

SONO

GROUP

Q4 2023 Interim financial report

North Investment Group AB (publ.)



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FINANCIAL HIGHLIGHTS

- Group revenue of SEK 222.4m (SEK 235.0m).
- Gross profit margin 44.7% (40.7%).
- EBITDA of SEK 27.0m (SEK 23.2m).
- Net operating cash flow SEK 28.6m (SEK 27.5m).
- Sale of vacuum business, Sibilialia Nordic.
- New cooperation with supplier of smart lockers.
- The Company has engaged Arctic Securities and Pareto Securities to explore refinancing options for the outstanding SEK 285m senior secured bond issue maturing 5 May 2024 (ISIN SE0015938493).
- Order intake was SEK 188.5m (SEK 241.9m), and order backlog of SEK 130.3m (SEK 146.6m).

Key consolidated figures

Key consolidated figures (SEKm, unless stated)		SONO GROUP			
		Q4 2023 Unaudited	Q4 2022 Unaudited	Jan-Dec 2023 Unaudited	Jan-Dec 2022 Audited
Revenue	222,4	235,0	898,5	956,1	
Gross profit	95,7	95,2	388,8	376,2	
EBITDA	27,0	23,2	119,1	107,0	
EBIT	7,2	6,6	43,1	43,0	
Non-recurring items	-	-	-	7,6	
Adjusted EBITDA	27,0	23,2	119,1	114,7	
Net Profit	(11,4)	(9,2)	(16,2)	(4,7)	
Cash flow from operations	28,6	27,5	81,0	39,7	
No of outstanding shares	759 201	759 201	759 201	759 201	
Net earnings per share (SEK)	(15,04)	(12,15)	(21,31)	(6,22)	
Gross profit margin (%)	44,7	40,7	43,9	39,9	
EBITDA margin (%)	12,6	9,9	13,4	11,4	

CEO STATEMENT

The income for the 4th quarter was somewhat behind same quarter last year, but the gap compared to last year is lower than for the 3rd quarter. The reduction in income is compensated by an increased gross margin that comes from the increased share of total income coming from third party logistics. The reduction in income is mainly related to the Swedish market where there has been reduced activity most of 2023. The biggest reduction is still related to the school market. For the coming year we plan for an increase in this category. We have done several measures to improve our competitiveness in this category both in terms of purchasing strategy, organizational measures, and product developments. Several new and modified products have been launched in the market with positive feedback from the customers. The market in Norway and Denmark is still at a good level. We also see improvements in terms of activity level in Sweden in the beginning of 2024. We expect that there is a need for furniture in public sector in Sweden from last year that to some extent will be met in 2024. We are optimistic for the coming year for all our categories, but the improvement is likely to come more in the second part of the year.

In the beginning of December 2023, we sold our shares in Sibilja Nordic AB to the management in the company. The company met more demanding market conditions for selling of vacuum machinery and had more success to sell own produced vacuum trucks. This requires much more capital than originally planned for. Based on this we agreed that the company would have better chances for success with a different owner. The sale had a positive effect in 4th quarter financials of SEK 3,6 mill in other operating income and total positive effect in other operating income for 2023 of SEK 1,0 mill.

The demand for smart wardrobe lockers has grown the last years. Sonesson Inredningar in Sweden has entered into a distribution agreement with the Finnish producer Punta for delivery of smart lockers to the Swedish market. With this we will further expand our product portfolio within this important product category and secure our position in Sweden as the leading supplier of wardrobe systems.

In Norway we won the frame agreement with the Norwegian Defense together with one of our dealers. The agreement covers wardrobe lockers, beds, and school furniture, but with focus on wardrobe lockers. The total purchase of the agreement is estimated by the Norwegian Defense of NOK 425 mill during the 4-year period, and we expect to deliver a portion of this. The agreement is important, as the Norwegian authorities will increase its budget towards the Defense due to the Ukraine conflict.



