



1st QUARTER  
INTERIM REPORT

2013

Beginning of the Interim Report Period:	1.1.2013
End of the Interim Report Period:	31.03.2013
Beginning of the financial year:	1.1.2013
End of the financial year:	31.12.2013
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Auditor:	AS PricewaterhouseCoopers

**SKANO**  
GROUP

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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. Skano Furniture Division and Skano Fibreboard Divisions are the business units of Skano Group AS.

Skano Fibreboard produces and distributes two independent softboard-based product categories: fibre-boards for insulation and soundproofing, and interior finishing panels for walls and ceilings.

Skano Furniture consists of a furniture retail store chain operating in Ukraine and the Baltics and a furniture factory in Pärnu producing original, above the average price level home furniture made of timber.

The principal markets of the company are Scandinavia, Russia, Great Britain 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 shareholders 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

### FIRST QUARTER IN SHORT

Consolidated net sales of the first quarter of 2013 was 4.4 mil. euros, representing a 4% decrease on the first quarter compared to the same period in 2012. At the same time, consolidated EBITDA amounted to minus 37 thousand euros (147 thousand euros in Q4 2011). The result of Q1 2013 included also one-off costs amounted to 92 thousand euros.

The sales in Skano Pärnu fibreboard factory (incl. Isotex) was 1,8 mil. Euros, increased as compared to the respective period last year by 3%, the operating loss of the first quarter was 135 thousand euros compared with the operating loss 26 thousand euros last year.

The turnover of Skano Püssi fibreboard factory was 591 thousand euros, representing 19% decrease in the first quarter compared to the same period in 2012. Operating loss amounted to 212 thousand euros compared with the operating loss 237 thousand euros last year. Due to weak demand Püssi factory was operating at approximately of 50% of its capacity in the first quarter of 2013. Sales have dropped in all regions except for Russia due to weak economic situation in Europe and cold spring that has put off construction season. Profitability of Fibreboard division was affected by very fragmented production portfolio where high number of small size orders caused low production efficiency and high COGS. The priority of the management of the company is continuously to ensure the sales of the production of Skano Püssi fibreboard factory in order to guarantee the maximum production capacity and efforts are taken in this direction on an on-going basis.

The turnover of Skano furniture factory in Pärnu decreased in the first quarter by 5% and amounted to 1 676 thousand euros. The operating profit of the first quarter was 33 thousand euros as in 2012 the operating profit of the same period was 120 thousand euros. Sales in the first quarter of 2013 decreased in all regions (except for sales to the subsidiary) due to weak demand of foreign markets. The company is seeking new sale's possibilities in the current markets but going into totally new markets is a substantial direction for us. For that reason a Western Europe sales manager was hired from outside Estonia.

The turnover of Skano furniture retail chain decreased by 1% as compared to the same period last year being 549 thousand euros and the operating profit was 59 thousand euros compared with the operating loss 5 thousand euros in the first quarter last year. Current year operating profit contains also profit from currency exchange rate of hryvnia 45 thousand euros. Retail sale increased in Estonia but decreased in other regions. In order to better operate the Baltic retail sales changes in the structure were made at the end of the first quarter in 2013 where Estonia current retail sales manager started to run the whole Baltic retail sales. 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 the first quarter in 2013 was 4.4 mil. euros (4.6 mil. euros in same period of 2012) representing a 4% decrease on the first quarter compared to Q1 2012. The Group's gross margin in the first quarter of 2013 was 11.9% compared to 13.7% in the first quarter of 2012. Consolidated operating loss amounted to 226 thousand euros (operating loss 99 thousand euros from main activities in same period 2012). The consolidated operating margin of net sales was -6% (-2% from main activities in Q1 2012).

Consolidated net loss amounted to 312 thousand euros (compared to net loss 164 thousand euros in Q1 2012), and the net margin was -7% (-4% in Q1 2012).



## **POSITION OF FINANCIAL STATEMENT**

As of 31.03.2013 the total assets of Skano Group AS amounted to 15.5 mil. euros (31.03.2012: 16.3 mil. euros). The liabilities of the company accounted for 53.8% (31.03.2012: 53.9%) thereof, i.e. 8.3 mil. euros (31.03.2012: 8.8 mil. euros).

Receivables and prepayments have decreased by 0.2 mil. euros i.e. 9% increase with 12 months. The reason of decrease of receivables was smaller sale of the period and tighter debtor policy applied in the company.

Inventories remained at the same level compared to last year, amounting to 3.3 mil. euros on 31.13.2013. (31.03.2013: 3.3 mil. euros). Property, plant and intangibles decreased by 0.6 mil. euros mainly as a result of depreciation.

