



3rd QUARTER
INTERIM REPORT

2012

Beginning of the Interim Report Period:	1.1.2012
End of the Interim Report Period:	30.9.2012
Beginning of the financial year:	1.1.2012
End of the financial year:	31.12.2012
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Auditor:	AS PricewaterhouseCoopers

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OUTLINE

Skano Group AS is engaged in the manufacture of building materials, retail trade of furniture and furnishing as well as manufacture of furniture. The Furniture Division and Building Materials Divisions are the business units of Skano Group AS.

The Building Materials Division produces and distributes two independent softboard-based product categories: fibre-boards for insulation and soundproofing, and interior finishing panels for walls and ceilings.

Furniture store chain Skano operating in Ukraine and the Baltics and a plant producing original home furniture made of timber belong into the Furniture Division.

The principal markets of the company are Scandinavia, Russia, Ukraine and the Baltics. The long-term customers and co-operation partners of Skano Group AS are distinguished representatives of their respective fields.

The shares of Skano Group AS have been listed on Tallinn Stock Exchange since 5 June 1997. On 19 September 2007, the division of Skano Group AS took place and the shares of separated production enterprise have been listed again in the main list of Tallinn Stock Exchange according to the decision of Tallinn Stock Exchange Listing Committee as of 20 September 2007 and trading with the shares commenced on 25 September 2007. The majority owner of Skano Group AS is OÜ Trigon Wood.

Largest shareholder of OÜ Trigon Wood and the entities with significant influence over the Group are: AS Trigon Capital, Veikko Laine Oy, Hermitage Eesti OÜ, Thominvest Oy and SEB's Finnish costumers.



MANAGEMENT REPORT

THIRD QUARTER IN SHORT

Consolidated net sales of the third quarter of 2012 was 4.7 mil. euros, representing a 13% increase on the third quarter compared to the same period in 2011. At the same time, consolidated EBITDA amounted to 351 thousand euros (179 thousand euros in Q3 2011 without the gain from a bargain purchase of Püssi softboard factory).

The sales in Pärnu fibreboard factory and of Isotex internal finishing boards increased as compared to the respective period last year by 8%, the operating profit 10% and operating profit amounted to 228 thousand euros.

The turnover of Püssi softboard factory was 799 thousand euros and operating loss 230 thousand euros. The sales increased by 13% compared to the previous quarter. The priority of the management of the enterprise is continuously to ensure the sales of the production of Püssi softboard factory in order to guarantee the maximum production capacity and efforts are taken in this direction on an on-going basis. In addition to efforts regarding the sales volumes we are constantly working on raising the production efficiency of the factory. We have raised the maximum speed of the production line and thereby lowered the cost price of products. In October, the average cost price of products was approximately 18% lower than the average of the third quarter. Such increase of efficiency decreases the loss in case of low production volumes whereas the full effect appears when the sales volumes have grown.

The turnover of the furniture factory decreased by 14% and the operating profit by 55% as compared to the same period last year, and the operating profit was 58 thousand euros.

The turnover of furniture retail chain increased by 24% as compared to the same period last year being 555 thousand euros and the operating profit was 3 thousand euros. The sales of Skano Group AS own furniture still forms a considerable part of the retail sale and it enables the furniture factory to operate much more profitably than it would be possible without its own retail chain.

INCOME STATEMENT

Consolidated net sales of third quarter 2012 was 4.7 mil. euros (4.2 mil. euros in same period of 2011) representing a 13% increase on the third quarter compared to Q3 2011. The Group's gross margin in the third quarter of 2012 was 15.9% compared to 14.4% in the third quarter of 2011. Consolidated operating profit amounted to 0.1 mil. euros (0.01 mil. euros from main activities in same period 2011, totally 2.5 mil. euros with the gain from a bargain purchase of Püssi factory). The consolidated operating margin of net sales was 2.3% (0.3% from main activities and totally 59.1% in Q3 2011).

Consolidated net profit amounted to 44 thousand euros (compared to net loss from main activities 53 thousand euros and total net profit 2,402 thousand euros in Q3 2011), and the net margin was 0.9% (57.5% in Q3 2011).



POSITION OF FINANCIAL STATEMENT

As of 30.9.2012 the total assets of Skano Group AS amounted to 16.2 mil. euros (31.12.2011: 16.0 mil. euros). The liabilities of the company accounted for 53.1% (31.12.2011: 51.8%) thereof, i.e. 8.6 mil. euros (31.12.2011: 8.3 mil. euros).

Receivables and prepayments have increased by 0.5 mil. euros i.e. 33% increase with 9 months. The reason of increase of receivables is small sales in December 2011, which essentially lowered the amount of receivables at the end of December.

