



**3rd Quarter
Interim report
2019**

SKANO GROUP AS

Consolidated Interim Report for the
Third Quarter of 2019

Beginning of the Interim Report Period:	1.07.2019
End of the Interim Report Period:	30.09.2019
Beginning of the financial year:	1.01.2019
End of the financial year:	31.12.2019
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Auditor:	AS PricewaterhouseCoopers
Main activity:	Production and sales of fibreboards and furniture

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COMPANY PROFILE

Skano Group AS main activity at the start of the 3rd Quarter 2019 consisted of production and sale of building materials and furniture, retail trade of furniture and household furnishing. On 05.09.2019 Skano Group AS sold its subsidiary Skano Furniture Factory OÜ, thereby ending its production and wholesale of furniture. Skano Group AS became the mother direct company of Skano Furniture OÜ after the sale of the Skano Furniture Factory OÜ.

As at 30.09.2019 Skano Group AS is a holding company with subsidiaries Skano Fibreboard OÜ, Pärnu Riverside Development OÜ and Skano Furniture OÜ, herewith in turn Skano Fibreboard OÜ owns a subsidiary Suomen Tuulileijona OY and Skano Furniture OÜ owns subsidiaries SIA Skano and UAB Skano LT. During September month the furniture retail operations in SIA Skano and UAB Skano LT were ended and efforts are now underway to deregister these two dormant companies. The Group, as of 30.09.2019 consists therefore of the following companies, all 100% owned:

Subsidiary	Location	Activity
Skano Fibreboard OÜ	Estonia	Production and sales
Suomen Tuulileijona OY	Finland	Sales
Skano Furniture OÜ	Estonia	Retail
SIA Skano	Latvia	Retail (operations ended)
UAB Skano LT	Lithuania	Retail (operations ended)
Pärnu Riverside Development OÜ	Estonia	Rental and operating of own or leased real estate

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

Skano Furniture Factory OÜ produced 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 principal markets of the company are Finland, Russia and the rest of the EU.

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

As at 30.09.2019 the Group employed 128 people (30.09.2018: 213 people).



MANAGEMENT REPORT

SKANO GROUP AS UNAUDITED THIRD QUARTER 2019 RESULTS

Consolidated net sales for the continuing operations of fibreboard, furniture retail and the recently commenced operations of renting out space in our property unit, for Q3 2019 were € 3.25 million, a 6% increase compared to the same period in 2018.

Fibreboard sales increased with 5% during Q3 2019 to € 3.06 million compared to the same period last year, this being mainly a result of securing new customers across the main application segments. The remaining group sales of continuous operations, consisting of furniture retail and rental operations less group transactions, were € 0.19 million (versus € 0.16 million in Q3 2018). Total sales of Skano Group, including the discontinued business of Skano Furniture Factory, were € 3.61 million, down 3% from Q3 2018.

Skano Group recorded EBITDA of positive € 81 thousand for Q3 2019, a 76% increase compared to EBITDA of € 46 thousand in Q3 2018. Fibreboard EBITDA of € 125 thousand was € 16 thousand less than recorded in Q3 2018. Rental income from renting out part of our head office building in Suur-Jõe 48 in Pärnu showed positive EBITDA of € 14 thousand while total furniture operations had negative EBITDA of € 59 thousand. Net loss for Q3 2019 was € 700 thousand, which included loss of € 540 thousand from the sale of Skano Furniture Factory OÜ (Q3 2018: net loss € 211 thousand).

DIVISIONAL REVIEW OF THIRD QUARTER 2019

Fibreboard sales in Q3 2019 were € 3.06 million, which is 5% up from the same period in 2018. Sales growth came from securing new customers in Europe and Asia within industrial and display board segments. Gross margin in Fibreboard has continued to improve every quarter this year. We recorded gross margin of 18% in Q3, up from 15% and 13% respectively in Q2 and Q1 this year (gross margin was 20% in Q3 2018). Other operating expenses (including overhead costs) were € 415 thousand, down 3.5% from same period last year, which resulted in EBITDA being € 125 thousand (Q3 2018: € 141 thousand).

Furniture wholesale in Q3, up to when it was divested on 5 September, was € 353 thousand (Q3 2018: € 630 thousand), while furniture retail sales in Q3 2019 were € 265 thousand, down 20% from same period last year. EBITDA for furniture wholesale were showing loss of € 12 thousand, while furniture retail showed loss of € 95 thousand (2018 Q3: loss € 50 thousand).

BALANCE SHEET

As of 30.09.2019 the total assets of Skano Group AS were € 9.2 million (30.09.2018: € 11.0 million). The change in total assets is mainly related to exiting furniture business. The liabilities of the company as of 30.09.2019 were € 7.6 million (30.09.2018: € 7.7 million), of which Skano has borrowings of € 4.6 million as at 30.09.2019 (30.09.2018: € 4.9 million).

Receivables and prepayments amounted to € 1.8 million as at 30.09.2019 (30.09.2018: € 1.6 million). Inventories were € 1.1 million as of 30.09.2019 (30.09.2018: € 2.4 million). Property, plant and intangibles were € 6.3 million as of 30.09.2019 (€ 7.0 million as of 30.09.2018).

