



4th QUARTER  
INTERIM REPORT

2015

Beginning of the Interim Report Period:	1.1.2015
End of the Interim Report Period:	31.12.2015
Beginning of the financial year:	1.1.2015
End of the financial year:	31.12.2015
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Main activity:	Production of fibreboards
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 FOURTH QUARTER IN SHORT

Consolidated net sales of the fourth quarter of 2015 were 4.2 mil. euros, representing a 9% decrease on the fourth quarter compared to the same period in 2014. At the same time, consolidated EBITDA amounted to -72 thousand euros (EBITDA -1 099 thousand euros in Q4 2014, which included also one-off non-monetary write-down of Püssi fibreboard factory assets amount to 925 thousand euros, without the write-down EBITDA would have been -83 thousand euros). Net sales during 12 month in 2015 amounted to 18.8 mil. euros, representing 8% decrease (2014 12 months net sales: 20.3 mil. euros). 12 months EBITDA in 2015 was 739 thousand euros exceeding last year level (2014 12 months EBITDA: -312 thousand euros, which included also one-off non-monetary write-down of Püssi fibreboard factory assets amount to 925 thousand euros, without the write-down EBITDA would have been 613 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 1.4 mil. euros, decreasing 11% as compared to the respective period last year, the operating loss of the fourth quarter was 74 thousand euros compared with the operating loss 145 thousand euros last year.

The turnover of Skano Fibreboard OÜ Püssi factory was 1.3 mil. euros, representing 3% increase in the fourth quarter compared to the same period in 2014. Operating loss amounted to 28 thousand euros compared with the operating loss 1 051 thousand euros last year, without the write-down of Püssi fibreboard factory assets by 925 thousand euros operating loss would have been 126 thousand euros.

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 fourth 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 Tuulileijona OY in Q4 2015 decreased 21% compared to last year, which amounted to 0.7 mil. euros (0,8 mil euros in Q4 2014). Suomen Tuulileijona OY is the wholesaler of Skano fibreboard products in Finland.

The turnover of Skano Furniture Factory OÜ in Pärnu decreased in the fourth quarter by 20% and amounted to 1.2 mil. euros. The operating loss of the fourth quarter was 399 thousand euros as in 2014 the operating loss of the same period was 61 thousand euros. 2015 fourth quarter operating loss 399 thousand euros contains also a loss from write-down of receivables against Skano other subsidiaries 265 thousand euros, which is non-monetary and will be eliminated from the consolidated results as they are intragroup transactions against another group company. Without write-down 2015 Q4 operating loss would have been 134 thousand euros. In addition to write-down the profitability was impacted by low sales volumes. In the fourth quarter of 2015 sales to Russia decreased due to very weak demand by 39% as compared to 2014. Sales to Finland decreased slightly 3 % and sales in the Baltics remained at the same level. 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 decreased 2% as compared to the same period last year being 648 thousand euros, operating loss was 196 thousand euros compared with the sales 662 thousand and operating loss 304 thousand euros in the fourth quarter of 2014. 2015 fourth quarter operating loss 196 thousand euros (in Q4 2014: operating loss 304 thousand euros) contains also a loss from a drop of currency exchange rate of hryvnia 77 thousand euros (in Q4 2014: exchange rate loss 137 thousand euros) and cost of write-down of receivables against Skano Ukrainian subsidiary 125 thousand euros (in Q4 2014: write-down 216 thousand euros). In Q4 2015 Skano Furniture OÜ exchange rate loss and write-down cost amounting to 181 thousand euros (in Q4 2015: 304 thousand euros) is non-monetary and will be eliminated from the consolidated results as they are intragroup transactions against another group company.

