Q3 2016

EKORNES

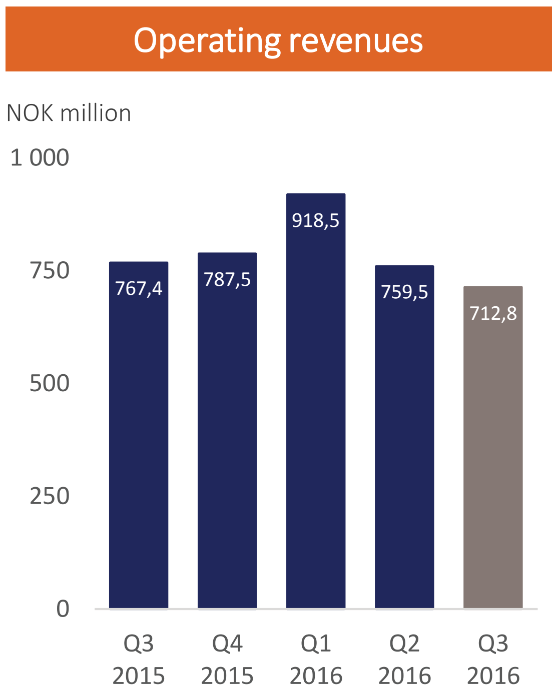
November 7th 2016

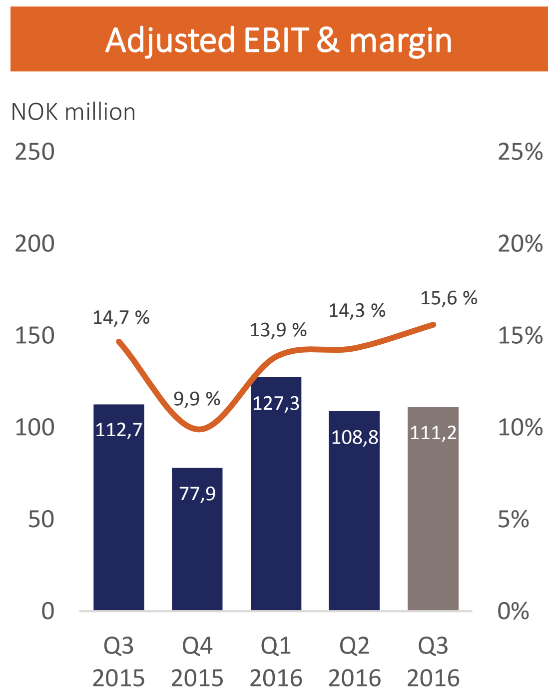
Highlights

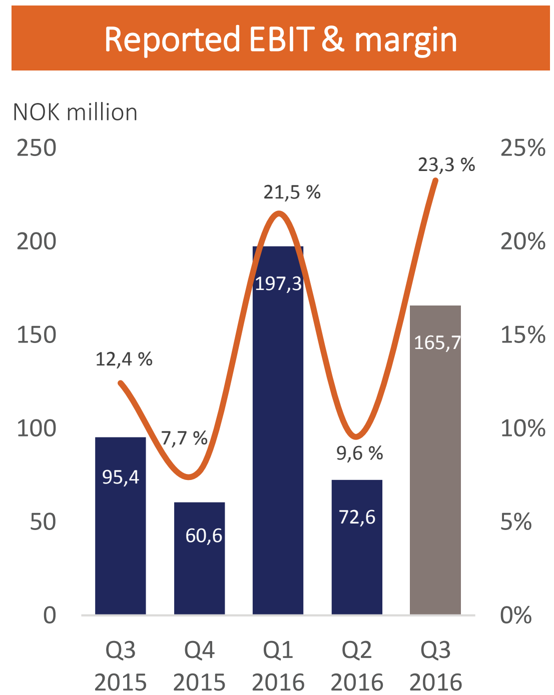
- Year-over-year quarterly revenues down by 7.1%, driven by weaker Stressless® sales
- Adj. EBIT margin up by 0.9 percentage points driven by IMG growth, and lower material and salary costs
- Positive development in IMG, Svane® and Ekornes® Contract
- Measures to reduce yearly cost base by NOK 150 million vs 2014 initiated, effects materializing into 2017
- Improved order receipts and reserve - year over year and sequentially
- Continued focus on cost reductions, increased prioritization of revenue growth initiatives

