



**First quarter  
Interim report  
2019**

**SKANO GROUP AS**

**Consolidated Interim Report for the First quarter of 2019  
(unaudited)**

Beginning of the Interim Report Period:	1.01.2019
End of the Interim Report Period:	31.03.2019
Beginning of the financial year:	1.01.2019
End of the financial year:	31.12.2019
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Auditor:	AS PricewaterhouseCoopers
Main activity:	Production and sales of fibreboards and furniture

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## COMPANY PROFILE

Skano Group AS main activity is production and sale of building materials and furniture, retail trade of furniture and household furnishing. Skano Group AS is a holding company of subsidiaries Skano Fibreboard OÜ and Skano Furniture Factory OÜ, herewith in turn Skano Fibreboard OÜ owns a subsidiary Suomen Tuulileijona OY and Skano Furniture Factory OÜ owns a subsidiary Skano Furniture OÜ. The Group consisting of the following companies, all 100% owned:

Subsidiary	Location	Activity
Skano Fibreboard OÜ	Estonia	Production and sales
Suomen Tuulileijona OY	Finland	Sales
Skano Furniture Factory OÜ	Estonia	Production and sales
Skano Furniture OÜ	Estonia	Retail
SIA Skano	Latvia	Retail
UAB Skano LT	Lithuania	Retail
Skano Property OÜ*	Estonia	Rental and operating of own or leased real estate

\* Company was founded on the 24<sup>th</sup> of April 2019 (see note 22)

Skano Fibreboard OÜ produces and distributes softboard products for use in many different applications, the main categories being within construction (insulation, soundproofing, and interior finishing panels for walls and ceilings) and industry (packaging, door cores, expansion joint filler, pin and notice boards, acoustic reduction, cake boards, firelighters). Suomen Tuulileijona OY is the marketing company for Skano's fibreboard products in Finland.

Skano Furniture Factory OÜ produces original, premium price level home furniture made of timber. Skano Furniture OÜ consists of a furniture retail store chain operating in Estonia, Latvia and Lithuania.

On the 14<sup>th</sup> of February 2019 Skano Group AS signed and announced division plan of Skano Furniture Factory OÜ. During the course of the division, a new undertaking was established on the 24<sup>th</sup> of April 2019, under the name of Skano Property OÜ, which as the acquiring company upon division became the owner of the property and land of Skano Furniture Factory OÜ. Please see Note 22 for details.

The principal markets of the company are Finland, Russia, and the Baltics.

The shares of Skano Group AS are listed on the Nasdaq Tallinn Stock Exchange secondary list.

As at 31.03.2019 the Group employed 208 people (31.03.2018: 221 people).



## MANAGEMENT REPORT

### SKANO GROUP AS UNAUDITED RESULTS FOR FIRST QUARTER OF 2019

Consolidated net sales for Q1 2019 were € 3.83 million, being a 3% increase compared to the same period in 2018. Fibreboard sales increased with 6%, driven mainly by new customers in EU and increased sales to existing customers in the emerging markets. Furniture wholesale sales dropped by 10%, of which the main reason was the reduced demand experienced in Russia. The reduced demand is still caused by declining consumer confidence, affecting purchasing behavior due to geopolitical reasons. Furniture retail sales were up 18%, mainly due to more active marketing campaign activities in all Baltic shops.

Skano Group recorded EBITDA of negative € 76 thousand for Q1 2019 (vs negative € 23 thousand Q1 2018). Skano Fibreboard production cost was 85% of sales in Q1, which is an improvement from 2018 Q1 when production cost of sales was 99% of sales. However, the drop in inventory in Q1 led to reduced gross margin (13% compared to 17% in 2018 Q1). Furniture wholesale profitability was negatively influenced by the reduction in sales during Q1 2019 compared to Q1 2018, while furniture retail profitability remained at similar level as last year. Net loss for Q1 2019 was € 323 thousand (Q1 2018: loss of € 281 thousand).

### DIVISIONAL REVIEW OF FIRST QUARTER

#### REVENUE BY BUSINESS SEGMENTS

	<i>€ thousand</i>	
	<b>Q1 2019</b>	<b>Q1 2018</b>
Fibreboards production and sales	2,893	2,723
Furniture production and sales	718	800
Furniture retail	392	332
Group transactions	(175)	(144)
<b>TOTAL</b>	<b>3,829</b>	<b>3,711</b>

#### PROFIT BY BUSINESS SEGMENTS

<i>€ thousand</i>	<b>Q1 2019</b>	<b>Q1 2018</b>
EBITDA by business units:		
Fibreboards production and sales	2	37
Furniture production and wholesale	(68)	(32)
Furniture retail	(22)	(20)
Group transactions	12	(8)
<b>TOTAL EBITDA</b>	<b>(76)</b>	<b>(23)</b>
Depreciation	176	191
<b>TOTAL OPERATING PROFIT/ LOSS</b>	<b>(252)</b>	<b>(214)</b>
Net financial costs	71	66
Income tax	0	0
<b>NET PROFIT/ LOSS</b>	<b>(323)</b>	<b>(281)</b>



## SKANO FIBREBOARD: FIBREBOARD SALES

Fibreboard sales in Q1 2019 were € 2.89 million, which is 6% more than same period in 2018 (2018: € 2.72 million). We sold our products to customers in 28 countries during Q1 2019. We recorded sales increase in emerging markets in Asia and Africa while also securing new customers in EU. Finland, our largest market, continued to experience sales decline despite Skano keeping its market share within soft density fibreboard, thus reflecting the growth of other materials for use in the construction sector. Production cost was 85% of sales in Q1, which is an improvement from 2018 Q1 when production cost of sales was 99% of sales. However, the drop in inventory in Q1 led to reduced gross margin (13% compared to 17% in 2018 Q1). Fixed costs were however € 48 thousand less in 2019 Q1 compared to 2018 Q1. EBITDA ending up being positive € 2 thousand for Q1 2019 (Q1 2018 EBITDA was positive € 37 thousand).

### FIBREBOARD SALES BY GEOGRAPHICAL SEGMENTS

	<i>€ thousand</i>	
	<b>Q1 2019</b>	<b>Q1 2018</b>
European Union	2,093	2,198
Russia	328	298
Asia	164	37
Africa	143	42
Middle East	86	73
Other	80	74
<b>TOTAL</b>	<b>2,893</b>	<b>2,723</b>

## SKANO FURNITURE FACTORY: FURNITURE PRODUCTION AND WHOLESAL

Furniture wholesale sales in Q1 2019 were € 718 thousand, 10% down on same period last year (Q1 2018: € 800 thousand). The main reason for this decline in sales was due to the reduced demand experienced in Russia, where our two distributors still face declining consumer confidence due to geopolitical reasons. Our Finnish distributor continued his downsizing of his operations in Finland. Skano assumed the Finnish distributor's EU customers at the start of this year, which has resulted in our increased sales to several EU countries. Sales increase was also recorded to our own Baltic retail chain.

