



**3rd Quarter
Interim report
2018**

SKANO GROUP AS

Consolidated Interim Report for the
Third Quarter of 2018

Beginning of the Interim Report Period:	1.07.2018
End of the Interim Report Period:	30.09.2018
Beginning of the financial year:	1.01.2018
End of the financial year:	31.12.2018
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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 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, expansion joint filler, pin and notice boards, acoustic reduction, cake boards, firelighters). 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 and Lithuania (the previously owned Ukrainian retail chain was sold in March 2017).

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

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

As at 30.09.2018 the Group employed 213 people (30.09.2017: 226 people).



MANAGEMENT REPORT

SKANO GROUP AS UNAUDITED THIRD QUARTER 2018 RESULTS

Consolidated net sales for Q3 2018 were € 3.71 million, being a 9% decrease compared to the same period in 2017. The decline in sales of fibreboards was mainly caused by reduced demand for single family dwellings in Fibreboard's largest market, Finland. Sales to customers in our other markets showed a slight increase. Furniture wholesale sales were negatively impacted due to weak performance by three of the four key furniture customers. We are working to secure more customers. Furniture retail sales also showed contraction, mainly due to the temporary closure of our best performing shop for total refurbishment caused by the introduction of Skano's new retail concept.

Skano Group recorded EBITDA of positive € 46 thousand for Q3 2018 (vs € 292 thousand Q3 2017). Total furniture profitability was in line with Q3 2017 profitability, while Fibreboard profitability was substantially reduced due to the higher cost of its main raw material, woodchips. We are now in the process of passing on this cost increase to our customers. Net loss for Q3 2018 was € 211 thousand (Q3 2017: profit of € 14 thousand).

DIVISIONAL REVIEW OF THIRD QUARTER 2018

Fibreboard sales in Q3 2018 were € 2.92 million, which is 8% less than same period in 2017. We sold our products to customers in 29 countries. The sales decline in Finland outweighed the growth from the other countries, thus resulting in sales decline for Q3. Market statistics from AC Nielsen shows us having a steady market share of about 72% in the Finnish fibreboard market, thus the sales decline is due to a change in the housing industry in Finland with consumers moving into cities to live in apartments, instead of following the traditional way of building their own houses. Gross margin in Fibreboard were negatively impacted by the higher woodchip prices. Overhead costs were reduced, thus softening the negative impact on EBITDA, which ended up being € 141 thousand for Q3 2018 (Q3 2017 EBITDA was € 374 thousand).

Furniture wholesale sales in Q3 2018 were € 630 thousand, 12% down on same period last year. Total sales to our two main markets, Russia and Finland, were € 402 thousand (down € 91 thousand from Q3 2017). Sales to Skano's own retail chain increased by 12% up to € 177 thousand compared to same period last year (Q3 2017: € 158 thousand). EBITDA for furniture wholesale for Q3 2018 was negative € 31 thousand (Q3 2017 EBITDA was negative € 74 thousand), reflecting the increased profitability achieved by ending our own kiln operations last Spring and instead now sourcing dried and cut material.

Furniture retail sales in Q3 2018 were € 333 thousand, down 11% (€ 41 thousand) from same period last year. Shops in all three Baltic markets experienced sales slowdown, and especially our best-selling shop in Tallinn which was temporarily closed due to extensive refurbishing as a result of introducing Skano's new retail concept. EBITDA for furniture retail for Q3 2018 was negative € 50 thousand (Q3 2017 EBITDA was negative € 3 thousand), reflecting the weak sales in Q3.

Total Furniture operations of Skano (wholesale and retail) EBITDA for 2018 third quarter were negative € 81 thousand (Q3 2017 EBITDA was negative € 77 thousand).

BALANCE SHEET

As of 30.09.2018 the total assets of Skano Group AS were € 11.0 million (30.09.2017: € 11.9 million). The liabilities of the company as of 30.09.2018 were € 7.7 million (30.09.2017: € 7.9 million), of which Skano has borrowings of € 4.9 million as at 30.09.2018 (30.09.2017: € 5.3 million).



Receivables and prepayments amounted to € 1.6 million as at 30.09.2018 (30.09.2017: € 1.8 million). Inventories were € 2.4 million as of 30.09.2018 (30.09.2017: € 2.5 million). Property, plant and intangibles were € 7.0 million as of 30.09.2018 (€ 7.3 million as of 30.09.2017).

OUTLOOK

In Fibreboard, we are pushing 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. We are in process of implementing the annual price increases, thus aiming to alleviate the negative impact experienced from the higher cost of woodchips, our main raw material. Our marketing activities are focusing on the positive aspects of using our boards, made from fresh woodchips from spruce, compared to competing synthetic materials.

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 are exiting our other Riga shop end of November, and also look to divest of our second shop in Tallinn due to its poor profitability. In wholesale we are in negotiations to take over certain European customers from our Finnish distributor, which should help expand our customer base and have potential to secure more sales of our furniture.