EKORNES®

Financial results

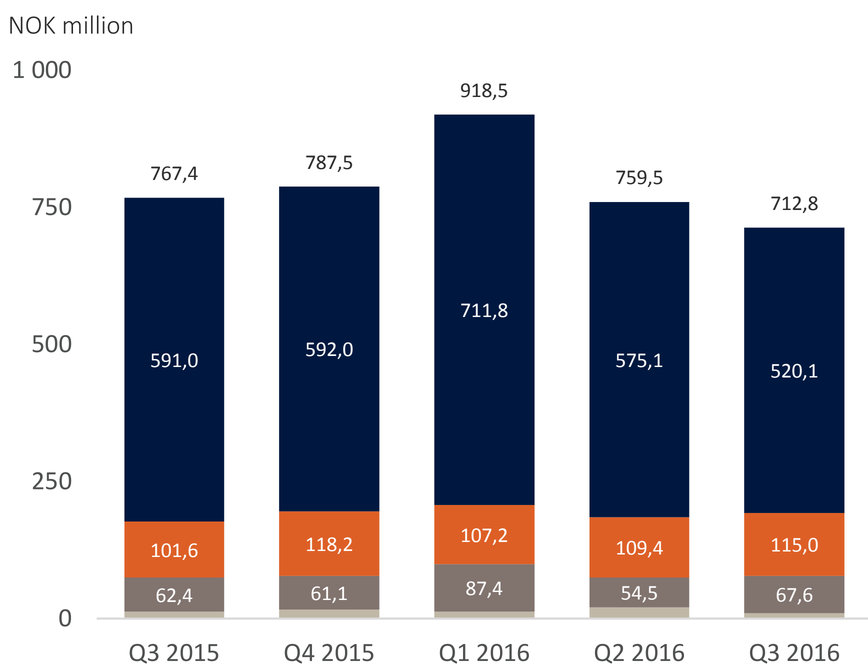






Operational review

Operating revenue per segment



- Stressless
- IMG
- Svane
- Contract

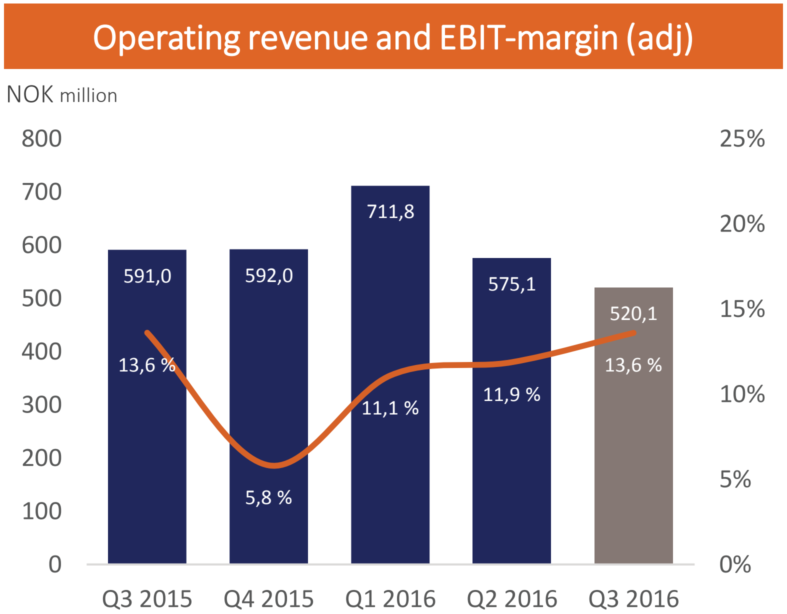
Stressless®

EKORNES®

Stressless®

Stable margins despite lower revenue

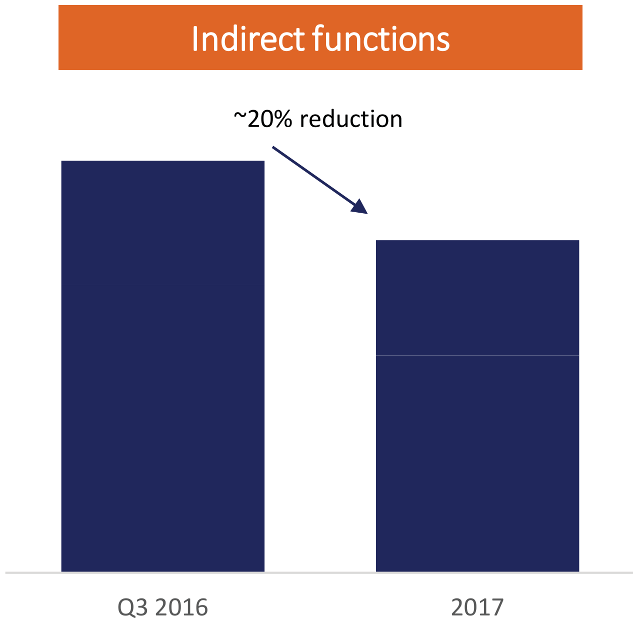
- Year-over-year quarterly revenue down 12.0%
- Capacity adjusted in quarter due to order reserve
  - Initiated sales efforts towards large retailers in Germany and US
- Adjusted EBIT margin stable at 13.6%



Stressless®

Reduced overhead to improve competitiveness

- Decision in October to reduce the group's indirect functions by 50 full time employees
  - 40% offered new positions in production
- Reduces the company's annual cost base by NOK 20 million from 2017
  - Up to NOK 10 million in one off costs to be charged Q4 results