Retail sale increased in Estonia and Lithuania but decreased in Latvia and Ukraine. 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 fourth quarter in 2015 was 4.2 mil. euros (4.7 mil. euros in same period of 2014) representing a 9% decrease compared to Q4 2014. The Group's gross margin in the fourth quarter of 2015 was 16% compared to 15% in the fourth quarter of 2014. Consolidated operating loss amounted to 281 thousand euros (operating loss 1 228 thousand euros from main activities in same period 2014 which included also one-off non-monetary write-down of Püssi fibreboard factory assets amount to 925 thousand euros. Without write-down 2015 Q4 operating loss would have been 304 thousand euros). The consolidated operating margin of net sales was -6.7% (-26.3% from main activities in Q4 2014). Consolidated net loss amounted to 361 thousand euros (compared to net loss 1 302 thousand euros in Q4 2014), and the net margin was -8.5% (-27.97% in Q4 2014).

## POSITION OF FINANCIAL STATEMENT

As of 31.12.2015 the total assets of Skano Group AS amounted to 13.3 mil. euros (31.12.2014: 13.3 mil. euros). The liabilities of the company accounted for 63% (31.12.2014: 60%) thereof, i.e. 8.3 mil. euros (31.12.2014: 8.0 mil. euros).

Receivables and prepayments have decreased by 0.2 mil. euros i.e. 19% decrease within 12 months. Inventories have increased 0.5 mil euros with 12 months, amounting to 3.4 mil. euros on 31.12.2015. (31.12.2014: 3.0 mil. euros). Property, plant and intangibles amounted to 8,1 mil euros decreased by 0.2 mil. euros mainly as a result of depreciation.

Short-term loans have decreased by 0.7 mil. euros and amounted to 1.3 mil. euros in 31.12.2015 which was a result of usage of bank overdraft and restructuring of the loan between short- and long-term payment schedule (31.12.2014: 2.0 mil. euros). Supplier payables, tax liabilities, other payables, including payables to employees, and provisions amounted to 2.7 mil. euros (31.12.2014: 2.2 mil. euros).

Long-term loans have increased by 0.6 mil euros and amounted to 4.2 mil. euros in 31.12.2015 (31.12.2014: 3.6 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 0.3 mil. euros to 8.3 mil. euros (31.12.2014: 8.0 mil. euros).



## DIVISIONAL REVIEW:

### NET SALES BY BUSINESS SEGMENTS

	<i>th EUR</i>		<i>% of net sales</i>	
	Q4 2015	Q4 2014	Q4 2015	Q4 2014
Skano Fibreboard OÜ	2,630	2,763	62.2%	59.3%
Skano Furniture Factory OÜ	1,179	1,467	27.9%	31.5%
Skano Furniture OÜ retail	648	662	15.3%	14.2%
Suomen Tuulileijona OY	666	839	15.8%	18.0%
Elimination	(898)	(1,070)	(21.3%)	(23.0%)
<b>TOTAL</b>	<b>4,225</b>	<b>4,661</b>	<b>100.0%</b>	<b>100.0%</b>

### NET SALES BY GEOGRAPHICAL SEGMENTS

	<i>th EUR</i>		<i>% of net sales</i>	
	Q4 2015	Q4 2014	Q4 2015	Q4 2014
Finland	1,150	1,351	27.2%	29.0%
Russia	918	1,151	21.7%	24.7%
Estonia	788	660	18.7%	14.2%
Great Britain	342	403	8.1%	8.6%
Latvia	199	233	4.7%	5.0%
Portugal	175	0	4.1%	0.0%
Sweden	120	103	2.8%	2.2%
Lithuania	114	100	2.7%	2.1%
Ukraine	107	162	2.5%	3.5%
South Africa	53	184	1.3%	3.9%
Kazakhstan	41	56	1.0%	1.2%
Germany	40	38	0.9%	0.8%
Other countries	178	220	4.2%	4.7%
<b>TOTAL</b>	<b>4,225</b>	<b>4,661</b>	<b>100.0%</b>	<b>100.0%</b>

Regarding the markets, turnover has increased in Estonia and in new market Portugal. The turnover has decreased most in Russia and Finland.