DIVISIONAL REVIEW

REVENUE BY BUSINESS SEGMENTS

	€ thousand		€ thousand	
	Q3 2018	Q3 2017	9M 2018	9M 2017
Fibreboards production and sales	2,924	3,172	8,603	9,285
Furniture production and sales	630	715	2,207	2,591
Furniture retail	333	374	1,095	1,445
<i>incl. furniture retail Ukraine</i>	0	0	0	64
Group transactions	(177)	(176)	(537)	(748)
TOTAL	3,709	4,085	11,369	12,572

PROFIT BY BUSINESS SEGMENTS

€ thousand	Q3 2018	Q3 2017	9M 2018	9M 2017
EBITDA by business units:				
Fibreboards production and sales	141	374	349	874
Furniture production and wholesale	(31)	(74)	15	(5)
Furniture retail	(50)	(3)	(80)	100
<i>incl. furniture retail Ukraine</i>	0	0	0	1
Group transactions	(14)	(5)	(22)	(17)
TOTAL EBITDA	46	292	261	952
Depreciation	181	208	554	625
TOTAL OPERATING PROFIT/ LOSS	(135)	84	(294)	328
Net financial costs	77	70	212	211
Income tax	0	0	0	0
NET PROFIT/ LOSS	(211)	14	(505)	117



FIBREBOARD SALES

The total sales of fibreboards for Q3 2018 were € 2.92 million, which are 8% down from Q3 2017 sales level (€ 3.17 million). We recorded solid sales increase in markets such as Portugal, Asia and Middle-East while sales were dropping in Finland and South Africa.

FIBREBOARD SALES BY GEOGRAPHICAL SEGMENTS

	€ thousand		€ thousand	
	Q3 2018	Q3 2017	9M 2018	9M 2017
European Union	2,093	2,202	6,455	6,911
Russia	448	554	1,169	1,173
Asia	128	50	318	223
Middle East	74	94	248	204
Africa	62	201	137	564
Other	118	70	276	209
TOTAL	2,923	3,172	8,603	9,284

FURNITURE WHOLESALE SALES

Sales dropped to € 630 thousand in Q3 2018, down from € 715 thousand in Q3 2017. Russian consumer confidence is still negatively influenced by the sanctions imposed on Russia while in Finland our exclusive distributor is continuing with their restructuring. Skano's retail shops in the Baltics recovered slightly from a very weak 1st half of year, with more sales compared to Q3 2017.

FURNITURE WHOLESALE SALES BY COUNTRIES

	€ thousand		€ thousand	
	Q3 2018	Q3 2017	9M 2018	9M 2017
Russia	254	280	892	915
Finland	148	213	596	795
Skano Retail	177	158	530	665
Other countries	51	65	189	216
TOTAL	630	715	2,207	2,591

FURNITURE RETAIL SALES

Skano Group retail business recorded sales of € 333 thousand in Q3 2018, which is 11% decline from Q3 2017. We started work in Q3 by introducing a more modern retail concept which provides furniture solutions for a family's total living space, thus widening our furniture appeal from the historical more narrow focus on mainly bookshelves. The new retail concept was rolled out in our main Tallinn shop end of August, which meant closure of the shop for most of August due to the required refurbishment of the shop. The implementation of the new retail concept took place in our new shop in Decco centre in Riga, opened late October, and will be rolled out in our Vilnius and Tartu shops early next year. We will close our shop in the Spice centre in Riga end of November, and we are also seeking to exit our second Tallinn shop.



RETAIL SALES BY COUNTRIES

	€ thousand		€ thousand		Number of stores	
	Q3 2018	Q3 2017	9M 2018	9M 2017	30.09.2018	30.09.2017
Estonia	234	250	603	815	4	4
Latvia	56	59	250	317	1	1
Lithuania	43	65	242	248	1	1
Ukraine*	0	0	0	64	0	0
TOTAL	333	374	1,095	1,445	6	6

*Ukraine retail operations divested in March 2017.

PEOPLE

On the 30th of September 2018, the Group employed 213 people (compared to 226 people as of 30.09.2017). The average number of personnel in Q3 2018 was 213 (Q3 2017: 231).

During first nine months of 2018, wages and salaries with taxes amounted to € 2.7 million (first nine months 2017: € 2.9 million). Payments made to management board members of all group companies including all subsidiaries with relevant taxes were € 136 thousand in nine months 2018 and € 152 thousand in nine months 2017.



FINANCIAL HIGHLIGHTS

€ thousand

Income statement	Q3 2018	Q3 2017	9M 2018	9M 2017
Revenue	3,709	4,085	11,369	12,572
EBITDA	46	292	261	952
EBITDA margin	1%	7%	2%	8%
Operating profit	(135)	84	(294)	328
Operating margin	(4%)	2%	(3%)	3%
Net profit	(211)	14	(505)	117
Net margin	(6%)	0%	(4%)	1%

Statement of financial position	30.09.2018	31.12.2017	30.09.2017	31.12.2016
Total assets	11,012	10,937	11,917	11,965
Return on assets	(2%)	0%	(4%)	1%
Equity	3,277	3,753	3,978	3,901
Return on equity	(6%)	0%	(13%)	3%
Debt-to-equity ratio	70%	66%	67%	67%

Share	30.09.2018	31.12.2017	30.09.2017	31.12.2016
Last Price*	0.49	0.62	0.56	0.46
Earnings per share	(0,05)	0,00	(0,11)	0,03
Price-earnings ratio	(10.35)	195.86	(4.94)	17.54
Book value of a share	0.73	0.83	0.88	0.87
Market to book ratio	0.67	0.74	0.63	0.52
Market capitalization, € thousand	2,187	2,771	2,497	2,047
Number of shares, piece	4,499,061	4,499,061	4,499,061	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 shares

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



FINANCIAL RISKS

INTEREST RATE RISK

The interest rate risk of Skano Group AS depends mainly on possible changes in EURIBOR (Euro Interbank Offered Rate), because the Group's loan and factoring interest rate is tied to 1-month and 6-month EURIBOR. As at 30.09.2018, 1-month EURIBOR was (0.371)% and 6-month EURIBOR was (0.268)% (30.09.2017: 1-month was (0.372)% and 6-month was (0.273)%). As EURIBOR is negative and in the loan agreements it is set to 0%, the continued decline 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 month in case of factoring and every six months for bank loans.

