

Q2 2016

EKORNES

July 15th 2016



Agenda

- Highlights
- Operational review
- Financial review
- Summary and outlook

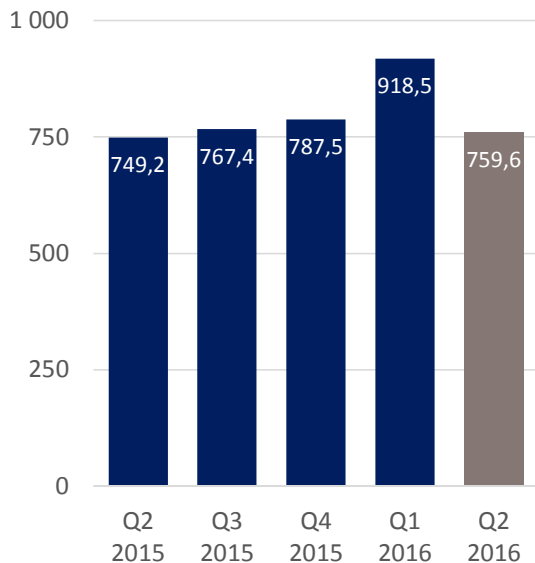
Highlights

- Stable year-over-year second quarter revenues of NOK 759.5m
- Improved margins in all segments driven mainly by lower costs
- Focus on operational improvements within Stressless[®], concentrating production
- IMG, Svane[®] and Ekornes[®] Contract with continued positive development
- Stable, but low order reserve, mainly explained by Stressless[®]
- 2015 dividend of NOK 4 per share distributed in May

