



SKANO GROUP AS

Consolidated Interim Report for the
Second Quarter of 2017

Beginning of the Interim Report Period:	1.01.2017
End of the Interim Report Period:	30.06.2017
Beginning of the financial year:	1.01.2017
End of the financial year:	31.12.2017
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Main activity:	Production and distribution of fibreboards and furniture

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COMPANY PROFILE

Skano Group is engaged in the manufacture and distribution of building materials and furniture as well as retail trade of furniture and furnishings. Skano Group is a holding company consisting of the following companies, all 100% owned:

<u>Subsidiary</u>	<u>Location</u>	<u>Activity</u>
Skano Fibreboard OÜ	Estonia	Production and Distribution
Suomen Tuulileijona OY	Finland	Distribution
Skano Furniture Factory OÜ	Estonia	Production and Distribution
Skano Furniture OÜ	Estonia	Retail
SIA Skano	Latvia	Retail
UAB Skano LT	Lithuania	Retail

Skano Group sold its Ukrainian retail subsidiary TOV Skano Ukraine in March 2017.

Skano Fibreboard OÜ produces and distributes softboard products for use in many different applications, the main category being within construction (insulation, soundproofing, and interior finishing panels for walls and ceilings). Suomen Tuulileijona OY is the distributor of 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, Lithuania and Ukraine (the Ukrainian retail chain was sold in March 2017).

The principal markets of the company are all Nordic countries, Russia, South Africa, Portugal and the Baltics.

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

As at 30 June 2017 the Group employed 225 people (30 June 2016: 295 people).



MANAGEMENT REPORT

Skano Group AS Unaudited Second Quarter 2017 Results in Short

Skano Group recorded net profit for second quarter of 2017 of 15 thousand euros (2Q 2016: loss of 268 thousand euros), thus net profit for first half 2017 was 103 thousand euros (1H 2016: loss of 624 thousand euros). The first half 2017 results were influenced by a one-off gain of 48 thousand euros due to the disposal of Skano's Ukrainian retail subsidiary.

Consolidated net sales of 2Q 2017 were 4.03 mil. euros, representing a 9% decrease compared to the same period in 2016 (4.43 mil. euros). When excluding sales to Finland, group sales actually increased by 5% compared to 2Q 2016.

Operating Profit Before Interests, Taxes, Depreciation and Amortisation ("EBITDA") for first half 2017 was 660 thousand euros (same period last year EBITDA was negative 23 thousand euros), which equates to 8% of sales.

Fibreboard sales in 2Q 2017 were 2.85 mil. euros. Total sales for 1H 2017 were 6.11 mil. euros, which is 4% down on same period last year. However, if excluding sales to Finland, fibreboard sales were up 6% compared to same period in 2016, with most notable strong growth in South Africa, Thailand and Sweden. There is a sign that the Finnish market is now recovering, thus we expect improved 2H 2017 sales to Finland. Operating profit for fibreboard division in 1H 2017 was 185 thousand euros (in 1H 2016 operating loss 85 thousand euros).

Furniture wholesale sales in 2Q 2017 were 0.92 mil. euros. Total sales for 1H 2017 were 1.88 mil. euros, which is 9% down on same period last year. Both Finland and Russia decreased sales in this period, while other markets improved by 49%. The operating loss in 1H 2017 was 29 thousand euros (1H 2016 operating loss of 293 thousand euros).

Furniture retail sales in 2Q 2017 were 0.5 mil. euros. Total sales for 1H 2017 were 1.07 mil. euros, which as level with last year. When excluding the discontinued Ukrainian retail operations, which were sold in 1Q 2017, retail sales were up 5% compared to same period in 2016. The operating profit in 1H 2017 was 100 thousand euros (in 1H 2016 operating loss of 100 thousand euros).

Balance Sheet

As of 30.06.2017 the total assets of Skano Group AS were 12.2 mil. euros (30.06.2016: 13.0 mil. euros). The liabilities of the company as of 30.06.2017 were 8.2 mil. euros (30.06.2016: 8.7 mil. euros).

