



**2nd Quarter
Interim report
2018**

SKANO GROUP AS

Consolidated Interim Report for the
Second Quarter of 2018

Beginning of the Interim Report Period:	1.04.2018
End of the Interim Report Period:	30.06.2018
Beginning of the financial year:	1.01.2018
End of the financial year:	31.12.2018
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Auditor:	AS PricewaterhouseCoopers
Main activity:	Production and sales of fibreboards and furniture

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COMPANY PROFILE

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

Subsidiary	Location	Activity
Skano Fibreboard OÜ	Estonia	Production and sales
Suomen Tuulileijona OY	Finland	Sales
Skano Furniture Factory OÜ	Estonia	Production and sales
Skano Furniture OÜ	Estonia	Retail
SIA Skano	Latvia	Retail
UAB Skano LT	Lithuania	Retail

Skano 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, 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 30.06.2018 the Group employed 214 people (30.06.2017: 218 people).



MANAGEMENT REPORT

SKANO GROUP AS UNAUDITED SECOND QUARTER 2018 RESULTS

Consolidated net sales for Q2 2018 were € 3.95 million, being a 2% decrease compared to the same period in 2017. Skano Group recorded EBITDA of positive € 238 thousand for Q2 2018, which is 19% down compared to Q2 2017. Main reasons for lower EBITDA in Q2 2018 were lower sales revenue as well as higher prices of raw material woodchip in the fibreboard division. Net loss for Q2 2018 was € 22 thousand (Q2 2017: profit of € 15 thousand).

DIVISIONAL REVIEW OF SECOND QUARTER 2018

Fibreboard sales in Q2 2018 were € 2.96 million, which is 4% more than same period in 2017. Most significant increase was from Portugal, Russia and Thailand. EBITDA for Fibreboard Q2 2018 was € 171 thousand (Q2 2017 EBITDA was € 186 thousand).

Furniture wholesale sales in Q2 2018 were € 778 thousand, 15% down on same period last year. Both Russia and Finland experienced sales slowdown, while sales in other markets such as Kazakhstan and Ukraine showed an increase. Skano's own retail chain sales decreased by 14% compared to same period last year (Q2 2017: € 248 thousand). Despite the sales slowdown, EBITDA for furniture wholesale for Q2 2018 was positive € 78 thousand (Q2 2017 EBITDA was positive € 75 thousand), reflecting the increased profitability achieved by ending our own kiln operations and instead source dried and cut material.

Furniture retail sales in Q2 2018 were € 430 thousand, down 18% from same period last year. EBITDA for furniture retail for Q2 2018 was negative € 11 thousand (Q2 2017 EBITDA was positive € 40 thousand), reflecting the weak sales in Q2.

Total Furniture operations of Skano (wholesale and retail) EBITDA for 2018 second quarter were positive € 67 thousand.

BALANCE SHEET

As of 30.06.2018 the total assets of Skano Group AS were € 11.3 million (30.06.2017: € 12.2 million). The liabilities of the company as of 30.06.2018 were € 7.9 million (30.06.2017: € 8.2 million), of which Skano has borrowings of € 5.1 million as at 30.06.2018 (30.06.2017: € 5.5 million).

Receivables and prepayments amounted to € 1.7 million as at 30.06.2018 (30.06.2017: € 1.4 million). Inventories were € 2.6 million as of 30.06.2018 (30.06.2017: € 2.9 million). Property, plant and intangibles were € 6.9 million as of 30.06.2018 (€ 7.6 million as of 30.06.2017).

OUTLOOK

Despite slow start for 2018 we have experienced good improvement in demand for fibreboard during second quarter, as also reflected in higher sales in July month compared to July last year. However, the recent woodchip price increase is causing some concern. Sales and marketing activities are focusing more on the various product applications of our fibreboards, such as the positive health and environmental benefits of using wood fibre boards compared to competing synthetic materials.

In Furniture, we expect improved retail performance linked to the forthcoming launch of new shop concept for our best selling shop in Järve centre, the recent launch of Skano web-shop, and the scheduled opening of a new shop in Decco centre in Riga. We also see positive wholesale development in the UK market with our collections.



