

SONO

GROUP

Q2 2022 Interim financial report

North Investment Group AB (publ.)



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FINANCIAL HIGHLIGHTS

- Group revenue of SEK 248.3m (SEK 214.8m).
- Gross profit margin 40.7% (38.5%).
- EBITDA of SEK 28.5m (SEK 20.3m).
- Nonrecurring items of SEK 2.4m related to cost program.
- Adjusted EBITDA of SEK 30.9m (SEK 20.3m)
- Net operating cash flow SEK 9.7m (SEK 5.1m).
- Cost reduction program, Robust 22, finalized with estimated full year effect of appr. SEK 30m.
- Freight prices and raw material prices still on high levels.
- Delays in deliveries from several suppliers.
- Order intake was SEK 294.7m (SEK 266.9m), and order backlog of SEK 209.9m (SEK 191.5m).

Key consolidated figures

Key consolidated figures		SONO GROUP			
(SEKm, unless stated)	Q2 2022 Unaudited	Q2 2021 Unaudited	Jan-Jun 2022 Unaudited	Jan-Jun 2021 Unaudited	
Revenue	248,3	214,8	475,5	402,2	
Gross profit	100,0	81,3	183,6	152,8	
EBITDA	28,5	20,3	44,0	33,5	
EBIT	12,3	8,7	13,5	10,9	
Non-recurring items	2,4	-	7,6	-	
Adjusted EBITDA	30,9	20,3	51,6	33,5	
Net Profit	2,8	(6,8)	(3,4)	(11,8)	
Cash flow from operations	9,7	5,1	2,5	(0,8)	
No of outstanding shares	759 201	759 201	759 201	759 201,0	
Net earnings per share (SEK)	3,65	(8,99)	(4,51)	(15,50)	
Gross profit margin (%)	40,7	38,5	39,4	38,8	
EBITDA margin (%)	11,6	9,6	9,5	8,5	

CEO STATEMENT

In the second quarter of 2022 our revenue was the highest ever for a single quarter. Our order income in 2nd quarter is more than 10% higher than previous year and our order backlog is higher compared to end of June 2021. For the first half year of 2022 we have an organic growth of more than 18% compared to same period 2021. We see that there are still several other interesting areas for further growth for this and next year. We experience highly motivated and experienced employees in all countries and business areas that are ready to gain market shares in all important markets for us.

Some of the raw material prices have decreased at the end of second quarter and during the summer. However, have energy prices, wages and inflation in general continued to increase. The margins are slowly coming back to normal level after the small reduction we experienced during 2021. We see the same signals as others that producers seem to have more capacity to deliver as normal again the last couple of months. Besides the indirect effects, we are to a small degree affected by the war in Ukraine. Our biggest suppliers have still managed to continue the deliveries almost as before and we have a wide range of products in stock.

Our cost reduction program, "Robust 22", was finalized during Q2. The non-recurring items related to the program has a total of SEK 7.6m for the first half year, whereas SEK 2.4m relates to Q2. The program had a year-on-year effect of approximately SEK 30m. The cost reductions are not estimated to have any negative effect on the revenue. Going forward we will keep a strict cost management, but still look for interesting possibilities to invest in the market.

Sørrie Prosjektinnredninger continues the growth especially towards fixed interior (kitchen, appliances, and storage solutions) in Norway. During Q2 they have won several new projects towards various campus (Student housing). They have also won delivery of both furniture and fixed interior to a new nursing home in Viken county in Norway totaling approximately SEK 15m.



Tore Knut Skedsmo, CEO, Tranås, 26th of August 2022

FINANCIAL REVIEW

Q2 2022

Income statement

The Group reported total operating revenue of SEK 248.3m (SEK 214.8m) and EBITDA of SEK 28.5m (SEK 20.3m) in Q2 2022. Nonrecurring items of SEK 2.4m (SEK 0.0m), with adjusted EBITDA of SEK 30.9m.