Production cost in Q1 2019 were € 632 thousand, which is € 192 thousand less compared to Q1 2018. We started during Q1 2019 to look for subcontractors for some of our early stage production, thus enabling us to reduce our production staffing. This process is ongoing and should result in us reducing our production cost further, while optimising the buying in of semi-finished products, which should improve profitability.

However, the reduced sales and decline in inventory led to EBITDA for furniture wholesale for Q1 2019 being negative € 68 thousand (Q1 2018 EBITDA was negative € 32 thousand).



#### FURNITURE WHOLESALE SALES BY COUNTRIES

	<i>€ thousand</i>	
	<b>Q1 2019</b>	<b>Q1 2018</b>
Russia	253	361
Finland	201	234
Skano Retail	173	141
Other countries	92	64
<b>TOTAL</b>	<b>718</b>	<b>800</b>

#### SKANO FURNITURE: RETAIL SALES

Furniture retail sales in Q1 2019 were € 392 thousand, up 18% (2018 Q1 € 332 thousand) from same period last year. The sales increase was driven mainly due to very well performing marketing campaign in all Baltic shops. However, the marketing campaign had decreasing effect on Gross Margin, leaving EBITDA for furniture retail for Q1 2019 to be negative € 22 thousand (Q1 2018 EBITDA was negative € 20 thousand).

Total Furniture operations of Skano (wholesale and retail) EBITDA for 2019 Q1 were negative € 90 thousand (Q1 2018 EBITDA was negative € 52 thousand).

#### RETAIL SALES BY COUNTRIES

	<i>€ thousand</i>		<i>Number of stores</i>	
	<b>Q1 2019</b>	<b>Q1 2018</b>	<b>31.03.2019</b>	<b>31.03.2018</b>
Estonia	256	204	4*	4
Latvia	40	74	1	1
Lithuania	96	54	1	1
<b>TOTAL</b>	<b>392</b>	<b>332</b>	<b>6</b>	<b>6</b>

\* Operation in Pärnu mnt shop ended on the 28<sup>th</sup> February 2019, the lease contract terminated from 31<sup>st</sup> of May 2019 (See also Note 22).

#### STATEMENT OF FINANCIAL POSITION AND CASH FLOW STATEMENT

As of 31.03.2019 the total assets of Skano Group AS were € 10.1 million (31.03.2018: € 11.8 million). The liabilities of the company as of 31.03.2019 were € 7.5 million (31.03.2018: € 8.4 million), of which Skano has borrowings of € 4.7 million as at 31.03.2019 (31.03.2018: € 5.7 million).

Receivables and prepayments amounted to € 1.4 million as at 31.03.2019 (31.03.2018: € 2.3 million). Inventories were € 1.9 million as of 31.03.2019 (31.03.2018: € 2.3 million). Financial investments (i.e. Trigon Property Development shares) increased from € 187 thousand as at 31.03.2018 to € 410 thousand as at 31.03.2019. Property, plant, equipment and intangibles were € 6.1 million as of 31.03.2019 (€ 6.8 million as of 31.03.2018).

In 2019 Q1, the Group's cash flows from operating activities totalled cash inflow of € 56 thousand (2018 Q1: cash outflow € 657 thousand). Investment activities resulted in cash outflows in amount of € 0 thousand in 2019 Q1, compared to outflows in amount € 3 thousand in Q1 2018. Financing activities also resulted in cash outflows of € 33 thousand in Q1 2019 (2018 Q1: cash inflow € 646 thousand). Net cash effect in 2019 Q1 cash inflow € 23 thousand, which compares favourable compared to 2018 Q1 cash outflows of € 14 thousand.



## OUTLOOK

### SKANO FIBREBOARD

In Fibreboard, we are continuing to push for sales of our various applications which have more global reach than our traditional sales of windboards and insulation boards sold mainly in our traditional markets of Finland, Russia and Estonia. Our marketing activities are focusing on the positive aspects of using our boards, made from virgin woodchips from spruce, compared to competing synthetic materials.

### SKANO FURNITURE FACTORY

The deal signed, with effect from start of this year, with our Finnish distributor to take over their export customers in Europe has expanded our customer base and shows promising sales growth potential of our furniture. In addition, we expect improved product profitability as we advance with our production outsourcing while reducing our own production cost. The combination of these initiatives should bring sales growth and improved profitability, with the aim of achieving positive EBITDA.

### SKANO FURNITURE RETAIL SALES

In Furniture, we expect improved retail performance with the introduction of the new shop concept. This has been rolled out in our best-selling shop in Tallinn as well as in our newly opened shop in the Decco centre in Riga and will next be rolled out in our Vilnius and Tartu shops. We ended in Q1 2019 our shop operations of our second shop in Tallinn due to its poor profitability, and the rental contract of this shop will end 31<sup>st</sup> May 2019.

## PEOPLE

On the 31st of March 2019, the Group employed 208 people (compared to 221 people as of 31.03.2018). The average number of personnel in Q1 2019 was 205 (Q1 2018: 222).

For three months of 2019, wages and salaries with taxes amounted to € 0.9 million (three months 2018: € 0.9 million). Payments made to management board members of all group companies including all subsidiaries with relevant taxes were € 51 thousand in Q1 2019 and € 40 thousand in Q1 2018.



## FINANCIAL HIGHLIGHTS

€ thousand

<b>Income statement</b>	<b>Q1 2019</b>	<b>Q1 2018</b>
Revenue	3,829	3,711
EBITDA	(76)	(23)
EBITDA margin	(2%)	(1%)
Operating profit	(252)	(214)
Operating margin	(7%)	(6%)
Net profit	(323)	(281)
Net margin	(8%)	(8%)
<b>Statement of financial position</b>	<b>31.03.2019</b>	<b>31.03.2018</b>
Total assets	10,094	11,845
Return on assets	(3%)	(2%)
Equity	2,588	3,487
Return on equity	(12%)	(8%)
Debt-to-equity ratio	74%	71%
<b>Share</b>	<b>31.03.2019</b>	<b>31.03.2018</b>
Last Price (€)*	0.41	0.54
Earnings per share (€)	(0.07)	(0.06)
Price-earnings ratio	(5.74)	(8.66)
Book value of a share (€)	0.58	0.78
Market to book ratio	0.72	0.70
Market capitalization, € thousand	1,854	2,429
Number of shares, piece	4,491,061	4,499,061

EBITDA = Earnings before interest, taxes, depreciation and amortization

EBITDA margin = EBITDA / Revenue

Operating margin = Operating profit / Revenue

Net margin = Net profit / Revenue

Return on assets = Net profit / Total assets

Return on equity = Net profit / Equity

Debt-to-equity ratio = Liabilities / Total assets

Earnings per share = Net profit / Total shares

Price-earnings ratio = Last price / Earnings per share

Book value of a share = Equity / Total shares

Market to book ratio = Last price / Book value of a share

Market capitalization = Last price \* Total number of shares

\*<http://www.nasdaqbaltic.com/>





## FINANCIAL RISKS

### INTEREST RATE RISK

Skano Group AS's interest rate risk relates to changes in EURIBOR (Euro Interbank Offered Rate) since our loans are linked to EURIBOR. At 31.03.2019 six months' EURIBOR rate was (0.228) and at 31.03.2018 (0.271). As EURIBOR is negative and in the loan agreements it is set to 0%, the continued negative rate of EURIBOR does not have interest expense reducing effect. As the borrowing have a maturity of up to 2 years or less, management is in opinion that the floating interest rate will not bear significant impact to Group's cash flows.

