

Q3 2020 Interim financial report

North Investment Group AB (publ.)



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FINANCIAL HIGHLIGHTS

- Group revenue of SEK 186.6m (SEK 229m).
- Gross profit margin 38.5% (37.0%).
- EBITDA of SEK 30.2m (SEK 26.5m).
- Net operating cash flow SEK 32.5m (SEK 14.5m).
- Covid-19 impacts negatively on reported revenue.
- Closing down production facility in Tranås, Sweden.
- Further cost reductions in Sweden executed.
- Order backlog of SEK 85.3m (SEK 97.2m).

Key consolidated figures

Key consolidated figures (SEKm, unless stated)	SONO GROUP			
	Q3 2020 Unaudited	Q3 2019 Unaudited	Jan-Sep 2020 Unaudited	Jan-Sep 2019 Unaudited
Revenue	186.6	229.0	567.3	693.2
Gross profit	70.6	83.9	220.9	260.8
EBITDA	30.2	26.5	64.6	64.3
EBIT	18.9	14.8	29.9	33.0
Net Profit	7.7	2.6	(0.8)	(1.3)
Cash flow from operations	32.5	14.5	42.5	(4.8)
No of outstanding shares	759 201	759 201	759 201	759 201
Net earnings per share (SEK)	10.17	3.39	(1.03)	(1.70)
Gross profit margin (%)	38.5	37.0	39.7	38.1
EBITDA margin (%)	16.5	11.7	11.6	9.4

CEO STATEMENT

The difficult market conditions related to Covid-19 continued also during 3rd quarter. Despite a reduction in revenue of more than 18% we managed to improve our EBITDA compared to previous year. The advantage of an asset light business model is evident and gives the Group possibility to come out of this crisis with an even more robust competitiveness. The operations have proceeded close to normal and our sick leave is at a normal level. Our product category School furniture has not performed at expected level this year. This category has had the strongest negative impact from Covid-19.

Sono Group's business idea is to develop and source products from our brands from an extensive network of qualified manufacturers in Europe and Asia, and not be a producer of our own. Our mission is to serve our customers with best possible solutions in terms of price, quality and delivery. We have therefore decided in medio October to close the production facility in Tranås that produce part of our product portfolio in school furniture. Agreements with the future suppliers/partners has been agreed and signed. Restructuring cost related to close down is expected to be at an immaterial level. The logistics center in Tranås will continue as before.

Our company for ergonomics and office furniture in Sweden, Ergoff Miljö AB, will change name to Sono Sweden AB as of January 2021. With this change we will have a Sono-company in all three Scandinavian countries. The business model of Ergoff will not change due to this name change and the name Ergoff will exist as our product brand for office furniture.

With the demanding market conditions in especially Sweden we have increased our cost reductions beyond what planned in our cost program Trim 2020. We have centralized the customer services for the Swedish Group, enabling us to improve the quality of our customer support together with reducing our cost.

During the last year the focus has been on cost reductions and secure our operations during the Covid-19 outbreak. Going forward several initiatives will be taken to increase our revenues and gain market shares in a competitive market environment.



Ole Vinje, CEO, Tranås, 17th of November 2020

FINANCIAL REVIEW

Q3 2020

Income statement

The Group reported total operating revenue of SEK 186.6m (SEK 229.0m) and EBITDA of SEK 30.2m (SEK 26.5m) in Q3 2020.

Order intake was SEK 147.1m (SEK 164.1m), corresponding to a decrease of 10.3 % compared to Q3 2019. EBIT for the Group was SEK 18.9m (SEK 14.8m) and net profit SEK 7.7m (SEK 2.6m).

Gross margin for the Group in Q3 2020 was 38.5% (37.0%). Gross margin tends to fluctuate somewhat from quarters to quarters depending on which product category that has growth and decrease in turnover.

Segments

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

Norway delivered SEK 89.2m in revenue (SEK 99.5m) and SEK 15.1m in EBITDA (SEK 11.1m) during the quarter. Sweden reported revenue of SEK 100.5m (SEK 134.9m) and EBITDA of SEK 15.2m (SEK 15.6m).

