



Q1 2020 Interim financial report

North Investment Group AB (publ)

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FINANCIAL HIGHLIGHTS

- Group revenue of SEK 201m (SEK 239m).
- Gross profit margin 41.7% (35.9%).
- EBITDA of SEK 19m (SEK 22.8m).
- Net operating cash flow SEK 7.2m (SEK -17.5m).
- Covid-19 impacts negatively on order income.
- Cost reduction program for 2020 progressing according to plan.
- Order backlog of SEK 88.9m (SEK 118m).

Key consolidated figures

Key consolidated figures	SONO GROUP		
	Q1 2020 Unaudited	Q1 2019 Unaudited	Jan-Dec 2019 Audited
(SEKm, unless stated)			
Revenue	201.2	239.2	911.7
Gross profit	82.1	84.6	342.8
EBITDA	19.0	22.8	60.9
EBIT	7.0	11.9	20.5
Net Profit	(4.6)	0.3	(24.1)
Cash flow from operations	7.2	(17.5)	11.0
No of outstanding shares	759 201.0	725 344.0	759 201.0
Net earnings per share (SEK)	(6.1)	0.4	24.0
Gross profit margin (%)	41.7	35.9	38.1
EBITDA margin (%)	9.7	9.7	6.8

CEO STATEMENT

From mid-March and onwards the focus has been on the Covid-19 situation that is still unclear. We see a reduction in order income of approximately 20-30% compared to last year with the strongest negative effect in Denmark and Norway. First and foremost, for our "daily business" and to a less extent midsize and bigger projects. We have also gradually seen weaker markets in Sweden. The category wardrobe and school are the category with the least negative effects related to Covid-19, while we see the strongest negative impact towards office interior.

The operations related to deliveries from suppliers and to customers has proceeded as normal. Approximately 50% of our income comes from projects towards public sector. There has been signals from the governments in Scandinavia that there will come crisis packages to communes/municipalities, and we see this as a possible positive opportunity in the months to come.

The Covid-19 has made it necessary to reduce our staff on short term. This has been done through temporary layoffs/leaves and has affected close to 2/3 of our staff in different degrees. We have also to a large extent made use of home offices and other measures to reduce the risk for local outburst in critical functions.

The immediate operative currency-effect related to the weakened Norwegian crown has been quite limited in Q1. With a continued weak NOK our supplies of materials to the Norwegian market will be more expensive going forward, putting a pressure on our margins for Q2 and Q3.

Our cost reduction program continues as planned. Centralization of customer services in the Swedish companies and the merger of Sono Norge AS and Scandinavian Storage Group AS has already start giving effects. For the next two quarters our efforts towards digitalization will give positive effects for our costs.

Sørliie Prosjektinnredninger AS has won a large project for deliveries of interior to a new Campus in Ås in Norway with an estimated project size of SEK 20m. Estimated delivery will be in Q3.



Ole Vinje, CEO, Tranås, 19th of May 2020

FINANCIAL REVIEW

Q1 2020

Income statement

The Group reported total operating revenue of SEK 201.2m (SEK 239.2m) and EBITDA of SEK 19m (SEK 22.8m) in Q1 2020.

Order intake was SEK 172.5m (SEK 239.4m), corresponding to a decrease of 27.9 % compared to Q1 2019. EBIT for the Group was SEK 7m (SEK 11.9m) and net profit SEK -4.6m (SEK 0.3m).

Gross margin for the Group in Q1 2020 was 41.7% (35.9%). The main reason for the increase in gross margin is increased margin in Sono Norway segment and to some extent related to one-time effect of currency-adjustment of inventories.

Segments

The Group is divided into two segments, Sono Norway (Norway) and Sono Sweden (Sweden).

Norway delivered SEK 91.9m in revenue (SEK 136.6m) and SEK 7.9m in EBITDA (SEK 15.1m) during the quarter. Sweden reported revenue of SEK 112.2m (SEK 110.5m) and EBITDA of SEK 11.1m (SEK 8.0m).

