



3rd QUARTER
INTERIM REPORT

2013

Beginning of the Interim Report Period:	1.1.2013
End of the Interim Report Period:	30.09.2013
Beginning of the financial year:	1.1.2013
End of the financial year:	31.12.2013
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SKANO
GROUP

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OUTLINE

Skano Group AS concern is engaged in the manufacture of building materials, retail trade of furniture and furnishing as well as manufacture of furniture. Skano Group AS is a holding company consisting of two subsidiaries Skano Fibreboard OÜ and Skano Furniture Factory OÜ. Skano Furniture Factory OÜ owns a subsidiary Skano Furniture OÜ.

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

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. In September 2013 a restructuring process of Skano Group AS was conducted, where current fibreboard and furniture factory divisions were transferred to newly established subsidiaries Skano Fibreboard OÜ and Skano Furniture Factory OÜ.

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

THE THIRD QUARTER IN SHORT

Consolidated net sales of the third quarter of 2013 was 5.2 mil. euros, representing a 11% increase on the third quarter compared to the same period in 2012. At the same time, consolidated EBITDA amounted to 354 thousand euros (351 thousand euros in Q3 2012).

The sales in Skano Fibreboard OÜ Pärnu factory (incl. Isotex) was 2.4 mil. euros, increased as compared to the respective period last year by 13%, the operating profit of the third quarter was 16 thousand euros compared with the operating profit 25 thousand euros last year.

The turnover of Skano Fibreboard OÜ Püssi factory was 1.1 mil. euros, representing 38% increase in the third quarter compared to the same period in 2012. Operating loss amounted to 118 thousand euros compared with the operating loss 230 thousand euros last year.

Sales growth came from Finland but despite of that other foreign markets remained weak due to general economic situation in Europe. We have continuously expanded list of our target markets and made considerable efforts in product development to obtain certificates necessary for different markets. Profitability has suffered also due to higher sales costs in Finland. The same factors will probably impact also Q4 results, when we also conduct product testing and tuning of production process in order to achieve a lower production cost.

The priority of the management of the company is continuously to ensure the sales of the production of both factories 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 OÜ factory in Pärnu decreased in the third quarter by 1% and amounted to 1 419 thousand euros. The operating profit of the third quarter was 122 thousand euros as in 2012 the operating profit of the same period was 58 thousand euros. Sales in the third quarter of 2013 decreased in Finland but sales to the Baltics (through the subsidiary) grew. The company is seeking new sale's possibilities in the current markets but going into totally new markets is a substantial direction for us.

The turnover of Skano Furniture OÜ retail chain decreased 1% as compared to the same period last year being 547 thousand euros, operating loss was 24 thousand euros compared with the sales 555 thousand and operating profit 3 thousand euros in the third quarter of 2012. Current year operating loss contains also loss from currency exchange rate of hryvnia 32 thousand euros in the third quarter (loss from currency exchange rate 25 thousand euros in the same period of 2012). Retail sale increased in Estonia and Latvia but decreased in Lithuania and Ukraine. The sales of Skano Furniture Factory OÜ 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 third quarter in 2013 was 5.2 mil. euros (4.7 mil. euros in same period of 2012) representing a 11% increase on the third quarter compared to Q3 2012. The Group's gross margin in the third quarter of 2013 was 19.3% compared to 15.9% in the third quarter of 2012. Consolidated operating profit amounted to 128 thousand euros (operating profit 109 thousand euros from main activities in same period 2012). The consolidated operating margin of net sales was 2.4% (2.3% from main activities in Q2 2012).

Consolidated net profit amounted to 71 thousand euros (compared to net profit 44 thousand euros in Q3 2012), and the net margin was 1.3% (0.9% in Q3 2012).



POSITION OF FINANCIAL STATEMENT

As of 30.09.2013 the total assets of Skano Group AS amounted to 14.9 mil. euros (30.09.2012: 16.2 mil. euros). The liabilities of the company accounted for 52.5% (30.09.2012: 53.1%) thereof, i.e. 7.8 mil. euros (30.09.2012: 8.6 mil. euros).

Receivables and prepayments have decreased by 0.5 mil. euros i.e. 25% decrease with 12 months. The reason of decrease of receivables was implementation of factoring instrument.

