

SONO

GROUP

Q4 2022 Interim financial report

North Investment Group AB (publ.)



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FINANCIAL HIGHLIGHTS

- Group revenue of SEK 235.0m (SEK 228.0m).
 - Gross profit margin 40.7% (38.9%).
 - EBITDA of SEK 23.2m (SEK 17.6m).
 - Net operating cash flow SEK 27.5m (SEK 25.0m).
 - SEK 3.8m cost for returning vacant warehouses back to landlord.
 - Successful reduction of inventory level during last quarter.
 - Solid growth within 3rd Party Logistics, new long-term agreement in Sweden.
 - Order intake was SEK 241.9m (SEK 218.1m), and order backlog of SEK 145.6m (SEK 144.8m).
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- Full year group revenue SEK 956.1m (SEK 833.3)
 - Full year adjusted EBITDA SEK 114.7 (SEK 81.0)
 - Full year adjusted EBIT SEK 50.6 (SEK 35.5)

Key consolidated figures

Key consolidated figures (SEKm, unless stated)		SONO GROUP			
		Q4 2022 Unaudited	Q4 2021 Unaudited	Jan-Dec 2022 Unaudited	Jan-Dec 2021 Audited
Revenue	235,0	228,0	956,1	833,3	
Gross profit	95,2	86,7	376,2	315,8	
EBITDA	23,2	17,6	107,0	81,0	
EBIT	6,6	6,4	43,0	35,5	
Non-recurring items	-	-	7,6	-	
Adjusted EBITDA	23,2	17,6	114,7	81,0	
Net Profit	(9,2)	(11,8)	(4,7)	(18,9)	
Cash flow from operations	27,5	25,0	39,7	49,0	
No of outstanding shares	759 201	759 201	759 201	759 201	
Net earnings per share (SEK)	(12,15)	(15,53)	(6,22)	(24,86)	
Gross profit margin (%)	40,7	38,9	39,9	38,8	
EBITDA margin (%)	9,9	7,9	11,4	10,0	

CEO STATEMENT

The sales in 4th quarter were still on a good level. It remains to see any material effects from the increased inflation, energy prices and interest rates in the Scandinavian economies for our order income. The category Office was somewhat reduced in order income in the fourth quarter, but we see positive signs in the beginning of this year. Our revenue is 5% higher compared to Q4 2021. Our order intake in 4th quarter is 11% higher than previous year. For full year 2022 we have an organic growth of approximately 15% compared to 2021. Part of this relates to price increases, but we also have growth in terms of volumes in several parts of our business. A significant part of this growth is related to our third-party logistics business.

The development of our cost prices has been relatively stable during 4th quarter. The lead time for increasing prices to customers varies, however. So, for certain part of our business there has been price increases to our customers also for the 4th quarter. As we indicated in earlier quarterly reports there is a time lag for increasing prices to customers, and we now see that we have managed to come back to the gross margin we had before the raw material prices and freights started to increase.

We also experienced an increase in our inventory-level in Q2 and Q3 this year. This situation was shared with other trade companies in Scandinavia, but also a legacy from the sourcing strategy in 2021. In Q2 2022 we changed the sourcing strategy and set new targets in the organization to reduce the inventory level. I am very pleased to see that we have managed to reduce the inventory level back to the same level we had 1 year ago, without affecting our gross margin or order intake in a negative way.

In Sweden we returned old production facilities back to the owner in Malmö, Lammhult and Mårdaklev at year end 2022. This is property we no longer used for production, but to some extent was subleased to others. We had one-time costs related to this of approximately SEK 3.8m in Q4. This will have a positive effect on liquidity and cost (maintenance, insurance, energy, etc) for 2023.

