



EKORNES®

Ekornes QM Holding Group

Financial statements for the fourth quarter and full-year 2022

Highlights

Fourth quarter and full year 2022 results

- Q4 2022 operating revenue of NOK 1 076 million, down 8% from Q4 2021 and 5% from Q3 2022
- Markets retreating towards pre-pandemic levels due to lower consumer demand, with North America particularly weak for the quarter
- Stressless® revenues down 7% year-over-year, while IMG revenues dropped 12% and Svane® dropped 8%, although with signs of stabilization towards the end of the year
- Q4 2022 EBIT of NOK -26 million (89) due to margin pressure from rising costs, as well as NOK 75 million of inventory write downs, offset by a NOK 31 million gain from currency exchange contracts.
- Net cash flow from operations was positive at NOK 124 million for the quarter (125), helped by a working capital decrease of NOK 305 million from the preceding quarter.
- Order receipts up 18% from Q3 2022 to NOK 1 043 million, but down 17% year-on-year as economic headwinds and increased cost of living are slowing demand
- Order reserve down 6% from Q3 2022 to NOK 751 million



ADAPTING TO CHANGING MARKETS

While demand for home furniture increased significantly during the Covid-19 pandemic from 2020 and into the beginning of 2022, demand is now returning to pre-pandemic levels. This has a negative impact on Ekornes' sales and order development. At the same time, cost inflation is putting pressure on margins, particularly within raw materials and transportation, negatively affecting Group earnings.

Ekornes has launched several initiatives to protect profitability and stay competitive through the Focus 23 program. The objective of the program is to increase margins and efficiency, reduce the company cost base and to safeguard cash flow.

To improve margins, the product portfolio will be optimized, and further price increases will be implemented. Reduction in material and logistics costs will be targeted through a structured program of renegotiations with suppliers and partners. A stringent cost improvement program is being implemented with a broad range of initiatives, seeking to harvest operational synergies across regions and segments. The operational capacity will be rightsized, and administrative costs will be trimmed. By the end of 2023, the target of Focus 23 is to reduce operating expenses by NOK 200 million.

To safeguard cash flow, Ekornes targets a reduction of working capital of NOK 300 million within 2023. The safety stock built up during Covid-19 will be reduced and existing stock in customer campaigns will be utilized instead. Operating cash flow should be positively impacted by product portfolio optimization and capital expenditures will be kept at a minimum during 2023.

The full effects of Focus 23 are expected to materialize from the second half of 2023. In connection with these activities, Ekornes has incurred NOK 75 million of inventory write downs in Q4 2022, related to the closure of the Vietnam operations, the discontinuation of product categories, a general portfolio clean-up and a conservative valuation of excessive stock.

Ekornes has historically handled periods of macroeconomic uncertainties well, enabled by a robust operating model, strong brands and a comprehensive distribution network. The measures of Focus 23 will protect long term profitability while optimizing operations across segments and markets, positioning Ekornes to maintain a strong market position and customer attractiveness.