DIVISIONAL REVIEW

NET REVENUE BY BUSINESS SEGMENTS

	€ thousand		€ thousand	
	Q2 2018	Q2 2017	6M 2018	6M 2017
Fibreboards production and sales	2,957	2,848	5,680	6,113
Furniture production and sales	778	917	1,578	1,876
Furniture retail	430	522	762	1,071
<i>incl. furniture retail Ukraine</i>	0	0	0	64
Group transactions	(215)	(261)	(360)	(573)
TOTAL	3,949	4,025	7,660	8,487

NET PROFIT BY BUSINESS SEGMENTS

€ thousand	Q2 2018	Q2 2017	6M 2018	6M 2017
EBITDA by business units:				
Fibreboards production and sales	171	186	208	500
Furniture production and wholesale	78	75	45	70
Furniture retail	(11)	40	(30)	103
<i>incl. furniture retail Ukraine</i>	0	0	0	1
Group transactions	(0)	(7)	(8)	(12)
TOTAL EBITDA	238	295	214	661
Depreciation	182	209	373	417
TOTAL OPERATING PROFIT/ LOSS	55	86	(159)	244
Net financial costs	(77)	(72)	(138)	(142)
Income tax	0	0	0	0
NET PROFIT/ LOSS	(22)	15	(297)	103



FIBREBOARD SALES

The total sales of fibreboards for Q2 2018 were € 2.96 million, which are 4% up from Q2 2017 sales level (€ 2.85 million). We recorded solid sales increase in markets such as Portugal, Russia and Thailand while sales were dropping in Finland and South Africa.

FIBREBOARD SALES BY GEOGRAPHICAL SEGMENTS

	€ thousand		€ thousand	
	Q2 2018	Q2 2017	6M 2018	6M 2017
European Union	2,165	2,078	4,363	4,709
Russia	423	360	721	619
Asia	143	55	190	173
Middle East	100	28	173	110
Other	93	96	158	139
Africa	33	231	75	363
TOTAL	2,957	2,848	5,680	6,113

FURNITURE WHOLESALE SALES

Sales dropped to € 778 thousand in Q2 2018, down from € 917 thousand in Q2 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 Q1, however still less sales compared to Q2 2017. Good news is the orders received from Kazakhstan and Ukraine.

FURNITURE WHOLESALE SALES BY COUNTRIES

	€ thousand		€ thousand	
	Q2 2018	Q2 2017	6M 2018	6M 2017
Russia	277	320	638	635
Finland	213	316	448	582
Skano Retail	213	248	354	507
Other countries	75	33	139	151
TOTAL	778	917	1,578	1,876



FURNITURE RETAIL SALES

Skano Group retail business recorded sales of € 430 thousand in Q2 2018, which is 18% decline from Q2 2017. Estonian sales have been sluggish and more marketing efforts as well as the recent opening of a web shop should help improve Estonian sales performance. The new sales manager in Lithuania has with her good activities managed to raise sales in Lithuania with sales more than doubling in Q2 2018 compared to same period last year. Latvia sales were poor in Q2, and Skano will open a new shop in Riga in September which will help improve the Latvian sales.

RETAIL SALES BY COUNTRIES

	€ thousand		€ thousand		Number of stores	
	Q2 2018	Q2 2017	6M 2018	6M 2017	30.06.2018	30.06.2017
Estonia	263	367	467	689	4	4
Latvia	65	111	139	198	1	1
Lithuania	102	44	155	119	1	1
Ukraine*	0	0	0	64	0	0
	430	522	762	1,071	6	6

*Ukraine retail operations divested in March 2017.

PEOPLE

On the 30th of June 2018, the Group employed 214 people (compared to 218 people as of 30.06.2017). The average number of personnel in Q2 2018 was 210 (Q2 2017: 219).

During first six months of 2018, wages and salaries with taxes amounted to € 1.8 million (first six months 2017: € 2.0 million). Payments made to management board members of all group companies including all subsidiaries with relevant taxes were € 84 thousand in six months 2018 and € 128 thousand in six months 2017.



