

Q4 2021 Interim financial report

North Investment Group AB (publ.)



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FINANCIAL HIGHLIGHTS

- Group revenue of SEK 228.0m (SEK 217.4m).
- Gross profit margin 38.9% (38.4%).
- EBITDA of SEK 17.6m (SEK 21.9m).
- Net operating cash flow SEK 25.0m (SEK 25.5m).
- Accepted supplier to public agreements in Sweden within refurbished/used products.
- Freight prices and raw material prices still on historic high level.
- Delays in deliveries from several suppliers.
- Corporate bond listed on Nasdaq Stockholm 2nd November.
- Merge in Sweden finalized 1st November.
- Order backlog of SEK 144.8m (SEK 111.8m).

Key consolidated figures

Key consolidated figures				
	Q4 2021	Q4 2020	Jan-Dec 2021	Jan-Dec 2020
(SEKm, unless stated)	Unaudited	Unaudited	Unaudited	Audited
Revenue	228,0	217,4	833,3	784,7
Gross profit	86,7	80,7	315,8	301,6
EBITDA	17,6	21,9	81,0	86,5
EBIT	6,4	12,9	35,5	42,8
Net Profit	(11,8)	(0,3)	(18,9)	(1,1)
Cash flow from operations	25,0	25,5	49,0	68,6
No of outstanding shares	759 201	759 201	759 201	759 201
Net earnings per share (SEK)	(15,53)	(0,44)	(24,86)	(1,47)
Gross profit margin (%)	38,9	38,4	38,8	39,3
EBITDA margin (%)	7,9	10,4	10,0	11,3

CEO STATEMENT

2021 has been a challenging year in terms of rapidly rising raw material prices that affects most of our products. This has continued also during Q4, and we see that the increased inflation in most of the world affects prices going forward. Despite this increased raw material prices, we have managed to keep our margins close to historical level. Although our order income in 4th quarter is somewhat lower than previous year, our order backlog is higher compared to last year. The activity level in all countries is good and there are several interesting opportunities in all our categories.

We have recently been accepted as one of the suppliers to the frame agreements Adda (more than 200 municipalities in Sweden) and Kammarkollegiet (government in Sweden) within used/refurbished furniture for the next 2-4 years. In the beginning of 2022, we also launched used products on our website in Sweden. With this solution we can offer all our customers high quality used or refurbished products as an alternative. We have started this together with key partners and we expect this business area will grow strongly for the next years.

In Q4 Sørлие Prosjektinnredninger won projects related to various campus (Student housing) in Norway close to SEK 20 mill. The projects will be delivered in 2022 and is various interior such as kitchen, appliances and storage solutions. This business area has been an important part of Sørлие Prosjektinnredninger's turnover the last years.

In November Sonesson Inredningar won the agreement with region Skåne in Sweden for delivery of steel lockers for the next 2 years with an option for further 2 years. Through this agreement we once again show our strong position in Sweden within this important product category for us.

In November we finalized the merge in Sweden with our three companies Sono Sverige AB, Form o Miljö Sweden AB and GBP Ergonomics AB. The new company Sono Sverige AB will be our sales channel in Sweden for direct sales together with Sonesson Inredningar that focus on the category wardrobe. The new sales organization with three regions is ready and attention is towards serving the customer with best possible competence within our strong brands.



Ole Vinje, CEO, Tranås, 28th of February 2021

FINANCIAL REVIEW

Q4 2021

Income statement

The Group reported total operating revenue of SEK 228.0m (SEK 217.4m) and EBITDA of SEK 17.6m (SEK 21.9m) in Q4 2021.

Order intake was SEK 218.1m (SEK 236.0m), corresponding to a decrease of 7.6 % compared to Q4 2020. EBIT for the Group was SEK 6.4m (SEK 12.9m) and net profit SEK -11.8m (SEK -0.3m).

Gross margin for the Group in Q4 2021 was 38.9% (38.4%). Gross margin tends to fluctuate somewhat from quarters to quarters depending on the development within each product category. Increased raw material prices and freight cost puts pressure on our gross margin this quarter.

