



4th QUARTER
INTERIM REPORT

2013

Beginning of the Interim Report Period:	1.1.2013
End of the Interim Report Period:	31.12.2013
Beginning of the financial year:	1.1.2013
End of the financial year:	31.12.2013
Business name:	Skano Group AS
Registry code:	11421437
Address:	Suur-Jõe 48, Pärnu 80042, Estonia
Telephone:	+372 44 78 323
Fax	+372 44 78 368
E-mail:	group@skano.com
Homepage:	www.skano.com
Main activity:	Production of fibreboards
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. 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 FOURTH QUARTER IN SHORT

Consolidated net sales of the fourth quarter of 2013 was 4.86 mil. euros, representing a 1.5% decrease on the fourth quarter compared to the same period in 2012. At the same time, consolidated EBITDA amounted to -2 thousand euros (+178 thousand euros in Q4 2012).

The sales in Skano Fibreboard OÜ Pärnu factory (incl. Isotex) was 1.7 mil. euros, decreased as compared to the respective period last year by 4%, the operating loss of the fourth quarter was 143 thousand euros compared with the operating loss 80 thousand euros last year.

The turnover of Skano Fibreboard OÜ Püssi factory was 1.1 mil. euros, representing 37% increase in the fourth quarter compared to the same period in 2012. Operating loss amounted to 180 thousand euros compared with the operating loss 139 thousand euros last year.

Sales growth came from Finland but despite of that other foreign markets remained weak due to general economic situation in Europe. We have continuously expanded list of our target markets and made considerable efforts in product development to obtain certificates necessary for different markets. Profitability has suffered also due to higher sales costs in Finland. On the fourth 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 decreased in the fourth quarter by 11% and amounted to 1,7 mil. euros. The operating profit of the fourth quarter was 93 thousand euros as in 2012 the operating profit of the same period was 120 thousand euros. Sales in the fourth quarter of 2013 decreased in Finland by 32% as compared to 2012 but sales to the Baltics (through the subsidiary) grew. The company is seeking new sale's possibilities in the current markets but going into totally new markets is a substantial direction for us.

The turnover of Skano Furniture OÜ retail chain decreased 9,5% as compared to the same period last year being 640 thousand euros, operating profit was 5 thousand euros compared with the sales 707 thousand and operating profit 34 thousand euros in the fourth quarter of 2012. Current year operating loss contains also loss from currency exchange rate of hryvnia 20 thousand euros in the fourth quarter (loss from currency exchange rate 31 thousand euros in the same period of 2012). Retail sale increased in Estonia but decreased in Lithuania and Ukraine. In Lithuania sales were impacted by new IKEA shop opened in Vilnius. Sales in Ukraine suffered due to weak 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 fourth quarter in 2013 was 4.86 mil. euros (4.93 mil. euros in same period of 2012) representing a 1.5% decrease compared to Q4 2012. The Group's gross margin in the fourth quarter of 2013 was 14.8% compared to 15.9% in the fourth quarter of 2012. Consolidated operating loss amounted to 225 thousand euros (operating loss 46 thousand euros from main activities in same period 2012). The consolidated operating margin of net sales was -2.8% (+0.4% from main activities in Q4 2012).



Consolidated net loss amounted to 291 thousand euros (compared to net loss 110 thousand euros in Q4 2012), and the net margin was -3.7% (-1.1% in Q4 2012).

POSITION OF FINANCIAL STATEMENT

As of 31.12.2013 the total assets of Skano Group AS amounted to 14.7 mil. euros (31.12.2012: 15.4 mil. euros). The liabilities of the company accounted for 53.8% (31.12.2012: 51.6%) thereof, i.e. 7.9 mil. euros (31.12.2012: 8.0 mil. euros).

Receivables and prepayments have decreased by 0.4 mil. euros i.e. 24% decrease with 12 months. The reason of decrease of receivables was implementation of factoring instrument.

Inventories have decreased by 0.2 mil. euros compared to last year, amounting to 3.1 mil. euros on 31.12.2013. (31.12.2012: 3.3 mil. euros). Property, plant and intangibles decreased by 0.5 mil. euros mainly as a result of depreciation.

Short-term loans have increased by 0.1 mil. euros and amounted to 1.9 mil. euros in 31.12.2013 (31.12.2012: 1.8 mil. euros). Supplier payables, tax liabilities, other payables, including payables to employees, and provisions amounted to 2.3 mil. euros (31.12.2012: 1.9 mil. euros).