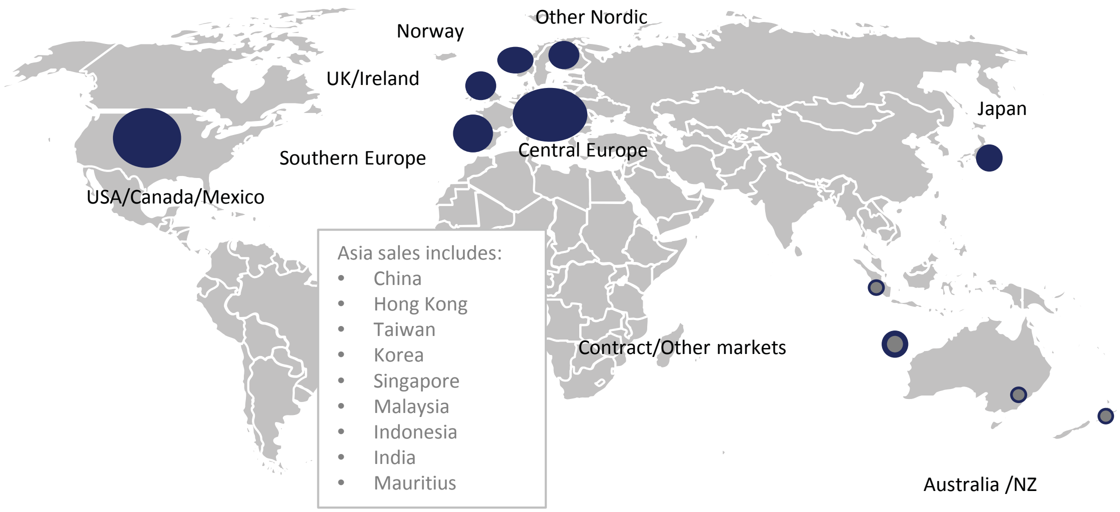


EKORNES

Stressless®

Continued weak demand in the quarter

- Decline in sales quarter over quarter
  - Weighed down by Norway, UK, Central Europe and Southern Europe
  - Increased demand for Signature, lower for Classic
- Underlying order receipts slightly higher than Q3 2015
  - Order reserve also slightly improved
- Sales initiatives towards large retailers in key markets like Germany and US and product innovation, positive signals in October



IMG
NORWAY

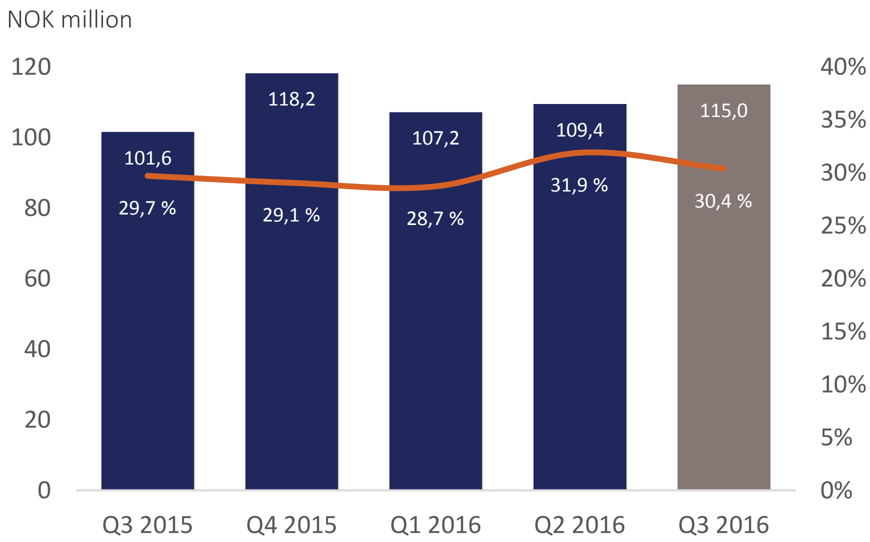
EKORNES®

IMG

Positive revenue and margin development

- Year-over-year quarterly revenue up 13.2%
  - Continued positive sales development in US, Australia and New Zealand
- EBIT margin stable increased to 30.4% helped by
  - Lower raw material cost
  - More favorable product mix
  - Full capacity utilization combined with continued cost control