Tore Knut Skedsmo, CEO, Tranås, 28th of February 2024

FINANCIAL REVIEW

Q4 2023

Income statement

The Group reported total operating revenue of SEK 222.4m (SEK 235.0m) and EBITDA of SEK 27.0m (SEK 23.2m) in Q4 2023.

Order intake was SEK 188.5m (SEK 241.9m), corresponding to a decrease of 22.2% compared to same quarter last year. EBIT for the Group was SEK 7.2m (SEK 6.6m) and net profit SEK -11.4m (SEK -9.2m).

Gross margin for the Group in 4th quarter 2023 was 44.7% (40.7%). 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 107.0m in revenue (SEK 112.6m) and SEK 10.2m in EBITDA (SEK 6.9m) in Q4 2023. Sweden reported revenue of SEK 104.6m (SEK 121.2m) and EBITDA of SEK 14.7m (SEK 16.9m).

January – Dec 2023

Income statement

The Group reported total operating revenue of SEK 898.5m (SEK 956.1m) and EBITDA of SEK 119.1m (SEK 107.0m) at the end of Dec 2023. Nonrecurring items (Related to the cost reduction program "Robust 22") of SEK 0.0m (SEK 7.6m), with adjusted EBITDA of SEK 119.1m (SEK 114.6M).

Order intake was SEK 851.4m (SEK 939.4m), corresponding to a decrease of 9.4% compared to end of December 2022. EBIT for the Group was SEK 43.1m (SEK 43.0m) and net profit SEK -16.2m (SEK -4.7m). Nonrecurring items (Related to the cost reduction program "Robust 22") of SEK 0.0m (SEK 7.6m), with adjusted EBIT of SEK 43.1m (SEK 50.6m).

Gross margin for the Group at the end of December 2023 was 43.9% (39.9%). 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 430.6m in revenue (SEK 458.5m) and SEK 46.7m in EBITDA (SEK 39.7m) year to date December. Sweden reported revenue of SEK 448.7m (SEK 483.5m) and EBITDA of SEK 72.7m (SEK 68.3m).

Cash flow

The Group's net cash flow from operations was positive with SEK 81.0m (SEK 39.7m). The Cash and cash equivalents as of 31st of December 2023 amounts to SEK 26.7m (SEK 17.5m). The group has undrawn credit line of SEK 30.0m (SEK 30.0m) as of 31st of December 2023, e.g., total available funds of SEK 56.7m. The liquidity situation of the Group is adequate to meet our ambitions going forward.

Balance sheet

As of 31st of December 2023, the Group had assets of SEK 875.9m (SEK 812.5), 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 Jönköping, which is rented to fulfil obligations towards new customers within the 3PL area. The warehouse is fully rented to the customer on a back-to-back basis.

Net interest-bearing debt (excl. Lease liabilities) was SEK 257.5m (SEK 263.6m).