OUTLOOK

Fibreboard sales have grown due to our successful push into 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. The industrial segment offers more potential as



customers are becoming more conscious of using environmentally friendly materials, such as our fibreboards. We see further upside potential in sales growth of display boards, especially in the dynamic Asian market.

DIVISIONAL REVIEW

REVENUE BY BUSINESS SEGMENTS

	€ thousand		€ thousand	
	Q3 2019	Q3 2018	9M 2019	9M 2018
Continued operations				
Fibreboards production and sales	3,064	2,924	8,970	8,603
Furniture retail	265	333	1,126	1,095
Rental and operating of own or leased real estate	32	0	48	0
Group transactions	(109)	(177)	(525)	(537)
TOTAL from continued operations	3,253	3,080	9,620	9,162
Discontinued operations				
Furniture production and sales	353	630	1,703	2,207
TOTAL	3,606	3,709	11,323	11,369

PROFIT BY BUSINESS SEGMENTS

	Q3 2019	Q3 2018	9M 2019	9M 2018
EBITDA by business units:				
Fibreboards production and sales	125	141	117	349
Furniture production and wholesale*	(12)	(31)	(176)	15
Furniture retail	(95)	(50)	(134)	(80)
Rental and operating of own or leased real estate	14	0	30	0
Group transactions	49	(14)	100	(22)
TOTAL EBITDA	81	46	(63)	261
Depreciation	163	181	501	554
TOTAL OPERATING PROFIT/ LOSS	(82)	(135)	(564)	(294)
Net financial costs	618	77	759	212
NET PROFIT/ LOSS	(700)	(211)	(1,322)	(505)

* Discontinued operations, the subsidiary has been sold on 05.09.2019

**We incurred a loss of € 540 thousand on sale of Skano Furniture Factory

FIBREBOARD SALES

The total sales of fibreboards for Q3 2019 were € 3.06 million, which are 5% up from Q3 2018 sales level (€ 2.92 million). We recorded sales increase in EU, Asia and Africa while sales were dropping in Russia and Middle East, reflecting the subdued economic environment in both regions.



FIBREBOARD SALES BY GEOGRAPHICAL SEGMENTS

	€ thousand		€ thousand	
	Q3 2019	Q3 2018	9M 2019	9M 2018
European Union (including Suomen Tuulileijona sales)	2,291	2,093	6,620	6,455
Russia	417	448	1,169	1,169
Asia	157	128	400	318
Middle East	34	74	160	248
Africa	122	62	421	137
Other	43	118	200	276
TOTAL	3,064	2,923	8,970	8,603

FURNITURE WHOLESALE SALES*

Prior to the sale on 5 September 2019 of our furniture wholesale company Skano Furniture Factory, sales in this unit were € 353 thousand, compared to the full Q3 2018 sales of € 630 thousand.

FURNITURE WHOLESALE SALES BY COUNTRIES *

	€ thousand		€ thousand	
	Q3 2019	Q3 2018	9M 2019	9M 2018
Russia	170	254	627	892
Finland	38	148	335	596
Skano Retail	91	177	476	530
Other countries	54	51	265	189
TOTAL	353	630	1,703	2,207

* Discontinued operations, the subsidiary was sold on 05.09.2019

FURNITURE RETAIL SALES

Furniture retail operations recorded sales of € 265 thousand in Q3 2019, a decline of 20% from Q3 2018. We initiated closing down sales of our shops in Vilnius and Riga in early September, and these shops ended their operations last day in September.

RETAIL SALES BY COUNTRIES

	€ thousand		€ thousand		Number of stores	
	Q3 2019	Q3 2018	9M 2019	9M 2018	30.09.2019	30.09.2018
Estonia	162	234	783	603	3	4
Latvia*	40	56	125	250	0	1
Lithuania*	63	43	218	242	0	1
TOTAL	265	333	1,126	1,095	3	6

* Latvian and Lithuanian stores were closed on 30.09.2019



STATEMENT OF FINANCIAL POSITION AND CASH FLOW STATEMENT

As of 30.09.2019 the total assets of Skano Group AS were € 9.2 million (30.09.2018: € 11.0 million). The liabilities of the company as of 30.09.2019 were € 7.6 million (30.09.2018: € 7.7 million), of which Skano has borrowings of € 4.6 million as at 30.09.2019 (30.09.2018: € 4.9 million).

Receivables and prepayments amounted to € 1.8 million as at 30.09.2019 (30.09.2018: € 1.6 million). Inventories were € 1.1 million as of 30.09.2019 (30.09.2018: € 2.4 million). Financial investments (i.e. Trigon Property Development shares) were € 378 thousand as at 30.09.2019, down from € 399 thousand as at 30.06.2019. Total non-current assets were € 6.3 million as of 30.09.2019 (€ 7.0 million as of 30.09.2018).

During 2019 9M, the Group's cash flows from operating activities totalled cash inflow of € 279 thousand (2018 9M: cash inflow € 295 thousand). Investment activities resulted in cash outflows in amount of € 117 thousand during 2019 9M, compared to outflows in amount € 197 thousand during 9M 2018. Financing activities also resulted in cash outflows of € 172 thousand during 9M 2019 (2018 9M: cash outflow € 129 thousand). Net cash effect during 2019 9M showed cash outflows of € 10 thousand, (2018 9M: cash outflows € 31 thousand).