Short-term loans decreased by 0.1 mil. euros and amounted to 1.4 mil. euros in 31.03.2013 (31.03.2012: 1.5 mil. euros). Supplier payables, tax liabilities, other payables, including payables to employees, and provisions amounted to 2.3 mil. euros (31.03.2012: 2.5 mil. euros). Current and non-current liabilities decreased by 0.5 mil. euros to 8.3 mil. euros (31.03.2012: 8.8 mil. euros).



## DIVISIONAL REVIEW:

### NET SALES BY BUSINESS SEGMENTS

	<i>th EUR</i>		<i>% of net sales</i>	
	Q1 2013	Q1 2012	Q1 2013	Q1 2012
Skano Fibreboard	2,462	2,485	56.5%	54.5%
Skano Furniture factory	1,676	1,757	38.4%	38.6%
Skano Furniture retail	549	553	12.6%	12.1%
Elimination	(326)	(236)	(7.5%)	(5.2%)
<b>TOTAL</b>	<b>4,361</b>	<b>4,559</b>	<b>100.0%</b>	<b>100.0%</b>

### NET SALES BY GEOGRAPHICAL SEGMENTS

	<i>th EUR</i>		<i>% of net sales</i>	
	Q1 2013	Q1 2012	Q1 2013	Q1 2012
Finland	1,242	1,342	28.5%	29.4%
Russia	1,230	1,267	28.2%	27.8%
Estonia	621	564	14.2%	12.4%
Great Britain	373	455	8.6%	10.0%
Netherlands	215	133	4.9%	2.9%
Ukraine	185	204	4.2%	4.5%
Latvia	120	141	2.8%	3.1%
Sweden	96	126	2.2%	2.8%
Lithuania	95	133	2.2%	2.9%
Kazakhstan	41	0	0.9%	0.0%
Denmark	38	48	0.9%	1.1%
India	28	18	0.6%	0.4%
Czech republic	18	1	0.4%	0.0%
Other countries	59	127	1.4%	2.7%
<b>TOTAL</b>	<b>4,361</b>	<b>4,559</b>	<b>100.0%</b>	<b>100.0%</b>

Regarding the markets, turnover has increased in Estonia and Netherlands. The percentage of turnover has decreased in most in Finland and Great Britain.

### PROFIT BY BUSINESS SEGMENTS

<i>th EUR</i>	Q1 2013	Q1 2012
Skano Furniture factory	33	159
Skano Furniture retail	59	(5)
Skano Fibreboard	(347)	(264)
Elimination	(11)	11
<b>TOTAL</b>	<b>(266)</b>	<b>(99)</b>
Net financial costs	(55)	(67)
Income tax	(1)	(7)
<b>NET PROFIT</b>	<b>(322)</b>	<b>(173)</b>



## SKANO FIBREBOARD

The net sales of Skano Fibreboard in the first quarter of 2013 amounted to 2.46 mil. euros and operating loss to 347 thousand euros. In the same period last year, the turnover of the division totaled to 2.49 mil. euros and the operating loss from main activities 264 thousand euros. Sales have dropped in all regions except for Russia due to weak economic situation in Europe and cold spring that has put off construction season. The biggest drop in sales in the first quarter compare to last year took place in Great Britain and Finland, 18% and 7% respectively. Sales in Netherlands and Russia grew most, 62% and 11% respectively. Profitability was affected by very fragmented production portfolio where high number of small size orders caused low production efficiency and high COGS.

### NET SALES BY GEOGRAPHICAL SEGMENTS

	<i>th EUR</i>		<i>% of net sales</i>	
	Q1 2013	Q1 2012	Q1 2013	Q1 2012
Finland	632	680	25.7%	27.4%
Russia	472	427	19.2%	17.2%
Great Britain	373	455	15.1%	18.3%
Estonia	354	362	14.4%	14.6%
Netherlands	215	133	8.7%	5.4%
Sweden	96	126	3.9%	5.1%
Latvia	64	68	2.6%	2.7%
Denmark	38	48	1.5%	1.9%
India	28	18	1.1%	0.7%
Ukraine	19	27	0.8%	1.1%
Lithuania	19	21	0.8%	0.8%
Other countries	77	120	3.1%	4.8%
Intragroup	75	0	3.1%	0,0%
<b>TOTAL</b>	<b>2,462</b>	<b>2,485</b>	<b>100.0%</b>	<b>100.0%</b>

The biggest growth has been in sales to Russia and Netherlands. The percentage of sales into Finland decreased.

