

SONO

GROUP

Q1 2022 Interim financial report

North Investment Group AB (publ.)



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FINANCIAL HIGHLIGHTS

- Group revenue of SEK 227.2m (SEK 187.4m).
- Gross profit margin 38.1% (39.2%).
- EBITDA of SEK 15.5m (SEK 13.2m).
- Nonrecurring items of SEK 5.2m related to cost program.
- Adjusted EBITDA of SEK 20.7m (SEK 13.2m)
- Net operating cash flow SEK -7.2m (SEK -5.9m).
- Cost reduction program, Robust 22, initiated with estimated full year effect of above SEK 25m.
- Freight prices and raw material prices still on historic high level.
- Delays in deliveries from several suppliers.
- Indirectly affected by war in Ukraine that impacts prices and deliveries from our suppliers in Europe.
- Ole Vinje resigned as CEO 4th March, replaced by Tore Knut Skedsmo.
- Order intake was SEK 230.7m (SEK 196.9m), and order backlog of SEK 163.5m (SEK 127.8m).

Key consolidated figures

Key consolidated figures		SONO GROUP		
		Jan-Mar 2022	Jan-Mar 2021	Jan-Dec 2021
(SEKm, unless stated)	Unaudited	Unaudited	Audited	
Revenue	227,2	187,4	833,3	
Gross profit	83,6	71,5	315,8	
EBITDA	15,5	13,2	81,0	
EBIT	1,3	2,2	35,5	
Non-recurring items	5,2	-	-	
Adjusted EBITDA	20,7	13,2	81,0	
Net Profit	(6,2)	(4,9)	(18,9)	
Cash flow from operations	(7,2)	(5,9)	49,0	
No of outstanding shares	759 201	759 201	759 201	
Net earnings per share (SEK)	(8,16)	(6,51)	(24,86)	
Gross profit margin (%)	38,1	39,2	38,8	
EBITDA margin (%)	7,1	7,3	10,0	

CEO STATEMENT

The start of 2022 has continued in the same way as last year. The raw material prices started to show small signs to decrease, but as the war started in Ukraine, the increasing raw material prices and challenges with deliveries and freights has continued. We are only indirectly affected as we do not have any suppliers in the countries affected. Our biggest suppliers have still managed to continue the deliveries almost as before. Our order income in 1st quarter is 17% higher than previous year and our order backlog is 28% higher compared to end of March 2021.

The challenges we have experienced in the last six to nine months in terms of raw material prices has made us initiate a new cost reduction program, "Robust 22". In the first quarter we had non-recurring items related to the program of SEK 5.2m. The program will continue the next two quarters with an estimated year-on-year effect of above SEK 25m. The cost reductions are not estimated to have any negative effect on the revenue.

1st of March we took over (rented property) our new warehouse in Höganloft, Tranås. The warehouse consists of 20.000 square meters warehouse facility and 1400 square meters office facilities. This modern facility will improve our logistics and our growth potential in terms of third-party logistics services (3PL) in the region. The lease obligation in our balance increases with SEK 160m because of this. At year end 2022 four logistics-/production buildings in Sweden will be delivered back to the owners as the contracts expires. In sum this will give us a positive liquidity effect and reduce our rental obligations.

In the beginning of April, we signed an agreement with the Norwegian Defense /Norwegian Directorate of Immigration to deliver beds for the refugees arriving in Norway in Q2 of approximately SEK 12 mill. This has been possible thanks to our broad network of suppliers in Europe that are able to prioritize delivery quick despite the challenging situation for supplies of raw materials and freights.

After two months as CEO of the company I sense a positivity and engagement towards our future journey as a company. The key take aways for the company will be operational excellence, prudent cost management, simplifying further the organization and focus on our strengths when we address our markets.



Tore Knut Skedsmo, CEO, Tranås, 12th of May 2022

FINANCIAL REVIEW

January – March 2022

Income statement

The Group reported total operating revenue of SEK 227.2m (SEK 187.4m) and EBITDA of SEK 15.5m (SEK 13.2m) at the end of March 2022. Nonrecurring items of SEK 5.2m (SEK 0.0m), with adjusted EBITDA of SEK 20.7m.

Order intake was SEK 230.7m (SEK 196.9m), corresponding to an increase of 17.2 % compared to end of March 2021. EBIT for the Group was SEK 1.3m (SEK 2.2m) and net profit SEK -6.2m (SEK -4.9m).

Gross margin for the Group at the end of Q1 2022 was 38.1% (39.2%). 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 111.2m in revenue (SEK 92.2m) and SEK 6.3m in EBITDA (SEK 8.3m) year to date March. Sweden reported revenue of SEK 108.3m (SEK 90.3m) and EBITDA of SEK 9.5m (SEK 5.0m).