### PROFIT BY BUSINESS SEGMENTS

<i>th EUR</i>	Q4 2015	Q4 2014
Skano Furniture factory	(399)	(61)
Skano Furniture retail	(196)	(304)
Skano Fibreboard	(102)	(1 199)
Suomen Tuulileijona OY	(32)	(18)
Elimination	448	354
<b>TOTAL</b>	<b>(281)</b>	<b>(1 228)</b>
Net financial costs	(75)	(73)
Income tax	(5)	(1)
<b>NET PROFIT</b>	<b>(361)</b>	<b>(1 302)</b>



## SKANO FIBREBOARD

The net sales of Skano Fibreboard in the fourth quarter of 2015 amounted to 2.6 mil. euros and operating loss to 102 thousand euros. In the same period last year, the turnover of Skano Fibreboard totaled to 2.8 mil. euros and the operating loss from main activities 1 199 thousand euros, which included also one-off non-monetary write-down of Püssi fibreboard factory assets by 925 thousand euros.

The decrease in sales in the third quarter compare to last year took place in Finland. Sales increased most in Estonia and Portugal.

### NET SALES BY GEOGRAPHICAL SEGMENTS

	<i>th EUR</i>		<i>% of net sales</i>	
	Q4 2015	Q4 2014	Q4 2015	Q4 2014
Finland (incl. to Suomen Tuulileijona OY)	658	857	25.0%	31.0%
Russia	548	541	20.8%	19.6%
Estonia	390	322	14.8%	11.7%
Great Britain	336	393	12.8%	14.2%
Portugal	175	0	6.7%	0.0%
Sweden	114	89	4.3%	3.2%
Latvia	86	100	3.3%	3.6%
South Africa	53	184	2.0%	6.7%
Ukraine	48	42	1.8%	1.5%
Germany	40	38	1.5%	1.4%
Other countries	182	197	6.9%	7.1%
<b>TOTAL</b>	<b>2,630</b>	<b>2,763</b>	<b>100.0%</b>	<b>100.0%</b>

<i>th EUR</i>	Net sales		Operating Profit	
	Q4 2015	Q4 2014	Q4 2015	Q4 2014
Pärnu Fibreborad factory	825	1,024	(58)	(139)
Püssi Fibreboard factory	1,252	1,220	(28)	(1,051)
Pärnu interior boards factory (Isotex)	533	497	(16)	(5)
Not allocated	20	22	0	(4)
<b>TOTAL</b>	<b>2,630</b>	<b>2,763</b>	<b>(102)</b>	<b>(1 199)</b>

The net sales of the Pärnu fibreboard factory and interior board's line decreased 11 % in the fourth quarter of 2015 compared to the same quarter of 2014 and amounted to 1.4 mil. euros.

The turnover of Püssi fibreboard factory amounted to 1.3 mil. euros increasing 3% compared to the same quarter in 2014 (turnover 1.2 mil. euros in Q4 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 10 stores in Tallinn (3), Tartu, Pärnu, Riga, Vilnius, Kiev (2) and Kharkiv at the end of the fourth quarter in 2015. A shop in Dnipropetrovsk was handed over to a local dealer based on franchise agreement.

### RETAIL SALES BY COUNTRIES

	<i>th EUR</i>		<i>% of net sales</i>		<i>Number of stores</i>	
	Q4 2015	Q4 2014	Q4 2015	Q4 2014	31.12.15	31.12.14
Estonia	391	335	60.4%	50.6%	5	4
Latvia	113	133	17.4%	20.1%	1	1
Lithuania	85	74	13.1%	11.2%	1	1
Ukraine	59	120	9.1%	18.1%	3	4
<b>TOTAL</b>	<b>648</b>	<b>662</b>	<b>100.0%</b>	<b>100.0%</b>	<b>10</b>	<b>10</b>

Retail sale amounted to 648 thousand euros in the fourth quarter of 2015 and operating loss 196 thousand euros (sales 662 thousand euros and operating loss 304 thousand euros in Q4 2014). Current year fourth quarter operating loss 196 thousand euros (in Q4 2014: operating loss 304 thousand euros) contains also a loss from a drop of currency exchange rate of hryvnia 77 thousand euros (in Q4 2014: exchange rate loss 137 thousand euros) and cost of write-down of receivables against Skano Ukrainian subsidiary 125 thousand euros (in Q4 2014: write-down 216 thousand euros). Skano Furniture OÜ exchange rate loss and write-down cost amounting to 181 thousand euros (in Q4 2015: 304 thousand euros) is non-monetary and will be eliminated from the consolidated results as they are intragroup transactions against another group company.

