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INTERNAL NEWSLETTER OF THE EKORNES GROUP. NO. 4 – SEPTEMBER 2011



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ØYVIND TØRLEN  
CEO

## DEAR COLLEAGUE

Much of the day-to-day life as a manager is about addressing problems and challenges, and finding the solutions needed to keep Ekornes successfully moving forward. Often this involves issuing correctives when people make mistakes or behave in a way that is detrimental to the company.

Unfortunately, this focus on the negative – necessary though it is – can blind us to the fact that the vast majority of our staff perform their work conscientiously and without error day after day, week after week and year after year. These stalwarts don't get nearly enough recognition. So, on behalf of all Ekornes managers and supervisors, I would like to take this opportunity to honour and express my gratitude to you all.

To all of you who are at your posts ready to begin work when the clock signals the start of your working day, who stay working right up until your shift ends, and only then go and change out of your work clothes.

To all of you who make the best out of our piece-rate compensation system.

To all of you who embrace every new challenge that comes your way. Because you know that by being flexible you are helping to safeguard our jobs and our shared future.

To all of you who take not wasting materials seriously, and understand the importance of cutting materials costs.

To all of you who make it a point of honour to ensure that every product Ekornes delivers meets our exacting standards, knowing that this will avoid substantial and unnecessary additional costs resulting from claims.

To all of you who come to work even on days when you'd rather not, and only stay off when you are really sick. (And to those of you who are off sick, we all hope you get well soon!)

To all of you who send a smile and an encouraging word to a colleague for no particular reason. Because you know it feels good to be seen and appreciated, and hurts to be ignored.

To all of you who use your creativity and good sense to come up with suggestions for improving the way we do things at Ekornes. Because you know that your contribution is as important as anyone else's.

You are the unsung heroes of Ekornes, and your efforts deserve praise and recognition. You are crucial for Ekornes's ability to enhance its competitiveness, and thereby ensure that we can continue manufacturing and selling high-quality, comfortable products. For without that, we would have neither a job to go to, nor a salary each month.

Øyvind



## Ekornes on iPad

Ekornes ASA launched its first two software applications (apps) in August. They have been created for Apple's iPad, and can be downloaded free from AppStore.

One of the apps is called "Ekornes Investor Relations", and presents annual and interim reports and presentations, as well as historical data for Ekornes ASA. Users also have access to the company's financial calendar, and can easily copy the dates of the financial presentations from the calendar to their smartphones or PCs.

The second app is called "The Comfort Collection", and offers a completely new way to get to know the Stressless® collection.

"These are the first of a number of apps which we are launching to give investors, customers and other stakeholders easier access to information about Ekornes and our products," explains eCommerce Manager Knut Svendsen at Ekornes ASA.

Applications for PDA/tablets are part of Ekornes's digital strategy to meet the company's stakeholders wherever they are online – irrespective of whether they are using mobile or fixed devices.

# Disappointing first-half figures, but Good start to the second half

Lower output, higher raw materials costs, fewer orders – the first-half figures for Ekornes were a far cry from 2010’s record-breaking performance. Nevertheless, there was also some good news. Order receipts rose sharply during the summer, helping to regain some of the company’s lost ground.

Current uncertainty in the global economy is affecting Ekornes. What we have seen on the television about disturbances in Europe and President Obama’s struggle to alleviate the US debt crisis has a direct impact on furniture sales. Simply put, fewer people can afford to buy new things when the labour market falters.

## Strong July

That order receipts rose in July is therefore particularly welcome news. Compared with the same month last year, order receipts in July were 11 per cent higher.

“This has been achieved despite the fact that the international economic crisis has steadily worsened over the past few weeks, with intense focus on the debt problems which are plaguing Europe and the USA. In our assessment there is no way of predicting with any degree of accuracy how the market will develop in the coming months, the level of uncertainty is simply too high,” wrote CEO Øyvind Tørlen in a letter to employees at the close of the summer holidays.

## Strengthening our position

At this point in time Ekornes’s board and management have concluded that no measures will be implemented to reduce production capacity over and above that resulting from natural wastage.

In its half-year report Ekornes says it will continue to focus on the timely implementation of necessary measures and activities, and will allocate resources to strengthening Ekornes’s existing position.

