

The Ekornes logo is a white, sans-serif font with a registered trademark symbol, set against a dark blue rectangular background with a wavy bottom edge.

**EKORNES®**

A modern living room interior featuring a black, teardrop-shaped hanging fireplace with a fire burning inside. The fireplace is positioned against a wall of light-colored, distressed brick. To the right, a large window offers a view of a snowy mountain range. In the foreground, a white leather armchair with a tufted back and a matching ottoman are visible. A small wooden side table with a glass of beer and a white container is also present. The floor is a light gray concrete.

***Ekornes QM Holding AS – Presentation to bondholders***

***May 2020***

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# Background

COVID-19 pandemic has significantly impacted operations

## Overview

- Ekornes started the year very well with strong sales from IMG in Europe and a successful launch of new motorized Stressless chairs in the US. However, by mid-March the majority of the western world was put in lockdown due to Covid-19
- Logistics and distribution “shut-down”, bringing deliveries of commissioned orders to a complete stop, increasing Ekornes’ inventories of finished goods. Shutdowns in dealer networks in key markets in Europe and North America accelerated, resulting in a significant drop in demand. Orders received in the last three weeks of March were down 38% year-over year, which will impact Q2 and Q3 revenues negatively.
- Moving into a what is expected to be a more challenging environment, Ekornes has a solid financial position. At 31 March, equity ratio was 46.7% and cash holdings amounted to NOK 344 million. In addition, the Group had total undrawn short-term credit facilities of NOK 750 million. Total interest-bearing debt was at NOK 2,483 million.

## Key financials (Pre-COVID 19)

| NOKm                    | 1Q 2020      | FY 2019      |
|-------------------------|--------------|--------------|
| Gross operating revenue | 883.7        | 3169.0       |
| EBITDA                  | 74.4         | 524.3        |
| NIBD                    | 2,139.1      | 2,163.2      |
| Cash and Bank deposits  | 344.2        | 312.8        |
| <b>NIBD/EBITDA*</b>     | <b>4.64x</b> | <b>4.86x</b> |
| <b>Equity ratio</b>     | <b>46.7%</b> | <b>46.4%</b> |

\*As reported to Nordic Trustee and based on the calculation methodology outlined in the bond terms

# Recent developments since COVID-19

When the COVID-19 pandemic emerged, Ekornes took immediate actions to manage the impact

|   |   |
|---|---|
| <b>Adjusting production capacity</b>        | <ul style="list-style-type: none"><li>• Lay-off of 900 employees in Norway and dismissal of 200 people from its production facilities in Thailand and Vietnam</li><li>• Downscaling of European sales organization by 70 people</li><li>• Ekornes kept the production going in April, although at a reduced rate, to supply customers globally and amid signs of slow improvement in the Asian markets</li><li>• Lay-off in effect until end of May, but the company will evaluate if further lay-offs are required</li></ul> |
| <b>Temporary salary and cost reductions</b> | <ul style="list-style-type: none"><li>• All personnel not affected by lay-offs have agreed to a temporary salary reduction from 5-10%</li><li>• Group management have agreed to a 20% temporary reduction in salary including refraining from bonus in 2020</li><li>• Sales representatives work on commission in some key markets (North America)</li><li>• Travel and marketing costs are significantly reduced, cutting TV campaigns and studio investments</li></ul>  |
| <b>Contingency plans</b>                    | <ul style="list-style-type: none"><li>• Ekornes has established contingency plans to further adjust operations and expenditures should the situation require this</li><li>• Operational flexibility for Ekornes is high, and the share of operationally dependent costs are relatively high</li><li>• Combined with financial flexibility, the Group can adapt to further changes in market conditions</li></ul>  |
| <b>E-commerce platform</b>                  | <ul style="list-style-type: none"><li>• To address a situation with a significant share of the dealer network shut down, Ekornes has expanded its e-Commerce platform into 9 new countries during Q1 2020</li><li>• Live streaming services to increase customer reach has also been implemented in China and Germany</li></ul>   |