January – September 2020

Income statement

The Group reported total operating revenue of SEK 567.3m (SEK 693.2m) and EBITDA of SEK 64.6m (SEK 64.2m) at the end of September 2020.

Order intake was SEK 549.7m (SEK 665.2m), corresponding to a decrease of 17.4 % compared to end of September 2019. EBIT for the Group was SEK 29.9m (SEK 33.0m) and net profit SEK -0.8m (SEK -1.3m).

Gross margin for the Group at the end of Q3 2020 was 39.7% (38.1%).

Segments

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

Norway delivered SEK 270.6m in revenue (SEK 352.4m) and SEK 30.3m in EBITDA (SEK 37.6m) year to date September. Sweden reported revenue of SEK 304.7m (SEK 359.6m) and EBITDA of SEK 34.5m (SEK 27.3m).

Cash flow

The Group’s net cash flow from operations was positive with SEK 42.5m (negative SEK 4.9m). The Cash and cash equivalents as of 30th of September 2020 amounts to SEK 81m (SEK 78.7m). The liquidity situation of the Group is very good and adequate to meet our strategic ambitions.

Balance sheet

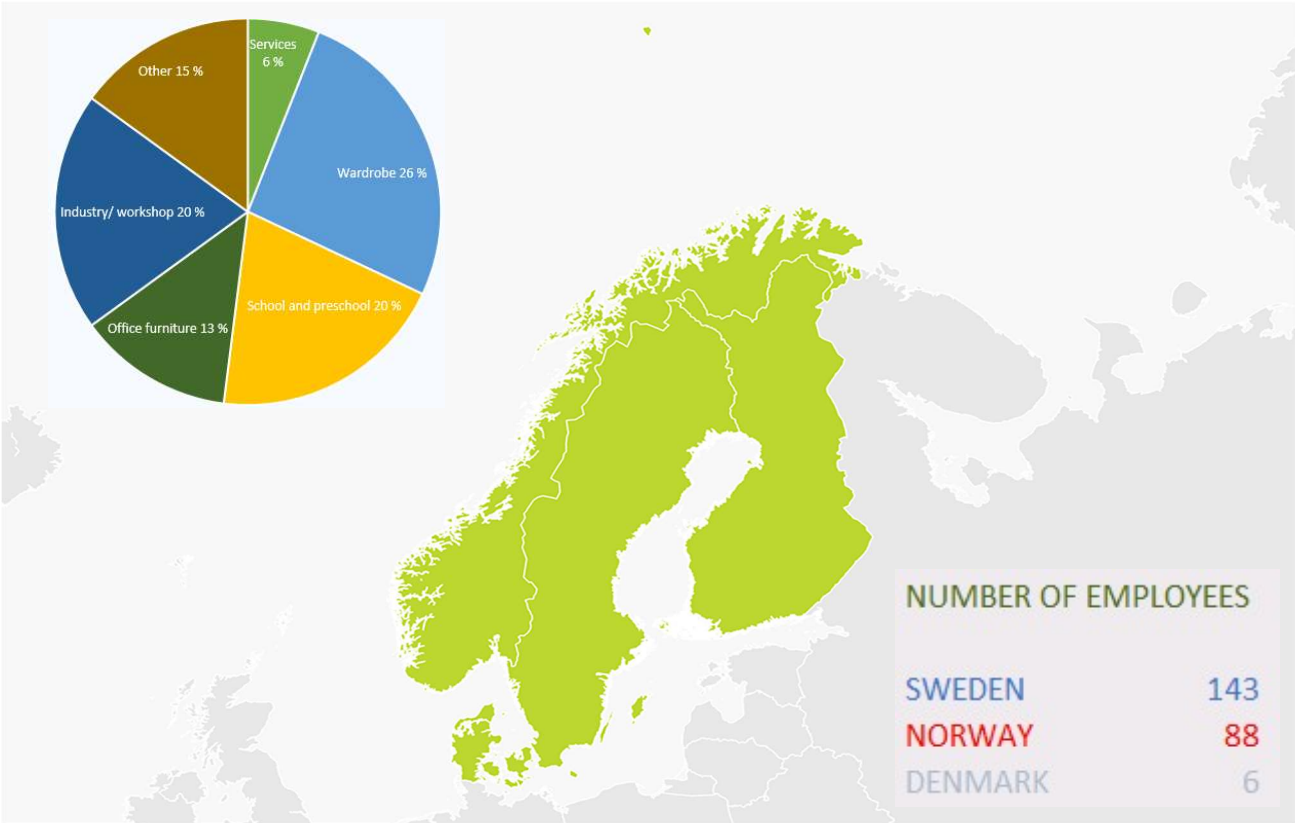
As of 30th of September 2020, the Group had assets of SEK 734m, mainly related to goodwill, right of use assets, inventory, cash and cash equivalents and accounts receivables.