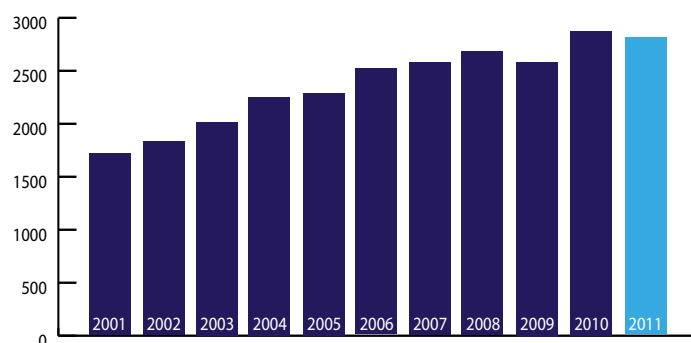
Under the current employee bonus scheme the profit margin achieved in the first half year would entitle employees to a bonus corresponding to 54 per cent of a monthly salary.

## Half-year figures in brief:

- Ekornes made a profit after tax of NOK 41.8 million in the second quarter 2011, compared with NOK 99.2 million in the same period the year before.
- Profit before tax totalled NOK 59.7 million, compared with NOK 141.8 million in the same quarter last year.
- Operating profit totalled NOK 69.8 million, compared with NOK 135.8 million in the same quarter last year.
- Operating revenues totalled NOK 649.7 million, compared with NOK 716.8 million in the second quarter of 2010.

Ekornes has maintained approximately the same staffing level in the first half of 2011 as in the same period in 2010, but with lower capacity utilisation for sofas and mattresses in the second quarter compared with the same quarter last year. Weaker order receipts, combined with production disturbances, led to lower output and delivery figures in the second quarter. At the start of the third quarter the issue of production disturbances has largely been resolved.

Raw materials prices have been higher than in 2010. This has affected recognised materials costs. A favourable product mix has a beneficial effect on the materials ratio.



↔ Gross operating revenues for Ekornes over the past 10 years. The final column shows the figures for the last half of 2010 + the first half of 2011.



*Chris Eltvedt from IDEmøbler in Denmark waits by the luggage carousel at Vigra airport. The first thing customers meet at the airport is, naturally, a Stressless®.*



*On their tour of the plant, distributors are happy to find an order for their particular store being produced. These Swiss distributors are writing a note home on an address label.*

## To Norway to learn

**This year, 22 separate groups visited Ekornes's production facilities in Sunnmøre on Norway's west coast, a total of 900 people in all. They came to learn, and thereby boost sales.**

The visitors, representing sales offices, distributors and the media, came from 19 different countries.

Most began their tour at the Ekornes Bua exhibition centre in Ålesund, before visiting the production facilities in Sykkylven. Some of them even managed to pack in a trip to see Geiranger's spectacular scenery.

Tourist activities, like going out on a fishing boat (as pictured on this edition's front cover), are an added bonus. The most important thing the groups gain from their visit is a lot of new knowledge about Ekornes's furniture products. Because knowledge sells.

"We know that distributors who have been here and gained added insight become better salespeople. So these trips are an important investment for us," explains Ole Bjørn Roald from the marketing department.

A lot of hard work goes into organising the visits, and the programme is crowded. "While there's actually not much time for sightseeing, our visitors generally get some good photo opportunities," he says with a smile.



*A group from Belgium on a trip to the famous Runde bird colony in mid-June. Their trip was organised by the sales office in Pau, France, which sent a total of eight groups to Norway this year. As a result, visits from several tour groups had to be run in parallel. At most there were five different groups visiting Ekornes at the same time. French-speaking Janita Sperre Ulvestad from the marketing department was in charge of the French groups.*



A group from the UK raise their glasses at the Fjellstua cafe overlooking Ålesund. Ole Bjørn Roald (left) from Ekornes's marketing department, and beside him Mike Haines, managing director of Ekornes UK. After completing several different levels of training through the Ekornes School, this group had reached the highest level, Ekornes School Advanced Level.



Participants at the Ekornes School Advanced Level have the chance to quiz managers from product development, marketing and claims divisions about Ekornes and our products. A useful session which is appreciated by Ekornes and customers alike. This group is from the UK.