<i>th EUR</i>	Net sales		Profit	
	Q1 2013	Q1 2012	Q1 2013	Q1 2012
Pärnu Fibreborad factory	1,235	1,230	(193)	(75)
Püssi Fibreboard factory	591	733	(212)	(237)
Pärnu interior boards factory (Isotex)	561	521	58	49
Not allocated	75	1	0	(1)
<b>TOTAL</b>	<b>2,462</b>	<b>2,485</b>	<b>(347)</b>	<b>(264)</b>

The net sales of the Pärnu Fibreboard factory and interior board's line increased 3% in the first quarter of 2013 compared to the same quarter of 2012 and amounted to 1.8 mil. euros.

The turnover of Püssi fibreboard factory amounted to 591 thousand euros and operating loss amounted to 212 thousand euros. The main question is still weak sales volumes of Püssi Fibreboard factory. In the first quarter Püssi factory was operated at 50% of its capacity.

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





## SKANO FURNITURE

### 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 first quarter in 2013.

### RETAIL SALES BY COUNTRIES

	<i>th EUR</i>		<i>% of net sales</i>		<i>Number of stores</i>	
	Q1 2013	Q1 2012	Q1 2013	Q1 2012	31.03.13	31.03.12
Estonia	251	191	45.7%	34.5%	3	3
Latvia	56	73	10.2%	13.2%	1	1
Lithuania	76	112	13.8%	20.3%	1	1
Ukraine	166	177	30.3%	32.0%	4	5
<b>TOTAL</b>	<b>549</b>	<b>553</b>	<b>100.0%</b>	<b>100.0%</b>	<b>9</b>	<b>10</b>

The furniture retail sale has reached to the profitable sales level, and it results with profit 59 thousand euros in the first quarter 2013. Profit from currency exchange rate of hryvnia was 45 thousand euros. Retail sale increased in Estonia but decreased in other regions. In order to better operate the Baltic retail sales changes in the structure were made at the end of the first quarter in 2013 where Estonia current retail sales manager started to run the whole Baltic retail sales.

### FURNITURE PRODUCTION

The net sales of the Skano Furniture Factory in the first quarter amounted to 1.7 mil. euros and operating profit to 33 thousand euros. In the same period last year, the turnover of the factory amounted to 1.8 mil. euros and the profit to 159 thousand euros. As compared to the previous year the turnover of the factory has decreased 81 thousand euros and the operating profit has decreased 126 thousand euros. Sales in the first quarter of 2013 decreased in all regions (except for sales to the subsidiary) due to weak demand of foreign markets. The company is seeking new sale's possibilities in the current markets but going into totally new markets is a substantial direction for us. For that reason a Western Europe sales manager was hired from outside Estonia.

### FURNITURE FACTORY SALES BY COUNTRIES

	<i>th EUR</i>		<i>% of net sales</i>	
	Q1 2013	Q1 2012	Q1 2013	Q1 2012
Russia	758	840	45.2%	47.8%
Finland	610	662	36.4%	37.7%
Kazakhstan	41	0	2.4%	0.0%
Estonia	16	11	1.0%	0.6%
Other countries	0	8	0.0%	0.5%
Subsidiaries	251	236	15.0%	13.4%
<b>TOTAL</b>	<b>1,676</b>	<b>1,757</b>	<b>100.0%</b>	<b>100.0%</b>



## FORECAST AND DEVELOPMENT

**SKANO FIBREBOARD.** The main production line of Pärnu Fibreboard factory is operating at a normal capacity in the second quarter of 2013 but the period also includes yearly 3 weeks planned maintenance repair cycle which can be executed only during warm months. Production lines of Isotex interior finishing boards are also operated at a normal capacity. Due to low demand Püssi factory is operating at approximately of 70% of its capacity at the beginning of the second quarter but by the end of the second quarter we expect to run the factory already at 80-90% of its capacity. The sales of Skano Fibreboard in the second quarter will probably exceed the sales of last year.

In spite of weak demand of foreign markets and economic situation in Europe we still are moderately optimistic about sales growth for H2 2013, mostly from Russia and Finland. Russia's sales volumes have been growing steadily over the past years and we expect this to continue in 2013. Decrease of our sales in Finland and in other regions in the first quarter was caused by deteriorated economic situation in Europe, which we don't expect to improve during 2013. We have changed our distribution partner at the end of 2012 and plan to significantly add to our marketing efforts in Finland in 2013 which should increase sales from account of new clients. We have also signed a strategic cooperation agreement in Finland, which if implemented successfully, will allow us to increase the output of Püssi factory significantly in second half of 2013. We also expect this to help our Pärnu factory to reach higher capacity utilization and as a result of this, expect the whole production process to become more efficient, lead to lower average production price and higher sales volumes in H2 2013

**SKANO FURNITURE RETAIL SALES.** We expect retail sale in the second quarter of 2013 to exceed slightly the sale of last year.

