

SONO

GROUP

Q1 2024 Interim financial report

North Investment Group AB (publ.)



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FINANCIAL HIGHLIGHTS

- Group revenue of SEK 199.9m (SEK 243.9m).
- Gross profit margin 44.9% (42.4%).
- EBITDA of SEK 20.0m (SEK 32.5m).
- Net operating cash flow SEK 3.7m (SEK 28.5m).
- Successful refinancing through amendment of bond loan in April.
- Order intake was SEK 207.0m (SEK 242.0m), and order backlog of SEK 140.4m (SEK 156.6m).

Key consolidated figures

Key consolidated figures (SEKm, unless stated)		SONO GROUP		
		Q1 2024 Unaudited	Q1 2023 Unaudited	Jan-Dec 2023 Audited
Revenue	199,9	243,9	898,5	
Gross profit	89,2	102,7	388,8	
EBITDA	20,0	32,5	119,1	
EBIT	1,0	14,3	43,1	
Net Profit	(9,9)	1,5	(16,2)	
Cash flow from operations	3,7	28,5	81,0	
No of outstanding shares	759 201	759 201	759 201	
Net earnings per share (SEK)	(13,04)	1,97	(21,31)	
Gross profit margin (%)	44,9	42,4	43,9	
EBITDA margin (%)	10,1	13,4	13,4	

CEO STATEMENT

The lower income we experienced during 2023 continues also in 1st quarter. A considerable part of the lower income relates to the school market in Sweden which is still at a very low level. We see however an increased activity towards this sector with increased amounts of tenders to calculate on. We also see a reduced income in part of the Norwegian market in the start of 2024. A considerable part of the lower invoiced income in Norway relates to fixed interior, especially Sørliie Prosjektinnredninger. There are however clear signs that this will improve for the remaining of 2024. There is still reason to be optimistic for the remaining of 2024. We have won several large frame agreements in Scandinavia that has been described in earlier quarterly reports. There are however challenging budgets in the public sector that affects the entire market for interior where we operate. In terms of order income, we have seen positive signs the last months and especially to the category wardrobe and in Sweden in particular.

The process for further simplification of group structure continuous in 2024. In April we have merged our Danish company Sono Denop ApS into our other Danish company Sono Danmark A/S. This will give more capacity in our Danish business to be more active in the market to secure a further growth the years to come. In Sweden we are planning to merge our two companies that work towards wholesale business, Sarpsborg Metall AB and Sono Brands AB. We see a benefit both for our customers and for us that we can work more systematic towards our wholesale customers and be able to present a broader part of our product portfolio addressing the customers. We will also reduce the cost somewhat related to this merger, mainly through personnel related cost and rental cost. Both these mergers will make our operations smoother, and the customers will have a better customer journey.

30th of April we presented our sustainability report for 2023. We have positive development within several of our key performance indicators compared to 2022. In addition, we have started to see an increase in order income for the category recycling/refurbishment. Several of our customers focus on refurbishment both for chairs and tables. The order income is still at a very modest level compared to our other categories, but we are present in the market through the frame agreements to public sector in Sweden.



Tore Knut Skedsmo, CEO, Tranås, 16th of May 2024

FINANCIAL REVIEW

January – March 2024

Income statement

The Group reported total operating revenue of SEK 199.9m (SEK 243.9m) and EBITDA of SEK 20.0m (SEK 32.5m) at the end of Mar 2024.

Order intake was SEK 140.4m (SEK 156.6m), corresponding to a decrease of 10.4% compared to end of March 2023. EBIT for the Group was SEK 1.0m (SEK 14.3m) and net profit SEK -9.9m (SEK 1.5m).

Gross margin for the Group at the end of March 2024 was 44.9% (42.4%). 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 95.3m in revenue (SEK 120.4m) and SEK 5.5m in EBITDA (SEK 14.4m) year to date March. Sweden reported revenue of SEK 103.4m (SEK 121.4m) and EBITDA of SEK 14.7m (SEK 18.4m).