Financial results

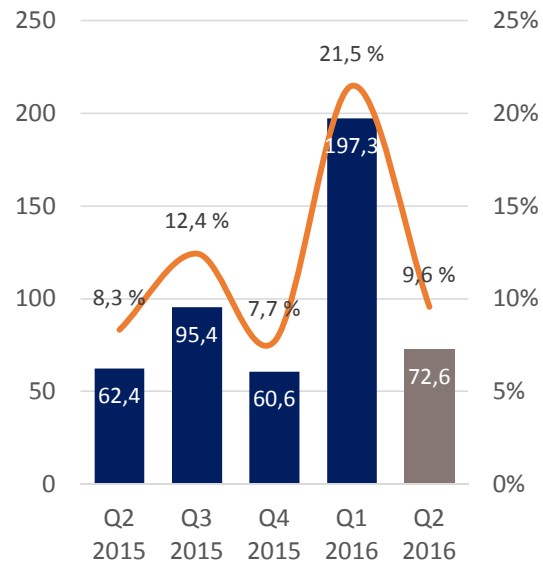
Operating revenues

NOK million



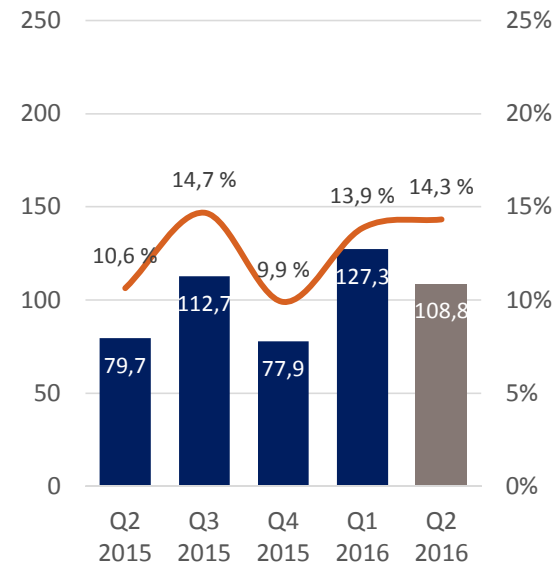
Reported EBIT & margin

NOK million



Adjusted EBIT & margin

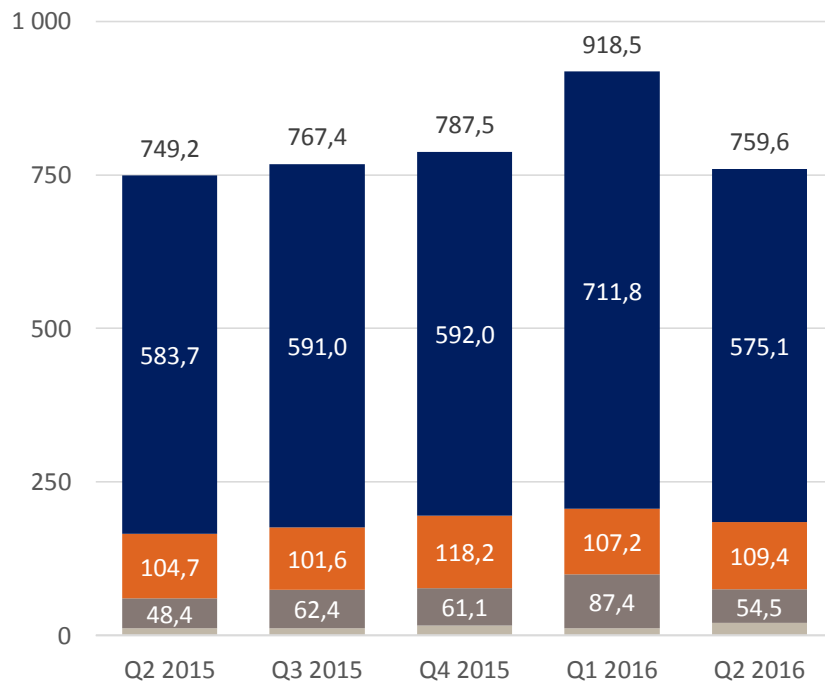
NOK million



Operational review

Segments – operating revenue

NOK million



Stressless



EKORNES[®]
COLLECTION

IMG



Svane



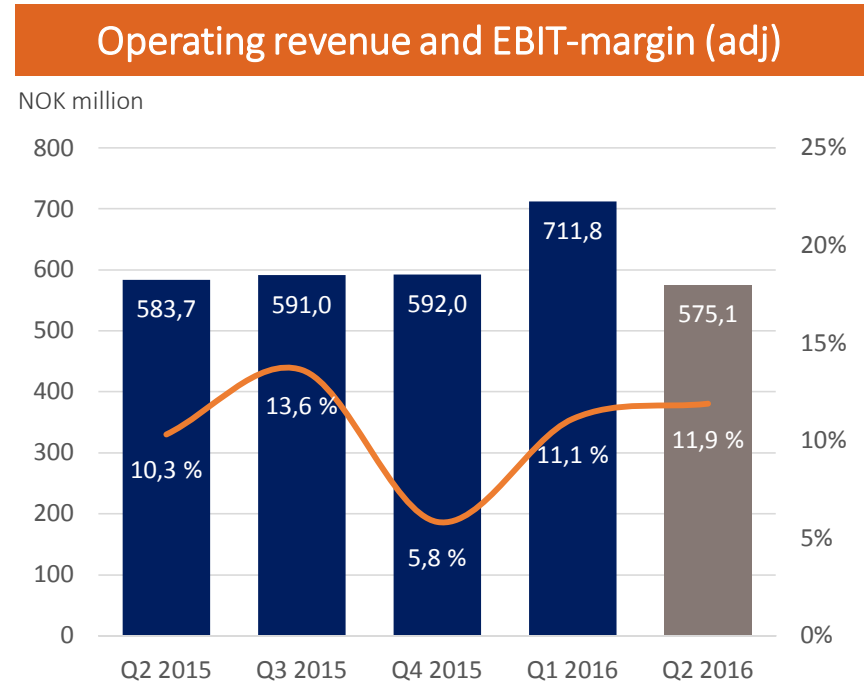
Contract

EKORNES[®] | CONTRACT



Stable revenues, year-over-year margin improvement

- Stable quarterly revenue supported by currency rates developments and strong market position
- Improvement in adjusted EBIT margin
 - Higher product prices due to more advanced product
 - Lower raw material costs



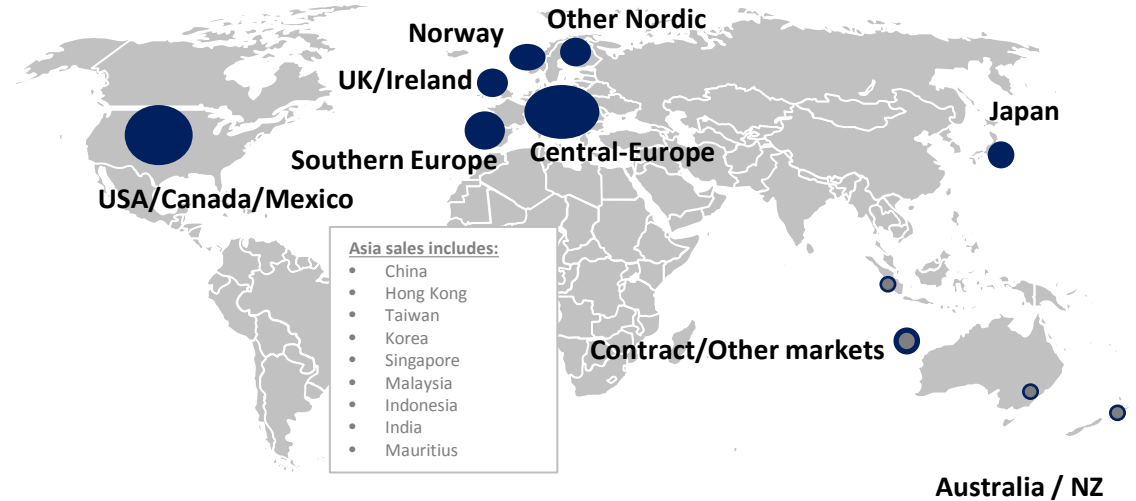
Concentrating production to improve competitiveness