**SKANO FURNITURE FACTORY.** In the second quarter of 2013 we expect small decrease in sales of the furniture factory compared to the same period in 2012 because of the deteriorated economic situation in the near region. For the second half of 2013 we already expect small support from sales to new markets and namely to Great Britain as after successful feedback from the local furniture spring fair we have agreed with our new English partner the further action plan and representation of our furniture in Great Britain. In addition to Great Britain we also seek for possibilities to enter into other markets of Western Europe in larger volumes.

**SKANO GROUP AS.** At the beginning of May EAS Enterprise Estonia approved Skano Group AS application for export development support for 2013 and 2014 amounting to 100 thousand euros.

## INVESTMENTS

During 3 months of 2013 investments into fixed assets amounted to a total of 113 thousand euros. In the same period of 2012 investments amounted to 24 thousand euros.



## PEOPLE

At 31 March 2013 Concern employed 354 people (367 people in the same time at the last year). The average number of personnel in the first quarter of 2013 was 356 (2012: 368).

In the 3 months of 2013, wages and salaries amounted to 1.2 mil. euros (1.2 mil. euros in the same period of the last year).

At the beginning of the year number of members of the Management Board increased by one person. Payments made to management and supervisory board members with relevant taxes (it also included one-off compensation for termination of the contract with a member of the Management Board):

<i>th EUR</i>	3 m 2013	3 m 2012
Board member and other remuneration	73	51
Social tax and unemployment insurance premiums	25	17
<b>TOTAL</b>	<b>98</b>	<b>68</b>



## FINANCIAL HIGHLIGHTS

<i>th EUR</i>	3 m 2013	3 m 2012	3 m 2011
<b>Income statement</b>			
Revenue	4,361	4,559	4,024
EBITDA	-37	147	280
EBITDA margin	(0.8%)	3.2%	7.0%
Operating profit	(266)	(99)	129
Operating margin	(6.1%)	(2.2%)	3.2%
Net profit	(322)	(173)	102
Net margin	(7.4%)	(3.8%)	2.5%
<b>Balance sheet (31.03)</b>			
Total assets	15,511	16,337	9,568
Return on assets	(2.1%)	(1.1%)	1.1%
Equity	7,170	7,529	5,448
Return on equity	(4.5%)	(2.3%)	1.9%
Debt-to-equity ratio	53.8%	53.9%	43.1%
<b>Share (31.03)</b>			
Closing price	1.19	1.57	1.50
Earnings per share	(0.07)	(0.04)	0.02
Price-earnings ratio	(17.00)	(39.25)	75.00
Book value of a share	1.59	1.67	1.21
Market to book ratio	0.75	0.94	1.24
Market capitalization	5,354	7,064	6,749

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 31 March 2013, 1 months' EURIBOR was 0.117 and at 31 March 2012 0.419. Interest rates are reviewed on the basis of changes in EURIBOR on monthly basis on the 30<sup>th</sup> of each month.

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 and mainly due to subsidiary in Ukraine. 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 Fiberboard 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 Ukraine
Country of location	Estonia	Estonia	Latvia	Lithuania	Ukraine
Number of shares at 31.03.2012	1	1	1	100	1
Ownership at 31.03.2012 (%)	100	100	100	100	100
Number of shares at 31.03.2013	1	1	1	100	1
Ownership at 31.03.2013 (%)	100	100	100	100	100

Skano Furniture OÜ 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. Skano Furniture OÜ holds 100% of the shares in enterprises SIA Skano, UAB Skano LT and TOV Skano Ukraine. Until March 11 2012 corporate name of Skano Furniture OÜ was OÜ Skano.

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 2013 and 2012.