Cash flow

The Group's net cash flow from operations was positive with SEK 7.2m (negative SEK 17.4m). The Cash and cash equivalents as of 31th of March 2020 amounts to SEK 72m (SEK 98m). The liquidity situation of the Group is good and adequate to meet a lower sale due to Covid-19 effects.

Balance sheet

As of 31th of March 2020, the Group had assets of SEK 750m, mainly related to goodwill, right of use assets, inventory, accounts receivable and cash and cash equivalents.

Net interest bearing debt (excl. Lease liabilities) was SEK 244.8m (SEK 215.7m).

The equity of the Group has been negatively affected by the high exposure to Norwegian crown as close to half of the business is in Norway. The negative revaluation-effect for equity in Q1 related to currency is SEK 21.4m.

Risk and uncertainties

The Group's main risks and uncertainties are related to its high exposure to certain markets. In addition, the Group has financial risk related primarily to currency risk, interest rate risk related to financing and credit risk related to sales. For more information, see annual statement.

OUTLOOK

The outlook for our main markets is now more insecure and challenging compared to previous quarters. The Covid-19 outbreak will affect some of our selling companies negatively during the second quarter. The effects are still relatively small and depending of the length of the outbreak in our markets, we are likely to have a positive effect in the second half year since the investments has to some extent been delayed.

The Board of Director is pleased with the quick response by the administration to the Covid-19 situation, both adapting the work force to the current need and to make sure we avoid disruption to the critical part of our business. Given the insecure situation at the time there is not possible to estimate the full effect of Covid-19 for 2020 and all possible estimates are highly insecure.

When looking at the trends we still see a more challenging market related to office furniture with an increased pressure on the margins in this part of our business. Our footprint in this market is still quite small. The pressure on margins of the remaining part of our business is also likely to increase in the short- and midterm basis due to the Covid-19 effects on the economies in our regions.

Mads Langaard has replaced Ellen Hanetho as board member. Mads Langaard is the CFO of Frigaard Gruppen, the main shareholder of Sono Group. Mads has eight years of background from finance and five years from financial journalism and communications.

The Group has prepared a three years strategy where focus is to develop to a more unified group, focus more on product brands, and to develop a stronger company culture across companies and borders.



GROUP FINANCIAL STATEMENT

CONSOLIDATED INCOME STATEMENT

All amounts in SEK thousand	Jan-Mar 2020	Jan-Mar 2019	Jan-Dec 2019
Revenue	196 769	235 275	899 207
Other operating revenue	4 410	3 905	12 444
Total operating revenue	201 179	239 180	911 651
Cost of goods sold	(109 379)	(138 497)	(529 470)
Other external cost	(21 679)	(19 801)	(92 172)
Salaries and personnel expense	(47 925)	(52 878)	(214 726)
Other operating expense	(3 196)	(5 253)	(14 364)
EBITDA	19 000	22 751	60 919
Depreciation and amortization expense	(12 011)	(10 830)	(40 420)
Operating profit	6 989	11 921	20 499
Interest income and similar	281	557	2 038
Interest expense and similar	(13 120)	(12 095)	(47 780)
Net financial income (expenses)	(12 839)	(11 538)	(45 742)
Profit before income tax	(5 850)	383	(25 243)
Income taxes	1 205	(91)	1 143
Net profit for the period	(4 645)	292	(24 100)

Consolidated statement of comprehensive income

Items that may be reclassified subsequently to income statement

Translation differences on net investment in foreign operations	(21 421)	6 076	4 422
Items that will not be reclassified to income statement			
Remeasurement of defined benefit pension plans			(4 861)
Income taxes			1 001
Other comprehensive income (loss), net of taxes	(21 421)	6 076	562
Total comprehensive income	(26 066)	6 368	(23 538)

