

Q2 2020

Interim financial report

North Investment Group AB (publ)

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FINANCIAL HIGHLIGHTS

- Group revenue of SEK 179.6m (SEK 225m).
- Gross profit margin 38.7% (41.4%).
- EBITDA of SEK 15.4m (SEK 15m).
- Net operating cash flow SEK 2.7m (SEK –1.8m).
- Covid-19 impacts negatively on reported revenue.
- 27% reduction in salary and personnel expense compared to Q2 2019.
- Cost reduction program for 2020 progressing according to plan.
- Order backlog of SEK 136.2m (SEK 155.4m).

Key consolidated figures

Key consolidated figures		SONO GROUP			
		Q2 2020 Unaudited	Q2 2019 Unaudited	Jan-Jun 2020 Unaudited	Jan-Jun 2019 Unaudited
(SEKm, unless stated)					
Revenue		179.6	225.0	380.7	464.2
Gross profit		68.2	92.3	150.3	176.9
EBITDA		15.4	15.0	34.4	37.7
EBIT		4.1	6.3	11.1	18.3
Net Profit		(8.5)	(4.2)	(8.5)	(3.9)
Cash flow from operations		2.7	(1.8)	10.0	(19.3)
No of outstanding shares		759 201	759 201	759 201	759 201
Net earnings per share (SEK)		(5.08)	(5.47)	(11.20)	(5.08)
Gross profit margin (%)		38.7	41.4	40.3	38.6
EBITDA margin (%)		8.7	6.7	9.2	8.2

CEO STATEMENT

This quarters focus has been on the Covid-19 situation. We have seen a gradually improvement in sales in June for most of our business areas, but the long-term effects for the remaining of this year and the start of next year is still highly uncertain. Particularly in Norway we see that starting up of new buildings and renovation projects are postponed or cancelled. This is likely to have a negative effect for us in the next quarters. Signaled crisis packages to communes/municipalities from the governments in Scandinavia might to some degree reduce the negative effect.

The operations have proceeded as normal during second quarter with relatively small delays. We have not experienced any local outburst to our critical functions. We still have a large amount of especially our Swedish staff on temporary furloughs. There is a risk that the economies in Scandinavia will take longer time to recover. Even with the prolonging of the rules for temporary furloughs we have to permanently adapt our work force for the new situation.

Our cost reduction program continues as planned. Centralization of shared services and combining companies and businesses is our main measures for short term effects. We see that there is still potential in especially our Swedish business to organize in a more efficient manner. Following our effort made in various digitalization projects, we are now confident that we have a potential to further increase our profitability.

We have also decided to focus on the product brand Ergoff when further developing our portfolio in office furniture. Our strong knowledge in the group related to ergonomically products and solutions will be one of our top priorities going forward. By this Ergoff will be included in Sono's strong product brand portfolio which today includes Sonesson Inredningar, GBP, Tranås Skolmöbler, Form o Miljö and Sarpsborg Metall.



Ole Vinje, CEO, Tranås, 28th of August 2020

FINANCIAL REVIEW

Q2 2020

Income statement

The Group reported total operating revenue of SEK 179.6m (SEK 225.0m) and EBITDA of SEK 15.4m (SEK 15.0m) in Q2 2020.

Order intake was SEK 230.0m (SEK 261.7m), corresponding to a decrease of 12.1 % compared to Q2 2019. EBIT for the Group was SEK 4.1m (SEK 6.3m) and net profit SEK -8.5m (SEK -4.2m).

Gross margin for the Group in Q2 2020 was 38.7% (41.4%). The main reason for the decrease in gross margin is in Sono Norway segment and to large extent related to the increased cost of goods sold due to the weak Norwegian Crown (NOK).

Segments

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

Norway delivered SEK 89.5m in revenue (SEK 116.4m) and SEK 7.2m in EBITDA (SEK 11.2m) during the quarter. Sweden reported revenue of SEK 92.1m (SEK 114.2m) and EBITDA of SEK 8.2m (SEK 3.9m).