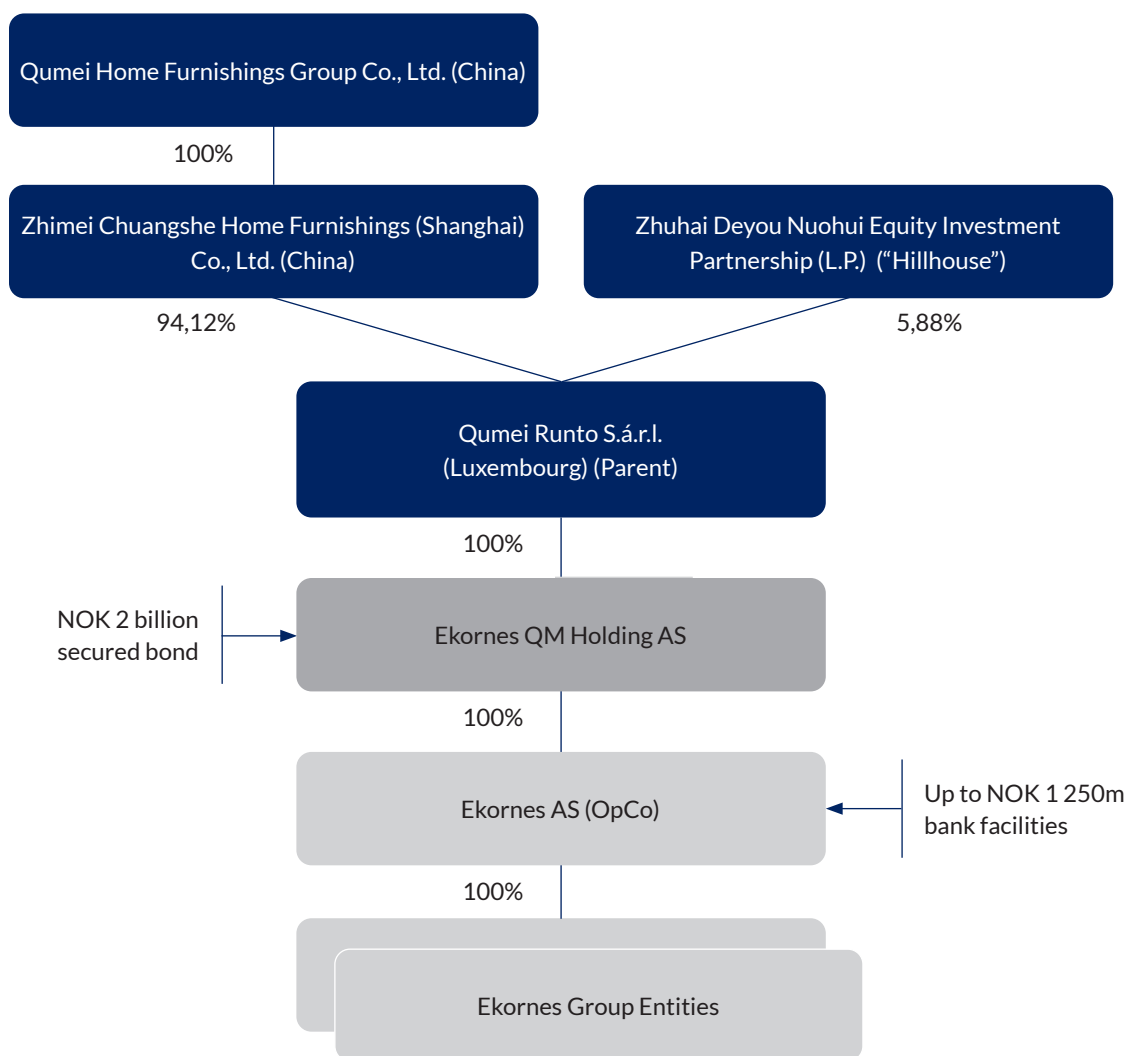
Company history and ownership

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.

Norwegian ultimate parent company Ekornes QM Holding AS is a subsidiary of Qumei Home Furnishings Group. Qumei Group owns 94,12% of the shares in Qumei Runto S.à.r.l and Hillhouse investment owns the remaining shares.

Qumei Runto S.à.r.l owns 100% of the shares in Ekornes QM Holding AS. The Ekornes Group is the only operational part of the Ekornes QM Holding Group. The consolidated financial statements comprise the financial statements of the parent company Ekornes QM Holding AS and its subsidiaries as at 31 December 2022. Ekornes QM Holding AS had as at 31 December 2022 100% shareholding and voting rights in Ekornes AS who in its turn has a 100% ownership share and voting rights for all other consolidated companies.

(Ownership chart as at 31 December 2022)



Key figures

		Q4 2022	Q4 2021	Q3 2022	Y 2022	Y 2021
Gross operating revenue	MNOK	1 075,8	1 174,1	1 132,1	4 928,2	4 317,9
Stressless®	MNOK	785,7	849,2	851,3	3 645,9	3 166,6
IMG	MNOK	213,7	242,2	218,3	994,3	850,0
Svane®	MNOK	76,4	82,8	62,6	288,0	301,2
Gross operating earnings (EBITDA)	MNOK	57,3	175,7	140,8	675,0	833,3
Operating earnings (EBIT)	MNOK	-25,8	89,0	61,3	355,5	514,0
Operating margin (EBIT)	%	-2,4%	7,6%	5,4%	7,2%	11,9%
Earnings before tax (EBT)	MNOK	-140,1	40,8	57,7	165,1	338,1
Net earnings	MNOK	-103,1	34,5	46,2	138,6	273,9
Net interest-bearing Debt (NIBD)	MNOK	2 628,6	2 747,9	2 703,8	2 628,6	2 747,9
Cash and Bank deposits end of period	MNOK	428,9	350,1	366,2	428,9	350,1

FINANCIAL REVIEW

(Figures in brackets represent the corresponding period in 2021).

FOURTH QUARTER 2022 FINANCIAL REVIEW

Q4 2022 operating revenues came in at NOK 1 076 million, down 7% from NOK 1 174 million in Q4 2021 and down 5% from NOK 1 132 million in Q3 2022. The decline reflects lower consumer demand due to rising inflation and interest rates.

Revenue from the Stressless® segment was NOK 785 million (849), down 7% from Q4 2021. Revenue from IMG decreased 12% to NOK 214 million (242), while Svane® revenue for Q4 2022 decreased 7% to NOK 77 million (83).

Costs of goods sold ended at NOK 413 million (344), with the increase driven by higher prices on raw materials and rising production costs. Payroll expenses decreased to NOK 291 million (325), a result of a reduced workforce and lower production. Other operating expenses came in at NOK 346 million (327), an increase of 6%, mainly due to higher transportation and marketing costs.

Net other gains amounted to NOK 31 million, mainly related to unrealized gains on currency forward contracts. This compares to a net gain of NOK 2 million in Q4 2021. The gains were primarily driven by a continued weakening of the NOK versus the USD during the quarter. See note 3 in the financial statements for more information. There was a NOK 75 million inventory write-down in the quarter relating to the closure of the Vietnam operations and group wide efforts to focus the product portfolio.

Total operating expenses for the period ended at NOK 1 102 million, slightly up from NOK 1 085 million in Q4 2021. Ekornes is addressing the increased cost levels and margin development through Focus 23 and expects the effects of the initiatives to materialize from the second half of 2023.

Operating earnings (EBIT) for Q4 2022 came in at NOK -26 million (89), corresponding to an EBIT margin of -2.4%, compared to 7.6% in Q4 2021 and 5.4% in Q3 2022. The decrease is mainly attributable to higher operating expenses driven by continued cost inflation. Adjusting for the NOK 75 million of write-downs, operating earnings were NOK 49 million, corresponding to an adjusted EBIT margin of 4.6%.

For Q4 2022, net financial items were NOK -114 million (-48). This includes net foreign exchange losses of NOK 49 million (1) and financial income of NOK 14 million (3). Financial expenses amounted to NOK 79 million during the period (53).

Earnings before tax for the quarter was negative at NOK 140 million (41). Tax benefit for the period is calculated to NOK 37 million, compared to a tax expense of NOK 6 million in Q4 2021. This resulted in a net loss for the quarter of NOK 103 million, compared to a net profit of NOK 34 million in Q4 2021.

FULL YEAR 2022 FINANCIAL REVIEW

For the full year, Ekornes generated operating revenue of NOK 4 929 million (4 318). The increase compared to 2021 was driven by higher prices and increased sales, particularly during the first half of the year, while the second half of the year was affected by a sequential slowdown.