FINANCIAL HIGHLIGHTS

€ thousand

Income statement	Q2 2018	Q2 2017	6M 2018	6M 2017
Revenue	3,949	4,025	7,660	8,487
EBITDA	238	295	214	661
EBITDA margin	6%	7%	3%	8%
Operating profit	55	86	(159)	244
Operating margin	1%	2%	(2%)	3%
Net profit	(22)	15	(297)	103
Net margin	(1%)	0%	(4%)	1%

Statement of financial position	30.06.2018	31.12.2017	30.06.2017	31.12.2016
Total assets	11,331	10,937	12,205	11,965
Return on assets	(0%)	0%	(2%)	1%
Equity	3,475	3,753	3,963	3,901
Return on equity	(0%)	0%	(7%)	3%
Debt-to-equity ratio	69%	66%	68%	67%

Share	30.06.2018	31.12.2017	30.06.2017	31.12.2016
Last Price*	0.49	0.62	0.58	0.46
Earnings per share	(0%)	0%	(7%)	2%
Price-earnings ratio	(100.81)	190.60	(8.85)	20.18
Book value of a share	0.77	0.83	0.88	0.87
Market to book ratio	0.63	0.74	0.66	0.53
Market capitalization, € thousand	2,205	2,771	2,627	2,070
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 30.06.2018, 1-month EURIBOR was (0.370)% and 6-month EURIBOR was (0.270)% (30.06.2017: 1-month was (0.373)% and 6-month was (0.271)%). 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 month 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 second 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 11-30 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, August 29, 2018



INTERIM FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITIONS

<i>€ thousand</i>	30.06.2018	31.12.2017	30.06.2017
Cash and cash equivalents (Note 2)	54	74	190
Receivables and prepayments (Note 3)	1,736	1,215	1,448
Inventories (Note 4)	2,595	2,336	2,903
Total current assets	4,385	3,624	4,541
Investment property (Note 5)	170	170	405
Available-for-sale financial assets (Note 8)	177	182	0
Other shares and issues	0	6	0
Property, plant and equipment (Note 6)	6,560	6,908	7,202
Intangible assets (Note 7)	39	47	56
Total non-current assets	6,946	7,313	7,663
TOTAL ASSETS	11,331	10,937	12,205
Borrowings (Notes 9)	653	593	651
Payables and prepayments (Notes 10)	2,576	1,956	2,556
Short-term provisions (Note 11)	6	13	8
Total current liabilities	3,235	2,562	3,215
Long-term borrowings (Notes 9)	4,421	4,422	4,813
Long-term provisions (Note 11)	200	200	213
Total non-current liabilities	4,621	4,622	5,026
Total liabilities	7,856	7,184	8,241
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)	28	9	2
Unrealised currency differences	0	0	0
Retained earnings	96	393	610
Total equity (Note 13)	3,475	3,753	3,963
TOTAL LIABILITIES AND EQUITY	11,331	10,937	12,205

*The notes to the financial statements presented on pages 11 to 30 are an integral part of these consolidated financial statements.



CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

€ thousand	Q2 2018	Q2 2017	6M 2018	6M 2017
Revenue (Note 14)	3,949	4,025	7,660	8,487
Cost of goods sold (Note 15)	3,183	3,218	6,477	6,643
Gross profit	766	808	1,183	1,844
Distribution costs (Note 16)	527	471	981	1,073
Administrative expenses (Note 17)	144	186	294	421
Other operating income (Note 19)	9	0	12	51
Other operating expenses (Note 19)	49	64	78	157
Operating profit (loss) (Note 11)	55	86	(159)	244
Finance income (Note 20)	0	0	1	4
Finance costs (Note 20)	77	72	139	145
LOSS BEFORE INCOME TAX	(22)	15	(297)	103
Corporate income tax	0	0	0	0
NET LOSS FOR THE FINANCIAL YEAR	(22)	15	(297)	103
Other comprehensive income (loss)				
<i>Other comprehensive income (loss) that can in certain cases be reclassified to the income statement</i>				
Currency translation differences	0	0	0	(40)
TOTAL COMPREHENSIVE LOSS FOR THE FINANCIAL YEAR	(22)	15	(297)	63
Basic earnings per share (Note 13)	(0%)	0%	(7%)	2%
Diluted earnings per share (Note 13)	(0%)	0%	(7%)	1%

*The notes to the financial statements presented on pages 11 to 30 are an integral part of these consolidated financial statements.