Net interest bearing debt (excl. Lease liabilities) was SEK 238.7m (SEK 235.9m). The bond loan in the balance sheet matures in full in September 2021 and is therefore reclassified from long term to short term in this financial report.

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 year to date related to currency is SEK 23.0m (positive SEK 7.9m).

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 one of the Group's main risk, especially related to the maturity of the bond loan. Several initiatives are ongoing related to refinancing this. For more information, see annual statement 2019.



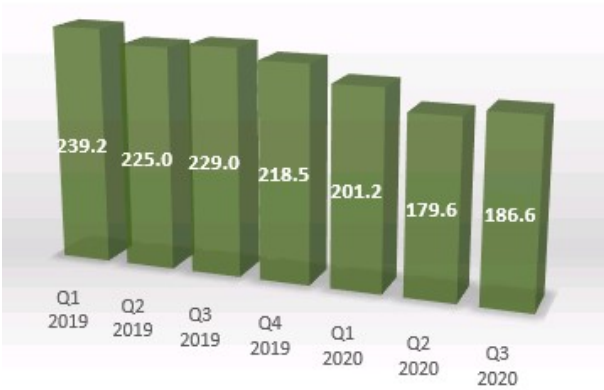
OUTLOOK

As we enter the 4th quarter, we see in certain markets an adaptation to the current situation. The startup of construction of new public buildings (schools, offices, etc.) affects all our main markets. For 2021 we plan for a moderate growth compared to 2020 and a strict cost control, which expectantly will lead to increased profit and positive cash flow. Estimates for the future is still highly insecure due to the Covid-19 situation and no guidance for 2021 will be given.

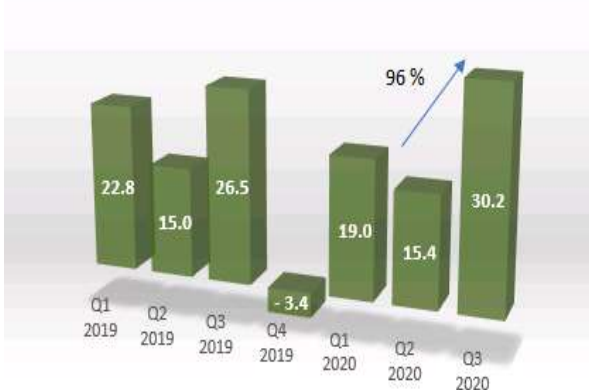
The Board of Directors highly acknowledge the work done to keep operations running. Cost reductions already taken will help the Group build a solid ground for the future. Our strategic goals for the years to come remains unchanged, and several projects from the previous 3 years strategy has already been executed even during a difficult year.

The refinancing of the Group has the full attention from both the management and the board of directors, as our bond loans matures in September 2021. Despite a challenging year in 2020, the Group has delivered results at a higher level in 3rd quarter compared to previous year. With the lower cost base, we have reduced the risk for the Group and we currently work with several options for a robust financing from 3rd quarter 2021 and onwards.