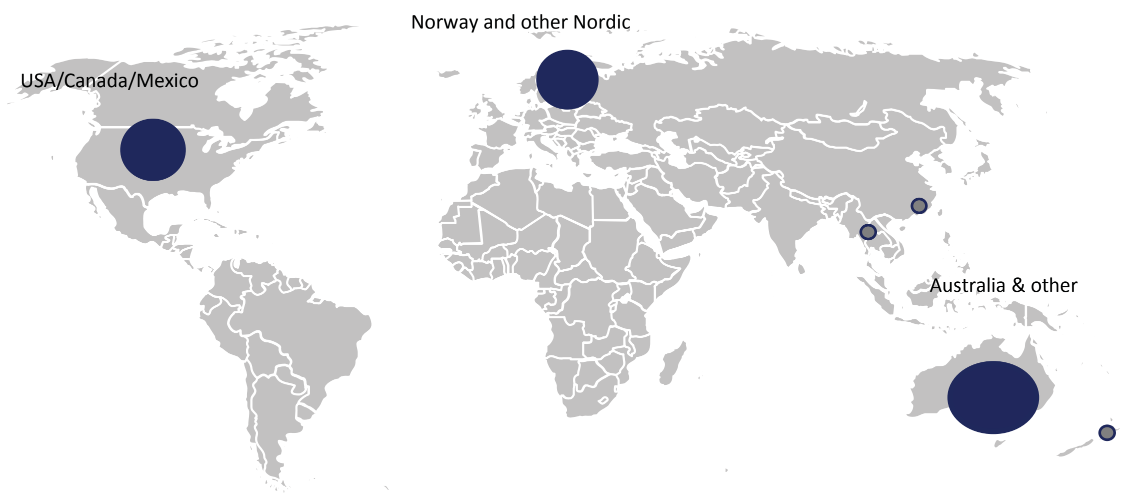
Operating revenue and EBIT-margin



IMG

Order intake increased

- Demand continued to grow in US and New Zealand during the third quarter
- Underlying order receipts increased in the period
  - Following a decline in order intake in H1 2016
  - Positive October



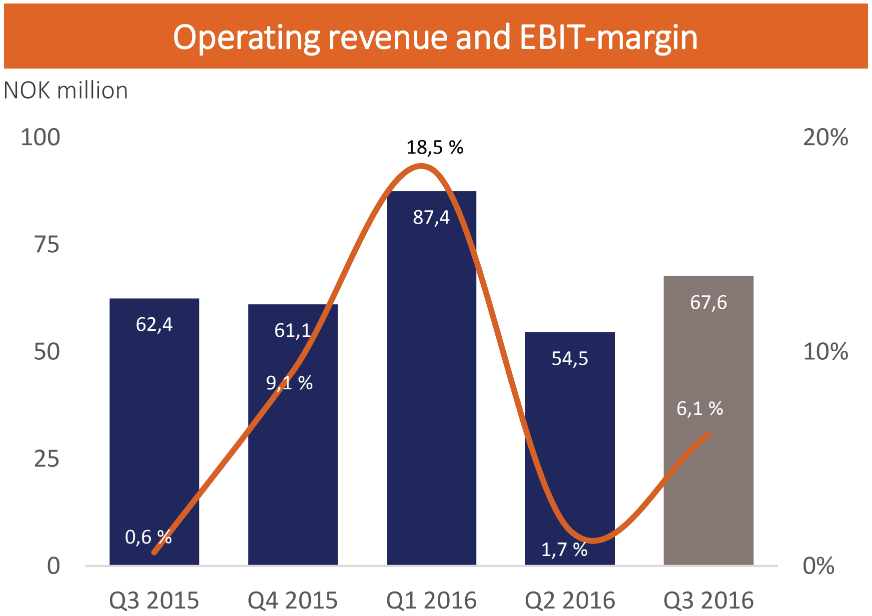
svane

EKORNES

Svane®

Top line and margin improved

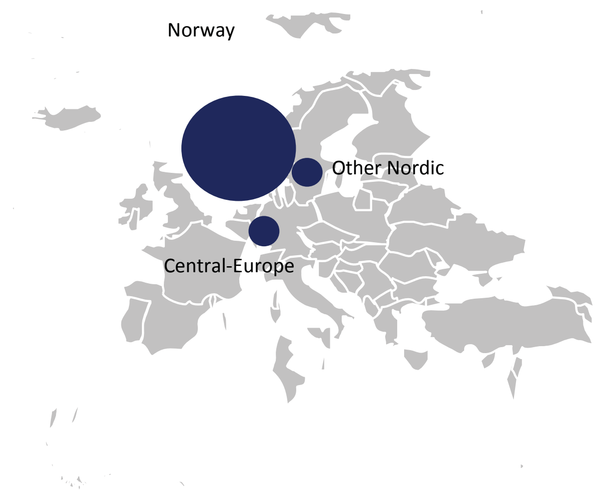
- Year-over-year quarterly revenue up 8.3%
- EBIT margin increased to 6.1% driven by
  - Higher revenue
  - Lower indirect costs
  - Lower production costs



Svane®

Positive development in key markets

- Positive development in Norway which is the dominant market for Svane®
- Higher revenue in almost all other markets as well, including Germany and Switzerland

