

EKORNES®



THE INNOVATORS OF COMFORT™



Q4 2017

16 February 2018

Agenda

- Introduction
- Highlights
- Operations
- Financials
- Summary and outlook



The Ekornes® Group

Group company

EKORNES®

HQ Sykkylven, Norway
2017 revenue of NOK 3.1bn
2017 EBIT margin of 10.0%
~ 2 140 employees

Three brands operated independently – separate sales, distribution and supply chains



IMG®
N O R W A Y



Stressless® – a brand known by 85 million people globally
IMG – a discovered brand internationally
Svane® – a Northern European mattress and beds brand

Combined group sales & supply chain footprint



Sales in 43 countries
18 sales offices in 11 countries
More than 4 000 sales outlets

9 production units in 4 countries
Multiple warehouses and 3rd party logistics partners

Long-term ambitions and near-term priorities



Annual revenue growth of 3%-5%

- Strengthen Stressless® customer offering to grow revenue
- Double IMG revenue next 5 years

- Product development and innovation
- Sales organisation development
- Distribution development
- Supply chain development
- Cost efficiency



EBIT margin of 16%-18%

- Exploit operational leverage by growing revenue and volume
- Ensure cost efficiency

- Relentless cost focus
- Production and logistics optimisation
- Vertical integration

Highlights

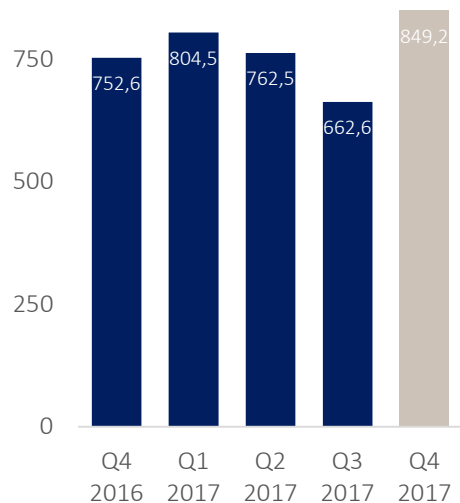
- Stable underlying operational development for Stressless® and IMG during Q4
 - Good order intake in Norway and North America, Central- and Southern Europe remains challenging
- Initiatives to strengthen Stressless® customer offering through product-development continues
 - Stressless® Dining introduced and well receive by dealers in Norway and Germany, US launch in April
- IMG investing EUR 11 million in new production- and distribution facility in Lithuania
 - Capacity to handle IMGs growth ambitions for Europe
- Board of directors proposes a 2017 dividend of NOK 6.00

Financial results

Operating revenues

NOK million

1 000

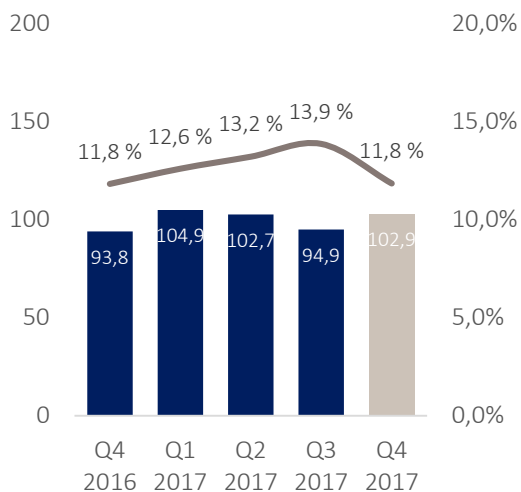


Adjusted EBIT & margin

NOK million

250

25,0%

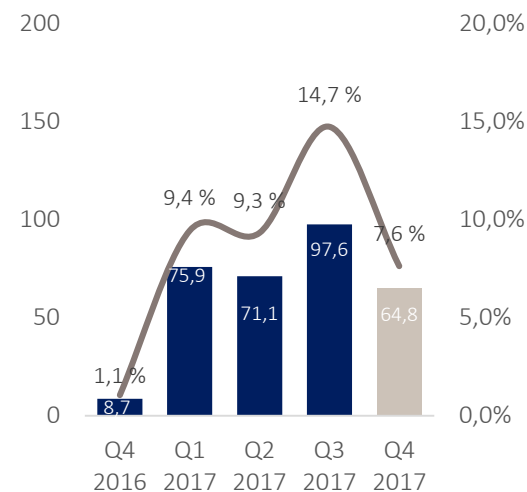


Reported EBIT & margin

NOK million

250

25,0%



Ekornes' board strengthened with IMG founder

Nora Forisdal Larssen
Chair



Senior Investment Manager, Nordstjernen. Former Partner McKinsey & Company and Product Line Manager Electrolux Europe.

Kjersti Kleven
Vice chair



Investor through John Kleven AS. Researcher with the Institute for Labour and Social Research (FAFO), HR-manager with Rolls-Royce Marine and project manager with Nordvest Forum.

Tine Gottlob Wollebek
Board member



CEO Bank Norwegian. Several senior positions with Telenor ASA, including SVP and Global Head of Telenor Financial Services. Former CEO at SEB Kort and Country Manager for SEB in Norway.

Stian Ekornes
Board member



Investor. 25 years of experience in the furniture sector. Broad experience from directorships, primarily in the areas of furniture, the building trades and property.

Lars I. Røiri
Board member



CEO Flokk AS. Former commercial management positions at Tomra ASA, Mølnlycke AB and Jordan AS, CEO at Coloplast Norge AS and CEO at HÅG ASA.

Nils Gunnar Hjellegjerde
Board member



Founder, principal owner and CEO of IMG. Prior to creating IMG he had several senior positions at Hjellegjerde ASA including CFO and CEO as well as being in charge of Hjellegjerde's operations in Asia.

