemic hit Asia and later Europe in March, Ekornes took immediate actions to manage the impact of the situation, prioritizing the safety of employees, channel partners, suppliers and other partners. All employees were instructed to adhere to the health authorities' restrictions and guidelines. Ekornes also took action to support the public health system, using its production and manufacturing capabilities in Norway and the US to produce medical supplies of infection control equipment.

Following the outbreak, Ekornes experienced accelerated shutdowns in dealer networks in key markets in Europe and North America and a significant drop in demand and sales. Given the high uncertainty and low visibility, Ekornes had to react promptly to the loss of sales and sent lay-off notices to 990 of its employees in Norway and unfortunately had to dismiss 200 people from the production facilities in Thailand and Vietnam. In addition, a furlough for 70 employees in sales offices in Europe was initiated. Similar initiatives were taken in the US to further reduce costs. All personnel not affected by lay-offs agreed to a temporary salary reduction from 5%-10%, while top management agreed to a 20% temporary reduction in salary.

Following the significant drop in order receipts during the first weeks after the Covid-19 pandemic broke out in March, the activity levels in several of Ekornes' markets rebounded late in June and moving into the northern hemisphere summer.



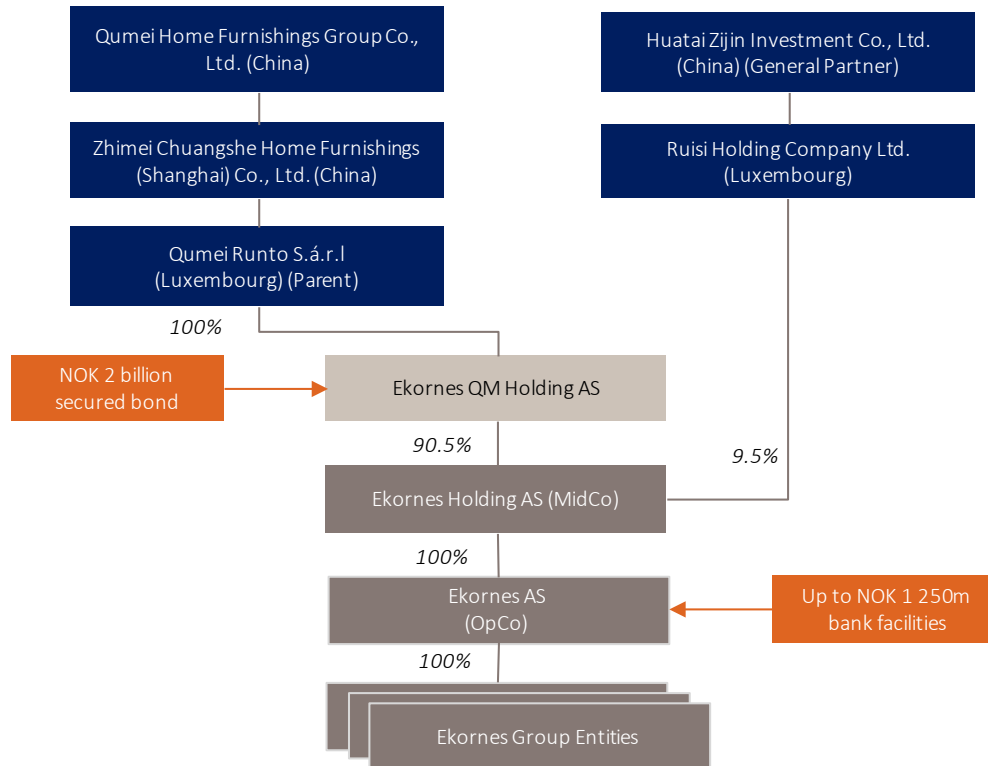
COMPANY HISTORY AND OWNERSHIP

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

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

The consolidated financial statements comprise the financial statements of the parent company Ekornes QM Holding AS and its subsidiaries as at 30 June 2020. As at 30 June 2020, Ekornes QM Holding AS has 90.5% shareholding and voting rights in Ekornes Holding AS, who in its turn has 100% owner share and voting rights for all other consolidated companies.

GROUP STRUCTURE AND BOND TRANSACTION OVERVIEW



KEY FIGURES

		Q2 2020	Q2 2019	Q1 2020	YTD Q2 2020	YTD Q2 2019	Y 2019
Gross operating revenue	MNOK	644,4	768,7	883,7	1 528,2	1 577,3	3 169,0
Stressless®	MNOK	467,3	595,3	680,5	1 147,9	1 234,8	2 402,4
IMG	MNOK	130,9	135,1	142,6	273,5	246,1	551,4
Svane®	MNOK	46,1	38,3	60,7	106,8	96,4	215,2
Gross operating earnings (EBITDA)	MNOK	149,9	119,1	74,4	224,3	280,1	524,3
Operating earnings (EBIT)	MNOK	74,8	48,5	0,4	75,1	140,2	235,0
Operating margin (EBIT)	%	11,6%	6,3%	0,0%	4,9%	8,9%	7,4%
Earnings before tax (EBT)	MNOK	-18,3	-31,4	16,0	-2,3	117,3	127,4
Net earnings	MNOK	-17,5	64,9	12,3	-5,2	180,1	100,6
Net interest-bearing Debt (NIBD)	MNOK	2 083,3	2 275,8	2 139,1	2 083,3	2 275,8	2 163,2
Cash and Bank deposits end of period	MNOK	417,1	277,7	344,2	417,1	277,7	312,8

FINANCIAL REVIEW

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

SECOND QUARTER 2020 FINANCIAL REVIEW

Operating revenue was NOK 644 million in the second quarter 2020, down from NOK 769 million in the corresponding quarter last year. The lower revenue is due to the negative impact from Covid-19, particularly for the Stressless® segment.

Underlying sales revenue from the Stressless® segment was NOK 467 million (595), revenue from IMG was NOK 131 million (135), while revenue from Svane® amounted to NOK 46 million (38).

Operating earnings (EBIT) for the second quarter 2020 came in at NOK 75 million (49). The increase in earnings is mainly due to cost reductions from the initiatives implemented to address the Covid-19 situation, also reflecting the company's high operational flexibility to adapt to rapid changes in market conditions. The result is also positively impacted by realized and unrealized gains on forward contracts during the quarter.