Long-term loans have decreased by 0.6 mil euros and amounted to 3.4 mil. euros in 31.12.2013 (31.12.2012: 4.0 mil. euros).

Current and non-current liabilities decreased by 0.1 mil. euros to 7.9 mil. euros (31.12.2012: 8.0 mil. euros).



DIVISIONAL REVIEW:

NET SALES BY BUSINESS SEGMENTS

	<i>th EUR</i>		<i>% of net sales</i>	
	Q4 2013	Q4 2012	Q4 2013	Q4 2012
Skano Fibreboard OÜ	2,826	2,606	58.2%	52.8%
Skano Furniture Factory OÜ	1,708	1,930	35.2%	39.1%
Skano Furniture OÜ retail	640	707	13.2%	14.3%
Elimination	(317)	(311)	(6.6%)	(6.2%)
TOTAL	4,857	4,931	100.0%	100.0%

NET SALES BY GEOGRAPHICAL SEGMENTS

	<i>th EUR</i>		<i>% of net sales</i>	
	Q4 2013	Q4 2012	Q4 2013	Q4 2012
Russia	1,342	1,444	27.6%	29.3%
Finland	1,311	1,174	27.0%	23.8%
Estonia	771	674	15.9%	13.7%
Great Britain	369	456	7.6%	9.2%
Ukraine	222	257	4.6%	5.2%
Latvia	170	134	3.5%	2.7%
Sweden	153	116	3.2%	2.4%
Netherlands	85	279	1.8%	5.7%
Germany	84	16	1.7%	0.3%
Lithuania	82	108	1.7%	2.2%
Greece	46	28	0.9%	0.8%
Kazakhstan	44	38	0.9%	0.8%
Denmark	7	39	0.1%	0.8%
Other countries	171	169	3.5%	3.4%
TOTAL	4,857	4,931	100.0%	100.0%

Regarding the markets, turnover has increased in Finland, Sweden 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>	Q4 2013	Q4 2012
Skano Furniture factory	93	120
Skano Furniture retail	5	34
Skano Fibreboard	(327)	(220)
Elimination	4	22
TOTAL	(225)	(44)
Net financial costs	(61)	(61)
Income tax	(5)	(5)
NET PROFIT	(291)	(110)



SKANO FIBREBOARD

The net sales of Skano Fibreboard in the fourth quarter of 2013 amounted to 2.8 mil. euros and operating loss to 327 thousand euros. In the same period last year, the turnover of Skano Fibreboard totaled to 2.6 mil. euros and the operating loss from main activities 220 thousand euros. Due to a new distribution partner in Finland we have managed to increase sales considerably. Sales to Finland grew by 78%. Implementing the new sales structure in Finland has and will cause higher sales costs that is optimal during 6-9 months period. Due to that increased sales to Finland have brought along bigger costs and profitability hasn't improved yet.

The biggest drop in sales in the third quarter compare to last year took place in the Great Britain and the Netherlands, 12% and 68% respectively.

NET SALES BY GEOGRAPHICAL SEGMENTS

	<i>th EUR</i>		<i>% of net sales</i>	
	Q4 2013	Q4 2012	Q4 2013	Q4 2012
Finland	826	463	29.2%	17.8%
Russia	537	594	19.0%	22.8%
Estonia	432	366	15.3%	14.0%
Great Britain	400	456	14.2%	17.5%
Sweden	153	116	5.4%	4.5%
Latvia	85	46	3.0%	1.8%
Netherlands	85	268	3.0%	10.3%
Germany	84	17	3.0%	0.7%
Ukraine	37	39	1.3%	1.5%
Lithuania	20	0	0.7%	0.0%
Denmark	5	39	0.2%	1.5%
Other countries	150	181	5.3%	6.9%
Intragroup	12	21	0.4%	0.8%
TOTAL	2,826	2,606	100.0%	100.0%

<i>th EUR</i>	Net sales		Profit	
	Q4 2013	Q4 2012	Q4 2013	Q4 2012
Pärnu Fibreborad factory	1,099	1,285	(116)	(74)
Püssi Fibreboard factory	1,128	823	(180)	(139)
Pärnu interior boards factory (Isotex)	587	477	(27)	(6)
Not allocated	12	21	(4)	(1)
TOTAL	2,826	2,964	(327)	(220)

The net sales of the Pärnu fibreboard factory and interior board's line decreased 4.5% in the fourth quarter of 2013 compared to the same quarter of 2012 and amounted to 1.7 mil. euros. Due to higher sales cost in Finland, production testing and too fragmented production portfolio the production efficiency was very low in the fourth quarter.