The dates for fixing interest rates on the basis of changes in EURIBOR are the 30th day of every six months for its bank loans.

The interest rate risk also depends on the overall economic situation in Estonia and in the eurozone. Skano Group AS has a cash flow risk arising from the interest rate risk because its loans have a floating interest rate. Management believes that the cash flow risk is not significant, therefore no hedging instruments are used.

### CURRENCY RISK

The foreign exchange risk is the risk that the company may have significant loss because of fluctuating foreign exchange rates. However, Skano Group has no operations outside of the euro zone and most of our export-import contracts to customers outside of the euro zone are nominated in euros. Raw materials for production and goods purchased for resale in our retail operations are mainly in euros.

### RISK OF THE ECONOMIC ENVIRONMENT

The risk of the economic environment for the fibreboard division depends on general developments in the construction and industrial segments; the risk for the furniture division depends on the expectations of the customers towards economic welfare in future.

### FAIR VALUE

The management estimates that the fair values of cash, accounts payable, short-term loans and borrowings do not materially differ from their carrying amounts. The fair values of long-term loans do not materially differ from their carrying amounts because their interest rates correspond to the interest rate risks prevailing on the market.



## DECLARATION OF THE MANAGEMENT BOARD

The management board has prepared the management report and the consolidated financial interim statements of Skano Group AS for the first quarter 2019.

The management board confirms that the management report on pages 4-9 provides a true and fair view of the business operations, financial results and financial condition of the parent company and the entities included in consolidation.

The management board confirms that according to their best knowledge the consolidated financial interim report on pages 11-29 presents a fair view of the assets, liabilities, financial position and profit or loss of the issuer and the entities involved in the consolidation as a whole according to the International Financial Reporting Standards as they are adopted by the European Union and contains a description of the main risks.

Torfinn Losvik

Chairman of the Management Board

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Pärnu, May 31, 2019



## INTERIM FINANCIAL STATEMENTS

### CONSOLIDATED STATEMENT OF FINANCIAL POSITIONS

<i>€ thousand</i>	31.03.2019	31.12.2018	31.03.2018	31.12.2017
Cash and cash equivalents (Note 2)	78	54	60	74
Receivables and prepayments (Note 3)	1,403	1,142	2,318	1,215
Inventories (Note 4)	1,939	2,255	2,343	2,336
<b>Total current assets</b>	<b>3,420</b>	<b>3,452</b>	<b>4,721</b>	<b>3,624</b>
Investment property (Note 5)	180	175	170	170
Available-for-sale financial assets (Note 8)	410	422	187	182
Other shares and issues	0	0	0	6
Property, plant and equipment (Note 6)	6,053	6,223	6,724	6,908
Intangible assets (Note 7)	30	34	43	47
<b>Total non-current assets</b>	<b>6,675</b>	<b>6,855</b>	<b>7,124</b>	<b>7,313</b>
<b>TOTAL ASSETS</b>	<b>10,094</b>	<b>10,307</b>	<b>11,845</b>	<b>10,937</b>
Borrowings (Notes 9)	629	652	1,240	593
Payables and prepayments (Notes 10)	2,551	2,418	2,486	1,956
Short-term provisions (Note 11)	15	15	10	13
<b>Total current liabilities</b>	<b>3,195</b>	<b>3,085</b>	<b>3,736</b>	<b>2,562</b>
Long-term borrowings (Notes 9)	4,102	4,112	4,421	4,422
Long-term provisions (Note 11)	210	210	200	200
<b>Total non-current liabilities</b>	<b>4,311</b>	<b>4,321</b>	<b>4,621</b>	<b>4,622</b>
<b>Total liabilities</b>	<b>7,507</b>	<b>7,406</b>	<b>8,358</b>	<b>7,184</b>
Share capital (at nominal value) (Note 12)	2,699	2,699	2,699	2,699
Share premium	364	364	364	364
Statutory reserve capital	288	288	293	288
Other reserves (Notes 8; 12)	55	45	18	9
Unrealised currency differences	0	0	0	0
Retained earnings (loss)	(819)	(496)	113	393
<b>Total equity (Note 13)</b>	<b>2,588</b>	<b>2,901</b>	<b>3,487</b>	<b>3,753</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>10,094</b>	<b>10,307</b>	<b>11,845</b>	<b>10,937</b>

\*The notes to the financial statements presented on pages 15 to 29 are an integral part of these consolidated financial statements.



## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

€ thousand	Q1 2019	Q1 2018
<b>Revenue (Note 14)</b>	<b>3,829</b>	<b>3,711</b>
Cost of goods sold (Note 15)	3,481	3,291
<b>Gross profit</b>	<b>348</b>	<b>420</b>
Distribution costs (Note 16)	428	454
Administrative expenses (Note 17)	160	153
Other operating income (Note 19)	22	3
Other operating expenses (Note 19)	35	30
<b>Operating profit (loss) (Note 11)</b>	<b>(252)</b>	<b>(214)</b>
Finance income (Note 20)	0	1
Finance costs (Note 20)	71	67
<b>LOSS BEFORE INCOME TAX</b>	<b>(323)</b>	<b>(281)</b>
Corporate income tax	0	0
<b>NET LOSS FOR THE FINANCIAL YEAR</b>	<b>(323)</b>	<b>(281)</b>
Other comprehensive income (loss)	0	0
<i>Other comprehensive income (loss) that can in certain cases be reclassified to the income statement</i>		
Currency translation differences		
<b>TOTAL COMPREHENSIVE LOSS FOR THE FINANCIAL YEAR</b>	<b>(323)</b>	<b>(281)</b>
Basic earnings per share (Note 13)	(0.07)	(0.06)
Diluted earnings per share (Note 13)	(0.07)	(0.06)

\*The notes to the financial statements presented on pages 15 to 29 are an integral part of these consolidated financial statements.