Segments

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

Norway delivered SEK 118.4m in revenue (SEK 115.9m) and SEK 8.4m in EBITDA (SEK 15.5m) during the quarter. Sweden reported revenue of SEK 117.6m (SEK 102.8m) and EBITDA of SEK 9.7m (SEK 6.5m).

January – December 2021

Income statement

The Group reported total operating revenue of SEK 833.3m (SEK 784.7m) and EBITDA of SEK 81.0m (SEK 86.5m) at the end of December 2021.

Order intake was SEK 830.0m (SEK 785.7m), corresponding to an increase of 5.6 % compared to end of December 2020. EBIT for the Group was SEK 35.5m (SEK 42.8m) and net profit SEK -18.9m (SEK -1.1m).

Gross margin for the Group at the end of Q4 2021 was 38.8% (39.3%).

Segments

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

Norway delivered SEK 418.1m in revenue (SEK 386.4m) and SEK 47.8m in EBITDA (SEK 45.8m) year to date December. Sweden reported revenue of SEK 439.3m (SEK 407.5m) and EBITDA of SEK 34.2m (SEK 41.0m).

Cash flow

The Group's net cash flow from operations was positive with SEK 49.0m (positive SEK 68.6m). The Cash and cash equivalents as of 31st of December 2021 amounts to SEK 45.5m (SEK 88.7m). The group has undrawn credit line of SEK 30.0m (SEK 0m) as of 31st December 2021. The liquidity situation of the Group is healthy and adequate to meet our ambitions going forward.

Balance sheet

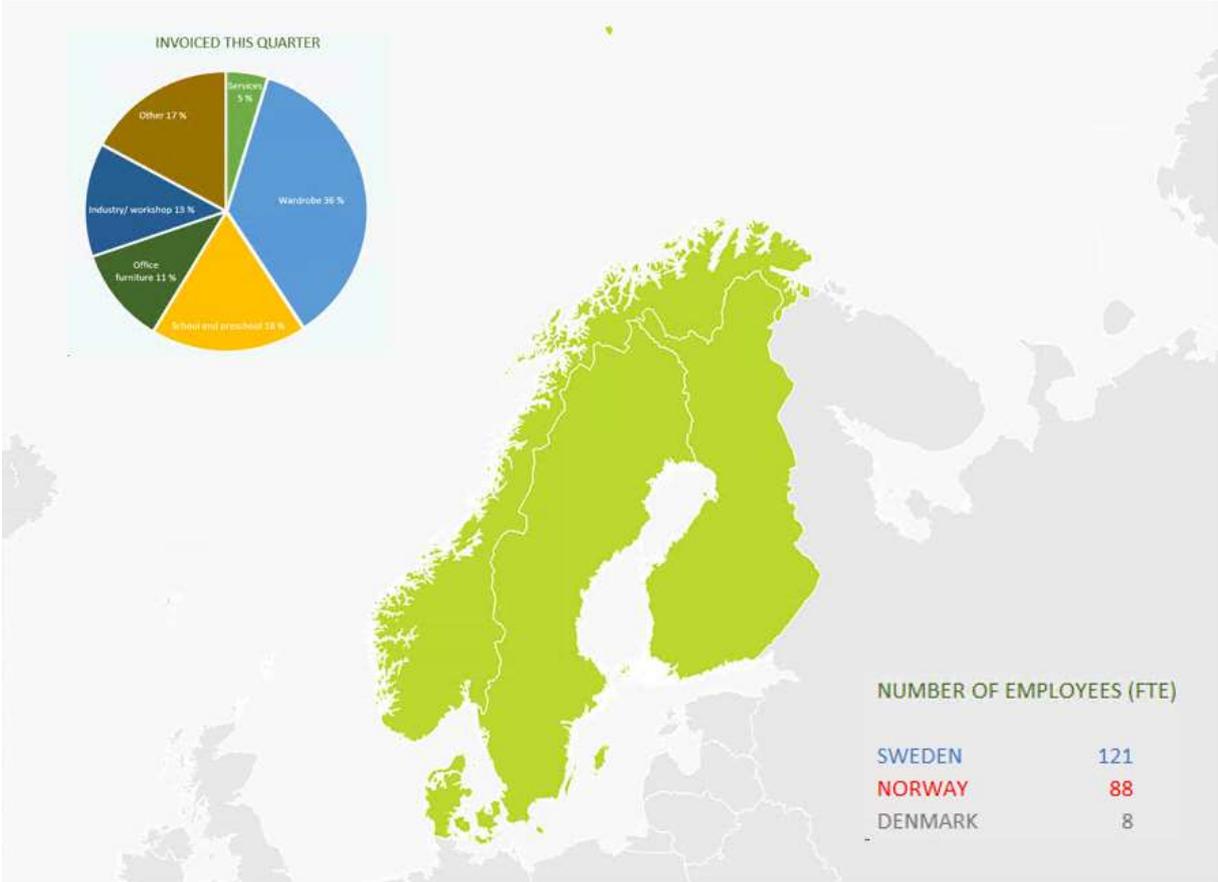
As of 31st of December 2021, the Group had assets of SEK 689.4m, mainly related to goodwill, right of use assets, inventory, and accounts receivables.