The turnover of Püssi fibreboard factory amounted to 1.1 mil. euros growing 37% compared to the same quarter in 2012 and operating loss amounted to 180 thousand euros (turnover 823 thousand euros and operating loss 139 thousand euros in Q4 2012). Output of Püssi Fibreboard



factory grew in the fourth quarter but the main challenge is still to secure Püssi Fibreboard factory with sufficient sales volumes and optimizing production portfolio.

It is also important to note that due to high fixed costs, the factory must be, for a profitable outcome, operated at as high capacity as possible, which shall ensure a lower average cost of the product. Too fragmented production portfolio could increase the production cost by 10-20%.



SKANO FURNITURE

FURNITURE RETAIL SALES

Skano Group AS retail business is operated by a private limited company Skano Furniture OÜ and its subsidiaries in Latvia, Lithuania and Ukraine. Skano has totally 10 stores in Tallinn (2), Tartu, Pärnu, Riga, Vilnius, Kiev (2), Kharkiv and Dnipropetrovs'k at the end of the fourth quarter in 2013.

RETAIL SALES BY COUNTRIES

	<i>th EUR</i>		<i>% of net sales</i>		<i>Number of stores</i>	
	Q4 2013	Q4 2012	Q4 2013	Q4 2012	31.12.13	31.12.12
Estonia	308	292	48.1%	41.3%	4	3
Latvia	85	88	13.3%	12.4%	1	1
Lithuania	62	109	9.7%	15.4%	1	1
Ukraine	185	218	28.9%	30.8%	4	4
TOTAL	640	707	100.0%	100.0%	10	9

The furniture retail sale amounted to 640 thousand euros in the fourth quarter of 2013 and operating profit 5 thousand euros (sales 707 thousand euros and operating profit 34 thousand euros in Q4 2012). The 4th quarter operating loss contains also loss from currency exchange rate of hryvnia 20 thousand euros (loss from currency exchange rate 31 thousand euros in the same period last year. Retail sale increased in Estonia, remained the same in Latvia and decreased in Lithuania and Ukraine.

FURNITURE PRODUCTION

The net sales of the Skano Furniture Factory in the fourth quarter amounted to 1.7 mil. euros and operating profit to 93 thousand euros. In the same period last year, the turnover of the factory amounted to 1.9 mil. euros and the profit to 120 thousand euros. As compared to the previous year the turnover of the factory has decreased 11.5% and the operating profit has decreased by 27 thousand euros. Sales in the fourth quarter of 2013 increased to our subsidiary. In the fourth 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>	
	Q4 2013	Q4 2012	Q4 2013	Q4 2012
Russia	805	850	47.1%	44.0%
Finland	485	711	28.4%	36.8%
Kazakhstan	44	38	2.6%	2.0%
Estonia	31	16	1.8%	0.8%
Other countries	36	25	2.1%	1.3%
Subsidiaries	307	290	18.0%	15.0%
TOTAL	1,708	1,930	100.0%	100.0%



FORECAST AND DEVELOPMENT

SKANO FIBREBOARD. Sales of Skano Fibreboard in Q1 2014 will exceed sales of the same period last year. In Q1 2014 production costs will remain high due to high energy cost in winter season and too fragmented production portfolio. Those factors will impact negatively Fibreboard Q1 results.

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

SKANO FURNITURE RETAIL SALES. We expect retail sale in the first quarter of 2014 to be the same or slightly decrease compare to the sale of the same period last year. In spite of predictable sale growth in the Baltics, we negative impact to our sales and profitability in Ukarine due to recent events.

SKANO FURNITURE FACTORY. In the first quarter of 2014 we expect the same or slightly 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 2013 investments into fixed assets amounted to a total of 404 thousand euros. In 2012 investments amounted to 305 thousand euros. All investments were made to maintain and improve reliability of the critical equipment.

PEOPLE

On the 31st of December in 2013 Concern employed 354 people (358 people in the same time last year). The average number of personnel in 2013 was 353 (2012: 361).

In 2013 wages and salaries amounted to 4.7 mil. euros (4.6 mil. euros last year).