Inventories have decreased by 0.2 mil. euros compared to last year, amounting to 3.2 mil. euros on 30.09.2013. (30.09.2012: 3.4 mil. euros). Property, plant and intangibles decreased by 0.5 mil. euros mainly as a result of depreciation.

Short-term loans have decreased by 0.2 mil. euros and amounted to 0.7 mil. euros in 30.09.2013 (30.09.2012: 0.9 mil. euros). Supplier payables, tax liabilities, other payables, including payables to employees, and provisions amounted to 2.6 mil. euros (30.09.2012: 2.6 mil. euros).

Long-term loans have decreased by 0.6 mil euros and amounted to 4.3 mil. euros in 30.09.2013 (30.09.2012: 4.9 mil. euros).

Current and non-current liabilities decreased by 0.8 mil. euros to 7.8 mil. euros (30.09.2012: 8.6 mil. euros).



DIVISIONAL REVIEW:

NET SALES BY BUSINESS SEGMENTS

	<i>th EUR</i>		<i>% of net sales</i>	
	Q3 2013	Q3 2012	Q3 2013	Q3 2012
Skano Fibreboard OÜ	3,514	2,964	67.2%	63.0%
Skano Furniture Factory OÜ	1,419	1,399	27.1%	29.7%
Skano Furniture OÜ retail	549	553	10.5%	11.8%
Elimination	(326)	(236)	(4.8%)	(4.5%)
TOTAL	5,231	4,708	100.0%	100.0%

NET SALES BY GEOGRAPHICAL SEGMENTS

	<i>th EUR</i>		<i>% of net sales</i>	
	Q3 2013	Q3 2012	Q3 2013	Q3 2012
Finland	1,730	1,046	33.1%	22.2%
Russia	1,506	1,487	28.8%	31.6%
Estonia	841	754	16.1%	16.0%
Great Britain	219	334	4.2%	7.1%
Ukraine	201	229	3.8%	4.9%
Latvia	179	207	3.4%	4.4%
Sweden	110	143	2.1%	3.0%
Germany	106	34	2.0%	0.7%
Lithuania	96	146	1.8%	3.1%
Kazakhstan	47	36	0.9%	0.8%
Netherlands	39	165	0.7%	3.5%
Japan	32	0	0.6%	0.0%
Greece	15	14	0.3%	0.3%
Other countries	110	113	2.2%	2.4%
TOTAL	5,231	4,708	100.0%	100.0%

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

PROFIT BY BUSINESS SEGMENTS

<i>th EUR</i>	Q3 2013	Q3 2012
Skano Furniture factory	112	58
Skano Furniture retail	(24)	3
Skano Fibreboard	16	25
Elimination	24	23
TOTAL	128	109
Net financial costs	(57)	(62)
Income tax	0	(3)
NET PROFIT	71	44



SKANO FIBREBOARD

The net sales of Skano Fibreboard in the third quarter of 2013 amounted to 3.51 mil. euros and operating profit to 16 thousand euros. In the same period last year, the turnover of Skano Fibreboard totaled to 2.96 mil. euros and the operating profit from main activities 25 thousand euros. Sales are weak in all regions due to weak economic situation in Europe except for Finland, where due to a new distribution partner we have managed to increase sales considerably. Sales to Finland grew by 122%. Implementing the new sales structure in Finland has and will cause higher sales costs that is optimal during 6-9 months period. Due to that increased sales to Finland have brought along bigger costs and profitability hasn't improved yet.

The biggest drop in sales in the third quarter compare to last year took place in the Great Britain and the Netherlands, 42% and 78% respectively. The latter was due to review of our client portfolio, where we want to replace clients with low profitability and to improve our efficiency.