Net interest-bearing debt (excl. Lease liabilities) was SEK 233.0m (SEK 228.7m).

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. 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. In May 2021 we refinanced with a new bond loan with 3-year maturity together with a credit line of SEK 30m.

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



OUTLOOK

The macroeconomic environment is improving compared to last quarter and we expect the reopening of Scandinavia will impact positively on our business going forward. The increased prices on raw material and freight rates are a global phenomenon and something we expect to normalize during 2022. We also experience increased delays from several of our suppliers. This applies to some extent both to our core suppliers and suppliers of various components. Our biggest categories within School furniture and wardrobe are to a certain degree dependent of public spending and new building activity, and there are still positive signals in this area.

We are pleased that the new combined company Sono Sverige managed to be accepted as supplier to both public tenders within refurbished and used furniture to government and municipalities. These long-term agreements will be a cornerstone for the sales within this area for the next 4 years. We are now in the final phase for establishing goals for the organization within sustainability and proper KPI's to measure our progress on a regular basis.

2nd of November our bond loan was listed on Nasdaq Stockholm in accordance with the bond terms.



GROUP FINANCIAL STATEMENT

CONSOLIDATED INCOME STATEMENT

All amounts in SEK thousand	Oct-Dec 2021	Oct-Dec 2020	Jan-Dec 2021	Jan-Dec 2020
Revenue	222 805	210 219	814 152	766 720
Other operating revenue	5 236	7 153	19 149	17 978
Total operating revenue	228 041	217 372	833 301	784 698
Cost of goods sold	(136 112)	(125 624)	(498 326)	(445 461)
Other external cost	(21 592)	(19 192)	(71 565)	(73 031)
Salaries and personnel expense	(52 166)	(50 173)	(180 103)	(173 134)
Other operating expense	(533)	(492)	(2 297)	(6 596)
EBITDA	17 638	21 891	81 010	86 476
Depreciation and amortization expense	(11 251)	(8 992)	(45 491)	(43 638)
Operating profit	6 387	12 899	35 519	42 838
Interest income and similar	1 729	424	8 441	2 822
Interest expense and similar	(11 468)	(8 930)	(56 545)	(42 253)
Net financial income (expenses)	(9 739)	(8 506)	(48 104)	(39 431)
Profit before income tax	(3 352)	4 393	(12 585)	3 407
Income taxes	(8 442)	(4 725)	(6 285)	(4 522)
Net profit for the period	(11 794)	(332)	(18 870)	(1 115)

Consolidated statement of comprehensive income

Items that may be reclassified subsequently to income statement

Translation differences on net investment in foreign operations	6 384	1 808	14 380	(21 216)
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Items that will not be reclassified to income statement

Remeasurement of defined benefit pension plans	(586)	48	(586)	(48)
Income taxes	121	(10)	121	10
Other comprehensive income (loss), net of taxes	5 919	1 770	13 915	(21 254)
Total comprehensive income	(5 875)	1 438	(4 955)	(22 369)

