



1st QUARTER
INTERIM REPORT

2015

Beginning of the Interim Report Period:	1.1.2015
End of the Interim Report Period:	31.03.2015
Beginning of the financial year:	1.1.2015
End of the financial year:	31.12.2015
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Auditor:	AS PricewaterhouseCoopers

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, which in turn own subsidiaries Suomen Tuulileijona OY and 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. Suomen Tuulileijona OY is the distributor of Skano's fibreboard products in Finland.

Skano Furniture Factory OÜ owns a furniture factory in Pärnu producing original, premium 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 2015 was 5.1 mil. euros, representing a 5% decrease on the first quarter compared to the same period in 2014. At the same time, consolidated EBITDA amounted to 253 thousand euros (EBITDA 100 thousand euros in Q1 2014).

The sale in Skano Fibreboard OÜ Pärnu factory (incl. Isotex) was 1.8 mil. euros, decreased as compared to the respective period last year by 15%, the operating profit of the first quarter was 114 thousand euros compared with the operating loss 54 thousand euros last year.

The turnover of Skano Fibreboard OÜ Püssi factory was 1.6 mil. euros, representing 32% increase in the first quarter compared to the same period in 2014. Operating loss amounted to 9 thousand euros compared with the operating loss 204 thousand euros last year.

Sales mainly increased due to sales to new markets. As our main foreign markets Russia and Finland are still very weak due to the general economic situation we have been continuously expanding the list of our target markets and made significant efforts in product development. Remarkable sale to SAR in Q1 was a good sample of entering into new markets. In 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.

Sales of Suomen Tuulileijona OY in Q1 2015 were at the same level compared to last year, which amounted to 1,6 mil. euros. Suomen Tuulileijona OY is the wholesaler of Skano fibreboard products in Finland, which was acquired in July 2015. In Q1 2014 sale of Suomen Tuulileijona OY was not consolidated yet and was recorded under Skano Fibreboard OÜ sales.

The turnover of Skano Furniture Factory OÜ in Pärnu decreased in the first quarter by 23% and amounted to 1.3 mil. euros. The operating loss of the first quarter was 89 thousand euros as in 2014 the operating profit of the same period was 122 thousand euros. Profitability was impacted by low sales volumes. In the first quarter of 2015 sales to Russia decreased heavily due to very weak demand by 52% as compared to 2014, also sales to Finland decreased 20%. Sales grew in the Baltics and new markets. In addition to seeking new sales possibilities in the current markets the company has made considerable effort to enter into totally new markets like UK and France. Today sale in new markets is not covering the gap from our main markets.

The turnover of Skano Furniture OÜ retail chain increased 7% as compared to the same period last year being 653 thousand euros, operating loss was 240 thousand euros compared with the sales 608 thousand and operating loss 245 thousand euros in the first quarter of 2014. 2015 first quarter operating loss contains also a loss from a drop of currency exchange rate of hryvnia 268 thousand euros. Skano Furniture OÜ exchange rate loss amounting to 228 thousand euros is non-monetary and will be eliminated from the consolidated results as they are intragroup transactions against another group company (realized loss from currency exchange rate 256 thousand euros in the same period of 2014).

Retail sale increased everywhere in the Baltics but decreased in Ukraine due to the conflict. 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 2015 was 5.1 mil. euros (5.4 mil. euros in same period of 2014) representing a 5% decrease compared to Q1 2014. The Group's gross margin in the first quarter of 2015 was 23% compared to 15% in the first quarter of 2014. Consolidated operating profit amounted to 36 thousand euros (operating loss 125 thousand euros from main activities in same period 2014). The consolidated operating margin of net sales was 0.7% (-2.3% from main activities in Q1 2014).

Consolidated net loss amounted to 39 thousand euros (compared to net loss 186 thousand euros in Q1 2014), and the net margin was -0.8% (-3.5% in Q1 2014).

POSITION OF FINANCIAL STATEMENT

As of 31.03.2015 the total assets of Skano Group AS amounted to 15.0 mil. euros (31.03.2014: 15.0 mil. euros). The liabilities of the company accounted for 65% (31.03.2014: 56%) thereof, i.e. 9.8 mil. euros (31.03.2014: 8.4 mil. euros).

Receivables and prepayments have increased by 0.8 mil. euros i.e. 56% decrease within 12 months due to new receivables of Suomen Tuulileijona OY recently acquired.