# Request for amendment of the Leverage Ratio covenant

## Background

- The results of our performed stress tests on the key financial indicators for 2020 are satisfactory for Group liquidity and financial solidity. However, with expected low earnings in the next months, the leverage ratio could be above the level outlined in the bond agreement by the end of second quarter 2020
- Historically, Ekornes has consistently had good profitability and cash conversion. The company has no planned capex in the coming years and a solid liquidity position. The potential covenant breach is therefore the result of a black swan event and in no way contributable to poor company performance
- Western countries are slowly beginning to ease COVID-19 restrictions which is expected to have a positive impact already for Q4 2020 figures as logistics, distribution and dealer networks begin to re-open
- Based on the above, Ekornes is asking for an amendment to the Leverage Ratio due to the LTM testing nature of the leverage covenant

## Proposed amendment

The Issuer proposes that the Bondholders adopt the following proposal:

- *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 200,000,000. Normal Leverage Ratio testing shall be done first time as of 30 September 2021.*
- *Escrow Account: By 30 June 2020 at the latest, the Issuer shall transfer NOK 125,000,000 (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 favour 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.*

*Call options and put option will be adjusted in line with new redemption price.*

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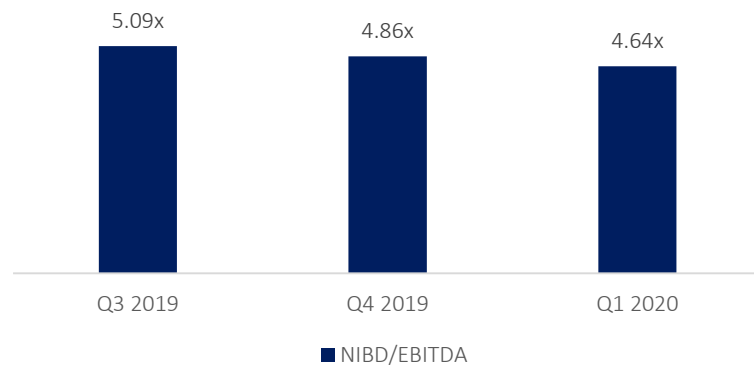
A1 Supporting materials



# Development since bond issue

## Financial development

- Since the bond issue in Q1 2019, Ekornes QM Holding AS has performed well, generating operating revenue of NOK 3 169.0 million in 2019
- Underlying sales revenue from the Stressless® segment was NOK 2 402.4 million, revenue from IMG was NOK 551.4 million while revenue from Svane® amounted to NOK 215.2 million.
- EBIT for the full year 2019 totaled NOK 235.0 million, corresponding to an EBIT margin of 7.4%. Earnings were impacted by the softening markets for Stressless® and planned one-off costs related to operational reorganizations within IMG.
- NIBD/EBITDA\* has been below the 5.25x covenant limit during the period and improving



\*As reported to Nordic Trustee and based on the calculation methodology outlined in the bond terms

## Outlook

- Ekornes' long-term ambition is to grow profitably. However, in the current situation with high uncertainty and limited market visibility, ensuring financial solidity and flexibility, including liquidity, are key priorities for the Group, in addition to meeting customer demand while safeguarding people, operations, partnerships.
- Following the sudden shift from a good start of the year to the significant slowdown caused by the COVID-19 outbreak, the Group took immediate and swift actions to address the challenges, proving the will and ability to act and at the same time revealing operational and financial flexibility to adapt to new realities.
- Along with already implemented capacity adjustments to align operational activity with lower demand and expected reduction in order reserve, Ekornes implemented measures to reduce costs going forward. In addition, Ekornes has established contingency plans to further adjust the operations and expenditures should the situation require the Group to do so.
- Ekornes has a solid financial position with satisfactory liquidity and no major financial obligations in the short term, and the results of stress tests on the key financial indicators for 2020 are satisfactory for Group liquidity and financial solidity even at low sales levels.