Inventories increased by 0.3 mil. euros to reach 3.4 mil. euros on 30.9.2012. (31.12.2011: 3.2 mil. euros). Property, plant and intangibles decreased by 0.5 mil. euros mainly as a result of depreciation.

Short-term loans decreased by 0.5 mil. euros and amounted to 0.9 mil. euros in 30.9.2012 (31.12.2011: 1.4 mil. euros) as a result of re-classification into long-term loans. Supplier payables, tax liabilities, other payables, including payables to employees, and provisions amounted to 2.6 mil. euros (31.12.2011: 2.1 mil. euros). Current and non-current liabilities increased by 0.3 mil. euros to 8.6 mil. euros (31.12.2011: 8.3 mil. euros).



DIVISIONAL REVIEW:

NET SALES BY BUSINESS SEGMENTS

	<i>th EUR</i>		<i>% of net sales</i>	
	Q3 2012	Q3 2011	Q3 2012	Q3 2011
Building Materials Division	2,964	2,309	63.0%	55.3%
Furniture Factory	1,399	1,626	29.7%	38.9%
Retail sales of furniture	555	448	11.8%	10.7%
Elimination	(210)	(206)	(4.5%)	(4.9%)
TOTAL	4,708	4,177	100.0%	100.0%

NET SALES BY GEOGRAPHICAL SEGMENTS

	<i>th EUR</i>		<i>% of net sales</i>	
	Q3 2012	Q3 2011	Q3 2012	Q3 2011
Russia	1,487	1,158	31.6%	27.7%
Finland	1,046	1,518	22.2%	36.3%
Estonia	754	734	16.0%	17.6%
Great Britain	334	173	7.1%	4.1%
Ukraine	229	149	4.9%	3.6%
Latvia	207	97	4.4%	2.3%
Nederland	176	0	3.7%	0.0%
Lithuania	146	101	3.1%	2.4%
Sweden	143	103	3.0%	2.5%
Kazakhstan	36	9	0.8%	0.2%
Germany	34	31	0.7%	0.7%
India	22	0	0.5%	0.0%
Denmark	15	23	0.3%	0.6%
China	0	10	0.0%	0.2%
Other countries	79	71	1.7%	1.7%
TOTAL	4,708	4,177	100.0%	100.0%

Regarding the markets, turnover has increased in Russia UK, Latvia and Nederland. The percentage of turnover has decreased in most in Finland.

PROFIT BY BUSINESS SEGMENTS

<i>th EUR</i>	Q3 2012	Q3 2011
Furniture Factory	58	129
Retail sales of furniture	3	(1)
Building Materials Division	25	2,357
Elimination	23	-19
TOTAL	109	2,466
Net financial costs	(62)	(64)
Income tax	(3)	(0)
NET PROFIT	44	2,402



BUILDING MATERIALS DIVISION

The net sales of the Building Materials Division in the third quarter of 2012 amounted to 3.0 mil. euros and profit to 25 thousand euros. In the same period last year, the turnover of the division totaled to 2.3 mil. euros and the loss from main activities 98 thousand euros. The profit including the gain from a bargain purchase from Püssi factory amounted to 2,357 thousand euros. As compared to the previous year the turnover of the division has increased by 655 thousand euros (28%). The growth of sales came from production of Püssi softboard factory.

NET SALES BY GEOGRAPHICAL SEGMENTS

	<i>th EUR</i>		<i>% of net sales</i>	
	Q3 2012	Q3 2011	Q3 2012	Q3 2011
Russia	804	426	27.1%	18.4%
Finland	602	848	20.3%	36.7%
Estonia	544	537	18.4%	23.3%
Great Britain	334	173	11.3%	7.5%
Nederland	176	0	5.9%	0.0%
Latvia	144	43	4.9%	1.9%
Sweden	143	103	4.8%	4.5%
Lithuania	50	9	1.7%	0.4%
Ukraine	34	26	1.1%	1.1%
Germany	34	31	1.1%	1.3%
India	22	0	0.7%	0.0%
Denmark	15	23	0.5%	1.0%
Other countries	62	90	2.1%	3.9%
TOTAL	2,964	2,309	100.0%	100.0%

The biggest growth has been in sales to Great Britain, Russia and Nederland. The percentage of sales into Finland and Estonia decreased remarkably. Despite of the remarkable growth of sales, profit of division decreased. Instead of one softboard production unit the company operates now with two.

<i>th EUR</i>	Net sales		Profit	
	Q3 2012	Q3 2011	Q3 2012	Q3 2011
Pärnu softboard factory	1,347	1,359	125	199
Püssi softboard factory	799	323	(230)	2,091
Pärnu interior boards factory	707	551	103	54
Not allocated	110	77	27	13
TOTAL	2,964	2,309	25	2,357

The net sales of the Pärnu softboard factory and interiors boards line increased 8% in the third quarter of 2012 compared to the same quarter of 2011 and amounted to 2.1 mil. euros.