CONSOLIDATED BALANCE SHEET

ASSETS	2020	2019	2019
All amounts in SEK thousand	31.03.	31.03.	31.12.
Software, licences, etc.	4 999	4 915	5 321
Goodwill	230 292	246 817	246 004
Total intangible assets	235 291	251 732	251 325
Right of use assets	200 095	241 518	218 902
Land, buildings and other property	1 065	1 147	1 246
Machinery and plant	1 042	4 705	1 195
Office machinery, equipment and similar	3 077	3 417	3 461
Total property, plant and equipment	205 279	250 787	224 804
Other long term receivables	114	180	121
Total non-current financial assets	114	180	121
Deferred tax receivables	41 216	38 047	40 352
TOTAL NON-CURRENT ASSETS	481 900	540 745	516 602
Inventories			
Raw materials	14 343	12 981	17 473
Work in progress	6 611	8 324	6 661
Finished products	63 084	65 526	65 392
Advance payments to suppliers	797	1 284	96
Total inventories	84 835	88 115	89 622
Accounts receivables	85 140	133 669	105 479
Other short term receivables	8 087	11 472	11 415
Tax recoverables	2 085	2 091	1 106
Prepaid expenses and accrued income	15 747	14 999	9 739
Cash and cash equivalents	72 369	97 777	79 303
Total receivables	183 428	260 008	207 042
TOTAL CURRENT ASSETS	268 263	348 123	296 664
TOTAL ASSETS	750 163	888 868	813 266

CONSOLIDATED BALANCE SHEET

EQUITY AND LIABILITIES	2020	2019	2019
All amounts in SEK thousand	31.03.	31.03.	31.12.
Share capital	105 619	105 619	105 619
Other equity	(11 871)	(11 871)	(11 871)
Retained earnings	(65 008)	(9 037)	(38 942)
Equity attributable to majority shareholders	28 740	84 711	54 806
Bonds	317 145	311 908	315 836
Pension liabilities	31 367	32 232	31 094
Other provisions	5 694	-	4 638
Non-current Lease liabilities	182 244	242 282	203 543
Total non-current liabilities	536 450	586 421	555 111
Liabilities to financial institutions	590	7 995	504
Current lease liabilities	48 165	45 118	49 613
Prepayments from customers	204	-	3 077
Accounts payable	63 716	85 272	66 834
Tax payable	-	662	119
Other short-term liabilities	28 181	35 179	32 356
Accrued expenses and deferred income	44 117	43 510	50 846
Total current liabilities	184 973	217 736	203 349
TOTAL EQUITY AND LIABILITIES	750 163	888 868	813 266

STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the parent company				Total equity
	Share capital	Other Equity	Retained earnings	Total other equity	
All amounts in SEK thousand					
Equity as at 01.01.2019	100 909	(11 871)	(39 929)	(51 800)	49 109
Comprehensive income					
Profit for the period			292	292	292
Other comprehensive income					
<i>Items that will not be reclassified in profit or loss</i>					
Issue of share capital	4 710		24 524	24 524	29 234
<i>Items that may be reclassified in profit or loss</i>					
Translation difference, net assets in foreign currency			6 076	6 076	6 076
Total comprehensive income	4 710	-	30 892	30 892	35 602
Equity as at 31.03.2019	105 619	(11 871)	(9 037)	(20 908)	84 711
Profit for the quarter 2-4			(24 392)	(24 392)	(24 392)
<i>Items that will not be reclassified in profit or loss</i>					
Actuarial loss on pension obligations			(4 861)	(4 861)	(4 861)
<i>Items that may be reclassified in profit or loss</i>					
Translation difference, net assets in foreign currency			- (1 654)	(1 654)	(1 654)
Deffered tax			1 001	1 001	1 001
Total comprehensive income	-	-	(29 906)	(29 906)	(29 906)
Total shareholders transactions	-	-	-	-	-
Equity as at 31.12.2019	105 619	(11 871)	(38 943)	(50 814)	54 806
Equity as at 01.01.2020	105 619	(11 871)	(38 943)	(50 814)	54 806
Profit for the period			(4 645)		(4 645)
<i>Items that will not be reclassified in profit or loss</i>					
<i>Items that may be reclassified in profit or loss</i>					
Translation difference, net assets in foreign currency			- (21 421)	(21 421)	(21 421)
Deffered tax			-		-
Total comprehensive income	-	-	(26 066)	(26 066)	(26 066)
Total shareholders transactions	-	-	-	-	-
Equity as at 31.03.2020	105 619	(11 871)	(65 009)	(76 880)	28 740