Receivables and prepayments amounted 1.4 mil. euros (30.06.2016: 1.5 mil. euros). Inventories were 2.9 mil. euros as of 30.06.2017 (30.06.2016: 3.1 mil. euros). Property, plant and intangibles were to 7.6 mil. euros as of 30.06.2017 (8.3 mil. euros as of 30.06.2016).

Outlook

Fibreboard sales development is progressing well, with the exception of Finland. We have secured agents for Germany, Czech Republic and Slovakia, and Poland, and they have all started making customer orders. In addition, we have entered Thailand and secured a



large construction company as our first customer in that growing market. We remain hopeful that the Finnish market shall improve somewhat in light of the forthcoming customer campaigns being planned for this autumn.

The challenge for Furniture wholesale will be to secure more customers in markets outside of our two main markets of Finland and Russia. Furniture retail has had a good start this year, and we hope the positive consumer purchasing in the Baltic markets shall continue thus securing stable economic background for our six shops in the three Baltic countries.

DIVISIONAL REVIEW

NET SALES BY BUSINESS SEGMENTS

	<i>th EUR</i>		<i>% of net sales</i>	
	1H 2017	1H 2016	1H 2017	1H 2016
Fibreboards production and sales	6,113	6,359	72.0%	70.8%
Furniture production and sales	1,876	2,137	22.1%	23.8%
Furniture retail Baltics	1,007	959	11.9%	10.7%
Furniture retail Ukraine	64	115	0.8%	1.3%
Consolidation	(573)	(593)	(6.8%)	(6.6%)
TOTAL	8,487	8,977	100.0%	100.0%

NET SALES BY GEOGRAPHICAL SEGMENTS

	<i>th EUR</i>		<i>% of net sales</i>	
	1H 2017	1H 2016	1H 2017	1H 2016
Finland	2,867	3,529	33.8%	39.3%
Estonia	1,613	1,461	19.0%	16.3%
Russia	1,255	1,297	14.8%	14.4%
Sweden	456	324	5.4%	3.6%
Latvia	393	172	4.6%	1.9%
South-Afrika	363	374	4.3%	4.2%
Portugal	265	429	3.1%	4.8%
Lithuania	210	560	2.5%	6.2%
Ukraine	180	163	2.1%	1.8%
Great Britain	170	162	2.0%	1.8%
Thailand	116	-	1.4%	-
Netherlands	115	17	1.4%	0.2%
Germany	76	73	0.9%	0.8%
Denmark	64	79	0.8%	0.9%
Kazakhstan	47	43	0.6%	0.5%
Arabia	36	70	0.4%	0.8%
Australia	33	27	0.4%	0.3%
Hungary	31	25	0.4%	0.3%
Saudi-Arabia	27	36	0.3%	0.4%



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Other countries	170	136	1.8%	1.5%
TOTAL	8,487	8,977	100%	100%

Skano's three main markets of Finland, Estonia and Russia together has about 68% share of total sale of the group in 1H 2017. We have also gained entry into new market, Thailand (construction boards) and increase the market share in Sweden (construction boards).

PROFIT BY BUSINESS SEGMENTS

<i>th EUR</i>	1H 2017	1H 2016
Fibreboards production and sales	185	(85)
Furniture production and sales	(29)	(293)
Furniture retail Baltics	49	(46)
Furniture retail Ukraine (incl. disposal related gain)	51	(54)
Consolidation	(12)	23
TOTAL	244	(455)
Net financial costs	(141)	(166)
Income tax	-	(3)
NET PROFIT	103	(624)

Fibreboard profit was helped by further production concentration to thicker boards, which are more profitable for Skano. Total furniture profit is now positive, and should remain so if sales stays at its current levels.

FIBREBOARDS production and sales

The total sales of fibreboards in 1H 2017 amounted to 6.11 mil. euros, down from sales of 6.36 mil. euros in 1H 2016. However, we recorded a strong increase in operating profit up from operating loss 85 thousand euros in 1H 2016 to operating profit 185 thousand euros in 1H 2017.

Strong sales growth was recorded in South Africa, Sweden and Thailand while largest sales decline was recorded in Finland and Great Britain.