Order intake was SEK 294.7m (SEK 266.9m), corresponding to an increase of 10.4 % compared to Q2 2021. EBIT for the Group was SEK 12.3m (SEK 8.7m) and net profit SEK 2.8m (SEK -6.8m).

Gross margin for the Group in Q2 2022 was 40.7% (38.5%). 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 130.9m in revenue (SEK 106.7m) and SEK 13.2m in EBITDA (SEK 14.8m) during the quarter. Sweden reported revenue of SEK 115.0m (SEK 104.6m) and EBITDA of SEK 15.5m (SEK 5.7m).

January – June 2022

Income statement

The Group reported total operating revenue of SEK 475.5m (SEK 402.2m) and EBITDA of SEK 44.0m (SEK 33.5m) at the end of June 2022. Nonrecurring items of SEK 7.6m (SEK 0.0m), with adjusted EBITDA of SEK 51.6m.

Order intake was SEK 525.3m (SEK 463.7m), corresponding to an increase of 13.3 % compared to end of June 2021. EBIT for the Group was SEK 13.5m (SEK 10.9m) and net profit SEK -3.4m (SEK -11.8m).

Gross margin for the Group at the end of Q2 2022 was 39.4% (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 242.1m in revenue (SEK 198.9m) and SEK 19.5m in EBITDA (SEK 23.2m) year to date June. Sweden reported revenue of SEK 223.3m (SEK 194.9m) and EBITDA of SEK 25.0m (SEK 10.7m).

Cash flow

The Group's net cash flow from operations was positive with SEK 2.5m (negative SEK 0.8m). The Cash and cash equivalents as of 30th of June 2022 amounts to SEK 13.5m (SEK 24.3m). The group has undrawn credit line of SEK 30.0m (SEK 27.3m) as of 30th June 2022, e.g., total available funds of SEK 43.5m. The liquidity situation of the Group is adequate to meet our ambitions going forward.

Balance sheet

As of 30th of June 2022, the Group had assets of SEK 884.7m, 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.