# Q1 – Financial and operational update

## Overview

- Operating revenue was NOK 883.7 million in the first quarter 2020, compared to NOK 808.5 million in the corresponding quarter last year. The higher revenues were driven by strong European growth for IMG, particularly in the Scandinavian markets, in addition to good performance for Stressless® in the US following successful launches of the new Stressless® Power platform. Revenues were also positively impacted by a weaker Norwegian krone during the quarter.
- Underlying sales revenue from the Stressless® segment was NOK 680.5 million (639.5), revenue from IMG was NOK 142.6 million (111.0), while revenue from Svane® amounted to NOK 60.7 million (58.1).
- EBIT for the first quarter 2020 came in at NOK 0.4 million (91.7). The lower earnings are mainly related to realized and unrealized losses on forward contracts of NOK 84.7 million during the quarter, compared to a gain of NOK 8.3 million in the corresponding quarter 2019.
- While the first quarter was a good start to the year, the COVID-19 pandemic has reduced demand and revenue expectations for the coming months significantly
- However, high operational and financial flexibility in Ekornes has enabled swift response to the extraordinary situation with capacity and cost reductions already implemented
- Stress tests on key financial indicators for 2020 are satisfactory for liquidity at low sales levels as the group is in a solid financial position at quarter end

## Key financials (NOKm)

| Key I/S figures         | 1Q 2020     | 1Q 2019      | 4Q 2019       | FY 2019      |
|-------------------------|-------------|--------------|---------------|--------------|
| Gross operating revenue | 883.7       | 805.5        | 900.9         | 3,169.0      |
| Stressless              | 680.5       | 639.5        | 672.8         | 2,402.4      |
| IMG                     | 142.6       | 111.0        | 165.7         | 551.4        |
| Svane                   | 60.7        | 58.1         | 62.4          | 215.2        |
| <b>EBITDA</b>           | <b>74.4</b> | <b>161.0</b> | <b>132.3</b>  | <b>524.3</b> |
| EBIT                    | 0.4         | 91.7         | 56.0          | 235.0        |
| EBIT margin             | 0.0%        | 11.3%        | 6.2%          | 7.4%         |
| EBT                     | 16.0        | 148.7        | (10.3)        | 127.4        |
| <b>Net earnings</b>     | <b>12.3</b> | <b>115.1</b> | <b>(94.6)</b> | <b>100.6</b> |

| Order receipts and reserve | 1Q 2020 | 1Q 2019 | 4Q 2019 | FY 2019 |
|----------------------------|---------|---------|---------|---------|
| Order receipts             | 949.5   | 839.4   | 810.3   | 3200.5  |
| Order reserve              | 428.5   | 349.1   | 374.5   | 374.5   |

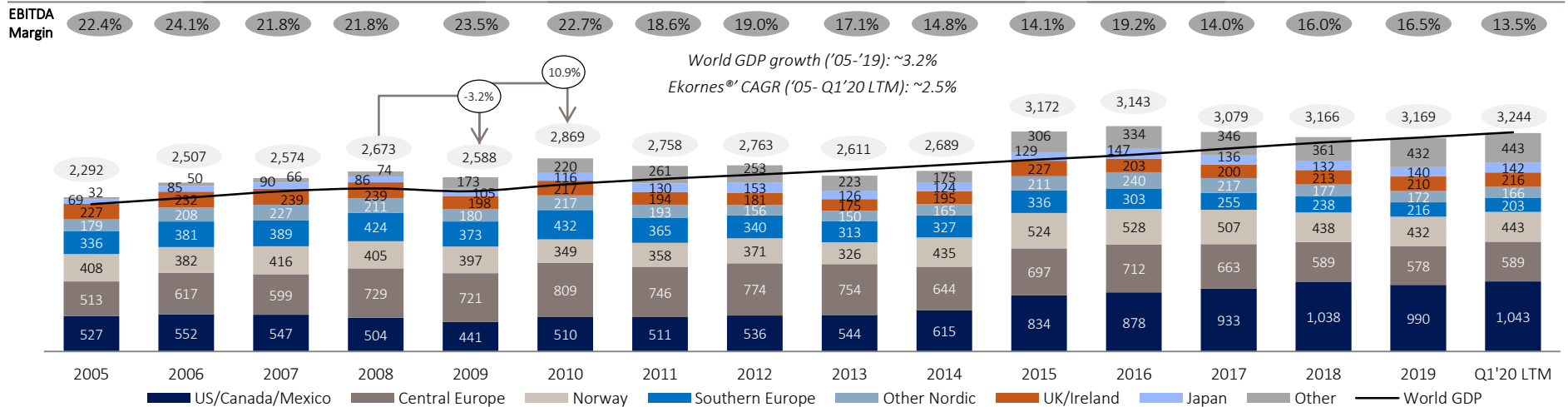
| Key B/S figures           | 31.03.2020     | 31.3.2019      | 31.12.2019     |
|---------------------------|----------------|----------------|----------------|
| Working capital*          | 962.5          | 849.7          | 804.2          |
| Cash and Bank deposits    | 344.2          | 68.3           | 312.8          |
| Total assets              | 7,842.7        | 7,410.3        | 7,435.7        |
| Interest bearing loans    | 2,483.3        | 2,378.9        | 2,481.6        |
| <b>Total liabilities</b>  | <b>4,179.1</b> | <b>3,972.4</b> | <b>3,984.5</b> |
| Equity                    | 3663.6         | 3437.9         | 3,451.2        |
| Equity ratio              | 46.7%          | 46.4%          | 46.4%          |
| Net interest-bearing debt | 2,139.1        | 2,310.6        | 2,163.2        |