FIBREBOARD SALES BY GEOGRAPHICAL SEGMENTS

	<i>th EUR</i>		<i>% of net sales</i>	
	1H 2017	1H 2016	1H 2017	1H 2016
Finland	2,292	2,743	37.5%	43.1%
Estonia	949	861	15.5%	13.5%
Russia	620	584	10.1%	9.2%
Sweden	456	324	7.5%	5.1%
South-Afrika	363	172	5.9%	2.7%
Portugal	265	429	4.3%	6.7%
Latvia	195	175	3.2%	2.8%
Great Britain	158	546	2.6%	8.6%
Thailand	116	-	1.9%	0.0%
Netherlands	115	17	1.9%	0.3%
Ukraine	102	48	1.7%	0.8%
Lithuania	91	53	1.5%	0.8%
Denmark	64	79	1.0%	1.2%
Germany	47	73	0.8%	1.1%
Arabia	36	70	0.6%	1.1%
Australia	33	27	0.5%	0.4%
Hungary	31	23	0.5%	0.4%
Saudi-Arabia	27	36	0.4%	0.6%
Other countries	153	99	2.6%	1.5%
TOTAL	6,113	6,359	100.0%	100.0%

FURNITURE production and sales

FURNITURE PRODUCTION

Sales dropped to 1.88 mil. euros in 1H 2017, from 2.13 mil. euros in 1H 2016. The largest sales decline came from the Finnish market reflecting the current difficulties experienced by Skano's large Finnish wholesale customer. Our Russian market was slightly down while deliveries to Kazakhstan and Germany helped us grow our sales outside of our two main markets Finland and Russia. Sales to Skano retail units held up well, and increased its share of total furniture sales within the Group.



FURNITURE WHOLESALE SALES BY COUNTRIES

	<i>th EUR</i>		<i>% of net sales</i>	
	1H 2017	1H 2016	1H 2017	1H 2016
Finland	575	786	30.7%	36.8%
Russia	635	713	33.8%	33.4%
Other countries	155	104	8.3%	4.8%
Group retail companies	511	534	27.2%	25.0%
TOTAL	1,876	2,137	100.0%	100.0%

FURNITURE RETAIL SALES

Skano group retail business recorded sales 1.07 mil. euros in 1H 2017. When excluding the discontinued Ukrainian operations, sales were up by 5% compared to the same period last year. Estonia experienced strong growth at the start of the year (we have 4 shops; Tallinn two, Tartu one and a factory shop in Pärnu). Vilnius recorded sales growth of 9% this year compared to same period last year, as well as improving its net result. Riga shop sales were at same level as last year but improved its net result due to better gross margin and less fixed costs.

RETAIL SALES BY COUNTRIES

	<i>th EUR</i>		<i>% of net sales</i>		<i>Number of stores</i>	
	1H 2017	1H 2016	1H 2017	1H 2016	30.06.2017	30.06.2016
Estonia	689	650	64.3%	60.6%	4	5
Latvia	199	199	18.6%	18.5%	1	1
Lithuania	119	109	11.1%	10.1%	1	1
Ukraine	64	115	6.0%	10.7%	0	3
Other countries	-	1	-	0.1%	-	-
TOTAL	1,071	1,074	100.0%	100.0%	6	10



PEOPLE

On the 30st of June 2017, the group employed 225 people (down from 295 people as of 30.06.2016). The average number of personnel in 1H 2017 was 231 (1H 2016: 308).

During 1H 2017 wages and salaries with taxes amounted to 2.0 mil. euros (1H 2016: 2.3 mil. euros). Payments made to management and supervisory board members of all group companies including all subsidiaries with relevant taxes were 128 thousand euros in 1H 2017 and 191 thousand euros in 1H 2016.