In Q3 report we informed of our business area, Sono Logistics, and the growth we have had the last 2 years. In December we signed a 5-year agreement with a customer for 25.000 sqm in Jönköping area. We expect an annual income above SEK 35m for sublease of property and delivery of logistics services for the coming years. This business area started in 2020 from zero, and for 2022 we will have approximately 60.000 sqm in which we deliver logistics services from. Our focus in this business area forward is to continue to build customer base and locate attractive facilities in the right geography.



Tore Knut Skedsmo, CEO, Tranås, 28th of February 2023

FINANCIAL REVIEW

Q4 2022

Income statement

The Group reported total operating revenue of SEK 235.0m (SEK 228.0m) and EBITDA of SEK 23.2m (SEK 17.6m) in Q4 2022.

Order intake was SEK 241.9m (SEK 218.1m), corresponding to an increase of 10.9 % compared to Q4 2021. EBIT for the Group was SEK 6.6m (SEK 6.4m) and net profit SEK -9.2m (SEK -11.8m).

Gross margin for the Group in Q4 2022 was 40.7% (38.9%). Gross margin tends to fluctuate somewhat from quarters to quarters depending on the development within each product category.

Segments

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

Norway delivered SEK 112.6m in revenue (SEK 111.0m) and SEK 6.9m in EBITDA (SEK 8.4m) during the quarter. Sweden reported revenue of SEK 121.2m (SEK 111.8m) and EBITDA of SEK 16.5m (SEK 9.7m).

January – December 2022

Income statement

The Group reported total operating revenue of SEK 956.2m (SEK 833.3m) and EBITDA of SEK 107.0m (SEK 81.0m) at the end of December 2022. Nonrecurring items (Related to the cost reduction program "Robust 22") of SEK 7.6m (SEK 0.0m), with adjusted EBITDA of SEK 114.6m.

Order intake was SEK 939.4m (SEK 830.0m), corresponding to an increase of 13.2 % compared to end of December 2021. EBIT for the Group was SEK 43.0m (SEK 35.5m) and net profit SEK -4.7m (SEK -18.9m). Nonrecurring items (Related to the cost reduction program "Robust 22") of SEK 7.6m (SEK 0.0m), with adjusted EBIT of SEK 50.6m.

Gross margin for the Group at the end of 2022 was 39.9% (38.8%). Gross margin tends to fluctuate somewhat from quarters to quarters depending on the development within each product category.

Segments

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

Norway delivered SEK 458.5m in revenue (SEK 394.2m) and SEK 39.7m in EBITDA (SEK 47.8m) year to date December. Sweden reported revenue of SEK 483.5m (SEK 419.9m) and EBITDA of SEK 68.3m (SEK 34.2m).

Cash flow

The Group's net cash flow from operations was positive with SEK 39.7m (SEK 49.0m). The Cash and cash equivalents as of 31st of December 2022 amounts to SEK 17.5m (SEK 45.5m). The group has undrawn credit line of SEK 30.0m (SEK 30.0m) as of 31st of December 2022, e.g., total available funds of SEK 47.5m. The liquidity situation of the Group is adequate to meet our ambitions going forward.

Balance sheet

As of 31st of December 2022, the Group had assets of SEK 812.5m, mainly related to goodwill, right of use assets, inventory, and accounts receivables. The increase in right of use assets and lease liabilities is related to our new warehouse we rent in Tranås.