OUTLOOK

SKANO FIBREBOARD

We expect the trend to continue with growing sales of our various applications outside of our historic focus on the construction sector in our nearby markets. The construction sector in Finland and Russia is subdued, thus no sales growth in these two historically important markets are expected. Increased electricity prices should be more than offset with the decline of the woodchip and gas prices. In addition we have reduced our product mix by ending the production of some of the slow moving products, which should also help profitability.

SKANO FURNITURE RETAIL SALES

We will continue our process of exiting from the furniture retail segment. Our Tartu shop will cease operations at end of November, and we have also commenced closing down sales in our Tallinn shop. We expect to close the Tallinn shop and Pärnu factory outlet shop in early 2020, which will mark the total exit of Skano Group's furniture operations.

PEOPLE

On the 30th of September 2019, the Group employed 128 people (compared to 213 people as of 30.09.2018). The average number of personnel in Q3 2019 was 123 (Q3 2018: 213). The drop in the number of employees is related to the sale of subsidiaries.

During first nine months of 2019, wages and salaries with taxes amounted to € 2,7 million (first nine months 2018: € 2.7 million). Payments made to management board members of all group companies including all subsidiaries with relevant taxes were € 103 thousand in nine months 2019 and € 136 thousand in nine months 2018.



FINANCIAL HIGHLIGHTS

* Including discontinued operations

€ thousand

Income statement	Q3 2019*	Q3 2018*	9M 2019*	9M 2018*
Revenue	3,606	3,709	11,323	11,369
EBITDA	81	46	(63)	261
EBITDA margin	2%	1%	(1%)	2%
Operating profit	(82)	(135)	(564)	(294)
Operating margin	(2%)	(4%)	(5%)	(3%)
Net profit	(700)	(211)	(1,322)	(505)
Net margin	(19%)	(6%)	(12%)	(4%)
<i>* Including discontinued operations</i>				

Statement of financial position	30.09.2019	31.12.2018	30.09.2018	31.12.2017
Total assets	9,213	10,307	11,012	10,937
Return on assets	(14%)	(9%)	(5%)	(1%)
Equity	1,608	2,901	3,277	3,753
Return on equity	(82%)	(31%)	(15%)	(3%)
Debt-to-equity ratio	83%	72%	70%	66%

Share	30.09.2019	31.12.2018	30.09.2018	31.12.2017
Last Price*	0.41	0.36	0.49	0.62
Earnings per share	(0.29)	(0.20)	(0.11)	(0.03)
Price-earnings ratio	(1.38)	(1.82)	(4.36)	(21.83)
Book value of a share	0.36	0.64	0.73	0.83
Market to book ratio	1.14	0.56	0.67	0.74
Market capitalization, € thousand	1,827	1,620	2,205	2,771
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

Skano Group AS's interest rate risk relates to changes in EURIBOR (Euro Interbank Offered Rate) since our loans are linked to EURIBOR. At 30.09.2019 six months' EURIBOR rate was (0,394)% and at 30.09.2018 six months' EURIBOR rate was (0.268)%. As EURIBOR is negative and in the loan agreements it is set to 0%, the continued negative rate of EURIBOR does not have interest expense reducing effect. As the borrowing have a maturity of up to 2 years or less, management is in opinion that the floating interest rate will not bear significant impact to Group's cash flows.

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

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

CURRENCY RISK

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

RISK OF THE ECONOMIC ENVIRONMENT

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

FAIR VALUE

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



DECLARATION OF THE MANAGEMENT BOARD

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

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

The management board confirms that according to their best knowledge the consolidated financial interim report on pages 11-32 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, 2019



INTERIM FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITIONS

<i>€ thousand</i>	30.09.2019	31.12.2018	30.09.2018
Cash and cash equivalents (Note 2)	44	54	42
Receivables and prepayments (Note 3)	1,780	1,142	1,611
Inventories (Note 4)	1,069	2,255	2,409
Total current assets	2,893	3,452	4,062
Investment property (Note 5)	816	175	170
Financial assets at fair value through profit or loss (Note 8)	378	422	351
Property, plant and equipment (Note 6)	5,101	6,223	6,391
Intangible assets (Note 7)	24	34	38
Total non-current assets	6,320	6,855	6,950
TOTAL ASSETS	9,213	10,307	11,012
Borrowings (Notes 9)	504	652	464
Payables and prepayments (Notes 10)	2,789	2,418	2,647
Short-term provisions (Note 11)	5	15	2
Total current liabilities	3,298	3,085	3,114
Long-term borrowings (Notes 9)	4,098	4,112	4,421
Long-term provisions (Note 11)	210	210	200
Total non-current liabilities	4,307	4,321	4,621
Total liabilities	7,605	7,406	7,735
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)	75	45	38
Retained earnings (loss)	(1,818)	(496)	(112)
Total equity (Note 13)	1,608	2,901	3,277
TOTAL LIABILITIES AND EQUITY	9,213	10,307	11,012

*The notes to the financial statements presented on pages 15 to 32 are an integral part of these consolidated financial statements.



CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

€ thousand	Q3 2019	Q3 2018	9M 2019	9M 2018
Continued operations				
Revenue (Note 14)	3,253	3,080	9,620	9,162
Cost of goods sold (Note 15)	2,673	2,545	8,122	7,497
Gross profit	580	535	1,497	1,664
Distribution costs (Note 16)	460	465	1,317	1,419
Administrative expenses (Note 17)	156	127	412	348
Other operating income (Note 19)	2	2	24	13
Other operating expenses (Note 19)	23	10	102	87
Operating profit (loss) (Note 11)	(58)	(66)	(310)	(177)
Finance income (Note 20)	0	2	0	(7)
Finance costs (Note 20)	1,020	70	1,148	186
LOSS BEFORE INCOME TAX	(1,077)	(134)	(1,458)	(371)
NET PROFIT (LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS	(1,077)	(134)	(1,458)	(371)
NET PROFIT (LOSS) FOR THE PERIOD FROM DISCONTINUING OPERATIONS (Note 23)	378	(78)	136	(135)
NET PROFIT (LOSS) FOR THE PERIOD	(700)	(211)	(1,322)	(505)
TOTAL COMPREHENSIVE LOSS FOR THE FINANCIAL YEAR	(700)	(211)	(1,322)	(505)
Basic earnings per share (Note 13)	(0.16)	(0.05)	(0.29)	(0.11)
Diluted earnings per share (Note 13)	(0.16)	(0.05)	(0.29)	(0.11)

*The notes to the financial statements presented on pages 15 to 32 are an integral part of these consolidated financial statements.



CONSOLIDATED STATEMENT OF CASH FLOWS

CASH FLOWS € thousand	9M 2019	9M 2018
Cash flows from operating activities		
Operating profit (loss)	(564)	(294)
Adjustments:		
Depreciation charge (Notes 5;6;7)	508	554
Profit/loss from disposal of fixed assets (Note 19)	(35)	0
Write down of fixed assets (Note 6)	(747)	0
Non-monetary transactions: profit/loss from disposal of subsidiary	540	0
Non-monetary transactions: reserve for share option (Note 12)	29	29
Change in trade and other receivables (Note 3)	(638)	(397)
Change in inventories (Note 4)	1,186	(73)
Change in trade and other payables (Note 10)	213	682
Cash generated from operations	492	502
Interest payments (Note 20)	(163)	(184)
Net other financial income and expense	(50)	(22)
Net cash generated from operating activities	279	295
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets (Notes 6;7)	(97)	(32)
Disposal of property, plant and equipment and intangible assets (Note 6;7)	0	3
Purchase of investment property	(20)	0
Acquisition of available-for-sale financial assets (Note 8)	0	(169)
Net cash used in investing activities	(117)	(197)
Cash flows from financing activities		
Loans received (Note 9)	30	40
Repayment of loans received (Note 9)	(223)	(175)
Repayment of financial lease (Note 9)	(1)	0
Change in overdraft (Note 9)	22	192
Change in factoring (Note 9)	0	(186)
Net cash (used in)/from financing activities	(172)	(129)
NET CHANGE IN CASH	(10)	(31)
OPENING BALANCE OF CASH (Note 2)	54	74
CLOSING BALANCE OF CASH (Note 2)	44	42

*The notes to the financial statements presented on pages 15 to 32 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	Retained earnings	Total
Balance at 31.12.2017	2,699	364	288	9	393	3,753
Share options 9M 2018	0	0	0	29	0	29
<i>Net profit/loss for 9M 2018</i>	0	0	0	0	(505)	(505)
Total comprehensive profit/loss for 9M 2018	0	0	0	0	(505)	(505)
Balance at 30.09.2018	2,699	364	288	38	(112)	3,277
Balance at 31.12.2018	2,699	364	288	45	(496)	2,901
Share options 9M 2019	0	0	0	29	0	29
<i>Net profit/loss for 9M 2019</i>	0	0	0	0	(1,322)	(1,322)
Total comprehensive profit/loss for 9M 2018	0	0	0	0	(1,322)	(1,322)
Balance at 30.09.2018	2,699	364	288	75	(1,818)	1,607

*The notes to the financial statements presented on pages 15 to 32 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 were production and distribution of furniture and softboard made of wood, however the Group ended its production of furniture when it sold its furniture production company Skano Furniture Factory on 5 September 2019.

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 59.62%), of which the main investors with the largest holdings in OÜ Trigon Wood have significant influence over the Group as at 31 December 2018 and 30 September 2019, these being AS Trigon Capital (46%) and Stetind OÜ (47%).

BASIS FOR PREPARATION

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

According to the assessment of the Management Board Skano Group AS is a going concern and the Interim Report for the 3rd quarter of 2019 gives a true and fair view of the financial position of Skano Group AS and the results of its operations. The present Interim Report has not been audited.

IMPORTANT CHANGES IN ACCOUNTING POLICIES

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

IFRS 16, LEASES

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



value; and (b) depreciation of lease assets separately from interest on lease liabilities in the income statement. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. As at 31 December 2018, the Group had no long-term commitments from operating lease contracts.

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

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

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

IFRS 15 „REVENUE FROM CONTRACTS WITH CUSTOMERS“

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

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

IFRS 9, FINANCIAL INSTRUMENTS

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

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



meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets' cash flows and sells assets may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVPL (for example, derivatives). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition.