NET SALES BY GEOGRAPHICAL SEGMENTS

	<i>th EUR</i>		<i>% of net sales</i>	
	Q3 2013	Q3 2012	Q3 2013	Q3 2012
Finland	1,339	602	38.1%	20.3%
Russia	841	804	24.0%	27.1%
Estonia	581	544	16.5%	18.4%
Great Britain	194	334	5.5%	11.3%
Sweden	110	143	3.1%	4.8%
Germany	106	34	3.0%	1.1%
Latvia	100	144	2.8%	4.9%
Ukraine	46	34	1.3%	1.1%
Netherlands	39	176	1.1%	5.9%
Japan	32	0	0.9%	0.0%
Lithuania	17	50	0.5%	1.7%
Other countries	109	99	3.1%	3.4%
Intragroup	0	0	0.0%	0.0%
TOTAL	3,514	2,964	100.0%	100.0%

<i>th EUR</i>	Net sales		Profit	
	Q3 2013	Q3 2012	Q3 2013	Q3 2012
Pärnu Fibreborad factory	1,685	1,457	63	149
Püssi Fibreboard factory	1,104	799	(118)	(230)
Pärnu interior boards factory (Isotex)	725	673	71	103
Not allocated	0	0	0	0
TOTAL	3,514	2,964	16	25

The net sales of the Pärnu fibreboard factory and interior board's line increased 13% in the third quarter of 2013 compared to the same quarter of 2012 and amounted to 2.4 mil. euros. Due to higher sales cost in Finland, production testing and too fragmented production portfolio the production efficiency was low in the third quarter.



The turnover of Püssi fibreboard factory amounted to 1.1 mil. euros growing 38% compared to the same quarter in 2012 and operating loss amounted to 118 thousand euros (turnover 799 thousand euros and operating loss 230 thousand euros in Q3 2012). Output of Püssi Fibreboard factory grew in the third quarter but the main challenge is still to secure Püssi Fibreboard factory with sufficient sales volumes.

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. Too fragmented production portfolio could increase the production cost by 10-20%.



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 (2), Kharkiv and Dnipropetrovs'k at the end of the third quarter in 2013.

RETAIL SALES BY COUNTRIES

	<i>th EUR</i>		<i>% of net sales</i>		<i>Number of stores</i>	
	Q3 2013	Q3 2012	Q3 2013	Q3 2012	30.09.13	30.09.12
Estonia	234	201	42.8%	36.2%	3	3
Latvia	79	63	14.4%	11.4%	1	1
Lithuania	79	96	14.4%	17.3%	1	1
Ukraine	155	195	28.4%	35.1%	4	4
TOTAL	547	555	100.0%	100.0%	9	9

The furniture retail sale amounted to 547 thousand euros in the third quarter of 2013 and operating loss 24 thousand euros (sales 555 thousand euros and operating profit 3 thousand euros in Q3 2012). The 3rd quarter operating loss contains also loss from currency exchange rate of hryvnia 32 thousand euros (loss from currency exchange rate 25 thousand euros in the same period last year. Retail sale increased in Estonia and Latvia but decreased in Lithuania and Ukraine.

FURNITURE PRODUCTION

The net sales of the Skano Furniture Factory in the third quarter amounted to 1.4 mil. euros and operating profit to 112 thousand euros. In the same period last year, the turnover of the factory amounted to 1.4 mil. euros and the profit to 58 thousand euros. As compared to the previous year the turnover of the factory has increased 1% and the operating profit has increased by 54 thousand euros. Sales in the third quarter of 2013 increased to the Great Britain and our subsidiary. In the third quarter the sales decreased in Finland and Russia due to weak demand of foreign markets.

FURNITURE FACTORY SALES BY COUNTRIES

	<i>th EUR</i>		<i>% of net sales</i>	
	Q3 2013	Q3 2012	Q3 2013	Q3 2012
Russia	665	683	46.9%	48.8%
Finland	391	444	27.6%	31.7%
Kazakhstan	47	36	3.3%	2.6%
Estonia	26	9	1.8%	0.6%
Other countries	41	17	2.9%	1.2%
Subsidiaries	249	210	17.5%	15.0%
TOTAL	1,419	1,399	100.0%	100.0%



FORECAST AND DEVELOPMENT

SKANO FIBREBOARD. Sales of Skano Fibreboard will remain at the same level compare to the same period last year. In Q4 we will carry out production testing, development and tuning of production process in order to achieve a lower production cost. In December we have 2-weeks collective vacation and planned small maintenance repair. Those factors will impact negatively Fibreboard Q4 results, but are important in order to achieve lower production cost and efficient production portfolio.

In spite of weak demand of foreign markets and economic situation in Europe we are moderately optimistic about sales growth in 2014, mostly from Finland. We predict that the strategic agreement with a new distribution partner in Finland allows us to increase our production capacity in 2014.