FINANCIAL HIGHLIGHTS

Income statement	2Q 2017	2Q 2016	2Q 2015
Revenue	4,025	4,432	4,653
EBITDA	294	(27)	267
EBITDA margin	7.3%	(0.6%)	5.7%
Operating profit	86	(187)	68
Operating margin	2.1%	(4.2%)	1.5%
Net profit	15	(268)	(42)
Net margin	0.4%	(6.1%)	(0.9%)
Income statement	1H 2017	1H 2016	1H 2015
Revenue	8,487	8,977	9,761
EBITDA	660	(23)	524
EBITDA margin	7.7%	(0.3%)	5.4%
Operating profit	244	(455)	104
Operating margin	2.9%	(5.1%)	1.1%
Net profit	103	(624)	(51)
Net margin	1.2%	(6.9%)	(0.5%)
Balance sheet	30.06.2017	30.06.2016	30.06.2015
Total assets	12,204	13,005	14,032
Return on assets	0.8%	(4.8%)	(0.4%)
Equity	3,963	4,293	5,136
Return on equity	2.6%	(14.5%)	(1.0%)
Debt-to-equity ratio	67.5%	67.0%	63.4%
Share	30.06.2017	30.06.2016	30.06.2015
Closing price	0.533	0.540	0.805
Earnings per share	0.02	(0.14)	(0.01)
Price-earnings ratio	26.65	(3.86)	(80.50)
Book value of a share	0.88	0.95	1.14
Market to book ratio	0.60	0.57	0.71
Market capitalization	2,398	2,429	3,622

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 = Closing price / Earnings per share

Book value of a share = Equity / Total shares

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

Market capitalization = Closing price * Total shares



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 30.06.2017, one month's EURIBOR rate was (0.373%) and at 31.12.2016 was (0.368%). Interest rates are reviewed monthly, on the 30th day.

The interest rate risk also depends on the overall economic situation in Estonia and in the Euro zone. 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 as a result of fluctuating foreign exchange rates. However, Skano Group has no longer any infrastructure operations outside of the euro zone when it divested its Ukrainian subsidiary 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 market; the risk for the furniture division depends on the expectations of the customers towards economic welfare in future. Due to recent events within the European and world political landscape, the risk from the economic environment in which we operate has increased.

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 second quarter 2017.

The management board confirms that the management report on pages 4-11 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 as a whole.

The management board confirms that according to their best knowledge the consolidated financial interim report on pages 13-25 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 and doubts.

Torfinn Losvik
Chairman of the Management Board

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Pärnu, August 30, 2017



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<i>th EUR</i>	30.06.2017	31.12.2016	30.06.2016
Cash and bank accounts	190	184	106
Receivables and prepayments (Note 1)	1,448	965	1,510
Inventories (Note 2)	2,903	2,760	3,085
Total current assets	4,541	3,909	4,701
Investment property (Note 3)	405	405	406
Tangible fixed assets (Note 4)	7,202	7,584	7,849
Intangible fixed assets (Note 5)	56	66	49
Total fixed assets	7,663	8,055	8,304
<u>TOTAL ASSETS</u>	<u>12,204</u>	<u>11,964</u>	<u>13,005</u>
Debt obligations (Note 6)	651	1,176	1,641
Payables and prepayments (Note 7)	2,556	2,497	2,672
Short-term provisions (Note 8)	8	15	8
Total current liabilities	3,215	3,688	4,321
Non-current debt obligations (Note 6)	4,813	4,163	4,163
Non-current provisions (Note 8)	213	213	228
Total non-current liabilities	5,026	4,376	4,391
Total liabilities	8,241	8,064	8,712
Share capital at nominal value (Note 9)	2,699	2,699	2,699
Share premium	364	364	364
Statutory capital reserve	288	288	288
Other reserves	2	2	5
Currency translation reserve	-	40	9
Retained earnings	507	1,552	1,552
Net profit (loss) for the period (Note 10)	103	(1,045)	(624)
Total equity	3,963	3,957	4,293
<u>TOTAL LIABILITIES AND EQUITY</u>	<u>12,204</u>	<u>11,964</u>	<u>13,005</u>



CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

<i>th EUR</i>	2Q 2017	2Q 2016	1H 2017	1H 2016
SALES (Note 11)	4,025	4,432	8,487	8,977
Cost of production sold	(3,218)	(3,710)	(6,643)	(7,438)
Gross profit	807	722	1,844	1,539
Marketing expenses	(471)	(690)	(1,073)	(1,493)
General administrative expenses	(186)	(230)	(421)	(446)
Other income	-	61	51	69
Other expenses	(64)	(50)	(157)	(124)
Operating profit (loss) (Note 11)	86	(187)	244	(455)
Financial income and financial expenses	(71)	(80)	(141)	(166)
Profit (loss) before taxes	15	(267)	103	(621)
Prepaid income tax	-	(1)	-	(3)
NET PROFIT (LOSS) FOR THE PERIOD	15	(268)	103	(624)
Basic earnings per share (Note 10)	0.00	(0.06)	0.02	(0.14)
Diluted earnings per share (Note 10)	0.00	(0.06)	0.02	(0.14)
Other income:				
Currency translation differences	-	34	-	2
TOTAL CONSOLIDATED INCOME	15	(234)	103	(622)



CONSOLIDATED STATEMENT OF CASH FLOWS

<i>th EUR</i>	1H 2017	1H 2016
Cash flow from operations		
Net profit (loss) before taxes	103	(621)
<i>Adjustments for:</i>		
Depreciation of fixed assets (Note 4; 5)	417	442
Non-cash transactions: reserves of share options	-	(4)
Interest expense	141	161
Operating profit (loss) before changes in operating capital	661	(22)
Change in operations-related receivables and prepayments (Note 1)	(483)	(513)
Change in inventories (Note 2)	(143)	341
Change in operations-related liabilities and prepayments	51	(19)
Cash generated from operations	(575)	(213)
Interest paid	(141)	(161)
Income tax	-	(3)
Total cash flow from operations	(55)	(377)
Cash flow from investments		
Acquisition of fixed assets (Note 4; 5)	(25)	(199)
Total cash flow from investments	(25)	(199)
Cash flow from financing activities		
Raise a loan (Note 6)	650	100
Loan payments (Note 6)	(38)	-
Change in overdraft (Note 6)	(669)	(19)
Change in factoring (Note 6)	182	307
Total cash flow from financing activities	125	388
TOTAL CASH FLOW	45	(188)
Currency translation differences	(39)	2
CASH AT BEGINNING OF PERIOD	184	292
CASH AT END OF PERIOD	190	106



CONSOLIDATED STATEMENT OF CHANGES EQUITY

<i>th EUR</i>	Share capital	Share premium	Statutory capital reserve	Other reserves	Currency translation	Retained earnings	Total
Balance at 31.12.2015	2,699	364	288	7	7	1,554	4,919
Share options	-	-	-	(2)	-	(2)	(4)
Income (loss) for 2Q 2016	-	-	-	-	2	(624)	(622)
Balance at 30.06.2016	2,699	364	288	5	9	928	4,293
Balance at 31.12.2016	2,699	364	288	2	40	507	3,900
Share options	-	-	-	-	-	-	-
Income (loss) for 2Q 2017	-	-	-	-	(40)	103	63
Balance at 30.06.2017	2,699	364	288	2	-	610	3,963



NOTES TO THE CONSOLIDATED INTERIM REPORT

ACCOUNTING POLICIES AND MEASUREMENT BASES

The consolidated financial statements prepared for the period ended 30 June 2017 include the financial information of the Company and its subsidiaries (together referred to as the Group): Skano Fibreboard OÜ, Skano Furniture Factory OÜ, Skano Furniture OÜ, Suomen Tuulileijona OY, OÜ Isotex (dormant company) and Skano Furniture OÜ's wholly-owned subsidiaries SIA Skano, UAB Skano LT and TOV Skano Ukraine (up to March 2017).

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) 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 31.12.2016. The consolidated financial statements have been prepared in accordance with International Accounting Standard (IAS) 34: Interim Financial Reporting.

According to the assessment of the Management Board Skano Group AS is a going concern and the Interim Report for the 2nd quarter of 2017 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.

The Interim Report has been presented in thousands of euros.