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 (sold in March 2017) 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 third quarter 2018.

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 11-31 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, November 29, 2018



INTERIM FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITIONS

<i>€ thousand</i>	30.09.2018	31.12.2017	30.09.2017
Cash and cash equivalents (Note 2)	42	74	312
Receivables and prepayments (Note 3)	1,611	1,215	1,773
Inventories (Note 4)	2,409	2,336	2,554
Total current assets	4,062	3,624	4,640
Investment property (Note 5)	170	170	170
Available-for-sale financial assets (Note 8)	351	182	0
Other shares and issues	0	6	0
Property, plant and equipment (Note 6)	6,391	6,908	7,055
Intangible assets (Note 7)	38	47	52
Total non-current assets	6,950	7,313	7,277
TOTAL ASSETS	11,012	10,937	11,917
Borrowings (Notes 9)	464	593	708
Payables and prepayments (Notes 10)	2,647	1,956	2,400
Short-term provisions (Note 11)	2	13	5
Total current liabilities	3,114	2,562	3,113
Long-term borrowings (Notes 9)	4,421	4,422	4,613
Long-term provisions (Note 11)	200	200	213
Total non-current liabilities	4,621	4,622	4,826
Total liabilities	7,735	7,184	7,939
Share capital (at nominal value) (Note 12)	2,699	2,699	2,699
Share premium	364	364	364
Statutory reserve capital	288	288	288
Other reserves (Notes 8; 12)	38	9	2
Unrealised currency differences	0	0	0
Retained earnings (loss)	(112)	393	624
Total equity (Note 13)	3,277	3,753	3,978
TOTAL LIABILITIES AND EQUITY	11,012	10,937	11,917

*The notes to the financial statements presented on pages 15 to 31 are an integral part of these consolidated financial statements.



CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

<i>€ thousand</i>	Q3 2018	Q3 2017	9M 2018	9M 2017
Revenue (Note 14)	3,709	4,085	11,369	12,572
Cost of goods sold (Note 15)	3,206	3,457	9,683	10,100
Gross profit	503	628	1,686	2,472
Distribution costs (Note 16)	479	501	1,460	1,574
Administrative expenses (Note 17)	150	110	444	531
Other operating income (Note 19)	2	187	13	238
Other operating expenses (Note 19)	10	121	89	278
Operating profit (loss) (Note 11)	(135)	84	(294)	328
Finance income (Note 20)	0	(0)	1	4
Finance costs (Note 20)	77	70	212	215
LOSS BEFORE INCOME TAX	(211)	14	(505)	117
Corporate income tax	0	0	0	0
NET LOSS FOR THE FINANCIAL YEAR	(211)	14	(505)	117
Other comprehensive income (loss)	0	0	0	(40)
Currency translation differences	0	0	0	(40)
TOTAL COMPREHENSIVE LOSS FOR THE FINANCIAL YEAR	(211)	14	(505)	77
Basic earnings per share (Note 13)	(0,05)	0,00	(0,11)	0,03
Diluted earnings per share (Note 13)	(0,05)	0,00	(0,11)	0,02

*The notes to the financial statements presented on pages 15 to 31 are an integral part of these consolidated financial statements.



CONSOLIDATED STATEMENT OF CASH FLOWS

€ thousand	9M 2018	9M 2017
Cash flows from operating activities		
Operating profit (loss)	(294)	328
Adjustments:		
Depreciation charge (Notes 6;7)	554	623
Profit/loss from disposal of real estate investment	0	(186)
Write down of real estate investment (Note 5)	0	44
Currency translation differences	0	(39)
Profit from disposal of non-current asset (Note 19)	0	(0)
Non-monetary transactions: reserve for share option (Note 12)	29	0
Expenses of doubtful receivables (Notes 19)	0	5
Change in trade and other receivables (Note 3)	(397)	(808)
Change in inventories (Note 4)	(73)	206
Change in trade and other payables (Note 10)	682	(115)
Cash generated from operations	502	59
Interest payments (Note 20)	(184)	(197)
Corporate income tax paid	0	0
Net other financial income and expense	(22)	(8)
Other cash flows from operations	0	(19)
Net cash generated from operating activities	295	(165)
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets (Notes 6;7)	(32)	(84)
Disposal of property, plant and equipment and intangible assets (Note 6;7)	3	(3)
Disposal of investment property (Note 5)	0	180
Disposal of subsidiary, net of cash received	0	19
Acquisition of available-for-sale financial assets (Note 8)	(169)	0
Net cash used in investing activities	(197)	112
Cash flows from financing activities		
Loans received (Note 9)	40	650
Repayment of loans received (Note 9)	(175)	(75)
Change in overdraft (Note 9)	192	(673)
Change in factoring (Note 9)	(186)	280
Net cash (used in)/from financing activities	(129)	182
NET CHANGE IN CASH	(31)	129
Effect of exchange rate changes on cash and cash equivalents	0	0
OPENING BALANCE OF CASH (Note 2)	74	184
CLOSING BALANCE OF CASH (Note 2)	42	312