## CONSOLIDATED STATEMENT OF CASH FLOWS

CASH FLOWS € thousand	Q1 2019	Q1 2018
<b>Cash flows from operating activities</b>		
<b>Operating profit (loss)</b>	<b>(252)</b>	<b>(214)</b>
Adjustments:		
Depreciation charge (Notes 6;7)	176	191
Non-monetary transactions: reserve for share option (Note 12)	10	15
Change in trade and other receivables (Note 3)	(260)	(1,103)
Change in inventories (Note 4)	315	(7)
Change in trade and other payables (Note 10)	133	530
<b>Cash generated from operations</b>	<b>121</b>	<b>(589)</b>
Interest payments (Note 20)	(55)	(69)
Net other financial income and expense	(14)	(1)
Other cash flows from operations	4	2
<b>Net cash generated from operating activities</b>	<b>56</b>	<b>(657)</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment and intangible assets (Notes 6;7)	(2)	(3)
Disposal of property, plant and equipment and intangible assets (Note 6;7)	2	0
<b>Net cash used in investing activities</b>	<b>0</b>	<b>(3)</b>
<b>Cash flows from financing activities</b>		
Repayment of loans received (Note 9)	(73)	(56)
Change in overdraft (Note 9)	40	18
Change in factoring (Note 9)	0	683
<b>Net cash (used in)/from financing activities</b>	<b>(33)</b>	<b>646</b>
<b>NET CHANGE IN CASH</b>	<b>23</b>	<b>(14)</b>
<b>OPENING BALANCE OF CASH (Note 2)</b>	<b>54</b>	<b>74</b>
<b>CLOSING BALANCE OF CASH (Note 2)</b>	<b>78</b>	<b>60</b>

\*The notes to the financial statements presented on pages 15 to 29 are an integral part of these consolidated financial statements.



## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

<i>€ thousand</i>	Share capital	Share premium	Statutory reserve capital	Other reserves	Unrealised currency differences	Retained earnings	Total
<b>Balance at 31.12.2017</b>	<b>2,699</b>	<b>364</b>	<b>288</b>	<b>8</b>	<b>0</b>	<b>393</b>	<b>3,753</b>
Share options 3M 2018	0	0	0	15	0	0	15
Other changes	0	0	0	0	0	2	2
<i>Net profit/loss for 3M 2018</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>(281)</i>	<i>(281)</i>
<i>Other comprehensive income for 3M 2018</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
Total comprehensive profit/loss for 3M 2018	0	0	0	0	0	(281)	(281)
<b>Balance at 31.03.2018</b>	<b>2,699</b>	<b>364</b>	<b>288</b>	<b>23</b>	<b>0</b>	<b>115</b>	<b>3,489</b>
<b>Balance at 31.12.2018</b>	<b>2,699</b>	<b>364</b>	<b>288</b>	<b>45</b>	<b>0</b>	<b>(496)</b>	<b>2,901</b>
Share options 3M 2019	0	0	0	10	0	(0)	10
<i>Net profit/loss for 3M 2019</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>(323)</i>	<i>(323)</i>
<i>Other comprehensive income for 3M 2019</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
Total comprehensive profit/loss for 3M 2019	0	0	0	0	0	(323)	(323)
<b>Balance at 31.03.2019</b>	<b>2,699</b>	<b>364</b>	<b>288</b>	<b>55</b>	<b>0</b>	<b>(819)</b>	<b>2,588</b>

\*The notes to the financial statements presented on pages 15 to 29 are an integral part of these consolidated financial statements.



## NOTES TO THE CONSOLIDATED INTERIM REPORT

### NOTE 1 ACCOUNTING POLICIES AND MEASUREMENT BASES

#### GENERAL INFORMATION

Skano Group AS (the Company) (registration number: 11421437; address: Suur-Jõe 48, Pärnu), is an entity registered in the Republic of Estonia. It operates in Estonia and through its subsidiaries in Latvia, Lithuania, and Finland.

The Group's main activities are production and distribution of furniture and softboard made of wood.

Skano Group AS was established on 19 September 2007 in the demerger of the former Skano Group AS, currently AS Trigon Property Development, as a result of which the manufacturing units, i.e. the building materials division and furniture division were spun off and transferred to the new entity.

The Group's shares were listed in the Main List of the Tallinn Stock Exchange until 2nd of April 2019, when the shares were moved from the Main List to the Secondary List. Until November 2009, the ultimate controlling party of Skano Group AS was TDI Investments KY. The Group has since November 2009 not had any ultimate controlling party. Its largest shareholder today is OÜ Trigon Wood (owning 59.47%), of which the main investors with the largest holdings in OÜ Trigon Wood have significant influence over the Group as at 31 March 2019 and 31 March 2018, these being AS Trigon Capital (46%) and Stetind OÜ (47%).

#### BASIS FOR PREPARATION

The Condensed Consolidated Interim Accounts of Skano Group has been prepared in accordance with the International Financial Reporting Standard (IFRS) Interim Financial Reporting as adopted by the European Union. The same accounting policies were applied for both the Interim Report and the Annual Report for the financial year that ended on 31.12.2018. The consolidated financial statements have been prepared in accordance with International Accounting Standard (IAS) 34: Interim Financial Reporting. The functional and presentation currency of Skano Group is euro. All amounts disclosed in the financial statements have been rounded to the nearest thousand unless referred to otherwise.

According to the assessment of the Management Board Skano Group AS is a going concern and the Interim Report for the 1st quarter of 2019 gives a true and fair view of the financial position of Skano Group AS and the results of its operations. The present Interim Report has not been audited.

#### IMPORTANT CHANGES IN ACCOUNTING POLICIES

The following new or revised standards and interpretations became effective for the Group on or after 1 January 2019 and which the Group has not earlier adopted.

##### IFRS 16, LEASES

IFRS 16 „Leases“ (effective for annual periods beginning on or after 1 January 2019). The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees will be required to recognise: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the income statement. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17.



Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. As at 31 December 2018, the Group had no long-term commitments from operating lease contracts.

Thus, there were no impact to the Group from 1 January 2019 at the initial application of the new standard.

The other new and revised standards are interpretations that are not yet effective are not expected to have a material impact on the Group.

The following new or revised standards and interpretations became effective for the Group from January 1, 2018:

#### IFRS 15 „REVENUE FROM CONTRACTS WITH CUSTOMERS“

IFRS 15 „Revenue from Contracts with Customers“ (effective for annual periods beginning on or after 1 January 2018). The new standard introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers must be capitalised and amortised over the period when the benefits of the contract are consumed. The new standard did not have material impact on the Group’s financial statements.

Revenue from Contracts with Customers – Amendments to IFRS 15 (effective for annual periods beginning on or after 1 January 2018). The amendments do not change the underlying principles of the standard but clarify how those principles should be applied. The amendments clarify how to identify a performance obligation (the promise to transfer a good or a service to a customer) in a contract; how to determine whether a company is a principal (the provider of a good or service) or an agent (responsible for arranging for the good or service to be provided); and how to determine whether the revenue from granting a licence should be recognised at a point in time or over time. In addition to the clarifications, the amendments include two additional reliefs to reduce cost and complexity for a company when it first applies the new standard. The new standard did not have material impact on the Group’s financial statements.

#### IFRS 9, FINANCIAL INSTRUMENTS

IFRS 9, Financial Instruments: Classification and Measurement (effective for annual periods beginning on or after 1 January 2018). Key features of the new standard are:

- Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortised cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVPL).
- Classification for debt instruments is driven by the entity’s business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). If a debt instrument is held to collect, it may be carried at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets’ cash flows and sells assets may be classified as FVOCI.





Financial assets that do not contain cash flows that are SPPI must be measured at FVPL (for example, derivatives). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition.

- Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.
- Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.
- IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a ‘three stages’ approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables.

The new standard did impact on the Group’s financial statements with the reclassification from financial assets available for sale (Trigon Property Development shares) into financial assets at fair value through profit or loss (€ 182 thousand as at 1 January 2018, see also Note 8). There were no fair value gains/losses to be transferred from AFS reserve to retained earnings on 1 January 2018.

There are no other new or revised standards or interpretations that are effective for the first time for the financial year beginning on or after January 1, 2018 that would be expected to have a material impact to the Group

#### NOTE 2 CASH AND CASH EQUIVALENTS

<i>€ thousand</i>	31.03.2019	31.12.2018	31.03.2018	31.12.2017
Cash on hand	2	2	2	3
Bank Accounts	75	52	58	70
<b>TOTAL</b>	<b>78</b>	<b>54</b>	<b>60</b>	<b>74</b>

#### NOTE 3 TRADE AND OTHER RECEIVABLES

<i>€ thousand</i>	31.03.2019	31.12.2018	31.03.2018	31.12.2017
Customer receivables	1,142	911	1,972	934
Prepaid taxes	200	150	256	210
Other receivables	32	65	63	44
Prepaid services	29	16	27	25
<b>TOTAL</b>	<b>1,403</b>	<b>1,142</b>	<b>2,318</b>	<b>1,215</b>

Impairment losses of receivables and their reversal are included in the income statement lines Other operating income and Other operating expenses, see also Note 19.



ANALYSIS OF TRADE RECEIVABLES BY AGING:

<i>thousand €</i>	31.03.2019	31.12.2018	31.03.2018	31.12.2017
<b>Not past due</b>	<b>1,060</b>	<b>777</b>	<b>1,861</b>	<b>762</b>
incl receivables from customers who also have receivables past due	44	207	1,492	239
incl receivables from customers who have no receivables past due	1,016	570	369	523
<b>Past due but not impaired</b>	<b>82</b>	<b>134</b>	<b>112</b>	<b>172</b>
Overdue up to 90 days	82	132	102	161
Overdue more than 90 days	0	2	10	11
<b>TOTAL</b>	<b>1,142</b>	<b>911</b>	<b>1,972</b>	<b>934</b>

NOTE 4 INVENTORIES

<i>€ thousand</i>	31.03.2019	31.12.2018	31.03.2018	31.12.2017
Raw materials and other materials	449	439	504	588
Work-in-progress	324	358	438	495
Finished goods	1,004	1,264	1,209	1,116
Goods purchased for resale	173	163	147	154
Goods in transit	81	133	150	68
Prepayments to suppliers	18	7	5	25
Write-off reserve for inventories	(109)	(109)	(109)	(109)
<b>TOTAL</b>	<b>1,939</b>	<b>2,255</b>	<b>2,343</b>	<b>2,336</b>

NOTE 5 INVESTMENT PROPERTY

<b>Cost 31.12.2017</b>	<b>229</b>
<b>Accumulated depreciation at 31.12.2017</b>	<b>(59)</b>
<b>Carrying amount 31.12.2017</b>	<b>170</b>
Acquisition	0
<b>Cost 31.03.2018</b>	<b>229</b>
<b>Accumulated depreciation at 31.03.2018</b>	<b>(59)</b>
<b>Carrying amount 31.03.2018</b>	<b>170</b>
Acquisition	0
<b>Cost 31.12.2018</b>	<b>234</b>
<b>Accumulated depreciation at 31.12.2018</b>	<b>(59)</b>
<b>Carrying amount 31.12.2018</b>	<b>175</b>
Acquisition	5
<b>Cost 31.03.2019</b>	<b>239</b>
<b>Accumulated depreciation at 31.03.2019</b>	<b>(59)</b>
<b>Carrying amount 31.03.2019</b>	<b>180</b>

Costs of maintenance for 3M 2019 were € 0 thousand and € 32 thousand in 3M 2018. Rental income from investment properties for 3M 2019 was € 1 thousand and € 4 thousand in 3M 2018. Acquisitions of investment property during 2019 are related to expenses of Suur-Jõe 48, Pärnu detail plan.



thousand €

<b>31.12.2017</b>	
Share of registered immovable property at Suur-Jõe 48, Pärnu	0
Share of registered immovable property at Rääma Street 31, Pärnu	170
<b>31.03.2018</b>	
Share of registered immovable property at Suur-Jõe 48, Pärnu	0
Share of registered immovable property at Rääma Street 31, Pärnu	170
<b>31.12.2018</b>	
Share of registered immovable property at Suur-Jõe 48, Pärnu	5
Share of registered immovable property at Rääma Street 31, Pärnu	170
<b>31.03.2019</b>	
Share of registered immovable property at Suur-Jõe 48, Pärnu	10
Share of registered immovable property at Rääma Street 31, Pärnu	170

#### NOTE 6 PROPERTY PLANT EQUIPMENT

thousand €	Land	Buildings and facilities	Machinery and equipment	Other fixtures	Construction-in-progress	TOTAL
<b>Cost at 31.12.2017</b>	223	4,970	14,488	183	0	19,865
<b>Accumulated depreciation at 31.12.2017</b>	0	(3,134)	(9,648)	(175)	0	(12,957)
<b>Carrying amount at 31.12.2017</b>	223	1,836	4,840	8	0	6,908
Additions*	0	0	0	0	3	3
Reclassification	0	0	0	0	0	0
Disposals and write-offs (Note 19)	0	0	0	0	0	0
Accumulated depreciation of fixed assets written off	0	0	0	0	0	0
Depreciation (Notes 15;16;17)	0	(44)	(142)	(1)	0	(187)
<b>Cost at 31.03.2018</b>	223	4,970	14,488	183	3	19,867
<b>Accumulated depreciation at 31.03.2018</b>	0	(3,177)	(9,790)	(176)	0	(13,143)
<b>Carrying amount at 31.03.2018</b>	223	1,793	4,698	7	3	6,724



<i>thousand €</i>	Land	Buildings and facilities	Machinery and equipment	Other fixtures	Construction- in-progress	TOTAL
<b>Cost at 31.12.2018</b>	223	4,970	14,531	207	0	19,931
<b>Accumulated depreciation at 31.12.2018</b>	0	(3,308)	(10,200)	(200)	0	(13,708)
<b>Carrying amount at 31.12.2018</b>	223	1,662	4,331	7	0	6,223
Additions*	0	0	2	0	0	2
Reclassification	0	0	0	0	0	0
Disposals and write-offs (Note 19)	0	0	2	0	0	2
Accumulated depreciation of fixed assets written off	0	0	(2)	0	0	(2)
Depreciation (Notes 15;16;17)	0	(43)	(127)	(1)	0	(170)
<b>Cost at 31.03.2019</b>	223	4,970	14,531	207	0	19,931
<b>Accumulated depreciation at 31.03.2019</b>	0	(3,351)	(10,327)	(200)	0	(13,878)
<b>Carrying amount at 31.03.2019</b>	223	1,619	4,204	7	0	6,053

\*On 31<sup>st</sup> of March 2019 there were no binding liabilities related to acquiring of tangible assets.

