



1st QUARTER
INTERIM REPORT

2014

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End of the Interim Report Period:	31.03.2014
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End of the financial year:	31.12.2014
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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 FIRST QUARTER IN SHORT

Consolidated net sales of the first quarter of 2014 was 5.35 mil. euros, representing a 23% increase on the first quarter compared to the same period in 2013. At the same time, consolidated EBITDA amounted to 100 thousand euros (EBITDA -37 thousand euros in Q1 2013).

The sales in Skano Fibreboard OÜ Pärnu factory (incl. Isotex) was 2.2 mil. euros, increased as compared to the respective period last year by 22%, the operating loss of the first quarter was 54 thousand euros compared with the operating loss 135 thousand euros last year.

The turnover of Skano Fibreboard OÜ Püssi factory was 1.2 mil. euros, representing 100% increase in the first quarter compared to the same period in 2013. Operating loss amounted to 204 thousand euros compared with the operating loss 212 thousand euros last year.

Sales growth came from Finland and Asia 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 and higher production cost resulting from bigger energy consumption during winter season. On the first quarter we also conducted product testing and tuning of production process in both factories 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 increased in the first quarter by 2,4% and amounted to 1,7 mil. euros. The operating profit of the first quarter was 122 thousand euros as in 2013 the operating profit of the same period was 33 thousand euros. Sales in the first quarter of 2014 decreased in Finland by 11% as compared to 2013 but sales to the Baltics (through the subsidiary) and Russia 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 increased 11% as compared to the same period last year being 608 thousand euros, operating loss was 245 thousand euros compared with the sales 549 thousand and operating profit 59 thousand euros in the first quarter of 2013. Current year first quarter operating loss 245 thousand euros contains also loss from steep drop of currency exchange rate of hryvnia 256 thousand euros due to revaluation of intragroup loans as in separate subsidiary but which will be eliminated out on group level and will not affect Skano Group end result (profit from currency exchange rate 45 thousand euros in the same period of 2013). Retail sale increased in Estonia but decreased in Lithuania and Ukraine. Sales in Ukraine suffered due to instable political and economic situation. 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 first quarter in 2014 was 5.35 mil. euros (4.36 mil. euros in same period of 2013) representing a 23% increase compared to Q1 2013. The Group's gross margin in the first quarter of 2014 was 15.2% compared to 11.9% in the first quarter of 2013.



Consolidated operating loss amounted to 125 thousand euros (operating loss 266 thousand euros from main activities in same period 2013). The consolidated operating margin of net sales was -2.3% (-6% from main activities in Q1 2013).

Consolidated net loss amounted to 186 thousand euros (compared to net loss 322 thousand euros in Q1 2013), and the net margin was -3.5% (-7% in Q1 2013).

POSITION OF FINANCIAL STATEMENT

As of 31.03.2014 the total assets of Skano Group AS amounted to 15.0 mil. euros (31.03.2013: 15.5 mil. euros). The liabilities of the company accounted for 56.1% (31.03.2013: 53.8%) thereof, i.e. 8.4 mil. euros (31.03.2013: 8.3 mil. euros).

Receivables and prepayments have decreased by 0.5 mil. euros i.e. 23% decrease with 12 months. The reason of decrease of receivables was implementation of factoring instrument.

Inventories have remained at the same level compared to last year, amounting to 3.3 mil. euros on 31.03.2014. (31.03.2013: 3.3 mil. euros). Property, plant and intangibles decreased by 0.3 mil. euros mainly as a result of depreciation.

Short-term loans have increased by 0.5 mil. euros and amounted to 1.9 mil. euros in 31.03.2014 which was result of restructuring of loan payments (31.03.2013: 1.4 mil. euros). Supplier payables, tax liabilities, other payables, including payables to employees, and provisions amounted to 2.8 mil. euros (31.03.2013: 2.3 mil. euros).

Long-term loans have decreased by 0.9 mil euros and amounted to 3.4 mil. euros in 31.03.2014 (31.03.2013: 4.3 mil. euros). The decrease was due to principal payments mounted to 0.4 mil. euros and loan restructuring 0.5 mil. euros.

