

Q1 2021 Interim financial report

North Investment Group AB (publ.)



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FINANCIAL HIGHLIGHTS

- Group revenue of SEK 187.4m (SEK 201.2m).
- Gross profit margin 39.2% (41.7%).
- EBITDA of SEK 13.2m (SEK 19.0m).
- Net operating cash flow SEK -5.9m (SEK 7.2m).
- Strong order intake, 14% increase compared to Q1 2020.
- Order backlog of SEK 127.8m (SEK 88.9m).
- Refinancing of bond completed 22. April.
- Updated financial ambitions published 12. April.
- Rename company Ergoff to Sono Sverige in February.

Key consolidated figures

Key consolidated figures		SONO GROUP		
		Q1 2021 Unaudited	Q1 2020 Unaudited	Jan-Dec 2020 Audited
(SEKm, unless stated)				
Revenue	187,4	201,2	784,7	
Gross profit	71,5	82,1	301,6	
EBITDA	13,2	19,0	86,5	
EBIT	2,2	7,0	42,8	
Net Profit	(4,9)	(4,6)	(1,1)	
Cash flow from operations	(5,9)	7,2	68,0	
No of outstanding shares	759 201	759 201	759 201	
Net earnings per share (SEK)	(6,51)	(6,12)	(1,47)	
Gross profit margin (%)	39,2	41,7	39,3	
EBITDA margin (%)	7,3	9,7	11,3	

CEO STATEMENT

The effects of Covid-19 continue to affect the Group, although in different degrees to the categories and geography we operate. The revenue in Q1 is at a lower level than previous year, but we see a strong order income and backlog with a high activity within most of our businesses. The lower revenue is to some extent due to high utilization of capacity at our suppliers, together with the container-constraint relating to our Asian suppliers. There is also a challenging market within office interior and industry due to Covid-19, but this is a relatively small part of our business. The overall order income for our Group is at a satisfying level.

The deliveries from our new suppliers within School-furniture progresses as expected. There is a high activity-level within this sector in Sweden, and we are optimistic in terms of deliveries to the peak season in Q3. The production was moved finally in February this year and we are already subletting most of the available production facilities to others.

In April we hired a CSO (Chief Sustainability Officer) for start 1st of June. Through this we establish this important function with the aim of positioning us as a sustainable supplier. A lot of our main product families already have various environmental certifications, the focus will now also be on ESG on a broader perspective. Furthermore, we have in Q1 won our first two contracts where we can deliver refurbished furniture together with a partner. We expect this market to be vital for our operations in the years to come.

In February, our company for ergonomics and office furniture in Sweden, Ergoff Miljö AB, changed name to Sono Sverige AB. With this change we will have a Sono-company in all three Scandinavian countries and a universal B2B channel cross border. Our new common web platform is now aligned for all 3 countries enabling us to focus our web sales in a more efficient manner through sono.se/no/dk.

Cost reductions have been a focus through 2020 by rapidly reducing the personnel force. Several initiatives have been taken to restore our sales back to pre-pandemic level with our existing cost base. We also see that there are still ways to organize in a more efficient manner in the Group, by increase cooperation across borders and departments.



Ole Vinje, CEO, Tranås, 12th of May 2021

FINANCIAL REVIEW

January – March 2021

Income statement

The Group reported total operating revenue of SEK 187.4m (SEK 201.2m) and EBITDA of SEK 13.2m (SEK 19.0m) at the end of March 2021.

Order intake was SEK 196.9m (SEK 172.5m), corresponding to an increase of 14.1% compared to end of March 2020. EBIT for the Group was SEK 2.2m (SEK 7.0m) and net profit SEK -4.9m (SEK -4.6m).

Gross margin for the Group at the end of Q1 2021 was 39.2% (41.7%).

Segments

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

Norway delivered SEK 92.2m in revenue (SEK 87.8m) and SEK 8.3m in EBITDA (SEK 7.9m) year to date March. Sweden reported revenue of SEK 90.3m (SEK 108.9m) and EBITDA of SEK 5.0m (SEK 11.1m).

Cash flow

The Group's net cash flow from operations was negative with SEK 5.9m (positive SEK 7.2m). The Cash and cash equivalents as of 31st of March 2021 amounts to SEK 73.2m (SEK 72.4m). The liquidity situation of the Group is very good and adequate to meet our strategic ambitions.

