



4th QUARTER
INTERIM REPORT

2017

SKANO GROUP AS

Consolidated Interim Report for the
Fourth Quarter of 2017

Beginning of the Interim Report Period:	1.10.2017
End of the Interim Report Period:	31.12.2017
Beginning of the financial year:	1.01.2017
End of the financial year:	31.12.2017
Business name:	Skano Group AS
Registry code:	11421437
Address:	Suur-Jõe 48, Pärnu 80042, Estonia
Telephone:	+372 44 78 323
Fax	+372 44 78 368
E-mail:	group@skano.com
Homepage:	www.skano.com
Auditor:	AS PricewaterhouseCoopers
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:

Subsidiary	Location	Activity
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 31 December 2017 the Group employed 223 people (31 December 2016: 266 people).



MANAGEMENT REPORT

Skano Group AS Unaudited Fourth Quarter 2017 Results in Short

Skano Group recorded EBITDA of € 21 thousand for 4Q 2017, which resulted in EBITDA for full year 2017 being € 974 thousand (which equates to 6% of sales), which compares favourably with 2016 where EBITDA for 12 months was € 117 thousand (1% of sales). It should be noted that 2017 results were influenced by one-off gains of 48 thousand euros due to the disposal of Skano's Ukrainian retail subsidiary in March and 142 thousand euros from property sale in September.

Net loss for 4Q 2017 was € 243 thousand and for 12 months 2017 was € 127 thousand (12M 2016: loss of € 1 045 thousand).

Consolidated net sales for 4Q 2017 were € 3.78 million, making net sales 12 months 2017 of € 16.36 million, being a 7% decrease compared to the same period in 2016.

Fibreboard sales in 4Q 2017 were € 2.55 million, and total sales for 12 months 2017 were € 11.84 million, which is 3% less than same period in 2016. Excluding sales to Finland (subdued demand for fibreboards) and UK (cancelling of contract with one large loss-making customer), Fibreboard sales for 12 months 2017 increased by 19% compared to same period last year. Strongest sales growth came from sales to South Africa, Portugal and Sweden. EBITDA for Fibreboard full year 2017 was € 0.91 million (in 2016 EBITDA was € 0.53 million).

Furniture wholesale sales in 4Q 2017 were € 0.99 million, and total sales for full year 2017 were € 3.58 million, which is 15% down on same period last year. Russia overtook Finland to become our largest wholesale market, and increased sales with 4% from 2016 to 2017. In Finland our sole importer recorded sales drop of 32%, however substantial restructuring during the year bode well for more stable performance in year 2018. EBITDA for furniture wholesale for full year 2017 was negative € 57 thousand (2016 EBITDA was negative € 448 thousand).

Furniture retail sales in fourth quarter 2017 were € 0.48 million, and total sales for twelve months 2017 were € 1.93 million. When excluding the discontinued shop operations in Ukraine and the closure in 2016 of the third Tallinn shop, sales of our existing six shops in the Baltics showed sales growth of 11% in 2017 compared to 2016. EBITDA for furniture retail for full year 2017 was € 118 thousand (2016 EBITDA was negative € 140 thousand).

Total Furniture operations of Skano (wholesale and retail) EBITDA for 2017 were therefore positive € 60 thousand (2016 result was EBITDA negative of € 588 thousand).

Balance Sheet

As of 31.12.2017 the total assets of Skano Group AS were € 10.9 million (31.12.2016: € 12.0 million). The liabilities of the company as of 31.12.2017 were € 7.2 million (31.12.2016: € 8.1 million), of which Skano has bank loans of € 4.6 million.

Receivables and prepayments amounted to € 1.2 million (31.12.2016: € 1.0 million). Inventories were € 2.3 million as of 31.12.2017 (31.12.2016: € 2.8 million). Property, plant and intangibles were € 7.3 million as of 31.12.2017 (€ 8.1 million as of 31.12.2016).