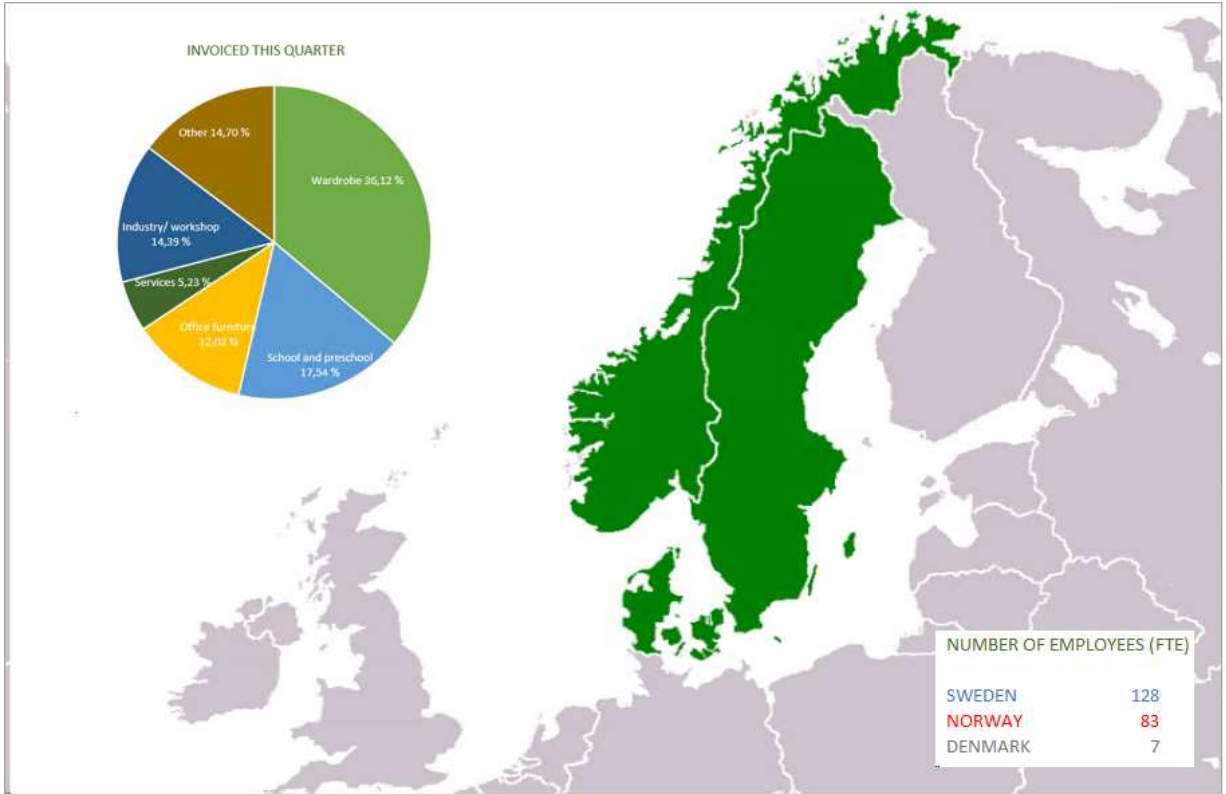
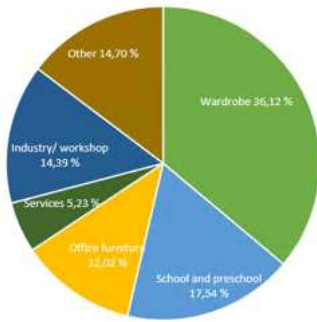
Net interest-bearing debt (excl. Lease liabilities) was SEK 263.7m (SEK 233.1m).

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.

For more information related to risks, see annual statement 2021.

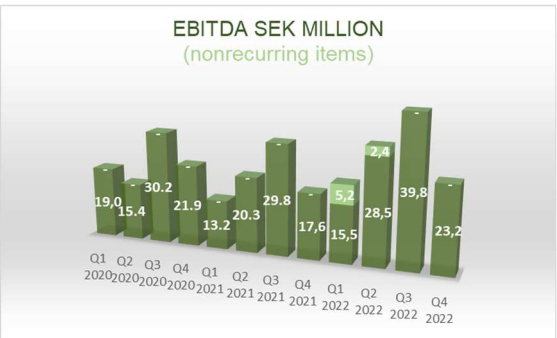
INVOICED THIS QUARTER



OUTLOOK

2022 turned out with an organic growth of 15% and with the highest income ever in today's shape of the Group. There is still potential for growth in most areas of our business. With a strong focus on cost management and gross margins we have set targets for increasing the profitability of the group. From the growth strategy the organization developed in 2022 we see that several of the initiatives already have started to give effect. There is in general a high activity level in the sales organization with increase in amount of offers to customers. Today's organization have a strong sales focus and cooperate close with strategic purchasing/product management. Together with our strong product portfolio this will be the key for succeeding in 2023.