*The notes to the financial statements presented on pages 15 to 31 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
Balance at 31.12.2016	2,699	364	288	2	40	507	3,901
Share options 9M 2017	0	0	0	0	0	0	0
<i>Net profit/loss for 9M 2017</i>	0	0	0	0	0	117	117
<i>Other comprehensive income for 9M 2017</i>	0	0	0	0	(40)	0	(40)
Total comprehensive profit/loss for 9M 2017	0	0	0	0	(40)	117	77
Balance at 30.09.2017	2,699	364	288	2	0	624	3,978
Balance at 31.12.2017	2,699	364	288	9	0	393	3,753
Share options 9M 2018	0	0	0	29	0	0	29
<i>Net profit/loss for 9M 2018</i>	0	0	0	0	0	(505)	(505)
<i>Other comprehensive income for 9M 2018</i>	0	0	0	0	0	0	0
Total comprehensive profit/loss for 9M 2018	0	0	0	0	0	(505)	(505)
Balance at 30.09.2018	2,699	364	288	38	0	(112)	3,277

*The notes to the financial statements presented on pages 15 to 31 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 2018, 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 December 2017 and 30 September 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 31.12.2017. 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 3rd quarter of 2018 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 Group has initially adopted IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments from 1 January 2018. The changes in accounting policies are also expected to be reflected in the Group's consolidated financial statements as at and for the year ending 31 December 2018. Other new standards that are effective from 1 January 2018 have not been implemented since they have no material effect on the Group's financial statements.

IFRS 15, REVENUE FROM CONTRACTS WITH CUSTOMERS

IFRS 15 replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. It establishes a comprehensive framework for determining whether, how much and when revenue is recognised. The Group adopted IFRS 15 based on modified retrospective approach, which requires the cumulative effect of initially applying this standard to be recognised in retained earnings at the date of initial application (1 January 2018) and the information presented for 2017 is restated (i.e. it is



presented, as previously reported, under IAS 18, IAS 11 and related interpretations). Under IFRS 15, revenue is recognised when a customer obtains control of the goods or services.

Application of IFRS 15 did not have any material effect on the Groups financial statements as at 01.01.2018. No adjustments to equity have been made.

SALE OF GOODS

Revenue from the sale of goods is recognised at the time when a sales transaction is completed for the wholesale or retail customer (i.e. goods delivered and invoiced to customer). The client generally pays according to invoice (business-to-business for Fibreboard and Furniture wholesale) or in cash or by credit card (business-to-customer for Furniture retail). The probability of returning goods is estimated at a portfolio level (expected value method), based on prior experience, and returns are recognised in the period of the sales transaction as a reduction of revenue, by recognising a contract liability (refund liability) and a right to the returned goods. The validity of this assumption and the estimated amount of returns are reassessed at each reporting date. Because the number of products returned has been steady and at very low amount for years, it is highly probable that a significant reversal in the cumulative revenue recognised will not occur.

IFRS 9, FINANCIAL INSTRUMENTS

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. The standard replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 largely covers the existing requirements in IAS 39 for the classification and measurement of financial liabilities. Important to note, the new regulation eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale. Under IFRS 9, on initial recognition, a financial asset is classified as measured at:

- amortised cost;
- fair value with changes recognised in other comprehensive income - (FVOCI) – debt investment, FVOCI – equity investment;
- or fair value with changes recognised in profit or loss (FVTPL).

IFRS 9 classifies of financial assets generally based on the business model in which a it is managed and based on its contractual cash flow characteristics. A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset is initially measured at fair value (exception is a trade receivable without a significant financing component that is initially measured at the transaction price). Plus, for an asset item not at FVTPL, transaction costs that are directly attributable to its acquisition. These assets are subsequently measured at amortised cost using the effective interest method and the amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any profit or loss on derecognition is recognised in profit or loss.

Application of IFRS 9 did not have any material effect on the Groups financial statements as at 01.01.2018.



IMPAIRMENT OF FINANCIAL ASSETS

The 'incurred loss' model in IAS 39 is replaced in IFRS 9 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, except investments in equity instruments. This means, credit losses are recognised earlier under IFRS 9, then under IAS 39. The financial assets at amortised cost consist of trade receivables, cash, and cash equivalents.

Loss allowances are measured from initial recognition of the financial assets under IFRS 9, on either of the following bases:

- 12-month ECLs (i.e. ECLs that result from possible default events within the 12 months after the reporting date);
- lifetime ECLs: (i.e. ECLs that result from all possible default events over the expected life of a financial instrument).

ECLs are a probability-weighted estimate of credit losses. A credit loss is the difference between the cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive discounted at the original effective interest rate.

Loss allowances are measured in the Group as follows:

- trade receivables – at the amount equal to lifetime ECLs;
- low credit risk cash and cash equivalents at an amount equal to 12-month ECLs;
- all other financial assets - 12-month ECLs, if the credit risk is stable compared initial recognition (in case the risk has increased significantly compared to initial recognition, the loss allowance is measured at an amount equal to lifetime ECLs).

All analysis regarding credit risk of financial assets and the significance of those when estimating ECLs, are to be considered by the Group to be based on reasonable and supportable information that is relevant and available within reasonable cost and effort. This is considered to be quantitative and qualitative information and analysis, based on the Group's historical experience, informed credit assessment and including forward-looking information. The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due.