Current and non-current liabilities decreased by 0.1 mil. euros to 8.4 mil. euros (31.03.2013: 8.3 mil. euros).



DIVISIONAL REVIEW:

NET SALES BY BUSINESS SEGMENTS

	<i>th EUR</i>		<i>% of net sales</i>	
	Q1 2014	Q1 2013	Q1 2014	Q1 2013
Skano Fibreboard OÜ	3,388	2,462	63.4%	56.5%
Skano Furniture Factory OÜ	1,717	1,676	32.1%	38.4%
Skano Furniture OÜ retail	608	549	11.4%	12.6%
Elimination	(362)	(326)	(6.8%)	(7.5%)
TOTAL	5,351	4,361	100.0%	100.0%

NET SALES BY GEOGRAPHICAL SEGMENTS

	<i>th EUR</i>		<i>% of net sales</i>	
	Q1 2014	Q1 2013	Q1 2014	Q1 2013
Finland	2,181	1,242	40.8%	28.5%
Russia	1,275	1,230	23.8%	28.2%
Estonia	679	621	12.7%	14.2%
Great Britain	241	373	4.5%	8.6%
Sweden	176	96	3.3%	2.2%
Ukraine	165	185	3.1%	4.2%
Latvia	142	120	2.7%	2.8%
Taiwan	135	0	2.5%	0.0%
Netherlands	93	215	1.7%	4.9%
Lithuania	89	95	1.7%	2.2%
Australia	23	0	0.4%	0.0%
Japan	21	0	0.4%	0.0%
Other countries	131	184	2.4%	4.2%
TOTAL	5,351	4,361	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>	Q1 2014	Q1 2013
Skano Furniture factory	122	33
Skano Furniture retail	(245)	59
Skano Fibreboard	(258)	(347)
Elimination	256	(11)
TOTAL	(125)	(266)
Net financial costs	(61)	(55)
Income tax	0	(1)
NET PROFIT	(186)	(322)



SKANO FIBREBOARD

The net sales of Skano Fibreboard in the first quarter of 2014 amounted to 3.4 mil. euros and operating loss to 258 thousand euros. In the same period last year, the turnover of Skano Fibreboard totaled to 2.5 mil. euros and the operating loss from main activities 347 thousand euros. Due to a new distribution partner in Finland we have managed to increase sales considerably. Sales to Finland grew by 159%. 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. As production of fibreboard is very energy-intensive the production cost is higher compare to average production cost in winter season. Production cost differs between summer and winter season up to 20%.

The biggest drop in sales in the first quarter compare to last year took place in the Great Britain and the Netherlands, 38% and 57% respectively due to optimization of production portfolio for efficiency's sake.

NET SALES BY GEOGRAPHICAL SEGMENTS

	<i>th EUR</i>		<i>% of net sales</i>	
	Q1 2014	Q1 2013	Q1 2014	Q1 2013
Finland	1,639	632	48.4%	25.7%
Russia	437	472	12.9%	19.2%
Estonia	326	354	9.6%	14.4%
Great Britain	231	373	6.8%	15.2%
Sweden	176	96	5.2%	3.9%
Taiwan	135	0	4.0%	0.0%
Netherlands	93	215	2.7%	8.7%
Latvia	64	64	1.9%	2.6%
Ukraine	37	19	1.1%	0.8%
Australia	23	0	0.7%	0.0%
Japan	21	0	0.6%	0.0%
Other countries	141	162	4.2%	6.5%
Intragroup	65	75	1.9%	3.0%
TOTAL	3,388	2,462	100.0%	100.0%

<i>th EUR</i>	Net sales		Operating Profit	
	Q1 2014	Q1 2013	Q1 2014	Q1 2013
Pärnu Fibreborad factory	1,633	1,235	(25)	(193)
Püssi Fibreboard factory	1,197	591	(204)	(212)
Pärnu interior boards factory (Isotex)	493	561	(29)	58
Not allocated	65	75	0	0
TOTAL	3,388	2,462	(258)	(347)

The net sales of the Pärnu fibreboard factory and interior board's line increased 18% in the first quarter of 2014 compared to the same quarter of 2013 and amounted to 2.1 mil. euros. Due to higher energy consumption in winter season and higher sales cost in Finland, production testing and too fragmented production portfolio the production efficiency was very low in the first quarter.