Payments made to management and supervisory board members with relevant taxes, including one-time compensation in Q4 to the departing member of management board, were as follows:

<i>th EUR</i>	12 m 2013	12 m 2012
Board member and other remuneration	254	225
Social tax and unemployment insurance premiums	84	75
TOTAL	338	300



FINANCIAL HIGHLIGHTS

<i>th EUR</i>	12 m 2013	12 m 2012	12 m 2011
Income statement			
Revenue	19,186	19,080	17,330
EBITDA	438	1,040	3,436
EBITDA margin	2.3%	5.5%	19.8%
Operating profit	(467)	74	2,759
Operating margin	(2.4%)	0.4%	15.9%
Net profit	(706)	(201)	2,759
Net margin	(3.7%)	(1.1%)	14.8%
Balance sheet (31.12)			
Total assets	14,722	15,471	15,950
Return on assets	(4.8%)	(1.3%)	16.1%
Equity	6,805	7,482	7,693
Return on equity	(10.4%)	(2.7%)	33.3%
Debt-to-equity ratio	53.8%	51.6%	51.8%
Share (31.12)			
Closing price	1.22	1.24	1.62
Earnings per share	(0.16)	(0.04)	0.57
Price-earnings ratio	(7.6)	(31.0)	2.84
Book value of a share	1.51	1.66	1.71
Market to book ratio	0.81	0.75	0.95
Market capitalization	5,489	5,579	7,288

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 December 2013, 1 months' EURIBOR was 0.216 and at 31 December 2012 0.109. 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 31.12.2012	-	-	1	1	1	100	1
Ownership at 31.12.2012 (%)	-	-	100	100	100	100	100
Number of shares at 31.12.2013	1	1	1	1	1	100	1
Ownership at 31.12.2013 (%)	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 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 2013 and 2012.



FINANCIAL STATEMENTS DECLARATION OF THE MANAGEMENT BOARD

The Management Board of Skano Group AS is prepared consolidated unaudited Interim Report for the 4th quarter of 2013, which is presented on pages 4 to 26 have been correctly prepared, and represents and warrants that to the best of their knowledge:

- the accounting policies applied in the preparation of the consolidated financial statements comply with International Financial Reporting Standards as adopted by the European Union;
- the consolidated financial statements give a true and fair view of the financial positions of the Group and Skano Group AS and the results of their operations and their cash flows;
- the management report presents true and fair view of significant events that took place during the accounting period and their impact to financial statements and includes the description of major risks and doubts;
- Skano Group AS and its subsidiaries are going concerns.

Chairman of Management board

Martin Kalle



Member of Management board

Gert Kuus



28th of February 2014



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<i>th EUR</i>	31.12.2013	31.12.2012
Cash and bank	355	158
Receivables and prepayments (Note 1)	1,368	1,792
Inventories (Note 2)	3,060	3,303
Total current assets	4,783	5,253
Investment property (Note 3)	408	185
Tangible fixed assets (Note 4)	9,505	10,010
Intangible fixed assets (Note 5)	26	23
Total fixed assets	9,939	10,218
TOTAL ASSETS	14,722	15,471
Debt obligations (Note 6)	1,919	1,845
Payables and prepayments (Note 7)	2,341	1,923
Short-term provisions (Note 8)	14	12
Total current liabilities	4,274	3,780
Non-current debt obligations (Note 6)	3,413	3,973
Non-current provisions (Note 8)	230	236
Total non-current liabilities	3,643	4,209
Total liabilities	7,917	7,989
Share capital at nominal value (Note 9)	2,699	2,699
Issue premium	364	364
Statutory capital reserve	288	288
Currency translation	8	(21)
Retained profits	4,152	4,353
Net profit (loss) for the year (Note 10)	(706)	(201)
Total equity	6,805	7,482
TOTAL LIABILITIES AND EQUITY	14,722	15,471



CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

<i>th EUR</i>	4 th Q 2013	4 th Q 2012	2013	2012
RETURN ON SALES (Note 11)	4,857	4,931	19,186	19,080
Cost of production sold	(4,140)	(4,148)	(16,204)	(16,050)
Gross profit	717	783	2,982	3,030
Marketing expenses	(723)	(638)	(2,612)	(2,389)
General administrative expenses	(208)	(161)	(763)	(546)
Other income	54	32	152	163
Other expenses	(65)	(62)	(226)	(184)
Operating profit (loss) (Note 11)	(225)	(46)	(467)	74
Financial income and financial expenses	(61)	(61)	(233)	(258)
Profit (loss) before taxes	(286)	(107)	(700)	(184)
Prepaid income tax	(5)	(3)	(6)	(17)
NET PROFIT (LOSS) FOR THE PERIOD	(291)	(110)	(706)	(201)
Basic earnings per share (Note 10)	(0.06)	(0.02)	(0.15)	(0.04)
Diluted earnings per share (Note 10)	(0.06)	(0.02)	(0.15)	(0.04)
Other comprehensive income:				
Currency translation differences	6	(10)	29	(10)
TOTAL COMPREHENSIVE INCOME	(285)	(120)	(677)	(211)



CONSOLIDATED CASH FLOW STATEMENT

<i>th EUR</i>	2013	2012
Cash flow from operations		
Net profit (loss) before taxes	(700)	(184)
<i>Adjustments for:</i>		
Depreciation of fixed assets (Note 3; 4; 5)	905	966
Loss on disposals of fixed assets (Note 4)	2	14
Reclassification of real estate development (Note 2; 3)	(214)	0
Interest expense	233	259
Operating profit (loss) before changes in operating capital	226	1 055
Change in operations-related receivables and prepayments (Note 1)	424	(118)
Change in inventories (Note 2)	243	(126)
Change in operations-related liabilities and prepayments	414	(215)
Cash generated from operations	1,307	596
Interest paid	(233)	(259)
Income tax	(6)	(17)
Total cash flow from operations	1,068	320
Cash flow from investments		
Acquisition of fixed assets (Note 4; 5)	(404)	(305)
Acquisition of investment property (Note 3)	(10)	0
Total cash flow from investments	(414)	(305)
Cash flow from financing activities		
Raise a loan (Note 6)	0	122
Repayment of loans (Note 6)	(457)	(142)
Settlement of finance lease liabilities (Note 6)	(29)	(33)
Total cash flow from financing activities	(486)	(53)
TOTAL CASH FLOW	168	(38)
Currency translation differences	29	(10)
CASH AT BEGINNING OF PERIOD	158	206
CASH AT END OF PERIOD	355	158



CONSOLIDATED STATEMENT OF CHANGES EQUITY

<i>th EUR</i>	Share capital	Share premium	Statutory capital reserve	Currency translation	Retained earnings	Total
Balance at 31.12.2011	2,699	364	288	(11)	4,353	7,693
Comprehensive income (loss) in 2012	0	0	0	(10)	(201)	(211)
Balance at 31.12.2012	2,699	364	288	(21)	4,152	7,482
Comprehensive income (loss) in 2013	0	0	0	29	(706)	(677)
Balance at 31.12.2013	2,699	364	288	8	3,446	6,805



NOTES TO THE CONSOLIDATED INTERIM REPORT

ACCOUNTING POLICIES AND MEASUREMENT BASES

The consolidated financial statements prepared for the period ended 31 December 2013 include the financial information of the Company and its subsidiaries (together referred to as the Group): Skano Fibreboard OÜ, Skano Furniture Factory OÜ, Skano Furniture OÜ, OÜ Isotex and Skano Furniture OÜ's wholly-owned subsidiaries SIA Skano, UAB Skano LT and TOV Skano Ukraine. The Group manufactures and distributes furniture and softboard made of wood.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The same accounting policies were applied for both the Interim Report and the Annual Report for the financial year that ended on 31.12.2012. The consolidated financial statements have been prepared in accordance with International Accounting Standard (IAS) 34: Interim Financial Reporting.

According to the assessment of the Management Board, Skano Group AS is a going concern and the Interim Report for the 4th quarter of 2013 gives a true and fair view of the financial position of Skano Group AS and the results of its operations. The present Interim Report has not been audited.

The Interim Report has been presented in thousands of euros.

NOTE 1 RECEIVABLES AND PREPAYMENTS

<i>th EUR</i>	31.12.2013	31.12.2012
Customer receivables	956	1,443
Prepaid taxes	312	279
Other receivables	65	23
Prepaid services	35	47
TOTAL	1,368	1,792

NOTE 2 INVENTORIES

<i>th EUR</i>	31.12.2013	31.12.2012
Raw materials and other materials	914	1,012
Work-in-progress: production	586	570
Work-in-progress: real estate development	0	214
Finished goods	1,231	1,269
Goods purchased for resale	196	171
Goods in transit	104	45
Prepayments to suppliers	29	22
TOTAL	3,060	3,303

At 31 December 2013, the discount and write-off reserve were made for inventories, was 86 thousand euros (2012: 99 thousand euros).