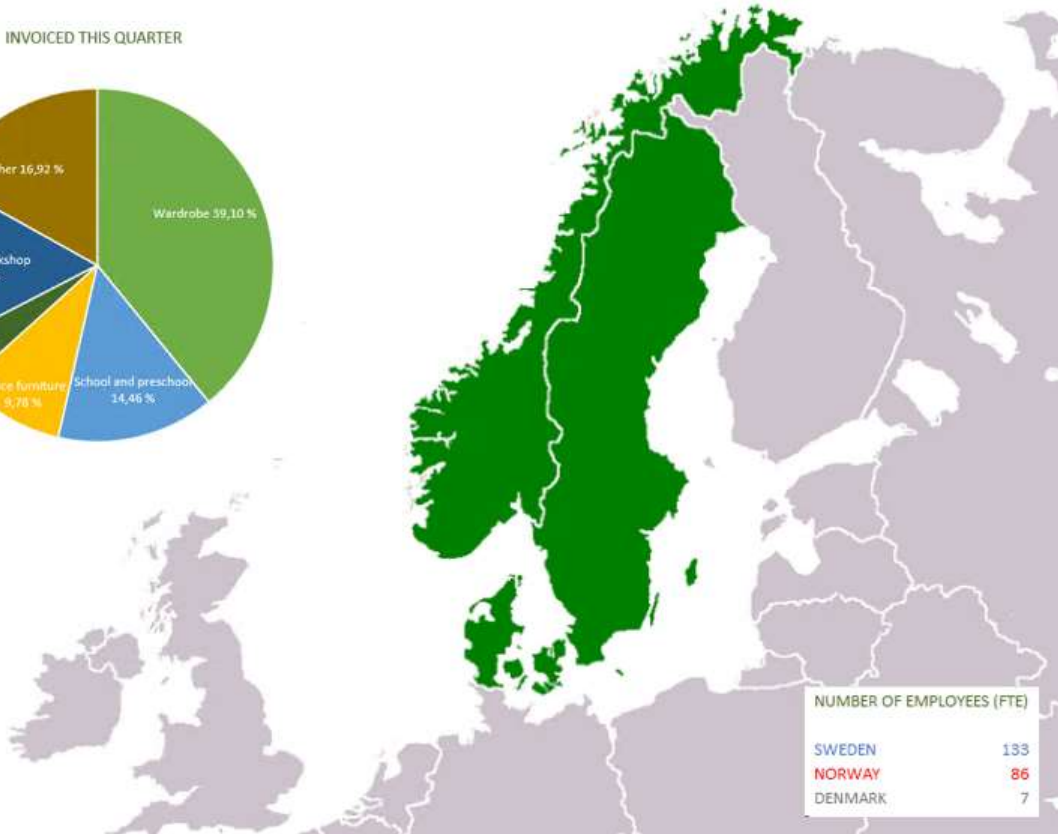
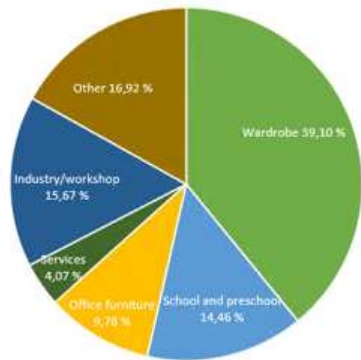
Risk and uncertainties

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.

The Company has engaged Arctic Securities and Pareto Securities to explore refinancing options for the outstanding SEK 285m senior secured bond issue maturing 5 May 2024 (ISIN SE0015938493).

For more information related to risks, see annual statement 2022.

INVOICED THIS QUARTER

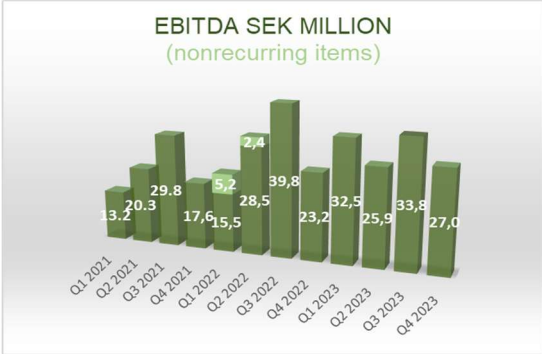
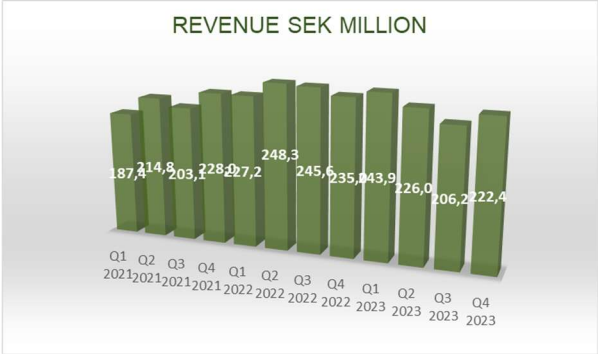


OUTLOOK

The market conditions in Sweden have been challenging during 2023. The Group has during the last 2 years both reduced its cost base during the cost reduction program Robust 22, but also built up the Third-party logistics services (3PL) as a significant part of its business. During 2023 the positive effects from this has been overshadowed by the significant reduction in the Swedish market conditions, especially towards the school category. For 2024 we expect that our new more effective organization together with gradually improved Swedish market conditions will improve our profitability. We also see that we have succeeded in several frame agreements towards public sector that gives us confidence that we will have an organic growth again the next year. We will still focus on our main categories, as we see that our product range is adequate for the markets we operate.