### FURNITURE PRODUCTION

The net sales of the Skano Furniture Factory in the fourth quarter amounted to 1.2 mil. euros and operating loss to 399 thousand euros. In the same period last year, the turnover of the factory amounted also to 1.5 mil. euros and the operating loss to 61 thousand euros. Fourth quarter operating loss 399 thousand euros contains also a loss from write-down of receivables against Skano other subsidiaries 265 thousand euros, which is non-monetary and will be eliminated from the consolidated results as they are intragroup transactions against another group company. As compared to the previous year the turnover of the factory has decreased 20%. In the fourth quarter the sales decreased in Russia by 39% 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>	
	Q4 2015	Q4 2014	Q4 2015	Q4 2014
Finland	447	462	37.9%	31.5%
Russia	370	610	31.4%	41.6%
Other countries	80	116	6.8%	7.9%
Subsidiaries	282	279	23.9%	19.0%
<b>TOTAL</b>	<b>1,179</b>	<b>1,467</b>	<b>100.0%</b>	<b>100.0%</b>





## FORECAST AND DEVELOPMENT

**SKANO FIBREBOARD.** We expect sales of Skano Fibreboard in Q1 2016 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 2016 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 Q1 2016 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 Q1 2016 we expect smaller sales of the furniture factory compared to the same period in 2015 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 2016 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. In January 2016 we participated the furniture fair in Cologne with three new series, which should supports sales in 2H 2016.



## INVESTMENTS

In 2015 investments into fixed assets amounted to a total of 0.7 mil. euros. In 2014 investments amounted to 0.6 mil. euros.

## PEOPLE

On the 31<sup>st</sup> of December in 2015 Concern employed 314 people (340 people in the same time last year). The average number of personnel in 2015 was 324 (2014: 348).

During the twelve months in 2015, wages and salaries with taxes amounted to 4.8 mil. euros (4.9 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 (average number of members this year vs last year is not comparable):

<i>th EUR</i>	12 m 2015	12 m 2014
Board member and other remuneration	296	200
Social tax and unemployment insurance premiums	98	66
<b>TOTAL</b>	<b>394</b>	<b>266</b>



## FINANCIAL HIGHLIGHTS

<i>th EUR</i>	12 m 2015	12 m 2014	12 m 2013
<b>Income statement</b>			
Revenue	18,789	20,330	19,186
EBITDA	739	(312)	438
EBITDA margin	3.9%	(1.5%)	2.3%
Operating profit	(101)	(1,199)	(467)
Operating margin	(0.5%)	(5.9%)	(2.4%)
Net profit	(411)	(1,481)	(706)
Net margin	(2.2%)	(7.3%)	(3.7%)
<b>Balance sheet (31.12)</b>			
Total assets	13,262	13,329	14,722
Return on assets	(3.1%)	(11.1%)	(4.8%)
Equity	4,919	5,300	6,805
Return on equity	(8.4%)	(27.9%)	(10.4%)
Debt-to-equity ratio	62.9%	60.2%	53.8%
<b>Share (31.12)</b>			
Closing price	0.73	0.85	1.22
Earnings per share	(0.09)	(0.33)	(0.16)
Price-earnings ratio	(8.11)	(2.58)	(7.63)
Book value of a share	1.09	1.18	1.51
Market to book ratio	0.67	0.72	0.81
Market capitalization	3,284	3,824	5,489

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 2015, 1 months' EURIBOR was 0.206 and at 31 December 2014 0.018. 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 31.12.2014	1	1	1	1	1	1	100	1
Ownership at 31.12.2014 (%)	100	100	100	100	100	100	100	100
Number of shares at 31.12.2015	1	1	1	1	1	1	100	1
Ownership at 31.12.2015 (%)	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 and Kiev.