For the second quarter 2020, net financial expenses were NOK 93 million (-80). The increase from last year is mainly due to increased losses on foreign exchange, which amounted to NOK -26 million in the quarter (-14).

Loss before tax for the quarter came in at NOK 18 million (-31). Tax expense is calculated to NOK 0.8 million (-96), which gave a net loss of NOK 18 million (+65).

FIRST HALF 2020 FINANCIAL REVIEW

For the first half year, Ekornes generated operating revenue of NOK 1 528 million (1 577). The decrease in revenues is largely due to the negative impact from Covid-19 in the Stressless® segment in the second quarter.

Underlying sales revenue from the Stressless® segment was NOK 1 148 million (1 235), revenue from IMG was NOK 274 million (246), while revenue from Svane® amounted to NOK 107 million (96).

Operating earnings (EBIT) for the first half of 2020 came in at NOK 75 million (140). The decrease from the first half year of 2019 is mainly related to losses on realized and unrealized forward contracts of NOK 47 million during the period. Compared to a gain of NOK 13 million in the first half year 2019. Compared to main trading currencies, NOK was very volatile during the first six months of the year, with record low quotes in the wake of the Covid -19 pandemic spread during the second half of March.

The decrease in earnings is partly offset by cost reductions related to adjustments in production capacity related to the Covid-19 situation. For the first six months of 2020, net financial items were negative at NOK 77 million (-23), driven by financial expenses of NOK 125 million (94), partly offset by net gains from foreign exchange of NOK 40 million (57).

Loss before tax for the first half of 2020 came in at NOK 2 million (+117). Tax expense is calculated to NOK 3 million (-63), which gave a net loss of NOK 5 million (+180).

ORDER RECEIPTS AND ORDER RESERVE

		Q2 2020	Q2 2019	Q1 2020	YTD Q2 2020	YTD Q2 2019	CHANGE YTD Q2 2020 / YTD Q2 2019
Order receipts	MNOK	638,3	690,2	949,6	1 587,9	1 529,5	3,8 %
Order reserve	MNOK	420,4	281,6	428,5	420,4	281,6	49,3 %

Order receipts in the second quarter 2020 amounted to NOK 638 million, down from NOK 950 million in the previous quarter, and down from NOK 690 million in the corresponding quarter in 2019. Compared to second quarter 2019, order receipts for Stressless® and IMG declined, while order receipts for Svane® increased.

As at 30 June 2020, Ekornes' combined order reserve was NOK 420 million, down from NOK 429 million at the end of first quarter 2020 and up from NOK 282 million at the end of second quarter 2019, corresponding to an increase of 49% year-over-year.

BALANCE SHEET

		30.6.2020	30.6.2019	31.3.2020	31.12.2019
Working capital*	MNOK	876,7	838,4	962,5	804,2
Bank deposits	MNOK	417,1	277,7	344,2	312,8
Total assets	MNOK	7 667,6	7 546,8	7 842,7	7 435,7
Interest-bearing loans	MNOK	2 500,4	2 553,5	2 483,3	2 481,6
Total liabilities	MNOK	4 109,5	4 065,6	4 179,1	3 984,5
Equity	MNOK	3 558,1	3 481,2	3 663,6	3 451,2
Equity ratio	%	46,4%	46,1%	46,7%	46,4%
Value of forward contracts	MNOK	-21,9	0,1	-77,3	-2,6
Net interest-bearing Debt (NIBD)	MNOK	2 083,3	2 275,8	2 139,1	2 163,2

* Working capital = trade receivables + inventory – trade payables

As at 30 June 2020, Ekornes had total assets of NOK 7 668 million, compared with NOK 7 843 million three months earlier. Total equity was NOK 3 558 million, corresponding to an equity ratio of 46%. Total interest-bearing debt amounted to NOK 2 500 million (2 483 million three months earlier).

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

In addition to the bond, the Group has a long-term borrowing agreement with DNB. The loan is unsecured with no instalments until maturity in September 2022. The loan agreement with DNB is subject to a set of financial covenants, including a minimum equity ratio of 30% of the total consolidated balance and a maximum NIBD/EBITDA ratio of 3.5. The covenants are measured on 12 months rolling basis for Ekornes Group, and by 30 June the company complied with both covenants.

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

Financial covenants bond agreement

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

Following a good start of the year with strong sales, Ekornes experienced a significant impact on operations when the majority of the western world in mid-March was put in lockdown due to Covid-19.

Due to the new situation, Ekornes performed stress tests on key financial indicators, with satisfactory results. However, with the outlook for a negative impact on earnings short- to mid-term, the leverage ratio could be above the level outlined in the bond agreement by the end of second quarter 2020, and the company reached out to bond holders, requesting amendments to covenants.

The following was agreed:

Leverage ratio

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

Escrow Account

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

Redemption of Bonds

The Outstanding Bonds will mature in full on the Maturity Date and shall be redeemed by the Issuer on the Maturity Date at a price equal to 101 (previously 100) per cent of the Nominal Amount.

Adjustments of call and put options will be adjusted in line with new redemption price.

The bond agreement also includes restrictions on dividend payments from Ekornes QM Holding AS, and Ekornes QM Holding AS is not in position to distribute any dividends.

During second quarter of 2020 and at 30 June 2020, the group was compliant with all covenants requirements in the bond agreement. Leverage ratio at the end of the second quarter 2020 was 4.84

CASH FLOW

		Q2 2020	Q2 2019	Q1 2020	YTD Q2 2020	YTD Q2 2019	Y 2019
Net cash flow from operating activities	MNOK	80,3	141,3	73,3	153,6	202,7	371,0
Net cash flow from investing activities	MNOK	-0,7	-26,2	-20,9	-21,6	-60,0	-95,2
Net cash flow from financing activities	MNOK	-11,6	94,4	-19,9	-31,5	27,4	-75,9
Net change in cash & cash equivalents	MNOK	68,0	209,4	32,4	100,4	170,2	200,0
Effect of exchange gains / (losses) on cash and cash equivalents	MNOK	4,8	0,0	-1,0	3,8	0,0	5,2
Cash & cash equivalents at the start of the period	MNOK	344,2	68,3	312,8	312,8	107,6	107,6
Cash & cash equivalents at the close of the period	MNOK	417,1	277,7	344,2	417,1	277,7	312,8

Net cash flow from operating activities in the second quarter amounted to NOK 80 million (141), driven by working capital released from reduced trade receivables. Cash flow from operations for the first half of the year of 2020 was NOK 154 million (203).