We see a growing trend that our products also are attractive for Europe outside Scandinavia. The trend is that the purchase is done on a European basis for delivery around Europe. This will give us opportunity to grow in export mainly in the categories Wardrobe and Industry both with existing customers and new customers.

The Group has engaged advisors to assist in refinancing the bond loan maturing in May this year. There are several alternatives for refinancing to find the best possible solution for the company going forward. The market consensus is that the interest rates in Sweden will go down during 2024 and by that gradually reduce the interest cost of the Group.



GROUP FINANCIAL STATEMENT

CONSOLIDATED INCOME STATEMENT

All amounts in SEK thousand	Okt-Dec 2023	Okt-Dec 2022	jan-des 2023	jan-dec 2022
Revenue	214 188	233 733	885 884	941 953
Other operating revenue	8 248	1 262	12 647	14 195
Total operating revenue	222 436	234 995	898 531	956 148
Cost of goods sold	(115 710)	(138 507)	(494 308)	(565 741)
Other external cost	(31 036)	(25 784)	(95 518)	(81 604)
Salaries and personnel expense	(51 056)	(49 046)	(189 565)	(198 833)
Other operating expense	2 381	1 534	-	(2 935)
EBITDA	27 015	23 192	119 140	107 035
Depreciation and amortization expense	(19 786)	(16 587)	(76 044)	(64 046)
Operating profit	7 229	6 605	43 096	42 989
Interest income and similar	6 392	284	10 734	5 062
Interest expense and similar	(20 255)	(12 436)	(66 458)	(47 930)
Net financial income (expenses)	(13 863)	(12 152)	(55 724)	(42 868)
Profit before income tax	(6 634)	(5 547)	(12 628)	121
Income taxes	(4 784)	(3 679)	(3 549)	(4 846)
Net profit for the period	(11 418)	(9 226)	(16 177)	(4 725)

Consolidated statement of comprehensive income

Items that may be reclassified subsequently to income statement

Translation differences on net investment in foreign operations	(7 666)	1 903	(15 453)	5 140
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Items that will not be reclassified to income statement

Remeasurement of defined benefit pension plans	(2 902)	7 811	(2 902)	7 811
Income taxes	598	(1 609)	598	(1 609)
Other comprehensive income (loss), net of taxes	(9 970)	8 105	(17 757)	11 342
Total comprehensive income	(21 388)	(1 121)	(33 934)	6 617

CONSOLIDATED BALANCE SHEET

ASSETS	2023	2022
All amounts in SEK thousand	12.31	12.31
Software, licences, etc.	5 781	9 147
Goodwill	234 473	245 700
Total intangible assets	240 254	254 847
Right of use assets	383 819	294 455
Land, buildings and other property	1 597	1 506
Machinery and plant	560	155
Office machinery, equipment and similar	6 723	5 574
Total property, plant and equipment	392 699	301 690
Other long term receivables	127	133
Total non-current financial assets	127	133
Deferred tax receivables	23 588	24 550
TOTAL NON-CURRENT ASSETS	656 668	581 220
Inventories		
Raw materials	10 853	12 955
Work in progress	712	611
Finished products	62 307	75 263
Advance payments to suppliers	0	0
Total inventories	73 872	88 829
Accounts receivables	101 486	113 215
Other short term receivables	3 026	4 629
Tax recoverables	2 458	0
Prepaid expenses and accrued income	11 631	7 097
Cash and cash equivalents	26 720	17 508
Total receivables	145 321	142 449
TOTAL CURRENT ASSETS	219 193	231 278
TOTAL ASSETS	875 861	812 498