Sales were higher in all segments except Svane®. Underlying sales revenue from the Stressless® segment was NOK 3 646 million (3 167), revenue from IMG was NOK 994 million (850), while revenue from Svane® amounted to NOK 288 million (301).

Operating earnings (EBIT) for the full year of 2022 came in at NOK 356 million (514). The decrease from 2021 was mainly driven by lower margins, a higher cost base, unrealized losses related to currency forward contracts and inventory write downs. The lower margins and higher costs were particularly impactful in the second half of the year.

Cost of goods sold increased 35% to NOK 1 632 million (1 205) due to higher production volumes, as well as substantially increased raw material costs. The higher activity also resulted in an increase of payroll expenses to NOK 1 289 million during the period (1 209). Other operating expenses, including transportation, sales and marketing costs, ended at NOK 1 309 million (1 083).

Net financial items were NOK -190 million (-176), driven by financial expenses of NOK 264 million (191).

Earnings before tax for the full year came in at NOK 165 million (338). The expense is calculated at NOK 27 million (64), which gave a net result of NOK 139 million (274).

Order receipts and order reserve

		Q4 2022	Q4 2021	Q3 2022	Y 2022	Y 2021	CHANGE Y 2022 / Y 2021
Order receipts	MNOK	1 042,7	1 257,6	885,9	4 350,7	4 874,7	-11%
Order reserve	MNOK	750,7	1 379,6	794,7	750,7	1 379,6	-46%

Order receipts in Q4 2022 amounted to 1 043 million, down 17% from NOK 1 258 million in Q4 2021, reflecting reduced consumer demand on the back of higher inflation and interest rates. Order receipts in Q3 2022 were NOK 886 million.

As of 31 December 2022, Ekornes' combined order reserve was NOK 751 million, down 6% from NOK 795 million at the end of the third quarter 2022. The order reserve at the end of the Q4 2021 was NOK 1 380 million.

Balance Sheet

		31.12.2022	30.9.2022	31.12.2021
Working capital*	MNOK	1 481,5	1 786,8	1 389,1
Bank deposits	MNOK	428,9	366,2	350,1
Total assets	MNOK	8 104,9	8 552,4	8 090,1
Interest-bearing loans	MNOK	3 057,5	3 070,0	3 097,9
Total liabilities	MNOK	4 749,1	5 000,4	5 007,2
Equity	MNOK	3 355,9	3 552,0	3 083,0
Equity ratio	%	41,4%	41,5%	38,1%
Value of forward contracts	MNOK	-2,7	-41,7	4,1
Net interest-bearing Debt (NIBD)	MNOK	2 628,6	2 703,8	2 747,9

* Working capital = trade receivables + inventory - trade payables

As of 31 December 2022, Ekornes had total assets of NOK 8 105 million, compared to NOK 8 552 million three months earlier. The decrease is mainly due to lower working capital driven by reduced inventory and write-downs.

Total equity was NOK 3 356 million at the end of the quarter, corresponding to an equity ratio of 41%. This compares to NOK 3 552 million and 42% at the end of the previous quarter, where the change is due to net losses in the fourth quarter.

Total interest-bearing debt at the end of the period amounted to NOK 3 058 million, down NOK 12.5 million from the preceding quarter due to an instalment on bank loans. Interest-bearing debt includes unsecured bank loans with DNB and Sparebanken Møre totalling NOK 1 038 million. The bank loan facilities mature on 15 April 2023.

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 2019 under the name "Ekornes QM Holding AS 19/23 FRN FLOOR C" with the ticker: EKO01. Ekornes has a call option that expires in April 2023 to redeem the bond early before it matures in October 2023.

The Group intends to complete a refinancing of the outstanding bank and bond debt during 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 a 12-month rolling basis for Ekornes QM Holding Group. 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 Q4 2022 and on 31 December 2022, Ekornes was compliant with all covenant requirements in the bond agreement. The leverage ratio at the end of the Q4 2022 was 4.16, well below the maximum allowed.

Cash flow

		Q4 2022	Q4 2021	Q3 2022	Y 2022	Y 2021
Net cash flow from operating activities	MNOK	123,8	124,6	16,8	340,5	240,6
Net cash flow from investing activities	MNOK	-36,9	-34,3	-20,0	-145,3	-109,4
Net cash flow from financing activities	MNOK	-32,9	-34,5	-25,0	-112,0	-238,5
Change in net cash & cash equivalents	MNOK	54,0	55,8	-28,3	83,3	-107,4
Effect of exchange gains / (losses) on cash and cash equivalents	MNOK	8,6	-3,0	1,3	-4,5	2,8
Net cash & cash equivalents at the start of the period	MNOK	366,2	297,2	393,2	350,1	454,6
Net cash & cash equivalents at the close of the period	MNOK	428,9	350,1	366,2	428,1	350,1

Net cash flow from operating activities in Q4 2022 was NOK 124 million (125), following a NOK 305 million reduction in net working capital. The company has initiated actions to further reduce working capital and expects a reduction of approximately NOK 300 million over the next 12 months. Net cash flow from operating activities for the full year of 2022 was NOK 341 million (241), mainly driven by lower net working capital.

Net cash flow from investing activities was negative at NOK 37 million in the quarter (-34), all related to ongoing investments in day-to-day operations. Net cash flow from investing activities for the full year was negative at NOK -145 million (-109). As part of the initiatives to safeguard performance in the current weak markets, Ekornes will reduce investments significantly going forward to ensure adequate cash flow generation.

Net cash flow from financing activities was negative at NOK 33 million during the quarter (-34). This includes a NOK 20 million payment of lease liabilities and a NOK 12.5 million instalment on short-term bank debt. Net cash flow from financing activities for the full year of 2022 was negative at NOK 112 million (-238).