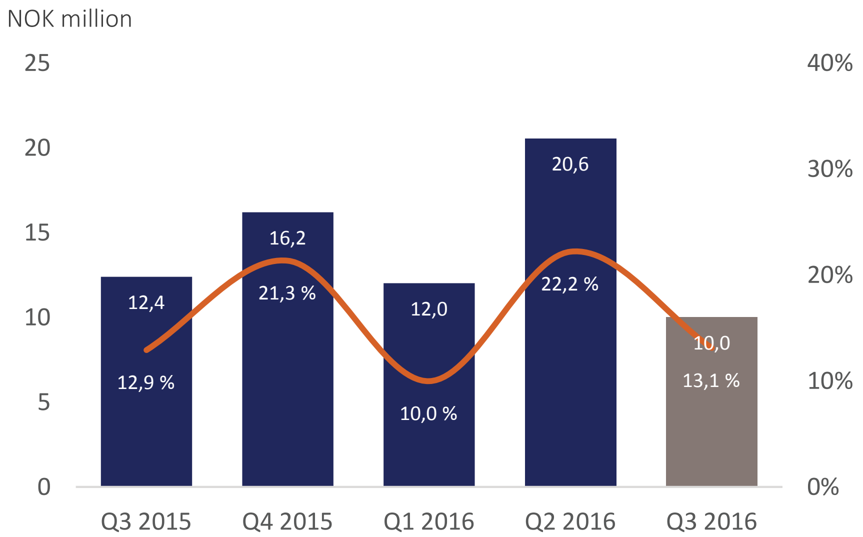


Ekornes® Contract

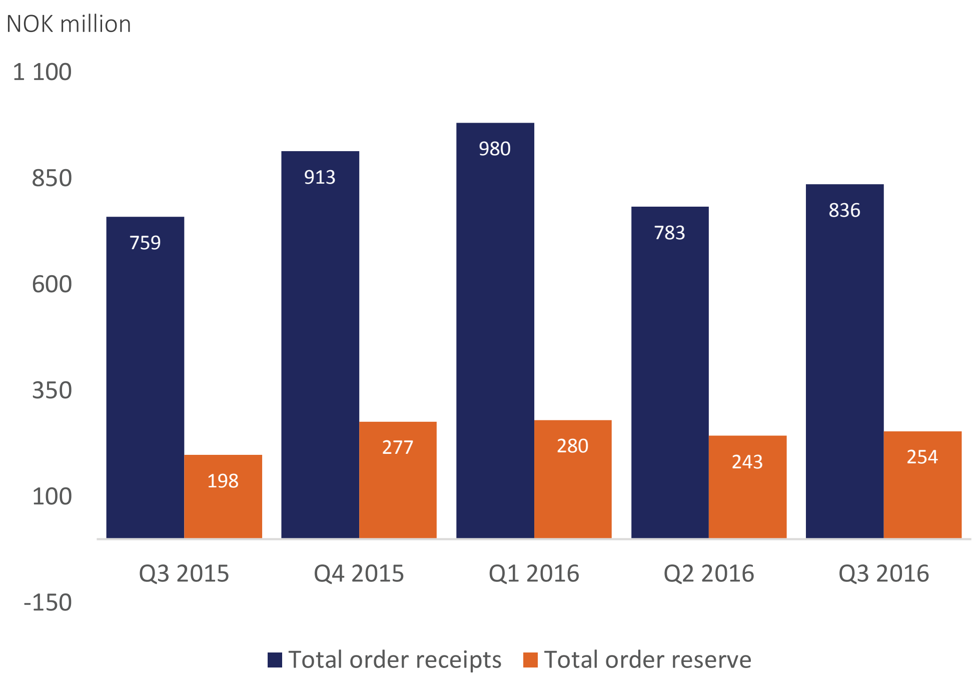
Affected by weak offshore markets

- Year-over-year quarterly revenue down 19.3%
- EBIT margin increased to 13.1% driven by cost reductions and efficiency measures
- Contract market still characterized by the downturn in shipping and offshore markets