The turnover of Püssi fibreboard factory amounted to 1.2 mil. euros growing 100% compared to the same quarter in 2013 and operating loss amounted to 204 thousand euros (turnover 591 thousand euros and operating loss 212 thousand euros in Q1 2013). Output of Püssi Fibreboard factory grew in the first quarter but the main challenge is still to secure Püssi Fibreboard factory with sufficient sales volumes and optimizing production portfolio.



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 10 stores in Tallinn (2), Tartu, Pärnu, Riga, Vilnius, Kiev (2), Kharkiv and Dnipropetrovs'k at the end of the first quarter in 2014.

RETAIL SALES BY COUNTRIES

	<i>th EUR</i>		<i>% of net sales</i>		<i>Number of stores</i>	
	Q1 2014	Q1 2013	Q1 2014	Q1 2013	31.03.14	31.03.13
Estonia	329	251	54.1%	45.8%	4	3
Latvia	78	56	12.8%	10.2%	1	1
Lithuania	73	76	12.0%	13.8%	1	1
Ukraine	128	166	21.1%	30.2%	4	4
TOTAL	608	549	100.0%	100.0%	10	9

The furniture retail sale amounted to 608 thousand euros in the first quarter of 2014 and operating loss 245 thousand euros (sales 549 thousand euros and operating profit 59 thousand euros in Q1 2013). Current year first quarter operating loss 245 thousand euros contains also loss from steep drop of currency exchange rate of hryvnia 256 thousand euros due to revaluation of intragroup loans as in separate subsidiary but which will be eliminated out on group level and will not affect Skano Group end result (on the contrary profit from currency exchange rate 45 thousand euros in the same period last year). Retail sale increased in Estonia and in Latvia, remained the same in Lithuania and decreased in Ukraine.

FURNITURE PRODUCTION

The net sales of the Skano Furniture Factory in the first quarter amounted to 1.7 mil. euros and operating profit to 122 thousand euros. In the same period last year, the turnover of the factory amounted to 1.7 mil. euros and the profit to 33 thousand euros. As compared to the previous year the turnover of the factory has increased 2.4% and the operating profit has increased by 89 thousand euros. Sales in the first quarter of 2014 increased to our subsidiary and to Russia. In the first quarter the sales decreased especially in Finland due to weak demand.

FURNITURE FACTORY SALES BY COUNTRIES

	<i>th EUR</i>		<i>% of net sales</i>	
	Q1 2014	Q1 2013	Q1 2014	Q1 2013
Russia	838	758	48.8%	45.2%
Finland	542	610	31.6%	36.4%
Kazakhstan	0	41	0.0%	2.4%
Estonia	24	16	1.4%	1.0%
Other countries	16	0	0.9%	0.0%
Subsidiaries	297	251	17.3%	15.0%
TOTAL	1,717	1,676	100.0%	100.0%



FORECAST AND DEVELOPMENT

SKANO FIBREBOARD. Sales of Skano Fibreboard in Q2 2014 will exceed sales of the same period last year. In Q2 2014 we hope to improve production efficiency and profitability. In addition to production portfolio the management's priority is to improve also energy efficiency in production process, where 2014 1H investment program is aimed to.

In spite of weak demand of foreign markets and economic situation in Europe we are moderately optimistic about sales growth in 2014. Sales growth is expected mostly from Finland, where the strategic agreement with a new distribution partner is starting to pay off.

SKANO FURNITURE RETAIL SALES. We expect retail sale in the second quarter of 2014 to decrease compare to the sale of the same period last year. We expect bigger negative impact to sales from Ukraine due to political and economic instability.