A financial asset is considered by the Group to be in default when:

- the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the group to actions such as realising security (if any is held); or
- the financial asset is more than 180 days past due.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Impairment model impairment losses are generally expected to increase and become more volatile for assets in scope of the IFRS 9. The Group has determined that the application of IFRS 9 impairment requirements at 01.01.2018 results in no material impact on Group's financial statements.

Changes in accounting policies resulting from IFRS 9 have been applied retrospectively, except as described below. Changes in accounting policies had no material impact on the Group's financial statements on the adoption at 1 January 2018. In accordance with the transitional provisions in IFRS



9, comparative figures have not been restated, but continue to be accounted for in accordance with IAS 39.

The following assessments have been made based on the facts and circumstances that existed at the date of initial application:

- determination of the business model within which a financial asset is held;
- in case an investment in a debt security had low credit risk at the date of initial application of IFRS 9, then the Group has assumed that the credit risk on the asset had not increased significantly since its initial recognition.

NOTE 2 CASH AND CASH EQUIVALENTS

<i>€ thousand</i>	30.09.2018	31.12.2017	30.09.2017
Cash on hand	1	4	5
Bank Accounts	41	70	308
TOTAL	42	74	312

NOTE 3 TRADE AND OTHER RECEIVABLES

<i>€ thousand</i>	30.09.2018	31.12.2017	30.09.2017
Customer receivables	1,337	934	1,466
Prepaid taxes	199	210	223
Other receivables	50	44	60
Prepaid services	25	25	24
TOTAL	1,611	1,215	1,773

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>	30.09.2018	31.12.2017	30.09.2017
Not past due	1,247	762	1,332
incl receivables from customers who also have receivables past due	136	239	208
incl receivables from customers who have no receivables past due	1,111	523	1,124
Past due but not impaired	90	172	134
Overdue up to 90 days	83	161	81
Overdue more than 90 days	7	11	53
TOTAL	1,337	934	1,466



NOTE 4 INVENTORIES

<i>€ thousand</i>	30.09.2018	31.12.2017	30.09.2017
Raw materials and other materials	469	588	620
Work-in-progress	362	495	485
Finished goods	1,374	1,116	1,253
Goods purchased for resale	168	154	159
Goods in transit	139	68	103
Prepayments to suppliers	6	25	24
Write-off reserve for inventories	(109)	(109)	(90)
TOTAL	2,409	2,336	2,554

NOTE 5 INVESTMENT PROPERTY

	<i>thousand €</i>
Cost 31.12.2016	726
Accumulated depreciation at 31.12.2016	(321)
Carrying amount 31.12.2016	405
Acquisition	0
Disposal in cost (Rääma 96) (note 19)	(453)
Write-off of accumulated amortization of disposal	262
Depreciation	(0)
Write-down of Rääma 31 (note 19)	(44)
Cost 30.09.2017	229
Accumulated depreciation at 30.09.2017	(59)
Carrying amount 30.09.2017	170
Cost 31.12.2017	229
Accumulated depreciation at 31.12.2017	(59)
Carrying amount 31.12.2017	170
Acquisition	0
Disposal in cost (note 19)	0
Write-off of accumulated amortization of disposal	0
Depreciation	0
Write-down (note 19)	0
Cost 30.09.2018	229
Accumulated depreciation at 30.09.2018	(59)
Carrying amount 30.09.2018	170

Costs of maintenance for 9M 2018 were € 0 thousand and € 32 thousand in 9M 2017. Rental income from investment properties for 9M 2018 were € 1 thousand and € 4 thousand in 9M 2017.



<i>thousand €</i>	
31.12.2016	
Share of registered immovable property at Rääma Street 94, Pärnu	390
Share of registered immovable property at Rääma Street 31, Pärnu	170
30.09.2017	
Share of registered immovable property at Rääma Street 94, Pärnu	0
Share of registered immovable property at Rääma Street 31, Pärnu	170
31.12.2017	
Share of registered immovable property at Rääma Street 94, Pärnu	0
Share of registered immovable property at Rääma Street 31, Pärnu	170
30.09.2018	
Share of registered immovable property at Rääma Street 94, Pärnu	0
Share of registered immovable property at Rääma Street 31, Pärnu	170

NOTE 6 PROPERTY PLANT EQUIPMENT

<i>thousand €</i>	Land	Buildings and facilities	Machinery and equipment	Other fixtures	Construction-in-progress	TOTAL
Cost at 31.12.2016	226	4,953	14,640	217	41	20,077
Accumulated depreciation at 31.12.2016	0	(2,978)	(9,313)	(202)	0	(12,493)
Carrying amount at 31.12.2016	226	1,975	5,327	15	41	7,584
Additions*	0	0	37	2	49	88
Reclassification	0	0	0	0	(4)	(4)
Disposals and write-offs (Note 19)	(3)	0	(30)	0	0	(33)
Accumulated depreciation of fixed assets written off	0	0	30	0	0	30
Depreciation (Notes 15;16;17)	0	(137)	(465)	(7)	0	(610)
Cost at 30.09.2017	223	4,953	14,647	219	86	20,128
Accumulated depreciation at 30.09.2017	0	(3,115)	(9,748)	(209)	0	(13,073)
Carrying amount at 30.09.2017	223	1,838	4,899	10	86	7,055