SKANO FURNITURE RETAIL SALES. We expect retail sale in the fourth quarter of 2013 to decrease compare to the sale of the same period in last year.

SKANO FURNITURE FACTORY. In the fourth quarter of 2013 we expect smaller sales of the furniture factory compared to the same period in 2012 because of the deteriorated economic situation in the near region and especially in Finland. Sales to new markets (incl. the Great Britain) are not yet exceeding the lag from our main markets

INVESTMENTS

During the three quarters of 2013 investments into fixed assets amounted to a total of 295 thousand euros. In the same period of 2012 investments amounted to 205 thousand euros. All investments were made to maintain and improve reliability of the critical equipment.

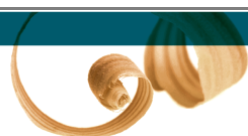
PEOPLE

On the 30th of September in 2013 Concern employed 353 people (357 people in the same time last year). The average number of personnel in nine month of 2013 was 352 (2012: 362).

During first nine month in 2013, wages and salaries amounted to 3.5 mil. euros (3.4 mil. euros in the same period of the last year).

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

<i>th EUR</i>	9 m 2013	9 m 2012
Board member and other remuneration	182	182
Social tax and unemployment insurance premiums	60	60
TOTAL	242	242



FINANCIAL HIGHLIGHTS

<i>th EUR</i>	9 m 2013	9 m 2012	9 m 2011
Income statement			
Revenue	14,329	14,148	12,513
EBITDA	440	862	3,353
EBITDA margin	3.1%	6.1%	26.8%
Operating profit	(242)	119	2,893
Operating margin	(1.7%)	0.8%	23.1%
Net profit	(415)	(90)	2,775
Net margin	(2.9%)	(0.6%)	22.2%
Balance sheet (30.06)			
Total assets	14,916	16,201	16,538
Return on assets	(2.8%)	(0.6%)	16.8%
Equity	7,090	7,602	7,693
Return on equity	(5.9%)	(1.2%)	36.1%
Debt-to-equity ratio	52.5%	53.1%	53.5%
Share (30.06)			
Closing price	1.30	1.37	1.50
Earnings per share	(0.09)	(0.02)	0.62
Price-earnings ratio	(14.4)	(68.5)	2.42
Book value of a share	1.58	1.69	1.76
Market to book ratio	0.82	0.81	0.85
Market capitalization	5,849	6,164	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 30 September 2013, 1 months' EURIBOR was 0.128 and at 30 September 2012 0.115. Interest rates are reviewed on the basis of changes in EURIBOR on monthly basis on the 30th 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 Europe's 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 Fibreboard OÜ	Skano Furniture Factory OÜ	Skano Furniture OÜ	OÜ Isotex	SIA Skano	UAB Skano LT	TOV Skano Ukraine
Country of location	Estonia	Estonia	Estonia	Estonia	Latvia	Lithuania	Ukraine
Number of shares at 30.09.2012	-	-	1	1	1	100	1
Ownership at 30.09.2012 (%)	-	-	100	100	100	100	100
Number of shares at 30.09.2013	1	1	1	1	1	100	1
Ownership at 30.09.2013 (%)	100	100	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.

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 and Dnipropetrovs'k.

Skano Group AS established two subsidiaries – Skano Fibreboard OÜ and Skano Furniture Factory OÜ. Skano Group AS is the sole shareholder of both subsidiaries. The management board members of both subsidiaries are Andres Kivistik, Gert Kuus and Martin Kalle – the same persons form the current management board of Skano Group AS. Pursuant to the restructuring plan, Skano Group AS transferred the production of fibreboard and furniture to the newly established subsidiaries in September. On the 13th of August at the Extraordinary General Meeting approved the increase of share capital of newly established subsidiaries by non-monetary contribution. The object of the non-monetary contribution is the set of assets of the fibreboard and furniture production units.