- Decision made in June to combine two Stressless® sofa production facilities
 - Closing down the Hareid facility and moving operation to Sykkylven
- Combination of facilities improves production efficiency
 - Adjusts capacity
 - Improve capacity utilisation
 - Expected to yield annual cost savings exceeding NOK 10m
- The Sykkylven facility has capacity for current joint production and potential growth
- Adjusted Stressless® production capacity with five days in Q2
 - Order situation monitored, capacity will be adjusted if necessary in Q3



Mixed market development

- Underlying order receipts on a par with Q2'15, while units delivered lower
 - Explained by higher unit price and currency
- Distribution strategy evolved to increase number of sales outlets
- Focus on product innovation

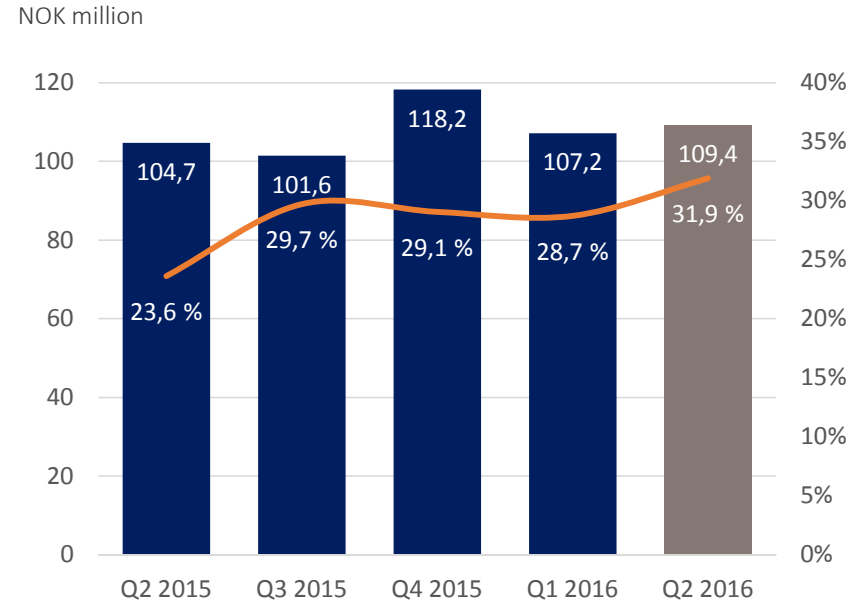




Stable development in revenues, increased margin

- Stable operating revenues
- Operating margin of 31.9% in Q2, up year-over-year and sequentially
 - Positive effect from raw materials
 - Increased manufacturing efficiency
 - Change in product mix

Operating revenue and EBIT-margin



Stable markets

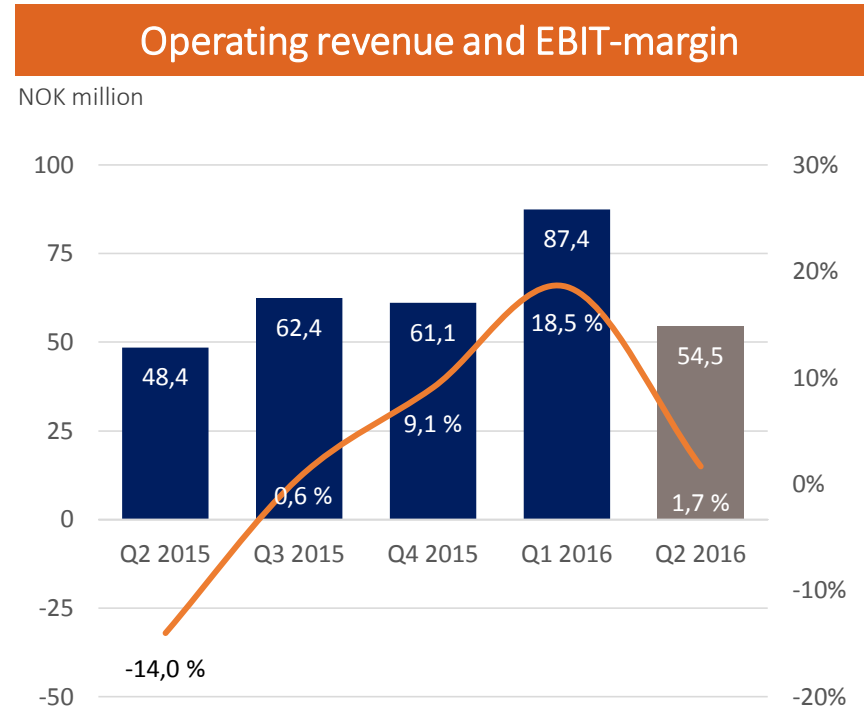
- Stable development in most markets during Q2