NOTE 1 RECEIVABLES AND PREPAYMENTS

<i>th EUR</i>	30.06.2017	31.12.2016	30.06.2016
Customer receivables	1,127	620	1,249
Prepaid taxes	229	210	183
Other receivables	68	105	48
Prepaid services	24	30	30
TOTAL	1,448	965	1,510

NOTE 2 INVENTORIES

<i>th EUR</i>	30.06.2017	31.12.2016	30.06.2016
Raw materials and other materials	598	686	691
Work-in-progress	505	501	579
Finished goods	1,593	1,405	1,608
Goods purchased for resale	167	190	243
Goods in transit	121	118	56
Prepayments to suppliers	9	3	23
Write-off reserve for inventories	(90)	(143)	(115)
TOTAL	2,903	2,760	3,085



NOTE 3 INVESTMENT PROPERTY

<i>th EUR</i>	
Cost at 31.12.2015	667
Accumulated depreciation at 31.12.2015	(261)
Net book amount at 31.12.2015	406
Cost at 30.06.2016	667
Accumulated depreciation at 30.06.2016	(261)
Net book amount at 30.06.2016	406
Cost at 31.12.2016	726
Accumulated depreciation at 31.12.2016	(321)
Net book amount at 31.12.2016	405
Cost at 30.06.2017	726
Accumulated depreciation at 30.06.2017	(321)
Net book amount at 30.06.2017	405

Costs of maintenance for 6M 2017 were 24 thousand euros and 23 thousand euros in the same period of 2016. Rental income from investment properties for 6M 2017 were 3 thousand euros and 19 thousand euros in the same period of 2016.

NOTE 4 TANGIBLE FIXED ASSETS

<i>th EUR</i>	30.06.2017	31.12.2016	30.06.2016
Land	226	226	226
Buildings and constructions	1,884	1,975	2,056
Machinery, plant and equipment	5,039	5,537	5,332
Other equipment and fixtures	9	15	20
Construction in progress	44	41	215
TOTAL	7,202	7,584	7,849



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FOR THE 2nd QUARTER OF 2017

th EUR

Cost at 31.12.2015	19,928
Accumulated depreciation at 31.12.2015	(11,808)
Net book amount at 31.12.2015	8,120
Acquired in 1H 2016	167
Write-offs in 1H of 2016	(85)
Depreciation in 1H 2016	(438)
Write-off of accumulated amortization in 1H 2016	85
Cost at 30.06.2016	20,010
Accumulated depreciation at 30.06.2016	(12,161)
Net book amount at 30.06.2016	7,849
Cost at 31.12.2016	19,781
Accumulated depreciation at 31.12.2016	(12,197)
Net book amount at 31.12.2016	7,584
Acquired in 1H 2017*	25
Write-offs in 1H of 2017	(30)
Depreciation in 1H 2017	(407)
Write-off of accumulated amortization in 1H 2017	30
Cost at 30.06.2017	19,776
Accumulated depreciation at 30.06.2017	(12,573)
Net book amount at 30.06.2017	7,202

*On 30th of June the binding liabilities of acquiring the tangible assets were 25 thousand euros.

NOTE 5 INTANGIBLE FIXED ASSETS

th EUR

Cost at 31.12.2015	115
Accumulated depreciation at 31.12.2015	(94)
Net book amount at 31.12.2015	21
Acquired in 1H of 2016	32
Depreciation in 1H 2016	(4)
Cost at 30.06.2016	147
Accumulated depreciation at 30.06.2016	(98)
Net book amount at 30.06.2016	49
Cost at 31.12.2016	174
Accumulated depreciation at 31.12.2016	(108)
Net book amount at 31.12.2016	66
Depreciation in 1H 2017	(10)
Cost at 30.06.2017	174
Accumulated depreciation at 30.06.2017	(118)
Net book amount at 30.06.2017	56



Intangible assets include computer software not directly linked to the hardware and expenses related to sales certificates.

NOTE 6 DEBT OBLIGATIONS

<i>th EUR</i>	30.06.2017	31.12.2016	30.06.2016
Current liabilities	651	1,176	1,641
Non-current debt obligations	4,813	4,163	4,163
TOTAL	5,464	5,339	5,804

NOTE 7 PAYABLES AND PREPAYMENTS

<i>th EUR</i>	30.06.2017	31.12.2016	30.06.2016
Supplier payables	1,309	1,277	1,519
Payables to employees	243	246	321
Taxes payables	373	333	453
Other payables	124	75	78
Customer prepayments	507	566	301
TOTAL	2,556	2,497	2,672

NOTE 8 PROVISIONS

<i>th EUR</i>	
Balance at 31.12.2015	243
Incl. current portion	15
non-current portion	228
Realised during 1H 2016	(12)
Interest cost in 1H 2016	5
Balance at 30.06.2016	236
Incl. current portion	8
non-current portion	228
Balance at 31.12.2016	228
Incl. current portion	15
non-current portion	213
Realised during 1H 2017	(11)
Interest cost in 1H 2017	4
Balance at 30.06.2017	221
Incl. current portion	8
non-current portion	213



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.