Tone Helen Hanken
Board member
Employee elected



Sewing machine operator at J.E. Ekornes AS, Aure facility. Velledalen fabrikk (1981-85), Hjellegjerde Møbler (1985-97), J.E. Ekornes, Vestlandske (1997-the present).

Arnstein Johannessen
Board member
Employee elected



Joined Ekornes in 1974. Worked in the Steel Dept. (1980-2007), as an assistant in the marketing materials stockroom (2007-2014) and as a facilitator in the Upholstery Dept. (2014 to the present).

Knut Ove Rygg
Board member
Employee elected



Production worker, production technician, production engineer and plant manager at J.E. Ekornes AS

Atle Berntzen
Board member
Employee elected

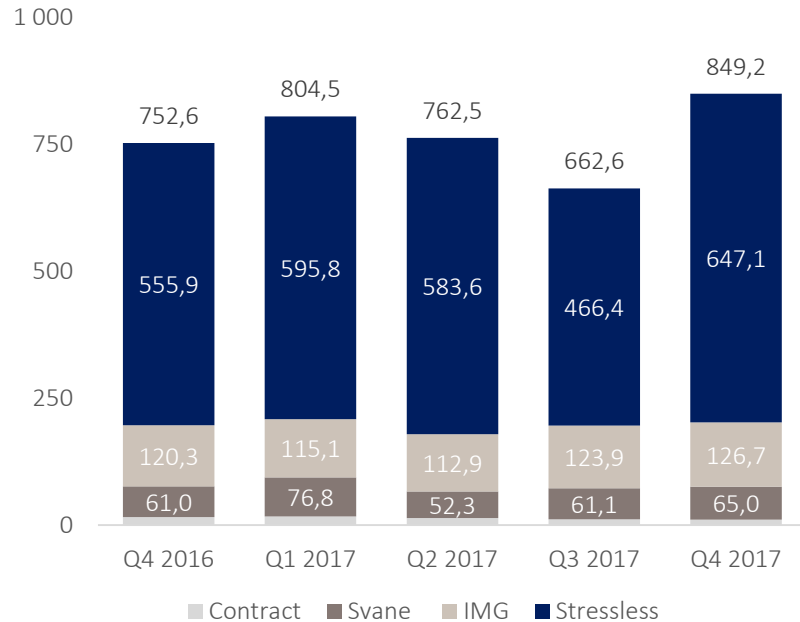


Has previously worked as a salesperson and warehouse operative at General Motors AS. Has worked in the warehouse at Ekornes Beds AS since 1991.

Operations

Operating revenue per segment

NOK million





THE INNOVATORS OF COMFORT™

Stressless® customer offering

- Comfortable, premium quality furniture
- Recliners, sofas and other categories

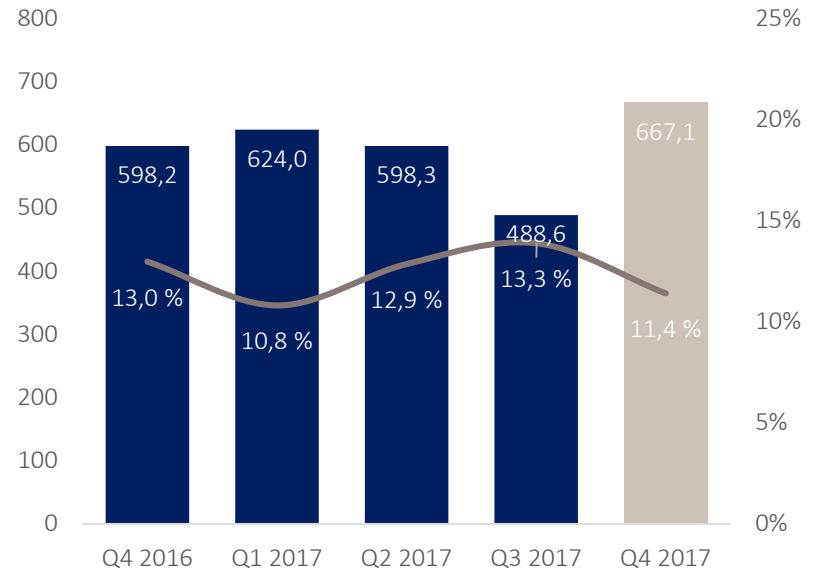
EKORNES®

Stable overall development

- Underlying revenues up 11.5% year-over-year
 - Q4 16 revenues impacted by cut offs
- Adjusted EBIT down
 - Somewhat lower capacity utilisation
 - Improved dealer incentives, particularly in France and Germany

