



3rd QUARTER  
INTERIM REPORT

2015

Beginning of the Interim Report Period:	1.1.2015
End of the Interim Report Period:	30.09.2015
Beginning of the financial year:	1.1.2015
End of the financial year:	31.12.2015
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Auditor:	AS PricewaterhouseCoopers

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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 THIRD QUARTER IN SHORT

Consolidated net sales of the third quarter of 2015 were 4.8 mil. euros, representing a 3% decrease on the third quarter compared to the same period in 2014. At the same time, consolidated EBITDA amounted to 287 thousand euros (EBITDA 165 thousand euros in Q3 2014). Net sales during 9 months in 2015 amounted to 14.5 mil. euros, representing 7% decrease (2014 9 months net sales: 15.7 mil. euros). First 9 months EBITDA in 2015 was 811 thousand euros exceeding a bit last year level (2014 9 months EBITDA: 696 thousand euros). Although consolidated net sales have decreased mainly due to weak demand in Finland and Russia, the company has managed to improve EBITDA margin and achieved a better result compared to last year. The main reasons behind it are improvements of fibreboard production process allowing to reduce production cost and keep profitability at much lower production volumes.

The sale in Skano Fibreboard OÜ Pärnu factory (incl. Isotex) was 2.0 mil. euros, being at the same level as compared to the respective period last year, the operating profit of the third quarter was 140 thousand euros compared with the operating profit 48 thousand euros last year.

The turnover of Skano Fibreboard OÜ Püssi factory was 1.3 mil. euros, representing 7% decrease in the third quarter compared to the same period in 2014. Operating profit amounted to 5 thousand euros compared with the operating loss 24 thousand euros last year.

Sales mainly decreased in our core 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. In the third quarter we also conducted product testing and tuning of production process in both factories in order to achieve a lower production cost and break-even point.

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 Tuulielijona OY in Q3 2015 decreased 2% compared to last year, which amounted to 1.3 mil. euros. Suomen Tuulileijona OY is the wholesaler of Skano fibreboard products in Finland, which was acquired at the beginning of July 2014.

The turnover of Skano Furniture Factory OÜ in Pärnu decreased in the third quarter by 2% and amounted to 1.1 mil. euros. The operating loss of the third quarter was 88 thousand euros as in 2014 the operating loss of the same period was 65 thousand euros. Profitability was impacted by low sales volumes. In the third quarter of 2015 sales to Russia decreased due to very weak demand by 13% as compared to 2014. Sales to Finland increased slightly and also in the Baltics. In addition to seeking new sales possibilities in the current markets the company has made considerable effort to enter into new markets like UK, France and USA.

The turnover of Skano Furniture OÜ retail chain increased 8% as compared to the same period last year being 602 thousand euros, operating profit was 6 thousand euros compared with the sales 543 thousand and operating loss 14 thousand euros in the third quarter of 2014. 2015 third quarter operating profit 6 thousand euros contains also a loss from a drop of currency exchange rate of hryvnia 22 thousand euros (realized loss from currency exchange rate 20 thousand euros in the same period of 2014).

Retail sale increased in Estonia, Latvia and Ukraine but decreased slightly in Lithuania. Retail sale is still very weak in Ukraine due to the conflict and difficult 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 third quarter in 2015 was 4.8 mil. euros (5.0 mil. euros in same period of 2014) representing a 3% decrease compared to Q3 2014. The Group's gross margin in the third quarter of 2015 was 22% compared to 18% in the third quarter of 2014. Consolidated operating profit amounted to 79 thousand euros (operating loss 58 thousand euros from main activities in same period 2014). The consolidated operating margin of net sales was 1.6% (-1.2% from main activities in Q3 2014).

Consolidated net profit amounted to 5 thousand euros (compared to net loss 135 thousand euros in Q3 2014), and the net margin was 0.1% (-2.7% in Q3 2014).

### **POSITION OF FINANCIAL STATEMENT**

As of 30.09.2015 the total assets of Skano Group AS amounted to 14.3 mil. euros (30.09.2014: 15.5 mil. euros). The liabilities of the company accounted for 64% (30.09.2014: 58%) thereof, i.e. 9.1 mil. euros (30.09.2014: 8.9 mil. euros).

Receivables and prepayments have decreased by 0.1 mil. euros i.e. 2% decrease within 12 months due.

Inventories have slightly decreased with 12 months, amounting to 3.4 mil. euros on 30.09.2015. (30.09.2014: 3.5 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, the rest was as a result of depreciation.