Jan – Jun 2020

Income statement

The Group reported total operating revenue of SEK 380.7m (SEK 464.2m) and EBITDA of SEK 34.4m (SEK 37.7m) for first half 2020.

Order intake was SEK 402.6m (SEK 501.1m), corresponding to a decrease of 19.7 % compared to first half 2019. EBIT for the Group was SEK 11.1m (SEK 18.3m) and net profit SEK -8.5m (SEK -3.9m).

Gross margin for the Group in first half 2020 was 40.3% (38.6%). The main reason for the increase in gross margin is increased margin in Sono Norway segment in the first quarter.

Segments

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

Norway delivered SEK 181.4m in revenue (SEK 253.0m) and SEK 15.2m in EBITDA (SEK 26.5m) during first half. Sweden reported revenue of SEK 204.3m (SEK 224.6m) and EBITDA of SEK 19.3m (SEK 11.7m).

Cash flow

The Group's net cash flow from operations was positive with SEK 10.0m (negative SEK 19.3m). The Cash and cash equivalents as of 30th of June 2020 amounts to SEK 62m (SEK 78m). The liquidity situation of the Group is good and adequate to meet a lower sale due to Covid-19 effects.

Balance sheet

As of 30th of June 2020, the Group had assets of SEK 745m, 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 256.0m (SEK 236.7m).

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 1H related to currency is SEK 20.7m.

Risk and uncertainties

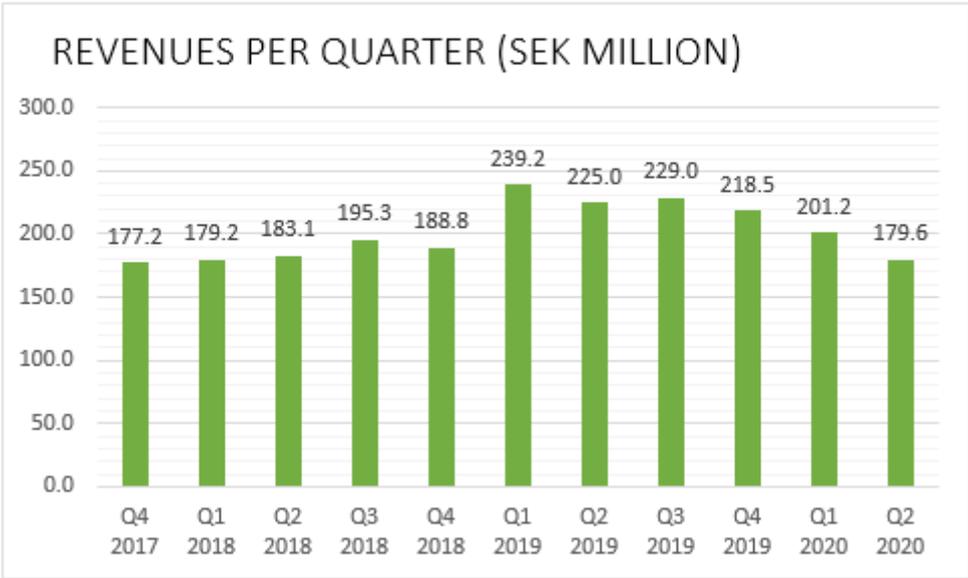
The Group's main risks and uncertainties are related to its high exposure to certain markets. In addition, the Group has financial risk related primarily to currency risk, interest rate risk related to financing and credit risk related to sales. For more information, see annual statement 2019.

OUTLOOK

The outlook for our main markets is still more insecure and challenging compared to the previous year. The Covid-19 outbreak has affected most of our selling companies negatively during the second quarter, and we see that also 2020 and the beginning of 2021 is likely to be challenging. 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.