## FINANCIAL STATEMENTS DECLARATION OF THE MANAGEMENT BOARD

The Management Board of Skano Group AS is prepared consolidated unaudited Interim Report for the 1<sup>st</sup> quarter of 2013, 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

Martin Kalle

Member of Management board

Gert Kuus

17<sup>th</sup> of May 2013



## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<i>th EUR</i>	<b>31.03.2013</b>	<b>31.12.2012</b>	<b>31.03.2012</b>
Cash and bank	137	158	204
Receivables and prepayments (Note 1)	1,925	1,792	2,126
Inventories (Note 2)	3,347	3,303	3,336
<b>Total current assets</b>	<b>5,409</b>	<b>5,253</b>	<b>5,666</b>
Investment property (Note 3)	185	185	185
Tangible fixed assets (Note 4)	9,896	10,010	10,471
Intangible fixed assets (Note 5)	21	23	15
<b>Total fixed assets</b>	<b>10,102</b>	<b>10,218</b>	<b>10,671</b>
<b>TOTAL ASSETS</b>	<b>15,511</b>	<b>15,471</b>	<b>16,337</b>
Debt obligations (Note 6)	1,444	1,845	1,519
Payables and prepayments (Note 7)	2,324	1,923	2,552
Short-term provisions (Note 8)	9	12	8
<b>Total current liabilities</b>	<b>3,777</b>	<b>3,780</b>	<b>4,079</b>
Non-current debt obligations (Note 6)	4,328	3,973	4,490
Non-current provisions (Note 8)	236	236	239
<b>Total non-current liabilities</b>	<b>4,564</b>	<b>4,209</b>	<b>4,729</b>
<b>Total liabilities</b>	<b>8,341</b>	<b>7,989</b>	<b>8,808</b>
Share capital at nominal value (Note 9)	2,699	2,699	2,699
Issue premium	364	364	364
Statutory capital reserve	288	288	288
Currency translation	(11)	(21)	(2)
Retained profits	4,152	4,353	4,353
Net profit (loss) for the year (Note 10)	(322)	(201)	(173)
<b>Total equity</b>	<b>7,170</b>	<b>7,482</b>	<b>7,529</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>15,511</b>	<b>15,471</b>	<b>16,337</b>





## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

<i>th EUR</i>	<b>1<sup>st</sup> Q 2013</b>	<b>1<sup>st</sup> Q 2012</b>
<b>RETURN ON SALES (Note 11)</b>	<b>4,361</b>	<b>4,559</b>
<b>Cost of production sold</b>	<b>(3,841)</b>	<b>(3,934)</b>
<b>Gross profit</b>	<b>520</b>	<b>625</b>
Marketing expenses	(580)	(600)
General administrative expenses	(207)	(110)
Other income	42	36
Other expenses	(41)	(50)
<b>Operating profit (loss) (Note 11)</b>	<b>(266)</b>	<b>(99)</b>
Financial income and financial expenses	(55)	(67)
<b>Profit (loss) before taxes</b>	<b>(321)</b>	<b>(166)</b>
Prepaid income tax	(1)	(7)
<b>NET PROFIT (LOSS) FOR THE PERIOD</b>	<b>(322)</b>	<b>(173)</b>
Basic earnings per share (Note 10)	(0.07)	(0.04)
Diluted earnings per share (Note 10)	(0.07)	(0.04)
Other comprehensive income:		
Currency translation differences	10	9
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>(312)</b>	<b>(164)</b>



## CONSOLIDATED CASH FLOW STATEMENT

<i>th EUR</i>	<b>1<sup>st</sup> Q 2013</b>	<b>1<sup>st</sup> Q 2012</b>
<b>Cash flow from operations</b>		
<b>Net profit (loss) before taxes</b>	<b>(321)</b>	<b>(166)</b>
<i>Adjustments for:</i>		
Depreciation of fixed assets (Note 4; 5)	229	244
Loss on disposals of fixed assets (Note 4)	0	2
Interest expense	55	67
<b>Operating profit (loss) before changes in operating capital</b>	<b>(37)</b>	<b>147</b>
Change in operations-related receivables and prepayments (Note 1)	(133)	(452)
Change in inventories (Note 2)	(44)	(159)
Change in operations-related liabilities and prepayments	398	412
<b>Cash generated from operations</b>	<b>184</b>	<b>(52)</b>
Interest paid	(55)	(67)
Income tax	(1)	(7)
<b>Total cash flow from operations</b>	<b>128</b>	<b>(126)</b>
<b>Cash flow from investments</b>		
Acquisition of fixed assets (Note 4; 5)	(113)	(24)
<b>Total cash flow from investments</b>	<b>(113)</b>	<b>(24)</b>
<b>Cash flow from financing activities</b>		
Raise a loan (Note 6)	56	148
Repayment of loans (Note 6)	(94)	0
Settlement of finance lease liabilities (Note 6)	(8)	(9)
<b>Total cash flow from financing activities</b>	<b>(46)</b>	<b>139</b>
<b>TOTAL CASH FLOW</b>	<b>(31)</b>	<b>(11)</b>
<b>Currency translation differences</b>	<b>10</b>	<b>9</b>
<b>CASH AT BEGINNING OF PERIOD</b>	<b>158</b>	<b>206</b>
<b>CASH AT END OF PERIOD</b>	<b>137</b>	<b>204</b>