Tormod Sortehaug guided this group of visitors from Switzerland, Germany and the Netherlands around the plant at the end of August. This was the season's last tour group, and its participants were blessed with sunshine and fine weather on their trip to the Geiranger Fjord.



A small group from Korea and China visited in early May. Mikel Ong (left), works for Ekornes at the Singapore office.



20 visitors from China pictured in Ålesund along with the fish from the front cover. The fish was caught by Ms Zhong Yi. This was one of the busiest days of the season. At most we had four boats and two buses in operation, ferrying visitors to various events. The group pictured caught plenty of fish which, along with some additional wild salmon from Valldøla, was turned into a fantastic sushi meal on board the boat. In the background, a group of French customers can be seen arriving from Runde.

# Made and gave away a Stressless® Royal

7<sup>th</sup> graders, and their teacher Therese Melseth from Jarnes School visited the Ikornnes factory on 24 May. As a result, the local Red Cross received a brand new recliner.

During the factory visit the youngsters helped to produce a Stressless® Royal and matching footstool, which they later donated to charity. The class traced each step in the production process and gradually accumulated the pieces for a chair and footstool from each stop along the way.

## From frame to upholstery

After seeing how the wooden base and steel inserts for the seat and back were made, the youngsters went on to the foam department to see how the cushions were moulded. At the cutting department they were welcomed by the operators, who explained and demonstrated how the pieces of hide for the Stressless® Royal were stamped out. Then it was off to the sewing department to watch the covers being sewn together.

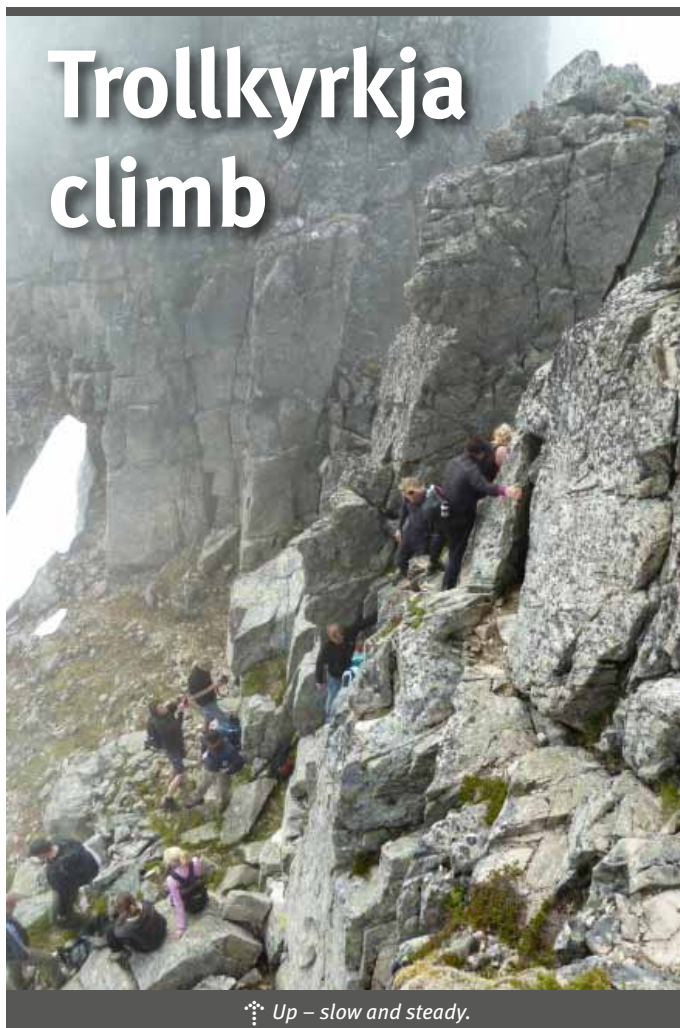
In the upholstery, assembly and packing department the chair was ready to be put together, with expert help from a skilled upholsterer. The children were very pleased with their work when they tried out their “self-made” Stressless® Royal medium.



## Sykkylven Red Cross

The class had previously been given the task of selecting a voluntary organisation to donate the chair to. They had chosen the Sykkylven branch of the Red Cross.