Outlook

The overall global demand for Fibreboard remains strong, as we can see from our overall 19% sales growth in selling to customers located in 32 countries (excluding sales to Finland and UK).

The good performance of Skano's own retail furniture operations has made up for wholesale sales decline, thus enabling Skano to record a positive EBITDA result for our total furniture activities. We remain bullish on the outlook for our own furniture chain, while our wholesale sales outlook to Finland has improved compared to last year.

DIVISIONAL REVIEW

NET SALES BY BUSINESS SEGMENTS

	<i>th EUR</i>		<i>% of net sales</i>	
	2017	2016	2017	2016
Fibreboards production and sales	11,836	12,170	72%	70%
Furniture production and sales	3,579	4,235	22%	24%
Furniture retail Baltics: todays shops	1,868	1,692	11%	10%
Furniture retail Baltics: closed shops	-	233	0%	1%
Furniture retail Ukraine: closed shops	64	278	0%	2%
Group transactions	(990)	(1,106)	-6%	-6%
TOTAL	16,357	17,502	100%	100%

PROFIT BY BUSINESS SEGMENTS

<i>th EUR</i>	2017	2016
EBITDA by business units:		
Fibreboards production and sales	912	533
Furniture production and sales	(57)	(448)
Furniture retail Baltics	67	(83)
Furniture retail Ukraine	51	(57)
Group transactions	-	172
TOTAL EBITDA	974	117
Depreciation	(825)	(848)
TOTAL OPERATING PROFIT/ LOSS	149	(731)
Net financial costs	(275)	(309)
Income tax	-	(5)
NET PROFIT/ LOSS	(127)	(1,045)

Fibreboard profit was helped by further production concentration to thicker boards, which are more profitable for Skano.

Furniture profitability was much improved in 2017 due to extensive streamlining of this unit's cost structure.



FIBREBOARDS production and sales

The total sales of fibreboards for 2017 were € 11.836 million, which are 3% down from year 2016 sales level. We recorded good increase in operating earnings before depreciation, amortisation and interest (ie EBITDA), up from € 533 thousand in 2016 to € 913 thousand in 2017.

Strong sales growth was recorded in South Africa, Portugal and Sweden while largest sales decline was recorded in Finland (weak demand) and Great Britain (cancelling of one large loss-making customer).

FIBREBOARD SALES BY GEOGRAPHICAL SEGMENTS

	<i>th EUR</i>		<i>% of net sales</i>	
	2017	2016	2017	2016
European Union	8,700	9,822	74%	81%
Russia	1,631	1,527	14%	13%
Africa	679	288	6%	2%
Middle East	260	197	2%	2%
Asia	241	39	2%	0%
Other	325	297	3%	2%
TOTAL	11,836	12,170	100%	100%

FURNITURE production and sales

FURNITURE PRODUCTION

Sales dropped to € 3.58 million in 2017, down from € 4.24 million in 2016. However, our largest market Russia experienced sales growth of 4% up from year 2016, while our sole importer in Finland recorded sales decline of 32%. Sales to Skano retail units increased its share of total furniture sales within the Group, and further focus on retail activities should continue to provide more sales stability.

FURNITURE WHOLESALE SALES BY COUNTRIES

	<i>th EUR</i>		<i>% of net sales</i>	
	2017	2016	2017	2016
Russia	1,406	1,349	39%	32%
Finland	995	1,463	28%	35%
Skano Retail	900	1,007	25%	24%
Other countries	278	416	8%	10%
TOTAL	3,579	4,235	100%	100%



FURNITURE RETAIL SALES

Skano group retail business recorded sales of € 1.93 million in 2017, which is 12% decline from year 2016. However, the 6 ongoing shops in the Baltics increased sales in 2017 with 11% up from 2016.