Short-term loans have increased by 0.2 mil. euros and amounted to 1.9 mil. euros in 30.09.2015 which was a result of usage of bank overdraft and restructuring of the loan between short- and long-term payment schedule (30.09.2014: 1.7 mil. euros). Supplier payables, tax liabilities, other payables, including payables to employees, and provisions amounted to 2.9 mil. euros (30.09.2014: 2.9 mil. euros).

Long-term loans have decreased by 0.1 mil euros and amounted to 4.0 mil. euros in 30.09.2015 (30.09.2014: 4.1 mil. euros). The decrease was caused by restructuring of the loan between short- and long-term payment schedule.

Current and non-current liabilities have increased by 0.2 mil. euros to 9.1 mil. euros (30.09.2014: 8.9 mil. euros).



## DIVISIONAL REVIEW:

### NET SALES BY BUSINESS SEGMENTS

	<i>th EUR</i>		<i>% of net sales</i>	
	Q3 2015	Q3 2014	Q3 2015	Q3 2014
Skano Fibreboard OÜ	3,307	3,369	68.9%	67.8%
Skano Furniture Factory OÜ	1,097	1,119	22.8%	22.5%
Skano Furniture OÜ retail	602	556	12.5%	11.2%
Suomen Tuulileijona OY	1,346	1,376	28.0%	27.7%
Elimination	(1,549)	(1,452)	(32.3%)	(29.2%)
<b>TOTAL</b>	<b>4,803</b>	<b>4,968</b>	<b>100.0%</b>	<b>100.0%</b>

### NET SALES BY GEOGRAPHICAL SEGMENTS

	<i>th EUR</i>		<i>% of net sales</i>	
	Q3 2015	Q3 2014	Q3 2015	Q3 2014
Finland	1,794	1,867	37.4%	37.6%
Estonia	894	806	18.6%	16.2%
Russia	882	1,061	18.4%	21.4%
Great Britain	349	286	7.3%	5.8%
Latvia	196	168	4.1%	3.4%
Lithuania	142	143	3.0%	2.9%
Sweden	121	158	2.5%	3.2%
Ukraine	115	92	2.4%	1.9%
Denmark	47	15	1.0%	0.3%
United Arab Emirates	45	45	0.9%	0.9%
Germany	37	30	0.8%	0.6%
France	28	27	0.6%	0.5%
Other countries	153	270	3.2%	5.4%
<b>TOTAL</b>	<b>4,803</b>	<b>4,968</b>	<b>100.0%</b>	<b>100.0%</b>

Regarding the markets, turnover has increased in Estonia, Latvia and Great Britain. The turnover has decreased most in Russia and Sweden.

### PROFIT BY BUSINESS SEGMENTS

<i>th EUR</i>	Q3 2015	Q3 2014
Skano Furniture factory	(88)	(65)
Skano Furniture retail	6	(14)
Skano Fibreboard	145	24
Suomen Tuulileijona OY	4	(12)
Elimination	12	9
<b>TOTAL</b>	<b>79</b>	<b>(58)</b>
Net financial costs	(74)	(77)
Income tax	0	0
<b>NET PROFIT</b>	<b>5</b>	<b>(135)</b>



## SKANO FIBREBOARD

The net sales of Skano Fibreboard in the third quarter of 2015 amounted to 3.3 mil. euros and operating profit to 145 thousand euros. In the same period last year, the turnover of Skano Fibreboard totaled to 3.4 mil. euros and the operating profit from main activities 24 thousand euros.

The decrease in sales in the third quarter compare to last year took place in Russia. Sales increased in Estonia and Great Britain.

### NET SALES BY GEOGRAPHICAL SEGMENTS

	<i>th EUR</i>		<i>% of net sales</i>	
	Q3 2015	Q3 2014	Q3 2015	Q3 2014
Finland (incl. to Suomen Tuulileijona OY)	1,297	1,298	39.2%	38.5%
Estonia	542	476	16.4%	14.1%
Russia	502	623	15.2%	18.5%
Great Britain	331	250	10.0%	7.4%
Sweden	121	158	3.7%	4.7%
Latvia	87	83	2.6%	2.5%
Denmark	47	15	1.4%	0.4%
United Arab Emirates	45	45	1.4%	1.3%
Lithuania	43	45	1.3%	1.3%
Ukraine	41	42	1.2%	1.2%
Other countries	251	334	7.6%	9.9%
<b>TOTAL</b>	<b>3,307</b>	<b>3,369</b>	<b>100.0%</b>	<b>100.0%</b>

<i>th EUR</i>	Net sales		Operating Profit	
	Q3 2015	Q3 2014	Q3 2015	Q3 2014
Pärnu Fibreborad factory	1,425	1,421	138	36
Püssi Fibreboard factory	1,319	1,395	5	(24)
Pärnu interior boards factory (Isotex)	529	553	2	12
Not allocated	34	0	0	0
<b>TOTAL</b>	<b>3,307</b>	<b>3,369</b>	<b>145</b>	<b>24</b>

The net sales of the Pärnu fibreboard factory and interior board's line remained at the same level in the third quarter of 2015 compared to the same quarter of 2014 and amounted to 2.0 mil. euros.