REVENUE SEK MILLION



EBITDA SEK MILLION



GROUP FINANCIAL STATEMENT

CONSOLIDATED INCOME STATEMENT

All amounts in SEK thousand	Jul-Sep 2020	Jul-Sep 2019	Jan-Sep 2020	Jan-Sep 2019	Jan-Dec 2019
Revenue	183 615	226 752	556 501	685 094	899 207
Other operating revenue	2 964	2 284	10 825	8 096	12 444
Total operating revenue	186 579	229 036	567 326	693 190	911 651
Cost of goods sold	(108 293)	(136 156)	(319 837)	(403 579)	(529 470)
Other external cost	(14 858)	(17 403)	(53 839)	(59 860)	(92 172)
Salaries and personnel expense	(34 623)	(43 376)	(122 961)	(151 741)	(214 726)
Other operating expense	1 426	(5 558)	(6 104)	(13 720)	(14 364)
EBITDA	30 231	26 543	64 585	64 290	60 919
Depreciation and amortization expense	(11 355)	(11 775)	(34 646)	(31 272)	(40 420)
Operating profit	18 876	14 768	29 939	33 018	20 499
Interest income and similar	894	167	2 398	914	2 038
Interest expense and similar	(10 118)	(11 648)	(33 323)	(35 583)	(47 780)
Net financial income (expenses)	(9 224)	(11 481)	(30 925)	(34 669)	(45 742)
Profit before income tax	9 652	3 287	(986)	(1 651)	(25 243)
Income taxes	(1 932)	(717)	203	363	1 143
Net profit for the period	7 720	2 570	(783)	(1 288)	(24 100)

Consolidated statement of comprehensive income

Items that may be reclassified subsequently to income statement

Translation differences on net investment in foreign operations	(2 284)	(2 161)	(23 023)	7 924	4 422
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Items that will not be reclassified to income statement

Remeasurement of defined benefit pension plans	-	-	-	-	(4 861)
Income taxes	-	-	-	-	1 001
Other comprehensive income (loss), net of taxes	(2 284)	(2 161)	(23 023)	7 924	562
Total comprehensive income	5 436	409	(23 806)	6 636	(23 538)

CONSOLIDATED BALANCE SHEET

ASSETS	2020	2019	2019
All amounts in SEK thousand	30.09.	30.09.	31.12.
Software, licences, etc.	6 950	4 406	5 321
Goodwill	228 898	249 496	246 004
Total intangible assets	235 848	253 902	251 325
Right of use assets	180 019	223 112	218 902
Land, buildings and other property	981	1 360	1 246
Machinery and plant	761	4 150	1 195
Office machinery, equipment and similar	2 588	3 490	3 461
Total property, plant and equipment	184 349	232 112	224 804
Other long term receivables	114	211	121
Total non-current financial assets	114	211	121
Deferred tax receivables	40 090	38 908	40 352
TOTAL NON-CURRENT ASSETS	460 401	525 133	516 602
Inventories			
Raw materials	14 338	13 880	17 473
Work in progress	7 334	8 906	6 661
Finished products	57 146	75 146	65 392
Advance payments to suppliers	11	1 169	96
Total inventories	78 829	99 101	89 622
Accounts receivables	87 332	90 741	105 479
Other short term receivables	8 036	15 591	11 415
Tax recoverables	4 031	3 125	1 106
Prepaid expenses and accrued income	14 478	8 640	9 739
Cash and cash equivalents	81 055	78 650	79 303
Total receivables	194 932	196 747	207 042
TOTAL CURRENT ASSETS	273 761	295 848	296 664
TOTAL ASSETS	734 162	820 981	813 266