\*Working Capital = Trade receivables + inventory – trade payables

# Ekornes® has a proven track record of stable revenues

Highly resilient revenues through economic cycles

## Ekornes AS – gross operating revenues by region<sup>1</sup> (NOKm)



## Comments

- The Company has delivered stable revenue growth for an extended period of time – annual average growth of 2.5% since 2005
- North America and Central Europe have been the largest and among the fastest growing markets since 2005 – the North American market has grown ~4.9% p.a. since 2005
- Ekornes® products have proven to be less vulnerable to consumer spending cuts during downturns – resilient top line performance during the financial crisis, with a mere 3% revenue drop in 2009 and a rebound of 11% YoY in 2010. However, the COVID-19 pandemic will likely have far greater impact on the company's revenues in 2020
- 2015 revenue increase is explained by the Company's acquisition of IMG in 2014
- Ekornes® has taken steps to increase its presence in Asia and made headway from Q2'18 onwards, particularly in China, where the company has made significant growth

1) Discrepancies between total revenue and operating revenue per market is due to the gains/losses on FX contracts  
2) World GDP estimated numbers for 2019 and 2020. Estimates as of Jan 2020, prior to the COVID-19 situation

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# Key investment highlights

|   |  |
|---|--|
| <b>1</b><br><b>Household name with global brand recognition</b>                             | <ul style="list-style-type: none"><li>• Ekornes® is a Nordic champion in the furniture industry, and among the largest furniture manufacturers in Europe</li><li>• Scandinavian design and quality in high demand globally – Stressless® is one of the world’s most recognized furniture brands, known by ~85 million people around the world</li><li>• The Ekornes® brand is built over 80+ years of operations in Norway, the hub of today’s cutting edge, modern production</li></ul>   |
| <b>2</b><br><b>Defensive business model, proven resilient to economic downturns</b>         | <ul style="list-style-type: none"><li>• Stable revenue growth of ~2.5% p.a. on average since 2005</li><li>• Sales have proven highly resilient to economic downturns – 2009 saw a ~3% drop in revenues, however the order intake increased</li><li>• EBITDA margins have remained in the 13-25% range since 2005 despite strong competition in most markets</li><li>• Growth in China has a clear potential to increase margins, utilizing spare production capacity</li></ul>   |
| <b>3</b><br><b>Global presence with a portfolio of high-quality products</b>                | <ul style="list-style-type: none"><li>• Ekornes® has a global footprint with 4,000+ sales points in more than 40 countries, supported by 18 sales offices in 11 countries</li><li>• Diversified sales platform with 32% of sales in North America, 19% in the Nordics, 35% in rest of Europe and 14% in other markets, and a clear ambition to grow in China</li><li>• High-quality product offerings, with Stressless® catering to the brand-aware premium segment and IMG serving brand-agnostic “affordable value” segment, the latter sold under the IMG brand as well as a white label to 3<sup>rd</sup> parties</li><li>• 10 state-of-the-art production facilities in Norway and abroad with a high degree of automation and skilled work force</li></ul> |