The turnover of Püssi fibreboard factory amounted to 1.3 mil. euros declining 7% compared to the same quarter in 2014 (turnover 1.4 mil. euros in Q3 2014).



## 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 11 stores in Tallinn (3), Tartu, Pärnu, Riga, Vilnius, Kiev (2), Kharkiv and Dnipropetrovs'k at the end of the third quarter in 2015.

### RETAIL SALES BY COUNTRIES

	<i>th EUR</i>		<i>% of net sales</i>		<i>Number of stores</i>	
	Q3 2015	Q3 2014	Q3 2015	Q3 2014	30.09.15	30.09.14
Estonia	344	323	57.1%	58.1%	4	5
Latvia	109	85	18.1%	15.3%	1	1
Lithuania	75	98	12.5%	17.6%	1	1
Ukraine	74	50	12.3%	9.0%	4	4
<b>TOTAL</b>	<b>602</b>	<b>556</b>	<b>100.0%</b>	<b>100.0%</b>	<b>10</b>	<b>11</b>

Retail sale amounted to 602 thousand euros in the third quarter of 2015 and operating profit 6 thousand euros (sales 556 thousand euros and operating loss 14 thousand euros in Q3 2014). Current year third quarter operating profit 6 thousand euros contains also loss of currency exchange rate of hryvnia 22 thousand euros (realized loss from currency exchange rate 20 thousand euros in the same period of 2014).

### FURNITURE PRODUCTION

The net sales of the Skano Furniture Factory in the third quarter amounted to 1.1 mil. euros and operating loss to 88 thousand euros. In the same period last year, the turnover of the factory amounted also to 1.1 mil. euros and the operating loss to 65 thousand euros. As compared to the previous year the turnover of the factory has decreased 2%. In the third quarter the sales decreased in Russia by 13% due to colder economic environment and weaker purchasing power for imported durable goods. Sales in Finland decreased slightly and in the Baltics remained almost at the same level.

### FURNITURE FACTORY SALES BY COUNTRIES

	<i>th EUR</i>		<i>% of net sales</i>	
	Q3 2015	Q3 2014	Q3 2015	Q3 2014
Finland	404	362	36.8%	32.4%
Russia	380	438	34.6%	39.1%
Other countries	51	35	4.6%	3.1%
Subsidiaries	262	284	24.0%	25.4%
<b>TOTAL</b>	<b>1,097</b>	<b>1,119</b>	<b>100.0%</b>	<b>100.0%</b>





## FORECAST AND DEVELOPMENT

**SKANO FIBREBOARD.** We expect sales of Skano Fibreboard in Q4 2015 to be similar compared to sales of the same period last year. Sales in our core markets are lower due to weak demand which we expect to compensate with sales in new markets. 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. 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 Q4 2015 to be lower compared to sales of the same period last year. We expect steady sales in the Baltics but decrease in Ukraine due to political and economic instability.

**SKANO FURNITURE FACTORY.** In Q4 2015 we expect smaller sales of the furniture factory compared to the same period in 2014 because of the deteriorated economic situation in the near regions, especially in Russia. In Russia sales are down due to weak currency, broad-based economic downturn and low consumer confidence.

Sales to new markets in Q4 2015 are not covering the lag from our main markets but 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.



## INVESTMENTS

During the first nine months of 2015 investments into fixed assets amounted to a total of 453 thousand euros. In the same period of 2014 investments amounted to 492 thousand euros.

## PEOPLE

On the 30<sup>th</sup> of September in 2015 Concern employed 312 people (342 people in the same time last year). The average number of personnel in nine months of 2015 was 328 (2014: 342).

During the first nine months in 2015, wages and salaries with taxes amounted to 3.6 mil. euros (3.7 mil. euros in the same period of the last year).