SKANO FURNITURE FACTORY. In the second quarter of 2014 we expect smaller sales of the furniture factory compared to the same period in 2013 because of the deteriorated economic situation in the near region and especially in Finland. Sales to new markets are not yet exceeding the lag from our main markets

INVESTMENTS

During the first quarter of 2014 investments into fixed assets amounted to a total of 100 thousand euros. In the same period of 2013 investments amounted to 113 thousand euros.

PEOPLE

On the 31st of March in 2014 Concern employed 351 people (354 people in the same time last year). The average number of personnel in three month of 2014 was 354 (2013: 356).

During first three month in 2014, wages and salaries amounted to 1.3 mil. euros (1.2 mil. euros in the same period of the last year).

Payments made to management and supervisory board members of all group companies with relevant taxes were as follows:

<i>th EUR</i>	3 m 2014	3 m 2013
Board member and other remuneration	34	73
Social tax and unemployment insurance premiums	11	25
TOTAL	45	98



FINANCIAL HIGHLIGHTS

<i>th EUR</i>	3 m 2014	3 m 2013	3 m 2012
Income statement			
Revenue	5,351	4,361	4,559
EBITDA	100	(37)	147
EBITDA margin	1.9%	(0.8%)	3.2%
Operating profit	(125)	(266)	(99)
Operating margin	(2.3%)	(6.1%)	(2.2%)
Net profit	(186)	(322)	(173)
Net margin	(3.5%)	(7.4%)	(3.8%)
Balance sheet (31.03)			
Total assets	14,980	15,511	16,337
Return on assets	(1.2%)	(2.1%)	(1.1%)
Equity	6,574	7,170	7,529
Return on equity	(2.8%)	(4.5%)	(2.3%)
Debt-to-equity ratio	56.1%	53.8%	53.9%
Share (31.03)			
Closing price	0.995	1.19	1.55
Earnings per share	(0.04)	(0.07)	0.04
Price-earnings ratio	(24.88)	(17.00)	(39.25)
Book value of a share	1.46	1.59	1.67
Market to book ratio	0.68	0.75	0.94
Market capitalization	4,477	5,354	7,064

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 2014, 1 months' EURIBOR was 0.237 and at 31 March 2013 0.117. 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, one in Tartu E-Kaubamaja 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 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 2013 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.

According to decision of the Supervisory Board on the 12th of December the Management Board of Skano Group AS continues with 2 members instead of 3, Martin Kalle as CEO and Gert Kuus the Board Member responsible for production and development.

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 2014 and 2013.



FINANCIAL STATEMENTS DECLARATION OF THE MANAGEMENT BOARD

The Management Board of Skano Group AS is prepared consolidated unaudited Interim Report for the 1st quarter of 2014, 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

Martin Kalle



Member of Management board

Gert Kuus



30th of May 2014



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<i>th EUR</i>	31.03.2014	31.12.2013	31.03.2013
Cash and bank	392	355	137
Receivables and prepayments (Note 1)	1,477	1,368	1,925
Inventories (Note 2)	3,301	2,974	3,347
Total current assets	5,170	4,697	5,409
Investment property (Note 3)	408	408	185
Tangible fixed assets (Note 4)	9,374	9,505	9,896
Intangible fixed assets (Note 5)	28	26	21
Total fixed assets	9,810	9,939	10,102
TOTAL ASSETS	14,980	14,636	15,511
Debt obligations (Note 6)	1,931	1,919	1,444
Payables and prepayments (Note 7)	2,822	2,255	2,324
Short-term provisions (Note 8)	10	14	9
Total current liabilities	4,763	4,188	3,777
Non-current debt obligations (Note 6)	3,413	3,413	4,328
Non-current provisions (Note 8)	230	230	236
Total non-current liabilities	3,643	3,643	4,564
Total liabilities	8,406	7,831	8,341
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	(37)	8	(11)
Retained profits	3,446	4,152	4,152
Net profit (loss) for the year (Note 10)	(186)	(706)	(322)
Total equity	6,574	6,805	7,170
TOTAL LIABILITIES AND EQUITY	14,980	14,636	15,511



CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

<i>th EUR</i>	1st Q 2014	1st Q 2013
RETURN ON SALES (Note 11)	5,351	4,361
Cost of production sold	(4,538)	(3,841)
Gross profit	813	520
Marketing expenses	(722)	(580)
General administrative expenses	(173)	(207)
Other income	27	42
Other expenses	(60)	(41)
Operating profit (loss) (Note 11)	(125)	(266)
Financial income and financial expenses	(61)	(55)
Profit (loss) before taxes	(186)	(321)
Prepaid income tax	0	(1)
NET PROFIT (LOSS) FOR THE PERIOD	(186)	(322)
Basic earnings per share (Note 10)	(0.04)	(0.07)
Diluted earnings per share (Note 10)	(0.04)	(0.07)
Other comprehensive income:		
Currency translation differences	(45)	10
TOTAL COMPREHENSIVE INCOME	(231)	(312)



CONSOLIDATED CASH FLOW STATEMENT

<i>th EUR</i>	1st Q 2014	1st Q 2013
Cash flow from operations		
Net profit (loss) before taxes	(186)	(321)
<i>Adjustments for:</i>		
Depreciation of fixed assets (Note 4; 5)	229	229
Interest expense	61	55
Operating profit (loss) before changes in operating capital	104	(37)
Change in operations-related receivables and prepayments (Note 1)	(109)	(133)
Change in inventories (Note 2)	(327)	(44)
Change in operations-related liabilities and prepayments	563	398
Cash generated from operations	231	184
Interest paid	(61)	(55)
Income tax	0	(1)
Total cash flow from operations	170	128
Cash flow from investments		
Acquisition of fixed assets (Note 4; 5)	(100)	(113)
Total cash flow from investments	(100)	(113)
Cash flow from financing activities		
Raise a loan (Note 6)	18	56
Repayment of loans (Note 6)	0	(94)
Settlement of finance lease liabilities (Note 6)	(6)	(8)
Total cash flow from financing activities	12	(46)
TOTAL CASH FLOW	82	(31)
Currency translation differences	(45)	10
CASH AT BEGINNING OF PERIOD	355	158
CASH AT END OF PERIOD	392	137



CONSOLIDATED STATEMENT OF CHANGES EQUITY

<i>th EUR</i>	Share capital	Share premium	Statutory capital reserve	Currency translation	Retained earnings	Total
Balance at 31.12.2012	2,699	364	288	(21)	4,152	7,482
Comprehensive income (loss) for 3 months 2013	0	0	0	10	(322)	(312)
Balance at 31.03.2013	2,699	364	288	(11)	3,830	7,170
Balance at 31.12.2013	2,699	364	288	8	3,446	6,805
Comprehensive income (loss) for 3 months 2014	0	0	0	(45)	(186)	(231)
Balance at 31.03.2014	2,699	364	288	(37)	3,260	6,574



NOTES TO THE CONSOLIDATED INTERIM REPORT

ACCOUNTING POLICIES AND MEASUREMENT BASES

The consolidated financial statements prepared for the period ended 31 March 2014 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 31.12.2013. 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 1st quarter of 2014 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>	31.03.2014	31.12.2013	31.03.2013
Customer receivables	1,032	956	1,577
Prepaid taxes	358	312	290
Other receivables	60	65	24
Prepaid services	27	35	34
TOTAL	1,477	1,368	1,925

NOTE 2 INVENTORIES

<i>th EUR</i>	31.03.2014	31.12.2013	31.03.2013
Raw materials and other materials	1,070	914	1,087
Work-in-progress: production	659	586	558
Work-in-progress: real estate development	0	0	214
Finished goods	1,385	1,231	1,187
Goods purchased for resale	193	196	195
Goods in transit	46	104	68
Prepayments to suppliers	34	29	38
Write-off reserve for inventories	(86)	(86)	0
TOTAL	3,301	2,974	3,347