Inventories have been at the same level with 12 months, amounting to 3.3 mil. euros on 31.03.2015. (31.03.2014: 3.3 mil. euros). Property, plant and intangibles decreased by 1.2 mil. euros mainly due to one-off write-down of Püssi factory assets by 0.9 mil. euros.

Short-term loans have increased by 0.9 mil. euros and amounted to 2.8 mil. euros in 31.03.2015 which was result of increase of factoring liabilities of Suomen Tuulileijona OY recently acquired and usage of bank overdraft (31.03.2014: 1.9 mil. euros). Supplier payables, tax liabilities, other payables, including payables to employees, and provisions amounted to 3.2 mil. euros (31.03.2014: 2.8 mil. euros).

Long-term loans have decreased by 0.2 mil euros and amounted to 3.6 mil. euros in 31.03.2015 (31.03.2014: 3.4 mil. euros). The increase was caused by restructuring of the loan between short- and long-term payment schedule.

Current and non-current liabilities have increased by 1.4 mil. euros to 9.8 mil. euros (31.03.2014: 8.4 mil. euros).



DIVISIONAL REVIEW:

NET SALES BY BUSINESS SEGMENTS

	<i>th EUR</i>		<i>% of net sales</i>	
	Q1 2015	Q1 2014	Q1 2015	Q1 2014
Skano Fibreboard OÜ	3,445	3,388	67.8%	63.3%
Skano Furniture Factory OÜ	1,325	1,717	25.9%	32.1%
Skano Furniture OÜ retail	653	608	12.8%	11.4%
Suomen Tuulileijona OY	1,604	0	31.4%	0.0%
Elimination	(1,919)	(362)	(37.6%)	(6.8%)
TOTAL	5,108	5,351	100.0%	100.0%

NET SALES BY GEOGRAPHICAL SEGMENTS

	<i>th EUR</i>		<i>% of net sales</i>	
	Q1 2015	Q1 2014	Q1 2015	Q1 2014
Finland	2,076	2,181	40.6%	40.8%
Estonia	792	679	15.5%	12.7%
Russia	773	1,275	15.1%	23.8%
SAR	360	9	7.0%	0.2%
Great Britain	206	241	4.0%	4.5%
Sweden	199	176	3.9%	3.3%
Latvia	181	142	3.5%	2.7%
Lithuania	101	89	2.0%	1.7%
Ukraine	86	165	1.7%	3.1%
Kazakhstan	82	0	1.6%	0.0%
Denmark	56	6	1.1%	0.1%
France	54	20	1.1%	0.4%
Other countries	142	368	2.9%	6.7%
TOTAL	5,108	5,351	100.0%	100.0%

Regarding the markets, turnover has increased in Estonia, Latvia, Lithuania and SAR. The turnover has decreased most in Russia and Ukraine.

PROFIT BY BUSINESS SEGMENTS

<i>th EUR</i>	Q1 2015	Q1 2014
Skano Furniture factory	(89)	122
Skano Furniture retail	(240)	(245)
Skano Fibreboard	105	(258)
Suomen Tuulileijona OY	41	0
Elimination	219	256
TOTAL	36	(125)
Net financial costs	(72)	(61)
Income tax	(3)	0
NET PROFIT	(39)	(186)



SKANO FIBREBOARD

The net sales of Skano Fibreboard in the first quarter of 2015 amounted to 3.4 mil. euros and operating profit to 105 thousand euros. In the same period last year, the turnover of Skano Fibreboard totaled also to 3.4 mil. euros and the operating loss from main activities 258 thousand euros.

The increase in sales in the first quarter compare to last year took place in Estonia and SAR, but declined in Russia, Taiwan and Netherlands.

NET SALES BY GEOGRAPHICAL SEGMENTS

	<i>th EUR</i>		<i>% of net sales</i>	
	Q1 2015	Q1 2014	Q1 2015	Q1 2014
Finland (incl. to Suomen Tuulileijona OY)	1,612	1,639	46.8%	48.4%
Estonia	415	326	12.0%	9.6%
Russia	368	437	10.7%	12.9%
SAR	360	9	10.4%	0.3%
Great Britain	199	231	5.8%	6.8%
Sweden	199	176	5.8%	5.2%
Latvia	57	64	1.7%	1.9%
Denmark	56	6	1.6%	0.2%
Germany	38	8	1.1%	0.2%
UAE	36	9	1.0%	0.3%
Other countries	105	483	3.1%	14.2%
TOTAL	3,445	3,388	100.0%	100.0%