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

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

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

NOTE 2 CASH AND CASH EQUIVALENTS

<i>€ thousand</i>	30.09.2019	31.12.2018	30.09.2018
Cash on hand	3	2	1
Bank Accounts	41	52	41
TOTAL	44	54	42



NOTE 3 TRADE AND OTHER RECEIVABLES

<i>€ thousand</i>	30.09.2019	31.12.2018	30.09.2018
Customer receivables	1,534	911	1,337
Prepaid taxes	188	150	199
Other receivables	18	65	50
Prepaid services	41	16	25
TOTAL	1,780	1,142	1,611

*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>	30.09.2019	31.12.2018	30.09.2018
Not past due	1,491	777	1,247
incl receivables from customers who also have receivables past due	431	207	136
incl receivables from customers who have no receivables past due	1,060	570	1,111
Past due but not impaired	43	134	90
Overdue up to 90 days	43	132	83
Overdue more than 90 days	0	2	7
TOTAL	1,534	911	1,337

NOTE 4 INVENTORIES

<i>€ thousand</i>	30.09.2019	31.12.2018	30.09.2018
Raw materials and other materials	214	439	469
Work-in-progress	125	358	362
Finished goods	592	1,264	1,374
Goods purchased for resale	139	163	168
Goods in transit	40	133	139
Prepayments to suppliers	15	7	6
Write-off reserve for inventories	(56)	(109)	(109)
TOTAL	1,069	2,255	2,409



NOTE 5 INVESTMENT PROPERTY

	<i>thousand €</i>
Cost 31.12.2017	229
Accumulated depreciation at 31.12.2017	(59)
Carrying amount 31.12.2017	170
Cost 30.09.2018	229
Accumulated depreciation at 30.09.2018	(59)
Carrying amount 30.09.2018	170
Cost 31.12.2018	234
Accumulated depreciation at 31.12.2018	(59)
Carrying amount 31.12.2018	175
Acquisition	20
Depreciation	(36)
Reclassification	657
Cost 30.09.2019	912
Accumulated depreciation at 30.09.2019	(96)
Carrying amount 30.09.2019	816

Costs of maintenance for 9M 2019 were € 18 thousand and € 0 thousand in 9M 2018. Rental income from investment properties for 9M 2019 was € 15 thousand and € 0 thousand in 9M 2018. Acquisitions of investment property during 2019 are related to expenses of Suur-Jõe 48, Pärnu detail plan.

FAIR VALUE OF INVESTMENT PROPERTY:

	<i>thousand €</i>
31.12.2017	
Share of registered immovable property at Suur-Jõe Street 48, Pärnu	0
Share of registered immovable property at Rääma Street 31, Pärnu	170
30.09.2018	
Share of registered immovable property at Suur-Jõe Street 48, Pärnu	0
Share of registered immovable property at Rääma Street 31, Pärnu	170
31.12.2018	
Share of registered immovable property at Suur-Jõe Street 48, Pärnu	5
Share of registered immovable property at Rääma Street 31, Pärnu	170
30.09.2019	
Share of registered immovable property at Suur-Jõe Street 48, Pärnu	646
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 31.12.2017	223	4,950	14,247	136	0	19,865
Accumulated depreciation at 31.12.2017	0	(3,155)	(9,407)	(128)	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	4,950	14,275	136	1	19,893
Accumulated depreciation at 30.09.2018	0	(3,285)	(9,819)	(131)	0	(13,502)
Carrying amount at 30.09.2018	223	1,664	4,456	5	1	6,391
Cost at 31.12.2018	223	4,950	14,259	117	0	19,857
Accumulated depreciation at 31.12.2018	0	(3,288)	(9,928)	(110)	0	(13,634)
Carrying amount at 31.12.2018	223	1,662	4,331	7	0	6,223
Additions	0	0	23	0	64	86
Reclassification	(32)	(2,397)	16	0	(16)	(2,429)
Disposals and write-offs (Note 19)	0	0	(3,787)	(65)	0	(3,851)
Accumulated depreciation of fixed assets written off	0	0	3,698	64	0	3,761
Accumulated depreciation of reclassification assets written off	0	1,772	0			1,772
Depreciation (Notes 15;16;17)	0	(92)	(368)	(1)	0	(461)
Cost at 30.09.2019	191	2,553	10,511	52	48	13,663
Accumulated depreciation at 30.09.2019	0	(1,608)	(6,598)	(47)	0	(8,562)
Carrying amount at 30.09.2019	191	945	3,913	5	48	5,101



NOTE 7 INTANGIBLE ASSETS

<i>thousand €</i>	Computer software
Cost at 31.12.2017	169
Accumulated amortisation at 31.12.2017	(122)
Carrying amount 31.12.2017	47
Additions 9M 2018	3
Amortisation charge (Notes 15;16;17)	(12)
Cost at 30.09.2018	173
Accumulated amortisation at 30.09.2018	(135)
Carrying amount 30.09.2018	38
Cost at 31.12.2018	125
Accumulated amortisation at 31.12.2018	(90)
Carrying amount 31.12.2018	34
Additions 9M 2019	0
Disposals and write-offs	(39)
Amortisation charge of fixed assets written off	39
Amortisation charge (Notes 15;16;17)	(11)
Cost at 30.09.2019	86
Accumulated amortisation at 30.09.2019	(62)
Carrying amount 30.09.2019	24