NOTE 3 INVESTMENT PROPERTY

	<i>th EUR</i>
Cost at 31.12.2012	469
Accumulated depreciation at 31.12.2012	(284)
Net book amount at 31.12.2012	185
Cost at 31.03.2013	469
Accumulated depreciation at 31.03.2013	(284)
Net book amount at 31.03.2013	185
Cost at 31.12.2013	752
Accumulated depreciation at 31.12.2013	(344)
Net book amount at 31.12.2013	408
Cost at 31.03.2014	752
Accumulated depreciation at 31.03.2014	(344)
Net book amount at 31.03.2014	408

Costs of maintenance for three months of 2014 were 13 thousand euros and 5 thousand euros in the same period of 2013. Rental income from investment properties for three months of 2014 were 14 thousand euros and 3 thousand euros in the same period of 2013.

NOTE 4 TANGIBLE FIXED ASSETS

<i>th EUR</i>	31.03.2014	31.12.2013	31.03.2013
Land	226	226	226
Buildings and constructions	2,477	2,529	2,657
Machinery, plant and equipment	6,456	6,609	6,893
Other equipment and fixtures	23	25	27
Construction in progress	192	116	93
TOTAL	9,374	9,505	9,896

	<i>Th EUR</i>
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
Cost at 31.03.2013	19,497
Accumulated depreciation at 31.03.2013	(9,601)
Net book amount at 31.03.2013	9,896



Cost at 31.12.2013	19,762
Accumulated depreciation at 31.12.2013	(10,257)
Net book amount at 31.12.2013	9,505
Acquired in 3 months of 2014*	95
Write-off 3 months of 2014	(1)
Depreciation in 3 months of 2014	(226)
Write-off of accumulated amortization 3 months of 2014	1
Cost at 31.03.2014	19,856
Accumulated depreciation at 31.03.2014	(10,482)
Net book amount at 31.03.2014	9,374

*On the 31st of March the binding liabilities of acquiring the tangible assets are 40 thousand euros.

NOTE 5 INTANGIBLE FIXED ASSETS

	<i>th EUR</i>
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)
Cost at 31.03.2013	90
Accumulated depreciation at 31.03.2013	(69)
Net book amount at 31.03.2013	21
Cost at 31.12.2013	100
Accumulated depreciation at 31.12.2013	(74)
Net book amount at 31.12.2013	26
Acquired in 3 months of 2014	5
Depreciation in 3 months of 2014	(3)
Cost at 31.03.2014	105
Accumulated depreciation at 31.03.2014	(77)
Net book amount at 31.03.2014	28

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



NOTE 6 DEBT OBLIGATIONS

<i>th EUR</i>	31.03.2014	31.12.2013	31.03.2013
Current liabilities	1,931	1,919	1,444
incl non-convertible debt	18	24	21
Non-current debt obligations	3,413	3,413	4,328
incl non-convertible debt	15	15	39
TOTAL	5,344	5,332	5,772

NOTE 7 PAYABLES AND PREPAYMENTS

<i>th EUR</i>	31.03.2014	31.12.2013	31.03.2013
Supplier payables	1,680	942	1,302
Payables to employees	473	312	372
Taxes payables	345	345	297
Other payables	98	159	164
Customer prepayments	226	497	189
TOTAL	2,822	2,255	2,324

NOTE 8 PROVISIONS

	<i>th EUR</i>
Balance at 31.12.2012	248
Incl current portion	12
non-current portion	236
Used during the 3 months 2013	(6)
Interest cost 3 months 2013	3
Balance at 31.03.2013	245
Incl current portion	9
non-current portion	236
Balance at 31.12.2013	244
Incl current portion	14
non-current portion	230
Used during the 3 months 2014	(7)
Interest cost 3 months 2014	3
Balance at 31.03.2014	240
Incl current portion	10
non-current portion	230



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 31.03.2014	4,499,061	2,699
Balance 31.12.2013	4,499,061	2,699
Balance 31.03.2013	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 31.03.2014, the Group had 556 shareholders (31.03.2013: 623 shareholders) of which with more than 5% ownership interest were:

- Trigon Wood OÜ with 2,682,192 shares or 59.62% (31.03.2013: 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 (2013: 0 shares)
- Joakim Johan Helenius 20,000 shares (2013: 20,000 shares)
- Heiti Riisberg 87,000 shares (2013: 50,000 shares)
- Pekka Armas Soikkeli 0 shares (2013: 0 shares)
- Martin Kalle 4,331 shares (2013: 0 shares)
- Gert Kuus 0 shares (2013: 0 shares)

NOTE 10 EARNINGS PER SHARE

<i>EUR</i>	31.03.2014	31.03.2013
Basic earnings per share	(0.04)	(0.07)
Diluted earnings per share	(0.04)	(0.07)
Book value of share	1.46	1.59
Price/earnings ratio (P/E)	(24.88)	(17.00)
Closing price of the share of Skano Group AS on Tallinn Stock Exchange at 31.03*	0.995	1.19

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 2014 = (185,671) / 4,499,061 = (0.04) euros

Basic earnings per share for 3 months of 2013 = (321,740) / 4,499,061 = (0.07) 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 2014 = 0.995/(0.04) = (24.88)

Price/earnings ratio (P/E) for 3 months of 2013 = 1.19/(0.07) = (17.00)

* 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	
	1 st Q 2014	1 st Q 2013	1 st Q 2014	1 st Q 2013	1 st Q 2014	1 st Q 2013	1 st Q 2014	1 st Q 2013	1 st Q 2014	1 st Q 2013	1 st Q 2014	1 st Q 2013
Revenue from external customers	1,420	1,425	608	549	3,323	2,387	0	0	0	0	5,351	4,361
Inter-segment revenue	297	251	0	0	65	75	0	0	25	0	387	326
Operating profit/loss	122	33	(245)	59	(258)	(347)	259	(11)	(3)	0	(125)	(266)
Segment assets	3,733	3,845	658	645	10,810	11,064	(33)	(43)	(188)	0	14,980	15,511
Segment liabilities	2,564	1,049	245	265	4,723	7,027	0	0	874	0	8,406	8,341



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

<i>th EUR</i>	1 st QUARTER 2014				1 st QUARTER 2013			
	FF	FR	FB	TOTAL	FF	FR	FB	TOTAL
Finland	542	0	1,639	2,181	610	0	632	1,242
Russia	838	0	437	1,275	758	0	472	1,230
Estonia	24	329	326	679	16	251	354	621
Great Britain	10	0	231	241	0	0	373	373
Sweden	0	0	176	176	0	0	96	96
Ukraina	0	128	37	165	0	166	19	185
Latvia	0	78	64	142	0	56	64	120
Taiwan	0	0	135	135	0	0	0	0
Netherlands	0	0	93	93	0	0	215	215
Lithuania	0	73	16	89	0	76	19	95
Australia	0	0	23	23	0	0	5	5
Japan	0	0	21	21	0	0	0	0
France	0	0	20	20	0	0	9	9
Kuwait	0	0	19	19	0	0	0	0
Malaysia	0	0	17	17	0	0	0	0
Hungary	0	0	11	11	0	0	7	7
Other countries	6	0	58	64	41	0	122	163
TOTAL	1,420	608	3,323	5,351	1,425	549	2,387	4,361

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 st Q 2014	1 st Q 2013
Short-term benefits	34	73
Social security tax	11	25
TOTAL	45	98



Including others, the members of the Management Board of Skano Group AS will receive severance pay amounting from 1 to 3-month remuneration according to the contracts.

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

<i>th EUR</i>	1 st Q 2014	1 st Q 2013
Purchased services	9	21
TOTAL	9	21

Balances with related parties:

<i>th EUR</i>	31.03.2014	31.03.2013
Services payables	16	19
TOTAL	16	19

NOTE 13 EVENTS AFTER THE REPORTING PERIOD

After the reporting period, the conditions of the loan agreement were changed in respect of the interest rate and of the repayment schedule as a consequence of which the rate of interest rises to 0,8% and short-term borrowings will be partially reclassified as long-term borrowings, as at 17 April 2014.