Cash flow

The Group's net cash flow from operations was negative with SEK 7.2m (negative SEK 5.9m). The Cash and cash equivalents as of 31st of March 2022 amounts to SEK 23.6m (SEK 73.2m). The group has undrawn credit line of SEK 30.0m (SEK 0m) as of 31st March 2022. The liquidity situation of the Group is adequate to meet our ambitions going forward.

Balance sheet

As of 31st of March 2022, the Group had assets of SEK 841.2m, mainly related to goodwill, right of use assets, inventory, and accounts receivables.

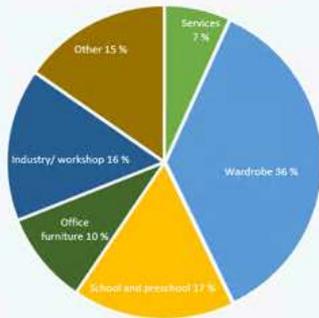
Net interest-bearing debt (excl. Lease liabilities) was SEK 255.6m (SEK 242.9m).

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 2021.

INVOICED THIS QUARTER



NUMBER OF EMPLOYEES (FTE)

SWEDEN	128
NORWAY	92
DENMARK	8

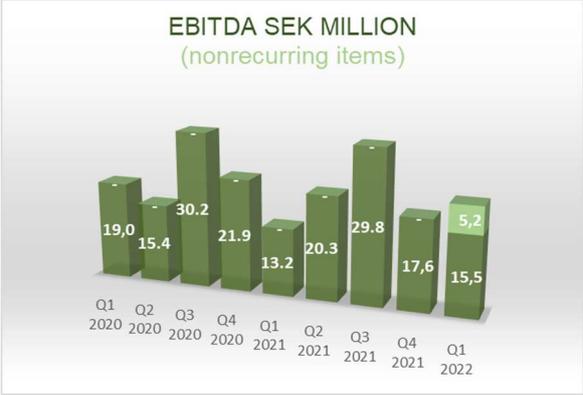
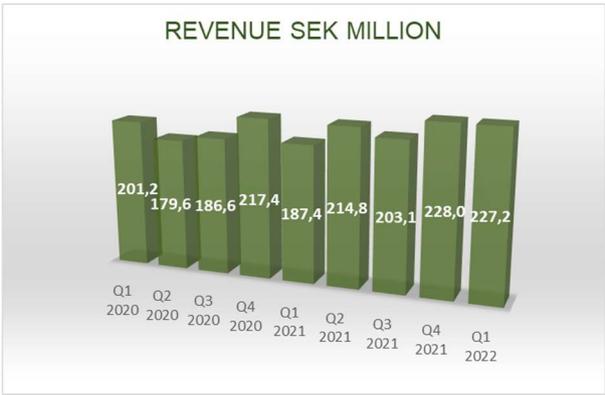
OUTLOOK

The tragic war in Ukraine creates new challenges for us in terms of deliveries and raw material prices. Steel, wood, and plastic, that are critical components to most of our products, has been heavily affected. There is full attention towards both secure supplies and to be able to secure our margins as the purchase prices increases rapidly. Because of this the validity of our offers have been reduced to reduce our risk exposure.

The Covid-19 strategy in China in terms of closing cities when they experience outbreaks, is challenging for the production and freights for our products from China. In terms of amounts, these volumes are limited for us, but it still gives us challenges when there is lack of certain components that can cause delays to some of our projects.

In the short term we have initiated cost reductions/Robust 22 as well as increased prices to our customers further through temporary raw material price additions. We will also renew our strategy going more towards growth in areas where we have best market power. These actions will mitigate the challenges explained earlier with pressure on margins.

In the beginning of March, Tore Skedsmo replaced Ole Vinje as CEO. We are thankful for Ole's contribution, and we see our Group as more unified compared to earlier. The extensive business experience for the management will help the company maneuver in a more unsecure and rapid changing environment. The ability to move fast and be flexible will separate the successful companies from the others for the next couple of years.