CONSOLIDATED BALANCE SHEET

EQUITY AND LIABILITIES	2023	2022
All amounts in SEK thousand	12.31	12.31
Share capital	105 619	105 619
Other equity	(11 871)	(11 871)
Retained earnings	(93 583)	(59 649)
Equity attributable to majority shareholders	165	34 099
Liabilities to shareholders	-	-
Liabilities to financial institutions	468	-
Bonds	-	281 154
Pension liabilities	23 232	21 262
Other provisions	-	208
Non-current Lease liabilities	339 283	271 639
Total non-current liabilities	362 983	574 263
Bonds current	283 718	-
Current lease liabilities	66 252	41 084
Prepayments from customers	1 278	1 712
Accounts payable	79 500	79 001
Tax payable	2 200	-
Other short-term liabilities	24 013	27 602
Accrued expenses and deferred income	55 752	54 737
Total current liabilities	512 713	204 136
TOTAL EQUITY AND LIABILITIES	875 861	812 498

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 01.01.2022	105 619	(11 871)	(66 266)	(78 137)	27 482
Comprehensive income					
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
Deffered tax			(1 609)	(1 609)	(1 609)
Total comprehensive income	-	-	6 617	6 617	6 617
Equity as at 31.12.2022	105 619	(11 871)	(59 649)	(71 520)	34 099
Equity as at 01.01.2023	105 619	(11 871)	(59 649)	(71 520)	34 099
Profit for the period			(16 177)	(16 177)	(16 177)
Other comprehensive income					
<i>Items that will not be reclassified in profit or loss</i>					
Actuarial loss on pension obligations			(2 902)	(2 902)	(2 902)
<i>Items that may be reclassified in profit or loss</i>					
Translation difference, net assets in foreign currency			- (15 453)	(15 453)	(15 453)
Deffered tax			598	598	598
Total comprehensive income	-	-	(33 934)	(33 934)	(33 934)
Total shareholders transactions	-	-	-	-	-
Equity as at 31.12.2023	105 619	(11 871)	(93 583)	(105 454)	165

CONSOLIDATED STATEMENT OF CASH FLOWS

	Okt-Dec 2023	Okt-Dec 2022	Jan-Dec 2023	Jan-Dec 2022
<i>All amounts in SEK thousand</i>				
Cash flows from operations				
Profit/(loss) before income taxes	(6 634)	-5 547	(12 628)	121
Taxes paid in the period	(2 288)	-	(2 288)	(1 583)
Adjustments for items without cash effects	2 564	-	2 564	-
Net (gains) losses from disposals of assets	-	90	-	77
Depreciation	19 786	16 587	76 044	64 046
Other adjustments	(1 845)	(1 988)	(1 140)	(1 177)
Currency (gains) losses not related to operating activities	(4 542)	2 020	(1 453)	4 495
Net cash flow from operations before changes in	7 041	11 162	61 099	65 979
Change in inventory	12 421	13 262	14 404	(3 113)
Change in trade debtors	(2 854)	1 311	9 825	(19 710)
Change in trade creditors	4 169	739	913	2 689
Change in other provisions and receivables	7 789	1 052	(5 273)	(6 134)
Net cash flow from operations	28 566	27 526	80 968	39 711
Cash flows from investments				
Purchase of intangible assets	(466)	(933)	(2 089)	(2 157)
Purchase of fixed assets	31	(1 114)	(4 260)	(6 187)
Sale of fixed assets	-	-	-	-
Net cash flows from investments	(435)	(2 047)	(6 349)	(8 344)
Cash flow from financing				
Proceeds from long term loans	468	-	468	-
Repayment of borrowings	-	1 922	-	-
Repayment of leasing liabilities	(16 505)	(15 577)	(64 172)	(59 397)
Net cash flow from financing	(16 037)	(13 655)	(63 704)	(59 397)
Net change in cash and cash equivalents	12 094	11 824	10 915	-28 030
Cash and cash equivalents at the beginning of the period	16 344	5 672	17 508	45 530
Exchange rate differences in cash and cash equivalents	(1 718)	12	(1 703)	8
Cash and cash equivalents at the end of the period	26 720	17 508	26 720	17 508