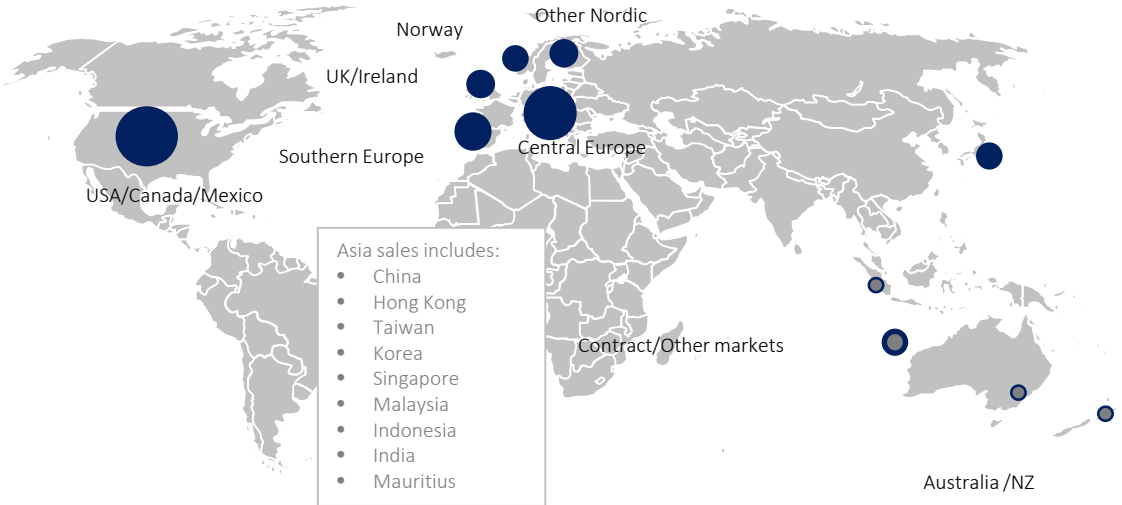
Adj. revenue and adj. EBIT-margin

NOK million



Mixed developments in main markets

- Continued positive development in North America, driven by successful sales promoting initiatives
- Norwegian order intake positively impacted by launch of new collection. Deliveries mainly from Q1 18
- Long term distribution initiatives paying off in the UK
- Southern- and Central Europe remains weak, particularly for Sofa.
 - Overall weak development in the German furniture market particularly in the high end segment. Generally though competition for branded consumer goods
 - Initiated restructuring of distribution in France



Stressless®

Positive start for Stressless® Dining

Business idea

- Entering new segment large segment
- Adding Stressless® features to construction & design
- Synergies to current Stressless® activities

Market potential

- Some 10% of the total EU furniture market
- Some 12% of the total US furniture market

Market introduction

- Well received by dealers in Norway, Germany and the UK
- Introduction to the US market in April 2018
- Awaiting consumer reception coming months
- Production up and running





IMG customer offering

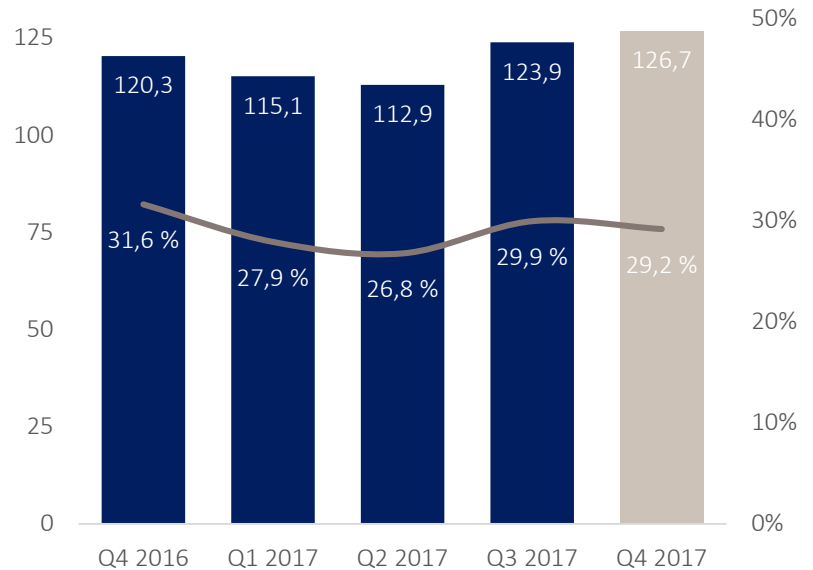
- Comfortable, ergonomic quality furniture
- Recliner and motion categories
- Quality
- Affordability

Strengthening presence in Europe

- Revenues up 5.3% year-over-year
- Operating margin impacted by planned investments in sales organization and market activities
- Order intake flat year-over-year
- Expanding production- and distribution-capacity in Europe, expected to improve performance throughout 2018
- Long term plan for development of organization and distribution in the US paying off

Operating revenue and EBIT-margin

NOK million



US organisation-build pays off

- Positive development in revenues and order-intake in the US
 - Long term development of organization, distribution and customer relations
 - Positive development expected to continue
- Positive development in Asia overall
 - First delivery to Japan
- Scandinavian markets remains weak, marked by harsh competition and price pressure
- Development of European markets still in early phase, expect new production- and distribution unit to pave the way



Strengthening capacity in Europe

- Investing EUR 11 million in new production- and distribution-facility in Panevėžys, Lithuania
- Replacing warehouse in Poland
- Reduce delivery times and increase assortment of IMG products in Europe
- Capacity to handle IMGs growth ambitions for Europe
- Finalisation 2019





Svane® customer offering

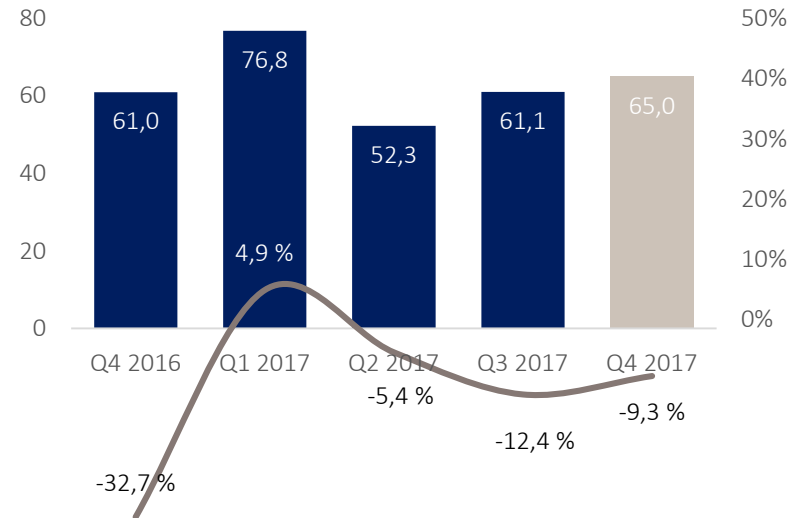
- Comfort & quality
- Beds & mattresses

Weak results

- Revenues slightly up year-over-year
- Slowdown in all markets, underlying development in Norway weaker than expected
- Margins impacted by intensified competition and price pressure in addition to discounts on studio orders on new collection
- Considering strategic alternatives for future development