#### NOTE 7 INTANGIBLE ASSETS

<i>thousand €</i>	Computer software
<b>Cost at 31.12.2017</b>	174
<b>Accumulated amortisation at 31.12.2017</b>	(127)
<b>Carrying amount 31.12.2017</b>	47
Additions 3M 2018	0
Amortisation charge (Notes 15;16;17)	(4)
<b>Cost at 31.03.2018</b>	174
<b>Accumulated amortisation at 31.03.2018</b>	(131)
<b>Carrying amount 31.03.2018</b>	43
<b>Cost at 31.12.2018</b>	226
<b>Accumulated amortisation at 31.12.2018</b>	(192)
<b>Carrying amount 31.12.2018</b>	34
Additions 3M 2019	0
Amortisation charge (Notes 15;16;17)	(4)
<b>Cost at 31.03.2019</b>	226
<b>Accumulated amortisation at 31.03.2019</b>	(196)
<b>Carrying amount 31.03.2019</b>	30



## NOTE 8 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS AND AVAILABLE-FOR-SALE FINANCIAL ASSETS

<i>thousand €</i>	31.03.2019	Change 3M 2019	31.12.2018	31.03.2018	31.12.2017
Non-current assets					
Listed securities - Equity securities - cost as at	410	0	410	187	182
Revaluation	0	(12)	12	0	0
<b>Fair value as at</b>	<b>410</b>	<b>(12)</b>	<b>422</b>	<b>187</b>	<b>182</b>

\*Available-for-sale financial assets (i.e. Trigon Property Development shares) have been revaluated to reflect fair value based on last price as at 31.03.2019 as shown on Nasdaq Tallinn Stock Exchange.

## NOTE 9 BORROWINGS

Until March 2020 the loan agreements contain covenants whereby the debt to EBITDA ratio of the group on a 12-month basis may be up to 5, the DSCR must be maintained at least 1.4 at all times and the annual capital expenditures are capped at 300 thousand €. Waiver was obtained from lender in respect of breaching the financial covenants as at 31 December 2018 with the confirmation that the maturity date will be prolonged to March 2020, therefore at the balance sheet date the borrowing has been recorded according to the loan amortisation schedule in force at the balance sheet date.

<i>thousand €</i>	Interest rate	31.03.2019	31.12.2018	31.03.2018	31.12.2017
Current borrowings					
Current portion of long-term bank loan (Note 3)	6 month euribor+4.55%	222	284	165	220
Short term loan from related parties	5%	0	0	0	0
Bank overdrafts (Note 3)	5%	407	368	248	231
Factoring	1 month euribor+3.5%	0	0	826	143
<b>Total</b>		<b>629</b>	<b>652</b>	<b>1,240</b>	<b>593</b>
Non-current borrowings					
Current portion of long-term bank loan (Note 3)	6 month euribor+4.55%	4,102	4,112	4,421	4,422
<b>Total</b>		<b>4,102</b>	<b>4,112</b>	<b>4,421</b>	<b>4,422</b>
<b>Total borrowings</b>		<b>4,730</b>	<b>4,763</b>	<b>5,662</b>	<b>5,016</b>

\* Factoring contract ended at 19th of august 2018.



CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

Changes in liabilities arising from financing activities <i>thousand €</i>	31.12.2018	Cash flows	Non-monetary settlements	Interest accrued	Interest paid	Other	31.03.2019
Current portion of long-term bank loan	284	(72)	0	(50)	50	10	222
Short term loan from related parties	0	0	0	0	0	0	0
Bank overdrafts	368	40	0	(2)	2	0	407
Factoring	0	0	0	0	0	0	0
Non-current bank loans	4,112	0	0	0	0	(10)	4,102
<b>Total liabilities from financing activities</b>	<b>4,763</b>	<b>(32)</b>	<b>0</b>	<b>(51)</b>	<b>51</b>	<b>0</b>	<b>4 730</b>

CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

Changes in liabilities arising from financing activities <i>thousand €</i>	31.12.2017	Cash flows	Non-monetary settlements	Interest accrued	Interest paid	Other	31.03.2018
Current portion of long-term bank loan	220	(55)	0	53	(53)	0	165
Bank overdrafts	231	18	0	1	(1)	0	248
Factoring	143	683	0	6	(6)	0	826
Non-current bank loans	4,422	0	0	0	0	(1)	4,421
<b>Total liabilities from financing activities</b>	<b>5,016</b>	<b>647</b>	<b>0</b>	<b>60</b>	<b>(60)</b>	<b>(1)</b>	<b>5,662</b>

NOTE 10 PAYABLES AND PREPAYMENTS

<i>thousand €</i>	31.03.2019	31.12.2018	31.03.2018	31.12.2017
Trade payables (Note 3)	1,875	1,768	1,408	1,071
Payables to employees incl. accrued holiday pay reserve	235	223	247	225
	47	53	65	65
Tax liabilities	224	257	401	281
incl. social security and unemployment insurance	151	147	122	122
personal income tax	56	61	123	123
contribution to mandatory funded pension	6	6	7	7
value added tax	7	51	72	72
other taxes	4	16	9	9
Prepayments received	183	147	336	330
Other payables (Note 3)	33	23	94	48
<b>TOTAL</b>	<b>2,551</b>	<b>2,418</b>	<b>2,486</b>	<b>1,956</b>



## NOTE 11 PROVISIONS

*thousand €*

<b>Balance at 31.12.2017</b>	<b>213</b>
incl. current portion of provision	13
incl. non-current portion of provision	200
<b>Movements 2018 3M:</b>	
Use of provision	(10)
Interest cost (Note 20)	2
<b>Balance at 31.03.2018</b>	<b>210</b>
incl. current portion of provision	10
incl. non-current portion of provision	200
<b>Balance at 31.12.2018</b>	<b>225</b>
incl. current portion of provision	15
incl. non-current portion of provision	210
<b>Movements 2019 3M:</b>	
Use of provision	0
Interest cost (Note 20)	2
<b>Balance at 31.03.2019</b>	<b>225</b>
incl. current portion of provision	15
incl. non-current portion of provision	210

Provisions are made in relation to the compensations for loss of working capacity of former employees after work accidents. The total amount of the provision has been estimated considering the number of persons receiving the compensation, extent of their disability, their former level of salary, level of pension payments and estimations of the remaining period of payments. At 31.12.2018 revaluation of provisions was done, and reserve of provisions was increased by € 25 thousand due to increased expected lifetime, increased pensions and change in discount rate.

## NOTE 12 EQUITY

	Nominal value	Number of shares	Share capital
	€	pcs	<i>thousand €</i>
Balance at 31.03.2019	0.60	4,499,061	2,699
Balance at 31.12.2018	0.60	4,499,061	2,699
Balance at 31.03.2018	0.60	4,499,061	2,699
Balance at 31.12.2017	0.60	4,499,061	2,699

The share capital of Skano Group AS totalled 2,699,436.60 euros that were made up of 4,499,061 shares with the nominal value of 0.60 euros each. The maximum share capital outlined in the Articles of Association is 10,797,744 euros. Each ordinary share grants its owner one vote in the General Meeting of Shareholders and the right to receive dividends.