<i>th EUR</i>	Net sales		Operating Profit	
	Q1 2015	Q1 2014	Q1 2015	Q1 2014
Pärnu Fibreborad factory	1,389	1,633	100	(15)
Püssi Fibreboard factory	1,577	1,197	(9)	(204)
Pärnu interior boards factory (Isotex)	424	493	14	(39)
Not allocated	55	65	0	0
TOTAL	3,445	3,388	105	(258)

The net sales of the Pärnu fibreboard factory and interior board's line decreased 15% in the first quarter of 2015 compared to the same quarter of 2014 and amounted to 1.8 mil. euros.

The turnover of Püssi fibreboard factory amounted to 1.6 mil. euros growing 32% compared to the same quarter in 2014 (turnover 1.2 mil. euros in Q1 2014). 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 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 10 stores in Tallinn (2), Tartu, Pärnu, Riga, Vilnius, Kiev (2), Kharkiv and Dnipropetrovs'k at the end of the first quarter in 2015.

RETAIL SALES BY COUNTRIES

	<i>th EUR</i>		<i>% of net sales</i>		<i>Number of stores</i>	
	Q1 2015	Q1 2014	Q1 2015	Q1 2014	31.03.15	31.03.14
Estonia	369	329	56.5%	54.1%	4	4
Latvia	124	78	19.0%	12.8%	1	1
Lithuania	84	73	12.9%	12.0%	1	1
Ukraine	76	128	11.6%	21.1%	4	4
TOTAL	653	608	100.0%	100.0%	10	10

Retail sale amounted to 653 thousand euros in the first quarter of 2015 and operating loss 240 thousand euros (sales 608 thousand euros and operating loss 245 thousand euros in Q1 2014). Current year first quarter operating loss 240 thousand euros contains also loss from drop of currency exchange rate of hryvnia 268 thousand euros. Skano Furniture OÜ exchange rate loss amounting to 228 thousand euros are eliminated from the consolidated results as they are intragroup transactions against another group company (realized loss from currency exchange rate 256 thousand euros in the same period of 2014).

FURNITURE PRODUCTION

The net sales of the Skano Furniture Factory in the first quarter amounted to 1.3 mil. euros and operating loss to 89 thousand euros. In the same period last year, the turnover of the factory amounted to 1.7 mil. euros and the profit to 122 thousand euros. As compared to the previous year the turnover of the factory has decreased 23%. In the first quarter the sales decreased in Russia by 52% and in Finland by 20% due to colder economic and political environment and weaker demand for durable goods.

FURNITURE FACTORY SALES BY COUNTRIES

	<i>th EUR</i>		<i>% of net sales</i>	
	Q1 2015	Q1 2014	Q1 2015	Q1 2014
Russia	433	542	32.7%	31.6%
Finland	405	838	30.6%	48.8%
Other countries	146	40	11.0%	2.3%
Subsidiaries	341	297	25.7%	17.3%
TOTAL	1,325	1,717	100.0%	100.0%



FORECAST AND DEVELOPMENT

SKANO FIBREBOARD. We expect sales of Skano Fibreboard in Q2 2015 to be lower compared to sales of the same period last year. The main reason behind sale's decline is planned regular stoppage in the second quarter in both factories. Also the technical maintenance break in Püssi due to the fire of heat exchanger to restart the factory was slightly longer than expected.

Continuously weak economic situation in our core markets will impact our sales in Finland and Russia. On the other hand we see already better results in efficiency even with lower production volumes compared to last year as a result of the recent production improvement plan.

The management's priority is to secure the factories with sufficient sales volumes and to improve energy efficiency in the production process, where 2015 investment and improvement program is aimed. Although we have achieved in 2014 significant progress in the production cost compared to prior year, we expect also higher production efficiency in 2015 compared to 2014. Further progress in production efficiency is achieved primarily due to lower energy consumption and technological improvements as a result of which amount of poor quality products and production outage would decrease.

SKANO FURNITURE RETAIL SALES. We expect total retail sale in Q2 2015 to remain at the same level compared to sales of the same period last year. We expect sale increase in the Baltics but decrease in Ukraine due to political and economic instability.

SKANO FURNITURE FACTORY. In the second quarter of 2015 we expect remarkably smaller sales of the furniture factory compared to the same period in 2014 because of the deteriorated economic situation in the near regions. In Finland sales are down due to general weak economic conditions, in Russia due to weak currency, predictable broad-based economic downturn and low consumer confidence.