CONSOLIDATED STATEMENT OF CASH FLOWS

	Jan-Mar 2020	Jan-Mar 2019	31.12.2019
<i>All amounts in SEK thousand</i>			
Cash flows from operations			
Profit/(loss) before income taxes	(5 850)	383	(25 243)
Taxes paid in the period	(119)	(778)	(1 705)
Adjustments for items without cash effects	(1 779)		
Net (gains) losses from disposals of assets	-	-	52
Depreciation	12 011	10 830	40 420
Other adjustments	273	288	(5 710)
Currency (gains) losses not related to operating activities	(5 589)	(1 034)	736
Net cash flow from operations before changes in working capital	(1 053)	9 689	8 550
Change in inventory	6 044	(10 094)	(11 322)
Change in trade debtors	19 144	(15 789)	15 542
Change in trade creditors	(4 296)	(970)	(19 672)
Change in other provisions	(12 603)	(306)	17 493
Net cash flow from operations	7 236	(17 470)	10 591
Cash flows from investments			
Purchase of intangible assets	(403)	(170)	(1 938)
Purchase of fixed assets	(367)	(871)	(2 641)
Sale of fixed assets	-	-	-
Purchase of subsidiaries	-	(19 550)	(50 216)
Change in other short- and longterm investments	-	(7)	55
Net cash flows from investments	(770)	(20 598)	(54 740)
Cash flow from financing			
Issue of share capital			29 233
Net change in credit line	86	8 494	881
Proceeds from long term loans	-	-	-
Repayment of borrowings	-	(1 487)	-
Repayment of leasing liabilities	(11 690)	(11 278)	(46 442)
Dividends paid to equity holders of NIG AB	-	-	-
Other transactions	-	-	-
Net cash flow from financing	(11 604)	(4 271)	(16 328)
Net change in cash and cash equivalents	(5 138)	(42 339)	(60 477)
Cash and cash equivalents at the beginning of the period	79 303	139 082	139 082
Exchange rate differences in cash and cash equivalents	(1 796)	1 034	698
Cash and cash equivalents at the end of the period	72 369	97 777	79 303

Parent Company financial statements - North Investment Group AB (publ.)

Income statement

All amounts in SEK thousand

	Jan-Mar 2020	Jan-Mar 2019
Other external cost	(79)	(331)
Total operating expense	(79)	(331)
Operating profit	(79)	(331)
Interest income and similar	2 272	1 103
Interest expense and similar	(8 301)	(7 226)
Net financial income (expenses)	(6 029)	(6 123)
Profit before income tax	(6 108)	(6 454)
Income taxes	-	-
Net profit for the period	(6 108)	(6 454)

In the parent company no amounts has been booked towards other comprehensive income, so Total comprehensive income is equal to net profit for the period.

Balance sheet statement

All amounts in SEK thousand

ASSETS	2020 31.03	2019 31.03	2019 31.12
Other investments	303 390	303 390	303 390
Receivables to group companies	128 404	107 024	120 524
Deferred tax receivables	321	321	321
Total non-current financial assets	432 115	410 735	424 235
TOTAL NON-CURRENT ASSETS	432 115	410 735	424 235
Other short term receivables	4 303	13 388	9 911
Prepaid expenses and accrued income	60	0	90
Cash and cash equivalents	15 259	41 365	21 098
Total receivables	19 622	54 753	31 099
TOTAL CURRENT ASSETS	19 622	54 753	31 099
TOTAL ASSETS	451 737	465 488	455 334