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 2014 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 4<sup>th</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 Grace

Member of Management board    Heiti Riisberg

29<sup>th</sup> of February 2016



## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<i>th EUR</i>	<b>31.12.2015</b>	<b>31.12.2014</b>
Cash and bank	292	432
Receivables and prepayments (Note 1)	997	1,232
Inventories (Note 2)	3,426	2,962
<b>Total current assets</b>	<b>4,715</b>	<b>4,626</b>
Investment property (Note 3)	406	407
Tangible fixed assets (Note 4)	8,120	8,267
Intangible fixed assets (Note 5)	21	29
<b>Total fixed assets</b>	<b>8,547</b>	<b>8,703</b>
<b>TOTAL ASSETS</b>	<b>13,262</b>	<b>13,329</b>
Debt obligations (Note 6)	1,253	2,030
Payables and prepayments (Note 7)	2,684	2,198
Short-term provisions (Note 8)	15	15
<b>Total current liabilities</b>	<b>3,952</b>	<b>4,243</b>
Non-current debt obligations (Note 6)	4,163	3,563
Non-current provisions (Note 8)	228	223
<b>Total non-current liabilities</b>	<b>4,391</b>	<b>3,786</b>
<b>Total liabilities</b>	<b>8,343</b>	<b>8,029</b>
Share capital at nominal value (Note 9)	2,699	2,699
Issue premium	364	364
Statutory capital reserve	288	288
Other reserves	7	0
Currency translation	7	(16)
Retained profits	1,965	3,446
Net profit (loss) for the year (Note 10)	(411)	(1,481)
<b>Total equity</b>	<b>4,919</b>	<b>5,300</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>13,262</b>	<b>13,329</b>



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

<i>th EUR</i>	4 <sup>th</sup> Q 2015	4 <sup>th</sup> Q 2014	2015	2014
<b>RETURN ON SALES (Note 11)</b>	<b>4,225</b>	<b>4,661</b>	<b>18,789</b>	<b>20,330</b>
<b>Cost of production sold</b>	<b>(3,543)</b>	<b>(3,955)</b>	<b>(14,870)</b>	<b>(16,727)</b>
<b>Gross profit</b>	<b>682</b>	<b>706</b>	<b>3,919</b>	<b>3,603</b>
Marketing expenses	(807)	(841)	(3,203)	(3,077)
General administrative expenses	(183)	(150)	(705)	(622)
Other income	61	59	390	103
Other expenses	(34)	(1,002)	(502)	(1,206)
<b>Operating profit (loss) (Note 11)</b>	<b>(281)</b>	<b>(1,228)</b>	<b>(101)</b>	<b>(1,199)</b>
Financial income and financial expenses	(75)	(73)	(301)	(281)
<b>Profit (loss) before taxes</b>	<b>(356)</b>	<b>(1,301)</b>	<b>(402)</b>	<b>(1,480)</b>
Prepaid income tax	(5)	(1)	(9)	(1)
<b>NET PROFIT (LOSS) FOR THE PERIOD</b>	<b>(361)</b>	<b>(1,302)</b>	<b>(411)</b>	<b>(1,481)</b>
Basic earnings per share (Note 10)	(0.08)	(0.29)	(0.09)	(0.33)
Diluted earnings per share (Note 10)	(0.07)	(0.29)	(0.08)	(0.33)
Other comprehensive income:				
Currency translation differences	97	16	23	(24)
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>(264)</b>	<b>(1,286)</b>	<b>(388)</b>	<b>(1,505)</b>