Payments made to management and supervisory board members of all group companies including all subsidiaries with relevant taxes were as follows (number of members this year vs last year is not comparable):

<i>th EUR</i>	9 m 2015	9 m 2014
Board member and other remuneration	220	140
Social tax and unemployment insurance premiums	73	46
<b>TOTAL</b>	<b>293</b>	<b>186</b>



## FINANCIAL HIGHLIGHTS

<i>th EUR</i>	9 m 2015	9 m 2014	9 m 2013
<b>Income statement</b>			
Revenue	14,564	15,699	14,329
EBITDA	811	696	440
EBITDA margin	5.6%	4.4%	3.1%
Operating profit	183	29	(242)
Operating margin	1.3%	0.2%	(1.7%)
Net profit	(43)	(179)	(415)
Net margin	(0.3%)	(1.1%)	(2.9%)
<b>Balance sheet (30.09)</b>			
Total assets	14,291	15,503	14,916
Return on assets	(0.3%)	(1.2%)	(2.8%)
Equity	5,180	6,586	7,090
Return on equity	(0.8%)	(2.7%)	(5.9%)
Debt-to-equity ratio	63.8%	57.5%	52.5%
<b>Share (30.09)</b>			
Closing price	0.70	0.93	1.30
Earnings per share	(0.01)	(0.04)	(0.09)
Price-earnings ratio	(70.00)	(23.25)	(14.44)
Book value of a share	1.15	1.46	1.58
Market to book ratio	0.61	0.64	0.82
Market capitalization	3,149	4,184	5,849

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 2015, 1 months' EURIBOR was 0.113 and at 30 September 2014 0.007. Interest rates are reviewed on the basis of changes in EURIBOR on monthly basis on the 30<sup>th</sup> of each month.

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

### CURRENCY RISK

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

### RISK OF THE ECONOMIC ENVIRONMENT

The risk of the economic environment for the Fiberboard Division depends on general developments in the construction market; the risk for Furniture Division depends on the expectations of the customers towards economic welfare in future. 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 30.09.2014	1	1	1	1	1	1	100	1
Ownership at 30.09.2014 (%)	100	100	100	100	100	100	100	100
Number of shares at 30.09.2015	1	1	1	1	1	1	100	1
Ownership at 30.09.2015 (%)	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 Estconde building 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 2015 and 2014.

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 3<sup>rd</sup> 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 Crace

Member of Management board    Heiti Riisberg

27<sup>th</sup> of November 2015



## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<i>th EUR</i>	<b>30.09.2015</b>	<b>31.12.2014</b>	<b>30.09.2014</b>
Cash and bank	624	432	509
Receivables and prepayments (Note 1)	1,735	1,232	1,761
Inventories (Note 2)	3,439	2,962	3,487
<b>Total current assets</b>	<b>5,798</b>	<b>4,626</b>	<b>5,757</b>
Investment property (Note 3)	406	407	407
Tangible fixed assets (Note 4)	8,064	8,267	9,309
Intangible fixed assets (Note 5)	23	29	30
<b>Total fixed assets</b>	<b>8,493</b>	<b>8,703</b>	<b>9,746</b>
<b>TOTAL ASSETS</b>	<b>14,291</b>	<b>13,329</b>	<b>15,503</b>
Debt obligations (Note 6)	1,908	2,030	1,651
Payables and prepayments (Note 7)	2,942	2,198	2,897
Short-term provisions (Note 8)	4	15	3
<b>Total current liabilities</b>	<b>4,854</b>	<b>4,243</b>	<b>4,551</b>
Non-current debt obligations (Note 6)	4,013	3,563	4,127
Non-current provisions (Note 8)	244	223	239
<b>Total non-current liabilities</b>	<b>4,257</b>	<b>3,786</b>	<b>4,366</b>
<b>Total liabilities</b>	<b>9,111</b>	<b>8,029</b>	<b>8,917</b>
Share capital at nominal value (Note 9)	2,699	2,699	2,699
Issue premium	364	364	364
Statutory capital reserve	288	288	288
Other reserves	4	0	0
Currency translation	(90)	(16)	(32)
Retained profits	1,961	3,446	3,446
Net profit (loss) for the year (Note 10)	(46)	(1,481)	(179)
<b>Total equity</b>	<b>5,180</b>	<b>5,300</b>	<b>6,586</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>14,291</b>	<b>13,329</b>	<b>15,503</b>