Net change in cash and cash equivalents was NOK 63 million during the quarter and, as of 31 December 2022, Ekornes had total holdings of cash and cash equivalents of NOK 429 million. This compares to NOK 350 million 12 months earlier and NOK 366 million at the end of the third quarter 2022.

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

Stressless®

		Q4 2022	Q4 2021	Q3 2022	Y 2022	Y 2021
Gross operating revenue	MNOK	785,7	849,2	851,3	3645,9	3 166,6
Gross operating earnings (EBITDA)	MNOK	74,3	127,9	105,9	538,1	648,3
Operating earnings (EBIT)	MNOK	14,1	64,1	48,0	305,4	417,5
Operating margin (EBIT)		1,8%	7,6%	5,6%	8,4%	13,2%

Stressless® delivered reasonably robust sales in Q4 and kept its strong position across key markets as a leading premium brand, despite a challenging market environment. Revenues decreased by 7% to NOK 786 million compared to Q4 2021. Total revenues for the full year of the year amounted to NOK 3 646 million, an increase of 15% compared to 2021.

Operating earnings (EBIT) for the quarter ended at NOK 14 million, corresponding to an operating margin of 2% (8%). The decrease in margin mainly reflects higher costs, including raw material and transportation, and NOK 27 million of inventory write-downs. For the full year 2022, the operating margin was 8% (13%). Ekornes is continuously evaluating its product portfolio and pricing strategy to optimize the balance between prices and sales volumes.

Order receipts for Stressless® fell by 2% in Q4 2022 compared with Q4 2021. North America was weak and remains affected by high inflation and interest rates and tighter household finances. Q4 sales in Europe improved somewhat after a slow summer. The uncertainties from the war in Ukraine and the cost-of-living crisis remain, but the Covid-19 pandemic is now having limited impact. In the Nordics, order receipts improved sequentially, but the first half of 2023 is expected to be challenging in the region.

Q4 sales in Asia Pacific improved in the quarter and order receipts were stable year-on-year, primarily driven by improved market penetration in China. During Q4, showrooms were opened in 14 Chinese cities, while the Stressless® Comfort Upgrade Programme was launched in October. Business is gradually returning to normal in China and several showroom openings are planned to widen the Stressless® distribution network. Combined with the return of furniture exhibitions, the strategic ambitions of Stressless® remain firm in the Chinese market.

Australia also posted improved performance with revenues up year-on-year, while the performance in Japan and the rest of Asia were markedly softer.

With continued geopolitical tension from the war in Ukraine and inflationary pressure persisting, the market conditions for the entire furniture industry remain challenging. To adapt to the situation, Stressless® has implemented mitigating actions such as price increases, renegotiating with suppliers and capacity reductions, enabled by a flexible operating model. Against this backdrop, Stressless® continues its strong performance with sales stabilizing at more normalized levels, driven by a wide product offering and a diversified distribution network.



IMG

		Q4 2022	Q4 2021	Q3 2022	Y 2022	Y 2021
Gross operating revenue	MNOK	213,7	242,2	218,3	994,3	850,0
Gross operating earnings (EBITDA)	MNOK	-9,6	49,7	34,4	145,8	177,9
Operating earnings (EBIT)	MNOK	-31,7	27,7	13,5	62,0	93,0
Operating margin (EBIT)		-14,8%	11,4%	6,2%	6,2%	10,9%

Q4 2022 revenue for IMG came in at NOK 214 million (242), representing a 12% decline from Q4 2021. Compared to the previous quarter, revenue was down 2%. For the full year, revenues ended at NOK 994 million (850), an increase of 17% from last year. Q4 2022 EBIT was negative at NOK 32 million and includes NOK 48 million of inventory write-downs in connection with the streamlining of operations in Asia Pacific.

Asia Pacific was the main positive driver during Q4, while North America represented the strongest performance for the full year. Europe continued to post solid percentage growth off its small base for both the quarter and year. The Nordics remained the most challenging region with a small decline in like-for-like revenue in Q4 and for 2022.

Orders across all regions outside of the expansion markets in Europe remained weak, with annual order receipts down 23% against the record high of 2021. A similar picture was evident in Q4 2022 where orders were 27% lower than in Q4 2021. North America and China remained especially challenging in terms of order development due to high inventories in the USA and Covid-19 restrictions in China. The order backlog moving into 2023 is significantly lower than in the preceding year, which will drag on revenue in early 2023.

As previously announced, IMG has taken further steps to match production capacity to current and short-term demand to maintain efficient operations. In addition, IMG has continued to focus on new distribution channels, especially within the APAC region.

During the first quarter of 2023, IMG will release a range of new product concepts and options that will support the order development throughout 2023. These actions are targeted towards both established and new markets. IMG's operating results for Q4 were heavily impacted by material costs and transport, as well as the ongoing process of reducing capacity.



Svane®

		Q4 2022	Q4 2021	Q3 2022	Y 2022	Y 2021
Gross operating revenue	MNOK	76,4	82,8	62,6	288,0	301,2
Gross operating earnings (EBITDA)	MNOK	-6,9	-1,2	0,8	-6,8	9,5
Operating earnings (EBIT)	MNOK	-7,8	-2,2	0,1	-9,9	5,9
Operating margin (EBIT)		-10,2%	-2,6%	0,2%	-3,4%	2,0%

Reduced consumer spending on durable goods due to increased living costs continued to weigh on Svane® in Q4. Operating revenues amounted to NOK 77 million, representing a 8% decline from Q4 2021 but up 23% from the previous quarter. For the full year, revenues came in at NOK 288 million (301), 4% down from 2021. Operating earnings (EBIT) for Q4 were NOK -7 million, down from NOK 6 million in the corresponding period last year, mainly due to a higher cost base, including increased raw material and logistics costs.