CONSOLIDATED BALANCE SHEET

EQUITY AND LIABILITIES	2020	2019	2019
All amounts in SEK thousand	30.09.	30.09.	31.12.
Share capital	105 619	105 619	105 619
Other equity	(11 871)	(11 871)	(11 871)
Retained earnings	(62 749)	(8 769)	(38 942)
Equity attributable to majority shareholders	30 999	84 979	54 806
Bonds	-	314 527	315 836
Pension liabilities	31 911	30 159	31 094
Other provisions	4 188	801	4 638
Non-current Lease liabilities	162 093	215 058	203 543
Total non-current liabilities	198 192	560 545	555 111
Liabilities to financial institutions	-	550	504
Bonds current	319 763	-	-
Current lease liabilities	46 712	48 760	49 613
Prepayments from customers	1 249	1 327	3 077
Accounts payable	65 521	61 239	66 834
Tax payable	-	536	119
Other short-term liabilities	34 035	26 598	32 356
Accrued expenses and deferred income	37 691	36 447	50 846
Total current liabilities	504 971	175 457	203 349
TOTAL EQUITY AND LIABILITIES	734 162	820 981	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			(1 288)	(1 288)	(1 288)
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			7 924	7 924	7 924
Total comprehensive income	4 710	-	31 160	31 160	35 870
Equity as at 30.09.2019	105 619	(11 871)	(8 769)	(20 640)	84 979
Profit for the quarter 4			(22 812)	(22 812)	(22 812)
<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			- (3 502)	(3 502)	(3 502)
Deffered tax			1 001	1 001	1 001
Total comprehensive income	-	-	(30 174)	(30 174)	(30 174)
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			(783)	(783)	(783)
<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			- (23 023)	(23 023)	(23 023)
Deffered tax			-	-	-
Total comprehensive income	-	-	(23 806)	(23 806)	(23 806)
Total shareholders transactions			-	-	-
Equity as at 30.09.2020	105 619	(11 871)	(62 749)	(74 620)	30 999

CONSOLIDATED STATEMENT OF CASH FLOWS

	Jul-Sep 2020	Jul-Sep 2019	Jan-Sep 2020	Jan-Sep 2019	2019-12-31
All amounts in SEK thousand					
Cash flows from operations					
Profit/(loss) before income taxes	9 652	3 287	(986)	(1 651)	(25 243)
Taxes paid in the period	-	548	(119)	-1 198	(1 705)
Adjustments for items without cash effects	(1)	-	(999)	-	-
Net (gains) losses from disposals of assets	-	-	85	-	52
Depreciation	11 355	11 775	34 646	31 272	40 420
Other adjustments	272	-343	817	(1 785)	(5 710)
Currency (gains) losses not related to operating activities	286	95	(5 940)	(1 265)	736
Net cash flow from operations before changes in working capital	21 564	15 362	27 504	25 373	8 550
Change in inventory	5 069	8 742	12 330	(21 151)	(11 322)
Change in trade debtors	11 655	25 830	18 371	27 123	15 542
Change in trade creditors	2 186	-27 506	(2 754)	(23 609)	(19 672)
Change in other provisions	(7 984)	-7 971	(12 986)	(12 583)	17 493
Net cash flow from operations	32 490	14 457	42 465	(4 847)	10 591
Cash flows from investments					
Purchase of intangible assets	(1 189)	-350	(3 053)	(671)	(1 938)
Purchase of fixed assets	(215)	-703	(658)	(2 066)	(2 641)
Sale of fixed assets	-	-	290	-	-
Purchase of subsidiaries	-	-	-	(19 550)	(50 216)
Change in other short- and longterm investments	-	-84	-	(39)	55
Net cash flows from investments	(1 404)	(1 137)	(3 421)	(22 326)	(54 740)
Cash flow from financing					
Issue of share capital	-	-	-	-	29 233
Net change in credit line	(211)	-660	-	1 080	881
Repayment of borrowings	-	-228	-	(686)	-
Repayment of leasing liabilities	(11 900)	-11 585	(35 010)	(34 918)	(46 442)
Net cash flow from financing	(12 111)	(12 473)	(35 010)	(34 524)	(16 328)
Net change in cash and cash equivalents	18 975	847	4 034	(61 697)	(60 477)
Cash and cash equivalents at the beginning of the period	62 435	77 898	79 303	139 082	139 082
Exchange rate differences in cash and cash equivalents	(355)	-95	(2 282)	1 265	698
Cash and cash equivalents at the end of the period	81 055	78 650	81 055	78 650	79 303