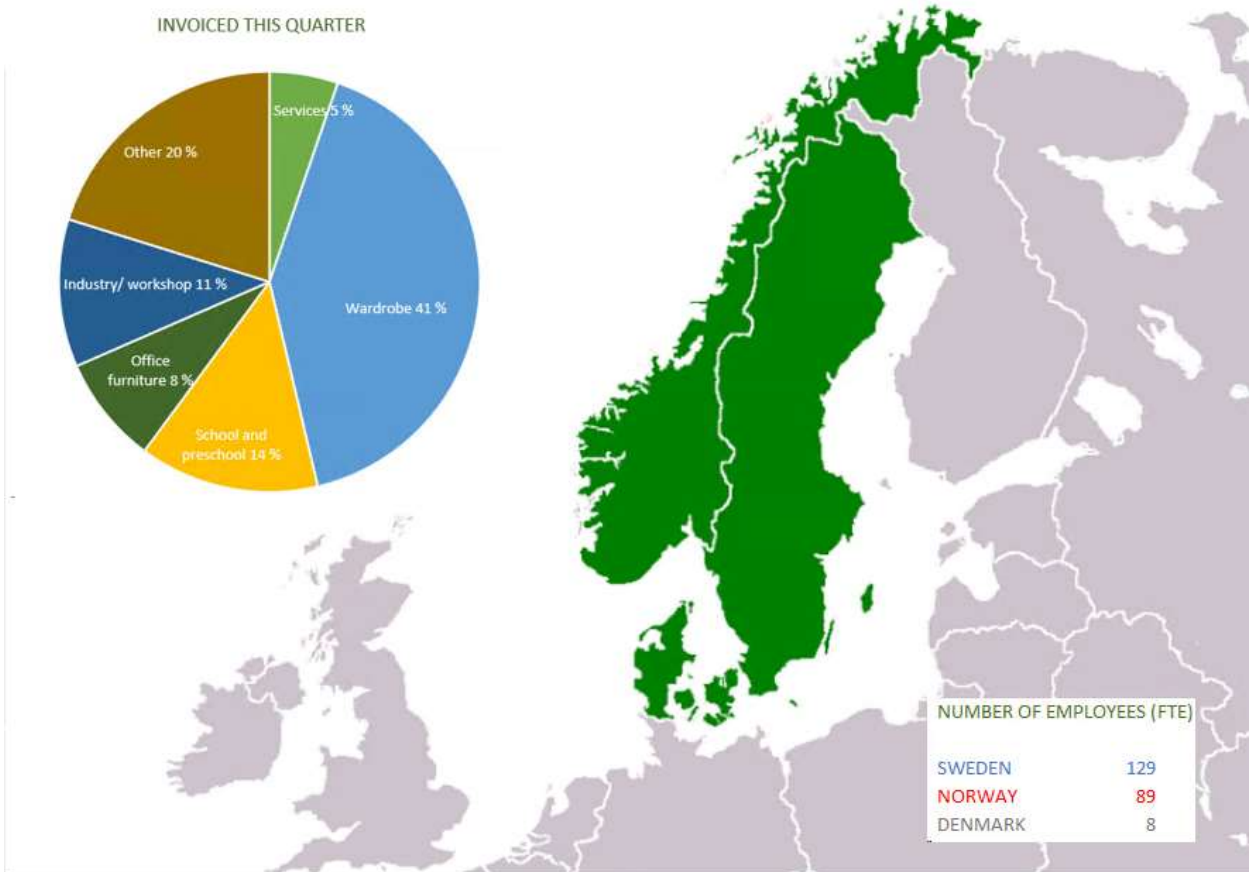
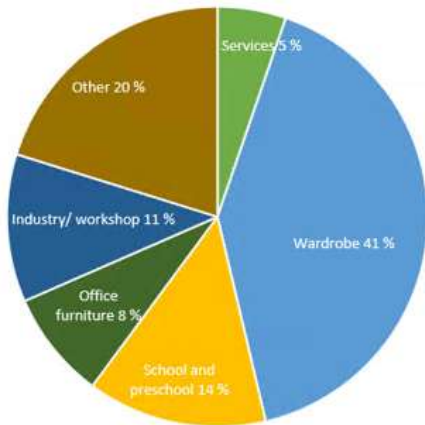
Net interest-bearing debt (excl. Lease liabilities) was SEK 276.7m (SEK 255.7m).

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 2021.

INVOICED THIS QUARTER

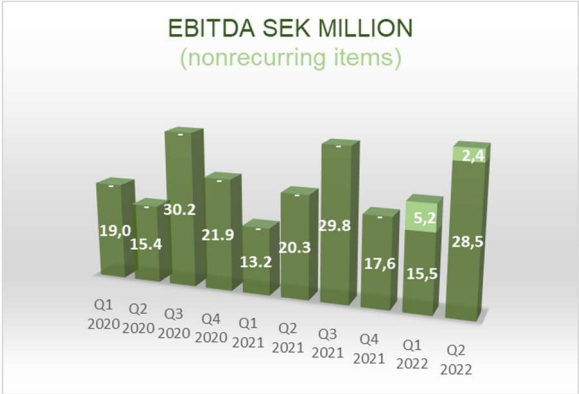


OUTLOOK

The macroeconomic environment in terms of high inflation and increased interest rates is monitored closely. These factors affect the entire market, and we see ourselves in a good position to gain market shares and adjust prices on our products. Our split of sales between private and public markets and our wide product portfolio is an advantage if the business cycles turn downwards. The risk exposure has been reduced due to our cost reductions/Robust 22, making it possible to meet a more demanding market going forward when it arrives.

The new management has quickly made necessary actions in terms of reducing the personnel cost and regain our focus on margins. We are pleased to see that we already see effects from these actions in this financial report.