Net cash flow from investing activities was NOK -1 million in the quarter (-26) and NOK -22 million (-60) in H1 2020, all related to ongoing investments in day-to-day operations. Net cashflow from the financing activities was negative NOK 12 million in the quarter (+94), all related to payment of lease liabilities. Cash flow from financing activities for the first half year amounted to NOK 32 million (27).

Net change in cash and cash equivalents was positive by NOK 68 million in the quarter and by NOK 100 million during the first half year. As at 30 June 2020 the total holding of cash and cash equivalents amounted to NOK 417 million (278).

SEGMENTS

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



Stressless®

		Q2 2020	Q2 2019	Q1 2020	YTD Q2 2020	YTD Q2 2019	Y 2019
Gross operating revenue	MNOK	467,3	595,3	680,5	1 147,9	1 234,8	2 402,4
Gross operating earnings (EBITDA)	MNOK	125,9	109,9	42,1	167,9	249,1	433,2
Operating earnings (EBIT)	MNOK	69,6	55,8	-13,4	56,2	141,3	209,0
Operating margin (EBIT)		14,9%	9,4%	-2,0%	4,9%	11,4%	8,7%

Following a challenging start of the second quarter, with markets shut down due to Covid-19, the Stressless® segment experienced positive development at the end of the period, particularly in the Nordic and Central European markets. Southern Europe and UK opened up at the end of 2nd quarter, while the US, despite a positive trend towards the end of the period, is marked by high uncertainty given the Covid-19 situation in several states.

Operating revenue for Stressless® ended at NOK 467 million for the second quarter 2020, compared with NOK 595 million in the second quarter 2019. For the first half year, revenues were down 7% compared to last year. The decrease is all due to market shut-downs initiated by the Covid-19 situation, partly offset by a successful launch of the new Stressless® Power platform in the US and a strong response to the Admiral & Wing buying program. In addition, May sales were boosted through sale of stock to retailers, particularly in Central European markets.

EBIT for the quarter ended at NOK 70 million, compared to NOK 56 million in the second quarter in 2019.

Stressless® has over time lost market share to motorized products which have become an important feature in sofas and recliners. Priorities to improve commercial conditions include product development and innovation, optimized distribution, closer customer partnerships and targeted market initiatives with updates and relevant customer offerings. New ranges of motorized products have been developed and the first collection of motorized sofas launched in Europe and the US in the fourth quarter was well received, impacting revenues during the first months of 2020 positively.

Germany is by far the most important market in Europe, where Stressless® has had a falling sales trend for several years. Market studies of sales drivers identified gaps in the Stressless® product portfolio and price positioning, which to a large extent will be covered by the introduction of new products. It also uncovered areas for improvement in relationships with the dealers and consumers, and a comprehensive new sales strategy is being implemented.

Following the first wave of Covid-19, the recovery in Central Europe was strong, while markets in Southern Europe and the UK were slower to reopen.

Through the first "reopening" stage, sales were positively impacted by sale of stock to retailers. In addition, markets have seen a "cocooning effect", where customers staying at home for long periods has increased focus on home improvement.

Sales development in the Nordic markets was positive in the second quarter and in Denmark, Norway and Finland, customers report higher order receipts this year than similar period last year. The Swedish market remains challenging, though with signs of improvements towards the end of the period.

In all countries, customers are moving back to normal operations. Traffic in stores is increasing and consumers are tending to invest more in furniture in the medium to premium segment than in the previous quarter. Several of the measures and campaigns that were implemented during the period were well received and have delivered positive results, particularly within the chair and dining room categories.

Recent years, development for Stressless Sofa has been weak. As for chairs, Ekornes has developed new products with new features to address the situation, including the Power Sofa. The products were well received in the markets and have been a great success particularly in the US.

Throughout the crisis, Ekornes has prioritised its ability to serve clients with quick deliveries, enabling retailers to advance their reopening. Stressless® has received high praise for its pro-active management of the situation, giving the company a competitive advantage. Due to the current order reserve, the outlook for the third quarter is slightly positive, but with indications of a potential second Covid-19 wave, uncertainty is high, and the company remains more cautious to the fourth quarter.

The North American market began feeling the negative effects during the final weeks of the first quarter, hitting with full effect in April. In late May, many states began their re-opening process and in June, there was a period of pent up demand giving Stressless® a very strong month with the revised promotional plan adding a charity component and strengthening the consumer offer to maximize effects.

In general, there is concern about another round of shutdowns in the southern states due to the spiking level of Covid-19 cases in these areas. Florida, Texas, Arizona as well as southern California are currently seeing record highs in new cases and Ekornes needs to be prepared for what that might mean in those markets.

To address a situation with a significant share of the dealer network shut down, Ekornes has expanded its e-Commerce platform into nine new countries during the quarter in cooperation with its dealer network to reduce the pandemic impact on sales. Combined with live streaming services to increase customer reach, the effects have been positive, albeit small.



IMG

		Q2 2020	Q2 2019	Q1 2020	YTD Q2 2020	YTD Q2 2019	Y 2019
Gross operating revenue	MNOK	130,9	135,1	142,6	273,5	246,1	551,4
Gross operating earnings (EBITDA)	MNOK	24,5	32,2	27,4	51,9	57,1	115,5
Operating earnings (EBIT)	MNOK	5,6	16,5	10,1	15,7	26,7	49,3
Operating margin (EBIT)		4,3%	12,2%	7,1%	5,7%	10,8%	8,9%

Order receipts for IMG were down in the second quarter but up for the first half year, compared with corresponding periods in 2019. The development is explained by a strong start to the year, combined with a decent recovery in the second quarter driven by core IMG markets in Scandinavia and Australia. Asia and North America were challenging in the second quarter, though with some positive signs in the last few weeks of the quarter.

Operating revenue for the second quarter was NOK 131 million (135), a decline of 3% from the corresponding quarter of 2019. EBIT was NOK 6 million (17), corresponding to an operating margin of 4% (12%). For the first half of 2020, operating revenue was NOK 274 million, up 11% from NOK 246 million in the corresponding period in 2019. EBIT was NOK 16 million (28), corresponding to an operating margin of 6% (27%). After a solid start in the first quarter, with all time high quarterly revenue for IMG, revenue and results for the second quarter were significantly impacted by the Covid-19 situation. As the cost base for IMG is primarily in EUR and USD, while revenues include many other currencies, the profit margin was also negatively impacted by the weakened NOK during the first half of 2020.