Operating revenue and EBIT-margin



Improved order receipts and reserve

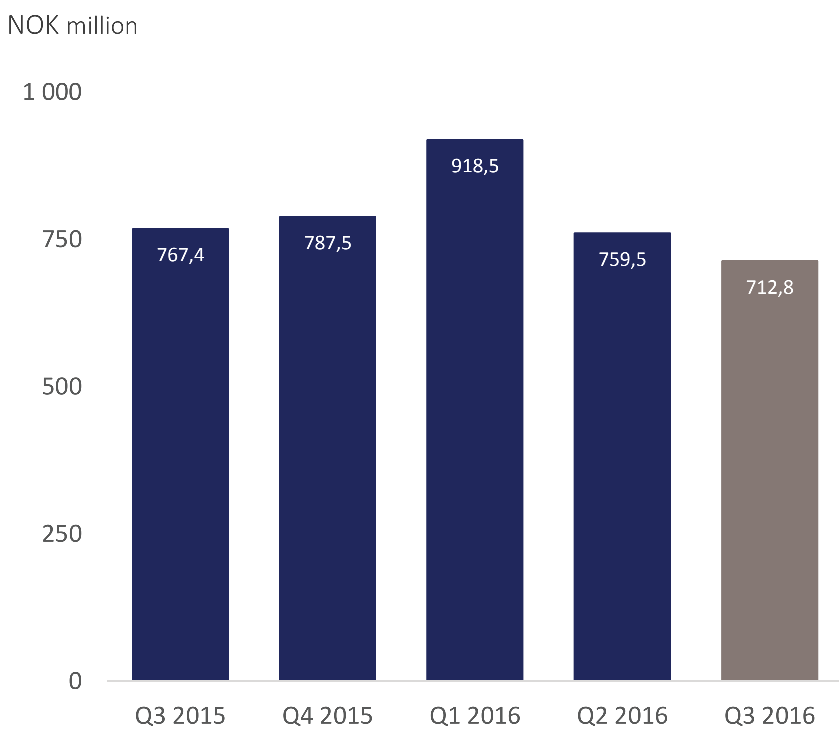


- Order receipts of NOK 836 million, up 10.1% from Q3 2015
- Total order reserve of NOK 254 million, up 28.3% from Q3 2015
- Improvement towards the end of the quarter
  - IMG and Stressless® contributed positively

Financial results

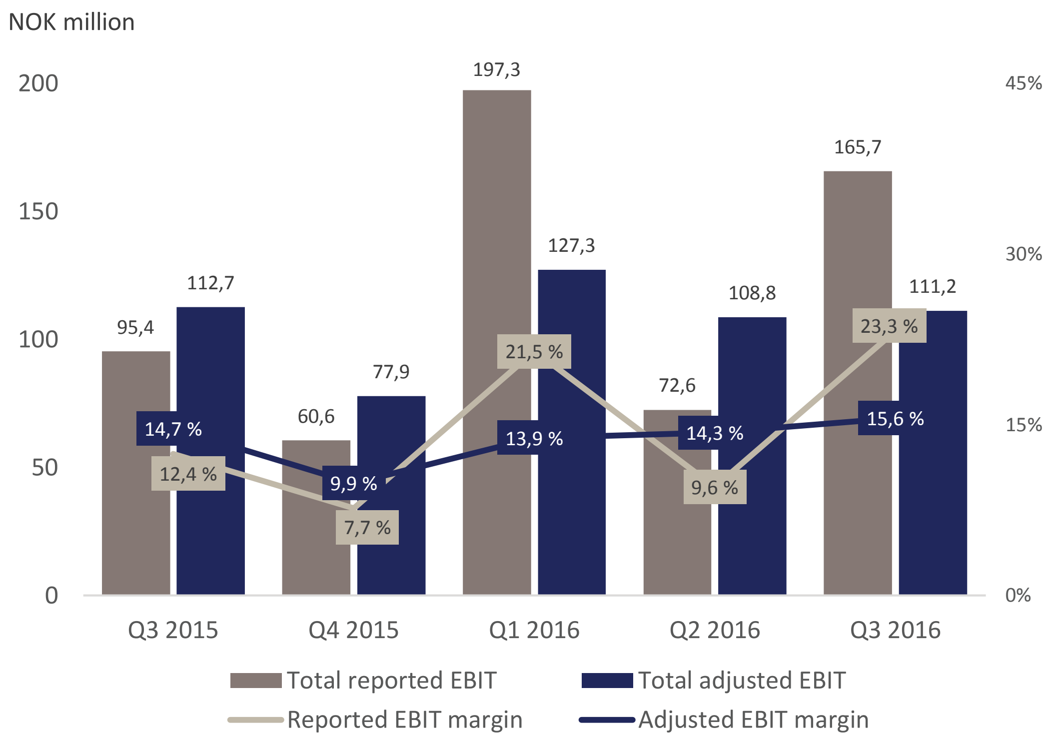
(preliminary and unaudited)

Operating revenue weighed down by Stressless®



- Quarter over quarter revenue down 7.1% from Q3 2015
  - Decline driven by lower sales of Stressless® in Norway, UK, Central Europe and Southern Europe

Underlying margins improved quarter over quarter



- Adjusted EBIT of 15.6%, up from 14.7% in Q3 2015
  - Lower costs and increased contribution from IMG
- Reported EBIT positively affected by strengthening NOK