RETAIL SALES BY COUNTRIES

	<i>th EUR</i>		<i>% of net sales</i>		<i>Number of stores</i>	
	2017	2016	2017	2016	31.12.2017	31.12.2016
Estonia*	1,266	1,089	71%	49%	4	4
Latvia	356	363	15%	16%	1	1
Lithuania	246	231	11%	10%	1	1
Ukraine**	64	278	3%	13%	-	3
Estonia (closed shop)	-	233	0%	11%	-	1
Other countries	-	8	0%	0%	-	-
TOTAL	1,932	2,202	100%	100%	6	10

* Ongoing shops

** Ukraine business was sold in March 2017

PEOPLE

On the 31st of December 2017, the group employed 223 people (down from 266 people as of 31.12.2016). The average number of personnel in 12 months 2017 was 229 (2016: 295).

During year 2017, wages and salaries with taxes amounted to € 3.8 million (2016: € 4.5 million). Payments made to management and supervisory board members of all group companies including all subsidiaries with relevant taxes were € 176 thousand in 2017 and € 356 thousand in 2016.



FINANCIAL HIGHLIGHTS

<i>th EUR</i>	4Q 2017	4Q 2016
Income statement		
Revenue	3,785	3,873
EBITDA	21	(102)
EBITDA margin	1%	-3%
Operating profit	(179)	(307)
Operating margin	-5%	-8%
Net profit	(243)	(378)
Net margin	-6%	-10%
Income statement	2017	2016
Revenue	16,357	17,502
EBITDA	980	117
EBITDA margin	6%	1%
Operating profit	149	(730)
Operating margin	1%	-4%
Net profit	(127)	(1,045)
Net margin	-1%	-6%
Balance sheet	31.12.2017	31.12.2016
Total assets	10,937	11,964
Return on assets	-1%	-9%
Equity	3,753	3,957
Return on equity	-3%	-26%
Debt-to-equity ratio	66%	67%
Share	31.12.2017	31.12.2016
Closing price	0,608	0,46
Earnings per share	(0,03)	(0,23)
Price-earnings ratio	(21,55)	(1,98)
Book value of a share	0,83	0,88
Market to book ratio	0,73	0,52
Market capitalization	2,735	2,070

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 31.12.2017, one month's EURIBOR rate was (0.368%) 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 because of fluctuating foreign exchange rates. However, Skano Group has no longer any operations outside of the euro zone after it divested its Ukrainian subsidiary earlier this year 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.

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 fourth quarter 2017.

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 11-22 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, February 27, 2018



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<i>th EUR</i>	31.12.2017	31.12.2016
Cash and bank accounts	74	184
Receivables and prepayments (Note 1)	1,215	965
Inventories (Note 2)	2,335	2,760
Total current assets	3,624	3,909
Investment property (Note 3)	170	405
Other shares and issues	189	-
Tangible fixed assets (Note 4)	6,908	7,584
Intangible fixed assets (Note 5)	47	66
Total fixed assets	7,313	8,055
<u>TOTAL ASSETS</u>	<u>10,937</u>	<u>11,964</u>
Debt obligations (Note 6)	593	1,176
Payables and prepayments (Note 7)	1,956	2,497
Short-term provisions (Note 8)	13	15
Total current liabilities	2,562	3,688
Non-current debt obligations (Note 6)	4,422	4,163
Non-current provisions (Note 8)	200	213
Total non-current liabilities	4,622	4,376
Total liabilities	7,184	8,064
Share capital at nominal value (Note 9)	2,699	2,699
Share premium	364	364
Statutory capital reserve	288	288
Other reserves	9	2
Currency translation reserve	-	40
Retained earnings	520	1,552
Net profit (loss) for the period (Note 10)	(127)	(1,045)
Total equity	3,753	3,900
<u>TOTAL LIABILITIES AND EQUITY</u>	<u>10,937</u>	<u>11,964</u>



CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

<i>th EUR</i>	4Q 2017	4Q 2016	2017	2016
SALES (Note 11)	3,785	3,873	16,357	17,502
Cost of production sold	(3,319)	(3,350)	(13,419)	(14,425)
Gross profit	466	522	2,938	3,077
Marketing expenses	(467)	(589)	(2,040)	(2,939)
General administrative expenses	(172)	(136)	(703)	(595)
Other income	17	27	255	98
Other expenses	(23)	(131)	(301)	(371)
Operating profit (loss) (Note 11)	(179)	(307)	149	(730)
Financial income and financial expenses	(64)	(69)	(275)	(309)
Profit (loss) before taxes	(243)	(376)	(127)	(1,039)
Prepaid income tax	-	(2)	-	(6)
NET PROFIT (LOSS) FOR THE PERIOD	(243)	(378)	(127)	(1,045)
Basic earnings per share (Note 10)	(0.05)	(0.08)	(0.03)	(0.23)
Diluted earnings per share (Note 10)	(0.05)	(0.08)	(0.03)	(0.23)
Other comprehensive income:				
Currency translation differences	-	23	-	33
TOTAL COMPREHENSIVE INCOME (LOSS)	(243)	(355)	(127)	(1,012)



CONSOLIDATED STATEMENT OF CASH FLOWS

<i>th EUR</i>	2017	2016
Cash flow from operations		
Net profit (loss) before taxes	(127)	(1,039)
<i>Adjustments for:</i>		
Depreciation of fixed assets (Note 4; 5)	825	848
Non-cash transactions: reserves of share options	6	(5)
Loss on disposals of fixed assets (Note 4)	(142)	7
Interest expense	275	305
Operating profit (loss) before changes in operating capital	837	116
Change in operations-related receivables and prepayments (Note 1)	(250)	32
Change in inventories (Note 2)	425	666
Change in operations-related liabilities and prepayments	(541)	(204)
Cash generated from operations	(471)	611
Interest paid	(275)	(305)
Income tax	-	(6)
Total cash flow from operations	196	300
Cash flow from investments		
Acquisition of fixed assets (Note 4; 5)	(134)	(364)
Sale of fixed assets	380	-
Acquisition of shares	(188)	-
Total cash flow from investments	58	(364)
Cash flow from financing activities		
Raise a loan (Note 6)	650	200
Loan payments (Note 6)	(312)	(208)
Change in overdraft (Note 6)	(675)	(104)
Change in factoring (Note 6)	13	35
Total cash flow from financing activities	(324)	(77)
TOTAL CASH FLOW	(71)	(141)
Currency translation differences	(39)	33
CASH AT BEGINNING OF PERIOD	184	292
CASH AT END OF PERIOD	74	184



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	-	-	-	(5)	-	(2)	(7)
Loss for 2016	-	-	-	-	33	(1,045)	(1,012)
Balance at 31.12.2016	2,699	364	288	2	40	507	3,900
Balance at 31.12.2016	2,699	364	288	2	40	507	3,900
Share options	-	-	-	6	-	-	6
Other changes	-	-	-	-	-	13	13
Income/loss for 2017	-	-	-	-	(40)	(127)	(167)
Balance at 31.12.2017	2,699	364	288	8	-	393	3,753



NOTES TO THE CONSOLIDATED INTERIM REPORT

ACCOUNTING POLICIES AND MEASUREMENT BASES

The consolidated financial statements prepared for the period ended 31 December 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 fourth 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>	31.12.2017	31.12.2016
Customer receivables	934	620
Prepaid taxes	210	210
Other receivables	45	105
Prepaid services	26	30
TOTAL	1,215	965

NOTE 2 INVENTORIES

<i>th EUR</i>	30.09.2017	31.12.2016
Raw materials and other materials	588	686
Work-in-progress	495	501
Finished goods	1,116	1,405
Goods purchased for resale	153	190
Goods in transit	68	118
Prepayments to suppliers	24	3
Write-off reserve for inventories	(109)	(143)
TOTAL	2,335	2,760