Going forward, focus will be on supporting large private label customers, and maintaining large scale. Despite the Covid-19 situation, IMG will maintain production due to its high order backlog at the end of the first half of 2020. Through its global market exposure IMG has a great opportunity to serve customers with a broad product range, and short lead time delivery, either by container from Asia or from its facility in Lithuania.





Svane®

		Q2 2020	Q2 2019	Q1 2020	YTD Q2 2020	YTD Q2 2019	Y 2019
Gross operating revenue	MNOK	46,1	38,3	60,7	106,8	96,4	215,2
Gross operating earnings (EBITDA)	MNOK	1,5	-12,8	4,0	5,5	-15,3	-6,7
Operating earnings (EBIT)	MNOK	0,9	-13,6	3,4	4,3	-17,0	-10,0
Operating margin (EBIT)		2,0%	-35,6%	5,6%	4,0%	-17,6%	-4,6%

The Svane® segment has performed well in 2020 and experienced increasingly good demand for its mattresses during the second quarter. Svane®'s stable supply and short delivery time combined with successful sales and marketing activities, generated an increase in order receipts for the first half year, compared with corresponding period in 2019.

Operating revenue for Svane® ended at NOK 46 million for the second quarter 2020 (38) and NOK 107 million for the first half of 2020 (96).

Over the last year, measures have been initiated to improve operational efficiency and profitability, including product development, brand renewal, production optimisation and cost reductions. The turnaround efforts of Svane® are delivering results, and the segment posted a positive result for the fourth quarter in a row. EBIT was positive NOK 1 million in the quarter, compared to a loss of NOK 14 million in the second quarter last year. For the first half year, EBIT was positive NOK 4 million (loss of NOK 17 million).

After a weak start in April due to the Covid-19 situation, the sales development in Central Europe, Norway and Finland relapsed in May and June. Svane® is working closely with key customers to participate in campaign programs, and with increased production capacity and short delivery times, Svane® has strengthened its competitiveness. With the current consumer demand, a positive sales development is expected in the third quarter.



OUTLOOK

Following a period of easing of actions taken by governments across the world and a rebound in demand and sales for Ekornes in several markets, Covid-19 and its effects continue to create uncertainty related to future market and demand development as governments again enforce actions to curb a potential second Covid-19 wave.

Ekornes' ambition through these uncertain times will continue to be to ensure production and agility to serve markets and end customers with relevant products, while streamlining and improving operational and capital efficiency to strengthen Ekornes' resilience.

At the end of the first half year, Ekornes has a solid financial position and the Group has no major financial obligations in the short term. The expansions of production facilities in Asia in recent years and the new production and distribution facility in Lithuania in Europe are finalized and no new projects with significant investment needs are imminent. Stress tests on the key financial indicators for 2020 are satisfactory for Group liquidity and financial solidity even at low sales levels.

While Ekornes' long-term ambition is to grow profitably, short-term actions taken will enable it to meet strong customer demand, while safeguarding people, operations, partnerships and financial flexibility.



H & S

As at 30 June 2020, Ekornes employed a total of 2 114 people, of which about 50% were employed in Norway.

Ekornes gives high priority to the safety of its workforce and aims for zero work-related personal injuries. The Group is working actively in the areas of prevention and emergency preparedness to reduce the number of personal injuries incurred. There were 9 lost-time injuries in the first half-year 2020, compared to 10 injuries in the corresponding period in 2019. This gives an H1-value for the period of 4.1 compared to 4.4 the same period in 2019.

The Group had a sickness absence rate of 3.0% in the first half-year 2020 compared to 3.5% in the corresponding period in 2019.

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 based on the arm's length principle.

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

RISKS AND UNCERTAINTIES

Ekornes' business risk relates to fluctuations in the economic cycle, changes in market conditions, competitors, political and legal conditions as well as general patterns of consumption in the markets in which the Group operates.

The outbreak of the Covid-19 pandemic has largely increased the uncertainty in the business outlook for Ekornes for 2020. The spreading of the virus has made authorities in many countries enact strong measures that will affect global and local economic activity, and trade flows and the supply chain remain exposed to restrictions on travels and product shipments.

While Ekornes experienced a severe demand drop in the last part of the first quarter and majority of the second quarter, demand rebounded in June and moving into the summer. At the same time, the Covid-19 virus continue to spread and expand, and Ekornes must be prepared for lower economic activity and consumer spending that may affect demand in the furniture industry, which in turn will affect demand for Ekornes' products, its sales channels and other parts of the value chain. The length and scale of the Covid-19 situation remain uncertain, and thus, represents a risk of lowered activity and profitability in and beyond 2020.

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

In general, Ekornes is exposed to risk on both the sales and purchasing sides of business in a number of different geographic markets. When parts of the dealer network were shut down in the first half year, Ekornes accelerated the expansion of its e-Commerce platform into [confirm number] new countries during the first half year to address sales and distribution risk.

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

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

Reference is otherwise made to the 2019 annual report for more detailed information about the Group's risk factors and risk management.

CHANGE OF LEADERSHIP FOR EKORNES

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

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

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

EVENTS AFTER THE BALANCE SHEET DATE

No significant events have occurred between the balance sheet date and the date of publication of the financial statements which have materially affected the Company's financial position, and which should have been reflected in the financial statements presented here. No material events have occurred from the balance sheet date until the publication of the financial statements that have had any material impact on the Group's financial position and that should have been reflected in the published financial statements.