Discontinued hedge accounting

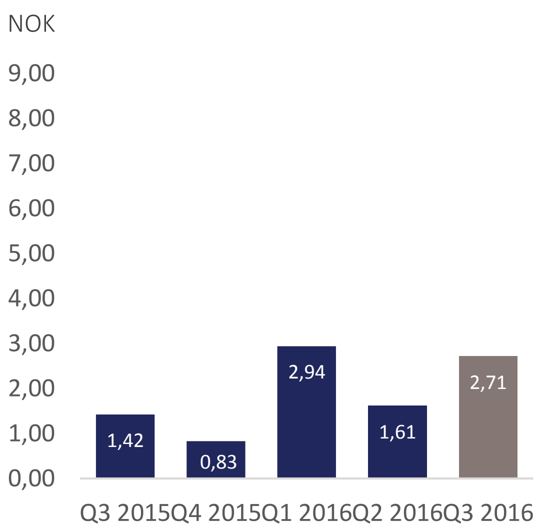
- As at the close of the third quarter 2016
  - Realized losses of of NOK 137 million in 2016, as
    - Realization of unrealized losses of NOK 157.2 million as at Dec 31st 2015 (part of the NOK 398,4 million total negative value of hedge contracts at Dec 31st 2015) . Recognized in “Other income and expenses” (OCI) and offset against “Sales revenues” (reducing sales revenues).
    - NOK 20.2 million in increase in value from Jan 1st 2016 until realization. Recognized directly in profit and loss via the line “Net other (losses)/gains”.
  - Unrealized gain of NOK 143 million from Jan 1st 2016 forward are recognized directly in profit and loss via the line “Net other (losses)/gains”.

EBIT Ekornes without currency hedging, illustration

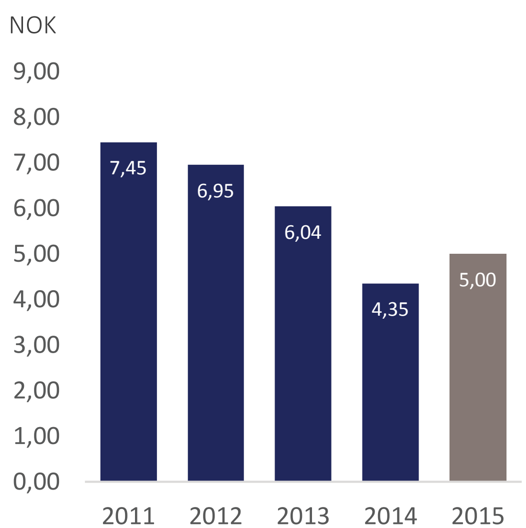
Figures in mNOK	YTD Q3 figures	Without hedging, illustration
Revenue	2 390.7	2 547.9
Net other gains and losses from value change realized contracts (NOK 20.2 million) and value change unrealized contracts (NOK 143.1 million), total NOK 163.2 million	163.2	-
Adj. EBIT difference 157.2 MNOK, from realized part of the Dec 31st 2015-amount	347.3	504.4
Adj EBIT-margin	14.5%	19.8%
EBIT difference NOK -6 million (NOK 157.2 million from realized part of the Dec 31st 2015-amount and NOK -163.2 million value change in 2016)	435.6	429.5
EBIT-margin	18.2%	16.9%