## CONSOLIDATED STATEMENT OF CHANGES EQUITY

<i>th EUR</i>	Share capital	Share premium	Statutory capital reserve	Currency translation	Retained earnings	Total
<b>Balance at 31.12.2011</b>	<b>2,699</b>	<b>364</b>	<b>288</b>	<b>(11)</b>	<b>4,353</b>	<b>7,693</b>
Comprehensive income (loss) for 3 months 2012	0	0	0	9	(173)	(164)
<b>Balance at 31.03.2012</b>	<b>2,699</b>	<b>364</b>	<b>288</b>	<b>(2)</b>	<b>4,180</b>	<b>7,529</b>
<b>Balance at 31.12.2012</b>	<b>2,699</b>	<b>364</b>	<b>288</b>	<b>(21)</b>	<b>4,152</b>	<b>7,482</b>
Comprehensive income (loss) for 3 months 2013	0	0	0	10	(322)	(312)
<b>Balance at 31.03.2013</b>	<b>2,699</b>	<b>364</b>	<b>288</b>	<b>(11)</b>	<b>3,830</b>	<b>7,170</b>



## NOTES TO THE CONSOLIDATED INTERIM REPORT

### ACCOUNTING POLICIES AND MEASUREMENT BASES

The consolidated financial statements prepared for the period ended 31 March 2013 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 Ukraine. 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 31.12.2012. 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 1<sup>st</sup> quarter of 2013 gives a true and fair view of the financial position of Skano Group AS and the results of its operations. The present Interim Report has not been audited.

The Interim Report has been presented in thousands of euros.

### NOTE 1 RECEIVABLES AND PREPAYMENTS

<i>th EUR</i>	<b>31.03.2013</b>	<b>31.12.2012</b>	<b>31.03.2012</b>
Customer receivables	1,577	1,443	1,740
Prepaid taxes	290	279	335
Other receivables	24	23	26
Prepaid services	34	47	25
<b>TOTAL</b>	<b>1,925</b>	<b>1,792</b>	<b>2,126</b>

### NOTE 2 INVENTORIES

<i>th EUR</i>	<b>31.03.2013</b>	<b>31.12.2012</b>	<b>31.03.2012</b>
Raw materials and other materials	1,087	1,012	816
Work-in-progress: production	558	570	555
Work-in-progress: real estate development	214	214	214
Finished goods	1,187	1,269	1,460
Goods purchased for resale	195	171	187
Goods in transit	68	45	76
Prepayments to suppliers	38	22	28
<b>TOTAL</b>	<b>3,347</b>	<b>3,303</b>	<b>3,336</b>



### Work-in-progress: real estate development

At 31 March 2013, work-in-progress: real estate development comprised the old Sports goods division real property (buildings and land ca 20,000 m<sup>2</sup>) 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 (31.03.2012: 214 thousand euros).

### NOTE 3 INVESTMENT PROPERTY

	<i>th EUR</i>
Cost at 31.12.2011	469
Accumulated depreciation at 31.12.2011	(284)
Net book amount at 31.12.2011	185
Cost at 31.03.2012	469
Accumulated depreciation at 31.03.2012	(284)
Net book amount at 31.03.2012	185
Cost at 31.12.2012	469
Accumulated depreciation at 31.12.2012	(284)
Net book amount at 31.12.2012	185
<b>Cost at 31.03.2013</b>	<b>469</b>
<b>Accumulated depreciation at 31.03.2013</b>	<b>(284)</b>
<b>Net book amount at 31.03.2013</b>	<b>185</b>

Costs of maintenance for three months of 2013 were 5 thousand euros and 3 thousand euros in the same period of 2012. Rental income from investment properties for three months of 2013 were 3 thousand euros and 1 thousand euros in the same period of 2012. Depreciation of investment property has been ceased because the estimated residual values of the investment properties exceed their carrying amounts.