We see that the macro-economic environment has resulted in delays in decisions and start up for new projects in the property markets. The strongest negative effects are however towards housing market in the Scandinavian countries in which we are not present with our products. The commercial property market such as warehouses and logistic buildings are to a much less extent affected so far. We have a very low market share in certain part of our business where we have the products and market-presence to succeed regardless of the macro-economic environment.



GROUP FINANCIAL STATEMENT

CONSOLIDATED INCOME STATEMENT

All amounts in SEK thousand	Oct-Dec 2022	Oct-Dec 2021	Jan-Dec 2022	Jan-Dec 2021
Revenue	233 733	222 805	941 953	814 152
Other operating revenue	1 262	5 236	14 195	19 149
Total operating revenue	234 995	228 041	956 148	833 301
Cost of goods sold	(138 507)	(136 112)	(565 741)	(498 326)
Other external cost	(25 784)	(21 592)	(81 604)	(71 565)
Salaries and personnel expense	(49 046)	(52 166)	(198 833)	(180 103)
Other operating expense	1 534	(533)	(2 935)	(2 297)
EBITDA	23 192	17 638	107 035	81 010
Depreciation and amortization expense	(16 587)	(11 251)	(64 046)	(45 491)
Operating profit	6 605	6 387	42 989	35 519
Interest income and similar	284	1 729	5 062	8 441
Interest expense and similar	(12 436)	(11 468)	(47 930)	(56 545)
Net financial income (expenses)	(12 152)	(9 739)	(42 868)	(48 104)
Profit before income tax	(5 547)	(3 352)	121	(12 585)
Income taxes	(3 679)	(8 442)	(4 846)	(6 285)
Net profit for the period	(9 226)	(11 794)	(4 725)	(18 870)

Consolidated statement of comprehensive income

Items that may be reclassified subsequently to income statement

Translation differences on net investment in foreign operations	1 903	6 384	5 140	14 380
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Items that will not be reclassified to income statement

Remeasurement of defined benefit pension plans	7 811	(586)	7 811	(586)
Income taxes	(1 609)	121	(1 609)	121
Other comprehensive income (loss), net of taxes	8 105	5 919	11 342	13 915
Total comprehensive income	(1 121)	(5 875)	6 617	(4 955)

Total comprehensive income attributable to:

Equity holders of North Investment Group AB (publ)

CONSOLIDATED BALANCE SHEET

ASSETS	2022	2021
All amounts in SEK thousand	12.31	12.31
Software, licences, etc.	9 147	11 713
Goodwill	245 700	240 606
Total intangible assets	254 847	252 319
Right of use assets	294 455	152 794
Land, buildings and other property	1 506	1 207
Machinery and plant	155	163
Office machinery, equipment and similar	5 574	1 428
Total property, plant and equipment	301 690	155 592
Other long term receivables	133	127
Total non-current financial assets	133	127
Deferred tax receivables	24 550	30 827
TOTAL NON-CURRENT ASSETS	581 220	438 865
Inventories		
Raw materials	12 955	12 531
Work in progress	611	787
Finished products	75 263	73 005
Advance payments to suppliers	0	1 720
Total inventories	88 829	88 043
Accounts receivables	113 215	105 009
Other short term receivables	4 629	5 636
Tax recoverables	0	-
Prepaid expenses and accrued income	7 097	6 271
Cash and cash equivalents	17 508	45 530
Total receivables	142 449	162 446
TOTAL CURRENT ASSETS	231 278	250 489
TOTAL ASSETS	812 498	689 354