The turnover of Püssi fibreboard factory amounted to 799 thousand euros and operating loss amounted to 230 thousand euros. The company continues negotiations with several clients, the conclusion of large delivery contracts and reaching higher sales volumes takes time. Although in the fourth quarter of the previous year Püssi factory reached a position to guarantee a sufficient volume, security of supply and quality for corporate clients without taking big risks, the attainment of actual greater amounts of supplies has taken longer than expected due to the general uncertainty in the economic environment in Europe, as well as a relatively lengthy procurement processes of bigger retail chains. Today Püssi factory is operating at



approximately of 70% of its capacity and it is difficult to make exact prognosis about the increase of production volume due to instability in the world.

It is also important to note that due to high fixed costs, the factory shall, for a profitable outcome, be operated at as high capacity as possible, which shall ensure a lower average cost price of the product.

Presently, the cost price considerably higher than the optimum is greatly caused by technological standstills and reconstruction of equipment in order to ensure better efficiency. Thereby we have achieved a cost level by the present day in which the average cost price of production in October was 18% lower than the average of the third quarter. At the same time there is still a significant reserve regarding the further decrease of cost price within the following quarters.

We are still confident that purchasing of the Püssi was a very good decision in the medium term and after introducing of significant technological and procedural changes in the factory we succeed in reducing the cost price more than we had expected before the purchase of the factory.



FURNITURE DIVISION

FURNITURE RETAIL SALES

Skano Group AS retail business is operated by a private limited company Skano Furniture OÜ and its subsidiaries in Latvia, Lithuania and Ukraine. Skano has totally 9 stores in Tallinn (2), Pärnu, Riga, Vilnius, Kiev, Donetsk, Kharkiv and Dnipropetrovs'k at the end of the third quarter.

RETAIL SALES BY COUNTRIES

	<i>th EUR</i>		<i>% of net sales</i>		<i>Number of stores</i>	
	Q3 2012	Q3 2011	Q3 2012	Q3 2011	30.09.12	30.09.11
Estonia	201	178	36.2%	39.7%	3	3
Latvia	63	54	11.4%	12.1%	1	1
Lithuania	96	92	17.3%	20.5%	1	1
Ukraine	195	124	35.1%	27.7%	4	6
TOTAL	555	448	100.0%	100.0%	9	11

The furniture retail sale has reached to the profitable sales level, and it results with profit 3 thousand euros in third quarter 2012. Loss from currency exchange rate of hryvnia was 26 thousand euros.

FURNITURE PRODUCTION

The net sales of the Furniture Factory in the third quarter amounted to 1.4 mil. euros and profit to 58 thousand euros. In the same period last year, the turnover of the factory totalled to 1.6 mil. euros and the profit 129 thousand euros. As compared to the previous year the turnover of the factory has decreased 227 thousand euros and the profit has decreased 71 thousand euros. The results of third quarter are influenced by the collective vacations in July.

FURNITURE FACTORY SALES BY COUNTRIES

	<i>th EUR</i>		<i>% of net sales</i>	
	Q3 2012	Q3 2011	Q3 2012	Q3 2011
Russia	683	732	48.8%	45.0%
Finland	444	670	31.7%	41.2%
Kazakhstan	36	0	2.6%	0.0%
Estonia	9	18	0.6%	1.1%
Other countries	17	0	1.2%	0.0%
Subsidiaries	210	206	15.0%	12.7%
TOTAL	1,399	1,626	100.0%	100.0%



FORECAST AND DEVELOPMENT

BUILDING MATERIALS DIVISION. The main production line of Pärnu fibreboard factory is operating at reduced capacity in the fourth quarter. Production lines of Isotex interior finishing boards use one or two shifts as necessary. Due to low demand Püssi factory is operating at approximately of 70% of its capacity in the fourth quarter of the year 2012.

FURNITURE RETAIL SALES. We expect growth of retail sale in the fourth quarter of 2012 compared to previous quarter.

FURNITURE FACTORY. In the fourth quarter of 2012 we shall plan increase in turnover of the furniture factory as compared to the third quarter since the period of Q3 included the collective vacation of the factory. Compared to the fourth quarter last year, the sales amount will decrease.

INVESTMENTS

During 9 months 2012 investments into fixed assets totaled 205 thousand euros. At the same period of 2011 investments totaled 7,1 mil euros.

PEOPLE

At 30 September 2012 Concern employed 357 people (375 people in the same time at the last year). The average number of personnel in the first nine month of 2012 was 362 (2011: 341).