Operating revenue and EBIT-margin

NOK million



Positive underlying development in order receipts



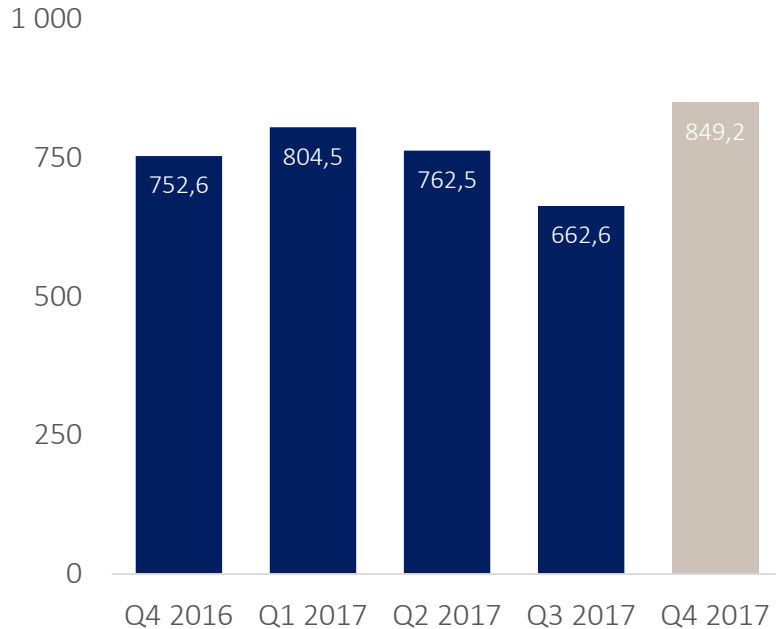
- Order receipts of NOK 874 million, up 6.6% from previous quarter
 - Growth in underlying development IMG
 - Negative impact from currency effects
- Order reserve of NOK 322 million, up 1.8% from Q3 2017

Financials

(preliminary and unaudited)

Group operating revenues

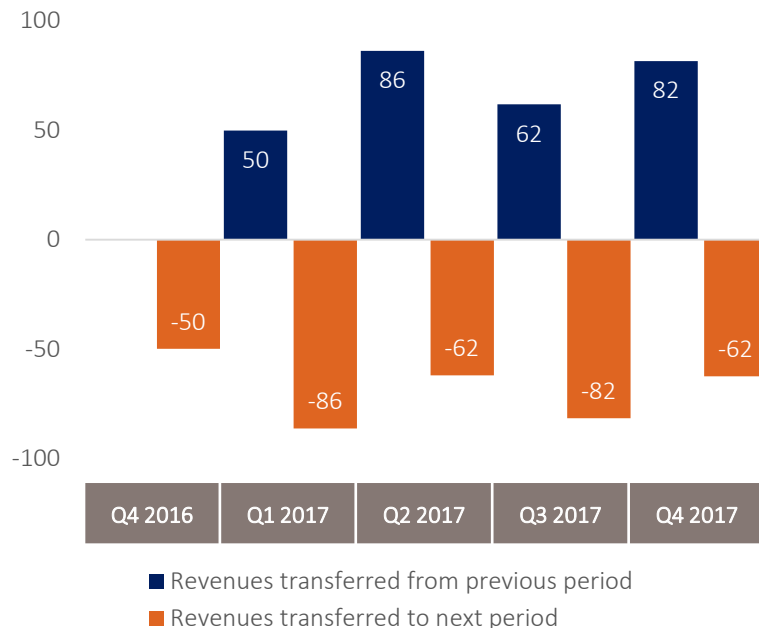
NOK million



- Positive revenue development for all segments except Contract.
 - Underlying development Stressless® unchanged
- Group revenues up 12.8% year-over-year
 - Value changes in forwards contracts before realization of NOK -20.0 million
 - Net cut-off NOK 19.7 million