NOTE 9 SHARE CAPITAL

	Number of shares	Share capital
	<i>pcs</i>	<i>th EUR</i>
Balance 30.06.2017	4,499,061	2,699
Balance 31.12.2016	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 30.06.2017, the Group had 460 shareholders (30.06.2016: 468 shareholders) of which with more than 5% ownership interest were:

- Trigon Wood OÜ with 2.675.752 shares or 59.47% (30.06.2016: 59.62%)

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

- Ülo Adamson 0 shares (30.06.2016: 0 shares)
- Joakim Johan Helenius 20,000 shares (30.06.2016: 20,000 shares)
- Martin Mets 0 shares (30.06.2016: 0 shares)
- Torfinn Losvik 0 shares (30.06.2016: 0 shares)

As of 30.06.2017 Gregory Devine Grace has a share option agreement with the total amount of 33,333 share options.

On May 15, 2017, the shareholders' meeting approved the conditions of share options to the members of the management board of Skano Group AS as follows:

- Skano Group AS shall be entitled to issue up to 300 000 (three hundred thousand) share options until 31.12.2017. Every share option grants the entitled subject the right to buy 1 (one) share of Skano Group AS.
- The Chairman of the management board of Skano Group AS shall be the entitled subject of the option.
- If the entitled subject wishes to acquire the share options appointed thereto, he shall enter into a written option agreement with Skano Group AS no later than on 31.12.2017. If the entitled subject does not enter into the option agreement within the specified term, he loses the right to acquire the share options appointed thereto.
- Application of the conditions of the share option programme and the procedure for the sale of share options shall be provided for in the option agreement entered into between Skano Group AS and the entitled subject. The representative of Skano Group AS upon signing the option agreement shall be the member of the supervisory board Joakim Johan Helenius.
- The entitled subject of a share option shall be entitled to use the issued option starting from the 37th (thirty-seventh) calendar month after issue of the option. The entitled subject 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. The entitled subject 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.

- The entitled subject of a share option 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, i.e. average closing shares prices from 19.01.2017 to 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.

NOTE 10 EARNINGS PER SHARE

<i>EUR</i>	30.06.2017	30.06.2016
Basic earnings per share	0.02	(0.14)
Diluted earnings per share	0.02	(0.14)
Book value of share	0.88	0.95
Price/earnings ratio (P/E)	26.65	(3.86)
Closing price of the share of Skano Group AS on Tallinn Stock Exchange at 30.06*	0.533	0.556

Basic earnings per share have been calculated by dividing the net profit (loss) for the reporting period with the number of shares:

Basic earnings per share for 1H 2017 = 102 552/4.499.061 = 0.02 euros

Basic earnings per share for 1H 2016 = (624 071)/4.499.061 = (0.14) euros

Basic earnings per share for Q2 2017 = 14.540/4.499.061 = 0.003 euros

Basic earnings per share for Q2 2016 = (268.763)/4.499.061 = (0.06) euros

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.

Price/earnings ratio (P/E) for 1H 2017 = 0.533/0.02 = 26.65

Price/earnings ratio (P/E) for 1H 2016 = 0.556/(0.14) = (3.86)

Price/earnings ratio (P/E) for Q2 2017 = 0.533/0.003 = 177.67

Price/earnings ratio (P/E) for Q2 2016 = 0.556/(0.06) = (9.26)

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

NOTE 11 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:



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Fibreboard manufacturing and sale (Skano Fibreboard OÜ and Suomen Tuulileijona Oy) - manufacture general construction boards based on soft woodfibre 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 and TOV Skano Ukraine) - retail sales of furniture in Estonia, Latvia, Lithuania and Ukraine.