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 2020 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, 2020
The board of Ekornes QM Holding AS*

*Ruihai Zhao
Chair*

*Mogens Falsig
Director and CEO*



CONSOLIDATED INCOME STATEMENT

<i>(Figures in MNOK, except per share data)</i>	Note	Q2 2020	Q2 2019	Q1 2020	YTD Q2 2020	YTD Q2 2019	Y 2019
Gross operating revenue	2	644,4	768,7	883,7	1 528,2	1 577,3	3 169,0
<i>Cost of goods sold</i>		169,5	203,5	224,4	393,9	397,0	845,6
<i>Payroll expenses</i>		189,7	240,6	266,7	456,4	487,8	937,7
<i>Depreciation and write downs</i>	5	75,1	70,7	74,1	149,2	139,9	289,5
<i>Other operating expenses</i>		172,8	210,0	233,4	406,3	425,1	860,6
<i>Net other losses (gains)</i>	3	-37,4	-4,5	84,7	47,3	-12,8	0,6
Total operating expenses		569,7	720,3	883,4	1 453,0	1 437,1	2 934,0
Operating earnings (EBIT)		74,8	48,5	0,4	75,1	140,2	235,0
<i>Financial income</i>		1,6	7,6	5,3	7,0	14,6	32,2
<i>Net gains (losses) on foreign exchange</i>		-26,1	-14,1	66,3	40,2	56,9	73,8
<i>Financial expenses</i>		68,6	73,4	56,0	124,6	-94,5	213,6
Net financial items		-93,1	-79,9	15,6	-77,4	-22,9	-107,6
Earnings before tax (EBT)		-18,3	-31,4	16,0	-2,3	117,3	127,4
<i>Calculated tax cost (Income)</i>	9	-0,8	-96,4	3,6	2,9	-62,8	26,7
Net earnings		-17,5	64,9	12,3	-5,2	180,1	100,6
Earnings are attributable to:							
<i>Controlling interests</i>		-20,6	53,7	7,8	-12,8	158,4	79,4
<i>Non-controlling interests</i>		3,1	11,3	4,5	7,6	21,6	21,2
<i>Earnings per share</i>		-583,6	2 164,8	411,6	-172,0	6 002,4	3 354,9
<i>Earnings per share (diluted)</i>		-583,6	2 164,8	411,6	-172,0	6 002,4	3 354,9

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<i>(Figures in MNOK)</i>	Note	Q2 2020	Q2 2019	Q1 2020	YTD Q2 2020	YTD Q2 2019	Y 2019
Net earnings		-17,5	64,9	12,3	-5,2	180,1	100,6
Other income and expenses:							
Items which can be reclassified to earnings and loss:							
<i>Translation differences</i>	5,9	-66,9	-1,1	200,0	133,2	-0,5	50,4
Total other income and expenses		-66,9	-1,1	200,0	133,2	-0,5	50,4
Total comprehensive income		-84,4	63,9	212,4	128,0	179,6	151,0

CONSOLIDATED BALANCE SHEETS

(Figures in MNOK)	Note	30.6.2020	30.6.2019	31.3.2020	31.12.2019
ASSETS					
Non-current assets					
Buildings and sites		1 027,0	1 064,3	1 047,4	1 041,4
Machinery and equipment		296,7	318,0	305,8	309,8
Operating movables and fixtures		22,7	20,5	24,1	19,9
Assets under construction		14,5	21,1	16,1	16,6
Right-of-use assets	7	152,1	118,6	141,1	131,2
Total property, plant & equipment		1 513,0	1 542,5	1 534,4	1 518,8
Software and licenses		48,1	47,9	49,0	47,8
Brand name	5	1 581,9	1 622,5	1 592,0	1 602,2
Goodwill	5	1 561,1	1 645,6	1 561,1	1 561,1
Customer relations	5	1 375,9	1 254,8	1 451,3	1 269,0
Deferred tax assets		77,6	83,2	74,6	66,9
Total non-current intangible assets		4 644,6	4 654,0	4 728,0	4 547,0
Other receivables and investments		18,2	18,3	19,2	16,9
Total non-current financial assets		18,2	18,3	19,2	16,9
Total non-current assets		6 175,8	6 214,7	6 281,6	6 082,7
Current assets					
Inventory		642,4	586,0	654,6	575,4
Trade receivables		357,6	385,0	483,9	381,9
Value of forward contracts		0,0	0,1	0,0	0,0
Other short-term receivables		74,6	83,3	78,4	82,8
Cash and bank deposits		417,1	277,7	344,2	312,8
Total current assets		1 491,7	1 332,0	1 561,1	1 353,0
TOTAL ASSETS		7 667,6	7 546,8	7 842,7	7 435,7

CONSOLIDATED BALANCE SHEETS

<i>(Figures in MNOK)</i>	Note	30.6.2020	30.6.2019	31.3.2020	31.12.2019
EQUITY AND LIABILITIES					
Equity					
Contributed equity					
Share capital	8	0,1	0,1	0,1	0,1
Premium paid		2 807,4	2 807,4	2 807,4	2 807,4
Total contributed equity		2 807,5	2 807,5	2 807,5	2 807,5
Retained earnings					
Translation difference		184,6	18,1	245,1	64,1
Other equity		72,9	164,7	93,5	85,7
Total retained earnings		257,6	182,8	338,6	149,8
Owner of the company		3 065,0	2 990,3	3 146,1	2 957,3
Non-controlling interests		493,0	490,9	517,5	493,9
Total equity		3 558,1	3 481,2	3 663,6	3 451,2
Non-current liabilities					
Pension liabilities		6,8	5,1	7,0	6,0
Provisions		3,9	4,4	5,2	4,4
Deferred tax	9	901,5	878,8	932,6	878,9
Lease liabilities	7	115,3	90,0	104,2	100,4
Interest-bearing debt - Bond	6	2 000,4	1 979,2	1 983,3	1 981,6
Interest-bearing debt - Bank	6	500,0	500,0	500,0	500,0
Total non-current liabilities		3 527,9	3 457,5	3 532,3	3 471,3
Current liabilities					
Trade payables		123,3	132,6	176,0	153,2
Public charges payable		71,2	65,1	54,3	63,2
Tax payable		42,2	35,6	32,4	27,3
Forward currency contracts	3	21,9	0,0	77,3	2,6
Interest-bearing debt - Bank	6	0,0	74,4	0,0	0,0
Dividend		22,5	19,8	1,3	10,5
Lease liabilities	7	37,6	30,4	37,2	34,2
Other current liabilities		263,0	250,4	268,4	222,2
Total current liabilities		581,6	608,1	646,9	513,2
Total liabilities		4 109,5	4 065,6	4 179,1	3 984,5
TOTAL EQUITY AND LIABILITIES		7 667,6	7 546,8	7 842,7	7 435,7