Cash flow

The Group's net cash flow from operations was positive with SEK 3.7m (SEK 28.5m). The Cash and cash equivalents as of 31st of March 2024 amounts to SEK 14.3m (SEK 27.9m). The group has undrawn credit line of SEK 30.0m (SEK 30.0m) as of 31st of March 2024, e.g., total available funds of SEK 44.3m. The liquidity situation of the Group is normally more tight during end of second quarter and third quarter and we expect this also for this year.

Balance sheet

As of 31st of March 2024, the Group had assets of SEK 872.3m (SEK 923.3), mainly related to goodwill, right of use assets, inventory, and accounts receivables.

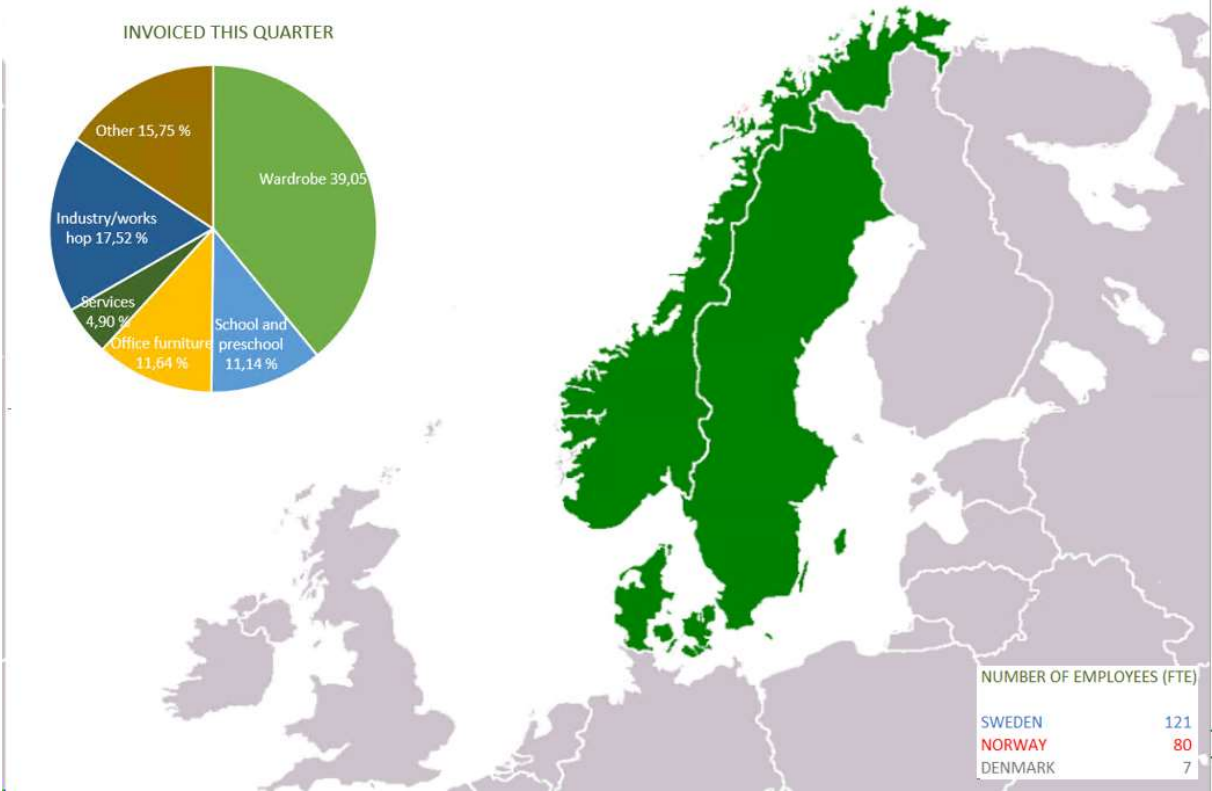
Net interest-bearing debt (excl. Lease liabilities) was SEK 270.5m (SEK 253.9m).

The equity as of 31st of March 2024 is negative for the Group.

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 2023.