Positive performance continues

- Revenues up year-over-year
 - H2 2016 totalled NOK 141.9m, up from NOK 116m H1 2015
- Q2 is normally a weak quarter, EBIT-margin improved year-over-year



Positive market developments



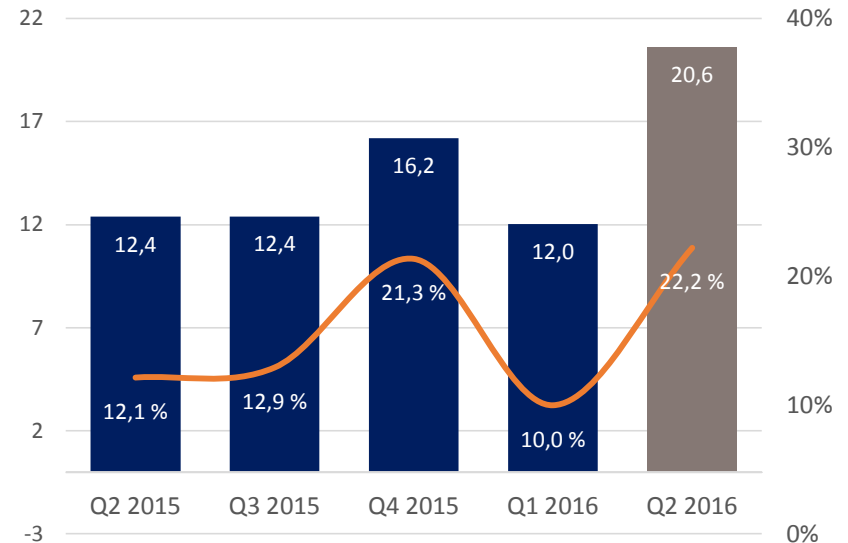
- Positive development in Norway
 - Svane® captured market share for the fourth consecutive quarter
- Higher revenue in almost all other markets as well

Strong development

- Strong development mainly driven by deliveries to the shipping and offshore segments
 - Despite difficult market conditions within the oil and offshore industry