Balance sheet

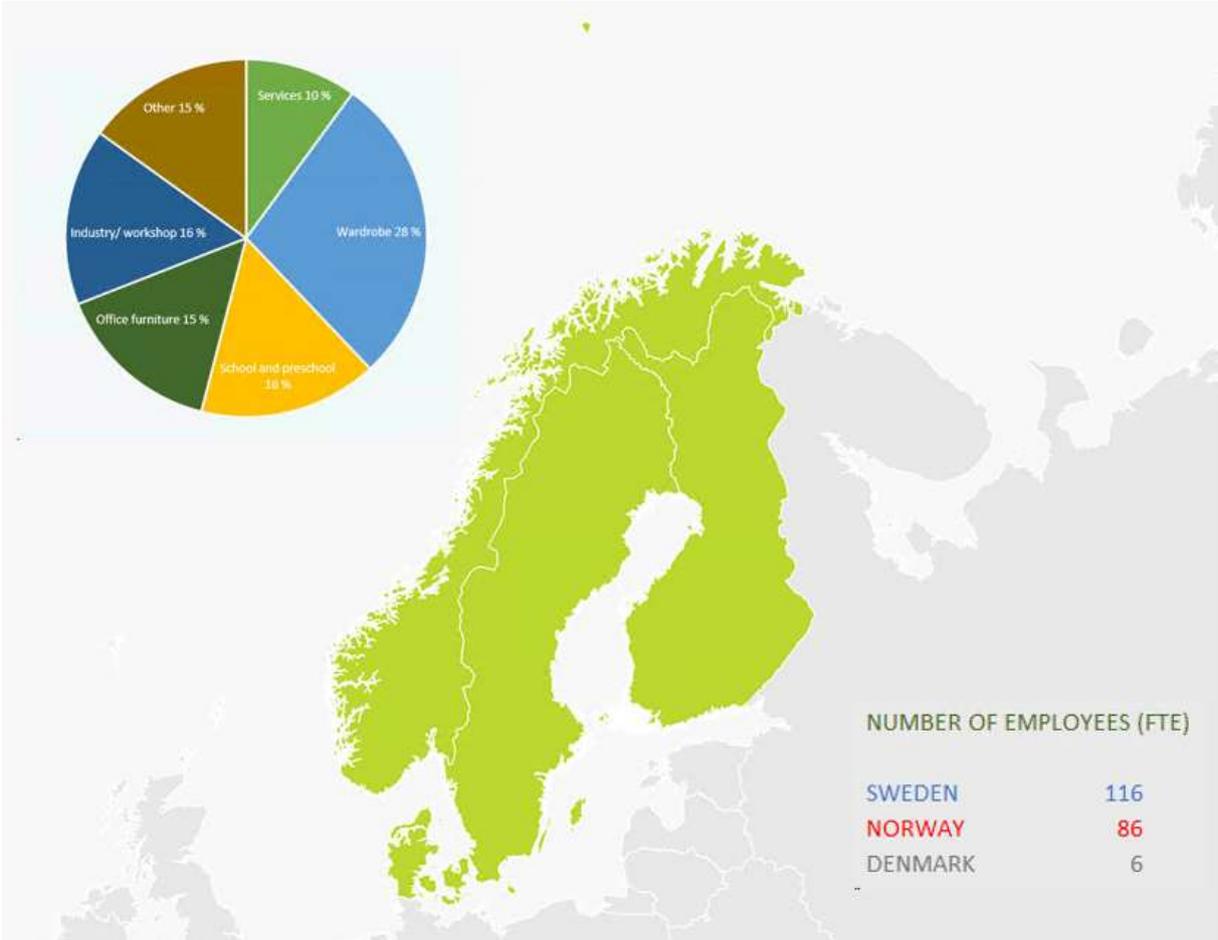
As of 31st of March 2021, the Group had assets of SEK 714.0m, mainly related to goodwill, right of use assets, inventory, cash and cash equivalents and accounts receivables.

Net interest-bearing debt (excl. Lease liabilities) was SEK 242.9m (SEK 244.8m). The bond loan in the balance sheet matures in full in September 2021 and is therefore classified as short term. This bond loan was refinanced with a new bond loan with a 3-year maturity in Q2, see more information under events after the reporting date.