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

<i>th EUR</i>	<b>3<sup>rd</sup> Q 2015</b>	<b>3<sup>rd</sup> Q 2014</b>	<b>9 m 2015</b>	<b>9 m 2014</b>
<b>RETURN ON SALES (Note 11)</b>	<b>4,803</b>	<b>4,968</b>	<b>14,564</b>	<b>15,669</b>
<b>Cost of production sold</b>	<b>(3,753)</b>	<b>(4,053)</b>	<b>(11,327)</b>	<b>(12,772)</b>
<b>Gross profit</b>	<b>1,050</b>	<b>915</b>	<b>3,237</b>	<b>2,897</b>
Marketing expenses	(768)	(785)	(2,395)	(2,237)
General administrative expenses	(168)	(141)	(521)	(472)
Other income	63	21	329	44
Other expenses	(98)	(68)	(467)	(203)
<b>Operating profit (loss) (Note 11)</b>	<b>79</b>	<b>(58)</b>	<b>183</b>	<b>29</b>
Financial income and financial expenses	(74)	(77)	(226)	(208)
<b>Profit (loss) before taxes</b>	<b>5</b>	<b>(135)</b>	<b>(43)</b>	<b>(179)</b>
Prepaid income tax	0	0	(3)	0
<b>NET PROFIT (LOSS) FOR THE PERIOD</b>	<b>5</b>	<b>(135)</b>	<b>(46)</b>	<b>(179)</b>
Basic earnings per share (Note 10)	(0.00)	0.03	(0.01)	(0.04)
Diluted earnings per share (Note 10)	(0.00)	0.03	(0.01)	(0.04)
Other comprehensive income:				
Currency translation differences	39	(16)	(74)	(40)
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>44</b>	<b>(151)</b>	<b>(120)</b>	<b>(219)</b>





## CONSOLIDATED CASH FLOW STATEMENT

<i>th EUR</i>	<b>9 m 2015</b>	<b>9 m 2014</b>
<b>Cash flow from operations</b>		
<b>Net profit (loss) before taxes</b>	<b>(43)</b>	<b>(179)</b>
<i>Adjustments for:</i>		
Depreciation of fixed assets (Note 3; 4; 5)	647	685
Loss on disposals of fixed assets (Note 4)	22	0
Interest expense	222	206
<b>Operating profit (loss) before changes in operating capital</b>	<b>848</b>	<b>712</b>
Change in operations-related receivables and prepayments (Note 1)	(503)	(393)
Change in inventories (Note 2)	(477)	(513)
Change in operations-related liabilities and prepayments	754	640
<b>Cash generated from operations</b>	<b>622</b>	<b>446</b>
Interest paid	(222)	(206)
Income tax	(3)	0
<b>Total cash flow from operations</b>	<b>397</b>	<b>240</b>
<b>Cash flow from investments</b>		
Acquisition of fixed assets (Note 4; 5)	(459)	(492)
<b>Total cash flow from investments</b>	<b>(459)</b>	<b>(492)</b>
<b>Cash flow from financing activities</b>		
Raise a loan (Note 6)	470	539
Repayment of loans (Note 6)	(128)	(75)
Settlement of finance lease liabilities (Note 6)	(14)	(18)
<b>Total cash flow from financing activities</b>	<b>328</b>	<b>446</b>
<b>TOTAL CASH FLOW</b>	<b>266</b>	<b>194</b>
<b>Currency translation differences</b>	<b>(74)</b>	<b>(40)</b>
<b>CASH AT BEGINNING OF PERIOD</b>	<b>432</b>	<b>355</b>
<b>CASH AT END OF PERIOD</b>	<b>624</b>	<b>509</b>



## CONSOLIDATED STATEMENT OF CHANGES EQUITY

<i>th EUR</i>	Share capital	Share premium	Statutory capital reserve	Other reserves	Currency translation	Retained earnings	Total
<b>Balance at 31.12.2013</b>	<b>2,699</b>	<b>364</b>	<b>288</b>	<b>0</b>	<b>8</b>	<b>3,446</b>	<b>6,805</b>
Comprehensive income (loss) for 9 months 2014	0	0	0	0	(40)	(179)	(219)
<b>Balance at 30.09.2014</b>	<b>2,699</b>	<b>364</b>	<b>288</b>	<b>0</b>	<b>(32)</b>	<b>3,267</b>	<b>6,586</b>
<b>Balance at 31.12.2014</b>	<b>2,699</b>	<b>364</b>	<b>288</b>	<b>0</b>	<b>(16)</b>	<b>1,965</b>	<b>5,300</b>
Share options	0	0	0	4	0	(4)	0
Comprehensive income (loss) for 9 months 2015	0	0	0	0	(74)	(46)	(120)
<b>Balance at 30.09.2015</b>	<b>2,699</b>	<b>364</b>	<b>288</b>	<b>4</b>	<b>(90)</b>	<b>1,915</b>	<b>5,180</b>



## NOTES TO THE CONSOLIDATED INTERIM REPORT

### ACCOUNTING POLICIES AND MEASUREMENT BASES

The consolidated financial statements prepared for the period ended 30 September 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, in addition to the accounting policy "Share-based payments" in connection with the option program beginning of the year 2015. The consolidated financial statements have been prepared in accordance with International Accounting Standard (IAS) 34: Interim Financial Reporting.