### NOTE 4 TANGIBLE FIXED ASSETS

<i>th EUR</i>	<b>31.03.2013</b>	<b>31.12.2012</b>	<b>31.03.2012</b>
Land	226	226	226
Buildings and constructions	2,657	2,710	2,833
Machinery, plant and equipment	6,893	7,015	7,297
Other equipment and fixtures	27	24	35
Construction in progress	93	35	80
<b>TOTAL</b>	<b>9,896</b>	<b>10,010</b>	<b>10,471</b>

	<i>Th EUR</i>
Cost at 31.12.2011	19,219
Accumulated depreciation at 31.12.2011	(8,527)
Net book amount at 31.12.2011	10,692



Acquired in 3 months of 2012	24
Write-off 3 months of 2012	(7)
Depreciation in 3 months of 2012	(243)
Write-off of accumulated amortization 3 months of 2012	5
Cost at 31.03.2012	19,236
Accumulated depreciation at 31.03.2012	(8,765)
Net book amount at 31.03.2012	10,471
Cost at 31.12.2012	19,400
Accumulated depreciation at 31.12.2012	(9,390)
Net book amount at 31.12.2012	10,010
Acquired in 3 months of 2013*	113
Write-off 3 months of 2013	(16)
Depreciation in 3 months of 2013	(227)
Write-off of accumulated amortization 3 months of 2013	16
<b>Cost at 31.03.2013</b>	<b>19,497</b>
<b>Accumulated depreciation at 31.03.2013</b>	<b>(9,601)</b>
<b>Net book amount at 31.03.2013</b>	<b>9,896</b>

\*On the 31st of March the binding liabilities of acquiring the tangible assets are 45 thousand euros.

#### NOTE 5 INTANGIBLE FIXED ASSETS

	<i>th EUR</i>
Cost at 31.12.2011	94
Accumulated depreciation at 31.12.2011	(78)
Net book amount at 31.12.2011	16
Depreciation in 3 months of 2012	(1)
Cost at 31.03.2012	94
Accumulated depreciation at 31.03.2012	(79)
Net book amount at 31.03.2012	15
Cost at 31.12.2012	90
Accumulated depreciation at 31.12.2012	(67)
Net book amount at 31.12.2012	23
Depreciation in 3 months of 2013	(2)
<b>Cost at 31.03.2013</b>	<b>90</b>
<b>Accumulated depreciation at 31.03.2013</b>	<b>(69)</b>
<b>Net book amount at 31.03.2013</b>	<b>21</b>

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



## NOTE 6 DEBT OBLIGATIONS

<i>th EUR</i>	<b>31.03.2013</b>	<b>31.12.2012</b>	<b>31.03.2012</b>
Current liabilities	1,444	1,845	1,519
incl non-convertible debt	21	29	24
Non-current debt obligations	4,328	3,973	4,490
incl non-convertible debt	39	39	67
<b>TOTAL</b>	<b>5,772</b>	<b>5,818</b>	<b>6,009</b>

## NOTE 7 PAYABLES AND PREPAYMENTS

<i>th EUR</i>	<b>31.03.2013</b>	<b>31.12.2012</b>	<b>31.03.2012</b>
Supplier payables	1,302	1,033	1,452
Payables to employees	372	301	489
Taxes payables	297	321	302
Other payables	164	141	124
Customer prepayments	189	127	185
<b>TOTAL</b>	<b>2,324</b>	<b>1,923</b>	<b>2,552</b>

## NOTE 8 PROVISIONS

	<i>th EUR</i>
<b>Balance at 31.12.2011</b>	<b>250</b>
Incl current portion	11
non-current portion	239
Used during the 3 months 2012	(6)
Interest cost 3 months 2012	3
<b>Balance at 31.03.2012</b>	<b>247</b>
Incl current portion	8
non-current portion	239
<b>Balance at 31.12.2012</b>	<b>248</b>
Incl current portion	12
non-current portion	236
Used during the 3 months 2013	(6)
Interest cost 3 months 2013	3
<b>Balance at 31.03.2013</b>	<b>245</b>
Incl current portion	9
non-current portion	236

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 9 SHARE CAPITAL

	Number of shares	Share capital
	<i>pcs</i>	<i>th EUR</i>
Balance 31.03.2013	4,499,061	2,699
Balance 31.12.2012	4,499,061	2,699
Balance 31.03.2012	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 31.03.2013, the Group had 623 shareholders (31.03.2012: 634 shareholders) of which with more than 5% ownership interest were:

- Trigon Wood OÜ with 2,682,192 shares or 59.62% (31.03.2012: 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 (2012: 0 shares)
- Joakim Johan Helenius 20,000 shares (2012: 20,000 shares)
- Heiti Riisberg 50,000 shares (2012: 50,000 shares)
- Pekka Armas Soikkeli 0 shares (2012: 0 shares)
- Andres Kivistik 0 shares (2012: 0 shares)
- Einar Pähkel 0 shares (2012: 0 shares)

The Supervisory Board of Skano Group AS was convened on January 21, 2013 and has recalled Einar Pähkel from the Management Board. The new Management board members are:

- Martin Kalle 0 shares (2012: 0 shares)
- Gert Kuus 0 shares (2012: 0 shares)