The Board of Director highly acknowledge the work done by the administration during these difficult months. With the quick response our financial performance for Q2 is on the same level as previous year. Our strategic goals for the years to come is to build long term robust profitability even when the market trends are negative.

Our strategy for Sono is to increase digitalization, hand in hand with simplifying the structure and systems of the Group. With the Covid-19 outbreak we see the increased importance of succeeding and to accelerate this in the coming quarters.



GROUP FINANCIAL STATEMENT

CONSOLIDATED INCOME STATEMENT

All amounts in SEK thousand	Apr-Jun 2020	Apr-Jun 2019	Jan-Jun 2020	Jan-Jun 2019
Revenue	176 117	223 067	372 886	458 342
Other operating revenue	3 451	1 907	7 861	5 812
Total operating revenue	179 568	224 974	380 747	464 154
Cost of goods sold	(102 165)	(128 926)	(211 544)	(267 423)
Other external cost	(17 302)	(22 656)	(38 981)	(42 457)
Salaries and personnel expense	(40 413)	(55 487)	(88 338)	(108 365)
Other operating expense	(4 334)	(2 909)	(7 530)	(8 162)
EBITDA	15 354	14 996	34 354	37 747
Depreciation and amortization expense	(11 280)	(8 667)	(23 291)	(19 497)
Operating profit	4 074	6 329	11 063	18 250
Interest income and similar	1 223	190	1 504	747
Interest expense and similar	(10 085)	(11 840)	(23 205)	(23 935)
Net financial income (expenses)	(8 862)	(11 650)	(21 701)	(23 188)
Profit before income tax	(4 788)	(5 321)	(10 638)	(4 938)
Income taxes	930	1 171	2 135	1 080
Net profit for the period	(3 858)	(4 150)	(8 503)	(3 858)

Consolidated statement of comprehensive income

Items that may be reclassified subsequently to income statement

Translation differences on net investment in foreign operations	682	4 009	(20 739)	10 085
Items that will not be reclassified to income statement				
Remeasurement of defined benefit pension plans	-	-	-	-
Income taxes	-	-	-	-
Other comprehensive income (loss), net of taxes	682	4 009	(20 739)	10 085
Total comprehensive income	(3 176)	(141)	(29 242)	6 227

CONSOLIDATED BALANCE SHEET

ASSETS	2020	2019	2019
All amounts in SEK thousand	30.06.	30.06.	31.12.
Software, licences, etc.	6 172	4 708	5 321
Goodwill	230 419	250 905	246 004
Total intangible assets	236 591	255 613	251 325
Right of use assets	190 674	233 824	218 902
Land, buildings and other property	994	1 126	1 246
Machinery and plant	900	4 428	1 195
Office machinery, equipment and similar	2 744	3 452	3 461
Total property, plant and equipment	195 312	242 830	224 804
Other long term receivables	114	126	121
Total non-current financial assets	114	126	121
Deferred tax receivables	42 063	39 251	40 352
TOTAL NON-CURRENT ASSETS	474 080	537 820	516 602
Inventories			
Raw materials	15 528	17 192	17 473
Work in progress	7 881	11 032	6 661
Finished products	60 040	78 314	65 392
Advance payments to suppliers	143	1 164	96
Total inventories	83 592	107 702	89 622
Accounts receivables	98 748	116 538	105 479
Other short term receivables	8 616	17 803	11 415
Tax recoverables	3 084	2 830	1 106
Prepaid expenses and accrued income	14 518	9 494	9 739
Cash and cash equivalents	62 435	77 898	79 303
Total receivables	187 401	224 563	207 042
TOTAL CURRENT ASSETS	270 993	332 265	296 664
TOTAL ASSETS	745 073	870 085	813 266