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

Income statement

All amounts in SEK thousand

	okt-dec 2023	okt-dec 2022	jan-dec 2023	jan-dec 2022
Other operating revenue	1 000	-	1 000	-
Total operating revenue	1 000	-	1 000	-
Other external cost	(1 058)	(270)	(1 874)	(1 017)
Total operating expense	(1 058)	(270)	(1 874)	(1 017)
Operating profit	(58)	(270)	(874)	(1 017)
Interest income and similar	60 265	5 604	74 755	16 993
Interest expense and similar	(13 746)	(10 510)	(50 212)	(35 600)
Net financial income (expenses)	46519	(4 906)	24543	(18 607)
	-	-	-	-
Profit before income tax	46 461	(5 176)	23 669	(19 624)
Income taxes	-	-	-	-
Net profit for the period	46 461	(5 176)	23 669	(19 624)

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	2023	2022
	31.12	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	0
Other short term receivables	1 031	4 779
Shortterm receivables to group companies	144 811	147 405
Prepaid expenses and accrued income	70	64
Cash and cash equivalents	24 269	16 456
Total receivables	170 181	168 704
TOTAL CURRENT ASSETS	170 181	168 704
TOTAL ASSETS	571 268	569 791

All amounts in SEK thousand

EQUITY AND LIABILITIES	2023	2022
	31.12	31.12
Share capital	105 619	105 619
Other equity	-31 637	-12 013
This years result	1 952	-19 624
Equity attributable to majority shareholders	75 934	73 982
Bonds	0	281 154
Total non-current liabilities	0	281 154
Current Bonds	283 718	0
Accounts payable	21	0
Other short-term liabilities	208	0
Liabilities to associated companies	205 621	209 829
Accrued expenses and deferred income	5 766	4 826
Total current liabilities	495 334	214 655
TOTAL EQUITY AND LIABILITIES	571 268	569 791

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 2022 Annual Report. The 2022 Annual Report is available at www.sono-group.com.

The parent company North Investment Group AB (publ.) has received total SEK 51.7 mill in dividend from daughter companies during the accounting year. In the 2nd quarter financial report, part of this dividend (SEK 30 mill) was mistakenly accounted as reduction of group liability instead of dividend. This has been corrected in the 4th quarter report so that total for the year is correct. This has no impact for the Group, only for the parent company.

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 2023. 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 2023		Oct-Dec 2022		Jan- Dec 2023		Jan-Dec 2022	
	Sono Norway	Sono Sweden	Sono Norway	Sono Sweden	Sono Norway	Sono Sweden	Sono Norway	Sono Sweden
Revenue per segment	113,8	116,5	118,3	137,9	461,8	502,2	497,2	543,4
Net sales to other segments	(6,9)	(11,9)	(5,7)	(16,7)	(31,2)	(53,5)	(38,7)	(60,0)
Revenue from external customers	107,0	104,6	112,6	121,2	430,6	448,7	458,5	483,5
	Oct-Dec 2023		Oct-Dec 2022		Jan- Dec 2023		Jan-Dec 2022	
Sono Norway	10,2		6,9		46,7		39,7	
Sono Sweden	14,7		16,5		72,7		68,3	
EBITDA	24,9		23,5		119,4		108,1	
for the Group's operating segments is reconciled with the Group's profit before tax in accordance with the following:								
NIG AB, other and elimination	2,1		-0,3		(0,3)		(1,0)	
EBITDA for the Group	27,0		23,2		119,1		107,0	
Amortisation and depreciation	(19,8)		(16,6)		(76,0)		(64,0)	
Financial items net	(13,9)		(12,2)		(55,7)		(42,9)	
Profit before tax	(6,6)		(5,5)		(12,6)		0,1	

FINANCIAL CALENDAR

2023 Annual report:	30. Apr. 2024
2024 Q1 report:	16. May 2024
2024 Q2 report:	27. Aug. 2024
2024 Q3 report:	15. Nov. 2024

ADDITIONAL INFORMATION

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