In the 9 months of 2012, wages and salaries amounted 3.4 mil. euros (3.2 mil. euros in the same period of the last year).

Payments made to management and supervisory board members with relevant taxes:

<i>th EUR</i>	9 m 2012	9 m 2011
Board member and other remuneration	182	189
Social tax and unemployment insurance premiums	60	61
TOTAL	242	250



FINANCIAL HIGHLIGHTS

<i>th EUR</i>	9 m 2012	9 m 2011	9 m 2010
Income statement			
Revenue	14,148	12,513	9,875
EBITDA	862	3,353	1017
EBITDA margin	6.1%	26.8%	10.3%
Operating profit	119	2,893	644
Operating margin	0.8%	23.1%	6.5%
Net profit	(90)	2,775	562
Net margin	(0.6%)	22.2%	5.7%
Balance sheet (30.9)			
Total assets	16,201	16,538	9,104
Return on assets	(0.6%)	16.8%	6.2%
Equity	7,602	7,693	5,129
Return on equity	(1.2%)	36.1%	11.0%
Debt-to-equity ratio	53.1%	53.5%	43.7%
Share (30.9)			
Closing price	1.37	1.50	1.15
Earnings per share	(0.02)	0.62	0.12
Price-earnings ratio	-	2.42	9.21
Book value of a share	1.69	1.76	1.14
Market to book ratio	0.81	0.85	1.01
Market capitalization	6,164	6,749	5,174

EBITDA = Earnings before interest, taxes, depreciation and amortization

EBITDA margin = EBITDA / Revenue

Operating margin = Operating profit / Revenue

Net margin = Net profit / Revenue

Return on assets = Net profit / Total assets

Return on equity = Net profit / Equity

Debt-to-equity ratio = Liabilities / Total assets

Earnings per share = Net profit / Total shares

Price-earnings ratio = Closing price / Earnings per share

Book value of a share = Equity / Total shares

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

Market capitalization = Closing price * Total shares



FINANCIAL RISKS

INTEREST RATE RISK

Skano Group AS's interest rate risk depends, above all, on changes in EURIBOR (Euro Interbank Offered Rate) because most of its loans are linked to EURIBOR. At 30 September 2012, 6 months' EURIBOR was 0.437 and at 31 December 2011 1.617. Interest rates are reviewed on the basis of changes in EURIBOR every year on 30 November and 30 May.

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

CURRENCY RISK

The foreign exchange risk is the risk that the company may have significant loss as a result of fluctuating foreign exchange rates. Currency risk increases with the increase of the number of stores of Skano due to the use of local currencies in the market. Subsidiaries assets and liabilities outside Estonia are subject to currency risk. Skano Group AS's foreign currency risk from other operations is low because most export-import contracts are nominated in euros.

RISK OF THE ECONOMIC ENVIRONMENT

The risk of the economic environment for the Building Materials Division depends on general developments in the construction market; the risk for Furniture Division depends on the expectations of the customers towards economic welfare in future. According recent process of world economy the risk of economic environment has increased significantly.

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.



GROUP STRUCTURE

SHARES IN SUBSIDIARIES

	Skano Furniture OÜ	OÜ Isotex	SIA Skano	UAB Skano LT	TOV Skano Ukraina
Country of location	Estonia	Estonia	Latvia	Lithuania	Ukraine
Number of shares at 31.12.2011	1	1	1	100	1
Ownership at 31.12.2011 (%)	100	100	100	100	100
Number of shares at 30.9.2012	1	1	1	100	1
Ownership at 30.9.2012 (%)	100	100	100	100	100

OÜ Skano is engaged with the retail trade of furniture in Estonia. The company owns three furniture stores – one in Järve Keskus in Tallinn, one in Rocca Al Mare Kaubanduskeskus in Tallinn and one on the first floor of the headquarters of Skano Group AS in Pärnu. OÜ Skano holds 100% of the shares in enterprises SIA Skano, UAB Skano LT and TOV Skano Ukraine.

SIA Skano is engaged in the retail sale of furniture in Latvia, Riga since November 2005. UAB Skano LT started in May 2007 and retail of furniture in Vilnius. TOV Skano Ukraina started in June 2007 and retail of furniture in Kharkiv, Kiev, Donetsk and Dnipropetrovs'k.

OÜ Isotex was established to allow former division to operate independently under their own trademarks and to facilitate their development. In connection with restructuring, use of the subsidiary has been abandoned. OÜ Isotex did not have any operations in the financial year 2012 and 2011.