Continued increase in EPS since Q3 2015

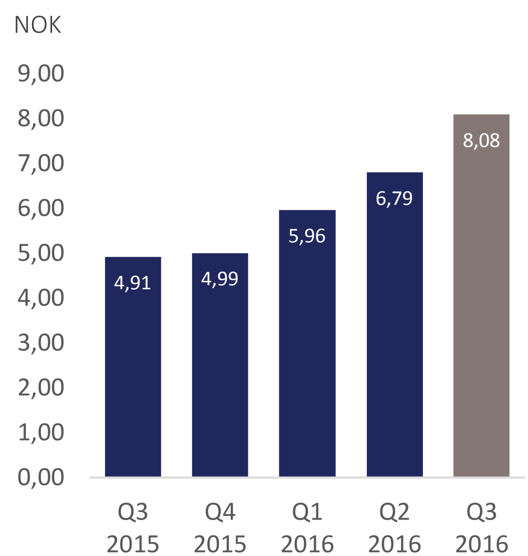
EPS per quarter



EPS per year



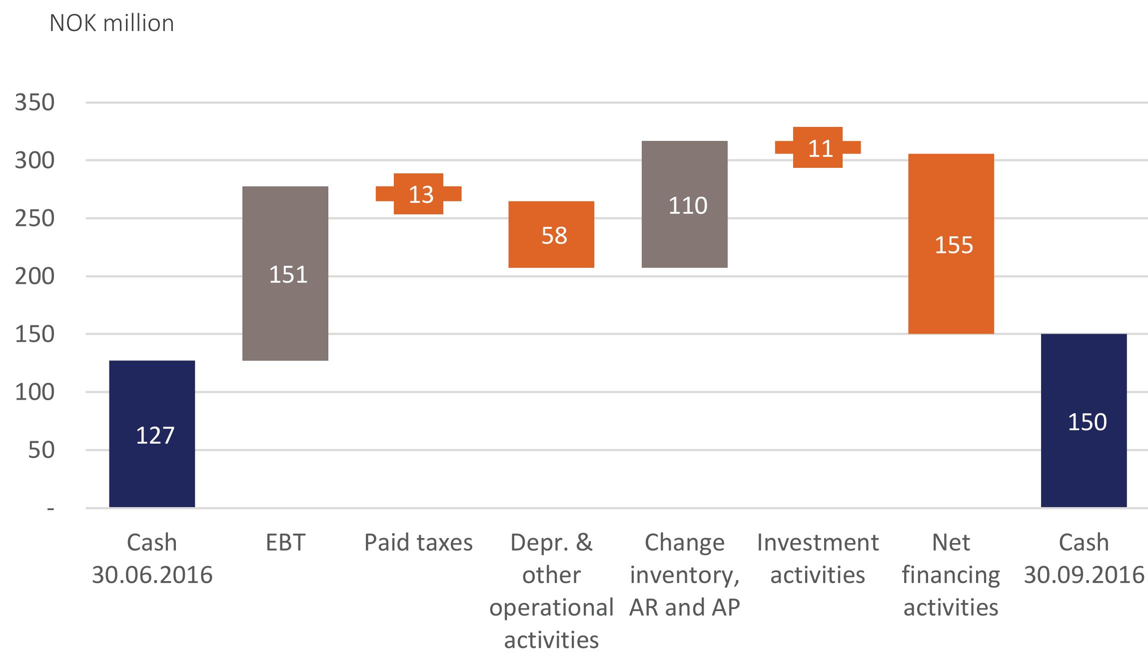
EPS 12 months rolling



- Quarter over quarter EPS improvement driven by higher EBIT and net financial income improvement, partly offset by higher taxes.

Cash position improved by positive operating CF

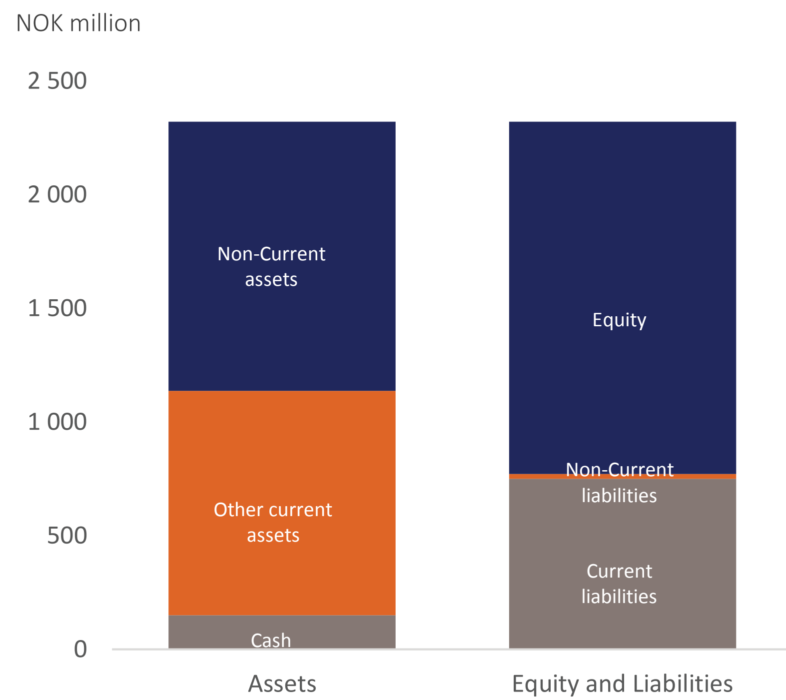
- Cash flow from operations of NOK 189.5 million
  - EBT NOK 150.7 million
- Investments low at NOK 11.3 million
- Repayment of short term loans of NOK 155.0 million
- Net cash increased by NOK 23.2 million during the period



Financial solidity improved year to date

Compared to YE 2015:

- Equity ratio 66.8%, up from 52.3%
  - 2015 dividend of NOK 147.3 million paid in Q2 2016
- Liquidity of NOK 730 million
  - Cash and cash equivalents of NOK 150.3 million
  - Undrawn credit facilities close to NOK 570 million
    - Interest bearing debt of NOK 83.4 million (positive NIBD)
    - Well within covenants



FX strategy advance response to fluctuations

- New FX strategy adopted by the Board of Directors with immediate effect to better match the operations

Previous strategy	New strategy	Effects
• **0-18 months – 100 %** Expected exposure secured in most foreign currencies	• **0-6 months – 80 %:** 80% of expected exposure secured in currencies where expected annual exposure is NOK 75m or more • **6-12 months – 50 %:** 50% of expected exposure secured inn currencies where expected annual exposure is NOK 75m or more	• Overall increased exposure to currency fluctuations on revenues, costs and results • 100% exposure to fluctuations in currencies with expected annual net exposure below NOK 75m • Maintain necessary leeway and advance response to initiate operational and financial adaptions to major currency fluctuation

Summary and outlook

Summary and outlook

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- Measures to reduce yearly cost base initiated, effects materializing into 2017
- Improved order receipts and reserve
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