NOTE 3 INVESTMENT PROPERTY

<i>th EUR</i>	
Cost at 31.12.2016	726
Accumulated depreciation at 31.12.2016	(321)
Net book amount at 31.12.2016	405
Sold in 2017	(497)
Write-off of accumulated amortization in 2017	262
Cost at 31.12.2017	229
Accumulated depreciation at 31.12.2017	(59)
Net book amount at 31.12.2017	170

Costs of maintenance for 2017 were 44 thousand euros and 43 thousand euros in 2016. Rental income from investment properties in 2017 were 4 thousand euros and 22 thousand euros in 2016.

NOTE 4 TANGIBLE FIXED ASSETS

<i>th EUR</i>	31.12.2017	31.12.2016
Land	223	226
Buildings and constructions	1,837	1,975
Machinery, plant and equipment	4,840	5,537
Other equipment and fixtures	8	15
Construction in progress	-	41
TOTAL	6,908	7,584

<i>th EUR</i>	
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 2016	305
Write-offs in 2016	(456)
Depreciation in 2016	(834)
Write-off of accumulated amortization in 2016	449
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 2017*	134
Write-offs in 2017	(351)
Depreciation in 2017	(805)
Write-off of accumulated amortization in 2017	346



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Cost at 31.12.2017	19,564
Accumulated depreciation at 31.12.2017	(12,656)
Net book amount at 31.12.2017	6,908

*On 31th of December there were no binding liabilities related to acquiring of tangible assets.

NOTE 5 INTANGIBLE FIXED ASSETS

<i>th EUR</i>	
Cost at 31.12.2015	115
Accumulated depreciation at 31.12.2015	(94)
Net book amount at 31.12.2015	21
Acquired in 2016	59
Depreciation in 2016	(14)
Cost at 31.12.2016	174
Accumulated depreciation at 31.12.2016	(108)
Net book amount at 31.12.2016	66
Depreciation in 2017	(19)
Cost at 31.12.2017	174
Accumulated depreciation at 31.12.2017	(127)
Net book amount at 31.12.2017	47

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>	31.12.2017	31.12.2016
Current liabilities	593	1,176
Non-current debt obligations	4,422	4,163
TOTAL	5,015	5,339

NOTE 7 PAYABLES AND PREPAYMENTS

<i>th EUR</i>	31.12.2017	31.12.2016
Supplier payables	1,071	1,277
Payables to employees	226	246
Taxes payables	281	333
Other payables	48	75
Customer prepayments	330	566
TOTAL	1,956	2,497



NOTE 8 PROVISIONS

<i>th EUR</i>	
Balance at 31.12.2015	243
Incl. current portion	15
non-current portion	228
Realised during 2016	(18)
Interest cost in 2016	8
Balance at 31.12.2016	233
Incl. current portion	5
non-current portion	228
Balance at 31.12.2016	228
Incl. current portion	15
non-current portion	213
Realised during 2017	(21)
Interest cost in 2017	6
Balance at 13.12.2017	213
Incl. current portion	13
non-current portion	200

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 31.12.2017	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 31.12.2017, the Group had 458 shareholders (31.12.2016: 458 shareholders) of which with more than 5% ownership interest were:

- Trigon Wood OÜ with 2.675.752 shares or 59.47% (31.12.2016: 59.47%)
- Gamma Holding Investment OÜ with 298.933 shares or 6,64% (31.12.2016: 3,76%)



On 18 September 2017 Skano Group extraordinary shareholders meeting recalled from Supervisory Board Ülo Adamson and Martin Mets. New members Jan Peter Ingman and Trond Brekke were elected to the positions of Supervisory Board members.

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 (31.12.2016: 20.000 shares)
- Jan Peter Ingman 0 shares
- Trond Brekke 0 shares
- Torfinn Losvik 0 shares (31.12.2016: 0 shares)

As of 31.12.2017 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.