As at 31.03.2019, the Group had 445 shareholders (31.03.2018: 453 shareholders) of which with more than 5% ownership interest were:

- Trigon Wood OÜ with 2,675,752 shares or 59.62% (31.03.2018: 59.62%)
- Gamma Holding Investment OÜ with 345,933 shares or 7.69% (31.03.2018: 6.64%)

The number of Skano Group AS shares owned by the members of the Management Board and Supervisory Board of Skano Group AS was as follows:

- Joakim Johan Helenius 20,000 shares (31.03.2018: 20.000 shares)
- Jan Peter Ingman 0 shares (31.03.2018: 0 shares)
- Trond Brekke 0 shares (31.03.2018: 0 shares)
- Sakari Wallin 0 shares (31.03.2018: 0 shares)
- Torfinn Losvik 0 shares (31.03.2018: 0 shares)

Both Joakim Johan Helenius and Torfinn Losvik have indirect ownership through parent company OÜ Trigon Wood. Torfinn Losvik owns shares through Stetind OÜ in the amount of 38.206 shares (2018 0 shares).

As of 31.12.2017 Gregory Devine Grace had a share option agreement with the total amount of 33,333 share options. The share options were valid until 31.12.2018 with strike price of € 1.10 per share. Since the Strike price was higher compared to the market price the option agreement was not used, thus the option reserve was released and accounted in retained earnings.

As of 31.03.2019 Torfinn Losvik has a share option agreement with up to maximum 300,000 share options, such share option agreement was signed 11 October 2017. The agreement stipulates as follow:

- Torfinn Losvik shall be entitled to use the issued option starting from the 37th (thirty-seventh) calendar month after issue of the option. He shall lose the right to use the share option if he leaves from the management board of Skano Group AS upon own initiative prior to the thirty-seventh calendar month after the issue of the option or if his board member contract is terminated upon the initiative of the supervisory board within 12 months after the issue of the option. He shall have the right to use the share option to the extent of 1/3 if his board member contract is terminated within 13-24 months after the issue of the option and to the extent of 2/3 if his or her board member contract is terminated within 25-36 months after the issue of the option.
- Torfinn Losvik shall not have the right to transfer the share options issued thereto.
- Up to 300 000 (three hundred thousand) shares of Skano Group AS shall be emitted to fulfil the conditions of the share option.
- The price of one share option is 0.506 EUR (calculated as the average closing price of the Skano Group shares for the last 60 trading days before the announcement of given AGM on 12.04.2017).
- The final term of the share programme is 31.12.2020. The specific schedule of the share programme and the procedure for sale shall be determined by the supervisory board.
- The pre-emptive right of shareholders to subscribe to new shares emitted to fulfil the conditions of the share option shall be precluded.

Based on Skano Group share historical volatility of 85% over past 4 years (2014-2017), the management has evaluated value of the call option of the option agreement to be of 77% compared to agreed strike price. As a result, a monthly reserve of € 3 thousand is accounted for the next 36 months starting from November 2017.





## NOTE 13 EARNINGS PER SHARE

	31.03.2019	31.12.2018	31.03.2018	31.12.2017
Net profit (-loss) (in thousands of euros)	(323)	(891)	(281)	(127)
Weighted average number of shares (units)	4,499	4,499	4,499	4,499
Basic earnings per share	(0.07)	(0.20)	(0.06)	(0.03)
Weighted average number of shares used for calculating the diluted earnings per shares (units)	4,630	4,630	4,630	4,521
Diluted earnings per share	(0.07)	(0.19)	(0.06)	(0.03)
Book value of share	0.58	0.64	0.78	0.83
Price/earnings ratio (P/E)	(5.74)	(1.81)	(8.66)	(21.74)
Last price of the share of Skano Group AS on Tallinn Stock Exchange	0.41	0.36	0.54	0.62
Weighted average number of shares used as the denominator (units)				
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	4,499	4,499	4,499	4,499
Adjustments for calculation of diluted earnings per share:				
Share options (2018 program)	131	131	131	22
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	4,630	4,630	4,630	4,521

Diluted earnings (loss) per share is calculated based on the net profit (loss) and the number of shares plus contingent shares corresponding with the Group's option program started from 2015. Skano Group's share price on average has been lower than the exercise price of options granted to Gregory Devine Grace. The share options were valid until 31.12.2018 with strike price of € 1.10. Since the strike price was higher compared to the market price the option agreement was not used, thus the option reserve was released and accounted in retained earnings.

The share of Skano Group AS has been listed on Tallinn Stock Exchange starting from 25.09.2007.

## NOTE 14 SEGMENTS

Operating segments have been determined based on the reports reviewed by the Management Board that are used to make strategic decision. The Management Board considers the business based on the types of products and services as follows:

- Fibreboard manufacturing and sale (Skano Fibreboard OÜ and Suomen Tuulileijona Oy) - manufacture general construction boards based on soft wood fibre boards and interior finishing boards in Pärnu and Püssi factories and wholesale of those boards.
- Furniture manufacturing and sale (Skano Furniture Factory OÜ) - the production and wholesale of household furniture in the factory located in Pärnu.
- Furniture retail sale (Skano Furniture OÜ, SIA Skano, UAB Skano LT) - retail sales of furniture in Estonia, Latvia and Lithuania.

The Management Board assesses the performance of operating segments based on operating profit and EBITDA as a primary measure. As a secondary measure, the Management Board also reviews net revenue.



All amounts provided to the Management Board are measured in a manner consistent with that of the financial statements. Inter-segment sales are carried out at arm's length.

BUSINESS SEGMENTS:

3 months 2019 thousand €	Fibreboard manufacturing and sale	Furniture manufacturing	Furniture retail sale	Group's general expenses and eliminations	SEGMENTS TOTAL
Revenue from external customers	2,893	545	391	0	3,829
Inter-segment revenue	0	173	2	(175)	0
Operating profit/-loss	(127)	(114)	(23)	12	(252)
Depreciation* (Notes 6; 7)	129	47	1	0	176
Segment assets	8,107	2,242	487	(742)	10,094
Non-current assets* (Note 5;6;7;8)	5,942	963	3	(234)	6,674
Segment liabilities	6,389	998	740	(621)	7,507
Additions to non-current assets* (Note 6;7)	2	0	0	0	2
Interest expenses (Note 20)	50	5	0	1	56
3 months 2018 thousand €	Fibreboard manufacturing and sale	Furniture manufacturing	Furniture retail sale	Group's general expenses and eliminations	SEGMENTS TOTAL
Revenue from external customers	2,720	659	332	0	3,711
Inter-segment revenue	3	142	(1)	(144)	(0)
Operating profit/-loss	(108)	(79)	(20)	(8)	(215)
Amortisation/ depreciation* (Notes 6; 7)	145	46	0	0	191
Segment assets	9,373	2,549	445	(524)	11,843
Non-current assets of the segment* (Note 5;6;7;8)	5,770	951	3	(47)	6,677
Segment liabilities	7,166	1,038	631	(477)	8,358
Additions to non-current assets* (Note 6;7)	0	1	2	0	3
Interest expenses (Note 20)	47	13	0	3	62