Sales to new markets in Q2 2015 are not covering the lag from our main markets. In 2015 our goal is to compensate with sales in new markets partly the gap from our main markets in Russia and Finland. In addition to seeking sales possibilities in new markets, we are refreshing our existing furniture series, developing new furniture series and alternative sales channels. By the current moment in the second quarter we have launched a new modern furniture range called Trevik plus other new ranges are expected to come out soon.



INVESTMENTS

During the three months of 2015 investments into fixed assets amounted to a total of 139 thousand euros. In the same period of 2014 investments amounted to 100 thousand euros.

PEOPLE

On the 31st of March in 2015 Concern employed 332 people (351 people in the same time last year). The average number of personnel in three months of 2015 was 337 (2014: 354).

During three months in 2015, wages and salaries with taxes amounted to 1.3 mil. euros (1.3 mil. euros in the same period of the last year).

Payments made to management and supervisory board members of all group companies (incl. all subsidiaries) with relevant taxes were as follows:

<i>th EUR</i>	3 m 2015	3 m 2014
Board member and other remuneration	59	34
Social tax and unemployment insurance premiums	20	11
TOTAL	79	45



FINANCIAL HIGHLIGHTS

<i>th EUR</i>	3 m 2015	3 m 2014	3 m 2013
Income statement			
Revenue	5,108	5,351	4,361
EBITDA	253	100	(37)
EBITDA margin	5.0%	1.9%	(0.8%)
Operating profit	36	(125)	(266)
Operating margin	0.7%	(2.3%)	(6.1%)
Net profit	(39)	(186)	(322)
Net margin	(0.8%)	(3.5%)	(7.4%)
Balance sheet (31.03)			
Total assets	14,989	14,980	15,511
Return on assets	(0.3%)	(1.2%)	(2.1%)
Equity	5,212	6,574	7,174
Return on equity	(0.7%)	(2.8%)	(4.5%)
Debt-to-equity ratio	65.2%	56.1%	53.8%
Share (31.03)			
Closing price	0.845	0.995	1,190
Earnings per share	(0.01)	(0.04)	(0.07)
Price-earnings ratio	(84.50)	(24.88)	(17.00)
Book value of a share	1.16	1.46	1.59
Market to book ratio	0.73	0.68	0.75
Market capitalization	3,802	4,477	5,354

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 2015, 1 months' EURIBOR was (0.015) and at 31 March 2014 0.237. 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. Due to recent process of Europe's economy and the conflict in Ukraine 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

Country of location	Skano Fibreboard OÜ	Skano Furniture Factory OÜ	Skano Furniture OÜ	OÜ Isotex	Suomen Tuulileijona OY	SIA Skano	UAB Skano LT	TOV Skano Ukraine
	Estonia	Estonia	Estonia	Estonia	Finland	Latvia	Lithuania	Ukraine
Number of shares at 31.03.2014	1	1	1	1	-	1	100	1
Ownership at 31.03.2014 (%)	100	100	100	100	-	100	100	100
Number of shares at 31.03.2015	1	1	1	1	1	1	100	1
Ownership at 31.03.2015 (%)	100	100	100	100	100	100	100	100

Skano Group AS is a holding company which owns directly two subsidiary Skano Fibreboard OÜ and Skano Furniture Factory OÜ. Skano Fibreboard OÜ produces and distributes fibre-boards for insulation and soundproofing. Skano Fibreboard OÜ subsidiary Suomen Tuulileijona OY is the distributor of Skano's fibreboard products in Finland. Skano Furniture Factory OÜ is producing home furniture and its subsidiary Skano Furniture OÜ is engaged with the retail trade of furniture in Estonia. The company owns four 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.

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.

Skano Fibreboard OÜ acquired 100% of Suomen Tuulileijona OY in July 2015 that was our distribution partner in Finland for fibreboard products.