FINANCIAL STATEMENTS DECLARATION OF THE MANAGEMENT BOARD

The Management Board of Skano Group AS is prepared consolidated unaudited Interim Report for the 3rd quarter of 2012, which is presented on pages 4 to 27 have been correctly prepared, and represents and warrants that to the best of their knowledge:

- the accounting policies applied in the preparation of the consolidated financial statements comply with International Financial Reporting Standards as adopted by the European Union;
- the consolidated financial statements give a true and fair view of the financial positions of the Group and Skano Group AS and the results of their operations and their cash flows;
- the management report presents true and fair view of significant events that took place during the accounting period and their impact to financial statements and includes the description of major risks and doubts;
- Skano Group AS and its subsidiaries are going concerns.

Chairman of Management board



Andres Kivistik

Member of Management board



Einar Pähkel

16th of November 2012



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<i>th EUR</i>	30.9.2012	31.12.2011	30.9.2011
Cash and bank	179	206	160
Receivables and prepayments (Note 2)	2,219	1,674	2,261
Inventories (Note 3)	3,448	3,177	3,100
Total current assets	5,846	5,057	5,521
Investment property (Note 4)	185	185	185
Tangible fixed assets (Note 5)	10,158	10,692	10,815
Intangible fixed assets (Note 6)	12	16	17
Total fixed assets	10,355	10,893	11,017
TOTAL ASSETS	16,201	15,950	16,538
Debt obligations (Note 7)	880	1,380	659
Payables and prepayments (Note 8)	2,579	2,137	2,692
Short-term provisions (Note 9)	3	11	1
Total current liabilities	3,462	3,528	3,352
Non-current debt obligations (Note 7)	4,898	4,490	5,067
Non-current provisions (Note 9)	239	239	198
Total non-current liabilities	5,137	4,729	5,265
Total liabilities	8,599	8,257	8,617
Share capital at nominal value (Note 10)	2,699	2,699	2,699
Issue premium	364	364	364
Statutory capital reserve	288	288	288
Currency translation	(11)	(11)	7
Retained profits	4,353	1,788	1,788
Net profit (loss) for the year (Note 11)	(61)	2,565	2,775
Total equity	7,602	7,693	7,921
TOTAL LIABILITIES AND EQUITY	16,201	15,950	16,538



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<i>th EUR</i>	3rd q 2012	3rd q 2011	9 m 2012	9 m 2011
RETURN ON SALES (Note 12)	4,708	4,176	14,148	12,513
Cost of production sold	(3,961)	(3,573)	(11,901)	(10,022)
Gross profit	747	603	2,247	2,491
Marketing expenses	(559)	(516)	(1,752)	(1,700)
General administrative expenses	(76)	(102)	(385)	(349)
Other income*	40	2,500	131	2,562
Other expenses	(43)	(19)	(122)	(111)
Operating profit (loss) (Note 12)	109	2,466	119	2,893
Financial income and financial expenses	(62)	(64)	(197)	(114)
Profit before taxes	47	2,402	(78)	2,779
Prepaid income tax	(3)	0	(13)	(4)
NET PROFIT (LOSS) FOR THE PERIOD	44	2,402	(91)	2,775
Basic earnings per share (Note 11)	0.01	0.53	(0.02)	0.62
Diluted earnings per share (Note 11)	0.01	0.53	(0.02)	0.62
Currency translation differences	27	(21)	0	(9)
TOTAL COMPREHENSIVE INCOME	71	2,381	(91)	2,766

*The other income in 2011 includes the gain from a bargain purchase 2,455 th. EUR.



CONSOLIDATED CASH FLOW STATEMENT

<i>th EUR</i>	9 m 2012	9 m 2011
Cash flow from operations		
<i>Net profit before taxes</i>	(78)	2,779
<i>Adjustments for:</i>		
Depreciation of fixed assets (Note 5; 6)	731	441
Loss on disposals of fixed assets (Note 5)	12	19
Acquired through business combinations (Note 5)	0	(2,455)
Interest expense	198	115
<i>Operating profit before changes in operating capital</i>	863	899
Change in operations-related receivables and prepayments	(545)	(1,063)
Change in inventories (Note 3)	(271)	(616)
Change in operations-related liabilities and prepayments	434	1,223
<i>Cash generated from operations</i>	481	443
Interest paid	(198)	(115)
Income tax	(13)	(4)
Total cash flow from operations	270	324
Cash flow from investments		
Acquisition of fixed assets (Note 5; 6)	(205)	(4,600)
Total cash flow from investments	(205)	(4,600)
Cash flow from financing activities		
Raise a loan (Note 7)	1	5,708
Repayment of loans (Note 7)	(68)	(1,899)
Settlement of finance lease liabilities (Note 7)	(25)	(199)
Decrease the share capital	0	(176)
Total cash flow from financing activities	(92)	3,434
TOTAL CASH FLOW	(27)	(842)
Currency translation differences	0	(9)
CASH AT BEGINNING OF PERIOD	206	1,011
CASH AT END OF PERIOD	179	160