OUTLOOK

In relation to the refinancing process, we gave overall financial guidance to the years 2024 and 2025. For 2024 we are planning for a gradual recovery of the Swedish market, while the Norwegian and Danish market will continue as for 2023. The start of the year has been a disappointment, but the invoiced income is primarily a result of the market for the end of 2023. Furthermore, for 2025 we are planning for a growth in line with the inflation and have not planned for any strategic purchases.

In addition to the running business, we have several agreements that if they will deliver as planned will be an important factor to secure the planned income for the next couple of years. These agreements have been mentioned in earlier quarterly reports and are agreements with Kammarkollegiet in Sweden, the Defense agreement in Norway together with a wholesaler, and the exclusivity agreement with the supplier of school chairs in Norway and Sweden. These chairs have changed name from Rio and Samba to Tarris. We have done several improvements to these chairs, and they are now environmental certified with Svensk Möbelfakta. We have also signed an agreement with a big European distributor to deliver wardrobe lockers and office furniture to the European market. The agreement with our biggest customer in third party logistics will also continue for the next 3,5 years at a minimum.



GROUP FINANCIAL STATEMENT

CONSOLIDATED INCOME STATEMENT

All amounts in SEK thousand	Jan-Mar 2024	Jan-Mar 2023	Jan-Dec 2023
Revenue	198 618	241 814	885 884
Other operating revenue	1 313	2 098	12 647
Total operating revenue	199 931	243 912	898 531
Cost of goods sold	(109 396)	(139 164)	(494 308)
Other external cost	(21 699)	(22 778)	(95 518)
Salaries and personnel expense	(48 880)	(48 822)	(189 565)
Other operating expense	-	(691)	-
EBITDA	19 956	32 457	119 140
Depreciation and amortization expense	(18 939)	(18 202)	(76 044)
Operating profit	1 017	14 255	43 096
Interest income and similar	511	2 695	10 734
Interest expense and similar	(14 013)	(14 759)	(66 458)
Net financial income (expenses)	(13 502)	(12 064)	(55 724)
Profit before income tax	(12 485)	2 191	(12 628)
Income taxes	2 572	(693)	(3 549)
Net profit for the period	(9 913)	1 498	(16 177)
Consolidated statement of comprehensive income			
Items that may be reclassified subsequently to income statement			
Translation differences on net investment in foreign operations	(604)	(13 478)	(15 453)
Items that will not be reclassified to income statement			
Remeasurement of defined benefit pension plans	-	-	(2 902)
Income taxes	-	-	598
Other comprehensive income (loss), net of taxes	(604)	(13 478)	(17 757)
Total comprehensive income	(10 517)	(11 980)	(33 934)

CONSOLIDATED BALANCE SHEET

ASSETS	2024	2023	2023
All amounts in SEK thousand	03.31	03.31	12.31
Software, licences, etc.	4 455	7 980	5 781
Goodwill	234 155	235 805	234 473
Total intangible assets	238 610	243 785	240 254
Right of use assets	391 694	410 916	383 819
Land, buildings and other property	1 469	1 607	1 597
Machinery and plant	519	130	560
Office machinery, equipment and similar	6 289	6 919	6 723
Total property, plant and equipment	399 971	419 572	392 699
Other long term receivables	128	128	127
Total non-current financial assets	128	128	127
Deferred tax receivables	26 096	23 658	23 588
TOTAL NON-CURRENT ASSETS	664 805	687 143	656 668
Inventories			
Raw materials	10 382	13 023	10 853
Work in progress	834	912	712
Finished products	59 848	64 939	62 307
Advance payments to suppliers	0	400	0
Total inventories	71 064	79 274	73 872
Accounts receivables	105 283	113 662	101 486
Other short term receivables	3 387	6 503	3 026
Tax recoverables	3 275	0	2 458
Prepaid expenses and accrued income	10 182	8 815	11 631
Cash and cash equivalents	14 288	27 913	26 720
Total receivables	136 415	156 893	145 321
TOTAL CURRENT ASSETS	207 479	236 167	219 193
TOTAL ASSETS	872 284	923 310	875 861