CONSOLIDATED BALANCE SHEET

EQUITY AND LIABILITIES	2020	2019	2019
All amounts in SEK thousand	30.06.	30.06.	31.12.
Share capital	105 619	105 619	105 619
Other equity	(11 871)	(11 871)	(11 871)
Retained earnings	(68 185)	(9 178)	(38 942)
Equity attributable to majority shareholders	25 563	84 570	54 806
Bonds	318 454	313 218	315 836
Pension liabilities	31 639	30 502	31 094
Other provisions	4 872	1 029	4 638
Non-current Lease liabilities	172 731	230 835	203 543
Total non-current liabilities	527 696	575 584	555 111
Liabilities to financial institutions	715	1 148	504
Current lease liabilities	47 639	44 852	49 613
Prepayments from customers	1 418	1 274	3 077
Accounts payable	63 048	88 665	66 834
Tax payable	-	-	119
Other short-term liabilities	34 056	30 953	32 356
Accrued expenses and deferred income	44 938	43 038	50 846
Total current liabilities	191 814	209 930	203 349
TOTAL EQUITY AND LIABILITIES	745 073	870 085	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			(3 858)	(3 858)	(3 858)
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			10 085	10 085	10 085
Total comprehensive income	4 710	-	30 751	30 751	35 461
Equity as at 30.06 2019	105 619	(11 871)	(9 178)	(21 049)	84 570
Profit for the quarter 3-4			(20 242)	(20 242)	(20 242)
<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			(5 663)	(5 663)	(5 663)
Deffered tax			1 001	1 001	1 001
Total comprehensive income	-	-	(29 765)	(29 765)	(29 765)
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			(8 503)		(8 503)
<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			(20 739)	(20 739)	(20 739)
Deffered tax			-	-	-
Total comprehensive income	-	-	(29 242)	(29 242)	(29 242)
Total shareholders transactions			-	-	-
Equity as at 30.06.2020	105 619	(11 871)	(68 185)	(80 056)	25 563

CONSOLIDATED STATEMENT OF CASH FLOWS

	Apr-Jun 2020	Apr-Jun 2019	Jan-Jun 2020	Jan-Jun 2019
<i>All amounts in SEK thousand</i>				
Cash flows from operations				
Profit/(loss) before income taxes	-4 788	-5 321	(10 638)	(4 938)
Taxes paid in the period	-	-968	(119)	-1 746
Adjustments for items without cash effects	781	-	(998)	-
Net (gains) losses from disposals of assets	85	-	85	-
Depreciation	11 280	8 667	23 291	19 497
Other adjustments	272	-1 730	545	(1 442)
Currency (gains) losses not related to operating activities	(637)	-326	(6 226)	(1 360)
Net cash flow from operations before changes in working capital	6 993	322	5 940	10 011
Change in inventory	1 217	-19 799	7 261	(29 893)
Change in trade debtors	(12 428)	17 082	6 716	1 293
Change in trade creditors	(644)	4 867	(4 940)	3 897
Change in other provisions	7 601	-4 306	(5 002)	(4 612)
Net cash flow from operations	2 739	(1 834)	9 975	(19 304)
Cash flows from investments				
Purchase of intangible assets	(1 461)	-151	(1 864)	(321)
Purchase of fixed assets	(76)	-492	(443)	(1 363)
Sale of fixed assets	290	-	290	-
Purchase of subsidiaries	-	-	-	(19 550)
Change in other short- and longterm investments	-	52	-	45
Net cash flows from investments	(1 247)	(591)	(2 017)	(21 189)
Cash flow from financing				
Issue of share capital	-	-	-	-
Net change in credit line	125	-6 754	211	1 740
Proceeds from long term loans	-	-	-	-
Repayment of borrowings	-	1 029	-	(458)
Repayment of leasing liabilities	(11 420)	-12 055	(23 110)	(23 333)
Dividends paid to equity holders of NIG AB	-	-	-	-
Other transactions	-	-	-	-
Net cash flow from financing	(11 295)	(17 780)	(22 899)	(22 051)
Net change in cash and cash equivalents	(9 803)	(20 205)	(14 941)	(62 544)
Cash and cash equivalents at the beginning of the period	72 369	97 777	79 303	139 082
Exchange rate differences in cash and cash equivalents	(131)	326	(1 927)	1 360
Cash and cash equivalents at the end of the period	62 435	77 898	62 435	77 898