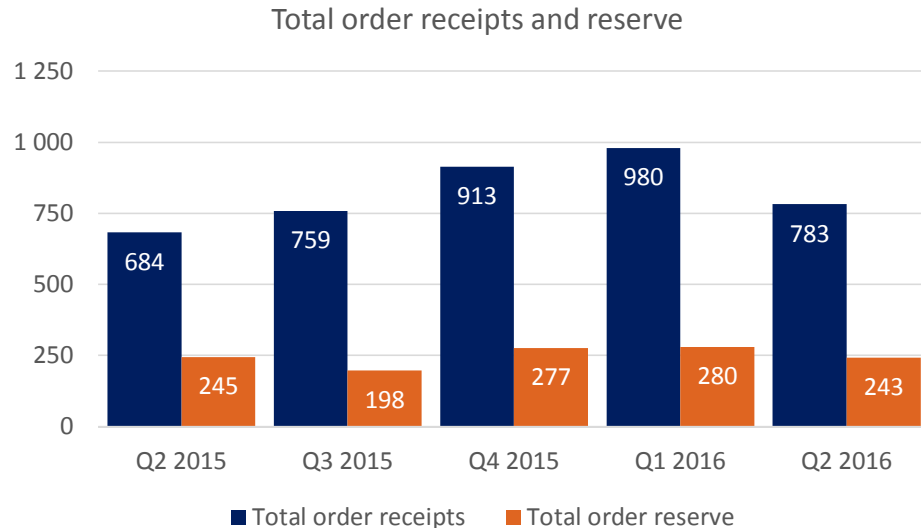
Operating revenue and EBIT-margin

NOK million



Total order receipts and reserve

NOK million



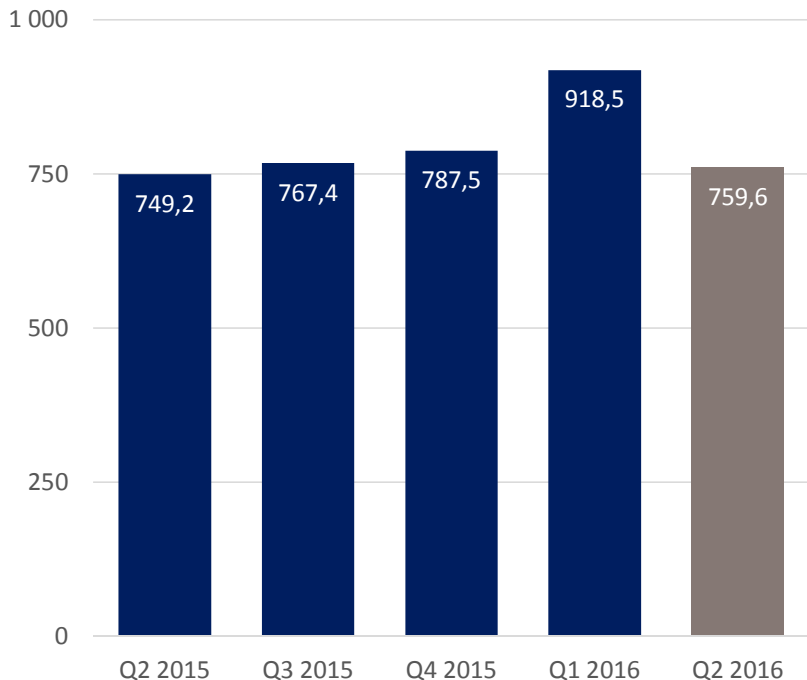
- Order receipts NOK 783m, up NOK 99m vs Q2'15
- Total order reserve NOK 243m, down NOK 2m vs. Q2'15
 - Stressless® and Svane® down, IMG up
- Principle for order reserve currency translation changed, impacts also historical figures

Financial results

(preliminary and unaudited)

Operating revenue

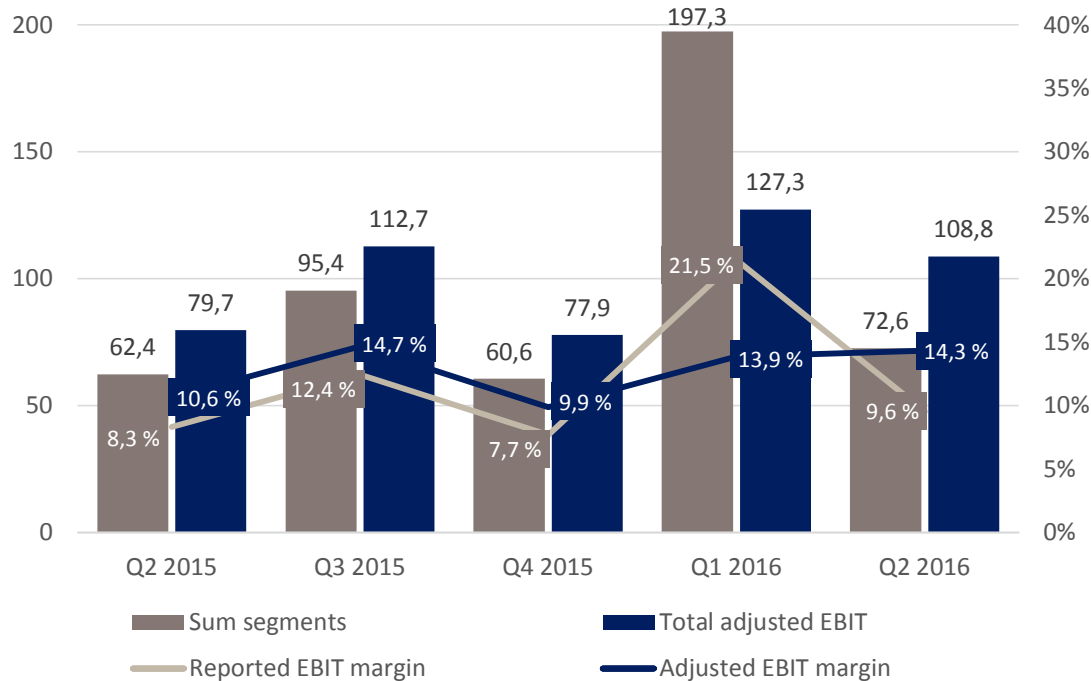
NOK million



- Q2 revenue up NOK 10.3m from Q2'15
 - Growth driven by Ekornes® Contract, Svane® and IMG, Stressless® marginally down NOK 8.2m
- Currency and unit prices supports Stressless® revenue
 - Underlying sales of units down