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

Income statement

All amounts in SEK thousand

	Jul-Sep 2020	Jul-Sep 2019	Jul-Sep 2020	Jul-Sep 2019
Other external cost	(44)	(94)	(200)	(596)
Total operating expense	(44)	(94)	(200)	(596)
Operating profit	(44)	(94)	(200)	(596)
Interest income and similar	2 319	1 541	6 804	4 089
Interest expense and similar	(7 223)	(7 123)	(22 694)	(21 473)
Net financial income (expenses)	(4 904)	(5 582)	(15 890)	(17 384)
Profit before income tax	(4 948)	(5 676)	(16 090)	(17 980)
Income taxes	-	-	-	-
Net profit for the period	(4 948)	(5 676)	(16 090)	(17 980)

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 30.09	2019 30.09	2019 31.12
Other investments	303 390	303 390	303 390
Receivables to group companies	131 404	122 524	120 524
Deferred tax receivables	321	321	321
Total non-current financial assets	435 115	426 235	424 235
TOTAL NON-CURRENT ASSETS	435 115	426 235	424 235
Other short term receivables	6 839	4 096	9 911
Prepaid expenses and accrued income	0	31	90
Cash and cash equivalents	2 244	26 210	21 098
Total receivables	9 083	30 337	31 099
TOTAL CURRENT ASSETS	9 083	30 337	31 099
TOTAL ASSETS	444 198	456 572	455 334

All amounts in SEK thousand

EQUITY AND LIABILITIES	2020 30.09	2019 30.09	2019 31.12
Share capital	105 619	105 619	105 619
Other equity	33 809	54 401	54 401
This years result	-16 090	-17 980	-20 592
Equity attributable to majority shareholders	123 338	142 040	139 428
Bonds	0	314 527	315 836
Total non-current liabilities	0	314 527	315 836
Bonds current	319 763	0	0
Accounts payable	4	5	0
Liabilities to associated companies	0	0	0
Other short-term liabilities	0	0	5
Accrued expenses and deferred income	1 093	0	65
Total current liabilities	320 860	5	70
TOTAL EQUITY AND LIABILITIES	444 198	456 572	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 centralized 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

	Jul-Sep 2020		Jul-Sep 2019		Jan-Sep 2020		Jan-Sep 2019	
	Sono Norway	Sono Sweden	Sono Norway	Sono Sweden	Sono Norway	Sono Sweden	Sono Norway	Sono Sweden
Revenue per segment	89.2	100.5	99.5	134.9	270.6	304.7	352.4	359.6
Net sales to other segments	(3.0)	(3.0)	(3.4)	(4.2)	(10.1)	(8.7)	(13.3)	(13.5)
Revenue from external customers	86.1	97.5	96.1	130.7	260.5	296.0	339.1	346.1
	Jul-Sep 2020	Jul-Sep 2019	Jan-Sep 2020	Jan-Sep 2019				
Sono Norway	15.1	11.1	30.3	37.6				
Sono Sweden	15.2	15.6	34.5	27.3				
EBITDA	30.3	26.7	64.8	64.9				
for the Group's operating segments is reconciled with the Group's profit before tax in accordance with the following:								
NIG AB and elimination	(0.0)	(0.1)	(0.2)	(0.6)				
EBITDA for the Group	30.2	26.6	64.6	64.3				
Amortisation and depreciation	(11.4)	(11.8)	(34.6)	(31.3)				
Financial items net	(9.2)	(11.5)	(30.9)	(34.7)				
Profit before tax	9.7	3.3	(1.0)	(1.7)				

FINANCIAL CALENDAR

2020 4th Quarter Report: 26.02.2021

Annual report 2020: 30.04.2021

ADDITIONAL INFORMATION

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