| <b>4</b><br><b>Sound leverage and solid equity cushion</b>                                  | <ul style="list-style-type: none"><li>• Ekornes® shares valued at NOK ~5.1bn upon de-listing from Oslo Stock Exchange in October 2018, equal to an enterprise value (“EV”) of NOK 5.8bn</li><li>• Ekornes Holding on a consolidated level has a leverage ratio of 4.64x as per Q1 2020, with a proven history of cash generation and deleveraging</li></ul>  |
| <b>5</b><br><b>Strong management team and strategic owner with unique industry know-how</b> | <ul style="list-style-type: none"><li>• Highly experienced management team with strong industry knowledge and a proven track record</li><li>• Through the acquisition by Qumei, Ekornes® has a strong industrial owner – significant operations in China with 967 stores and a unique know-how on the Chinese furniture market, which is expected to grow by 11% p.a. during 2019-2022</li><li>• Qumei’s main shareholder, Mr. Ruihai Zhao, has more than 30 years in the furniture industry and holds ~62% of Qumei (with family)</li><li>• Qumei is listed on the Shanghai Stock Exchange</li></ul>  |

# Nordic Champion with global brand recognition and presence

Ekornes®' core activities are the production of furniture components and assembled furniture, and the wholesale of assembled furniture to retailers through a global network of own sales offices

## 3 highly recognized brands

Known by **85 mill** people globally



*The premium brand category leader*



*A discovered brand internationally*



*The quality bed innovator*

## Global presence

Strong presence in most important international markets



**10** production units  
in **5** countries

**Multiple** warehouses  
and 3<sup>rd</sup> party logistics partners

More than **4,000**  
sales points

**18** Sales offices in  
**11** countries

## Integrated manufacturer

← Ekornes®' value chain →



# Operational platform scaled for profitable growth

## State-of-the-art robotized production facilities...



**Ikornnes, Norway**  
Stressless® chairs and sofas

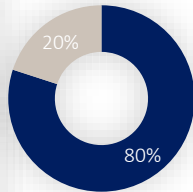


**Aure, Norway**  
Stressless® sofas



**Morganton, NC, US<sup>1</sup>**  
Stressless® sofas

### Stressless® capacity



■ Used ■ Available



**Grodås, Norway**  
Solid wood components



**Fetsund, Norway**  
Svane® mattresses and foam



**Tynes, Norway**  
Laminated wood

*Additional capacity if more shifts are introduced*



**IMG Vietnam 1 & 2**  
Primarily motorized chairs  
Components for chairs

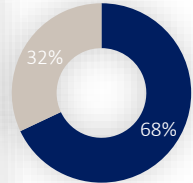


**IMG Lithuania**  
Production and distribution facility



**IMG Thailand**  
Primarily non-motorized chairs

### IMG capacity



■ Used ■ Available

**Limited additional capex needed to scale up production**

## ...with ample operational leverage potential

- 10 production units in Norway, the US, Thailand, Vietnam and Lithuania
- Highly automated production processes utilizing high tech industry robots give competitive cost advantage
- Stressless® and IMG supply chains can handle growth with limited investments in new machinery, with production capacity already in place
- Only additional FTEs are required (i.e. limited fixed cost)
- Stressless® can scale up production with minimum 400 additional seats per day (from c. 1,600 today)



Extensive use of industrial robots in the production of Stressless®

1) Stressless® facility Morganton, NC, US is not owned by Ekornes®

# Global sales and distribution network

Unrivalled reach with more than 4,000 sales points and no single-customer dependency