Periodisation – revenue recognition

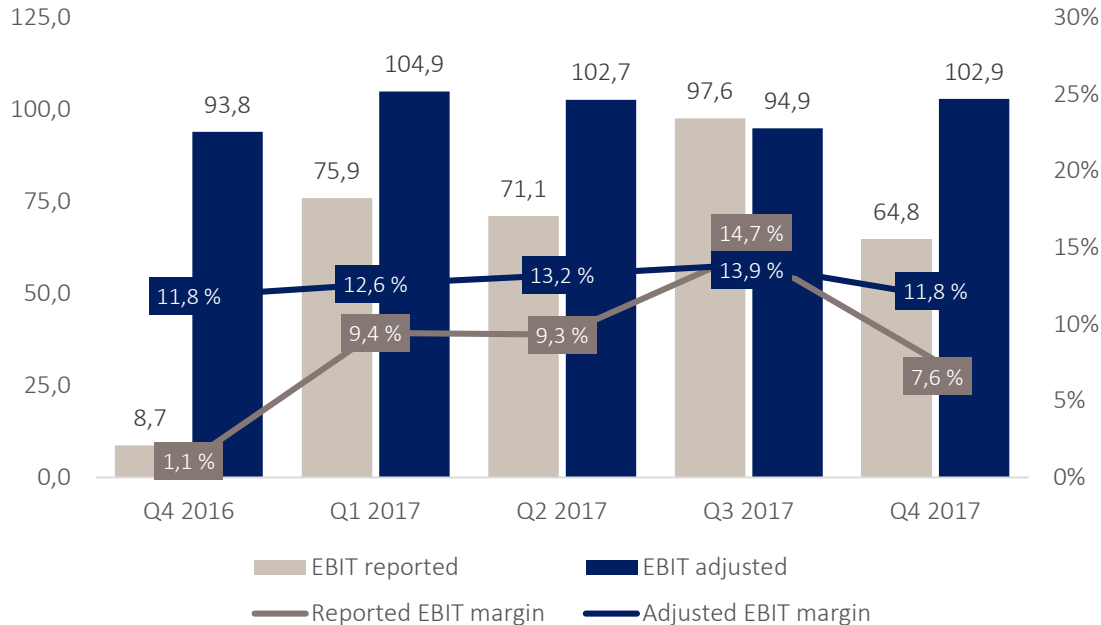
NOK million



- Net effects are likely to fluctuate over the quarters depending on delivery terms and shipment status for goods in transit
- Net impact on Q4 17 revenues of NOK 19.2 million, NOK 8.0 million on EBIT
- Net impact on revenues of NOK -50 million in Q4 2016

Stable development in underlying performance

NOK million



- Stable development in underlying performance
 - Adjusted EBIT margin of 11.8%, unchanged from Q4 2016
- Significant improvement in reported EBIT
 - Q4 2016 impacted by contingent consideration for IMG and change in value of unrealised forward contracts in addition to several special items

Currency effects

Hedge portfolio value 31.12.2015

Hedge portfolio value YE 2015 of
NOK -398.4 million

Distributed by:

2016: NOK -201 million

2017: NOK -178 million

2018: NOK -19 million

During 2016: The **NOK strengthened** towards Ekornes' main currencies

In Q4 2017: the **NOK strengthened** towards Ekornes' main currencies

- Realised Q4 2017 losses of NOK 15.9 million
 - Difference between booked negative value of NOK 35.9 million and actual loss of NOK 15.9 million for 2017 Q4 is NOK 20.0 million
 - When presenting adjusted EBIT, unrealised loss on remaining portfolio is NOK 20.0 million in Q4 2017

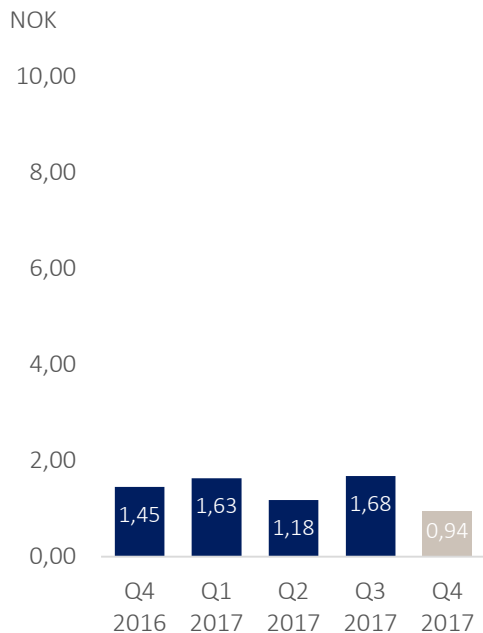
Hedging impacts on revenue and EBIT- illustrative

Figures in NOK million	FY 2016 actual	FY 2017 actual	FY 2018 estimate*	2016-2018 estimate*
Sales revenues	-201.0	-178.1	-19.4	-398.4
Realized loss/gain on FX contracts	-158.8	-93.0	-20,0	-271.8
Change at fair value on realized contracts from 1.1.2016 until the date of realization	-42.2	-85.0	0,6	-126.6
Net other gains	137.6	-10.9	0	126.6
Change at fair value on realized contracts from 1.1.2016 until the date of realization and change in fair value for contracts not yet realized	95.4	-96.0	0,6	0
Change at fair value on realized contracts from 1.1.2016 until the date of realization	42.2	85.0	-0,6	126.6
Effect on reported EBIT in period	-63.4	-189.0	-19.4	-271.8
Effect on adjusted EBIT in period	-158.8	-93.0	-19.4	-271.8

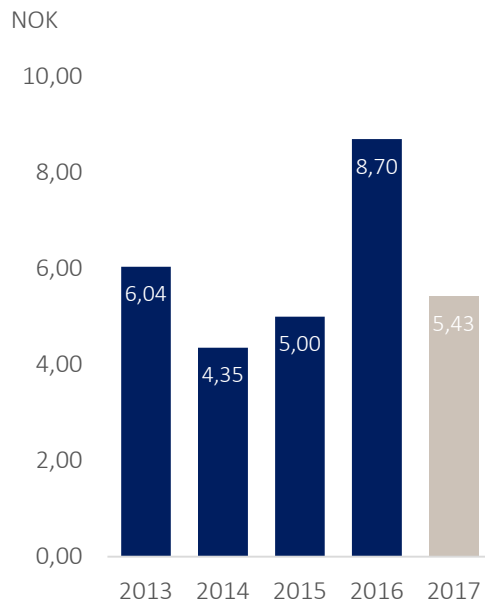
- At 31.12.2015, all unrealized losses (negative NOK 398.4 million less tax) was, due to hedge accounting, included in OCI only (and not in EBIT). This had therefore reduced Equity by NOK 398.4 million less tax.
- During realization losses have been moved from OCI to EBIT with no Equity impact. Equity in period 2016-2018 is therefore only impacted by net other gains until the date of realization (estimated positive NOK 126.6 million less tax).
- *All estimates assuming FX equal to 31.12.2017.