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. Refinancing risk is defined as the risk that it will be difficult to refinance the company, that financing cannot be obtained, or that it can only be obtained at increased cost. The group currently secures access to external financing through bonds. The group also have possibility to establish a revolving credit facility.

For more information related to risks, see annual statement 2020.



OUTLOOK

Despite the invoiced revenue in the first quarter of 2021 is at somewhat lower level than same period 2020, the order income so far this year gives positivity for 2021. The lower cost base with reduced personnel force gives a good foundation for increasing our margins going forward. Although the Covid-19 is highly influencing the day-to-day life in especially Sweden, we see that a lot of our business still has a good activity. As the vaccination program in Scandinavia expects to be in good progress in the end of Q2 2021, there is an expectation that there will be an economic uplift in Q3.

22nd of April we successfully placed a new 3-year bond of SEK 285 mill to refinance the existing bond maturing in September 2021. In addition, we will from mid-May have in place a RCF of SEK 30 mill covering our fluctuations in working capital, together with a guarantee facility. This gives the management necessary stability to focusing on operational excellency.

In relation to the refinancing process, we updated our financial ambitions for the next 3 years. By focusing on organic growth through a more refined go-to-market business model the targeted revenue CAGR is 5-10%. Furthermore, through our cost reductions we expect to increase our EBITDA-margin with an ambition of 15% in the period. With our bond terms we have a no dividend clause and a strategy towards deleveraging with an ambition of reducing our net leverage ratio (EBITDA/NIBD) to below 4.0X.



GROUP FINANCIAL STATEMENT

CONSOLIDATED INCOME STATEMENT

All amounts in SEK thousand	Jan-Mar 2021	Jan-Mar 2020	Jan-Dec 2020
Revenue	182 421	196 769	766 720
Other operating revenue	4 978	4 410	17 978
Total operating revenue	187 399	201 179	784 698
Cost of goods sold	(110 896)	(109 379)	(445 461)
Other external cost	(17 204)	(21 679)	(73 031)
Salaries and personnel expense	(45 311)	(47 925)	(173 134)
Other operating expense	(751)	(3 196)	(6 596)
EBITDA	13 237	19 000	86 476
Depreciation and amortization expense	(11 066)	(12 011)	(43 638)
Operating profit	2 171	6 989	42 838
Interest income and similar	4 258	281	2 822
Interest expense and similar	(12 494)	(13 120)	(42 253)
Net financial income (expenses)	(8 236)	(12 839)	(39 431)
Profit before income tax	(6 065)	(5 850)	3 407
Income taxes	1 124	1 205	(4 522)
Net profit for the period	(4 941)	(4 645)	(1 115)

Consolidated statement of comprehensive income

Items that may be reclassified subsequently to income statement

Translation differences on net investment in foreign operations	13 908	(21 421)	(21 216)
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Items that will not be reclassified to income statement

Remeasurement of defined benefit pension plans	-	-	(48)
Income taxes	-	-	10
Other comprehensive income (loss), net of taxes	13 908	(21 421)	(21 254)
Total comprehensive income	8 967	(26 066)	(22 369)

CONSOLIDATED BALANCE SHEET

ASSETS	2021	2020	2020
All amounts in SEK thousand	31.03.	31.03.	31.12.
Software, licences, etc.	9 873	4 999	8 787
Goodwill	240 430	230 292	229 875
Total intangible assets	250 303	235 291	238 662
Right of use assets	175 234	200 095	172 949
Land, buildings and other property	1 245	1 065	1 191
Machinery and plant	1 105	1 042	2 705
Office machinery, equipment and similar	2 219	3 077	2 346
Total property, plant and equipment	179 803	205 279	179 191
Other long term receivables	127	114	120
Total non-current financial assets	127	114	120
Deferred tax receivables	36 583	41 216	35 306
TOTAL NON-CURRENT ASSETS	466 816	481 900	453 279
Inventories			
Raw materials	12 607	14 343	13 358
Work in progress	1 558	6 611	3 587
Finished products	59 314	63 084	55 430
Advance payments to suppliers	56	797	1 063
Total inventories	73 535	84 835	73 438
Accounts receivables	82 829	85 140	106 636
Other short term receivables	7 920	8 087	9 363
Tax recoverables	3 112	2 085	2 255
Prepaid expenses and accrued income	6 565	15 747	4 076
Cash and cash equivalents	73 221	72 369	88 665
Total receivables	173 647	183 428	210 995
TOTAL CURRENT ASSETS	247 182	268 263	284 433
TOTAL ASSETS	713 998	750 163	737 712