Work-in-progress: real estate development

At 31 December 2013, work-in-progress: real estate development comprised the old Sports goods division real property (buildings and land ca 20,000 m²) located at Rääma street 31, was reclassification to investment property.

NOTE 3 INVESTMENT PROPERTY

	<i>th EUR</i>
Cost at 31.12.2011	469
Accumulated depreciation at 31.12.2011	(284)
Net book amount at 31.12.2011	185
Cost at 31.12.2012	469
Accumulated depreciation at 31.12.2012	(284)
Net book amount at 31.12.2012	185
Acquired in 2013	10
Reclassification from inventories cost in 2013	273
Reclassification from inventories depreciation in 2013	(59)
Depreciation in 2013	(1)
Cost at 31.12.2013	752
Accumulated depreciation at 31.12.2013	(344)
Net book amount at 31.12.2013	408

Costs of maintenance for 2013 were 13 thousand euros (2012: 8 thousand euros). Rental income from investment properties for 2013 were 25 thousand euros (2012: 6 thousand euros).

NOTE 4 TANGIBLE FIXED ASSETS

<i>th EUR</i>	31.12.2013	31.12.2012
Land	226	226
Buildings and constructions	2,529	2,710
Machinery, plant and equipment	6,609	7,015
Other equipment and fixtures	25	24
Construction in progress	116	35
TOTAL	9,505	10,010

	<i>Th EUR</i>
Cost at 31.12.2011	19,219
Accumulated depreciation at 31.12.2011	(8,527)
Net book amount at 31.12.2011	10,692
Acquired in 2012	293
Write-off in 2012	(112)
Depreciation in 2012	(961)
Write-off of accumulated amortization in 2012	98



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 2013*	394
Write-off in 2013	(32)
Depreciation in 2013	(897)
Write-off of accumulated amortization in 2013	30
Cost at 31.12.2013	19,762
Accumulated depreciation at 31.12.2013	(10,257)
Net book amount at 31.12.2013	9,505

*On the 31st of December the binding liabilities of acquiring the tangible assets are 6 thousand euros.

NOTE 5 INTANGIBLE FIXED ASSETS

	<i>th EUR</i>
Cost at 31.12.2011	94
Accumulated depreciation at 31.12.2011	(78)
Net book amount at 31.12.2011	16
Acquired in 2012	12
Write-off in 2012	(16)
Depreciation in 2012	(5)
Write-off of accumulated amortization in 2012	16
Cost at 31.12.2012	90
Accumulated depreciation at 31.12.2012	(67)
Net book amount at 31.12.2012	23
Acquired in 2013	10
Depreciation in 2013	(7)
Cost at 31.12.2013	100
Accumulated depreciation at 31.12.2013	(74)
Net book amount at 31.12.2013	26

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

NOTE 6 DEBT OBLIGATIONS

<i>th EUR</i>	31.12.2013	31.12.2012
Current liabilities	1,919	1,845
incl non-convertible debt	24	29
Non-current debt obligations	3,413	3,973
incl non-convertible debt	15	39
TOTAL	5,332	5,818



NOTE 7 PAYABLES AND PREPAYMENTS

<i>th EUR</i>	31.12.2013	31.12.2012
Supplier payables	942	1,033
Payables to employees	312	301
Taxes payables	345	321
Other payables	245	141
Customer prepayments	497	127
TOTAL	2,341	1,923

NOTE 8 PROVISIONS

	<i>th EUR</i>
Balance at 31.12.2011	250
Incl current portion	11
non-current portion	239
Movements in 2012:	
used during the year	(24)
increased during the year	9
Interest cost	13
Balance at 31.12.2012	248
Incl current portion	12
non-current portion	236
Movements in 2013:	
used during the year	(25)
increased during the year	9
Interest cost	12
Balance at 31.12.2013	244
Incl current portion	14
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 31.12.2013	4,499,061	2,699
Balance 31.12.2012	4,499,061	2,699

The share capital of Skano Group AS totaled 2,699,436.60 euros that were made up of 4,499,061 shares with the nominal value of 0.60 euros each; the maximum share capital outlined in the Articles of Association is 10,797,744 euros. Each ordinary share grants its owner one vote in the General Meeting of Shareholders and the right to receive dividends.