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 3rd quarter of 2013, which is presented on pages 4 to 26 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

29th of November 2013



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<i>th EUR</i>	30.09.2013	31.12.2012	30.09.2012
Cash and bank	165	158	179
Receivables and prepayments (Note 1)	1,672	1,792	2,219
Inventories (Note 2)	3,249	3,303	3,448
Total current assets	5,086	5,253	5,846
Investment property (Note 3)	185	185	185
Tangible fixed assets (Note 4)	9,627	10,010	10,158
Intangible fixed assets (Note 5)	18	23	12
Total fixed assets	9,830	10,218	10,355
TOTAL ASSETS	14,916	15,471	16,201
Debt obligations (Note 6)	694	1,845	880
Payables and prepayments (Note 7)	2,557	1,923	2,579
Short-term provisions (Note 8)	3	12	3
Total current liabilities	3,254	3,780	3,462
Non-current debt obligations (Note 6)	4,328	3,973	4,898
Non-current provisions (Note 8)	244	236	239
Total non-current liabilities	4,572	4,209	5,137
Total liabilities	7,826	7,989	8,599
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	2	(21)	(11)
Retained profits	4,152	4,353	4,353
Net profit (loss) for the year (Note 10)	(415)	(201)	(91)
Total equity	7,090	7,482	7,602
TOTAL LIABILITIES AND EQUITY	14,916	15,471	16,201



CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

<i>th EUR</i>	3rd Q 2013	3rd Q 2012	9 m 2013	9 m 2012
RETURN ON SALES (Note 11)	5,231	4,708	14,329	14,148
Cost of production sold	(4,223)	(3,961)	(12,064)	(11,901)
Gross profit	1,008	747	2,265	2,247
Marketing expenses	(660)	(559)	(1,889)	(1,752)
General administrative expenses	(169)	(76)	(556)	(385)
Other income	37	40	98	131
Other expenses	(88)	(43)	(160)	(122)
Operating profit (loss) (Note 11)	128	109	(242)	119
Financial income and financial expenses	(57)	(62)	(172)	(197)
Profit (loss) before taxes	71	47	(414)	(78)
Prepaid income tax	0	(3)	(1)	(13)
NET PROFIT (LOSS) FOR THE PERIOD	71	44	(415)	(91)
Basic earnings per share (Note 10)	0.02	0.01	(0.09)	(0.02)
Diluted earnings per share (Note 10)	0.02	0.01	(0.09)	(0.02)
Other comprehensive income:				
Currency translation differences	10	27	23	0
TOTAL COMPREHENSIVE INCOME	81	71	(392)	(91)



CONSOLIDATED CASH FLOW STATEMENT

<i>th EUR</i>	9 m 2013	9 m 2012
Cash flow from operations		
Net profit (loss) before taxes	(414)	(78)
<i>Adjustments for:</i>		
Depreciation of fixed assets (Note 4; 5)	682	731
Loss on disposals of fixed assets (Note 4)	1	12
Interest expense	172	198
Operating profit (loss) before changes in operating capital	441	863
Change in operations-related receivables and prepayments (Note 1)	120	(545)
Change in inventories (Note 2)	54	(271)
Change in operations-related liabilities and prepayments	633	434
Cash generated from operations	1,248	481
Interest paid	(172)	(198)
Income tax	(1)	(13)
Total cash flow from operations	1,075	270
Cash flow from investments		
Acquisition of fixed assets (Note 4; 5)	(295)	(205)
Total cash flow from investments	(295)	(205)
Cash flow from financing activities		
Raise a loan (Note 6)	0	1
Repayment of loans (Note 6)	(773)	(68)
Settlement of finance lease liabilities (Note 6)	(23)	(25)
Total cash flow from financing activities	(796)	(92)
TOTAL CASH FLOW	(16)	(27)
Currency translation differences	23	0
CASH AT BEGINNING OF PERIOD	158	206
CASH AT END OF PERIOD	165	179



CONSOLIDATED STATEMENT OF CHANGES EQUITY

<i>th EUR</i>	Share capital	Share premium	Statutory capital reserve	Currency translation	Retained earnings	Total
Balance at 31.12.2011	2,699	364	288	(11)	4,353	7,693
Comprehensive income (loss) for 9 months 2012	0	0	0	0	(91)	(91)
Balance at 30.09.2012	2,699	364	288	(11)	4,262	7,602
Balance at 31.12.2012	2,699	364	288	(21)	4,152	7,482
Comprehensive income (loss) for 9 months 2013	0	0	0	23	(415)	(392)
Balance at 30.09.2013	2,699	364	288	2	3,737	7,090