CONSOLIDATED STATEMENT OF CHANGES EQUITY

<i>th EUR</i>	Share capital	Share premium	Statutory capital reserve	Currency translation	Retained earnings	Total
Balance at 31.12.2010	2,875	364	288	16	1,788	5,331
Decrease the share capital	(176)	0	0	0	0	(176)
Comprehensive income in 9 m 2011	0	0	0	(9)	2,775	2,766
Balance at 30.9.2011	2,699	364	288	7	4,563	7,921
Balance at 31.12.2011	2,699	364	288	(11)	4,353	7,693
Comprehensive income in 9 m 2012	0	0	0	0	(91)	(91)
Balance at 30.9.2012	2,699	364	288	(11)	4,262	7,602



NOTES TO THE CONSOLIDATED INTERIM REPORT

ACCOUNTING POLICIES AND MEASUREMENT BASES

The consolidated financial statements prepared for the period ended 30 September 2012 include the financial information of the Company and its subsidiaries (together referred to as the Group): Skano Furniture OÜ, OÜ Isotex and Skano Furniture OÜ's wholly-owned subsidiaries SIA Skano, UAB Skano LT and TOV Skano Ukraina. The Group manufactures and distributes furniture and softboard made of wood.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The same accounting policies were applied for both the Interim Report and the Annual Report for the financial year that ended on 31.12.2011. The consolidated financial statements have been prepared in accordance with International Accounting Standard (IAS) 34: Interim Financial Reporting.

According to the assessment of the Management Board, Skano Group AS is a going concern and the Interim Report for the 3rd quarter of 2012 gives a true and fair view of the financial position of Skano Group AS and the results of its operations. The present Interim Report has not been audited.

The Interim Report has been presented in thousands of euros.

NOTE 1 CORRECTION OF PRIOR PERIOD

The benefits paid to the members of the Management and Supervisory Board including taxes have been expanded to the members of the Management and Supervisory Board all entities in the same consolidation group and in relative to this the comparable indicators of previous period have been corrected.

<i>th EUR</i>	30.09.2011 adjusted	30.09.2011
Short-term benefits	189	123
Social tax	61	41
TOTAL	250	164

NOTE 2 RECEIVABLES AND PREPAYMENTS

<i>th EUR</i>	30.9.2012	31.12.2011	30.9.2011
Customer receivables	1,840	1,257	1,786
Prepaid taxes	344	327	392
Other receivables	9	33	43
Prepaid services	26	57	40
TOTAL	2,219	1,674	2,261



NOTE 3 INVENTORIES

<i>th EUR</i>	30.9.2012	31.12.2011	30.9.2011
Raw materials and other materials	927	918	800
Work-in-progress: production	613	508	562
Work-in-progress: real estate development	214	214	214
Finished goods	1,359	1,293	1,316
Goods purchased for resale	177	167	159
Goods in transit	129	74	0
Prepayments to suppliers	29	3	49
TOTAL	3,448	3,177	3,100

Work-in-progress: real estate development

At 30 September 2012, work-in-progress: real estate development comprised the old Sports goods division real property (buildings and land ca 20,000 m²) located at Rääma street 31, what is covered with development contract.

Work-in-progress: real estate development was stated at the lower of cost and fair value less costs to sell. Work-in-progress: real estate development was stated at the costs 214 thousand euros (30.09.2011: 214 thousand euros).

NOTE 4 INVESTMENT PROPERTY

	<i>th EUR</i>
Cost at 31.12.2010	469
Accumulated depreciation at 31.12.2010	(284)
Net book amount at 31.12.2010	185
Cost at 30.9.2011	469
Accumulated depreciation at 30.9.2011	(284)
Net book amount at 30.9.2011	185
Cost at 31.12.2011	469
Accumulated depreciation at 31.12.2011	(284)
Net book amount at 31.12.2011	185
Cost at 30.9.2012	469
Accumulated depreciation at 30.9.2012	(284)
Net book amount at 30.9.2012	185

Costs of maintenance for nine months of 2012 were 5 thousand euros and 17 thousand euros in the same period of 2011. Rental income from investment properties for nine months of 2012 were 3 thousand euros (2011: 2 thousand euros). Depreciation of investment property has been ceased because the estimated residual values of the investment properties exceed their carrying amounts.