The Norwegian market saw a transformation during the fourth quarter with consumers focusing on more affordable products, with low-priced private labels gaining market share. Despite this, targeted marketing campaigns resulted in a positive development for Svane®.

Central Europe experienced a slight weakening in the quarter, with fewer shoppers in stores offset by marketing campaigns, particularly for low-priced products. The market development is expected to continue to weaken in the coming quarters.

The Finnish and Swedish markets continued to develop positively in the quarter, driven by new contracts with large retailers on the back of a renewed strategy in these markets. However, margins remain weak for both markets and efforts are ongoing to improve the situation.

The Danish market developed negative in the quarter, driven by a focus on low-price segments, to the detriment of Svane®. New products will be launched in 2023 that are expected to improve both revenues and margins.



Outlook

Ekornes' long-term ambition is to grow revenues profitably and responsibly.

While the company delivered record sales for the year, the second half saw sales come down to more normalized levels with order receipts slowing. Although we expect demand for quality furniture to be firm in the longer term, we expect challenging market conditions in the coming quarters. Nevertheless, with order receipts of NOK 447 million in January 2023, the second highest ever, there are grounds for some optimism going forward.

In early January, Ekornes announced initiatives to adapt the current market development and protect the Group's resilience to ensure competitiveness in markets across the world. The Focus 23 project include the rightsizing of operations in Norway, the restructuring of activities in Asia, as well as further measures to manage cost and margin development, as well as cash flows, and will be the primary focus for the Group during 2023.

It is expected that the effect of these initiatives will result in improved margins and profitability from the second half of 2023. By the end of the year, Ekornes targets cost reductions of NOK 200 million and a reduction of working capital of NOK 300 million.

Ekornes' financial position is solid, with strong liquidity and a sound capital structure. The Group intends to complete a refinancing during 2023, seeking an optimal combination of bank and bond debt, and has mandated financial advisors to support this process.

The ability to deliver relevant products with short delivery times is core to Ekornes and has been crucial for the performance throughout the pandemic. The company continues to focus highly on innovation and is continuously developing new products and concepts. Ongoing rollouts are already showing good results and the company plans for additional releases going forward. Combined with flexible long-term financing capacity, this enables the company to capture future market opportunities.

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.

As at 31 December 2022, Ekornes employed a total of 2 945 people, of which just over 40% 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 4 lost-time injuries in the fourth quarter 2022. This gives an H1-value for the period of 2,6 compared to 4,1 the same period the year before.

The Group had a sickness absence rate of 4,3 % in Q4 2022, compared to 3,7% in Q4 2021. For the full year, absence rate was 4,2%, compared to 3,5% in 2021.

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.

During the Covid-19 pandemic, Ekornes initiated a series of operational and financial actions to mitigate market, operational and financial risk. However, due to the "home nesting" effect with increased consumer spending on home refurbishment and furniture, the company experienced a significant rebound in demand during the second half of 2020, continuing well into 2022. At the same time, the SARS-CoV-2 virus impacted both markets and operations with shutdowns and restrictions.

During the pandemic, logistics and transportation became increasingly challenging for the furniture industry, impacting both the ability to bring products to market and secure access to input factors. An already stressed value chain became increasingly stretched by the resurgence of post-pandemic economic activity, as well as the Russian invasion of Ukraine last February.

The result has been rising inflationary pressures, not least from energy prices, which in turn is being combatted by central banks worldwide through rising interest rates. With higher prices and increasing interest rates impacting overall consumer spending, and a shift in spending away from home refurbishing and furniture, the "home nesting" effect from the pandemic has evaporated. As a result, Ekornes is facing lower economic activity that affects demand for its products, its sales channels and for other parts of the value chain. The Group has a flexible operating model and is already positioning itself to adjust production capacity to prevailing demand.

Ekornes has production facilities in Norway, Lithuania, Thailand and the USA. This implies that the company's market, currency and sourcing risks are naturally diversified, at the same time as the company's competitiveness is affected by changes in exchange rates versus the NOK. The Group seeks to minimize this risk by various forms of hedging, including currency forward contracts.

Product development and the launch of new concepts are 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 may result in costs and earnings deviating from predictions.

For more information on the Group's risk factors and risk management, reference is made to the company's 2021 Annual Report.

Events after the balance sheet date

Ekornes provided an operational update on January 4, 2023, regarding group initiatives to adapt to the current market development and protect the group's resilience to ensure competitiveness in markets across the world. The initiatives include the rightsizing of operations in Norway, the restructuring of activities in Asia and measures to manage cost and margin development. As a result, the organisation in Norway is being reduced by up to 190 full time employees while the workforce in the Asia Pacific region is being downsized by up to 700 full time employees. The accounts as of 31 December 2022 include inventory write downs amounting to NOK 75 million in connection with these initiatives.

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

Oslo, February 16th 2023
The board of Ekornes QM Holding AS

Ruihai Zhao
Chair

Mogens Falsig
Director and CEO



Consolidated income statement

(Figures in MNOK, except per share data)	Note	Q4 2022	Q4 2021	Q3 2022	Y 2022	Y 2021
Gross operating revenue	2	1 075,8	1 174,1	1 132,1	4 928,2	4 317,9
Cost of goods sold		412,9	344,0	363,5	1 632,2	1 205,3
Payroll expenses		290,9	325,1	290,2	1 289,0	1 209,6
Depreciation and write downs	5	83,1	86,8	79,5	319,6	319,3
Other operating expenses		345,5	326,9	315,1	1 308,7	1 082,8
Net other losses (gains)	3	-30,8	2,4	22,6	23,3	-13,2
Total operating expenses		1 101,6	1 085,1	1 070,8	4 572,7	3 803,8
Operating earnings (EBIT)		-25,8	89,0	61,3	355,5	514,0
Financial income		13,5	3,5	10,0	33,9	9,0
Net gains (losses) on foreign exchange		-48,8	1,2	53,7	39,5	6,1
Financial expenses		79,0	52,8	67,4	263,7	191,1
Net financial items		-114,3	-48,1	-3,7	-190,3	-176,0
Earnings before tax (EBT)		-140,1	40,8	57,7	165,1	338,1
Calculated tax cost (Income)		-37,0	6,4	11,4	26,6	64,1
Net earnings		-103,1	34,5	46,2	138,6	273,9
Earnings are attributable to:						
Controlling interests		-103,1	34,5	46,2	138,6	246,2
Non-controlling interests		0,0	0,0	0,0	0,0	27,7
Earnings per share		-3 436	1 149	1 541	4 619	9 131,5
Earnings per share (diluted)		-3 436	1 149	1 541	4 619	9 131,5