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

<i>th EUR</i>	Fibreboard	Furniture Factory	Furniture Retail	Consolidation	TOTAL segments
	1H 2017	1H 2017	1H 2017	1H 2017	1H 2017
Revenue from external customers	6,054	1,365	1,068	-	8,487
Inter-segment revenue	59	511	3	(573)	-
Operating profit/-loss	185	(29)	100	(12)	244
Segment assets	11,753	2,208	495	(2,252)	12,204
Segment liabilities	5,385	2,423	196	237	8,241

<i>th EUR</i>	Fibreboard	Furniture Factory	Furniture Retail	Consolidation	TOTAL segments
	1H 2016	1H 2016	1H 2016	1H 2016	1H 2016
Revenue from external customers	6,300	1,603	1,074	-	8,977
Inter-segment revenue	59	534	-	(593)	-
Operating profit/-loss	(85)	(293)	(100)	23	(455)
Segment assets	10,075	2,408	732	(210)	13,005
Segment liabilities	5,445	2,084	191	992	8,712



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BUSINESS SEGMENT BY THE GEOGRAPHICAL LOCATION OF CUSTOMERS:

th EUR	1H 2017				1H 2016			
	Fibreboard	Furniture Factory	Retail	TOTAL	Fibreboard	Furniture Factory	Retail	TOTAL
Finland	2,292	575	-	2,867	2,743	786	-	3,529
Estonia	890	37	686	1,613	802	9	650	1,461
Russia	620	635	-	1,255	584	713	-	1,297
Sweden	456	-	-	456	324	-	-	324
Latvia	195	-	199	394	175	-	199	374
South-Afrika	363	-	-	363	172	-	-	172
Portugal	265	-	-	265	429	-	-	429
Lithuania	91	-	119	210	53	-	109	162
Ukraine	102	13	64	179	48	-	115	163
Great Britain	158	12	-	170	546	14	-	560
Thailand	116	-	-	116	-	-	-	-
Netherlands	115	-	-	115	17	-	-	17
Germany	47	29	-	76	73	-	-	73
Denmark	64	-	-	64	79	-	-	79
Kazakhstan	-	47	-	47	-	43	-	43
Arabia	36	-	-	36	70	-	-	70
Australia	33	-	-	33	27	-	-	27
Hungary	31	-	-	31	23	2	-	25
Saudi-Arabia	27	-	-	27	36	-	-	36
Norway	24	-	-	24	-	-	-	0
Kuweit	19	-	-	19	-	-	-	0
Jordania	19	-	-	19	-	-	-	0
Belgium	17	-	-	17	-	-	-	0
France	-	17	-	17	-	30	-	30
Singapur	16	-	-	16	-	-	-	0
Bulgaria	14	-	-	14	-	-	-	0
Belarus	12	-	-	12	-	-	-	0
Other countries	32	-	-	32	99	6	1	106
TOTAL	6,054	1,365	1,068	8,487	6,300	1,603	1,074	8,977



NOTE 12 RELATED PARTY TRANSACTIONS

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 July 1, 2017, the largest shareholder of OÜ Trigon Wood and the entities with significant influence over the Group are: AS Trigon Capital (46,38%) and Stetind OÜ (46,98%). The owner of Stetind OÜ is Torfinn Losvik

Benefits (incl. tax expenses) to the members of the Management all consolidation group entities:

<i>th EUR</i>	1H 2017	1H 2016
Membership fees	66	144
Resignation compensation	30	-
Social tax	32	47
TOTAL	128	191

The member of the Management Board of Skano Group AS will receive severance pay to three months' remuneration according to the contract.

There were no payments made to the members of Supervisory Board.

Skano Group AS has purchased rental and other services from related parties:

<i>th EUR</i>	1H 2017	1H 2016
Purchased services	8	16
TOTAL	8	16

Balances with related parties as of 30.06.2017:

<i>th EUR</i>	30.06.2017	30.06.2016
Services payables	1	16
Short-term loan	-	100
Interest expense	-	12
TOTAL	1	118