FINANCIAL STATEMENTS DECLARATION OF THE MANAGEMENT BOARD

The Management Board of Skano Group AS confirms that the prepared consolidated unaudited Interim Report for the 1st quarter of 2015, which is presented on pages 4 to 26, has 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

Member of Management board

Gregory Devine Grace

Member of Management board

Heiti Riisberg

29th of May 2015



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<i>th EUR</i>	31.03.2015	31.12.2014	31.03.2014
Cash and bank	691	432	392
Receivables and prepayments (Note 1)	2,326	1,232	1,477
Inventories (Note 2)	3,347	2,962	3,301
Total current assets	6,364	4,626	5,170
Investment property (Note 3)	407	407	408
Tangible fixed assets (Note 4)	8,189	8,267	9,374
Intangible fixed assets (Note 5)	29	29	28
Total fixed assets	8,625	8,703	9,810
<u>TOTAL ASSETS</u>	<u>14,989</u>	<u>13,329</u>	<u>14,980</u>
Debt obligations (Note 6)	2,795	2,030	1,931
Payables and prepayments (Note 7)	3,185	2,198	2,822
Short-term provisions (Note 8)	11	15	10
Total current liabilities	5,991	4,243	4,763
Non-current debt obligations (Note 6)	3,563	3,563	3,413
Non-current provisions (Note 8)	223	223	230
Total non-current liabilities	3,786	3,786	3,643
Total liabilities	9,777	8,029	8,406
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	(65)	(16)	(37)
Retained profits	1,965	3,446	3,446
Net profit (loss) for the year (Note 10)	(39)	(1,481)	(186)
Total equity	5,212	5,300	6,574
<u>TOTAL LIABILITIES AND EQUITY</u>	<u>14,989</u>	<u>13,329</u>	<u>14,980</u>



CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

<i>th EUR</i>	1st Q 2015	1st Q 2014
RETURN ON SALES (Note 11)	5,108	5,351
Cost of production sold	(3,922)	(4,538)
Gross profit	1,186	813
Marketing expenses	(833)	(722)
General administrative expenses	(174)	(173)
Other income	65	27
Other expenses	(208)	(60)
Operating profit (loss) (Note 11)	36	(125)
Financial income and financial expenses	(72)	(61)
Profit (loss) before taxes	(36)	(186)
Prepaid income tax	(3)	0
NET PROFIT (LOSS) FOR THE PERIOD	(39)	(186)
Basic earnings per share (Note 10)	(0.01)	(0.04)
Diluted earnings per share (Note 10)	(0.01)	(0.04)
Other comprehensive income:		
Currency translation differences	(49)	(45)
TOTAL COMPREHENSIVE INCOME	(88)	(231)



CONSOLIDATED CASH FLOW STATEMENT

<i>th EUR</i>	1st Q 2015	1st Q 2014
Cash flow from operations		
Net profit (loss) before taxes	(36)	(186)
<i>Adjustments for:</i>		
Depreciation of fixed assets (Note 4; 5)	217	229
Interest expense	71	61
Operating profit (loss) before changes in operating capital	252	104
Change in operations-related receivables and prepayments (Note 1)	(1,094)	(109)
Change in inventories (Note 2)	(385)	(327)
Change in operations-related liabilities and prepayments	983	563
Cash generated from operations	(244)	231
Interest paid	(71)	(61)
Income tax	(3)	0
Total cash flow from operations	(318)	170
Cash flow from investments		
Acquisition of fixed assets (Note 4; 5)	(139)	(100)
Total cash flow from investments	(139)	(100)
Cash flow from financing activities		
Raise a loan (Note 6)	771	18
Settlement of finance lease liabilities (Note 6)	(6)	(6)
Total cash flow from financing activities	765	12
TOTAL CASH FLOW	308	82
Currency translation differences	(49)	(45)
CASH AT BEGINNING OF PERIOD	432	355
CASH AT END OF PERIOD	691	392



CONSOLIDATED STATEMENT OF CHANGES EQUITY

<i>th EUR</i>	Share capital	Share premium	Statutory capital reserve	Currency translation	Retained earnings	Total
Balance at 31.12.2013	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
Balance at 31.12.2014	2,699	364	288	(16)	1,965	5,300
Comprehensive income (loss) for 3 months 2015	0	0	0	(49)	(39)	(88)
Balance at 31.03.2015	2,699	364	288	(65)	1,926	5,212



NOTES TO THE CONSOLIDATED INTERIM REPORT

ACCOUNTING POLICIES AND MEASUREMENT BASES

The consolidated financial statements prepared for the period ended 31 March 2015 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, Suomen Tuulileijona OY, 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 31.12.2014. 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 2015 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>	31.03.2015	31.12.2014	31.03.2014
Customer receivables	1,929	897	1,032
Prepaid taxes	331	250	358
Other receivables	44	59	60
Prepaid services	22	26	27
TOTAL	2,326	1,232	1,477