CONSOLIDATED STATEMENT OF CASH FLOWS

<i>(Figures in MNOK)</i>	Q2 2020	Q2 2019	Q1 2020	YTD Q2 2020	YTD Q2 2019	Y 2019
Cash flows from operating activities						
Earnings before tax (EBT)	-18,3	-31,4	16,0	-2,3	117,3	127,4
Tax paid for the period	-2,4	-40,3	-15,9	-18,3	-79,4	-101,9
Depreciation and write downs	75,1	70,7	74,1	149,2	139,9	289,5
Change in inventory	12,2	1,6	-79,1	-67,0	-28,8	-18,3
Change in trade receivables	126,3	20,4	-102,0	24,3	-5,5	-2,4
Change in trade payables	-52,7	-10,7	22,8	-29,9	-25,5	-4,9
Change in other time limited records	-59,8	131,0	157,4	97,6	84,7	81,7
Net cash flow from operating activities	80,3	141,3	73,3	153,6	202,7	371,0
Cash flows from investing activities						
Proceeds from sale of PP&E	0,0	0,4	0,8	0,8	0,4	2,3
Payments for purchase of PP&E	-0,7	-26,6	-21,7	-22,4	-60,4	-97,5
Net Cash flows from investing activities	-0,7	-26,2	-20,9	-21,6	-60,0	-95,2
Cash flows from financing activities						
Payment of lease liabilities	-11,6	-15,8	-10,7	-22,3	-15,8	-36,5
Payment of dividend	0,0	-0,9	-9,2	-9,2	-0,9	-11,5
Change in net long-term debt - Bond	6	0,0	1 979,2	0,0	1 979,2	1 981,6
Change in internal loan	6	0,0	-1 895,9	0,0	-1 897,6	-1 897,6
Change in net short-term debt to credit institutions	6	0,0	27,8	0,0	-37,5	-111,9
Net cash flow from financing activities	-11,6	94,4	-19,9	-31,5	27,4	-75,9
Change in net cash & cash equivalents	68,0	209,4	32,4	100,4	170,2	200,0
Effect of exchange gains / (losses) on cash and cash equivalents	4,8	0,0	-1,0	3,8	0,0	5,2
Net cash & cash equivalents at the start of the period	344,2	68,3	312,8	312,8	107,6	107,6
Net cash & cash equivalents at the close of the period	417,1	277,7	344,2	417,1	277,7	312,8
Restricted cash at the end of the period	141,7	151,7	137,3	141,7	151,7	146,1
Unrestricted cash at the end of the period	275,4	126,1	206,9	275,4	126,1	166,7

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

In April 2019, Ekornes QM Holding AS issued a stock exchange bond to refinance the Group and part of the condition is to have a minimum liquidity in Ekornes QM Holding AS of NOK 125 million. The rest of the restricted cash at 30 June 2020 are related to the payment of employee tax deductions.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Figures in MNOK)	Share capital	Premium paid	Translation difference	Other	Sum	Non-controlling interests	Total equity
Equity 31.12.2018	0,1	2 807,4	20,5	6,3	2 834,2	296,8	3 131,0
Earnings for the year	0,0	0,0	0,0	79,4	79,4	21,2	100,6
Recl. Other comprehensive income 2018	0,0	0,0	-1,9	0,0	-1,9	1,9	0,0
Other comprehensive income	0,0	0,0	45,6	0,0	45,6	4,8	50,4
Dividend	0,0	0,0	0,0	0,0	0,0	-22,0	-22,0
Debt conversion	0,0	0,0	0,0	0,0	0,0	191,2	191,2
Equity 31.12.2019	0,1	2 807,4	64,1	85,7	2 957,3	493,9	3 451,2
Equity 31.12.2019	0,1	2 807,4	64,1	85,7	2 957,3	493,9	3 451,2
Earnings for the period	0,0	0,0	0,0	-12,8	-12,8	7,6	-5,2
Other comprehensive income	0,0	0,0	120,5	0,0	120,5	12,6	133,2
Dividend*	0,0	0,0	0,0	0,0	0,0	-21,1	-21,1
Equity 30.6.2020	0,1	2 807,4	184,6	72,9	3 065,0	493,0	3 558,1

*Dividend from Ekornes Holding AS

On 11 June 2020 an ordinary General Assembly was held in Ekornes Holding AS. The general meeting resolved to approve the year-end financial statements for the Company, directors' report and audit statement for 2019. The Board furthermore resolved, in accordance with the proposal of the Board, that NOK 21.1 million will be distributed as a dividend to Ruisi Holding Company and a group contribution of NOK 201.4 million will be distributed to Ekornes QM Holding AS.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 ACCOUNTING PRINCIPLES

The consolidated financial statements for the half-year 2020, closed as at 30 June 2020, have been prepared in accordance with International Financial Reporting Standards (IFRS) as approved by the EU, and include Ekornes QM Holding AS and its subsidiaries. The interim report has not been audited.

The interim report does not include all the information required of a complete set of year-end financial statements and should therefore be read in conjunction with the consolidated financial statements for 2019. The Group's consolidated financial statements and the financial statements for the parent company Ekornes QM Holding AS for 2019, 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 2019.

NOTE 2 BUSINESS AREAS – SEGMENTS - MARKETS

Segments

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

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

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

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

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

(Figures in MNOK)	Q2 2020	Q2 2019	Q1 2020	YTD Q2 2020	YTD Q2 2019	Y 2019
Revenues per segment						
Stressless®	467,3	595,3	680,5	1 147,9	1 234,8	2 402,4
IMG	130,9	135,1	142,6	273,5	246,1	551,4
Svane®	46,1	38,3	60,7	106,8	96,4	215,2
Total	644,4	768,7	883,7	1 528,2	1 577,3	3 169,0
EBITDA per segment						
Stressless®	125,9	109,9	42,1	167,9	249,1	433,2
IMG	24,5	32,2	27,4	51,9	57,1	115,5
Svane®	1,5	-12,8	4,0	5,5	-15,3	-6,7
Other/eliminations *	-2,1	-10,2	1,0	-1,1	-10,8	-17,7
Total	149,9	119,1	74,4	224,3	280,1	524,3
EBIT per segment						
Stressless®	69,6	55,8	-13,4	56,2	141,3	209,0
IMG	5,6	16,5	10,1	15,7	26,7	49,3
Svane®	0,9	-13,6	3,4	4,3	-17,0	-10,0
Other/eliminations *	-1,3	-10,2	0,2	-1,1	-10,8	-13,3
Total	74,8	48,5	0,4	75,1	140,2	235,0
Operating revenues by market						
Norway	87,9	85,7	133,3	221,2	207,7	431,6
Other Nordic	43,5	34,3	47,3	90,9	87,2	171,8
Central Europe	131,0	151,1	191,7	322,7	332,3	578,0
Southern Europe	42,8	52,4	49,9	92,7	114,9	215,9
United Kingdom/Ireland	31,8	49,6	61,3	93,1	105,0	210,2
USA/Canada/Mexico	187,0	248,5	271,5	458,5	467,3	990,0
Japan	24,1	30,7	28,2	52,3	57,0	139,8
China	15,5	29,2	17,6	49,8	32,5	113,6
Other Markets	80,8	87,2	82,9	156,0	173,4	318,1
Total	644,4	768,7	883,7	1 528,2	1 577,3	3 169,0