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

<i>thousand €</i>	30.09.2019	Change 9M 2019	31.12.2018	31.12.2017
Non-current assets				
Listed securities - Equity securities - cost as at	410		410	182
Revaluation	(32)	(44)	12	0
Fair value as at	378	(44)	422	182

**Available-for-sale financial assets (i.e. Trigon Property Development shares) have been revaluated to reflect fair value based on last price as at 30.09.2019 as shown on Nasdaq Tallinn Stock Exchange.*



NOTE 9 BORROWINGS

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

<i>thousand €</i>	Interest rate	30.09.2019	31.12.2018	30.09.2018
Current borrowings				
Current portion of long-term bank loan	6 month euribor+4.55%	83	284	45
Financial lease	6 month euribor+2.49%	1	0	0
Short term loan from related parties	5%	30	0	40
Bank overdrafts	5%	390	368	422
Factoring	1 month euribor+3.5%	0	0	(43)
Total		504	652	464
Non-current borrowings				
Current portion of long-term bank loan (Note 3)	6 month euribor+4.55%	4,090	4,112	4,421
Current portion of long-term financial lease (Note 3)	6 month euribor+2.49%	8	0	0
Total		4,098	4,112	4,421
Total borrowings		4,601	4,763	4,886

* Factoring contract ended at 19th of august 2018. As at 29.11.2019 the short-term loan balance with related parties is € 35 thousand.

CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

Changes in liabilities arising from financing activities <i>thousand €</i>	31.12.2018	Cash flows	Non-monetary settlements	Interest accrued	Interest paid	Other	30.09.2019
Current portion of long-term bank loan	284	(223)	0	148	(148)	22	83
Financial lease	0	(1)	2	0	(0)	0	1
Short term loan from related parties	0	30	0	0	(0)	0	30
Bank overdrafts	368	22	0	15	(15)	0	390
Non-current bank loans	4,112	0	0	0	0	(22)	4,090
Long term financial lease	0	0	8	0	0		8
Total liabilities from financing activities	4,763	(172)	10	164	(164)	(0)	4,601



CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

Changes in liabilities arising from financing activities <i>thousand €</i>	31.12.2017	Cash flows	Non-monetary settlements	Interest accrued	Interest paid	Other	30.09.2018
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

NOTE 10 TRADE AND OTHER PAYABLES

<i>thousand €</i>	30.09.2019	31.12.2018	30.09.2018
Trade payables (Note 3)	2,189	1,768	1,864
Payables to employees incl. accrued holiday pay reserve	174	223	247
	32	53	52
Tax liabilities incl. social security and unemployment insurance	191	257	336
personal income tax	113	145	140
contribution to mandatory funded pension	49	51	53
value added tax	4	6	6
other taxes	16	45	119
Prepayments received	9	9	19
Other payables (Note 3)	172	147	130
TOTAL	2,789	2,418	2,647



NOTE 11 PROVISIONS

thousand €

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
Balance at 31.12.2018	225
incl. current portion of provision	15
incl. non-current portion of provision	210
Movements 2019 9M:	
Use of provision	(10)
Interest cost (Note 20)	5
Balance at 30.09.2019	215
incl. current portion of provision	5
incl. non-current portion of provision	210

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

NOTE 12 EQUITY

	Nominal value €	Number of shares pcs	Share capital <i>thousand €</i>
Balance at 30.09.2019	0.60	4,499,061	2,699
Balance at 31.12.2018	0.60	4,499,061	2,699
Balance at 30.09.2018	0.60	4,499,061	2,699
Balance at 31.12.2017	0.60	4,499,061	2,699

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



As at 30.09.2019 the Group had 434 shareholders (30.09.2018: 445 shareholders) of which with more than 5% ownership interest were:

- Trigon Wood OÜ with 2,682,192 shares or 59.62% (30.09.2018: 59.47%)
- Gamma Holding Investment OÜ with 362,581 shares or 8.06% (30.09.2018: 7.57%)

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 (30.09.2018: 20.000 shares)
- Jan Peter Ingman 0 shares (30.09.2018: 0 shares)
- Trond Brekke 0 shares (30.09.2018: 0 shares)
- Sakari Wallin 0 shares (30.09.2018: 0 shares)
- Torfinn Losvik 0 shares (30.09.2018: 0 shares)

Both Joakim Johan Helenius and Torfinn Losvik have indirect ownership through parent company OÜ Trigon Wood. Torfinn Losvik owns shares through Stetind OÜ in the amount of 44.206 shares (2018 0 shares).