<i>thousand €</i>	Land	Buildings and facilities	Machinery and equipment	Other fixtures	Construction -in-progress	TOTAL
Cost at 31.12.2017	223	4,970	14,488	183	0	19,865
Accumulated depreciation at 31.12.2017	0	(3,134)	(9,648)	(175)	0	(12,957)
Carrying amount at 31.12.2017	223	1,836	4,840	8	0	6,908
Additions*	0	0	24	0	4	28
Reclassification	0	0	0	0	(3)	(3)
Disposals and write-offs (Note 19)	0	0	3	0	0	3
Accumulated depreciation of fixed assets written off	0	0	(3)	0	0	(3)
Depreciation (Notes 15;16;17)	0	(131)	(408)	(3)	0	(542)
Cost at 30.09.2018	223	4,970	14,515	183	1	19,893
Accumulated depreciation at 30.09.2018	0	(3,265)	(10,060)	(178)	0	(13,502)
Carrying amount at 30.09.2018	223	1,705	4,456	5	1	6,391

*On 30th of September 2018 there were no binding liabilities related to acquiring of tangible assets.

NOTE 7 INTANGIBLE ASSETS

<i>thousand €</i>	Computer software
Cost at 31.12.2016	174
Accumulated amortisation at 31.12.2016	(108)
Carrying amount 31.12.2016	66
Additions 9M 2017	0
Amortisation charge (Notes 15;16;17)	(14)
Cost at 30.09.2017	174
Accumulated amortisation at 30.09.2017	(122)
Carrying amount 30.09.2017	52
Cost at 31.12.2017	175
Accumulated amortisation at 31.12.2017	(128)
Carrying amount 31.12.2017	47
Additions 9M 2018	3
Amortisation charge (Notes 15;16;17)	(12)
Cost at 30.09.2018	178
Accumulated amortisation at 30.09.2018	(140)
Carrying amount 30.09.2018	38



NOTE 8 AVAILABLE-FOR-SALE FINANCIAL ASSETS

<i>thousand €</i>	30.09.2018	Change 9M 2018	31.12.2017	31.12.2016
Non-current assets				
Listed securities - Equity securities - cost as at	356	0	182	0
Disposal of available-for-sale financial assets by Skano Group AS	0	180	0	0
Aquisition of available for sale financial assets by Skano Fibreboard OÜ	0	360	0	0
Profit/Loss from disposal of available-for-sale financial assets in Skano Group AS	0	(2)	0	0
Revaluation	(5)	0	0	0
Fair value as at	351	0	182	0

*Available-for-sale financial assets (i.e. Trigon Property Development shares) have been revaluated to reflect fair value based on last price as at 30.09.2018 as shown on Nasdaq Tallinn Stock Exchange.

NOTE 9 BORROWINGS

<i>thousand €</i>	Interest rate	30.09.2018	31.12.2017	30.09.2017
Current borrowings				
Current portion of long-term bank loan (Note 3)	6 month euribor+4.55%	45	220	66
Short-term loan from related parties*	5%	40	0	0
Bank overdrafts (Note 3)	5%	422	231	232
Factoring*	1 month euribor+3.5%	(43)	143	410
Total		464	593	708
Non-current borrowings				
Current portion of long-term bank loan (Note 3)	6 month euribor+4.55%	4,421	4,422	5,321
Total		4,421	4,422	5,321
Total borrowings		4,886	5,016	6,029

* Factoring contract ended at 19th of august 2018. As at 29.11. 2018 the short-term loan balance with related parties is zero.

CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

<i>thousand €</i>	31.12.2017	Cash flows	Non-monetary settlements	Interest accrued	Interest paid	Other	30.09.2018
Changes in liabilities arising from financing activities							
Current portion of long-term bank loan	220	(175)	0	158	(158)	0	45
Short term loan from related parties	0	40	0	0	(0)	0	40
Bank overdrafts	231	192	0	13	(13)	0	422
Factoring	143	(186)	0	13	(13)	0	(43)
Non-current bank loans	4,422	0	0	0	0	(1)	4,421
Total liabilities from financing activities	5,016	(129)	0	184	(184)	(1)	4,886



CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

Changes in liabilities arising from financing activities <i>thousand €</i>	31.12.2016	Cash flows	Non-monetary settlements	Interest accrued	Interest paid	Other	30.09.2017
Current portion of long-term bank loan	141	(75)	0	163	(163)	0	66
Short term loan from related parties	0	0	0	0	0	0	0
Bank overdrafts	905	(673)	0	20	(20)	0	232
Factoring	130	280	0	14	(14)	0	410
Non-current bank loans	4,163	650	(200)	0	0	0	4,613
Total liabilities from financing activities	5,339	182	(200)	197	(197)	0	5,321

NOTE 10 TRADE AND OTHER PAYABLES

<i>thousand €</i>	30.09.2018	31.12.2017	30.09.2017
Trade payables (Note 3)	1,864	1,071	1,348
Payables to employees incl. accrued holiday pay reserve	247	225	234
	0	0	0
Tax liabilities incl. social security and unemployment insurance	336	281	378
personal income tax	140	147	139
contribution to mandatory funded pension	53	61	69
value added tax	6	6	6
other taxes	119	51	146
Prepayments received	19	16	18
Other payables (Note 3)	130	330	130
TOTAL	2,647	1,956	2,160