Earnings per share

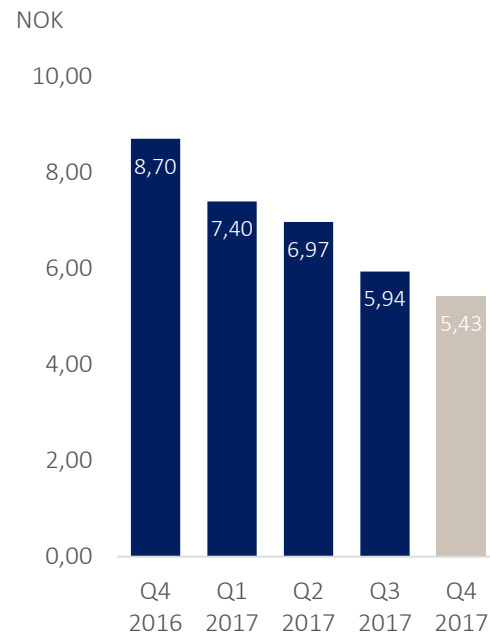
EPS per quarter



EPS per year

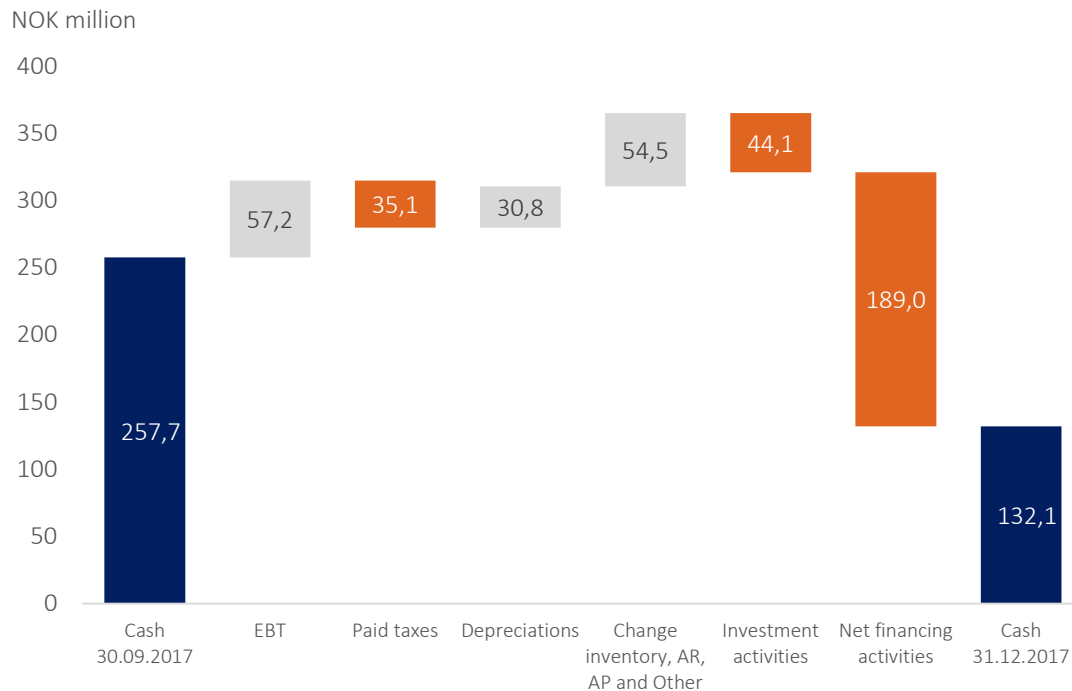


EPS 12 months rolling



Cash balance reduced due to debt reduction

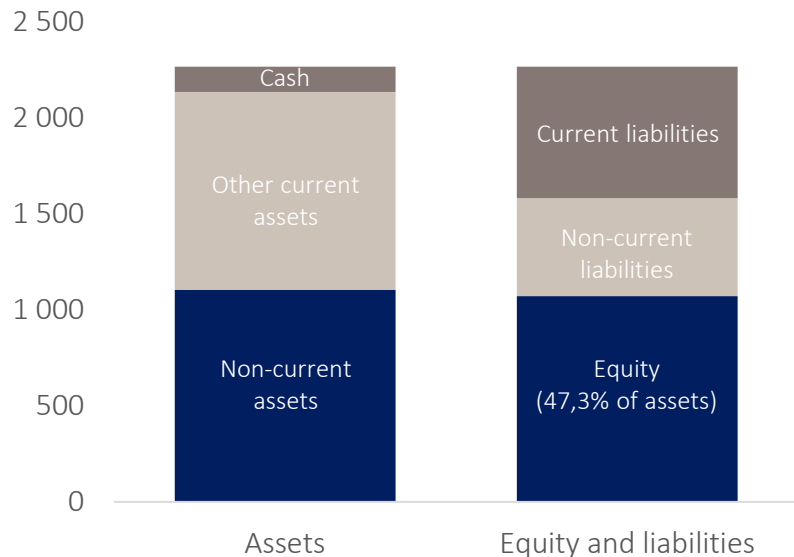
- Investments of NOK 44.1 million related to current operations
- Short term debt repaid by NOK 189.0 million
- Net cash decreased by NOK 125.5 million during the quarter