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

As of 30.09.2019 Torfinn Losvik has a share option agreement with up to maximum 300,000 share options, such share option agreement was signed 11 October 2017. The agreement stipulates as follow:

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

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



NOTE 13 EARNINGS PER SHARE

	30.09.2019	31.12.2018	31.12.2017
Net profit (-loss) (in thousands of euros)	(1,322)	(891)	(127)
Weighted average number of shares (units)	4,499	4,499	4,499
Basic earnings per share	(0.29)	(0.20)	(0.03)
Weighted average number of shares used for calculating the diluted earnings per shares (units)	4,630	4,630	4,521
Diluted earnings per share	(0.29)	(0.19)	(0.03)
Book value of share	0.36	0.64	0.83
Price/earnings ratio (P/E)	(1.38)	(1.82)	(21.83)
Last price of the share of Skano Group AS on Tallinn Stock Exchange	0.41	0.36	0.62
Weighted average number of shares used as the denominator (units)			
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	4,499	4,499	4,499
Adjustments for calculation of diluted earnings per share:			
Share options (2017 program)	131	131	22
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	4,630	4,630	4,521

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

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

NOTE 14 SEGMENTS

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

- Fibreboard manufacturing and sale (Skano Fibreboard OÜ and Suomen Tuulileijona Oy) - manufacture general construction boards based on soft wood fibre boards and interior finishing boards in Pärnu and Püssi factories and wholesale of those boards.
- Rental and operating of own or leased real estate (Pärnu Riverside Development OÜ)- Building management and renting on Suur-Jõe Street 48.
- Furniture manufacturing and sale (Skano Furniture Factory OÜ) - the production and wholesale of household furniture in the factory located in Pärnu. Furniture manufacturing company sold on 05.09.2019.
- Furniture retail sale (Skano Furniture OÜ, SIA Skano, UAB Skano LT) - retail sales of furniture in Estonia, Latvia and Lithuania.



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

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

BUSINESS SEGMENTS:

9 months 2019 thousand €	Fibreboard manufacturing and sale	Rental and operating of own or leased real estate	Furniture manu- facturing*	Furniture retail sale	Group's general expenses and eliminations	SEGMENTS TOTAL
Revenue from external customers	8,970	15	1,215	1,122	0	11,323
Inter-segment revenue	0	33	488	4	(525)	0
Operating profit/-loss	(269)	(6)	(253)	(135)	99	(564)
Amortisation/ depreciation (Note 5;6;7)	386	36	78	1	0	501
Segment assets	8,256	689	0	348	(80)	9,213
Non-current assets of the segment (Note 5;6;7;8)	5,737	646	0	2	(66)	6,320
Segment liabilities	6,797	24	0	715	69	7,605
Additions to non-current assets (Note 5;6;7)	23	683**	0	0	2**	707
Interest expenses (Note 20)	150	0	17	0	1	169

* Discontinued operations, Furniture manufacturing company sold on 05.09.2019.

** Fixed asset movement between segments

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

* Discontinued operations, Furniture manufacturing company sold on 05.09.2019.



BUSINESS SEGMENT BY THE GEOGRAPHICAL LOCATION OF CUSTOMERS:

thousand €	9M 2019				
	Fibreboard	Rental and operating of own or leased real estate	Furniture Factory*	Retail	TOTAL
Finland	2,310	0	335	0	2,645
Russia	1,169	0	458	0	1,628
Estonia	1,206	15	174	779	2,175
Denmark	1,009	0	0	0	1,009
Other EU	474	0	128	218	820
Latvia	455	0	0	125	579
Portugal	667	0	0	0	667
Sweden	500	0	48	0	548
Other	200	0	72	0	272
Middle East	160	0	0	0	160
Asia	400	0	0	0	400
Africa	421	0	0	0	421
TOTAL	8,970	15	1,215	1,122	11,323

* Discontinued operations, Furniture Factory sold on 05.09.2019.

thousand €	9M 2018				
	Fibreboard	Rental and operating of own or leased real estate	Furniture Factory*	Retail	TOTAL
Finland	2,964	0	596	0	3,560
Russia	1,169	0	892	0	2,061
Estonia	1,087	0	16	603	1,705
Denmark	78	0	0	0	78
Other EU	466	0	62	240	768
Latvia	375	0	0	250	626
Portugal	826	0	0	0	826
Sweden	656	0	0	0	656
Other	276	0	110	0	386
Middle East	248	0	0	0	248
Asia	318	0	0	0	318
Africa	137	0	0	0	137
TOTAL	8,600	0	1,676	1,093	11,369

* Discontinued operations, Furniture Factory sold on 05.09.2019.



NOTE 15 COST OF GOODS SOLD

<i>thousand €</i>	Q3 2019	Q3 2018	9M 2019	9M 2018
Continued operations				
Raw materials and main materials	1,075	995	3,022	3,019
Electricity and heat	837	719	2,350	2,207
Labour expenses (Note 18)	469	407	1,345	1,231
Depreciation (Note 6;7)	128	138	386	422
Purchased goods	108	142	431	413
Change in balances of finished goods and work in progress	(21)	57	353	(104)
Other expenses	77	85	235	309
Continued operations TOTAL	2,673	2,545	8,122	7,497
Discontinued operations	378	662	1,838	2,183
GOST OF GOOS SOLD TOTAL	3,051	3,206	9,960	9,680