CONSOLIDATED STATEMENT OF CASH FLOWS

€ thousand	6M 2018	6M 2017
Cash flows from operating activities		
Operating profit (loss)	(159)	244
Adjustments:		
Depreciation charge (Notes 6;7)	373	417
Currency translation differences	0	(1)
Profit from disposal of non-current asset (Note 19)	0	(0)
Profit/loss from disposal of available-for-sale financial assets (Notes 19)	(2)	0
Non-monetary transactions: reserve for share option (Note 12)	19	0
Expenses of doubtful receivables (Notes 19)	0	2
Change in trade and other receivables (Note 3)	(521)	(483)
Change in inventories (Note 4)	(260)	(142)
Change in trade and other payables (Note 10)	620	59
Cash generated from operations	72	95
Interest payments (Note 20)	(122)	(133)
Corporate income tax paid	0	0
Net other financial income and expense	(10)	(8)
Other cash flows from operations	0	(18)
Net cash generated from operating activities	(60)	(63)
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets (Notes 6;7)	(18)	(29)
Disposal of property, plant and equipment and intangible assets (Note 6;7)	0	(4)
Disposal of subsidiary, net of cash received	0	18
Net cash used in investing activities	(18)	(16)
Cash flows from financing activities		
Loans received (Note 9)	0	650
Repayment of loans received (Note 9)	(110)	(38)
Change in overdraft (Note 9)	46	(669)
Change in factoring (Note 9)	123	182
Net cash (used in)/from financing activities	59	125
NET CHANGE IN CASH	(20)	46
Effect of exchange rate changes on cash and cash equivalents	0	(40)
OPENING BALANCE OF CASH (Note 2)	74	184
CLOSING BALANCE OF CASH (Note 2)	54	190

*The notes to the financial statements presented on pages 11 to 30 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	3,900
Share options 6M 2017	0	0	0	0	0	0	0
<i>Net profit/loss for 6M 2017</i>	0	0	0	0	0	103	103
<i>Other comprehensive income for 6M 2017</i>	0	0	0	0	(40)	0	(40)
Total comprehensive profit/loss for 6M 2017	0	0	0	0	(40)	103	63
Balance at 31.06.2017	2,699	364	288	2	0	610	3,963
Balance at 31.12.2017	2,699	364	288	9	0	393	3,753
Share options 6M 2018	0	0	0	19	0	0	19
<i>Net profit/loss for 6M 2018</i>	0	0	0	0	0	(297)	(297)
<i>Other comprehensive income for 6M 2018</i>	0	0	0	0	0	0	0
Total comprehensive profit/loss for 6M 2018	0	0	0	0	0	(297)	(297)
Balance at 30.06.2018	2,699	364	288	28	0	96	3,475

*The notes to the financial statements presented on pages 11 to 30 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. As of 2nd of April 2018 Skano shares trading was moved on Tallinn Stock Exchange from primary list to secondary list. Until November 2009, the ultimate controlling party of Skano Group AS was TDI Investments KY. Since November 2009, when the ownership interest in OÜ Trigon Wood was divided, the Group has no ultimate controlling party, but the following investors with the largest holdings in OÜ Trigon Wood have significant influence over the Group as at 31 December 2017 and 30 June 2018: AS Trigon Capital (46%), 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 1st quarter of 2017 gives a true and fair view of the financial position of Skano Group AS and the results of its operations. The present Interim Report has not been audited.

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 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 19 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>	30.06.2018	31.12.2017	30.06.2017
Cash on hand	2	4	3
Bank Accounts	52	70	187
TOTAL	54	74	190

NOTE 3 TRADE AND OTHER RECEIVABLES

<i>€ thousand</i>	30.06.2018	31.12.2017	30.06.2017
Customer receivables	1,433	934	1,127
Prepaid taxes	236	210	230
Other receivables	44	44	68
Prepaid services	22	25	24
TOTAL	1,736	1,215	1,448

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>	30.06.2018	31.12.2017	30.06.2017
Not past due	1,244	762	867
incl receivables from customers who also have receivables past due	199	239	210
incl receivables from customers who have no receivables past due	1,045	523	658
Past due but not impaired	189	172	260
Overdue up to 90 days	180	161	181
Overdue more than 90 days	9	11	79
TOTAL	1,433	934	1,127



NOTE 4 INVENTORIES

<i>€ thousand</i>	30.06.2018	31.12.2017	30.06.2017
Raw materials and other materials	603	588	598
Work-in-progress	419	495	505
Finished goods	1,263	1,116	1,593
Goods purchased for resale	152	154	167
Goods in transit	248	68	121
Prepayments to suppliers	20	25	9
Write-off reserve for inventories	(109)	(109)	(90)
TOTAL	2,595	2,336	2,903