NOTE 11 PROVISIONS

<i>thousand €</i>	
Balance at 31.12.2016	228
incl. current portion of provision	15
incl. non-current portion of provision	213
Movements 2017 9M:	
Use of provision	(16)
Interest cost (Note 20)	6
Balance at 30.09.2017	218
incl. current portion of provision	5
incl. non-current portion of provision	213



Balance at 31.12.2017	213
incl. current portion of provision	13
incl. non-current portion of provision	200
Movements 2018 9M:	
Use of provision	(17)
Interest cost (Note 20)	6
Balance at 30.09.2018	202
incl. current portion of provision	2
incl. non-current portion of provision	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 12 EQUITY

	Nominal value	Number of shares	Share capital
	€	pcs	thousand €
Balance at 30.09.2018	0.60	4,499,061	2,699
Balance at 31.12.2017	0.60	4,499,061	2,699
Balance at 30.09.2017	0.60	4,499,061	2,699
Balance at 31.12.2016	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 30.09.2018, the Group had 445 shareholders (30.09.2017: 468 shareholders) of which with more than 5% ownership interest were:

- Trigon Wood OÜ with 2,675,752 shares or 59.47% (30.09.2017: 59.47%)
- Gamma Holding Investment OÜ with 340,433 shares or 7.57% (30.09.2017: 6.64%)

On 18 September 2017 Skano Group extraordinary shareholders meeting recalled two Supervisory Board members and elected two new members Jan Peter Ingman and Trond Bernhard Brekke to the positions of Supervisory Board members.

On 15 November 2018 Skano Group extraordinary shareholders meeting elected Sakari Wallin, to the positions of Supervisory Board member.

Sakari Wallin was born in 03.05.1954 in Finland and he obtained bachelor's degree in Engineering from Polytechnik Turku. Sakari Wallin holds Managing Director's position in Finnish Fibreboard LTD. Sakari Wallin is Chairman of the Board of Finnish Fibreboard (UK) Ltd and Managing director of Finnish Fibreboard Filial Sverige. Sakari Wallin does not own any shares in Skano Group AS.



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 (30.09.2017: 20.000 shares)
- Jan Peter Ingman 0 shares (30.09.2017: 0 shares)
- Trond Brekke 0 shares (30.09.2017: 0 shares)
- Torfinn Losvik 0 shares (30.09.2017: 0 shares)
- Sakari Wallin 0 shares (30.09.2017: 0 shares)

Both Joakim Johan Helenius and Torfinn Losvik have indirect ownership through parent company OÜ Trigon Wood.

As of 31.12.2017 Gregory Devine Grace had a share option agreement with the total amount of 33,333 share options.

As of 30.09.2018 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

	30.09.20 18	31.12.20 17	31.12.20 16
Net profit (-loss) (in thousands of euros)	(505)	(127)	(1,045)
Weighted average number of shares (units)	4,499	4,499	4,499
Basic earnings per share	(0.11)	(0.03)	(0.23)
Weighted average number of shares used for calculating the diluted earnings per shares (units)	4,630	4,521	4,499
Diluted earnings per share	(0.11)	(0.03)	(0.23)
Book value of share	0.73	0.83	0.87
Price/earnings ratio (P/E)	(4.33)	(21.74)	(1.96)
Last price of the share of Skano Group AS on Tallinn Stock Exchange at 30.09.2018, 31.12.2017, 31.12.2016*	0.49	0.62	0.46
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
Adjustments for calculation of diluted earnings per share:			
Share options (2017 program)	131	22	0
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	4,630	4,521	4,499

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 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 and TOV Skano Ukraine) - retail sales of furniture in Estonia, Latvia, Lithuania and until March 2017 Ukraine (Ukraine retail chain was sold on March 2017).

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:

9 months 2018 <i>thousand €</i>	Fibreboard manufacturing and sale	Furniture manufacturing	Furniture retail sale	Group's general expenses and eliminations	SEGMENTS TOTAL
Revenue from external customers	8,600	1,676	1,093	0	11,369
Inter-segment revenue	4	531	2	(537)	0
Operating profit/-loss	(73)	(116)	(82)	(22)	(294)
Amortisation/ depreciation* (Notes 6; 7)	422	131	1	0	554
Segment assets	8,768	2,523	431	(711)	11,012
Non-current assets of the segment* (Note 5;6;7;8)	6,139	1,040	4	(234)	6,950
Segment liabilities	6,637	1,062	0	(642)	7,057
Additions to non-current assets* (Note 6;7)	18	7	7	0	32
Interest expenses (Note 20)	161	26	0	3	189

9 months 2017 <i>thousand €</i>	Fibreboard manufacturing and sale	Furniture manufacturing	Furniture retail sale	Group's general expenses and eliminations	SEGMENTS TOTAL
Revenue from external customers	9,208	1,922	1,442	0	12,572
Inter-segment revenue	77	669	3	(748)	0
Operating profit/-loss	401	(152)	96	(17)	328
Amortisation/ depreciation* (Notes 6; 7)	473	148	4	0	625
Segment assets	9,282	4,005	476	(1,847)	11,917
Non-current assets of the segment* (Note 5;6;7;8)	6,301	1,208	0	0	7,509
Segment liabilities	6,775	2,285	715	(1,837)	7,939
Additions to non-current assets* (Note 6;7)	75	11	0	0	86
Interest expenses (Note 20)	122	62	0	19	203