CONSOLIDATED BALANCE SHEET

EQUITY AND LIABILITIES	2021	2020	2020
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	(52 344)	(65 008)	(61 311)
Equity attributable to majority shareholders	41 404	28 740	32 437
Bonds	-	317 145	-
Pension liabilities	30 804	31 367	30 530
Other provisions	4 488	5 694	5 432
Non-current Lease liabilities	151 637	182 244	152 509
Total non-current liabilities	186 929	536 450	188 471
Liabilities to financial institutions	-	590	14
Bonds current	316 132	-	317 322
Current lease liabilities	48 442	48 165	46 193
Prepayments from customers	780	204	3 222
Accounts payable	45 450	63 716	69 358
Other short-term liabilities	23 953	28 181	33 255
Accrued expenses and deferred income	50 908	44 117	47 440
Total current liabilities	485 665	184 973	516 804
TOTAL EQUITY AND LIABILITIES	713 998	750 163	737 712

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 01.01.2020	105 619	(11 871)	(38 942)	(50 813)	54 806
Comprehensive income					
Profit for the period			(4 645)	(4 645)	(4 645)
<i>Items that may be reclassified in profit or loss</i>					
Translation difference, net assets in foreign currency			(21 421)	(21 421)	(21 421)
Total comprehensive income	-	-	(26 066)	(26 066)	(26 066)
Equity as at 31.03.2020	105 619	(11 871)	(65 008)	(76 879)	28 740
Profit for the quarter 2-4			3 530	3 530	3 530
Other comprehensive income					
<i>Items that will not be reclassified in profit or loss</i>					
Actuarial loss on pension obligations			(48)	(48)	(48)
<i>Items that may be reclassified in profit or loss</i>					
Translation difference, net assets in foreign currency			205	205	205
Deffered tax			10	10	10
Total comprehensive income	-	-	3 697	3 697	3 697
Total shareholders transactions	-	-	-	-	-
Equity as at 31.12.2020	105 619	(11 871)	(61 311)	(73 182)	32 437
Equity as at 01.01.2021	105 619	(11 871)	(61 311)	(73 182)	32 437
Profit for the period			(4 941)	(4 941)	(4 941)
<i>Items that may be reclassified in profit or loss</i>					
Translation difference, net assets in foreign currency			13 908	13 908	13 908
Total comprehensive income	-	-	8 967	8 967	8 967
Total shareholders transactions	-	-	-	-	-
Equity as at 31.03.2021	105 619	(11 871)	(52 344)	(64 215)	41 404

CONSOLIDATED STATEMENT OF CASH FLOWS

	Jan-Mar 21	Jan-Mar 20	Jan-Dec 20
All amounts in SEK thousand			
Cash flows from operations			
Profit/(loss) before income taxes	-6 065	-5 850	3 407
Taxes paid in the period	-	-119	(119)
Adjustments for items without cash effects	(43)	-1 779	595
Net (gains) losses from disposals of assets	(882)	-	(104)
Depreciation	11 066	12 011	43 638
Other adjustments	274	273	(564)
Currency (gains) losses not related to operating activities	(1 317)	-5 589	(6 617)
Net cash flow from operations before changes in working capital	3 033	(1 053)	40 236
Change in inventory	(921)	6 044	17 524
Change in trade debtors	19 992	19 144	778
Change in trade creditors	(23 125)	-4 296	1 268
Change in other provisions	(4 901)	-12 603	8 821
Net cash flow from operations	(5 922)	7 236	68 627
Cash flows from investments			
Purchase of intangible assets	(1 116)	-403	(5 351)
Purchase of fixed assets	(223)	-367	(3 152)
Sale of fixed assets	2 438	-	290
Purchase of subsidiaries	-	-	-
Change in other short- and longterm investments	-	-	-
Net cash flows from investments	1 099	(770)	(8 213)
Cash flow from financing			
Issue of share capital	-	-	-
Net change in credit line	(14)	86	14
Proceeds from long term loans	-	-	-
Repayment of borrowings	-	-	(3 139)
Repayment of leasing liabilities	(11 543)	-11 690	(47 183)
Dividends paid to equity holders of NIG AB	-	-	-
Transactions with minority interests	-	-	-
Other transactions	-	-	-
Net cash flow from financing	(11 557)	(11 604)	(50 308)
Net change in cash and cash equivalents	(16 380)	(5 138)	10 106
Cash and cash equivalents at the beginning of the period	88 665	79 303	79 303
Exchange rate differences in cash and cash equivalents	936	-1 796	(744)
Cash and cash equivalents at the end of the period	73 221	72 369	88 665