Consolidated statement of comprehensive income

(Figures in MNOK)	Note	Q4 2022	Q4 2021	Q3 2022	Y 2022	Y 2021
Net earnings		-103,1	34,5	46,2	138,6	273,9
Other income and expenses:						
Items which can be reclassified to earnings and loss:						
Translation differences	5	-93,1	10,0	92,9	134,3	-1,8
Total other income and expenses		-93,1	10,0	92,9	134,3	-1,8
Total comprehensive income		-196,2	44,5	139,2	272,9	272,1

Consolidated balance sheets

(Figures in MNOK)	Note	31.12.2022	30.9.2022	31.12.2021
ASSETS				
Non-current assets				
Buildings and sites		945,2	913,2	945,7
Machinery and equipment		283,1	280,0	277,8
Operating movables and fixtures		28,6	29,3	24,5
Assets under construction		5,8	64,4	26,8
Right-of-use assets	7	213,4	223,9	217,3
Total property, plant & equipment		1 476,0	1 510,9	1 492,1
Software and licenses		47,6	26,1	36,1
Brand name	5	1 480,2	1 490,3	1 520,8
Goodwill	5	1 561,1	1 561,1	1 561,1
Customer relations	5	1 194,2	1 285,7	1 162,4
Deferred tax assets		96,8	117,0	107,7
Total non-current intangible assets		4 379,8	4 480,2	4 388,1
Other receivables and investments		23,1	27,7	24,1
Total non-current financial assets		23,1	27,7	24,1
Total non-current assets		5 878,9	6 018,8	5 904,3
Current assets				
Inventory		1 197,2	1 407,8	1 272,3
Trade receivables		474,2	633,8	448,9
Forward currency contracts	3	0,0	0,0	4,1
Other short-term receivables		125,7	125,8	110,4
Cash and bank deposits		428,9	366,2	350,1
Total current assets		2 226,0	2 533,6	2 185,8
TOTAL ASSETS		8 104,9	8 552,4	8 090,1

Consolidated balance sheets

(Figures in MNOK)	Note	31.12.2022	30.9.2022	31.12.2021
EQUITY AND LIABILITIES				
Equity				
Contributed equity				
Share capital	8	0,1	0,1	0,1
Premium paid		2 807,4	2 807,4	2 807,4
Total contributed equity		2 807,5	2 807,5	2 807,5
Retained earnings				
Translation difference		193,2	286,3	58,9
Other equity		355,2	458,3	216,6
Total retained earnings		548,4	744,6	275,5
Total equity		3 355,9	3 552,0	3 083,0
Non-current liabilities				
Pension liabilities		7,4	8,8	7,9
Provisions		3,6	3,5	3,0
Deferred tax		783,8	813,8	791,1
Lease liabilities	7	171,8	189,1	176,3
Interest-bearing debt - Bond	6	0,0	2 020,0	2 010,4
Total non-current liabilities		966,6	3 035,3	2 988,6
Current liabilities				
Trade payables		189,9	254,7	332,1
Public charges payable		65,6	66,5	84,3
Tax payable		47,6	114,4	116,4
Forward currency contracts		2,7	41,7	0,0
Interest-bearing debt - Bank	6	1 037,5	1 050,0	1 087,5
Interest-bearing debt - Bond	6	2 020,0	0,0	0,0
Lease liabilities	7	58,1	52,5	51,6
Other current liabilities		361,1	385,4	346,6
Total current liabilities		3 782,5	1 965,1	2 018,5
Total liabilities		4 749,1	5 000,4	5 007,2
TOTAL EQUITY AND LIABILITIES		8 104,9	8 552,4	8 090,1

Consolidated statement of cash flows

(Figures in MNOK)	Q4 2022	Q4 2021	Q3 2022	Y 2022	Y 2021
Cash flows from operating activities					
Earnings before tax (EBT)	-140,1	40,8	57,7	165,1	338,1
Tax paid for the period	-40,1	-33,3	-5,9	-139,8	-90,1
Depreciation and write downs	83,1	86,8	79,5	319,6	319,3
Change in inventory	210,6	-115,4	-73,5	75,1	-454,2
Change in trade receivables	159,6	-6,0	11,6	-25,3	-33,3
Change in trade payables	-64,8	83,8	-30,1	-142,2	88,9
Change in other time limited records	-84,4	67,9	-22,4	88,1	72,0
Net cash flow from operating activities	123,8	124,6	16,8	340,5	240,6
Cash flows from investing activities					
Proceeds from sale of PP&E	0,0	0,0	0,1	9,7	0,2
Payments for purchase of PP&E	-36,9	-34,4	-20,2	-155,1	-109,7
Net Cash flows from investing activities	-36,9	-34,3	-20,0	-145,3	-109,4
Cash flows from financing activities					
Payment of lease liabilities	-20,4	-22,0	-12,5	-62,0	-58,1
Payment of dividend	0,0	0,0	0,0	0,0	-26,9
Repayment of borrowings	-12,5	-12,5	-12,5	-50,0	-12,5
Proceeds from borrowings	0,0	0,0	0,0	0,0	600,0
Transactions with non-controlling interests	0,0	0,0	0,0	0,0	-741,0
Net cash flow from financing activities	-32,9	-34,5	-25,0	-112,0	-238,5
Change in net cash & cash equivalents	54,0	55,8	-28,3	83,3	-107,3
Effect of exchange gains / (losses) on cash and cash equivalents	8,6	-3,0	1,3	-4,5	2,8
Net cash & cash equivalents at the start of the period	366,2	297,2	393,2	350,1	454,6
Net cash & cash equivalents at the close of the period	428,9	350,1	366,2	428,9	350,1
Restricted cash at the end of the period*	149,3	153,0	141,4	149,3	153,0
Unrestricted cash at the end of the period	279,6	197,1	224,8	279,6	197,1