NOTE 2 INVENTORIES

<i>th EUR</i>	31.03.2015	31.12.2014	31.03.2014
Raw materials and other materials	718	645	1,070
Work-in-progress: production	503	495	659
Finished goods	1,905	1,495	1,385
Goods purchased for resale	196	192	193
Goods in transit	137	232	46
Prepayments to suppliers	30	39	34
Write-off reserve for inventories	(142)	(136)	(86)
TOTAL	3,347	2,962	3,301



NOTE 3 INVESTMENT PROPERTY

	<i>th EUR</i>
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
Cost at 31.12.2014	693
Accumulated depreciation at 31.12.2014	(286)
Net book amount at 31.12.2014	407
Cost at 31.03.2015	693
Accumulated depreciation at 31.03.2015	(286)
Net book amount at 31.03.2015	407

Costs of maintenance for three months of 2015 were 11 thousand euros and 13 thousand euros in the same period of 2014. Rental income from investment properties for three months of 2015 were 14 thousand euros and 14 thousand euros in the same period of 2014.

NOTE 4 TANGIBLE FIXED ASSETS

<i>th EUR</i>	31.03.2015	31.12.2014	31.03.2014
Land	226	226	226
Buildings and constructions	2,204	2,256	2,477
Machinery, plant and equipment	5,619	5,473	6,456
Other equipment and fixtures	26	29	23
Construction in progress	114	283	192
TOTAL	8,189	8,267	9,374

	<i>Th EUR</i>
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



Cost at 31.12.2014	19,363
Accumulated depreciation at 31.12.2014	(11,096)
Net book amount at 31.12.2014	8,267
Acquired in 3 months of 2015*	136
Depreciation in 3 months of 2015	(214)
Cost at 31.03.2015	19,499
Accumulated depreciation at 31.03.2015	(11,310)
Net book amount at 31.03.2015	8,189

*On the 31st of March the binding liabilities of acquiring the tangible assets are 16 thousand euros.

NOTE 5 INTANGIBLE FIXED ASSETS

	<i>th EUR</i>
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
Cost at 31.12.2014	113
Accumulated depreciation at 31.12.2014	(84)
Net book amount at 31.12.2014	29
Acquired in 3 months of 2015	3
Depreciation in 3 months of 2015	(3)
Cost at 31.03.2015	116
Accumulated depreciation at 31.03.2015	(87)
Net book amount at 31.03.2015	29

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

NOTE 6 DEBT OBLIGATIONS

<i>th EUR</i>	31.03.2015	31.12.2014	31.03.2014
Current liabilities	2,795	2,030	1,931
incl non-convertible debt	8	15	18
Non-current debt obligations	3,563	3,563	3,413
incl non-convertible debt	0	0	15
TOTAL	6,358	5,593	5,344



NOTE 7 PAYABLES AND PREPAYMENTS

<i>th EUR</i>	31.03.2015	31.12.2014	31.03.2014
Supplier payables	1,527	1,092	1,680
Payables to employees	435	317	473
Taxes payables	633	415	345
Other payables	318	134	98
Customer prepayments	272	240	226
TOTAL	3,185	2,198	2,822

NOTE 8 PROVISIONS

	<i>th EUR</i>
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
Balance at 31.12.2014	238
Incl current portion	15
non-current portion	223
Used during the 3 months 2015	(7)
Interest cost 3 months 2015	3
Balance at 31.03.2015	234
Incl current portion	11
non-current portion	223

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 31.03.2015	4,499,061	2,699
Balance 31.12.2014	4,499,061	2,699
Balance 31.03.2014	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 513 shareholders (31.03.2014: 556 shareholders) of which with more than 5% ownership interest were:

- Trigon Wood OÜ with 2,682,192 shares or 59.62% (31.03.2014: 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 (2014: 0 shares)
- Joakim Johan Helenius 20,000 shares (2014: 20,000 shares)
- Pekka Armas Soikkeli 0 shares (2014: 0 shares)
- Martin Kalle 4,331 shares (2014: 4,331 shares)
- Gert Kuus 0 shares (2014: 0 shares)
- Gregory Devine Grace 0 shares (2014: 0 shares)
- Heiti Riisberg 87,000 shares (2014: 87,000 shares)

The Extraordinary General Meeting (EGM) of shareholders of Skano Group AS on the 6th of January 2015 was decided to remove Heiti Riisberg from the position of a member of the supervisory board since the making of a decision of the general meeting connection with submission of a request of resignation. Heiti Riisberg was elected to the position of Management Board member from 19.02.2015.