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

Income statement

All amounts in SEK thousand

	Apr-Jun 2020	Apr-Jun 2019	Jan-Jun 2020	Jan-Jun 2019
Other external cost	(77)	(171)	(156)	(502)
Total operating expense	(77)	(171)	(156)	(502)
Operating profit	(77)	(171)	(156)	(502)
Interest income and similar	2 213	1 445	4 485	2 548
Interest expense and similar	(7 170)	(7 124)	(15 471)	(14 350)
Net financial income (expenses)	(4 957)	(5 679)	(10 986)	(11 802)
Profit before income tax	(5 034)	(5 850)	(11 142)	(12 304)
Income taxes	-	-	-	-
Net profit for the period	(5 034)	(5 850)	(11 142)	(12 304)

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 30.06	2019 30.06	2019 31.12
Other investments	303 390	303 390	303 390
Receivables to group companies	131 404	119 024	120 524
Deferred tax receivables	321	321	321
Total non-current financial assets	435 115	422 735	424 235
TOTAL NON-CURRENT ASSETS	435 115	422 735	424 235
Other short term receivables	4 516	2 555	9 911
Prepaid expenses and accrued income	31	31	90
Cash and cash equivalents	8 304	35 647	21 098
Total receivables	12 851	38 233	31 099
TOTAL CURRENT ASSETS	12 851	38 233	31 099
TOTAL ASSETS	447 966	460 968	455 334

All amounts in SEK thousand

EQUITY AND LIABILITIES	2020 30.06	2019 30.06	2019 31-12
Share capital	105 619	105 619	105 619
Other equity	33 809	54 401	54 401
This years result	-11 142	-12 304	-20 592
Equity attributable to majority shareholders	128 286	147 716	139 428
Bonds	318 454	313 218	315 836
Total non-current liabilities	318 454	313 218	315 836
Accounts payable	4	19	0
Liabilities to associated companies	0	15	0
Other short-term liabilities	0	0	5
Accrued expenses and deferred income	1 222	0	65
Total current liabilities	1 226	34	70
TOTAL EQUITY AND LIABILITIES	447 966	460 968	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

	Apr-Jun 2020		Apr-Jun 2019		Jan-Jun 2020		Jan-Jun 2019	
	Sono Norway	Sono Sweden	Sono Norway	Sono Sweden	Sono Norway	Sono Sweden	Sono Norway	Sono Sweden
Revenue per segment	89.5	92.1	116.4	114.2	181.4	204.3	253.0	224.6
Net sales to other segments	(3.0)	(2.5)	(3.9)	(3.6)	(7.1)	(5.7)	(10.0)	(9.3)
Revenue from external customers	86.5	89.6	112.5	110.6	174.3	198.5	243.0	215.3
	Apr-Jun 2020		Apr-Jun 2019		Jan-Jun 2020		Jan-Jun 2019	
Sono Norway	7.2		11.2		15.2		26.5	
Sono Sweden	8.2		3.9		19.3		11.7	
EBITDA	15.4		15.1		34.5		38.2	
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)		(0.2)		(0.2)		(0.5)	
EBITDA for the Group	15.4		15.0		34.4		37.7	
Amortisation and depreciation	(11.3)		(8.7)		(23.3)		(19.5)	
Financial items net	(8.9)		(11.7)		(21.7)		(23.2)	
Profit before tax	(4.8)		-5.3		(10.6)		(5.0)	

FINANCIAL CALENDAR

2020 3rd Quarter Report: 17.11.2020

ADDITIONAL INFORMATION

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