GROUP FINANCIAL STATEMENT

CONSOLIDATED INCOME STATEMENT

All amounts in SEK thousand	Jan-Mar 2022	Jan-Mar 2021	Jan-Dec 2021
Revenue	219 480	182 421	814 152
Other operating revenue	7 745	4 978	19 149
Total operating revenue	227 225	187 399	833 301
Cost of goods sold	(135 882)	(110 896)	(498 326)
Other external cost	(18 851)	(17 204)	(71 565)
Salaries and personnel expense	(55 440)	(45 311)	(180 103)
Other operating expense	(1 527)	(751)	(2 297)
EBITDA	15 525	13 237	81 010
Depreciation and amortization expense	(14 274)	(11 066)	(45 491)
Operating profit	1 251	2 171	35 519
Interest income and similar	2 789	4 258	8 441
Interest expense and similar	(11 979)	(12 494)	(56 545)
Net financial income (expenses)	(9 190)	(8 236)	(48 104)
Profit before income tax	(7 939)	(6 065)	(12 585)
Income taxes	1 747	1 124	(6 285)
Net profit for the period	(6 192)	(4 941)	(18 870)

Consolidated statement of comprehensive income

Items that may be reclassified subsequently to income statement

Translation differences on net investment in foreign operations	5 971	13 908	14 380
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Items that will not be reclassified to income statement

Remeasurement of defined benefit pension plans	-	-	(586)
Income taxes	-	-	-
Other comprehensive income (loss), net of taxes	5 971	13 908	13 794
Total comprehensive income	(221)	8 967	(5 076)

Total comprehensive income attributable to:

Equity holders of North Investment Group AB (publ)

CONSOLIDATED BALANCE SHEET

ASSETS	2022	2021	2021
All amounts in SEK thousand	31.3.	31.3.	31.12.
Software, licences, etc.	11 473	9 873	11 713
Goodwill	248 518	240 430	240 606
Total intangible assets	259 991	250 303	252 319
Right of use assets	315 239	175 234	152 794
Land, buildings and other property	1 302	1 245	1 207
Machinery and plant	91	1 105	163
Office machinery, equipment and similar	1 707	2 219	1 428
Total property, plant and equipment	318 339	179 803	155 592
Other long term receivables	134	127	127
Total non-current financial assets	134	127	127
Deferred tax receivables	32 723	36 583	30 827
TOTAL NON-CURRENT ASSETS	611 187	466 816	438 865
Inventories			
Raw materials	12 962	12 607	12 531
Work in progress	673	1 558	787
Finished products	74 225	59 314	73 005
Advance payments to suppliers	1 463	56	1 720
Total inventories	89 323	73 535	88 043
Accounts receivables	104 052	82 829	105 009
Other short term receivables	6 592	7 920	5 636
Tax recoverables	0	3 112	0
Prepaid expenses and accrued income	6 413	6 565	6 271
Cash and cash equivalents	23 595	73 221	45 530
Total receivables	140 652	173 647	162 446
TOTAL CURRENT ASSETS	229 975	247 182	250 489
TOTAL ASSETS	841 162	713 998	689 354

CONSOLIDATED BALANCE SHEET

EQUITY AND LIABILITIES	2022	2021	2021
All amounts in SEK thousand	31.3.	31.3.	31.12.
Share capital	105 619	105 619	105 619
Other equity	(11 871)	(11 871)	(11 871)
Retained earnings	(66 487)	(52 344)	(66 266)
Equity attributable to majority shareholders	27 261	41 404	27 482
Bonds	279 232	-	278 592
Pension liabilities	30 453	30 804	30 250
Other provisions	4 408	4 488	4 254
Non-current Lease liabilities	278 230	151 637	122 787
Total non-current liabilities	592 323	186 929	435 883
Liabilities to financial institutions	-	-	-
Bonds current	-	316 132	-
Current lease liabilities	56 752	48 442	50 035
Prepayments from customers	3 096	780	5 669
Accounts payable	63 601	45 450	78 374
Tax payable	1 649	-	1 583
Other short-term liabilities	27 970	23 953	29 011
Accrued expenses and deferred income	68 510	50 908	61 317
Total current liabilities	221 578	485 665	225 989
TOTAL EQUITY AND LIABILITIES	841 162	713 998	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			(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
Equity as at 31.03.2021	105 619	(11 871)	(52 344)	(64 215)	41 404
Profit for Q2-Q4			(13 929)	(13 929)	(13 929)
Other Comprehensive income					
<i>Items that will not be reclassified in profit or loss</i>					
Issue of share capital			(586)	(586)	(586)
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			472	472	472
Deferred tax			121	121	121
Total comprehensive income	-	-	(13 922)	(13 922)	(13 922)
Total shareholders transactions	-	-	-	-	-
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			(6 192)	(6 192)	(6 192)
<i>Items that may be reclassified in profit or loss</i>					
Translation difference, net assets in foreign currency			- 5 971	5 971	5 971
Total comprehensive income	-	-	(221)	(221)	(221)
Total shareholders transactions	-	-	-	-	-
Equity as at 31.03.2022	105 619	(11 871)	(66 487)	(78 358)	27 261