#### NOTE 10 EARNINGS PER SHARE

<i>EUR</i>	<b>31.03.2013</b>	<b>31.03.2012</b>
Basic earnings per share	(0.07)	(0.04)
Diluted earnings per share	(0.07)	(0.04)
Book value of share	1.59	1.67
Price/earnings ratio (P/E)	(17.00)	(39.25)
Closing price of the share of Skano Group AS on Tallinn Stock Exchange at 31.03*	1.19	1.57

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 3 months of 2013 = (321,740) / 4,499,061 = (0.07) euros

Basic earnings per share for 3 months of 2012 = (173,541) / 4,499,061 = (0.04) 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 3 months of 2013 = 1.19/(0.07) = (17.00)

Price/earnings ratio (P/E) for 3 months of 2012 = 1.57/(0.04) = (39.25)

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

## NOTE 11 SEGMENTS

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

*Skano Fibreboard (FB)* 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.

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

*Skano 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:

th EUR	Furniture factory		Furniture retail		Fibreboard		Eliminations		SEGMENTS TOTAL	
	1 <sup>st</sup> Q 2013	1 <sup>st</sup> Q 2012	1 <sup>st</sup> Q 2013	1 <sup>st</sup> Q 2012	1 <sup>st</sup> Q 2013	1 <sup>st</sup> Q 2012	1 <sup>st</sup> Q 2013	1 <sup>st</sup> Q 2012	1 <sup>st</sup> Q 2013	1 <sup>st</sup> Q 2012
Revenue from external customers	1,425	1,521	549	553	2,387	2,485	0	0	<b>4,361</b>	<b>4,559</b>
Inter-segment revenue	251	236	0	0	75	0	0	0	<b>326</b>	<b>236</b>
Operating profit/loss	33	159	59	(5)	(347)	(264)	(11)	11	<b>(266)</b>	<b>(99)</b>
Segment assets	3,845	4,083	645	693	11,064	11,612	(43)	(51)	<b>15,511</b>	<b>16,337</b>
Segment liabilities	1,049	2,120	265	238	7,027	6,450	0	0	<b>8,341</b>	<b>8,808</b>



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

<i>th EUR</i>	1 <sup>st</sup> QUARTER 2013				1 <sup>st</sup> QUARTER 2012			
	FF	FR	FB	TOTAL	FF	FR	FB	TOTAL
Finland	610	0	632	1,242	662	0	680	1,342
Russia	758	0	472	1,230	840	0	427	1,267
Estonia	16	251	354	621	11	191	362	564
Great Britain	0	0	373	373	0	0	455	455
Netherlands	0	0	215	215	0	0	133	133
Ukraine	0	166	19	185	0	177	27	204
Latvia	0	56	64	120	0	73	68	141
Sweden	0	0	96	96	0	0	126	126
Lithuania	0	76	19	95	0	112	21	133
Kazakhstan	41	0	0	41	0	0	0	0
Denmark	0	0	38	38	0	0	48	48
India	0	0	28	28	0	0	18	18
Czech	0	0	18	18	0	0	1	1
Greece	0	0	14	14	0	0	14	14
Brazil	0	0	9	9	0	0	2	2
France	0	0	9	9	0	0	0	0
Israel	0	0	7	7	0	0	12	12
Germany	0	0	7	7	0	0	32	32
Hungary	0	0	7	7	0	0	0	0
Other countries	0	0	6	6	8	0	59	67
<b>TOTAL</b>	<b>1,425</b>	<b>549</b>	<b>2,387</b>	<b>4,361</b>	<b>1,521</b>	<b>553</b>	<b>2,485</b>	<b>4,559</b>

**NOTE 12 RELATED PARTY TRANSACTIONS**

The following parties are considered to be related parties:

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

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

<i>th EUR</i>	1 <sup>st</sup> Q 2013	1 <sup>st</sup> Q 2012
Short-term benefits	73	51
Social security tax	25	17
<b>TOTAL</b>	<b>98</b>	<b>68</b>



According to the contracts, the members of the Management Board of Skano Group AS will receive severance pay amounting from 1 up to 6-month remuneration.

Skano Group AS purchased rental and other services from related parties:

<i>th EUR</i>	1 <sup>st</sup> Q 2013	1 <sup>st</sup> Q 2012
Purchased services	21	0
<b>TOTAL</b>	<b>21</b>	<b>0</b>

Balances with related parties:

<i>th EUR</i>	31.03.2013	31.03.2013
Services payables	19	0
<b>TOTAL</b>	<b>19</b>	<b>0</b>