CONSOLIDATED BALANCE SHEET

EQUITY AND LIABILITIES	2022	2021
All amounts in SEK thousand	12.31	12.31
Share capital	105 619	105 619
Other equity	(11 871)	(11 871)
Retained earnings	(59 649)	(66 266)
Equity attributable to majority shareholders	34 099	27 482
Bonds	281 154	278 592
Pension liabilities	21 262	30 250
Other provisions	208	4 254
Non-current Lease liabilities	271 639	122 787
Total non-current liabilities	574 263	435 883
Current lease liabilities	41 084	50 035
Prepayments from customers	1 712	5 669
Accounts payable	79 001	78 374
Tax payable	-	1 583
Other short-term liabilities	27 602	29 011
Accrued expenses and deferred income	54 737	61 317
Total current liabilities	204 136	225 989
TOTAL EQUITY AND LIABILITIES	812 498	689 354

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 01.01.2021	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
Deferred tax			121	121	121
Total comprehensive income	-	-	(4 955)	(4 955)	(4 955)
Equity as at 31.12.2021	105 619	(11 871)	(66 266)	(78 137)	27 482
Equity as at 01.01.2022	105 619	(11 871)	(66 266)	(78 137)	27 482
Profit for the period			(4 725)	(4 725)	(4 725)
Other comprehensive income					
<i>Items that will not be reclassified in profit or loss</i>					
Actuarial loss on pension obligations			7 811	7 811	7 811
<i>Items that may be reclassified in profit or loss</i>					
Translation difference, net assets in foreign currency		-	5 140	5 140	5 140
Deferred tax			(1 609)	(1 609)	(1 609)
Total comprehensive income	-	-	6 617	6 617	6 617
Total shareholders transactions	-	-	-	-	-
Equity as at 31.12.2022	105 619	(11 871)	(59 649)	(71 520)	34 099

CONSOLIDATED STATEMENT OF CASH FLOWS

	Oct-Dec 2022	Oct-Dec 2021	Jan-Dec 2022	Jan-Dec 2021
<i>All amounts in SEK thousand</i>				
Cash flows from operations				
Profit/(loss) before income taxes	-5 547	(3 352)	121	(12 585)
Taxes paid in the period	-	(223)	(1 583)	(223)
Adjustments for items without cash effects	-	41	-	-
Net (gains) losses from disposals of assets	90	(642)	77	(1 130)
Depreciation	16 587	11 251	64 046	45 491
Other adjustments	(1 988)	(1 102)	(1 177)	(280)
Currency (gains) losses not related to operating activities	2 020	4 788	4 495	1 284
Net cash flow from operations before changes in working capital	11 162	10 761	65 979	32 557
Change in inventory	13 262	(5 028)	(3 113)	(15 466)
Change in trade debtors	1 311	1 205	(19 710)	2 638
Change in trade creditors	739	11 523	2 689	9 835
Change in other provisions and receivables	1 052	6 583	(6 134)	19 430
Net cash flow from operations	27 526	25 043	39 711	48 993
Cash flows from investments				
Purchase of intangible assets	(933)	(1 832)	(2 157)	(5 295)
Purchase of fixed assets	(1 114)	(293)	(6 187)	(690)
Sale of fixed assets	-	634	-	3 546
Net cash flows from investments	(2 047)	(1 491)	(8 344)	-2 439
Cash flow from financing				
Net change in credit line	-	-	-	(15)
Proceeds from long term loans	-	-	-	285 000
Repayment of borrowings	1 922	259	-	(327 784)
Repayment of leasing liabilities	(15 577)	(12 056)	(59 397)	(46 934)
Net cash flow from financing	(13 655)	(11 797)	(59 397)	(89 733)
Net change in cash and cash equivalents	11 824	11 755	-28 030	(43 179)
Cash and cash equivalents at the beginning of the period	5 672	33 764	45 530	88 665
Exchange rate differences in cash and cash equivalents	12	11	8	44
Cash and cash equivalents at the end of the period	17 508	45 530	17 508	45 530