*Anna Myklebust tried out the gift before accepting it on behalf of Sykkylven Red Cross. The proud donors had made a placard to accompany the chair.*



## Trollkyrkja climb

A group of 20 adventurous employees spent the first Saturday in July walking, crawling and climbing right to the top of Trollkyrkja, a mountain whose peak stands 1,233 m above sea level. The trip was arranged by Ekornes sports club's hiking and mountain group.

The weather may have been changeable, but the adventurers refused to be beaten. They all made it to the top even though some of them had never climbed a mountain before. Once up, their efforts were rewarded with fantastic views of Sykkylven – before the fog closed in, that is.

On the way down four of the party decided to cross the Ljøsabreen glacier to Blåbretinden and then down the Riksheimdal valley. The homeward journey for the rest included an improvised toboggan run. That was something most seemed to appreciate, if the tour report is to be believed. Getting snow in both their underwear and much else besides did not put a damper on the trip, whose homeward leg was filled with plenty of laughs and funny moments. Everyone arrived back safely, with lots of good memories to show for it!

*This article is based on the tour report written by Bjørn Tandstad.*

⬆️ Up – slow and steady.

⬇️ Down – 's no stopping them!

*Christian Gaard at Trandal was the destination for our boat trip.*



# Summer mystery tour

**A summer mystery tour for staff at the Ikornnes factory was staged on 1 June, with places available on a first-come, first-served basis.**

The organisers had arranged two departures to and two return journeys from the mystery destination, so speculation was rife about where we were going.

We assembled at the quayside in Ikornnes, where we were officially welcomed and our names recorded. We were given specially printed t-shirts, which were colour-coded according to when we were due to depart and return. We were also given refreshments so we wouldn't dry out while we waited for our transport to arrive.

It was a boat this time, too!

The boat took us to a place called Christian Gaard at Trandal in Hjørundfjord. There, of

the quayside, we were welcomed by our hosts and transported by truck up to the hostelry. Many of us, however, chose to walk the short distance up to the house.

The place itself is idyllically situated in the landscape, and perfectly equipped for an enjoyable evening. We were served delicious traditional meat and a vegetable soup, Brennsnut, with crisp bread.

Later in the evening we watched a very funny comedy show, during which one of our colleagues was singled out for special treatment. In the end he was called up on stage and joined in the fun, much to the delight of the audience.

There was also an opportunity to take to the dance floor. However, the rain had turned it into more of a skating rink, which resulted in a few spills as the night progressed. Though everyone escaped unharmed.

A quick survey of participants concluded with an almost universal thumbs up for the event.

I would like to take this opportunity to thank Edvard, Lidvar, Tormod, Per Kjetil and Andreas, who had planned and organised the evening for us.

Tour report by Bjørn Tandstad



*Brennsnut soup tastes delicious after a boat trip. Torbjørn Kalstad is tucking in.*



*Kjellen is currently busy with TV2's local election coverage, but managed to entertain Ekornes's mystery-tour participants first.*



*Ladislava Harokova and Ole André Eikrem pictured  
in the latest edition of the Confederation of  
Norwegian Enterprise (NHO) magazine.  
Photo: Hans Fredrik Asbjørnsen©.*



# No worries for Stressless®

**“Teamwork and cooperation in a demanding market are key to their success,” writes the Confederation of Norwegian Enterprise (NHO) in its latest magazine, which was distributed to subscribers of Aftenposten and four of Norway’s regional newspapers. Several pages were devoted to Ekornes.**

NHO Magazine’s reporter teamed up with a photographer to do a piece on Sykkylven’s furniture cluster and Ekornes. The result was a great article where CEO Øyvind Tørlen was interviewed about people, robots, local roots and exports. We quote a few extracts.

**About local roots.** “I believe our local roots are very deep, especially among the workforce. It is a small place, and we are a major employer and cornerstone of the community. In fact, I think our company culture is different to what it would have been if we had been located in Oslo. We possess a lot of the Sunnmøre spirit,” said Mr Tørlen.

**About robots.** You cannot take too many steps into Ekornes’s factory in Sykkylven before you understand one of the secrets behind the 77-year-old company’s success. Hydraulic robot arms bend steel rods, polish chair parts and apply surface coatings. Production of the iconic Stressless® recliner is achieved using advanced technology.