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 on 31 December 2022 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 equity	Sum	Non-controlling interests	Total equity
Equity 31.12.2020	0,1	2 807,4	61,5	200,6	3 069,5	500,0	3 569,5
Earnings for the period	0,0	0,0	0,0	246,2	246,2	27,7	273,9
Other comprehensive income	0,0	0,0	-2,6	0,0	-2,6	0,7	-1,8
Dividend	0,0	0,0	0,0	0,0	0,0	-17,6	-17,6
Acquisition of non-controlling interests	0,0	0,0	0,0	-230,2	-230,2	-510,8	-741,0
Equity 31.12.2021	0,1	2 807,4	58,9	216,6	3 083,0	0,0	3 083,0
Equity 31.12.2021	0,1	2 807,4	58,9	216,6	3 083,0	0,0	3 083,0
Earnings for the period	0,0	0,0	0,0	138,6	138,6	0,0	138,6
Other comprehensive income	0,0	0,0	134,3	0,0	134,3	0,0	134,3
Equity 31.12.2022	0,1	2 807,4	193,2	355,2	3 355,9	0,0	3 355,9

Notes to the consolidated financial statements

NOTE 1 Accounting principles

The consolidated financial statements for the fourth quarter 2022, closed as at 31 December 2022 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 2021. The 2021 annual report, which contains the Group's consolidated financial statements and the financial statements for the parent company Ekornes QM Holding AS, may be found on the company's website www.ekornes.com/en/investor-relations/reports.

The accounting principles used in the preparation of these interim financial statements are the same as those applied to the consolidated financial statements for 2021.

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
- IMG, which covers the IMG product area
- Svane®, which covers the Svane® 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)	Q4 2022	Q4 2021	Q3 2022	Y 2022	Y 2021
Revenues per segment					
Stressless®	785,7	849,2	851,3	3 645,9	3 166,6
IMG	213,7	242,2	218,3	994,3	850,0
Svane®	76,4	82,8	62,6	288,0	301,2
Total	1 075,8	1 174,1	1 132,1	4 928,2	4 317,9
EBITDA per segment					
Stressless®	74,3	127,9	105,9	538,1	648,3
IMG	-9,6	49,7	34,4	145,8	177,9
Svane®	-6,9	-1,2	0,8	-6,8	9,5
Other/eliminations *	-0,5	-0,7	-0,3	-2,1	-2,4
Total	57,3	175,7	140,8	675,0	833,3
EBIT per segment					
Stressless®	14,1	64,1	48,0	305,4	417,5
IMG	-31,7	27,7	13,5	62,0	93,0
Svane®	-7,8	-2,2	0,1	-9,9	5,9
Other/eliminations *	-0,5	-0,7	-0,3	-2,1	-2,4
Total	-25,8	89,0	61,3	355,5	514,0
Operating revenues by market					
Norway	131,5	159,9	135,8	571,4	581,2
Other Nordic	57,6	63,3	38,6	218,3	230,6
Central Europe	181,3	216,6	180,3	813,0	730,2
Southern Europe	55,8	58,0	59,1	281,1	256,2
United Kingdom/Ireland	92,5	86,1	81,3	363,6	265,3
USA/Canada/Mexico	331,4	396,2	455,3	1 888,1	1 485,3
Japan	34,1	41,5	35,6	130,8	140,4
Australia	88,5	82,0	90,6	372,8	352,9
China	51,1	38,6	40,4	159,5	150,5
Other Markets	51,9	31,9	15,2	129,4	125,2
Total	1 075,8	1 174,1	1 132,1	4 928,2	4 317,9

* Other/eliminations contain results from activities carried out by the parent company Ekornes QM Holding AS

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. As part of the company's efforts to reduce its foreign exchange risk/currency exposure. The Group also seeks to purchase goods and services for use in Norway on international markets, where cost-effective. Together with the Group's distribution, sales and marketing activities, and associated administrative organization, this provides natural operational hedging of the company's foreign exchange risk (natural hedging) for part of its cash flow.

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

Forward contracts

In 2021 and 2022, the Group entered into forward contracts, and all realised and unrealised gains and losses associated with these contracts are recognised in net other gains/(losses). In fourth quarter, these contracts resulted in a NOK 8,2 million in realised loss and an unrealised gain of 39,0 million. All contracts that are open as at 31 December 2022 fall due for payment in the next 12 months. As at 31 December 2022, the market value of existing forward currency contracts came to negative NOK 2,7 million.

(Figures in MNOK)

Total net other gains/(losses) comprises:	Q4 2022	Q4 2021	Y 2022	Y 2021
Realised gains/(losses) on new forward contracts	-8,2	4,1	-16,5	31,8
Change in value of realised and unrealised contracts	39,0	-6,5	-6,8	-18,6
Net other gains/(losses)	30,8	2,4	-23,3	13,2

The following net foreign exchange volume was undertaken in 2022:

Currency	Volume in Currency (Million)	Average exchange rate (in NOK)
AUD	30,7	6,45
DKK	70,7	1,37
EUR	41,3	10,22
GBP	17,6	11,88
USD	24,3	8,83

NOTE 4 No. of employees

	31.12.2022	31.12.2021	30.9.2022	31.12.2021
Employees in Norway	1 256	1 322	1 346	1 322
Employees abroad	1 689	1 999	1 971	1 999
Total	2 945	3 321	3 317	3 321

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 20 years for the IMG segment. For brands, the estimated lifetime is estimated at 50 years for the Stressless® segment and 20 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").