## CONSOLIDATED CASH FLOW STATEMENT

<i>th EUR</i>	<b>2015</b>	<b>2014</b>
<b>Cash flow from operations</b>		
<b>Net profit (loss) before taxes</b>	<b>(402)</b>	<b>(1,480)</b>
<i>Adjustments for:</i>		
Depreciation of fixed assets (Note 3; 4; 5)	864	971
The impairment loss of fixed assets (Note 4)	0	925
Loss on disposals of fixed assets (Note 4)	22	0
Non-cash transactions: reserves of share options	7	0
Interest expense	294	277
<b>Operating profit (loss) before changes in operating capital</b>	<b>785</b>	<b>693</b>
Change in operations-related receivables and prepayments (Note 1)	235	136
Change in inventories (Note 2)	(464)	12
Change in operations-related liabilities and prepayments	491	(63)
<b>Cash generated from operations</b>	<b>1,047</b>	<b>778</b>
Interest paid	(294)	(277)
Income tax	(9)	(1)
<b>Total cash flow from operations</b>	<b>744</b>	<b>500</b>
<b>Cash flow from investments</b>		
Acquisition of fixed assets (Note 4; 5)	(730)	(660)
<b>Total cash flow from investments</b>	<b>(730)</b>	<b>(660)</b>
<b>Cash flow from financing activities</b>		
Raise a loan (Note 6)	28	410
Repayment of loans (Note 6)	(191)	(125)
Settlement of finance lease liabilities (Note 6)	(14)	(24)
<b>Total cash flow from financing activities</b>	<b>(177)</b>	<b>261</b>
<b>TOTAL CASH FLOW</b>	<b>(163)</b>	<b>101</b>
<b>Currency translation differences</b>	<b>23</b>	<b>(24)</b>
<b>CASH AT BEGINNING OF PERIOD</b>	<b>432</b>	<b>355</b>
<b>CASH AT END OF PERIOD</b>	<b>292</b>	<b>432</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) 2014	0	0	0	0	(24)	(1,481)	(1,505)
<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	7	0	0	7
Comprehensive income (loss) 2015	0	0	0	0	23	(411)	(388)
<b>Balance at 31.12.2015</b>	<b>2,699</b>	<b>364</b>	<b>288</b>	<b>7</b>	<b>7</b>	<b>1,554</b>	<b>4,919</b>



## NOTES TO THE CONSOLIDATED INTERIM REPORT

### ACCOUNTING POLICIES AND MEASUREMENT BASES

The consolidated financial statements prepared for the period ended 31 December 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 4<sup>th</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>31.12.2015</b>	<b>31.12.2014</b>
Customer receivables	590	897
Prepaid taxes	254	250
Other receivables	97	59
Prepaid services	56	26



<b>TOTAL</b>	<b>997</b>	<b>1,232</b>
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#### NOTE 2 INVENTORIES

<i>th EUR</i>	<b>31.12.2015</b>	<b>31.12.2014</b>
Raw materials and other materials	632	645
Work-in-progress	571	495
Finished goods	1,956	1,495
Goods purchased for resale	233	192
Goods in transit	146	232
Prepayments to suppliers	3	39
Write-off reserve for inventories	(115)	(136)
<b>TOTAL</b>	<b>3,426</b>	<b>2,962</b>

#### NOTE 3 INVESTMENT PROPERTY

	<i>th EUR</i>
Cost at 31.12.2013	693
Accumulated depreciation at 31.12.2013	(285)
Net book amount at 31.12.2013	408
Depreciation in 2014	(1)
Cost at 31.12.2014	693
Accumulated depreciation at 31.12.2014	(286)
Net book amount at 31.12.2014	407
Depreciation in 2015	(1)
Reclassification of tangible fixed assets cost in 2015	(26)
Reclassification of tangible fixed assets depreciation in 2015	26
<b>Cost at 31.12.2015</b>	<b>667</b>
<b>Accumulated depreciation at 31.12.2015</b>	<b>(261)</b>
<b>Net book amount at 31.12.2015</b>	<b>406</b>

Costs of maintenance for 2015 were 35 thousand euros and 36 thousand euros in the same period of 2014. Rental income from investment properties for 2015 were 54 thousand euros and 55 thousand euros in the same period of 2014.