On 11th of October 2017 the option agreement to acquire 300,000 share options was signed between Skano Group AS and the member of the management board Torfinn Losvik.



NOTE 10 EARNINGS PER SHARE

<i>EUR</i>	31.12.2017	31.12.2016
Basic earnings per share	(0.03)	(0.23)
Diluted earnings per share	(0.03)	(0.23)
Book value of share	0,83	0.88
Price/earnings ratio (P/E)	(21.55)	(2.00)
Closing price of the share of Skano Group AS on Tallinn Stock Exchange at 31.12*	0.608	0.46

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 2017 = $(126,933)/4.499.061 = (0.03)$ euros

Basic earnings per share for 2016 = $(1.045.281)/4.499.061 = (0.23)$ euros

Basic earnings per share for Q4 2017 = $(243,164)/4.499.061 = (0.05)$ euros

Basic earnings per share for Q4 2016 = $(43.344)/4.499.061 = (0.01)$ 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 2017 = $0.608 / (0.03) = (21.55)$

Price/earnings ratio (P/E) for 2016 = $0.46 / (0.23) = (2.00)$

Price/earnings ratio (P/E) for Q4 2017 = $0.608 / (0.05) = (11.25)$

Price/earnings ratio (P/E) for Q4 2016 = $0.46 / (0.01) = (46.00)$

* 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:

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 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 net result.

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.



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BUSINESS SEGMENTS:

<i>th EUR</i>	Fibreboard	Furniture Factory	Furniture Retail	Consolidation	TOTAL segments
	2017	2017	2017	2017	2017
Revenue from external customers	11,749	2,679	1,929	-	16,357
Inter-segment revenue	87	900	3	(990)	-
Operating profit/-loss	295	(253)	113	-	155
Segment assets	8,389	3,950	406	(1,815)	10,930
Segment liabilities	6,024	2,353	629	(1,822)	7,184

<i>th EUR</i>	Fibreboard	Furniture Factory	Furniture Retail	Consolidation	TOTAL segments
	2016	2016	2016	2016	2016
Revenue from external customers	12,070	3,229	2,203	-	17,502
Inter-segment revenue	99	1,007	-	(1,106)	-
Operating profit/-loss	(96)	(658)	(83)	107	(730)
Segment assets	9,542	4,202	616	(2,396)	11,964
Segment liabilities	6,990	2,322	895	(2,143)	8,064

BUSINESS SEGMENT BY THE GEOGRAPHICAL LOCATION OF CUSTOMERS:

<i>th EUR</i>	2017				2016			
	Fibreboard	Furniture Factory	Retail	TOTAL	Fibreboard	Furniture Factory	Retail	TOTAL
Finland	3,923	995	-	4,918	4,597	1,463	-	6,060
Russia	1,631	1,406	-	3,037	1,527	1,349	2	2,878
Estonia	1,529	53	1263	2,845	1,682	124	1,323	3,129
Portugal	921	-	-	921	717	-	-	717
Latvia	479	-	356	835	397	-	363	760
Other EU	1,716	115	246	2,122	2,329	237	231	2,797
Africa	679	-	-	679	288	-	-	288
Middle East	260	-	-	260	197	-	-	197
Asia	241	-	-	241	39	-	-	39
Other	325	110	64	498	297	56	284	637
TOTAL	11,749	2,679	1,929	16,357	12,070	3,229	2,203	17,502



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 31.12 December 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>	2017	2016
Membership fees	102	268
Resignation compensation	30	88
Social tax	44	66
TOTAL	176	356

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>	2017	2016
Purchased services	20	33
TOTAL	20	33

Balances with related parties as of 31.12.2017:

<i>th EUR</i>	31.12.2017	31.12.2016
Services payables	-	-
Short-term loan	-	-
Interest expense	-	-
TOTAL	-	-