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

Income statement

All amounts in SEK thousand

	Jan-Mar 2021	Jan-Mar 2020
Other external cost	(58)	(79)
Total operating expense	(58)	(79)
Operating profit	(58)	(79)
Interest income and similar	2 150	2 272
Interest expense and similar	(6 906)	(8 301)
Net financial income (expenses)	(4 756)	(6 029)
	-	-
Profit before income tax	(4 814)	(6 108)
Income taxes	-	-
Net profit for the period	(4 814)	(6 108)

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	2021 31.03	2020 31.03
Other investments	306 456	303 390
Receivables to group companies	118 404	120 524
Deferred tax receivables	321	321
Total non-current financial assets	425 181	424 235
TOTAL NON-CURRENT ASSETS	425 181	424 235
Other short term receivables	5 974	9 911
Prepaid expenses and accrued income	61	90
Cash and cash equivalents	7 210	21 098
Total receivables	13 245	31 099
TOTAL CURRENT ASSETS	13 245	31 099
TOTAL ASSETS	438 426	455 334

All amounts in SEK thousand

EQUITY AND LIABILITIES	2021 31.03	2020 31.03
Share capital	105 619	105 619
Other equity	17 158	54 401
This years result	-4 814	-20 592
Equity attributable to majority shareholders	117 963	139 428
Bonds	0	315 836
Total non-current liabilities	0	315 836
Current Bonds	316 132	0
Other short-term liabilities	0	5
Liabilities to associated companies	3 066	0
Accrued expenses and deferred income	1 265	65
Total current liabilities	320 463	70
TOTAL EQUITY AND LIABILITIES	438 426	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 2020 Annual Report. The 2020 Annual Report is available at www.sono-group.com.

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 centralized to the parent company. The main risk exposure is related to financial risks. See note 3 in the Annual Report and in chapter Financial review in this 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 so far in 2021. All transactions with related parties are priced on arm's length basis.

EVENTS AFTER THE REPORTING DATE

The Group has refinanced its existing loans with a new bond loans of SEK 285 mill and a RCF (revolving credit facility) in April 2021. This refinancing replaces the bond loan with maturity in September 2021. Because of the early redemption a call premium of 102.1% will be paid, equivalent of approximately SEK 6.7 mill.

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 2021		Jan-Mar 2020		Jan-Dec 2020	
	Sono Norway	Sono Sweden	Sono Norway	Sono Sweden	Sono Norway	Sono Sweden
Revenue per segment	97,7	94,5	91,9	112,2	386,4	407,5
Net sales to other segments	(5,5)	(4,3)	(4,1)	(3,2)	(13,7)	(13,5)
Revenue from external customers	92,2	90,3	87,8	108,9	372,7	394,0
	Jan-Mar 2021		Jan-Mar 2020		Jan-Dec 2020	
Sono Norway	8,3		7,9		45,8	
Sono Sweden	5,0		11,1		41,0	
EBITDA	13,3		19,1		86,7	
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)		(0,1)		(0,3)	
EBITDA for the Group	13,2		19,0		86,5	
Amortisation and depreciation	(11,1)		(12,0)		(43,6)	
Financial items net	(8,2)		(12,8)		(39,4)	
Profit before tax	(6,1)		-5,9		3,4	

FINANCIAL CALENDAR

2021 2nd Quarter Report: 27.08.2021

ADDITIONAL INFORMATION

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