**About people.** “*Has Ekornes become a company of engineers?*” “No, actually not. We have engineers, it’s true, but the people operating the robots are largely people with no specialist qualifications, who have acquired the skills we need through training and experience. It is important for us to give our staff further training and involve them in the company’s operation,” said Mr Tørlen. For Ekornes’s shareholders

and managers, good relations with the employees is, quite simply, crucial.

**About the market.** Norway remains an important market for Ekornes. As many Stressless® products are sold in our little country as in the whole of Southern Europe. But the international market is huge in terms of volume, with Germany and the USA particularly important. With relatively high-priced products, Ekornes depends on quality and a strong brand identity. Everything is done in-house, from design and product development to marketing campaigns. And among the most important tasks is selecting the right distributors.

**About location.** The CEO greets people right and left, while maintenance staff whizz past on scooters. In the sewing department people sit bent in concentration over their sewing machines, robots bend and polish steel with inhuman strength and precision, machine operators make tiny adjustments to the new coating robots. Outside the windows, Sunnmøre’s majestic mountain peaks loom over this small centre of industry.

*“Could you envisage Ekornes moving away from Sykkylven?”* “The furniture industry generally has a profit margin of 4-5 per cent, while Ekornes achieves upwards of 20 per cent year after year after year. I cannot see that the links with Sykkylven will pose any problem in the future, either.”

Read the whole piece on Ekornes and see more pictures at <http://nhomagasinet.nho.no>  
The NHO Magazine is published biannually by the Confederation of Norwegian Enterprise (NHO), with one printed edition and one online edition. NHO is the largest business organisation in Norway, and works to ensure that its member companies enjoy framework conditions that promote competitiveness and profitability.

# Never been more stylish!

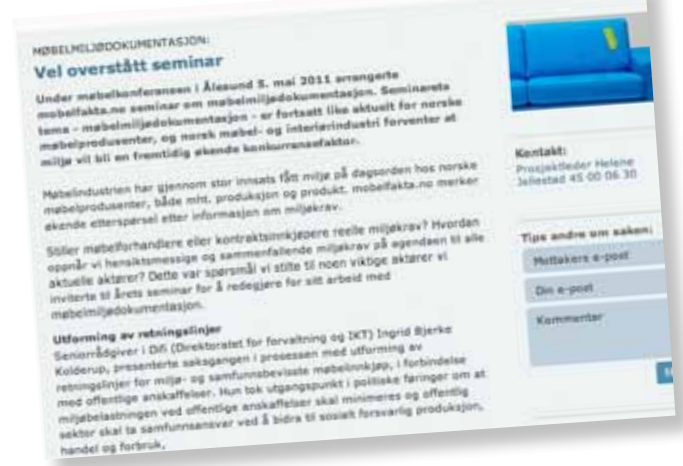
As it celebrates its 40th anniversary, the Stressless® brand has never been more stylish. So wrote the online magazine Easier in May – in a very positive article.



[www.easier.com/88549-stressless-furniture-modern-designs-stylish-comfort.html](http://www.easier.com/88549-stressless-furniture-modern-designs-stylish-comfort.html)

# Green business

Ekornes attended the Federation of Norwegian Industries' furniture conference in Ålesund this spring. Anders Ramstad's presentation at the møbelfakta.no seminar on environmental certification for the furniture industry was quoted in an article published on the federation's website (norskindustri.no), among others.



[www.norskindustri.no/moebel-og-interior/vel-overstaatt-seminar-article4928-192.html](http://www.norskindustri.no/moebel-og-interior/vel-overstaatt-seminar-article4928-192.html)

# Norway's best hotel beds

"Hotell Myhregaarden focuses strongly on having Norway's best hotel beds in its 53 rooms, of which seven are junior suites. Dreams are all the sweeter when you are lying on one of Ekornes's best Svane® mattresses," writes the city magazine IN in its Stavanger edition. Myhregaarden is centrally located in Stavanger, and is a so-called boutique or lifestyle hotel.



[www.inmagasinet.no/boutique-hotell.4824351-87356.html](http://www.inmagasinet.no/boutique-hotell.4824351-87356.html)

# UK industry award winners

The British interior design magazine Interiors Monthly has announced this year's industry awards, and for the third year in a row Ekornes UK has won the prize for "Best Marketing Support".

Interiors Monthly Awards 2011 is an independent competition, with 700 distributors, manufacturers and suppliers voting for their favourites.