(Figures in MNOK)	Brand name	Goodwill	Customer relationships	Total
Acquisition value 1.1.2022	1 656,4	1 561,1	1 302,3	4 519,8
Accumulated depreciation 1.1.2022	135,6	0,0	200,2	335,7
The period's depreciation	40,7	0,0	62,9	77,1
Accumulated depreciation 31.12.2022	176,3	0,0	263,1	412,8
Accumulated currency translation 1.1.2022	0,0	0,0	60,3	60,3
The period's currency translation differences	0,0	0,0	94,7	169,9
Accumulated currency translation 31.12.2022	0,0	0,0	155,0	230,1
Book value 31.12.2022	1 480,2	1 561,1	1 194,2	4 337,2
Split per segment				
Stressless®	1 283,2	676,6	759,1	2 780,3
IMG	197,0	884,5	435,0	1 556,8
Book value 31.12.2022	1 480,2	1 561,1	1 194,2	4 337,2
	Brand name	Goodwill	Customer relationships	Total
Acquisition value 1.1.2021	1 656,4	1 561,1	1 302,3	4 519,8
Accumulated depreciation 1.1.2021	94,9	0,0	141,0	235,9
The period's depreciation	40,7	0,0	59,1	99,8
Accumulated depreciation 31.12.2021	135,6	0,0	200,2	335,7
Accumulated currency translation 1.1.2021	0,0	0,0	60,7	60,7
The period's currency translation differences	0,0	0,0	-0,4	-0,4
Accumulated currency translation 31.12.2021	0,0	0,0	60,3	60,3
Book value 31.12.2021	1 520,8	1 561,1	1 162,4	4 244,4
Split per segment				
Stressless®	1 311,3	676,6	731,9	2 719,7
IMG	209,6	884,5	430,5	1 524,6
Book value 31.12.2021	1 520,8	1 561,1	1 162,4	4 244,4

NOTE 6 Interest-bearing loans and credit facilities

In April 2022, Ekornes successfully extended the existing bank loan facilities in DnB and Sparebank Møre until 15 April 2023. The loan extensions demonstrate the banks' continued support of Ekornes and offer the company the financial flexibility to capture future market opportunities and further optimize the long-term capital structure.

Ekornes QM Holding AS has engaged DNB Markets and SEB as financial advisors and joint lead managers to explore a potential refinancing of its outstanding senior secured bond. The Group intends to complete a refinancing of the outstanding bank and bond debt during 2023.

Short-term borrowing agreement 31 December 2022

- The loan of NOK 300 million in DNB is unsecured. Quarterly instalments at NOK 12,5 million,- four times per year with the first instalment three months from disbursement date (27 July 2021) of the loan. Final maturity in April 2023. Interest expenses are paid quarterly.
- The loan of NOK 500 million in DNB is unsecured. No instalments are payable before maturity in April 2023. Interest expenses are paid quarterly.
- The loan of NOK 250 million in Sparebank Møre is unsecured. No instalments are payable before maturity in April 2023. Interest expenses are paid quarterly.

Senior Secured Bond at 31 December 2022

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 2019 under the name "Ekornes QM Holding AS 19/23 FRN FLOOR C" with the ticker: EKO01. Ekornes has call options to redeem the bond with expiry dates in October 2022 and April 2023 before the bond matures in October 2023.

No instalments are payable before maturity in October 2023 and interest expenses are paid quarterly. NIBOR is adjusted at the end of each quarter and at 31 December 2022 the coupon was 9,9%. For first quarter 2023 the coupon is 10.26%.

(Figures in MNOK)

Bond	FRN Ekornes QM Holding AS Senior Secured Callable Bond Issue 2019/2023
Ticker:	EKO01
Currency	NOK
Issue Amount	2 000
NIBOR 3M	3,26%
Margin	7,00%
Coupon	10,26%
Tenor / redemption:	54 months /4,5 years
Settlement Date:	2.4.2019
Maturity Date:	2.10.2023

The bond was initially measured at fair value minus directly attributable transaction costs. Subsequent to initial recognition, the bond is measured at amortized cost using the effective interest method. The effective interest method amortisation is included as finance cost in the income statement. The nominal amount payable to the bondholders at maturity date is NOK 2 020 million, including a fee of NOK 20 million.

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 a 12-month rolling basis for Ekornes QM Holding Group.

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

During the fourth quarter of 2022 and as at 31 December 2022, Ekornes was compliant with all covenant requirements in the bond agreement. The leverage ratio at the end of the fourth quarter 2022 was 4,16 well within prevailing requirements.

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	
Balance at 31.12.2021	217,3
Depreciations	-54,3
Additions	42,4
Disposals	-3,6
Currency exchange differences	11,6
Balance at 31.12.2022	213,4
Lease liabilities	
Less than one year	61,1
One to five years	148,8
More than five years	45,4
Total undiscounted lease liability at 31.12.2022	255,3
Lease liability included in the statement of financial position at 31.12.2022	
Non-current	171,8
Current	58,1

NOTE 8 Shares and sole shareholder

As of 31 December 2022, 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 31 December 2022.

As of 31 December 2022, the company's sole shareholder was

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

As of 31 December 2022, the board has been granted the following authorizations:

The board has been granted no authorizations.



EKORNES®

EKORNES QM Holding AS

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