All amounts in SEK thousand

EQUITY AND LIABILITIES	2020 31.03	2019 31.03	2019 31.12
Share capital	105 619	105 619	105 619
Other equity	33 809	54 401	54 401
This years result	-6 108	-6 454	-20 592
Equity attributable to majority shareholders	133 320	153 566	139 428
Bonds	317 145	311 908	315 836
Total non-current liabilities	317 145	311 908	315 836
Accounts payable	0	1	0
Liabilities to associated companies	0	13	0
Other short-term liabilities	0	0	5
Accrued expenses and deferred income	1 272	0	65
Total current liabilities	1 272	14	70
TOTAL EQUITY AND LIABILITIES	451 737	465 488	455 334

ACCOUNTING POLICIES

The interim report has been prepared in accordance with IAS 34 *Interim Financial Reporting* and the Swedish Annual Accounts Act. The consolidated financial statements were prepared in accordance with the cost method. All amounts are in thousands of Swedish kroner, unless otherwise stated.

The Parent Company applies Recommendation RFR 2 *Accounting for Legal Entities*, issued by the Swedish Financial Reporting Board, and the Annual Accounts Act. The application of RFR 2 means that the Parent Company, in the interim report for a legal entity, applies all IFRS and statements approved by the EU as far as possible within the framework of the Swedish Annual Accounts Act and the Pension Obligations Vesting Act, with consideration taken to the relationship between accounting and taxation.

The accounting policies applied correspond to the accounting policies and measurement principles presented in the 2019 Annual Report. The 2019 Annual Report is available at www.northinvestmentgroup.se.

The group has as of 1.1.20 adapted IAS 21.15 related to exchange rate difference for the loan nominated in SEK between North Investment Group AB (publ.) and Sono Holding Norge AS. The loan is in substance a part of the entity's net investment in foreign operations and the exchange rate difference from this loan is recognized in other comprehensive income.

Audit review report

This interim report has not been examined by the company's auditor.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

Estimates and judgements are continually evaluated, and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

Management makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

RISKS AND RISK MANAGEMENT

Exposure to risk is a natural part of business activity and this is reflected in Sono Group's approach to risk management. Responsibility for the management of the group's financial transactions and risks is centralised to the parent company. The main risk exposure is related to financial risks. See note 3 in the Annual Report.

SEASONAL VARIATIONS

The Group has seasonal variations related to one of its main categories; school furniture. A high share of these deliveries is related to 3rd quarter.

RELATED PARTY TRANSACTIONS

The Group had no significant transactions with related parties in 2020. All transactions with related parties are priced on arm's length basis.

EVENTS AFTER THE REPORTING DATE

No events have occurred after the balance sheet date that have any significant effect on the submitted accounts.

SEGMENT INFORMATION

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

North Investment Group AB (publ.) has defined its two segments as:

- Business area Sono Sweden
- Business area Sono Norway

All amounts in SEK million

	Jan-Mar 2020		Jan-Mar 2019		Jan-Dec 2019	
	Sono Norway	Sono Sweden	Sono Norway	Sono Sweden	Sono Norway	Sono Sweden
Revenue per segment	91,9	112,2	136,6	110,5	464,1	470,1
Net sales to other segments	(4,1)	(3,2)	(6,0)	(5,7)	(17,7)	(17,3)
Revenue from external customers	87,8	108,9	130,5	104,7	446,4	452,8
	Jan-Mar 2020		Jan-Mar 2019		Jan-Dec 2019	
Sono Norway	7,9		15,1		38,8	
Sono Sweden	11,1		8,0		24,1	
EBITDA	19,1		23,1		62,9	
for the Group's operating segments is reconciled with the Group's profit before tax in accordance with the following:						
NIG AB and elimination	(0,1)		(0,3)		(1,9)	
EBITDA for the Group	19,0		22,8		60,9	
Amortisation and depreciation	(12,0)		(10,8)		(40,4)	
Financial items net	(12,8)		(11,5)		(45,7)	
Profit before tax	(5,9)		0,4		(25,2)	

FINANCIAL CALENDAR

2020 2th Quarter Report: 28.08.2020

2020 3th Quarter Report: 17.11.2020

ADDITIONAL INFORMATION

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