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

NOTE 3 CURRENCY

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

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

New forward contracts

In 2019 and 2020, 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 the first half-year 2020, these new contracts resulted in a NOK 27.9 million realised loss and a unrealised loss of 19.4 million. All new contracts that are open as at 30 June 2020 fall due for payment in the next 12 months. As at 30 June 2020, the market value of existing forward currency contracts came to NOK -21.9 million.

(Figures in MNOK)

Total net other losses/(gains) comprises:	30.6.2020	31.12.2019
Realised losses/(gains) on new forward contracts	27,9	21,7
Change in value of realised and unrealised contracts	-19,4	21,1
Net other losses/(gains)	47,3	0,6

The following net foreign exchange volume was undertaken in first half-year 2020:

Currency	Volume in Currency (Million)	Average exchange rate (in NOK)
AUD	7,6	6,0763
DKK	22,7	1,3282
EUR	17,5	9,9062
GBP	5,6	11,2830
USD	8,1	8,6295

NOTE 4 NO. OF EMPLOYEES

	30.6.2020	31.3.2020	31.12.2019
Employees in Norway	1 009	1 022	1 025
Employees abroad	1 105	1 217	1 202
Total	2 114	2 240	2 227

NOTE 5 GOODWILL, CUSTOMER RELATIONS AND BRAND NAMES

In connection with the purchase price allocation following the acquisition of Ekornes AS in September 2018, excess values were identified related to brand names, customer relationships, real estate and fixed assets.

Customer relationships and brand names are depreciated on a straight-line basis over estimated lifetime. Estimated lifetime customer relationships are rated at 25 years for the Stressless segment and 10 years for the IMG segment. For brands, the estimated lifetime is estimated at 50 years for the Stressless segment and 10 years for the IMG segment. Depreciation expense is included in ordinary depreciation in the income statement. Goodwill is not depreciated in the consolidated financial statements but is tested annually for impairment.

The customer related assets are allocated to the main markets for each segment based on their relative share of revenue. For Stressless, the main markets are USA, Germany and France, while for IMG the main markets are USA, Australia and Norway. The deferred tax liabilities have been calculated based on the applicable legal tax rate for each country. In addition, the customer relations and related deferred tax have been allocated to the main markets and denominated in their functional currencies. Changes in currency rates will cause translation differences, related to the book value of the customer relations and the corresponding DTL, which will be recognized through other comprehensive income ("OCI").

<i>(Figures in MNOK)</i>	Brand name	Goodwill	Customer relationships	Total
Acquisition value 31.12.2019	1 656,4	1 561,1	1 302,3	4 519,8
Accumulated depreciation 31.12.2019	54,2	0,0	78,0	132,3
<i>Depreciation in the period</i>	20,3	0,0	32,1	52,4
Accumulated depreciation 30.6.2020	74,6	0,0	110,1	184,7
Accumulated currency translation differences 31.12.2019	0,0	0,0	44,7	44,7
<i>Change currency translation differences in the period</i>	0,0	0,0	139,0	139,0
Accumulated currency translation 30.6.2020	0,0	0,0	183,7	183,7
Book value 30.6.2020	1 581,9	1 561,1	1 375,9	4 518,8
Split per segment				
<i>Stressless®</i>	1 353,4	676,6	860,1	2 890,1
<i>IMG</i>	228,4	884,5	515,8	1 628,7
Book value 30.6.2020	1 581,9	1 561,1	1 375,9	4 518,8
	Brand name	Goodwill	Customer relationships	Total
Acquisition value 31.12.2019	1 656,4	1 645,6	1 302,3	4 604,3
Accumulated depreciation 31.12.2018	13,6	0,0	19,0	32,6
<i>The year's depreciation</i>	40,7	0,0	59,0	99,7
Accumulated depreciation 31.12.2019	54,2	0,0	78,0	132,3
<i>Currency translation differences</i>	0,0	0,0	44,7	44,7
<i>Reassessment PPA</i>	0,0	-84,5	0,0	-84,5
Book value 31.12.2019	1 602,2	1 561,1	1 269,0	4 432,3
Split per segment				
<i>Stressless®</i>	1 367,5	676,6	792,9	2 837,0
<i>IMG</i>	234,7	884,5	476,1	1 595,3
Book value 31.12.2019	1 602,2	1 561,1	1 269,0	4 432,3

NOTE 6 INTEREST-BEARING LOANS AND CREDIT FACILITIES

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

(Figures in MNOK)

Short-term borrowing agreement 30 June 2020	Credit facility	Amount drawn	Available
DNB	500,0	0,0	500,0
Sparebank Møre	250,0	0,0	250,0
Total	750,0	0,0	750,0

Long-term borrowing agreement 30 June 2020

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

Senior Secured Bond at 30 June 2020

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

Bond	FRN Ekornes QM Holding AS Senior Secured Callable Bond Issue 2019/2023
Ticker:	EKO01
Currency	NOK
Issue Amount	2 000
NIBOR 3M	1,06% (0,36% from 2. July 2020)
Margin	7,00%
Coupon	8,06% (7,36% from 2. July 2020)
Tenor / redemption:	54 months /4,5 years
Settlement Date:	02.4.2019
Maturity Date:	02.10.2023

Financial covenants

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

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

Leverage ratio

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

Escrow Account

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

Redemption of Bonds

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

The bond agreement also includes restrictions on dividend payments from Ekornes QM Holding AS, and Ekornes QM Holding AS is not in position to distribute any dividends. During second quarter of 2020 and at 30 June 2020, the group was compliant with all covenants requirements in the bond agreement. Leverage ratio at the end of the second quarter 2020 was 4.84

NOTE 7 LEASING

The Group has entered into several different operational leasing agreements. The leasing agreements are primarily associated with non-Norwegian subsidiaries. The operating movables and machinery are leased in a 3-5-year period, while several of the office and warehouse have a longer time frame. Some of the office and warehouse space leases have extension options and this has been considered.