BUSINESS SEGMENT BY THE GEOGRAPHICAL LOCATION OF CUSTOMERS:

thousand €	3M 2019				3M 2018			
	Fibreboard	Furniture Factory	Retail	TOTAL	Fibreboard	Furniture Factory	Retail	TOTAL
<b>Europe:</b>	2,495	545	390	3,430	2,550	659	326	3,536
- Eastern	839	279	390	1,508	756	394	332	1,482
- Northern	1,163	227	0	1,390	1,475	234	0	1,709
- Western	493	39	0	532	319	30	0	350
Asia	169	0	0	169	47	0	0	47
Africa	143	0	0	143	42	0	0	42
Middle East	86	0	0	86	73	0	0	73
Other	0	0	0	0	8	0	0	8
<b>Grand Total</b>	<b>2,893</b>	<b>545</b>	<b>390</b>	<b>3,828</b>	<b>2,720</b>	<b>659</b>	<b>332</b>	<b>3,711</b>



## NOTE 15 COST OF GOODS SOLD

<i>thousand €</i>	<b>Q1 2019</b>	<b>Q1 2018</b>
Raw materials and main materials	1,131	1,356
Electricity and heat	857	855
Labour expenses (Note 18)	706	706
Depreciation (Note 6;7)	174	189
Purchased goods	177	157
Change in balances of finished goods, goods in transit and work in progress	344	(129)
Other expenses	91	157
<b>TOTAL</b>	<b>3,481</b>	<b>3,291</b>

## NOTE 16 DISTRIBUTION COSTS

<i>thousand €</i>	<b>Q1 2019</b>	<b>Q1 2018</b>
Transportation expenses	230	238
Labour expenses (Note 18)	87	88
Operating Lease	73	70
Marketing expense	21	27
Commission fees	10	12
Depreciation (Note 6;7)	0	0
Other expenses	7	20
<b>TOTAL</b>	<b>428</b>	<b>454</b>

## NOTE 17 ADMINISTRATIVE AND GENERAL EXPENSES

<i>thousand €</i>	<b>Q1 2019</b>	<b>Q1 2018</b>
Labour expenses (Note 18)	106	104
Purchased services	27	33
Office supplies	3	4
Operating Lease	4	1
Depreciation (Note 6;7)	2	2
Other expenses	18	9
<b>TOTAL</b>	<b>160</b>	<b>153</b>

\* Other expenses for Q1 2019 include renovation works in Skano UAB shop in the amount of € 5 thousand.

## NOTE 18 LABOUR EXPENSES

<i>thousand €</i>	<b>Q1 2019</b>	<b>Q1 2018</b>
Wages and salaries	683	680
Social security and unemployment insurance	216	218
Accrued holiday pay provision	0	0
Fringe benefits paid to employees	9	9
<b>TOTAL</b>	<b>908</b>	<b>906</b>

## NOTE 19 OTHER OPERATING INCOME AND EXPENSES

### OTHER OPERATING INCOME

<i>thousand €</i>	<b>Q1 2019</b>	<b>Q1 2018</b>
Compensation from insurance	22	1
Penalties received	0	1
Other operating income	0	1
<b>TOTAL</b>	<b>22</b>	<b>3</b>



#### OTHER OPERATING EXPENSES

<i>thousand €</i>	Q1 2019	Q1 2018
Penalties paid	18	0
Sales bonuses	8	5
Insurance	5	1
Commission, factoring fees	2	2
Reclamations	1	2
Membership fees	1	1
Contract fees	0	10
Other costs	0	8
<b>TOTAL</b>	<b>35</b>	<b>30</b>

#### NOTE 20 FINANCIAL INCOME AND EXPENSES

<i>thousand €</i>	Q1 2019	Q1 2018
Financial income:		
Other financial income	0	1
<b>Total financial income</b>	<b>0</b>	<b>1</b>

<i>thousand €</i>	Q1 2019	Q1 2018
Financial cost		
Interest expenses	56	62
including interest expenses related to provisions (Note 13)	2	2
Other finance cost	14	5
<b>Total financial cost</b>	<b>71</b>	<b>67</b>

\*Other financial income and expenses for 2019 Q1 include revaluation of TPD shares.

#### NOTE 21 RELATED PARTIES

The following parties are considered to be related parties:

- Parent company OÜ Trigon Wood and owners of the parent company;
- Other entities in the same consolidation group;
- Members of the Management, the Management Board and the Supervisory Board of Skano Group AS and their close relatives;
- Entities under the control of the members of the Management Board and Supervisory Board;
- Individuals with significant ownership unless these individuals lack the opportunity to exert significant influence over the business decisions of the Group.

As of 31 March 2019, the largest shareholder of OÜ Trigon Wood and the entities with significant influence over the Group are: AS Trigon Capital (46%) and Stetind OÜ (47%). The owner of Stetind OÜ is Torfinn Losvik and the owner of AS Trigon Capital is Joakim Helenius.

#### BENEFITS (INCL. TAX EXPENSES) TO THE MEMBERS OF THE MANAGEMENT ALL CONSOLIDATION GROUP ENTITIES:

<i>thousand €</i>	Q1 2019	Q1 2018
Membership fees	39	30
Social tax	13	10
<b>Total</b>	<b>51</b>	<b>40</b>



The member of the Management Board of Skano Group AS will receive severance pay to three months' remuneration according to the contract. No payments were made to members of Supervisory Board.

SKANO GROUP AS HAS PURCHASED RENTAL, CONSULTATION AND OTHER SERVICES FROM RELATED PARTIES:

<i>thousand €</i>	Q1 2019	Q1 2018
Purchased services	5	1
<b>Total</b>	<b>5</b>	<b>1</b>

BALANCES WITH RELATED PARTIES AS OF:

<i>thousand €</i>	31.12.2019	31.12.2018	31.03.2018	31.12.2017
Purchased services	3	0	0	0
<b>Total</b>	<b>3</b>	<b>0</b>	<b>0</b>	<b>0</b>

#### NOTE 22 EVENTS AFTER BALANCE SHEET DATE

On the 24<sup>th</sup> of April 2019 the registration process of Skano Property OÜ was finalized and the new entity was registered. On the 10<sup>th</sup> of May the property (i.e. land, buildings and facilities) have been registered to Skano Property OÜ. At the same date the land, buildings and facilities and investment property were transferred from Skano Furniture Factory accounts to Skano Property OÜ accounts at carrying amount.

On the 24<sup>th</sup> of May Skano Furniture OÜ signed the appendix to end rental contract on the Pärnu mnt shop premises in Tallinn as at 31<sup>st</sup> of May 2019.