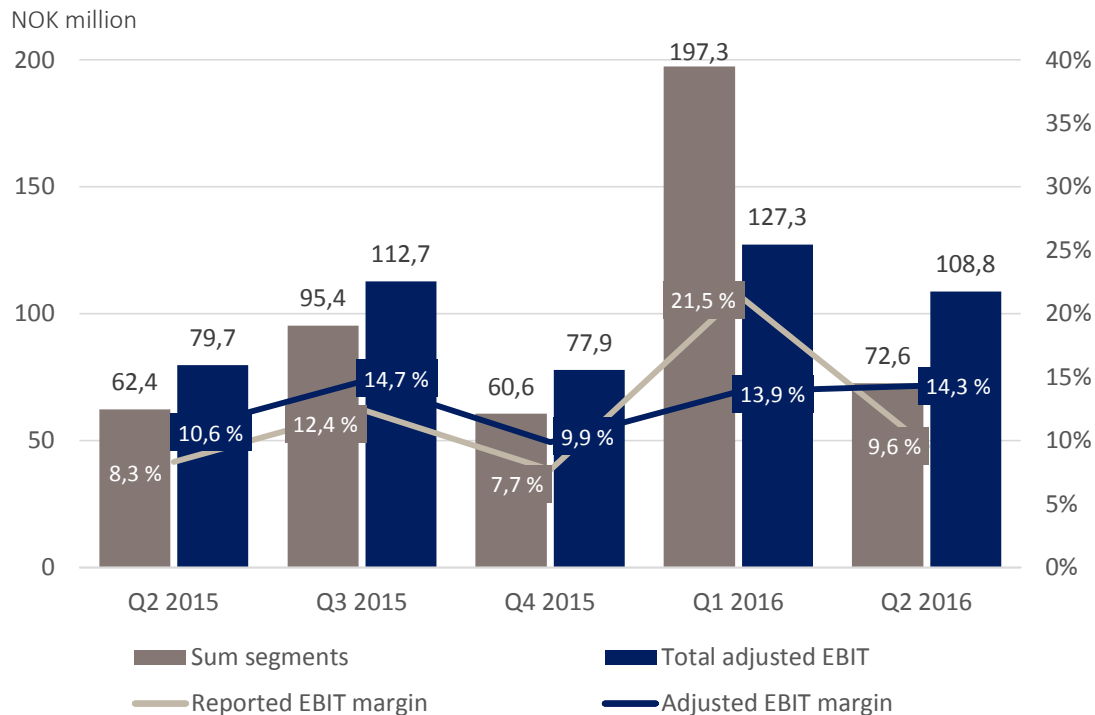
Operating earnings and operating margin

NOK million



- Improved results and margins in all segments in Q2 and H1 2016
 - Lower costs within IMG and Svane
 - Lower raw materials prices
 - Higher prices
- H1 2016 adjusted operating earnings NOK 236.1m
 - Up NOK 56.3m from H1 2015

Operating earnings and operating margin (cont.)

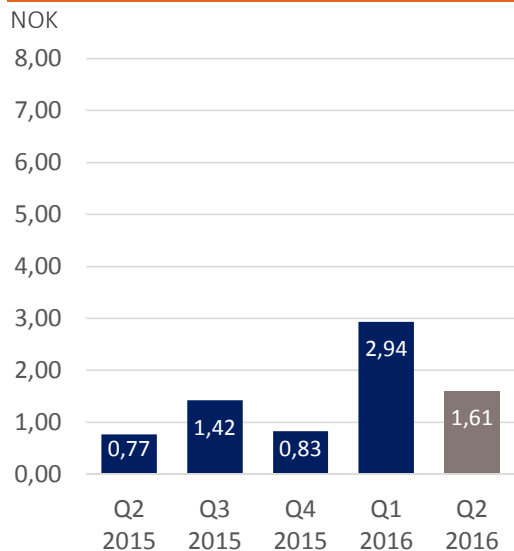


Adjusted EBIT

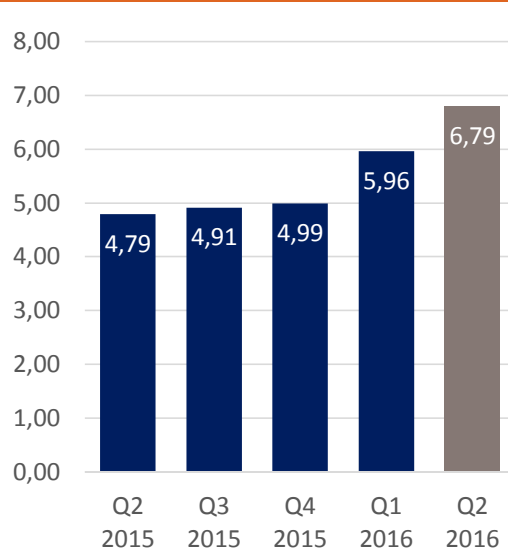
- IMG contingent consideration NOK 17.3m
- Value change unrealised hedge contracts NOK 4.1m
- One-offs Hareid closure NOK 23m