"Winning this award for the third year running is great recognition, and our whole team is honoured," Mike Haines, Managing Director of Ekornes UK, is quoted as saying in the magazine's August edition, where the winners are presented.



Mike Haines (seated second from the left) along with several of the team from Ekornes UK.

"The award tells me that the furniture industry and our partners perceive our marketing as effective, but it is also clear that we must work continuously to keep one

step ahead of our competitors and continue to maintain good communications with our customers," he says.

# Less mess, less stress

**Most people would agree that a tidy workplace is a nicer workplace. But to keep things tidy requires some structural assistance on the part of the company. This is something the staff in the upholstery and assembly department decided to address.**

The upholstery and assembly department is located in the old part of the Stressless® factory at Ikkornnes, which is not as light and spacious as the more modern buildings. So having systems in place to keep things tidy is even more important. In recent months, a number of measures have been implemented to make it easier for staff to keep their workspace spic and span.

The most eye-catching is the recycling station they have designed and built themselves, and which is centrally placed within the department. The station permits the systematic collection and sorting of waste and cleaning tools, with plastic, paper, food, bottles and batteries going into separate containers.

However, the employees themselves point to another environmental improvement

when they are asked what they appreciate most about the changes. The coffee machine used to be the source of a lot of mess in the department, and was shut down for long periods because it resulted in large quantities of half-empty paper cups and spillages. The rubbish bins were literally awash with it all. Now everyone has their own personal mugs, and a newly installed sink makes it easier to keep things clean.

The measures were implemented as part of the Lean project. The photos that were taken before the project reveal that tidiness needed a push in the right direction, and the employees we talked to agreed that a clean-up was necessary. Given time, they believe they will get used to the new way of dealing with waste, and that it will also be nicer to show people their place of work when it looks neat and tidy.

*BEFORE: When everything has its place it is easier to find what you need. The overall impression is also better. This photo was taken before the project started and shows a chaotic mix of materials, refuse and half-empty bottles.*



*“This is a fantastic initiative by the folks in upholstery and assembly! I hope other departments steal the idea of having a recycling station, and would like to remind people that more sorting at source cuts waste-handling costs. That is also an important factor in these difficult economic times. Every little helps! The maintenance department says it will do its best to further improve facilities for sorting at source as demand gradually increases.”*

*Anders Ramstad*

## We're bushed!



This photo was taken by Ekornes dealer Strollers of Barrow-in-Furness in the UK, which was taking part in the Holker Garden Festival at the beginning of June. These two bushmen, known as the "Living Topiaries" were snapped taking a well-earned rest in a couple of Stressless® recliners, under the supervision of the "Grumpy Gardener". The three-day festival attracted more than 23,000 visitors. Next year, the Holker Garden Festival will be celebrating its 20th anniversary.

## A purrfect Stressless®



It is well known that cats will always find the most comfortable place to sit. This one belongs to Danish couple Frits Schjøtt and Lene Granhof Svendborg. They sent us an email to say that they had planned to enjoy their retirement with a brand new Stressless® recliner. But, ever since they got it home, their cat has staked a permanent claim on it and won't give it up. What a cat-astrophe!

## Industrial tourist attraction

Sykkylven is an area that focuses on both the furniture industry and tourism. So why not industrial tourism? This summer the Norwegian newspaper Aftenposten published a big spread about how large companies like Ekornes and small ones like Cylindra are happy to welcome tourists and show them how Norwegian furniture is made.

*Tourist attractions: Great scenery and furniture craftsmanship.*



## NEW EMPLOYEES

### J.E. Ekornes AS, Ikornnes

Frank Robert Kaldhussæter, purchasing  
Kenneth Haugseth, apprentice  
Daniel Langlo Opshaug, apprentice

### J.E. Ekornes AS, Vestlandske

Dennis Sabic, apprentice  
(previously employed at Tynes)

### J.E. Ekornes AS, Tynes

Christian Hellebostad, apprentice  
(previously employed part-time in the upholstery dept.)

### Ekornes ASA, Ikornnes

Sondre Hjelle Farstad, apprentice IT dept.

### Ekornes Fetsund AS

Ibrahim Serdar Gungor, Turkey  
Ida Seglen

# EKORNES®

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