#### NOTE 4 TANGIBLE FIXED ASSETS

<i>th EUR</i>	<b>31.12.2015</b>	<b>31.12.2014</b>
Land	226	226
Buildings and constructions	2,156	2,256
Machinery, plant and equipment	5,617	5,473
Other equipment and fixtures	28	29
Construction in progress	93	283
<b>TOTAL</b>	<b>8,120</b>	<b>8,267</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 2014	647
The impairment loss in 2014**	(925)
Write-off in 2014	(121)
Depreciation in 2014	(960)
Write-off of accumulated amortization in 2014	121
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 2015*	728
Write-off in 2015	(189)
Depreciation in 2015	(853)
Write-off of accumulated amortization in 2015	167
Reclassification from investment property cost in 2015	(26)
Reclassification from investment property depreciation in 2015	26
<b>Cost at 31.12.2015</b>	<b>19,928</b>
<b>Accumulated depreciation at 31.12.2015</b>	<b>(11,808)</b>
<b>Net book amount at 31.12.2015</b>	<b>8,120</b>

\*On the 31<sup>st</sup> of December the binding liabilities of acquiring the tangible assets are 26 thousand euros.

\*\*As at 31<sup>st</sup> of December Püssi fibreboard factory assets impairment loss test is carried out. The result of the test impairment loss was in the amount of 925 thousand euros. Loss is included in the income statement line "other operating expenses".

#### 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 2014	13
Depreciation in 2014	(10)
Cost at 31.12.2014	113
Accumulated depreciation at 31.12.2014	(84)
Net book amount at 31.12.2014	29
Acquired in 2015	2
Depreciation in 2015	(10)
<b>Cost at 31.12.2015</b>	<b>115</b>
<b>Accumulated depreciation at 31.12.2015</b>	<b>(94)</b>
<b>Net book amount at 31.12.2015</b>	<b>21</b>

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



**NOTE 6 DEBT OBLIGATIONS**

<i>th EUR</i>	<b>31.12.2015</b>	<b>31.12.2014</b>
Current liabilities	1,253	2,030
incl non-convertible debt	0	15
Non-current debt obligations	4,163	3,563
<b>TOTAL</b>	<b>5,416</b>	<b>5,593</b>

**NOTE 7 PAYABLES AND PREPAYMENTS**

<i>th EUR</i>	<b>31.12.2015</b>	<b>31.12.2014</b>
Supplier payables	1,591	1,092
Payables to employees	300	317
Taxes payables	383	415
Other payables	110	134
Customer prepayments	300	240
<b>TOTAL</b>	<b>2,684</b>	<b>2,198</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 in 2014	(27)
Increased in 2014	10
Interest cost in 2014	11
<b>Balance at 31.12.2014</b>	<b>238</b>
Incl current portion	15
non-current portion	223
Used in 2015	(25)
Increased in 2015	19
Interest cost in 2015	11
<b>Balance at 31.12.2015</b>	<b>243</b>
Incl current portion	15
non-current portion	228

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 31.12.2015	4,499,061	2,699
Balance 31.12.2014	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 31.12.2015, the Group had 483 shareholders (31.12.2014: 518 shareholders) of which with more than 5% ownership interest were:

- Trigon Wood OÜ with 2,682,192 shares or 59.62% (31.12.2014: 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>31.12.2015</b>	<b>31.12.2014</b>
Basic earnings per share	(0.09)	(0.33)
Diluted earnings per share	(0.08)	(0.33)
Book value of share	1.09	1.18
Price/earnings ratio (P/E)	(8.11)	(2.58)
Closing price of the share of Skano Group AS on Tallinn Stock Exchange at 31.12*	0.73	0.85

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 2015 = (411,006)/4,499,061 = (0.09) euros

Basic earnings per share for 2014 = (1,481,024)/4,499,061 = (0.33) 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 2015 = (411,006)/4,949,061 = (0.08) euros  
Diluted earnings per share for 2014 = (1,481,024)/4,499,061 = (0.33) euros

Price/earnings ratio (P/E) for 2015 = 0.73/(0.09) = (8.11)

Price/earnings ratio (P/E) for 2014 = 0.85/(0.33) = (2.58)