Earnings per share

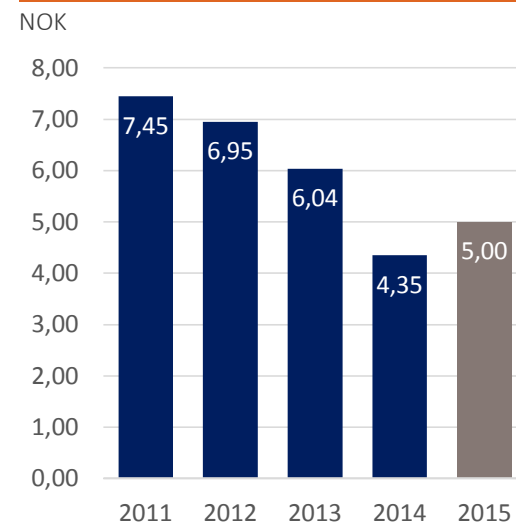
EPS per quarter



EPS 12 months rolling



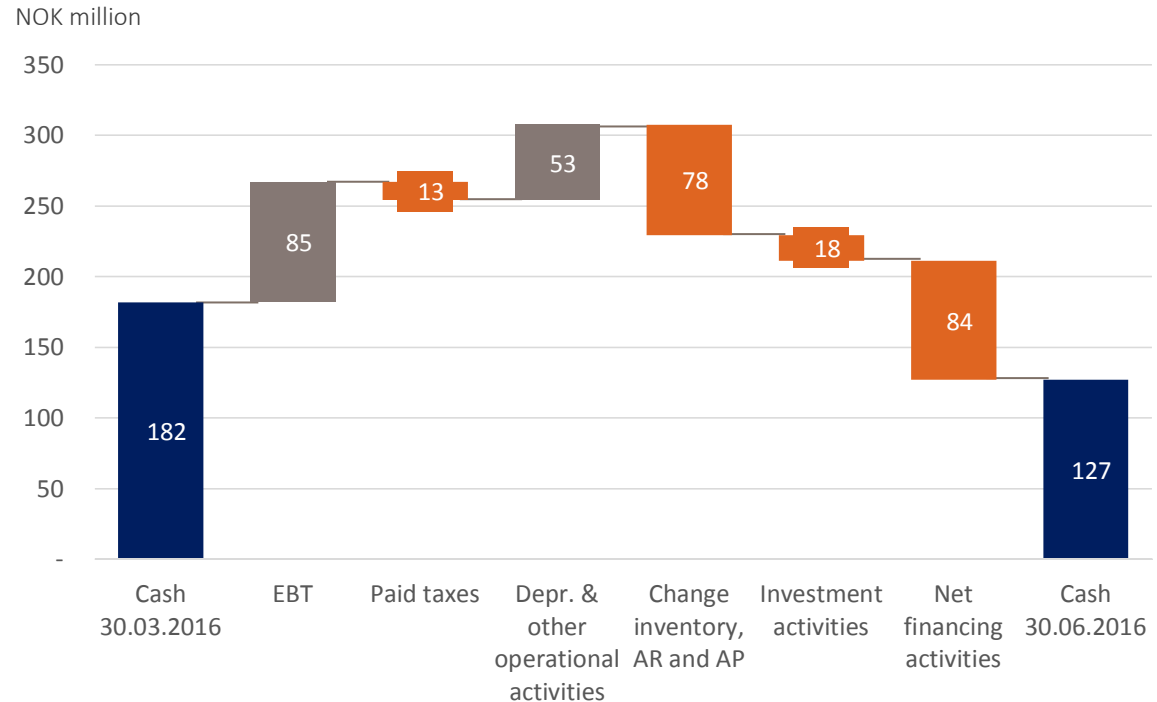
EPS per year



- Improvement in Q2 EPS explained improved EBIT, better net financial items and lower tax rate