CONSOLIDATED BALANCE SHEET

ASSETS	2021	2020
All amounts in SEK thousand	31.12.	31.12.
Software, licences, etc.	11 713	8 787
Goodwill	240 606	229 875
Total intangible assets	252 319	238 662
Right of use assets	152 794	172 949
Land, buildings and other property	1 207	1 191
Machinery and plant	163	2 705
Office machinery, equipment and similar	1 428	2 346
Total property, plant and equipment	155 592	179 191
Other long term receivables	127	120
Total non-current financial assets	127	120
Deferred tax receivables	30 827	35 306
TOTAL NON-CURRENT ASSETS	438 865	453 279
Inventories		
Raw materials	12 531	13 358
Work in progress	787	3 587
Finished products	73 005	55 430
Advance payments to suppliers	1 720	1 063
Total inventories	88 043	73 438
Accounts receivables	105 009	106 636
Other short term receivables	5 636	9 363
Tax recoverables	0	2 255
Prepaid expenses and accrued income	6 271	4 076
Cash and cash equivalents	45 530	88 665
Total receivables	162 446	210 995
TOTAL CURRENT ASSETS	250 489	284 433
TOTAL ASSETS	689 354	737 712

CONSOLIDATED BALANCE SHEET

EQUITY AND LIABILITIES	2021	2020
All amounts in SEK thousand	31.12.	31.12.
Share capital	105 619	105 619
Other equity	(11 871)	(11 871)
Retained earnings	(66 266)	(61 311)
Equity attributable to majority shareholders	27 482	32 437
Bonds	278 592	-
Pension liabilities	30 250	30 530
Other provisions	4 254	5 432
Non-current Lease liabilities	122 787	152 509
Total non-current liabilities	435 883	188 471
Liabilities to financial institutions	-	14
Bonds current	-	317 322
Current lease liabilities	50 035	46 193
Prepayments from customers	5 669	3 222
Accounts payable	78 374	69 358
Tax payable	1 583	-
Other short-term liabilities	29 011	33 255
Accrued expenses and deferred income	61 317	47 440
Total current liabilities	225 989	516 804
TOTAL EQUITY AND LIABILITIES	689 354	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			(1 115)	(1 115)	(1 115)
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			(21 216)	(21 216)	(21 216)
Deffered tax			10	10	10
Total comprehensive income	-	-	(22 369)	(22 369)	(22 369)
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
Comprehensive income					
Profit for the period			(18 870)	(18 870)	(18 870)
Other comprehensive income					
<i>Items that will not be reclassified in profit or loss</i>					
Actuarial loss on pension obligations			(586)	(586)	(586)
<i>Items that may be reclassified in profit or loss</i>					
Translation difference, net assets in foreign currency			- 14 380	14 380	14 380
Deffered tax			121	121	121
Total comprehensive income	-	-	(4 955)	(4 955)	(4 955)
Total shareholders transactions	-	-	-	-	-
Equity as at 31.12.2021	105 619	(11 871)	(66 266)	(78 137)	27 482

CONSOLIDATED STATEMENT OF CASH FLOWS

	Oct-Dec 2021	Oct-Dec 2020	Jan-Dec 2021	Jan-Dec 2020
All amounts in SEK thousand				
Cash flows from operations				
Profit/(loss) before income taxes	-3 352	4 393	-12 585	3 407
Taxes paid in the period	(223)	-	(223)	(119)
Adjustments for items without cash effects	41	1 594	-	595
Net (gains) losses from disposals of assets	(642)	-189	(1 130)	(104)
Depreciation	11 251	8 992	45 491	43 638
Other adjustments	(1 102)	-1 381	(280)	(564)
Currency (gains) losses not related to operating activities	4 788	-677	1 284	(6 617)
Net cash flow from operations before changes in working capital	10 761	12 732	32 557	40 236
Change in inventory	(5 028)	5 194	(15 466)	17 524
Change in trade debtors	1 205	-17 593	2 638	778
Change in trade creditors	11 523	4 022	9 835	1 268
Change in other provisions and receivables	6 583	21 807	19 430	8 821
Net cash flow from operations	25 043	26 162	48 993	68 627
Cash flows from investments				
Purchase of intangible assets	(1 832)	-2 298	(5 295)	(5 351)
Purchase of fixed assets	(293)	-2 494	(690)	(3 152)
Sale of fixed assets	634	-	3 546	290
Purchase of subsidiaries	-	-	-	-
Change in other short- and longterm investments	-	-	-	-
Net cash flows from investments	-1 491	-4 792	(2 439)	(8 213)
Cash flow from financing				
Issue of share capital	-	-	-	-
Net change in credit line	-	14	(15)	14
Proceeds from long term loans	-	-	285 000	-
Repayment of borrowings	259	-3 139	(327 784)	(3 139)
Repayment of leasing liabilities	(12 056)	-12 173	(46 934)	(47 183)
Net cash flow from financing	-11 797	-15 298	(89 733)	(50 308)
Net change in cash and cash equivalents	11 755	6 072	(43 179)	10 106
Cash and cash equivalents at the beginning of the period	33 764	81 055	88 665	79 303
Exchange rate differences in cash and cash equivalents	11	1 538	44	(744)
Cash and cash equivalents at the end of the period	45 530	88 665	45 530	88 665