Share-based payments:

Skano Group AS operates a share-based compensation plan, under which the company receives services from members of Management board as consideration for equity instruments (options) of Skano Group AS. The fair value of the members of Management board services received in exchange for the grant of the options is recognised during the share-based compensation program as group's staff expense and as an increase in the equity. The total amount to be expenses is determined by the fair value at the time of issuing the options. The fair value of the options granted:

- including any market performance conditions influencing the share price (e.g. Skano Group share price);
- excluding the impact of any service and non-market performance vesting conditions (for example: profitability, sales growth targets and remaining an employee of the entity over a specified time period).

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity. When the options are exercised, Skano Group AS issues new shares.

The grant by Skano Group AS of options over its equity instruments to the members of Management board of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of the members of Management board services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts. According to the contractual conditions of the share options there are no social tax charges when exercising the options after the 3-year period.

According to the assessment of the Management Board, Skano Group AS is a going concern and the Interim Report for the 3<sup>rd</sup> 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>	<b>30.09.2015</b>	<b>31.12.2014</b>	<b>30.09.2014</b>
Customer receivables	1,373	897	1,386
Prepaid taxes	288	250	308
Other receivables	52	59	40
Prepaid services	22	26	27



<b>TOTAL</b>	<b>1,735</b>	<b>1,232</b>	<b>1,761</b>
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## NOTE 2 INVENTORIES

<i>th EUR</i>	<b>30.09.2015</b>	<b>31.12.2014</b>	<b>30.09.2014</b>
Raw materials and other materials	684	645	787
Work-in-progress	550	495	622
Finished goods	1,974	1,495	1,740
Goods purchased for resale	234	192	217
Goods in transit	99	232	162
Prepayments to suppliers	38	39	45
Write-off reserve for inventories	(140)	(136)	(86)
<b>TOTAL</b>	<b>3,439</b>	<b>2,962</b>	<b>3,487</b>

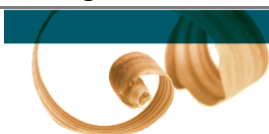
## NOTE 3 INVESTMENT PROPERTY

	<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
Depreciation in 9 months of 2014	(1)
Cost at 30.09.2014	752
Accumulated depreciation at 30.09.2014	(345)
Net book amount at 30.09.2014	407
Cost at 31.12.2014	693
Accumulated depreciation at 31.12.2014	(286)
Net book amount at 31.12.2014	407
Depreciation in 9 months of 2015	(1)
<b>Cost at 30.09.2015</b>	<b>693</b>
<b>Accumulated depreciation at 30.09.2015</b>	<b>(287)</b>
<b>Net book amount at 30.09.2015</b>	<b>406</b>

Costs of maintenance for nine months of 2015 were 25 thousand euros and 23 thousand euros in the same period of 2014. Rental income from investment properties for nine months of 2015 were 41 thousand euros and 41 thousand euros in the same period of 2014.

## NOTE 4 TANGIBLE FIXED ASSETS

<i>th EUR</i>	<b>30.09.2015</b>	<b>31.12.2014</b>	<b>30.09.2014</b>
Land	226	226	226
Buildings and constructions	2,145	2,256	2,396



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Machinery, plant and equipment	5,387	5,473	6,391
Other equipment and fixtures	29	29	33
Construction in progress	277	283	263
<b>TOTAL</b>	<b>8,064</b>	<b>8,267</b>	<b>9,309</b>

	<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 9 months of 2014	482
Write-off 9 months of 2014	(6)
Depreciation in 9 months of 2014	(678)
Write-off of accumulated amortization 9 months of 2014	6
Cost at 30.09.2014	20,238
Accumulated depreciation at 30.09.2014	(10,929)
Net book amount at 30.09.2014	9,309
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 9 months of 2015*	457
Write-off 9 months of 2015	(30)
Depreciation in 9 months of 2015	(638)
Write-off of accumulated amortization 9 months of 2015	8
<b>Cost at 30.09.2015</b>	<b>19,790</b>
<b>Accumulated depreciation at 30.09.2015</b>	<b>(11,726)</b>
<b>Net book amount at 30.09.2015</b>	<b>8,064</b>