CONSOLIDATED BALANCE SHEET

EQUITY AND LIABILITIES	2024	2023	2023
All amounts in SEK thousand	03.31	03.31	12.31
Share capital	105 619	105 619	105 619
Other equity	(11 871)	(11 871)	(11 871)
Retained earnings	(104 100)	(71 629)	(93 583)
Equity attributable to majority shareholders	(10 352)	22 119	165
Liabilities to financial institutions	429	-	468
Bonds	-	281 796	-
Pension liabilities	23 683	21 497	23 232
Other provisions	-	-	-
Non-current Lease liabilities	344 248	362 296	339 283
Total non-current liabilities	368 360	665 589	362 983
Bonds current	284 359	-	283 718
Current lease liabilities	69 395	67 015	66 252
Prepayments from customers	1 629	1 454	1 278
Accounts payable	73 673	78 151	79 500
Tax payable	2 284	-	2 200
Other short-term liabilities	24 601	31 807	24 013
Accrued expenses and deferred income	58 335	57 175	55 752
Total current liabilities	514 276	235 602	512 713
TOTAL EQUITY AND LIABILITIES	872 284	923 310	875 861

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 01.01.2023	105 619	(11 871)	(59 649)	(71 520)	34 099
Comprehensive income					
Profit for the period			1 498	1 498	1 498
Other comprehensive income					
<i>Items that will not be reclassified in profit or loss</i>					
Actuarial loss on pension obligations			-	-	-
<i>Items that may be reclassified in profit or loss</i>					
Translation difference, net assets in foreign currency			(13 478)	(13 478)	(13 478)
Deferred tax			-	-	-
Total comprehensive income	-	-	(11 980)	(11 980)	(11 980)
Equity as at 31.03.2023	105 619	(11 871)	(71 629)	(83 500)	22 119
Profit for Q2-Q4			(17 675)	(17 675)	(17 675)
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			(1 975)	(1 975)	(1 975)
Deferred tax			598	598	598
Total comprehensive income	-	-	(21 954)	(21 954)	(21 954)
Total shareholders transactions	-	-	-	-	-
Equity as at 31.12.2023	105 619	(11 871)	(93 583)	(105 454)	165
Equity as at 01.01.2024	105 619	(11 871)	(93 583)	(105 454)	165
Profit for the period			(9 913)	(9 913)	(9 913)
Other comprehensive income					
<i>Items that will not be reclassified in profit or loss</i>					
Actuarial loss on pension obligations			-	-	-
<i>Items that may be reclassified in profit or loss</i>					
Translation difference, net assets in foreign currency			(604)	(604)	(604)
Deferred tax			-	-	-
Total comprehensive income	-	-	(10 517)	(10 517)	(10 517)
Total shareholders transactions	-	-	-	-	-
Equity as at 31.03.2024	105 619	(11 871)	(104 100)	(115 971)	(10 352)

CONSOLIDATED STATEMENT OF CASH FLOWS

	Jan-Mar 2024	Jan-Mar 2023	Jan-Dec 2023
<i>All amounts in SEK thousand</i>			
Cash flows from operations			
Profit/(loss) before income taxes	(12 485)	2 191	(12 628)
Taxes paid in the period	-	-	(2 288)
Adjustments for items without cash effects	-	-	2 564
Net (gains) losses from disposals of assets	224	44	-
Depreciation	18 939	18 202	76 044
Other adjustments	451	235	(1 140)
Currency (gains) losses not related to operating activities	1 525	(3 312)	(1 453)
Net cash flow from operations before changes in	8 654	17 360	61 099
Change in inventory	2 004	9 752	14 404
Change in trade debtors	(5 584)	(181)	9 825
Change in trade creditors	(5 225)	(998)	913
Change in other provisions and receivables	3 826	2 599	(5 273)
Net cash flow from operations	3 675	28 532	80 968
Cash flows from investments			
Purchase of intangible assets	(187)	(507)	(2 089)
Purchase of fixed assets	(124)	(2 063)	(4 260)
Sale of fixed assets	-	-	-
Change in other short- and longterm investments	(3)	-	-
Net cash flows from investments	(314)	(2 570)	(6 349)
Cash flow from financing			
Proceeds from long term loans	(39)	-	468
Repayment of borrowings	-	-	-
Repayment of leasing liabilities	(16 707)	(15 543)	(64 172)
Net cash flow from financing	(16 746)	(15 543)	(63 704)
Net change in cash and cash equivalents	(13 385)	10 419	10 915
Cash and cash equivalents at the beginning of the period	26 720	17 508	17 508
Exchange rate differences in cash and cash equivalents	953	(14)	(1 703)
Cash and cash equivalents at the end of the period	14 288	27 913	26 720