(Figures in MNOK)

Right of use assets	Total
Balance at 1.1.2020	131,2
Depreciations	-21,2
Additions	29,7
Disposals	0,1
Currency exchange differences	12,3
Balance at 30.6.2020	152,1
Lease liabilities	
Maturity analysis - contractual undiscounted cash flows	
Within one year	41,2
One to two years	30,8
Two to three years	21,2
Three to four years	18,4
Four to five years	14,4
More than five years	45,0
Total undiscounted lease liabilities at 30.6.2020	171,0
Lease liabilities included in the statement of financial position at 30.6.2020	
Current	37,6
Non-current	115,3

NOTE 8 SHARES AND SHAREHOLDERS

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

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

As at 30 June 2020, the company's sole shareholder was

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

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

The board has been granted no authorizations.

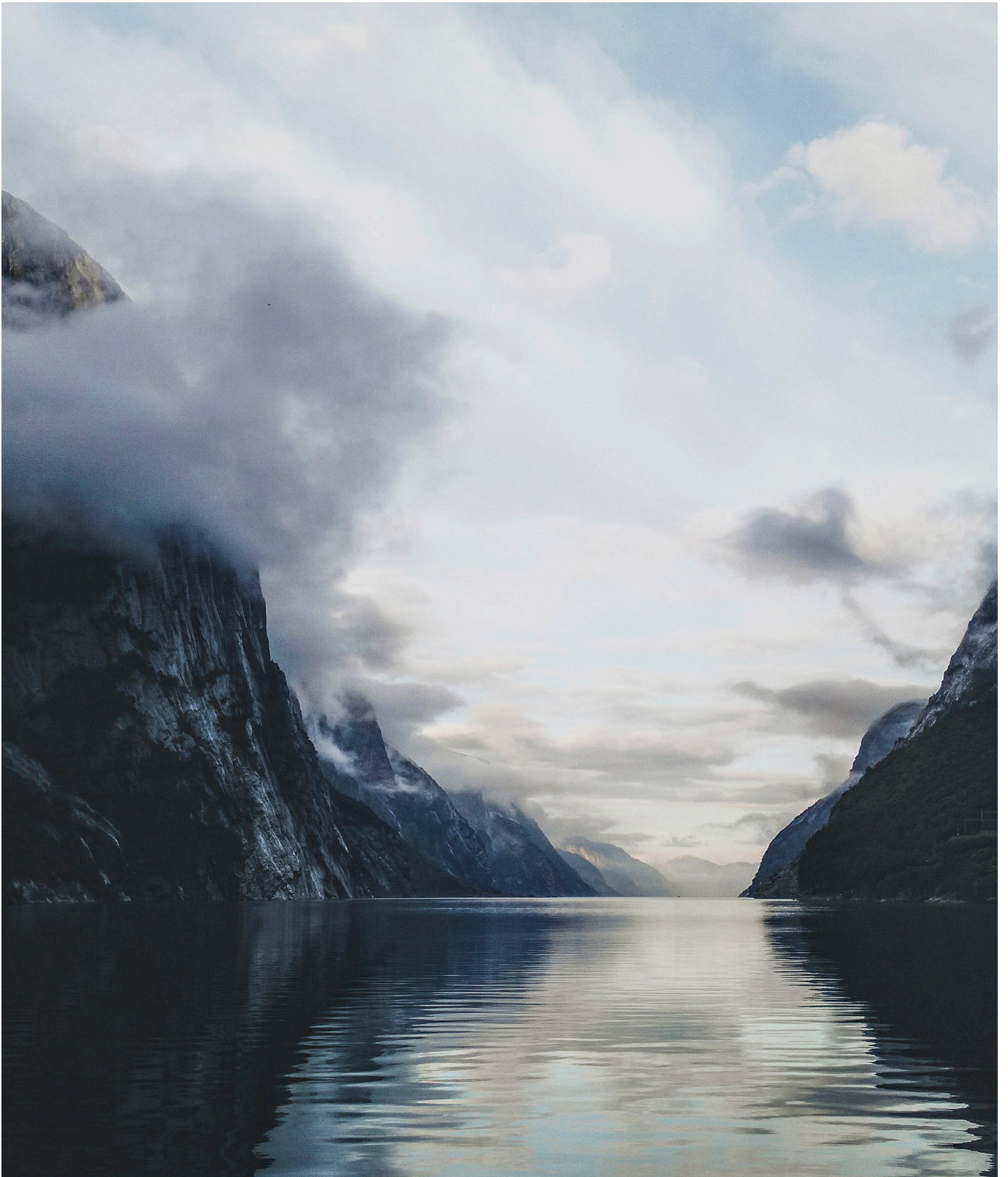
NOTE 9 DEFERRED TAX

In connection with the purchase price allocation following the acquisition of Ekornes AS, excess values were identified related to brand names, customer relationships, real estate and fixed assets. Deferred tax relating to allocated excess values at the time of acquisition was estimated and capitalized with NOK 878.7 million at 31 December 2019. We have also NOK 0.2 million in other deferred tax at 31.12.2019. Total NOK 878.9 million at 31 December 2019

The customer related assets are allocated to the main markets for each segment based on their relative share of revenue. For Stressless, the main markets are USA, Germany and France, while for IMG the main markets are USA, Australia and Norway. The deferred tax liabilities have been calculated based on the applicable legal tax rate for each country. In addition, the customer relations and related deferred tax have been allocated to the main markets and denominated in their functional currencies. Changes in currency rates will cause translation differences, related to the book value of the customer relations and the corresponding deferred tax liabilities, which will be recognized through other comprehensive income ("OCI").

(Figures in MNOK)

Deferred tax liabilities 31.12.2019	878,9
<i>Change taxes recognized through income statement</i>	-17,4
<i>Change taxes recognized through other comprehensive income ("OCI").</i>	40,0
Deferred tax liabilities 30.6.2020	901,5



EKORNES®

EKORNES QM Holding AS,

Industrivegen 1, N-6222 Ikkornes, Norway. E-mail: office@ekornes.no, www.ekornes.com

Tel. +47 70 25 52 00. Foretaksregisteret NO 820 350 022