NOTES TO THE CONSOLIDATED INTERIM REPORT

ACCOUNTING POLICIES AND MEASUREMENT BASES

The consolidated financial statements prepared for the period ended 30 September 2013 include the financial information of the Company and its subsidiaries (together referred to as the Group): Skano Fibreboard OÜ, Skano Furniture Factory OÜ, 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 3rd 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>	30.09.2013	31.12.2012	30.09.2012
Customer receivables	1,277	1,443	1,840
Prepaid taxes	349	279	344
Other receivables	15	23	9
Prepaid services	31	47	26
TOTAL	1,672	1,792	2,219

NOTE 2 INVENTORIES

<i>th EUR</i>	30.09.2013	31.12.2012	30.09.2012
Raw materials and other materials	953	1,012	927
Work-in-progress: production	564	570	613
Work-in-progress: real estate development	214	214	214
Finished goods	1,249	1,269	1,359
Goods purchased for resale	201	171	177
Goods in transit	27	45	129
Prepayments to suppliers	41	22	29
TOTAL	3,249	3,303	3,448



Work-in-progress: real estate development

At 30 September 2013, 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 (30.09.2012: 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 30.09.2012	469
Accumulated depreciation at 30.09.2012	(284)
Net book amount at 30.09.2012	185
Cost at 31.12.2012	469
Accumulated depreciation at 31.12.2012	(284)
Net book amount at 31.12.2012	185
Cost at 30.09.2013	469
Accumulated depreciation at 30.09.2013	(284)
Net book amount at 30.09.2013	185

Costs of maintenance for nine months of 2013 were 13 thousand euros and 5 thousand euros in the same period of 2012. Rental income from investment properties for nine months of 2013 were 12 thousand euros and 3 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>	30.09.2013	31.12.2012	30.09.2012
Land	226	226	226
Buildings and constructions	2,567	2,710	2,736
Machinery, plant and equipment	6,629	7,015	6,992
Other equipment and fixtures	23	24	24
Construction in progress	182	35	180
TOTAL	9,627	10,010	10,158

	<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 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 30.09.2012	19,383
Accumulated depreciation at 30.09.2012	(9,225)
Net book amount at 30.09.2012	10,158
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 9 months of 2013*	295
Write-off 9 months of 2013	(20)
Depreciation in 9 months of 2013	(677)
Write-off of accumulated amortization 9 months of 2013	19
Cost at 30.09.2013	19,675
Accumulated depreciation at 30.09.2013	(10,048)
Net book amount at 30.09.2013	9,627

*On the 30th of September the binding liabilities of acquiring the tangible assets are 7 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 9 months of 2012	(4)
Cost at 30.09.2012	94
Accumulated depreciation at 30.09.2012	(82)
Net book amount at 30.09.2012	12
Cost at 31.12.2012	90
Accumulated depreciation at 31.12.2012	(67)
Net book amount at 31.12.2012	23
Depreciation in 9 months of 2013	(5)
Cost at 30.09.2013	90
Accumulated depreciation at 30.09.2013	(72)
Net book amount at 30.09.2013	18

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



NOTE 6 DEBT OBLIGATIONS

<i>th EUR</i>	30.09.2013	31.12.2012	30.09.2012
Current liabilities	694	1,845	880
incl non-convertible debt	6	29	8
Non-current debt obligations	4,328	3,973	4,898
incl non-convertible debt	39	39	67
TOTAL	5,022	5,818	5,778

NOTE 7 PAYABLES AND PREPAYMENTS

<i>th EUR</i>	30.09.2013	31.12.2012	30.09.2012
Supplier payables	1,528	1,033	1,650
Payables to employees	383	301	357
Taxes payables	305	321	318
Other payables	216	141	136
Customer prepayments	125	127	128
TOTAL	2,557	1,923	2,579

NOTE 8 PROVISIONS

	<i>th EUR</i>
Balance at 31.12.2011	250
Incl current portion	11
non-current portion	239
Used during the 9 months 2012	(18)
Interest cost 9 months 2012	10
Balance at 30.09.2012	242
Incl current portion	3
non-current portion	239
Balance at 31.12.2012	248
Incl current portion	12
non-current portion	236
Used during the 9 months 2013	(19)
Increased during the 9 months 2013	9
Interest cost 9 months 2013	9
Balance at 30.09.2013	247
Incl current portion	3
non-current portion	244