Financial position remains strong

Balance sheet per 31 December 2017

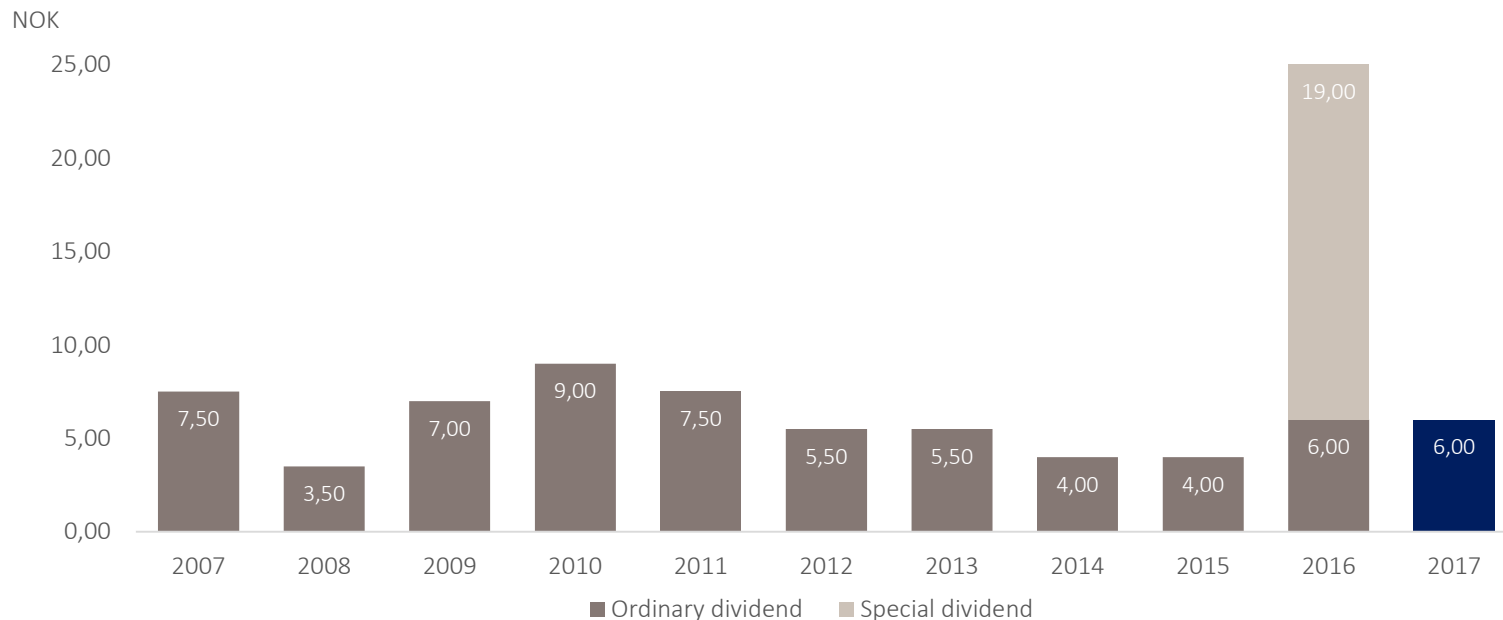
NOK million



- Working capital stable at NOK 779.6 million vs. NOK 767.6 million at 31.12.17
- Equity ratio of 47.3%, up from 42.4% at 30.09.17
 - Well above minimum target of 30%
- Interest-bearing debt NOK 718.0 million, down from NOK 907.0 million as of 30.09.17
 - Short term debt reduced by NOK 189 million

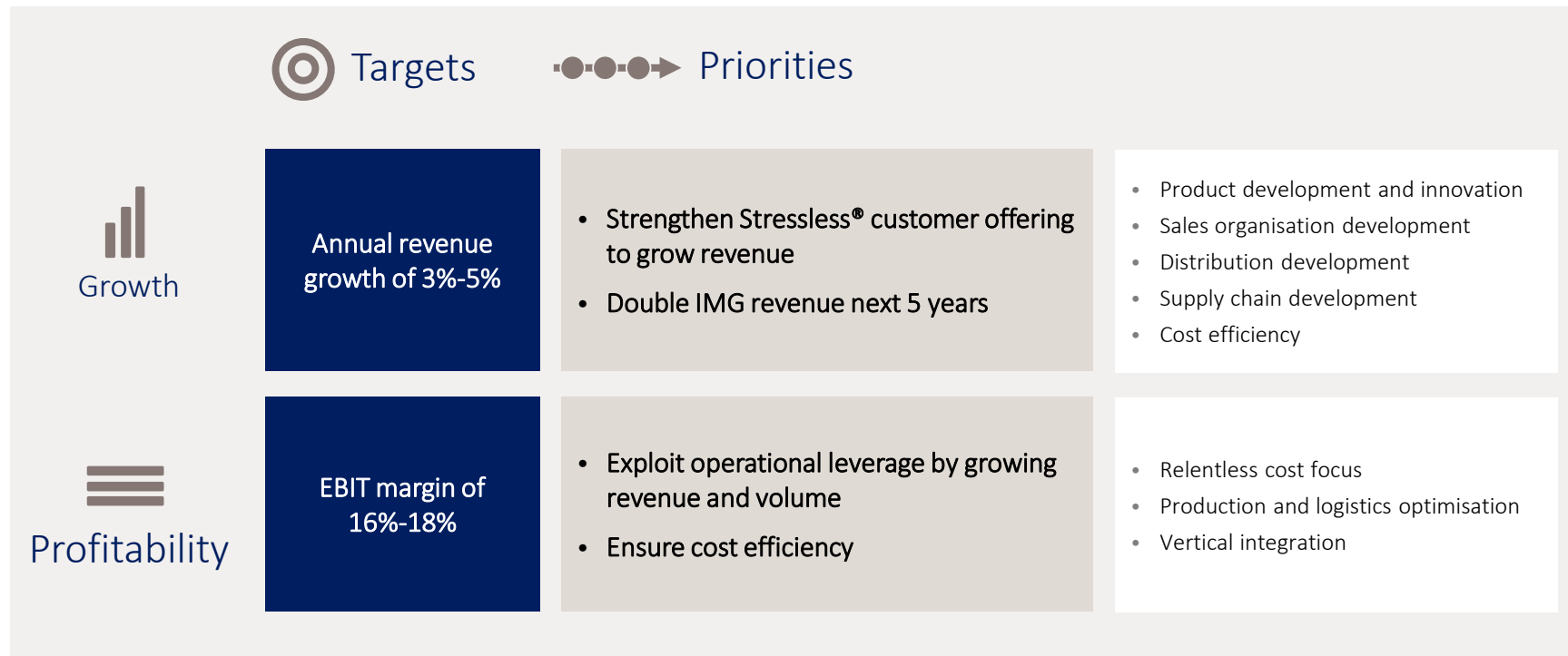
BoD proposes a 2017 cash dividend of NOK 6.00 per share