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

Income statement

All amounts in SEK thousand

	jan-mar 2024	jan-mar 2023
Other external cost	(329)	(322)
Total operating expense	(329)	(322)
Operating profit	(329)	(322)
Interest income and similar	5 766	4 714
Interest expense and similar	(12 988)	(11 371)
Net financial income (expenses)	(7 222)	(6 657)
	-	-
Profit before income tax	(7 551)	(6 979)
Income taxes	-	-
Net profit for the period	(7 551)	(6 979)

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	2024	2023
	31.03	31.03
Other investments	306 456	306 966
Receivables to group companies	94 310	94 310
Deferred tax receivables	321	321
Total non-current financial assets	401 087	401 597
TOTAL NON-CURRENT ASSETS	401 087	401 597
Other short term receivables	1 031	1 369
Shortterm receivables to group companies	163 337	143 835
Prepaid expenses and accrued income	28	25
Cash and cash equivalents	12 563	26 896
Total receivables	176 959	172 125
TOTAL CURRENT ASSETS	176 959	172 125
TOTAL ASSETS	578 046	573 722

EQUITY AND LIABILITIES	2024	2023
	31.03	31.03
Share capital	105 619	105 619
Other equity	-7 968	-31 637
This years result	-7 551	-6 979
Equity attributable to majority shareholders	90 100	67 003
Non-current Donds	0	281 796
Total non-current liabilities	0	281 796
Current Bonds	284 359	0
Accounts payable	9	6
Other short-term liabilities	319	0
Liabilities to associated companies	197 493	219 834
Accrued expenses and deferred income	5 766	5 083
Total current liabilities	487 946	224 923
TOTAL EQUITY AND LIABILITIES	578 046	573 722

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 2023 Annual Report. The 2023 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 2024. All transactions with related parties are priced on arm's length basis.

EVENTS AFTER THE REPORTING DATE

The groups bond loan with original maturity in May 2024 has been amended/prolonged to December 2025 in April 2024. Other than this 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

<i>All amounts in SEK million</i>	Jan-Mar 2024		Jan - Mar 2023		Jan-Dec 2023	
	Sono Norway	Sono Sweden	Sono Norway	Sono Sweden	Sono Norway	Sono Sweden
Revenue per segment	103,7	117,4	129,2	136,3	461,8	502,2
Net sales to other segments	(8,4)	(14,0)	(8,7)	(14,9)	(31,2)	(53,5)
Revenue from external customers	95,3	103,4	120,4	121,4	430,6	448,7
	Jan-Mar 2024		Jan - Mar 2023		Jan-Dec 2023	
Sono Norway	5,5		14,4		46,7	
Sono Sweden	14,7		18,4		72,7	
EBITDA	20,3		32,8		119,4	
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	(0,3)		(0,3)		(0,3)	
EBITDA for the Group	20,0		32,5		119,1	
Amortisation and depreciation	(18,9)		(18,2)		(76,0)	
Financial items net	(13,5)		(12,1)		(55,7)	
Profit before tax	(12,5)		2,2		(12,6)	

FINANCIAL CALENDAR

2024 Q2 report: 27. Aug. 2024

2024 Q3 report: 15. Nov. 2024

ADDITIONAL INFORMATION

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