BUSINESS SEGMENT BY THE GEOGRAPHICAL LOCATION OF CUSTOMERS:

thousand €	9M 2018				9M 2017			
	Fibreboard	Furniture Factory	Retail	TOTAL	Fibreboard	Furniture Factory	Retail	TOTAL
Finland	2,964	596	0	3,560	3,383	795	0	4,178
Russia	1,169	892	0	2,061	1,173	915	0	2,088
Estonia	1,087	16	603	1,705	1,198	42	815	2,056
Other EU	1,200	62	240	1,502	1,396	93	310	1,799
Latvia	375	0	250	626	342	0	317	659
Portugal	826	0	0	826	515	0	0	515
Other	276	110	0	386	209	77	0	286
Middle East	248	0	0	248	204	0	0	204
Asia	318	0	0	318	223	0	0	223
Africa	137	0	0	137	564	0	0	564
TOTAL	8,600	1,676	1,093	11,369	9,208	1,922	1,442	12,572

NOTE 15 COST OF GOODS SOLD

thousand €	Q3 2018	Q3 2017	9M 2018	9M 2017
Raw materials and main materials	1,256	1,157	3,993	3,705
Electricity and heat	760	647	2,397	2,263
Labour expenses (Note 18)	700	703	2,136	2,221
Depreciation (Note 6;7)	179	205	549	614
Purchased goods	151	216	445	612
Change in balances of finished goods and work in progress	39	360	(243)	135
Other expenses	122	168	406	551
TOTAL	3,206	3,457	9,683	10,100

NOTE 16 DISTRIBUTION COSTS

thousand €	Q3 2018	Q3 2017	9M 2018	9M 2017
Transportation expenses	266	253	784	779
Labour expenses (Note 18)	85	88	267	276
Operating Lease	61	73	191	230
Marketing expense	26	17	86	63
Commission fees	13	23	37	81
Depreciation (Note 6;7)	0	1	0	3
Other expenses	27	47	95	141
TOTAL	479	501	1,460	1,574

NOTE 17 ADMINISTRATIVE AND GENERAL EXPENSES

thousand €	Q3 2018	Q3 2017	9M 2018	9M 2017
Labour expenses (Note 18)	110	95	317	387
Purchased services	10	13	58	80
Office supplies	1	2	7	9
Depreciation (Note 6;7)	2	2	5	7
Other expenses	27	(1)	57	48
TOTAL	150	110	444	531



NOTE 18 LABOUR EXPENSES

<i>thousand €</i>	Q3 2018	Q3 2017	9M 2018	9M 2017
Wages and salaries	677	667	2,059	2,175
Social security and unemployment insurance	218	218	661	709
Accrued holiday pay provision	0	6	25	16
Fringe benefits paid to employees	8	0	0	0
TOTAL	903	891	2,745	2,899

NOTE 19 OTHER OPERATING INCOME AND EXPENSES

OTHER OPERATING INCOME

<i>thousand €</i>	Q3 2018	Q3 2017	9M 2018	9M 2017
Profit from currency exchange	0	0	0	4
Penalties received	0	1	0	1
Profit from sale of real estate investments	0	186	0	186
Other operating income	2	0	12	47
TOTAL	2	187	13	238

* 2017 9M includes other operating income from disposal of subsidiary (Ukraine retail chain in March 2017)

OTHER OPERATING EXPENSES

<i>thousand €</i>	Q3 2018	Q3 2017	9M 2018	9M 2017
Contract fees	0	62	51	185
Sales bonuses	6	6	16	14
Reclamations	2	0	5	1
Commission, factoring fees	0	4	3	11
Membership fees	0	3	2	6
Insurance	0	(2)	1	0
Doubtful receivables	0	3	0	5
Inventory loss, loss from damages of production	0	1	0	1
Loss from currency exchange	0	0	0	5
Penalties paid	2	0	2	0
Loss from sales of fixed assets	0	44	0	44
Other costs	0	1	8	6
TOTAL	10	121	89	278

NOTE 20 FINANCIAL INCOME AND EXPENSES

<i>thousand €</i>	Q3 2018	Q3 2017	9M 2018	9M 2017
Financial income:				
Other financial income	0	(0)	1	4
Total financial income	0	(0)	1	4
Financial cost				
Interest expenses	64	66	189	203
including interest expenses related to provisions (Note 13)	2	2	6	6
Other finance cost	13	3	23	11
Total financial cost	77	70	212	215



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 30 September 2018, 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>	Q3 2018	Q3 2017	9M 2018	9M 2017
Membership fees	39	18	102	84
Resignation compensation	0	0	0	30
Social tax	13	6	34	38
Total	51	24	136	152

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>	Q3 2018	Q3 2017	9M 2018	9M 2017
Purchased services	4	4	11	10
Total	4	4	11	10

Balances with related parties as of

<i>thousand €</i>	30.09.2018	31.12.2017	30.09.2017	31.12.2016
Purchased services	6	0	0	0
Short-term loan	40	0	0	0
Short-term loan interest	1	0	0	0
Total	66	0	0	0

* As at 29.11. 2018 the short-term loan balance with related parties is zero.



NOTE 22 EVENTS AFTER BALANCE SHEET DATE

The Extraordinary General Meeting of shareholders of Skano Group AS was held in Skano Group AS head office on 15th of November 2018.

As Resolutions of general meeting, Sakari Wallin was elected to the position of Supervisory Board member with the term of five (5) years as of the adoption of this resolution.