Annual dividends per share



Summary and outlook

Long-term ambitions and near-term priorities



Focus on brands and customer offerings development



THE INNOVATORS OF COMFORT™





Stressless® known by 85 million people around the world

IMG and Svane® with foothold in select regions/markets

Sales in 43 countries | 18 sales offices in 11 countries

> 4 000 sales points

Focus on sales and distribution development

2018 outlook

- Stressless® working on product development and innovation
 - Greater adaptation to regional markets
 - New dining category taken to market in 2018, initial response from retailers good
- IMG strengthening supply chain and distribution
 - New factory in Lithuania to improve ability to serve European market
 - Strengthening US presence and penetrating additional markets through new distributors
- Cost-efficiency across the value chain
- Strengthening board and organization to support growth and profitability strategy

Summary

- Stable underlying operational development for Stressless® and IMG
- Continues to develop Stressless® customer offering
- Strengthening IMG supply chain and market penetration
- Strengthening board and organization to support growth and profitability strategy

Contact information

Financial calendar:

Annual General Meeting, 24 April 2018

Q1 2018 results, 24 April 2018

Q2 2018 results, 13 July 2018

Q3 2018 results, 25 October 2018

CEO: Olav Holst-Dyrnes

olav.holst.dyrnes@ekornes.com

Mobile: + 47 93 48 31 01

CFO: Trine-Marie Hagen

trine-marie.hagen@ekornes.com

Mobile: + 47 99 61 75 05

Management Team



Olav Holst-Dyrnes, CEO

Olav Holst-Dyrnes has served as CEO of Ekornes since October 2014. Prior to Ekornes, he held the positions as CEO of the listed company Havfisk ASA and Sourcing Manager at Stokke AS. He also brings with him ten years experience from the Norwegian Armed Forces.

Holst-Dyrnes holds a Master's degree in engineering from the Norwegian Institute of Technology (NTH), in addition to completed officer training in the Norwegian Armed Forces.



Øystein Vikingsen Fauske, CDO & CHRO

Øystein Fauske joined Ekornes in April 2016. He brings with him broad experience from six years of management positions in the Scandinavian consulting division at Sopra Steria, where he latest served as COO. He has further more than 10 years consulting experience from several different companies in both public and private sector, specializing in strategic use of technology and transforming enterprises through digitalization.

Fauske holds a civil engineering degree in Industrial Economics and Technology Management from the Norwegian University of Science and Technology (NTNU), in addition to leadership training from Harvard Business School.



Trine-Marie Hagen, CFO

Trine-Marie Hagen joined Ekornes as CFO in January 2015, from the position as CFO of Mentor Medier AS. She has previously held several positions in Norske Skog, including VP Business Performance and Finance Manager at two of its factories. She has also been a trainee and consultant at Intentia.

Hagen holds a Master's degree in Economics from the Norwegian School of Economic and Business Administration (NHH), and Part 1 Law from the University of Bergen.



James Tate, President IMG

James Tate has more than 10 years of experience from working at Ekornes, most recently holding the position as Managing Director of the UK/Ireland business, and before that of Australia/New Zealand. Previous experience includes the position as Sales Director at Leggett & Platt Europe (Adjustable Beds) as well as a furniture consulting position.

Tate holds a Bachelor of Science from Macquarie University in Sydney, Australia, and a Diploma in Management from London University, UK.

Shareholders as of 31 December 2017

SHAREHOLDER	COUNTRY	# OF SHARES	% SHARE
NORDSTJERNAN AB	SWE	6 359 652	17.2 %
FOLKETRYGDFONDET	NOR	3 871 183	10.5 %
RBC Investor service S/A IRISH AIF CL ACC	IRL	3 076 011	8.3 %
ODIN NORGE	NOR	1 716 003	4.7 %
PARETO AKSJE NORGE	NOR	1 399 428	3.8 %
UNHJEM BERIT EKORNES	NOR	1 080 331	2.9 %
MERTENS GUNNHILD EKORNES	NOR	1 080 050	2.9 %
STATE STREET BANK AN S/A SSB CLIENT OMNI	USA	976 909	2.6 %
STATE STREET BANK AN A/C CLIENT OMNIBUS F	USA	845 538	2.3 %
NORDEA NORDIC SMALL	FIN	842 905	2.3 %
CLEARSTREAM BANKING	LUX	587 944	1.6 %
NGH INVEST AS	NOR	566 000	1.5 %
HOLBERG NORDEN VERDIPAPIRFONDET V/HOLBERG FONDSFORVA	NOR	556 705	1.5 %
FONDITA NORDIC MICRO SKANDINAVISKA ENSKIL	FIN	550 000	1.5 %
HOLBERG NORGE VERDIPAPIRFONDET V/HOLBERG FONDSFORVA	NOR	550 000	1.5 %
FIDELITY INT SMALL C BNY MELLON SA/NV	USA	547 199	1.5 %
ARCTIC FUNDS PLC BNY MELLON SA/NV	IRL	516 154	1.4 %
EKORNES TORILL ANNE	NOR	507 398	1.4 %
EKORNES KJETIL	NOR	394 959	1.1 %
FORSVARETS PERSONELL	NOR	348 000	0.9 %
SUM 20 LARGEST SHAREHOLDERS		26 372 369	71.5%
TOTAL		36 892 989	100.0%

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