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

Income statement

All amounts in SEK thousand

	okt-dec 2022	okt-dec 2021	jan-dec 2022	jan-dec 2021
Other external cost	(270)	(427)	(1 017)	(1 038)
Total operating expense	(270)	(427)	(1 017)	(1 038)
Operating profit	(270)	(427)	(1 017)	(1 038)
Interest income and similar	5 604	3 870	16 993	10 034
Interest expense and similar	(10 510)	(7 676)	(35 600)	(38 167)
Net financial income (expenses)	(4 906)	(3 806)	(18 607)	(28 133)
	-	-	-	-
Profit before income tax	(5 176)	(4 233)	(19 624)	(29 171)
Income taxes	-	-	-	-
Net profit for the period	(5 176)	(4 233)	(19 624)	(29 171)

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	2022 31.12	2021 31.12
Other investments	306 456	306 456
Receivables to group companies	94 310	94 310
Deferred tax receivables	321	321
Total non-current financial assets	401 087	401 087
TOTAL NON-CURRENT ASSETS	401 087	401 087
Accounts receivables	0	56
Other short term receivables	348	7 821
Shortterm receivables to group companies	151 836	169 120
Prepaid expenses and accrued income	64	97
Cash and cash equivalents	16 456	43 483
Total receivables	168 704	220 577
TOTAL CURRENT ASSETS	168 704	220 577
TOTAL ASSETS	569 791	621 664

All amounts in SEK thousand

EQUITY AND LIABILITIES	2022 31.12	2021 31.12
Share capital	105 619	105 619
Other equity	-12 013	17 158
This years result	-19 624	-29 171
Equity attributable to majority shareholders	73 982	93 606
Bonds	281 154	278 592
Total non-current liabilities	281 154	278 592
Accounts payable	0	104
Other short-term liabilities	0	24
Liabilities to associated companies	209 829	244 127
Accrued expenses and deferred income	4 826	5 211
Total current liabilities	214 655	249 466
TOTAL EQUITY AND LIABILITIES	569 791	621 664

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 2021 Annual Report. The 2021 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 2022. 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 2022		Oct-Dec 2021		Jan-Dec 2022		Jan-Dec 2021	
	Sono Norway	Sono Sweden	Sono Norway	Sono Sweden	Sono Norway	Sono Sweden	Sono Norway	Sono Sweden
Revenue per segment	118,3	137,9	118,4	117,6	497,2	543,4	418,1	439,3
Net sales to other segments	(5,7)	(16,7)	-7,5	-5,8	-38,7	-60,0	-23,9	-19,3
Revenue from external customers	112,6	121,2	111,0	111,8	458,5	483,5	394,2	419,9
	Oct-Dec 2022		Oct-Dec 2021		Jan-Dec 2022		Jan-Dec 2021	
Sono Norway	6,9		8,4		39,7		47,8	
Sono Sweden	16,5		9,7		68,3		34,2	
EBITDA	23,5		18,1		108,1		82,0	
for the Group's operating segments is reconciled with the Group's profit before tax in accordance with the following:								
NIG AB and elimination	(0,3)		(0,4)		(1,0)		(1,0)	
EBITDA for the Group	23,2		17,6		107,0		81,0	
Amortisation and depreciation	(16,6)		(11,3)		(64,0)		(45,5)	
Financial items net	(12,2)		(9,7)		(42,9)		(48,1)	
Profit before tax	(5,5)		(3,4)		0,1		(12,6)	

FINANCIAL CALENDAR

2022 Annual Report:	28.04.2023
2023 Q1 Report:	12.05.2023
2023 Q2 Report:	25.08.2023
2023 Q3 Report:	14.11.2023

ADDITIONAL INFORMATION

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