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

Income statement

All amounts in SEK thousand

	okt-dec 2021	okt-dec 2020	jan-dec 2021	jan-dec 2020
Other external cost	(427)	(68)	(1 038)	(268)
Total operating expense	(427)	(68)	(1 038)	(268)
Operating profit	(427)	(68)	(1 038)	(268)
Interest income and similar	3 870	2 864	10 034	9 668
Interest expense and similar	(7 676)	(7 257)	(38 167)	(29 951)
Net financial income (expenses)	(3 806)	(4 393)	(28 133)	(20 283)
	-	3 900	-	3 900
Profit before income tax	(4 233)	(561)	(29 171)	(16 651)
Income taxes	-	-	-	-
Net profit for the period	(4 233)	(561)	(29 171)	(16 651)

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 31.12	2020 31.12
Other investments	306 456	306 456
Receivables to group companies	94 310	118 404
Deferred tax receivables	321	321
Total non-current financial assets	401 087	425 181
TOTAL NON-CURRENT ASSETS	401 087	425 181
Accounts receivables	56	0
Other short term receivables	7 821	12 919
Shortterm receivables to group companies	169 120	0
Prepaid expenses and accrued income	97	91
Cash and cash equivalents	43 483	6 240
Total receivables	220 577	19 250
TOTAL CURRENT ASSETS	220 577	19 250
TOTAL ASSETS	621 664	444 431

All amounts in SEK thousand

EQUITY AND LIABILITIES	2021 31.12	2020 31.12
Share capital	105 619	105 619
Other equity	17 158	33 809
This years result	-29 171	-16 651
Equity attributable to majority shareholders	93 606	122 777
Bonds	278 592	0
Total non-current liabilities	278 592	0
Current Bonds	0	317 322
Other short-term liabilities	24	0
Liabilities to associated companies	244 127	3 066
Accrued expenses and deferred income	5 211	1 266
Total current liabilities	249 466	321 654
TOTAL EQUITY AND LIABILITIES	621 664	444 431

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

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

	Oct-Dec 2021		Oct-Dec 2020		Jan-Dec 2021		Jan-Dec 2020	
	Sono Norway	Sono Sweden	Sono Norway	Sono Sweden	Sono Norway	Sono Sweden	Sono Norway	Sono Sweden
Revenue per segment	118,4	117,6	115,9	102,8	418,1	439,3	386,4	407,5
Net sales to other segments	(7,5)	(5,8)	(5,0)	(0,2)	(23,9)	(19,3)	(13,7)	(13,5)
Revenue from external customers	111,0	111,8	110,9	102,6	394,2	419,9	372,7	394,0
	Oct-Dec 2021		Oct-Dec 2020		Jan-Dec 2021		Jan-Dec 2020	
Sono Norway	8,4		15,5		47,8		45,8	
Sono Sweden	9,7		6,5		34,2		41,0	
EBITDA	18,1		22,0		82,0		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	(0,7)		(0,1)		(1,0)		(0,3)	
EBITDA for the Group	17,4		21,9		81,0		86,5	
Amortisation and depreciation	(11,3)		(9,0)		(45,5)		(43,6)	
Financial items net	(9,7)		(8,5)		(48,1)		(39,4)	
Profit before tax	(3,6)		4,4		(12,6)		3,4	

FINANCIAL CALENDAR

2021 Annual Report:	26.04.2022
2022 Q1 Report:	12.05.2022
2022 Q2 Report:	26.08.2022
2022 Q3 Report:	11.11.2022

ADDITIONAL INFORMATION

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