In 2012 and 2013, the dividends were not distributed.

As at 31.12.2013, the Group had 570 shareholders (31.12.2012: 619 shareholders) of which with more than 5% ownership interest were:

- Trigon Wood OÜ with 2,682,192 shares or 59.62% (31.12.2012: 59.62%)

The number of shares owned by the members of the Management Board and Supervisory Board of Skano Group AS was as follows:

- Ülo Adamson 0 shares (2012: 0 shares)
- Joakim Johan Helenius 20,000 shares (2012: 20,000 shares)
- Heiti Riisberg 87,000 shares (2012: 50,000 shares)
- Pekka Armas Soikkeli 0 shares (2012: 0 shares)
- Andres Kivistik 0 shares (2012: 0 shares)
- Martin Kalle 4,331 shares (2012: 0 shares)
- Gert Kuus 0 shares (2012: 0 shares)

The Chairman of the Management Board Andres Kivistik has given his resignation notice on 12th of December 2013 at Supervisory Board meeting. The Supervisory Board accepted resigning request and decided to appoint for the new Chairman of the Management Board Martin Kalle.

NOTE 10 EARNINGS PER SHARE

<i>EUR</i>	31.12.2013	31.12.2012
Basic earnings per share	(0.15)	(0.04)
Diluted earnings per share	(0.15)	(0.04)
Book value of share	1.51	1.66
Price/earnings ratio (P/E)	(8.13)	(31.00)
Closing price of the share of Skano Group AS on Tallinn Stock Exchange at 31.12*	1.22	1.24

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 2013 = (706,892) / 4,499,061 = (0.15) euros

Basic earnings per share for 2012 = (200,626) / 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 2013 = 1.22/(0.15) = (8.13)

Price/earnings ratio (P/E) for 2012 = 1.24/(0.04) = (31.00)

* 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	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Revenue from external customers	5,494	6,131	2,355	2,384	11,337	10,565	0	0	0	0	19,186	19,080
Inter-segment revenue	1,140	1,025	0	0	96	111	0	0	191	0	1,427	1,136
Operating profit/loss	371	575	37	95	(892)	(626)	22	30	(5)	0	(467)	74
Segment assets	3,530	3,967	700	619	10,774	10,927	(42)	(42)	(240)	0	14,722	15,471
Segment liabilities	2,520	1,028	247	213	4,294	6,748	0	0	856	0	7,917	7,989



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

<i>th EUR</i>	2013				2012			
	FF	FR	FB	TOTAL	FF	FR	FB	TOTAL
Russia	3,058	0	2,656	5,714	3,255	0	2,423	5,678
Finland	2,087	0	3,600	5,687	2,652	0	2,479	5,131
Estonia	87	1,101	1,749	2,937	46	945	1,677	2,668
Great Britain	44	0	1,152	1,196	0	0	1,557	1,557
Ukraina	0	607	137	744	0	752	126	878
Latvia	0	287	294	581	0	306	330	636
Sweden	0	0	505	505	0	0	513	513
Lithuania	0	360	78	438	0	381	92	473
Netherlands	0	0	390	390	0	0	701	701
Germany	0	0	215	215	1	0	106	107
Kazakhstan	171	0	0	171	114	0	0	114
Japan	0	0	104	104	0	0	16	16
Greece	0	0	75	75	0	0	56	56
Arabia	21	0	37	58	0	0	7	7
Denmark	2	0	53	55	0	0	133	133
India	0	0	42	42	0	0	129	129
Czech	0	0	39	39	0	0	33	33
Hungary	0	0	32	32	0	0	7	7
Belorussia	24	0	8	32	63	0	0	63
France	0	0	29	29	0	0	23	23
Taiwan	0	0	23	23	0	0	0	0
Portugal	0	0	22	22	0	0	8	8
South-Africa	0	0	19	19	0	0	22	22
Brazil	0	0	18	18	0	0	9	9
Other countries	0	0	60	60	0	0	118	118
TOTAL	5,494	2,355	11,337	19,186	6,131	2,384	10,565	19,080

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>	2013	2012
Short-term benefits	254	225
Social security tax	84	75
TOTAL	338	300

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

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

<i>th EUR</i>	2013	2012
Purchased services	40	0
TOTAL	40	0

Balances with related parties:

<i>th EUR</i>	31.12.2013	31.12.2012
Services payables	19	0
TOTAL	19	0