All the members of the management board of Skano Group AS signed share option agreements according to the conditions approved at the EGM 06.01.2015 with total amount 450,000 share options.

NOTE 10 EARNINGS PER SHARE

<i>EUR</i>	31.03.2015	31.03.2014
Basic earnings per share	(0.01)	(0.04)
Diluted earnings per share	(0.01)	(0.04)
Book value of share	1.16	1.46
Price/earnings ratio (P/E)	(84.50)	(24.87)
Closing price of the share of Skano Group AS on Tallinn Stock Exchange at 31.12*	0.845	0.995

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 2015 $= (38,926) / 4,499,061 = (0.01)$ euros
Basic earnings per share for 3 months of 2014 $= (185,671) / 4,499,061 = (0.04)$ 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 2015 $= 0.845 / (0.01) = (84.50)$

Price/earnings ratio (P/E) for 3 months of 2014 $= 0.995 / (0.04) = (24.87)$

* 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.

Suomen Tuulileijona (STOY) is engaged in resales of fibreboard products in Finland.

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		Suomen Tuulileijona		Skano Group		Eliminations		SEGMENTS TOTAL	
	1 st Q 2015	1 st Q 2014	1 st Q 2015	1 st Q 2014	1 st Q 2015	1 st Q 2014	1 st Q 2015	1 st Q 2014	1 st Q 2015	1 st Q 2014	1 st Q 2015	1 st Q 2014	1 st Q 2015	1 st Q 2014
Revenue from external customers	984	1,420	653	608	1,867	3,323	1,604	0	0	0	0	0	5,108	5,351
Inter-segment revenue	341	297	0	0	1,578	65	0	0	10	25	0	0	1,929	387
Operating profit/loss	(89)	122	(240)	(245)	105	(258)	41	0	(4)	(3)	223	259	36	(125)
Segment assets	3,151	3,733	721	658	9,761	10,810	1,648	0	(267)	(188)	(25)	(33)	14,989	14,980
Segment liabilities	2,156	2,564	297	245	5,051	4,723	1,255	0	1,018	874	0	0	9,777	8,406



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

<i>th EUR</i>	1 st QUARTER 2015					1 st QUARTER 2014				
	FF	FR	FB	STOY	TOTAL	FF	FR	FB	STOY	TOTAL
Finland	433	5	34	1,604	2,076	542	0	1,639	0	2,181
Estonia	13	364	415	0	792	24	329	326	0	679
Russia	405	0	368	0	773	838	0	437	0	1,275
South Africa	0	0	360	0	360	0	0	9	0	9
Great Britain	7	0	199	0	206	10	0	231	0	241
Sweden	0	0	199	0	199	0	0	176	0	176
Latvia	0	124	57	0	181	0	78	64	0	142
Lithuania	0	84	17	0	101	0	73	16	0	89
Ukraine	0	76	10	0	86	0	128	37	0	165
Kazakhstan	82	0	0	0	82	0	0	0	0	0
Denmark	0	0	56	0	56	0	0	6	0	6
France	44	0	10	0	54	0	0	20	0	20
Germany	0	0	38	0	38	0	0	8	0	8
Arabia	0	0	36	0	36	0	0	9	0	9
Australia	0	0	19	0	19	0	0	23	0	23
Norway	0	0	14	0	14	0	0	0	0	0
Other countries	0	0	35	0	35	6	0	322	0	328
TOTAL	984	653	1,867	1,604	5,108	1,420	608	3,323	0	5,351

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 2015	1 st Q 2014
Short-term benefits	59	34
Social security tax	20	11
TOTAL	79	45



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 2015	1 st Q 2014
Purchased services	8	9
TOTAL	8	9

At 04.02.2015, a short-term loan was received from a related party in the amount of 140.0 thousand euros. The loan bears interest at 5% per annum and the loan is due on 30.06.2015.

Balances with related parties:

<i>th EUR</i>	31.03.2015	31.03.2014
Services payables	0	16
Short-term loan	140	0
TOTAL	140	16

NOTE 13 EVENTS AFTER THE REPORTING PERIOD

After the reporting period, the conditions of the loan agreement were changed in respect of the repayment schedule as a consequence of which short-term borrowings will be partially reclassified as long-term borrowings, as at 30 April 2015.