Cash flow

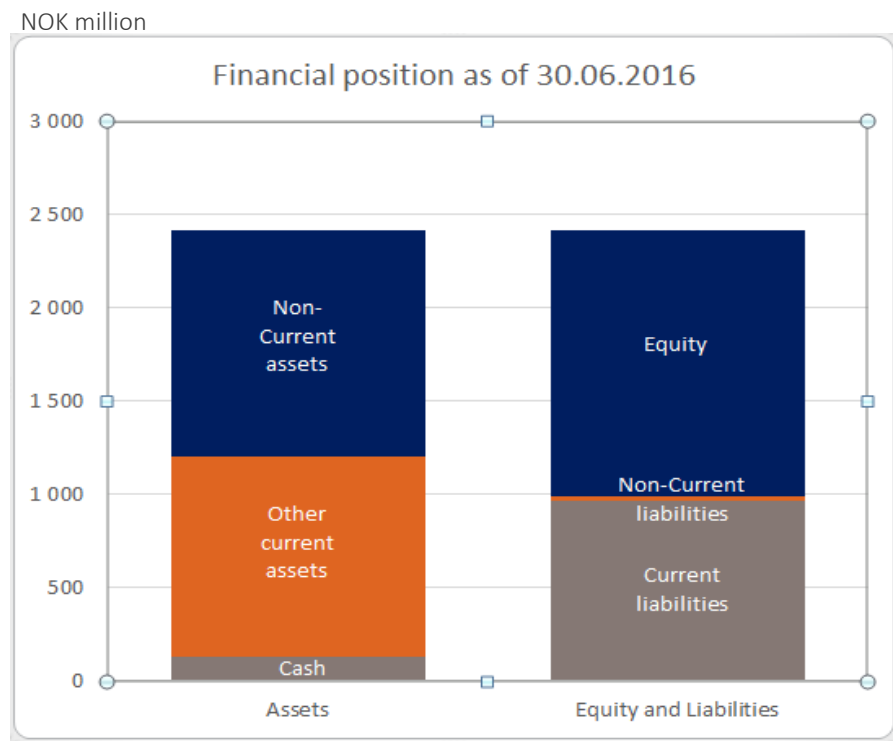
- 2015 dividend payment of NOK 147.3m in Q2
- Inventory increased NOK 39m in Q2
- NOK 63m increase in short term debt in Q2
 - Down NOK 81.7m in 2016
- Q2 investments low at NOK 18.2m



Financial position

Compared to YE 2015:

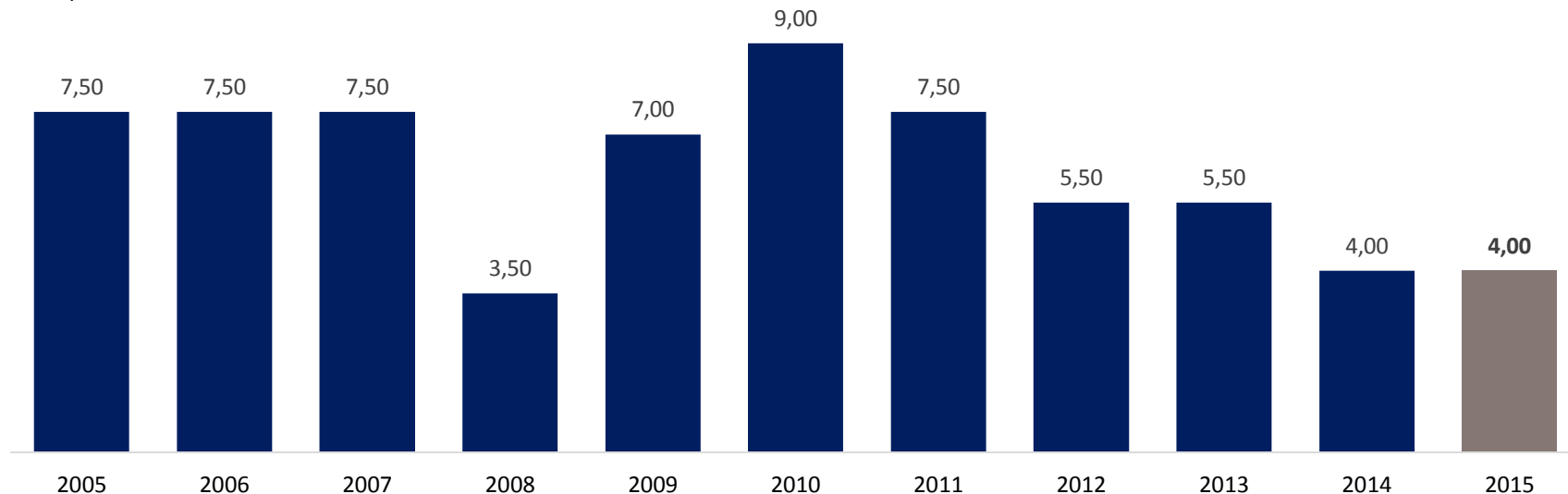
- Short term interest bearing debt NOK 227m, down NOK 81.8m
 - Well within covenants
 - Undrawn facilities close to NOK 500m
- Total non-current liabilities decreased to NOK 23.4m. Contingent consideration regarding IMG classified as current liabilities.
- Equity ratio 59.1%, up from 52.3%
 - 2015 dividend of NOK 147m paid in Q2 2016
- Decrease value forward contracts with NOK 194m. New value of forward contracts NOK 203.4m



2015 dividend of NOK 4 per share distributed in May

Historical dividend distribution

NOK per share



Summary and outlook

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- Stable, but low order reserve, mainly explained by Stressless®
- Focus on operational improvements within Stressless®

Financial calendar

Nov 7th 2016 Q3 presentation

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