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 (note 19)	0
Write-off of accumulated amortization of disposal	0
Depreciation (Notes 15;16;17)	(0)
Write-down (note 19)	0
Cost 30.06.2017	726
Accumulated depreciation at 30.06.2017	(322)
Carrying amount 30.06.2017	405
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 (Notes 15;16;17)	0
Write-down (note 19)	0
Cost 30.06.2018	229
Accumulated depreciation at 30.06.2018	(59)
Carrying amount 30.06.2018	170

Costs of maintenance for 6M 2018 were € 0 thousand and € 24 thousand in 6M 2017. Rental income from investment properties for 6M 2018 were € 0 thousand and € 3 thousand in 6M 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
30.06.2017	
Share of registered immovable property at Rääma Street 94, Pärnu	390
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
30.06.2018	
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	21	0	8	29
Reclassification	0	0	0	0	0	0
Disposals and write-offs (Note 19)	0	0	(30)	0	(4)	(34)
Accumulated depreciation of fixed assets written off	0	0	30	0	0	30
Depreciation (Notes 15;16;17)	0	(92)	(309)	(5)	0	(406)
Cost at 30.06.2017	226	4,953	14,631	217	44	20,071
Accumulated depreciation at 30.06.2017	0	(3,070)	(9,592)	(207)	0	(12,869)
Carrying amount at 30.06.2017	226	1,883	5,039	10	44	7,202



<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	19,864
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	14	0	4	18
Reclassification	0	0	0	0	0	0
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	(87)	(276)	(2)	0	(366)
Cost at 30.06.2018	223	4,970	14,498	183	5	19,879
Accumulated depreciation at 30.06.2018	0	(3,221)	(9,920)	(177)	0	(13,319)
Carrying amount at 30.06.2018	223	1,749	4,578	6	5	6,560

*On 30th of June 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	175
Accumulated amortisation at 31.12.2016	(109)
Carrying amount 31.12.2016	66
Additions 6M 2017	0
Amortisation charge (Notes 15;16;17)	(10)
Cost at 30.06.2017	175
Accumulated amortisation at 30.06.2017	(119)
Carrying amount 30.06.2017	56
Cost at 31.12.2017	175
Accumulated amortisation at 31.12.2017	(128)
Carrying amount 31.12.2017	47
Additions 6M 2018	0
Amortisation charge (Notes 15;16;17)	(8)
Cost at 30.06.2018	175
Accumulated amortisation at 30.06.2018	(136)
Carrying amount 30.06.2018	39



NOTE 8 AVAILABLE-FOR-SALE FINANCIAL ASSETS

<i>thousand €</i>	30.06.2018	Change 6M 2018	31.12.2017	31.12.2016
Non-current assets				
Listed securities - Equity securities - cost as at	180	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	180	0	0
Profit/Loss from disposal of available-for-sale financial assets in Skano Group AS	0	(2)	0	0
Revaluation	(3)	0	0	0
Fair value as at	177	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 30.06.2018 as shown on Nasdaq Tallinn Stock Exchange .

NOTE 9 BORROWINGS

<i>thousand €</i>	Interest rate	30.06.2018	31.12.2017	30.06.2017
Current borrowings				
Current portion of long-term bank loan (Note 3)	6 month euribor+4.55%	110	220	103
Bank overdrafts (Note 3)	5%	276	231	236
Factoring	1 month euribor+3.5%	266	143	312
Total		653	593	651
Non-current borrowings				
Current portion of long-term bank loan (Note 3)	6 month euribor+4.55%	4,421	4,422	5,464
Total		4,421	4,422	5,464
Total borrowings		5,074	5,016	6,115

CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

Changes in liabilities arising from financing activities	31.12.2017	Cash flows	Non-monetary settlements	Interest accrued	Interest paid	Other	30.06.2018
<i>thousand €</i>							
Current portion of long-term bank loan	220	(110)	0	107	(107)	0	110
Bank overdrafts	231	46	0	4	(4)	0	276
Factoring	143	123	0	11	(11)	0	266
Non-current bank loans	4,422	0	0	0	0	(1)	4,421
Total liabilities from financing activities	5,016	59	0	122	(122)	(1)	5,074