NOTE 16 DISTRIBUTION COSTS

<i>thousand €</i>	Q3 2019	Q3 2018	9M 2019	9M 2018
Continued operations				
Transportation expenses	253	263	741	777
Labour expenses (Note 18)	102	80	269	252
Operating Lease	0	0	0	0
Marketing expense	14	26	55	86
Commission fees	16	9	38	27
Depreciation (Note 6;7)	0	0	1	0
Other expenses	75	86	213	277
Continued operations TOTAL	460	465	1,317	1,419
Discontinued operations	12	14	70	41
Distribution cost TOTAL	472	479	1,388	1,460

NOTE 17 ADMINISTRATIVE AND GENERAL EXPENSES

<i>thousand €</i>	Q3 2019	Q3 2018	9M 2019	9M 2018
Continued operations				
Labour expenses (Note 18)	90	92	271	254
Purchased services	26	5	53	37
Office supplies	2	0	3	1
Depreciation (Note 6;7)	22	0	37	1
Other expenses	16	26	48	55
Continued operations TOTAL	156	123	412	348
Discontinued operations	19	27	82	99
Administrative and general expenses TOTAL	175	150	495	447



NOTE 18 LABOUR EXPENSES

<i>thousand €</i>	Q3 2019	Q3 2018	9M 2019	9M 2018
Continued operations				
Wages and salaries	503	440	1,438	1,321
Social security and unemployment insurance	158	139	448	415
Accrued holiday pay provision	0	8	21	25
Fringe benefits paid to employees	7	0	0	0
Continued operations TOTAL	668	587	1,907	1,762
Discontinued operations	186	316	796	983
Labour expenses TOTAL	854	903	2,702	2,745

NOTE 19 OTHER OPERATING INCOME AND EXPENSES

OTHER OPERATING INCOME

<i>thousand €</i>	Q3 2019	Q3 2018	9M 2019	9M 2018
Continued operations				
Compensation from insurance	0	0	22	0
Other operating income	2	2	2	12
Continued operations TOTAL	2	2	24	13
Discontinued operations	33*	0	38*	0
Income TOTAL	36	2	62	13

* Profit from sale of fixed assets

OTHER OPERATING EXPENSES

<i>thousand €</i>	Q3 2019	Q3 2018	9M 2019	9M 2018
Continued operations				
Contract fees	0	0	0	51
Sales bonuses	12	6	28	16
Reclamations	0	2	6	5
Commission, factoring fees	1	0	1	2
Membership fees	0	0	4	2
Insurance	0	0	5	1
Penalties paid	11	2	56	2
Other costs	0	0	0	8
TOTAL	23	10	102	87
Discontinued operations	2	0	4	2
Expenses TOTAL	26	10	106	89



NOTE 20 FINANCIAL INCOME AND EXPENSES

<i>thousand €</i>	Q3 2019	Q3 2018	9M 2019	9M 2018
Financial income:				
Continued operations				
Other financial income	0	0	0	1
Continued operations TOTAL	0	0	0	1
Discontinued operations	0	0	0	0
TOTAL financial income	0	0	0	1
Financial cost				
Continued operations				
Interest expenses	51	57	151	164
including interest expenses related to provisions (Note 11)	1	2	5	6
Loss from sale of subsidiary	540	0	540	0
Other finance cost	22	13	50	23
Continued operations TOTAL	613	70	741	187
Discontinued operations	5	7	18	26
TOTAL financial cost	618	77	759	212

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

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

<i>thousand €</i>	Q3 2019	Q3 2018	9M 2019	9M 2018
Membership fees	33	39	77	102
Resignation compensation	0	0	0	0
Social tax	11	13	26	34
Total	44	51	103	136



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 2019	Q3 2018	9M 2019	9M 2018
Purchased services	4	4	12	11
Total	4	4	12	11

BALANCES WITH RELATED PARTIES AS OF

<i>thousand €</i>	30.09.2019	31.12.2018	30.09.2018	31.12.2017
Purchased services	0	4	6	0
Short-term loan	30	0	40	0
Short-term loan interest	0	0	1	0
Total	30	4	46	0

* As at 29.11.2019 the short-term loan balance with related parties is € 35 thousand.

NOTE 22 EVENTS AFTER BALANCE SHEET DATE

Skano Group will continue our process of exiting from the furniture retail segment. Our Tartu shop will cease operations at end of November, and we have also commenced closing down sales in our Tallinn shop. We expect to close the Tallinn shop and Pärnu factory outlet shop in early 2020, which will mark the total exit of Skano Group's furniture operations.

NOTE 23 STATEMENT OF PROFIT OR LOSS OF DISCONTINUED OPERATIONS

<i>€ thousand</i>	Q3 2019	Q3 2018	9M 2019	9M 2018
Revenue (Note 14)	353	630	1 703	2 207
Cost of goods sold (Note 15)	378	662	1 838	2 183
Gross profit	(25)	(32)	(134)	25
Distribution costs (Note 16)	12	14	70	41
Administrative expenses (Note 17)	19	27	82	99
Other operating income (Note 19)	33	0	38	1
Other operating expenses (Note 19)	2	0	4	2
Operating profit (loss)	(24)	(73)	(253)	(116)
Finance income (Note 20)	407	2	407	8
Finance costs (Note 20)	5	7	18	26
LOSS BEFORE INCOME TAX	378	(78)	136	(135)
Corporate income tax	0	0	0	0
NET PROFIT (LOSS) FOR THE PERIOD	378	(78)	136	(135)