Our strong backlog and many interesting business opportunities makes us confident that we can present healthy financials also for the remaining of 2022. We will renew our strategy during Q3 and Q4 to more focused on our strengths and to find growth opportunities in markets where we have products that both have healthy sustainable footprint and margins to make it possible to further invest in product updates and developments. We will in this strategy-process also look to our sustainability strategy to make it even more measurable and better integrated with our everyday business. In Sweden we are part in the two big public agreements within refurbished products. It is important for us to accelerate our growth through these agreements, as this market is expected to grow further the next years.



GROUP FINANCIAL STATEMENT

CONSOLIDATED INCOME STATEMENT

All amounts in SEK thousand	Apr-Jun 2022	Apr-Jun 2021	Jan-Jun 2022	Jan-Jun 2021	Jan-Dec 2021
Revenue	245 954	211 359	465 434	393 780	814 152
Other operating revenue	2 366	3 434	10 111	8 412	19 149
Total operating revenue	248 320	214 793	475 545	402 192	833 301
Cost of goods sold	(145 972)	(130 062)	(281 854)	(240 958)	(498 326)
Other external cost	(18 892)	(17 609)	(37 743)	(34 813)	(71 565)
Salaries and personnel expense	(54 327)	(45 884)	(109 767)	(91 195)	(180 103)
Other operating expense	(644)	(946)	(2 171)	(1 697)	(2 297)
EBITDA	28 485	20 292	44 010	33 529	81 010
Depreciation and amortization expense	(16 195)	(11 575)	(30 469)	(22 641)	(45 491)
Operating profit	12 290	8 717	13 541	10 888	35 519
Interest income and similar	133	2 068	2 922	6 326	8 441
Interest expense and similar	(8 785)	(19 626)	(20 764)	(32 120)	(56 545)
Net financial income (expenses)	(8 652)	(17 558)	(17 842)	(25 794)	(48 104)
Profit before income tax	3 638	(8 841)	(4 301)	(14 906)	(12 585)
Income taxes	(869)	2 014	878	3 138	(6 285)
Net profit for the period	2 769	(6 827)	(3 423)	(11 768)	(18 870)
Consolidated statement of comprehensive income					
Items that may be reclassified subsequently to income statement					
Translation differences on net investment in foreign operations	(8 749)	(6 382)	(2 778)	7 526	14 380
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	(8 749)	(6 382)	(2 778)	7 526	13 794
Total comprehensive income	(5 980)	(13 209)	(6 201)	(4 242)	(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	30.6.	30.6.	31.12.
Software, licences, etc.	10 542	9 424	11 713
Goodwill	241 568	235 576	240 606
Total intangible assets	252 110	245 000	252 319
Right of use assets	307 959	161 444	152 794
Land, buildings and other property	1 202	1 164	1 207
Machinery and plant	67	364	163
Office machinery, equipment and similar	5 455	1 847	1 428
Total property, plant and equipment	314 683	164 819	155 592
Other long term receivables	130	122	127
Total non-current financial assets	130	122	127
Deferred tax receivables	31 806	38 476	30 827
TOTAL NON-CURRENT ASSETS	598 729	448 417	438 865
Inventories			
Raw materials	18 337	15 380	12 531
Work in progress	1 094	1 508	787
Finished products	89 113	58 899	73 005
Advance payments to suppliers	825	1 099	1 720
Total inventories	109 369	76 886	88 043
Accounts receivables	146 971	115 841	105 009
Other short term receivables	7 953	2 216	5 636
Tax recoverables	0	3 802	0
Prepaid expenses and accrued income	8 103	4 703	6 271
Cash and cash equivalents	13 527	24 294	45 530
Total receivables	176 554	150 856	162 446
TOTAL CURRENT ASSETS	285 923	227 742	250 489
TOTAL ASSETS	884 652	676 159	689 354