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	30.06.2017
Current portion of long-term bank loan	141	(38)	0	106	(106)	0	103
Bank overdrafts	905	(669)	0	17	(17)	0	236
Factoring	130	182	0	11	(11)	0	312
Non-current bank loans	4,163	650	0	0	0	0	4,813
Total liabilities from financing activities	5,339	125	0	133	(133)	0	5,464

NOTE 10 TRADE AND OTHER PAYABLES

<i>thousand €</i>	30.06.2018	31.12.2017	30.06.2017
Trade payables (Note 3)	1,727	1,071	1,309
Payables to employees incl. accrued holiday pay reserve	239 0	225 0	243 0
Tax liabilities incl. social security and unemployment insurance personal income tax contribution to mandatory funded pension value added tax other taxes	313 144 54 6 90 19	281 147 61 6 51 16	373 152 78 7 118 18
Prepayments received	248	330	507
Other payables (Note 3)	49	48	124
TOTAL	2,576	1,956	2,556

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 6M:	
Use of provision	(11)
Interest cost (Note 20)	4
Balance at 30.06.2017	221
incl. current portion of provision	8
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 6M:	
Use of provision	(10)
Interest cost (Note 20)	4
Balance at 30.06.2018	206
incl. current portion of provision	6
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 30.06.2018	0.60	4,499,061	2,699
Balance at 31.12.2017	0.60	4,499,061	2,699
Balance at 30.06.2017	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 30.06.2018, the Group had 460 shareholders (30.06.2017: 465 shareholders) of which with more than 5% ownership interest were:

- Trigon Wood OÜ with 2,675,752 shares or 59.47% (30.06.2017: 59.14%)
- Gamma Holding Investment OÜ with 340,433 shares or 7.57% (30.06.2017: 4.62%)

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.

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 (30.06.2017: 20.000 shares)
- Jan Peter Ingman 0 shares
- Trond Brekke 0 shares
- Torfinn Losvik 0 shares (30.06.2017: 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 has a share option agreement with the total amount of 33,333 share options.

As of 31.03.2018 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

	30.06.2018	31.12.2017	31.12.2016
Net profit (-loss) (in thousands of euros)	(297)	(127)	(1,045)
Weighted average number of shares (units)	4,499	4,499	4,499
Basic earnings per share	(0.07)	(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	(0.06)	(0.03)	(0.23)
Book value of share	0.77	0.83	0.87
Price/earnings ratio (P/E)	(7.41)	(21.74)	(1.96)
Last price of the share of Skano Group AS on Tallinn Stock Exchange at 30.06.2018, 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:

6 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	5,676	1,223	760	0	7,660
Inter-segment revenue	3	355	1	(360)	0
Operating profit/-loss	(76)	(44)	(31)	(8)	(159)
Amortisation/ depreciation* (Notes 6; 7)	284	89	1	0	373
Segment assets	8,994	2,542	450	(654)	11,331
Non-current assets of the segment* (Note 5;6;7;8)	6,099	1,077	5	(234)	6,946
Segment liabilities	6,809	1,002	646	(601)	7,856
Additions to non- current assets* (Note 6;7)	14	1	3	0	18
Interest expenses (Note 20)	104	19	0	3	126

6 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	6,053	1,365	1,068	0	8,487
Inter-segment revenue	59	511	2	(573)	0
Operating profit/-loss	185	(29)	100	(12)	244
Amortisation/ depreciation* (Notes 6; 7)	315	99	3	0	417
Segment assets	9,570	4,279	495	(2,140)	12,205
Non-current assets of the segment* (Note 5;6;7;8)	6,644	1,251	3	(234)	7,663
Segment liabilities	7,212	2,433	729	(2,133)	8,241
Additions to non- current assets* (Note 6;7)	22	7	0	0	29
Interest expenses (Note 20)	81	40	0	16	137