\*On the 30th of September the binding liabilities of acquiring the tangible assets are 164 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 9 months of 2014	10
Depreciation in 9 months of 2014	(6)
Cost at 30.09.2014	110
Accumulated depreciation at 30.09.2014	(80)
Net book amount at 30.09.2014	30
Cost at 31.12.2014	113
Accumulated depreciation at 31.12.2014	(84)
Net book amount at 31.12.2014	29



Acquired in 9 months of 2015	2
Depreciation in 9 months of 2015	(8)
<b>Cost at 30.09.2015</b>	<b>115</b>
<b>Accumulated depreciation at 30.09.2015</b>	<b>(92)</b>
<b>Net book amount at 30.09.2015</b>	<b>23</b>

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

#### NOTE 6 DEBT OBLIGATIONS

<i>th EUR</i>	<b>30.09.2015</b>	<b>31.12.2014</b>	<b>30.09.2014</b>
Current liabilities	1,908	2,030	1,651
incl non-convertible debt	0	15	6
Non-current debt obligations	4,013	3,563	4,127
incl non-convertible debt	0	0	15
<b>TOTAL</b>	<b>5,921</b>	<b>5,593</b>	<b>5,778</b>

#### NOTE 7 PAYABLES AND PREPAYMENTS

<i>th EUR</i>	<b>30.09.2015</b>	<b>31.12.2014</b>	<b>30.09.2014</b>
Supplier payables	1,633	1,092	1,460
Payables to employees	337	317	430
Taxes payables	539	415	534
Other payables	249	134	258
Customer prepayments	184	240	215
<b>TOTAL</b>	<b>2,942</b>	<b>2,198</b>	<b>2,897</b>

#### NOTE 8 PROVISIONS

	<i>th EUR</i>
<b>Balance at 31.12.2013</b>	<b>244</b>
Incl current portion	14
non-current portion	230
Used during the 9 months 2014	(21)
Increased during the 9 months 2014	10
Interest cost 9 months 2014	9
<b>Balance at 30.09.2014</b>	<b>242</b>
Incl current portion	3
non-current portion	239
<b>Balance at 31.12.2014</b>	<b>238</b>
Incl current portion	15
non-current portion	223



Used during the 9 months 2015	(19)
Increased during the 9 months 2015	21
Interest cost 9 months 2015	8
<b>Balance at 30.09.2015</b>	<b>248</b>
Incl current portion	4
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 30.09.2015	4,499,061	2,699
Balance 31.12.2014	4,499,061	2,699
Balance 30.09.2014	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 30.09.2015, the Group had 498 shareholders (30.09.2014: 532 shareholders) of which with more than 5% ownership interest were:

- Trigon Wood OÜ with 2,682,192 shares or 59.62% (30.09.2014: 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 341 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)

All the members of the Management board of Skano Group AS signed share option agreements according to the option program with total amount 450,000 share options.

#### NOTE 10 EARNINGS PER SHARE

<i>EUR</i>	<b>30.09.2015</b>	<b>30.09.2014</b>
Basic earnings per share	(0.01)	(0.04)
Diluted earnings per share	(0.01)	(0.04)



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Book value of share	1.15	1.46
Price/earnings ratio (P/E)	(70.00)	(23.25)
Closing price of the share of Skano Group AS on Tallinn Stock Exchange at 30.09*	0.70	0.93

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 2015  $= (46,053) / 4,499,061 = (0.01)$  euros  
Basic earnings per share for 9 months of 2014  $= (179,179) / 4,499,061 = (0.04)$  euros

Diluted earnings per share have been calculated by dividing the net profit (loss) for the reporting period with the number of shares, contingent shares have been added to ordinary shares in accordance with the option program beginning of the year 2015:

Diluted earnings per share for 9 months of 2015  $= (46,053) / 4,949,061 = (0.01)$  euros  
Diluted earnings per share for 9 months of 2014  $= (179,179) / 4,499,061 = (0.04)$  euros

Price/earnings ratio (P/E) for 9 months of 2015  $= 0.70 / (0.01) = (70.00)$

Price/earnings ratio (P/E) for 9 months of 2014  $= 0.93 / (0.04) = (23.25)$

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

#### NOTE 11 SEGMENTS

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

*Skano Fibreboard (FB)* manufactures and sells to wholesale customers general construction boards based on soft woodfibre boards, and interior finishing boards. The fibreboard factories are located in Estonia.