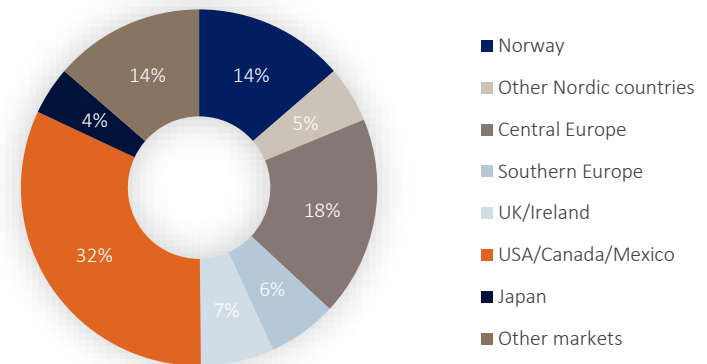
## Overview

- Ekornes® sells its furniture through a global network of independent shops, department stores and furniture chains
- Ekornes® has 18 sales offices in 11 countries handling relationships with retailers
- Currently selling in more than 4,000 sales points in 43 countries
- The large number of retail customers means that Ekornes® has limited risk associated with each customer
  - Møbelringen, a national Norwegian furniture chain, is the largest single customer, selling both Stressless®, IMG and Svane® products, constituting approx. 8% of the Company's revenue
- Sales are primarily made to order, meaning Ekornes® has moderate inventory levels of finished goods, however to a larger degree in far away markets (in addition some seasonal effects with inventory build-up towards summer for the US markets to serve during summer vacation)
- Embarked on a project to establish a new digital platform in 2017, that will allow Ekornes® to better showcase its Stressless® products online, by online-only stores, or via its distributor's websites

## Sales offices and sales by market



## Sales split by market per LTM Q1 2020





# Environment and social responsibility

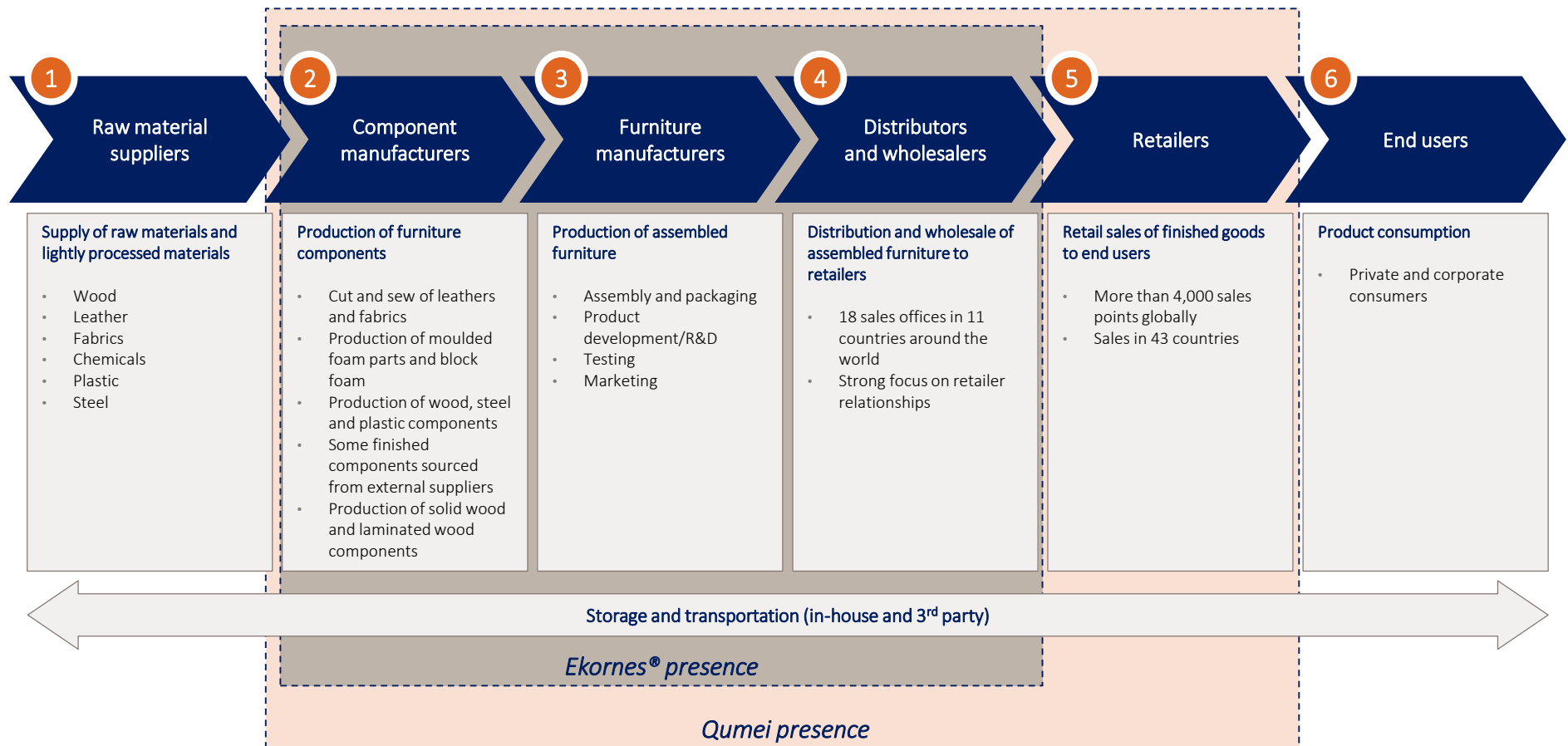
## Daily efforts to reduce the climate footprint