CONSOLIDATED BALANCE SHEET

EQUITY AND LIABILITIES	2022	2021	2021
All amounts in SEK thousand	30.6.	30.6.	31.12.
Share capital	105 619	105 619	105 619
Other equity	(11 871)	(11 871)	(11 871)
Retained earnings	(72 467)	(65 553)	(66 266)
Equity attributable to majority shareholders	21 281	28 195	27 482
Bonds	279 874	278 587	278 592
Pension liabilities	30 757	31 078	30 250
Other provisions	3 854	3 508	4 254
Non-current Lease liabilities	276 234	137 947	122 787
Total non-current liabilities	590 719	451 120	435 883
Liabilities to financial institutions	-	1 420	-
Bonds current	-	-	-
Current lease liabilities	50 432	46 817	50 035
Prepayments from customers	1 707	560	5 669
Accounts payable	113 384	59 916	78 374
Tax payable	1 582	-	1 583
Other short-term liabilities	44 009	29 451	29 011
Accrued expenses and deferred income	61 538	58 680	61 317
Total current liabilities	272 652	196 844	225 989
TOTAL EQUITY AND LIABILITIES	884 652	676 159	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			(11 768)	(11 768)	(11 768)
<i>Items that may be reclassified in profit or loss</i>					
Translation difference, net assets in foreign currency			7 526	7 526	7 526
Total comprehensive income	-	-	(4 242)	(4 242)	(4 242)
Equity as at 30.06.2021	105 619	(11 871)	(65 553)	(77 424)	28 195
Profit for Q3-Q4			(7 102)	(7 102)	(7 102)
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			6 854	6 854	6 854
Deferred tax			121	121	121
Total comprehensive income	-	-	(713)	(713)	(713)
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			(3 423)	(3 423)	(3 423)
<i>Items that may be reclassified in profit or loss</i>					
Translation difference, net assets in foreign currency			- (2 778)	(2 778)	(2 778)
Total comprehensive income	-	-	(6 201)	(6 201)	(6 201)
Total shareholders transactions	-	-	-	-	-
Equity as at 30.06.2022	105 619	(11 871)	(72 467)	(84 338)	21 281

CONSOLIDATED STATEMENT OF CASH FLOWS

	Apr-Jun 2022	Apr-Jun 2021	Jan-Jun 2022	Jan-Jun 2021	Jan-Dec 2021
All amounts in SEK thousand					
Cash flows from operations					
Profit/(loss) before income taxes	3 638	(8 841)	(4 301)	(14 906)	(12 585)
Taxes paid in the period	-	-	-	-	(223)
Adjustments for items without cash effects	-	2	-	(41)	-
Net (gains) losses from disposals of assets	-	452	-	(430)	(1 130)
Depreciation	16 195	11 575	30 469	22 641	45 491
Other adjustments	304	274	507	548	(280)
Currency (gains) losses not related to operating activities	(1 998)	182	2 520	(1 135)	1 284
Net cash flow from operations before changes in working capital	18 139	3 644	29 195	6 677	32 557
Change in inventory	(18 209)	(2 323)	(21 779)	(3 244)	(15 466)
Change in trade debtors	(41 026)	(31 520)	(50 070)	(11 528)	2 638
Change in trade creditors	48 886	13 490	36 144	(9 635)	9 835
Change in other provisions and receivables	1 944	21 849	9 007	16 948	19 430
Net cash flow from operations	9 733	5 140	2 496	-782	48 993
Cash flows from investments					
Purchase of intangible assets	(619)	(436)	(1 189)	(1 552)	(5 295)
Purchase of fixed assets	(4 140)	(174)	(4 743)	(397)	(690)
Sale of fixed assets	-	396	-	2 834	3 546
Purchase of subsidiaries	-	-	-	-	-
Change in other short- and longterm investments	-	-	-	-	-
Net cash flows from investments	(4 759)	(214)	(5 932)	885	-2 439
Cash flow from financing					
Net change in credit line	-	1 420	-	1 406	(15)
Proceeds from long term loans	-	285 000	-	285 000	285 000
Repayment of borrowings	-	(327 663)	-	(327 663)	(327 784)
Repayment of leasing liabilities	(15 007)	(11 654)	(28 525)	(23 197)	(46 934)
Net cash flow from financing	(15 007)	(52 897)	(28 525)	(64 454)	(89 733)
Net change in cash and cash equivalents	(10 033)	(47 971)	-31 961	(64 351)	(43 179)
Cash and cash equivalents at the beginning of the period	23 595	73 221	45 530	88 665	88 665
Exchange rate differences in cash and cash equivalents	(35)	(956)	(42)	(20)	44
Cash and cash equivalents at the end of the period	13 527	24 294	13 527	24 294	45 530