\* 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	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Revenue from external customers	3,644	4,863	2,537	2,369	7,659	10,884	4,949	2,214	0	0	0	0	<b>18,789</b>	<b>20,330</b>
Inter-segment revenue	1,157	1,133	0	0	4,738	2,033	0	1	43	62	0	0	<b>5,938</b>	<b>3,229</b>
Operating profit/loss	(634)	137	(352)	(612)	262	(1,332)	6	(30)	(14)	(17)	631	655	<b>(101)</b>	<b>(1,199)</b>
Segment assets	2,684	3,141	718	680	10,114	9,317	201	556	(433)	(345)	(22)	(20)	<b>13,262</b>	<b>13,329</b>
Segment liabilities	2,153	2,092	244	255	4,737	4,221	200	478	1,009	983	0	0	<b>8,343</b>	<b>8,029</b>





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

th EUR	2015					2014				
	FF	FR	FB	STOY	TOTAL	FF	FR	FB	STOY	TOTAL
Finland	1,770	8	190	4,944	6,912	1,828	1	3,483	2,200	7,512
Russia	1,501	0	1,850	0	3,351	2,735	0	2,110	0	4,845
Estonia	41	1,463	1,752	0	3,256	69	1,272	1,676	0	3,017
Great Britain	43	0	1,163	0	1,206	46	0	1,136	0	1,182
Latvia	0	469	305	0	774	0	345	315	0	660
Sweden	0	1	568	5	574	0	0	522	14	536
South Africa	0	0	493	0	493	0	0	246	0	246
Lithuania	0	332	102	0	434	0	338	102	0	440
Ukraina	0	264	136	0	400	0	405	149	0	554
Portugal	0	0	235	0	235	0	0	7	0	7
Kazakhstan	166	0	0	0	166	88	0	11	0	99
Germany	0	0	160	0	160	0	0	113	0	113
Denmark	0	0	158	0	158	0	0	44	0	44
France	102	0	20	0	122	36	0	60	0	96
Arabia	0	0	108	0	108	24	0	88	0	112
Saudi-Arabia	0	0	63	0	63	0	0	52	0	52
Australia	9	0	51	0	60	0	0	61	0	61
Hungary	0	0	46	0	46	0	0	33	0	33
Oman	0	0	37	0	37	0	0	27	0	27
Belarus	12	0	18	0	30	33	0	18	0	51
Kuwait	0	0	29	0	29	0	0	19	0	19
Malaysia	0	0	26	0	26	0	0	35	0	35
Bulgaria	0	0	23	0	23	0	0	0	0	0
Tanzania	0	0	21	0	21	0	0	0	0	0
Jordan	0	0	18	0	18	0	0	9	0	9
Norway	0	0	17	0	17	0	0	32	0	32
Singapore	0	0	16	0	16	0	0	42	0	42
Cyprus	0	0	10	0	10	0	0	13	0	13
Other countries	0	0	44	0	44	4	8	481	0	493
<b>TOTAL</b>	<b>3,644</b>	<b>2,537</b>	<b>7,659</b>	<b>4,949</b>	<b>18,789</b>	<b>4,863</b>	<b>2,369</b>	<b>10,884</b>	<b>2,214</b>	<b>20,330</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.

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:

th EUR	2015	2014
Short-term benefits	296	200
Social security tax	98	66
<b>TOTAL</b>	<b>394</b>	<b>266</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>	2015	2014
Purchased services	35	34
<b>TOTAL</b>	<b>35</b>	<b>34</b>

Balances with related parties:

<i>th EUR</i>	31.12.2015	31.12.2014
Services payables	10	12
<b>TOTAL</b>	<b>10</b>	<b>12</b>

### NOTE 13 EVENTS AFTER THE REPORTING PERIOD

After the reporting period, a short-term loan was received from a related party in the amount of 100.0 thousand euros. The loan bears interest at 6% per annum and the loan is due on 30.06.2016. In addition was received a short-term bank loan in the amount of 100.0 thousand euros. The loan bears interest at 6-month euribor + 5% per annum and the loan is due on 30.06.2016.