NOTE 5 TANGIBLE FIXED ASSETS

<i>th EUR</i>	30.9.2012	31.12.2011	30.9.2011
Land	226	226	226
Buildings and constructions	2,736	2,886	2,858
Machinery, plant and equipment	6,992	7,481	7,464
Other equipment and fixtures	24	40	36
Construction in progress	180	59	231
TOTAL	10,158	10,692	10,815

	<i>Th EUR</i>
Cost at 31.12.2010	12,240
Accumulated depreciation at 31.12.2010	(8,023)
Net book amount at 31.12.2010	4,217
Acquired in 9 months of 2011	4,600
Acquired through business combinations in 9 month of 2011	2,455
Write-off 9 months of 2011	(105)
Depreciation in 9 months of 2011	(438)
Write-off of accumulated amortization 9 months of 2011	86
Cost at 30.9.2011	19,190
Accumulated depreciation at 30.9.2011	(8,375)
Net book amount at 30.9.2011	10,815
Cost at 31.12.2012	19,219
Accumulated depreciation at 31.12.2012	(8,527)
Net book amount at 31.12.2012	10,692
Acquired in 9 months of 2012*	205
Write-off 9 months of 2012	(41)
Depreciation in 9 months of 2012	(727)
Write-off of accumulated amortization 9 months of 2012	29
Cost at 30.9.2012	19,383
Accumulated depreciation at 30.9.2012	(9,225)
Net book amount at 30.9.2012	10,158

*On the 30th of September the binding liabilities of acquiring the tangible assets are 38 thousand euros.



NOTE 6 INTANGIBLE FIXED ASSETS

	<i>th EUR</i>
Cost at 31.12.2010	94
Accumulated depreciation at 31.12.2010	(74)
Net book amount at 31.12.2010	20
Depreciation in 9 months of 2011	(3)
Cost at 30.9.2011	94
Accumulated depreciation at 30.9.2011	(77)
Net book amount at 30.9.2011	17
Cost at 31.12.2011	94
Accumulated depreciation at 31.12.2011	(78)
Net book amount at 31.12.2011	16
Depreciation in 9 months of 2012	(4)
Cost at 30.9.2012	94
Accumulated depreciation at 30.9.2012	(82)
Net book amount at 30.9.2012	12

Intangible assets include computer software not directly linked to the hardware.

NOTE 7 DEBT OBLIGATIONS

<i>th EUR</i>	30.9.2012	31.12.2011	30.9.2011
Current liabilities	880	1,380	659
incl non-convertible debt	8	33	31
Non-current debt obligations	4,898	4,490	5,067
incl non-convertible debt	67	67	100
TOTAL	5,778	5,870	5,726

NOTE 8 PAYABLES AND PREPAYMENTS

<i>th EUR</i>	30.9.2012	31.12.2011	30.9.2011
Supplier payables	1,650	1,116	1,515
Payables to employees	347	389	443
Taxes payables	318	303	306
Other payables	136	138	324
Customer prepayments	128	191	104
TOTAL	2,579	2,137	2,692



NOTE 9 PROVISIONS

	<i>th EUR</i>
Balance at 31.12.2010	206
Incl current portion	8
non-current portion	198
Used during the 9 months 2011	(18)
Interest cost	11
Balance at 30.9.2011	199
Incl current portion	1
non-current portion	198
Balance at 31.12.2011	250
Incl current portion	11
non-current portion	239
Used during the 9 months 2012	(18)
Interest cost	10
Balance at 30.9.2012	242
Incl current portion	3
non-current portion	239

Provisions relate 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 10 SHARE CAPITAL

	Number of shares	Share capital
	<i>pcs</i>	<i>th EUR</i>
Balance 30.9.2012	4,499,061	2,699
Balance 31.12.2011	4,499,061	2,699
Balance 30.9.2011	4,499,061	2,699

The share capital of Skano Group AS totaled 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 30.09.2012, the Group had 620 shareholders (30.09.2011: 637 shareholders) of which with more than 5% ownership interest were:

- Trigon Wood OÜ with 2,682,192 shares or 59.62% (2011: 59.62%)

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

Ülo Adamson 0 shares (2011: 0 shares)

Joakim Johan Helenius 20,000 shares (2011: 20,000 shares)

Heiti Riisberg 50,000 shares (2011: 50,000 shares)

Pekka Armas Soikkeli 0 shares (2011: 0 shares)

Andres Kivistik 0 shares (2011: 0 shares)

Einar Pähkel 0 shares (2011: 0 shares)



NOTE 11 EARNINGS PER SHARE

<i>EUR</i>	30.9.2012	30.9.2011
Basic earnings per share	(0.02)	0.62
Diluted earnings per share	(0.02)	0.62
Book value of share	1.69	1.76
Price/earnings ratio (P/E)	(68.50)	2.42
Closing price of the share of Skano Group AS on Tallinn Stock Exchange at 30.6	1.37	1.50

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

Basic earnings per share for 9 months of 2012 = (91,080) / 4,499,061 = (0.02) euros

Basic earnings per share for 9 months of 2011 = 2,774,473 / 4,499,061 = 0.62 euros

Diluted earnings per share equal the basic earnings per share because the Group does not have any potential ordinary shares with a dilutive effect on the earnings per share.