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 30.09.2013	4,499,061	2,699
Balance 31.12.2012	4,499,061	2,699
Balance 30.09.2012	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 30.09.2013, the Group had 583 shareholders (30.09.2012: 620 shareholders) of which with more than 5% ownership interest were:

- Trigon Wood OÜ with 2,682,192 shares or 59.62% (30.09.2012: 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 87,000 shares (2012: 50,000 shares)
- Pekka Armas Soikkeli 0 shares (2012: 0 shares)
- Andres Kivistik 0 shares (2012: 0 shares)
- Martin Kalle 4,331 shares (2012: 0 shares)
- Gert Kuus 0 shares (2012: 0 shares)

NOTE 10 EARNINGS PER SHARE

<i>EUR</i>	30.09.2013	30.09.2012
Basic earnings per share	(0.09)	(0.02)
Diluted earnings per share	(0.09)	(0.02)
Book value of share	1.58	1.69
Price/earnings ratio (P/E)	(14.44)	(68.50)
Closing price of the share of Skano Group AS on Tallinn Stock Exchange at 30.09*	1.30	1.37

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 2013 $= (415,171) / 4,499,061 = (0.09)$ euros

Basic earnings per share for 9 months of 2012 $= (91,080) / 4,499,061 = (0.02)$ 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 2013 = 1.30/(0.09) = (14.44)

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

* 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.

Skano Group (SG) the holding company.

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		Skano Group		SEGMENTS TOTAL	
	9 m 2013	9 m 2012	9 m 2013	9 m 2012	9 m 2013	9 m 2012	9 m 2013	9 m 2012	9 m 2013	9 m 2012	9 m 2013	9 m 2012
Revenue from external customers	4,091	4,491	1,715	1,677	8,523	7,980	0	0	0	0	14,329	14,148
Inter-segment revenue	835	735	0	0	84	90	0	0	0	0	919	825
Operating profit/loss	278	455	32	61	(565)	(406)	13	9	0	0	(242)	119
Segment assets	3,540	4,025	680	661	10,765	11,560	(41)	(45)	(28)	0	14,916	16,201
Segment liabilities	2,485	1,076	195	209	4,512	7,314	0	0	634	0	7,826	8,599



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

<i>th EUR</i>	9 months 2013				9 months 2012			
	FF	FR	FB	TOTAL	FF	FR	FB	TOTAL
Finland	1,602	0	2,774	4,376	1,941	0	2,016	3,957
Russia	2,253	0	2,119	4,372	2,405	0	1,829	4,234
Estonia	56	793	1,317	2,166	30	653	1,311	1,994
Great Britain	31	0	796	827	0	0	1,101	1,101
Ukraina	0	422	100	522	0	534	87	621
Latvia	0	202	209	411	0	218	284	502
Lithuania	0	298	58	356	0	272	93	365
Sweden	0	0	352	352	0	0	397	397
Netherlands	0	0	305	305	0	0	433	433
Germany	0	0	131	131	0	0	89	89
Kazakhstan	127	0	0	127	76	0	0	76
Denmark	0	0	48	48	0	0	94	94
India	0	0	42	42	0	0	55	55
Czech	0	0	39	39	0	0	1	1
Japan	0	0	32	32	0	0	16	16
Greece	0	0	29	29	0	0	28	28
Belorussia	18	0	7	25	39	0	0	39
Taiwan	0	0	23	23	0	0	0	0
Portugal	0	0	22	22	0	0	8	8
Hungary	0	0	21	21	0	0	5	5
South-Africa	0	0	19	19	0	0	0	0
France	0	0	19	19	0	0	15	15
Brazil	0	0	11	11	0	0	9	9
Other countries	4	0	50	54	0	0	109	109
TOTAL	4,091	1,715	8,523	14,329	4,491	1,677	7,980	14,148

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>	9 m 2013	9 m 2012
Short-term benefits	182	182
Social security tax	60	60
TOTAL	242	242

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>	9 m 2013	9 m 2012
Purchased services	31	0
TOTAL	31	0

Balances with related parties:

<i>th EUR</i>	30.09.2013	30.09.2012
Services payables	12	0
TOTAL	12	0