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

Income statement

All amounts in SEK thousand

	Apr-Jun 2022	Apr-Jun 2021	Jan-Jun 2022	Jan-Jun 2021
Other external cost	(275)	(265)	(492)	(323)
Total operating expense	(275)	(265)	(492)	(323)
Operating profit	(275)	(265)	(492)	(323)
Interest income and similar	3 569	1 720	7 319	3 870
Interest expense and similar	(8 186)	(15 446)	(15 842)	(22 352)
Net financial income (expenses)	(4 617)	(13 726)	(8 523)	(18 482)
	-	-	-	-
Profit before income tax	(4 892)	(13 991)	(9 015)	(18 805)
Income taxes	-	-	-	-
Net profit for the period	(4 892)	(13 991)	(9 015)	(18 805)

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
	30.06	30.06
Other investments	306 456	306 456
Receivables to group companies	94 310	73 466
Deferred tax receivables	321	321
Total non-current financial assets	401 087	380 243
TOTAL NON-CURRENT ASSETS	401 087	380 243
Accounts receivables	15	0
Other short term receivables	4 744	89 549
Shortterm receivables to group companies	182 609	
Tax recoverables	0	0
Prepaid expenses and accrued income	31	30
Cash and cash equivalents	12 062	-2 715
Total receivables	199 461	86 864
TOTAL CURRENT ASSETS	199 461	86 864
TOTAL ASSETS	600 548	467 107

All amounts in SEK thousand

EQUITY AND LIABILITIES	2022	2021
	30.06	30.06
Share capital	105 619	105 619
Other equity	-12 013	17 158
This years result	-9 015	-18 805
Equity attributable to majority shareholders	84 591	103 972
Bonds	279 874	278 587
Total non-current liabilities	279 874	278 587
Accounts payable	259	0
Tax payable	0	0
Liabilities to associated companies	231 769	81 348
Accrued expenses and deferred income	4 055	3 200
Total current liabilities	236 083	84 548
TOTAL EQUITY AND LIABILITIES	600 548	467 107

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

	Apr-Jun 2022		Apr-Jun 2021		Jan-Jun 2022		Jan-Jun 2021	
	Sono Norway	Sono Sweden	Sono Norway	Sono Sweden	Sono Norway	Sono Sweden	Sono Norway	Sono Sweden
Revenue per segment	141,8	131,6	112,3	108,7	265,7	253,9	210,0	203,3
Net sales to other segments	(10,9)	(16,6)	(5,5)	(4,1)	(23,6)	(30,5)	(11,1)	(8,4)
Revenue from external customers	130,9	115,0	106,7	104,6	242,1	223,3	198,9	194,9
	Apr-Jun 2022		Apr-Jun 2021		Jan-Jun 2022		Jan-Jun 2021	
Sono Norway	13,2		14,8		19,5		23,2	
Sono Sweden	15,5		5,7		25,0		10,7	
EBITDA	28,8		20,6		44,5		33,9	
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)		(0,3)		(0,5)		(0,3)	
EBITDA for the Group	28,5		20,3		44,0		33,5	
Amortisation and depreciation	(16,2)		(11,6)		(30,5)		(22,6)	
Financial items net	(8,7)		(17,6)		(17,8)		(25,8)	
Profit before tax	3,6		-8,8		(4,3)		(14,9)	

FINANCIAL CALENDAR

2022 Q3 Report:

11.11.2022

ADDITIONAL INFORMATION

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