Price/earnings ratio (P/E) for 9 months of 2012 = 1.37 / (0.02) = (68.50)

Price/earnings ratio (P/E) for 9 months of 2011 = 1.50 / 0.62 = 2.42

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

NOTE 12 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:

Building materials division (BMD) manufactures and sells to wholesale customers general construction boards based on soft woodfibre boards, and interior finishing boards. The fibreboard factories are located in Estonia.

Furniture factory (FF) is engaged in the production and wholesales of household furniture. The factory is located in Estonia.

Furniture retail (FR) is engaged in retail sales of furniture in Estonia, Latvia, Lithuania and Ukraine.

The secondary segment of the Group is defined according to the geographical location of customers.



BUSINESS SEGMENT BY THE TYPES OF PRODUCT/SERVICE – PRIMARY SEGMENT:

<i>th EUR</i>	Furniture factory		Furniture retail		Building materials division		Eliminations		SEGMENTS TOTAL	
	9 m 2012	9 m 2011	9 m 2012	9 m 2011	9 m 2012	9 m 2011	9 m 2012	9 m 2011	9 m 2012	9 m 2011
Revenue from external customers	4,491	4,647	1,677	1,371	7,980	6,495	0	0	14,148	12,513
Inter-segment revenue	735	663	0	0	90	0	0	0	825	663
Operating profit/loss	455	473	61	(152)	(406)	2,573	9	(1)	119	2,893
Segment assets	4,025	4,355	661	648	11,560	11,587	(45)	(52)	16,201	16,538
Segment liabilities	1,076	2,014	209	163	7,314	6,440	0	0	8,599	8,617

BUSINESS SEGMENT BY THE GEOGRAPHICAL LOCATION OF CUSTOMERS – SECONDARY SEGMENT:

<i>th EUR</i>	9 months 2012				9 months 2011			
	FF	FR	BMD	TOTAL	FF	FR	BMD	TOTAL
Russia	2,405	0	1,829	4,234	2,264	0	1,025	3,289
Finland	1,941	0	2,016	3,957	2,202	0	2,876	5,078
Estonia	30	653	1,311	1,994	49	486	1,344	1,879
Great Britain	0	0	1,101	1,101	0	0	194	194
Ukraina	0	534	87	621	0	463	47	510
Latvia	0	218	284	502	0	144	121	265
Netherlands	0	0	433	433	0	0	0	0
Sweden	0	0	397	397	0	0	347	347
Lithuania	0	272	93	365	0	278	26	304
Denmark	0	0	94	94	0	0	114	114
Germany	0	0	89	89	0	0	77	77
Kazakhstan	76	0	0	76	120	0	9	129
India	0	0	55	55	0	0	79	79
Belorussia	39	0	0	39	12	0	14	26
China	0	0	29	29	0	0	32	32
Greece	0	0	28	28	0	0	11	11
Israel	0	0	18	18	0	0	49	49
Japan	0	0	16	16	0	0	36	36
France	0	0	15	15	0	0	8	8
Bulgaria	0	0	12	12	0	0	44	44
Ireland	0	0	11	11	0	0	0	0
Other countries	0	0	62	62	0	0	42	42
TOTAL	4,491	1,677	7,980	14,148	4,647	1,371	6,495	12,513



NOTE 13 RELATED PARTY TRANSACTIONS

The following parties are considered to be related parties:

- Parent company OÜ Trigon Wood and owners of the parent company;
- Other entities in the same consolidation group;
- Members of the Management, the Management Board and the Supervisory Board of Skano Group AS Group 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.

Largest shareholder of OÜ Trigon Wood and the entities with significant influence over the Group are: AS Trigon Capital (30.13%), Veikko Laine Oy (26.49%), Hermitage Eesti OÜ (12.64%), Thominvest Oy (11.94%) and SEB's Finnish costumers (10.96%).

The benefits paid to the members of the Management and Supervisory Board of all entities in the same consolidation group including taxes:

<i>th EUR</i>	9 months 2012	9 months 2011 adjusted
Board member and other remuneration	182	189
Social tax	60	61
TOTAL	242	250

As at 30.9.2012, pursuant to the contracts entered into, the members of the Management Board of Skano Group AS will receive severance pay amounting to 6-month remuneration.

In the 9 months of 2012, there were no transactions between the related parties.