CONSOLIDATED STATEMENT OF CASH FLOWS

	Jan-Mar 2022	Jan-Mar 2021	Jan-Dec 2021
All amounts in SEK thousand			
Cash flows from operations			
Profit/(loss) before income taxes	-7 939	-6 065	(12 585)
Taxes paid in the period	-	-	(223)
Adjustments for items without cash effects	-	(43)	-
Net (gains) losses from disposals of assets	-	(882)	(1 130)
Depreciation	14 274	11 066	45 491
Other adjustments	203	274	(280)
Currency (gains) losses not related to operating activities	4 518	(1 317)	1 284
Net cash flow from operations before changes in working capital	11 056	3 033	32 557
Change in inventory	(3 570)	(921)	(15 466)
Change in trade debtors	(9 044)	19 992	2 638
Change in trade creditors	(12 742)	(23 125)	9 835
Change in other provisions and receivables	7 063	(4 901)	19 430
Net cash flow from operations	-7 237	(5 922)	48 993
Cash flows from investments			
Purchase of intangible assets	(570)	(1 116)	(5 295)
Purchase of fixed assets	(603)	(223)	(690)
Sale of fixed assets	-	2 438	3 546
Purchase of subsidiaries	-	-	-
Change in other short- and longterm investments	-	-	-
Net cash flows from investments	-1 173	1 099	(2 439)
Cash flow from financing			
Issue of share capital	-	-	-
Net change in credit line	-	(14)	(15)
Proceeds from long term loans	-	-	285 000
Repayment of borrowings	-	-	(327 784)
Repayment of leasing liabilities	(13 518)	(11 543)	(46 934)
Net cash flow from financing	-13 518	(11 557)	(89 733)
Net change in cash and cash equivalents	-21 928	(16 380)	(43 179)
Cash and cash equivalents at the beginning of the period	45 530	88 665	88 665
Exchange rate differences in cash and cash equivalents	(7)	936	44
Cash and cash equivalents at the end of the period	23 595	73 221	45 530

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

Income statement

All amounts in SEK thousand

	Jan-Mar 2022	Jan-Mar 2021
Other external cost	(217)	(58)
Total operating expense	(217)	(58)
Operating profit	(217)	(58)
Interest income and similar	3 750	2 150
Interest expense and similar	(7 656)	(6 906)
Net financial income (expenses)	(3 906)	(4 756)
	-	-
Profit before income tax	(4 123)	(4 814)
Income taxes	-	-
Net profit for the period	(4 123)	(4 814)

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	2021
	31.03	31.03
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	15	0
Other short term receivables	2 720	5 974
Shortterm receivables to group companies	184 614	
Tax recoverables	0	0
Prepaid expenses and accrued income	31	61
Cash and cash equivalents	20 741	7 210
Total receivables	208 121	13 245
TOTAL CURRENT ASSETS	208 121	13 245
TOTAL ASSETS	609 208	438 426

All amounts in SEK thousand

EQUITY AND LIABILITIES	2022	2021
	31.03	31.03
Share capital	105 619	105 619
Other equity	-12 013	17 158
This years result	-4 123	-4 814
Equity attributable to majority shareholders	89 483	117 963
Bonds	279 232	0
Total non-current liabilities	279 232	0
Current Bonds	0	316 132
Accounts payable	101	0
Liabilities to associated companies	236 623	3 066
Accrued expenses and deferred income	3 769	1 265
Total current liabilities	240 493	320 463
TOTAL EQUITY AND LIABILITIES	609 208	438 426

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

	Jan-Mar 2022		Jan-Mar 2021		Jan-Dec 2021	
	Sono Norway	Sono Sweden	Sono Norway	Sono Sweden	Sono Norway	Sono Sweden
Revenue per segment	123,9	122,2	97,7	94,5	418,1	439,3
Net sales to other segments	(12,7)	(13,9)	(5,5)	(4,3)	(23,9)	(19,3)
Revenue from external customers	111,2	108,3	92,2	90,3	394,2	419,9
	Jan-Mar 2022		Jan-Mar 2021		Jan-Dec 2021	
Sono Norway	6,3		8,3		47,8	
Sono Sweden	9,5		5,0		34,2	
EBITDA	15,7		13,3		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	(0,2)		(0,1)		(1,0)	
EBITDA for the Group	15,5		13,2		81,0	
Amortisation and depreciation	(14,3)		(11,1)		(45,5)	
Financial items net	(9,2)		(8,2)		(48,1)	
Profit before tax	(7,9)		-6,1		(12,6)	

FINANCIAL CALENDAR

2022 Q2 Report: 26.08.2022

2022 Q3 Report: 11.11.2022

ADDITIONAL INFORMATION

Please contact



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