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- **Sustainable production**
  - Reduce the environmental impact of its products, measured over their entire lifespan
  - High-quality and robust furniture will have a high second-hand value and does not need to be replaced often
  - Working actively to reduce and replace chemicals in components
  - Continuously working on packaging to improve space utilisation for transportation
  - Member of LWG, an organisation that promotes a sustainable and environment-friendly value chain for leather furniture
- **Environmental management**
  - Goal to phase out fossil fuel to heat its Norwegian factories by 2020
  - Reduce electricity consumption by 10% by 2020
  - Reduce waste and sort all waste so that the bulk of waste is reused, recycled or used for energy recovery
  - Reduce its green-house gas emissions from its own activities (scope 1 and 2) with 10% by 2020
  - All environmental information shall be made available and communicated openly
- **Social responsibility**
  - Participate in the UN Global Compact and operate in line with principles covering human rights, anti-corruption, labour rights and the environment
  - Ekornes® supports local voluntary associations economically and through arrangements which creates good and stable living environment around their production facilities

# Clearly defined position in the value chain

Ekornes®' core activities are the production of furniture components and assembled furniture, and the wholesale of assembled furniture to retailers through a global network of own sales offices



# Ekornes® meets different competition in each region

## Competitors, trends and priorities

| Market        | Main competitors  | Market trends   | Main priorities  |
|---------------|---|---|--|
| North America |        | <ul style="list-style-type: none"> <li>• Growing e-commerce market</li> <li>• Strong growth and increasing competition from Lifestyle segment</li> <li>• Changing demographics</li> </ul>                           | <ul style="list-style-type: none"> <li>• Expand into new product categories</li> <li>• Develop existing and new products and continue to offer innovative solutions</li> <li>• Continue brand building efforts to strengthen awareness</li> <li>• Digitalisation of the customer journey and improving the total customer offering</li> <li>• Increase supply chain network and distribution to shorten delivery and lead times</li> </ul> |
| Europe        |        | <ul style="list-style-type: none"> <li>• Online is the fastest growing channel in the furniture trade</li> <li>• Retailer margin pressure</li> <li>• Growth in the key German furniture market</li> </ul>           |  |
| Nordics       |           | <ul style="list-style-type: none"> <li>• Significant increase in recliners with motorised features</li> <li>• Larger chains gaining momentum</li> <li>• Online gaining momentum</li> <li>• Mature market</li> </ul> |  |

*Thank you*