BUSINESS SEGMENT BY THE GEOGRAPHICAL LOCATION OF CUSTOMERS:

thousand €	6M 2018				6M 2017			
	Fibreboard	Furniture Factory	Retail	TOTAL	Fibreboard	Furniture Factory	Retail	TOTAL
Finland	2,054	448	0	2,502	2,292	582	0	2,874
Estonia	704	10	466	1,180	890	25	687	1,602
Other EU	861	35	155	1,051	1,008	58	119	1,184
Russia	721	638	0	1,359	619	635	0	1,254
Portugal	495	0	0	495	265	0	0	265
Latvia	244	0	139	383	195	0	198	393
Asia	190	0	0	190	173	0	0	173
Middle East	173	0	0	173	110	0	0	110
Africa	75	0	0	75	363	0	0	363
Other	158	92	0	250	139	64	64	268
TOTAL	5,676	1,223	760	7,660	6,053	1,365	1,068	8,487

NOTE 15 COST OF GOODS SOLD

thousand €	Q2 2018	Q2 2017	6M 2018	6M 2017
Raw materials and main materials	1,381	1,276	2,737	2,548
Electricity and heat	783	730	1,637	1,615
Labour expenses (Note 18)	726	760	1,436	1,518
Depreciation (Note 6;7)	181	204	370	409
Purchased goods	137	225	295	396
Change in balances of finished goods and work in progress	(153)	(170)	(282)	(225)
Other expenses	127	193	284	383
TOTAL	3,183	3,218	6,477	6,643

NOTE 16 DISTRIBUTION COSTS

thousand €	Q2 2018	Q2 2017	6M 2018	6M 2017
Transportation expenses	280	216	518	526
Labour expenses (Note 18)	94	94	182	188
Operating Lease	64	99	130	214
Commission fees	11	26	24	59
Marketing expense	33	25	60	46
Depreciation (Note 6;7)	0	1	0	3
Other expenses	44	11	68	38
TOTAL	527	471	981	1,073

NOTE 17 ADMINISTRATIVE AND GENERAL EXPENSES

thousand €	Q2 2018	Q2 2017	6M 2018	6M 2017
Labour expenses (Note 18)	106	114	207	292
Purchased services	22	57	56	86
Office supplies	2	2	6	7
Depreciation (Note 6;7)	2	3	3	5
Other expenses	13	10	22	30
TOTAL	144	186	294	421



NOTE 18 LABOUR EXPENSES

<i>thousand €</i>	Q2 2018	Q2 2017	6M 2018	6M 2017
Wages and salaries	702	729	1,382	1,507
Social security and unemployment insurance	225	239	443	491
Accrued holiday pay provision	0	0	0	0
Fringe benefits paid to employees	8	6	17	15
TOTAL	935	974	1,842	2,013

NOTE 19 OTHER OPERATING INCOME AND EXPENSES

OTHER OPERATING INCOME

<i>thousand €</i>	Q2 2018	Q2 2017	6M 2018	6M 2017
Profit from currency exchange	0	0	0	4
Other operating income	9	0	10	47
TOTAL	9	0	12	51

* 2017 6M includes other operating income from disposal of subsidiary (Ukraine retail chain in march 2017)

OTHER OPERATING EXPENSES

<i>thousand €</i>	Q2 2018	Q2 2017	6M 2018	6M 2017
Contract fees	42	50	51	123
Sales bonuses	5	5	11	9
Reclamations	0	0	2	1
Commission, factoring fees	1	4	2	7
Membership fees	1	2	2	3
Insurance	0	2	1	2
Doubtful receivables	0	0	0	2
Loss from currency exchange	0	0	0	5
Other costs	0	1	8	5
TOTAL	49	64	78	157

NOTE 20 FINANCIAL INCOME AND EXPENSES

<i>thousand €</i>	Q2 2018	Q2 2017	6M 2018	6M 2017
Financial income:				
Other financial income	0	0	1	4
Total financial income	0	0	1	4
Financial cost				
Interest expenses	64	68	126	137
including interest expenses related to provisions (Note 13)	2	2	4	4
Other finance cost	13	4	13	8
Total financial cost	77	72	139	145



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 June 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.

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

<i>thousand €</i>	Q2 2018	Q2 2017	6M 2018	6M 2017
Membership fees	33	19	63	66
Resignation compensation	0	0	0	30
Social tax	11	6	21	32
Total	44	25	84	128

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>	Q2 2018	Q2 2017	6M 2018	6M 2017
Purchased services	6	4	7	8
Total	6	4	7	8

Balances with related parties as of

<i>thousand €</i>	30.06.2018	31.12.2017	30.06.2017	31.12.2016
Purchased services	0	0	1	0
Total	0	0	1	0