*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	
	9 m 2015	9 m 2014	9 m 2015	9 m 2014	9 m 2015	9 m 2014	9 m 2015	9 m 2014	9 m 2015	9 m 2014	9 m 2015	9 m 2014	9 m 2015	9 m 2014
Revenue from external	2,747	3,671	1,889	1,707	5,645	8,916	4,283	1,375	0			0	14,564	15,669





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customers										0	0			
Inter-segment revenue	875	859	0	0	4,122	1,238	0	1	34	50	0	0	<b>5,031</b>	<b>2,148</b>
Operating profit/loss	(235)	198	(154)	(308)	364	(133)	39	(12)	(11)	(12)	180	296	<b>183</b>	<b>29</b>
Segment assets	3,007	3,432	727	817	9,749	10,502	1,071	937	(236)	(136)	(27)	(49)	<b>14,291</b>	<b>15,503</b>
Segment liabilities	2,212	2,239	206	331	4,838	4,629	808	705	1,047	1,013	0	0	<b>9,111</b>	<b>8,917</b>

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

th EUR	9 months 2015					9 months 2014				
	FF	FR	FB	STOY	TOTAL	FF	FR	FB	STOY	TOTAL
Finland	1,323	8	148	4,283	5,762	1,366	0	3,420	1,375	6,161
Estonia	33	1,073	1,362	0	2,468	57	946	1,354	0	2,357
Russia	1,131	0	1,302	0	2,433	2,125	0	1,569	0	3,694
Great Britain	37	0	827	0	864	36	0	743	0	779
Latvia	0	356	219	0	575	0	212	215	0	427
Sweden	0	0	454	0	454	0	0	433	0	433
South Africa	0	0	440	0	440	0	0	62	0	62
Lithuania	0	247	73	0	320	0	264	76	0	340
Ukraina	0	205	88	0	293	0	285	107	0	392
Denmark	0	0	138	0	138	0	0	32	0	32
Kazakhstan	125	0	0	0	125	43	0	0	0	43
Germany	0	0	120	0	120	0	0	75	0	75
France	81	0	21	0	102	13	0	50	0	63
Arabia	0	0	81	0	81	21	0	80	0	101
Portugal	0	0	75	0	75	0	0	7	0	7
Australia	9	0	51	0	60	0	0	51	0	51
Saudi-Arabia	0	0	35	0	35	0	0	34	0	34
Hungary	0	0	34	0	34	0	0	23	0	23
Tanzania	0	0	21	0	21	0	0	0	0	0
Kuwait	0	0	19	0	19	0	0	19	0	19
Oman	0	0	18	0	18	0	0	27	0	27
Belarus	8	0	10	0	18	6	0	18	0	24
Jordan	0	0	18	0	18	0	0	9	0	9
Malaysia	0	0	18	0	18	0	0	35	0	35
Norway	0	0	14	0	14	0	0	18	0	18
Cyprus	0	0	10	0	10	0	0	0	0	0
Other countries	0	0	49	0	49	4	0	459	0	463
<b>TOTAL</b>	<b>2,747</b>	<b>1,889</b>	<b>5,645</b>	<b>4,283</b>	<b>14,564</b>	<b>3,671</b>	<b>1,707</b>	<b>8,916</b>	<b>1,375</b>	<b>15,669</b>

**NOTE 12 RELATED PARTY TRANSACTIONS**

The following parties are considered to be related parties:

- Parent company OÜ Trigon Wood and owners of the parent company;
- Other entities in the same consolidation group;
- Members of the Management, the Management Board and the Supervisory Board of Skano Group AS Group and their close relatives;
- Entities under the control of the members of the Management Board and Supervisory Board;
- Individuals with significant ownership unless these individuals lack the opportunity to exert significant influence over the business decisions of the Group.



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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 2015	9 m 2014
Short-term benefits	220	140
Social security tax	73	46
<b>TOTAL</b>	<b>293</b>	<b>186</b>

Including others, the members of the Management Board of Skano Group AS will receive severance pay amounting from 3 to 6-month remuneration according to the contracts.

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

<i>th EUR</i>	9 m 2015	9 m 2014
Purchased services	27	23
<b>TOTAL</b>	<b>27</b>	<b>23</b>

Balances with related parties:

<i>th EUR</i>	30.09.2015	30.09.2014
Services payables	4	12
Short-term loan	37	0
Interest expense	3	0
<b>TOTAL</b>	<b>44</b>	<b>12</b>

