



2nd QUARTER
INTERIM REPORT

2014

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End of the Interim Report Period:	30.06.2014
Beginning of the financial year:	1.1.2014
End of the financial year:	31.12.2014
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SKANO
GROUP

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OUTLINE

Skano Group AS concern is engaged in the manufacture of building materials, retail trade of furniture and furnishing as well as manufacture of furniture. Skano Group AS is a holding company consisting of two subsidiaries Skano Fibreboard OÜ and Skano Furniture Factory OÜ. Skano Furniture Factory OÜ owns a subsidiary Skano Furniture OÜ.

Skano Fibreboard OÜ produces and distributes two independent softboard-based product categories: fibre-boards for insulation and soundproofing, and interior finishing panels for walls and ceilings.

Skano Furniture Factory OÜ owns a furniture factory in Pärnu producing original, above the average price level home furniture made of timber. Skano Furniture OÜ consists of a furniture retail store chain operating in Ukraine and the Baltics

The principal markets of the company are Scandinavia, Russia, Great Britain and the Baltics. The long-term customers and co-operation partners of Skano Group AS are distinguished representatives of their respective fields.

The shares of Skano Group AS have been listed on Tallinn Stock Exchange since 5 June 1997. On 19 September 2007, the division of Skano Group AS took place and the shares of separated production enterprise have been listed again in the main list of Tallinn Stock Exchange according to the decision of Tallinn Stock Exchange Listing Committee as of 20 September 2007 and trading with the shares commenced on 25 September 2007. In September 2013 a restructuring process of Skano Group AS was conducted, where current fibreboard and furniture factory divisions were transferred to newly established subsidiaries Skano Fibreboard OÜ and Skano Furniture Factory OÜ.

The majority owner of Skano Group AS is OÜ Trigon Wood. Largest shareholder of OÜ Trigon Wood and the entities with significant influence over the Group are: AS Trigon Capital, Veikko Laine Oy, Hermitage Eesti OÜ, Thominvest Oy and SEB's Finnish costumers.



MANAGEMENT REPORT

THE SECOND QUARTER IN SHORT

Consolidated net sales of the second quarter of 2014 was 5.35 mil. euros, representing a 13% increase on the second quarter compared to the same period in 2013. At the same time, consolidated EBITDA amounted to 431 thousand euros (EBITDA 123 thousand euros in Q2 2013).

The sales in Skano Fibreboard OÜ Pärnu factory (incl. Isotex) was 2.2 mil. euros, increased as compared to the respective period last year by 25%, the operating profit of the second quarter was 126 thousand euros compared with the operating loss of 76 thousand euros last year.

The turnover of Skano Fibreboard OÜ Püssi factory was 1.2 mil. euros, representing a 39% increase in the second quarter compared to the same period in 2013. The operating loss amounted to 25 thousand euros compared with the operating loss 158 thousand euros last year.

The main sales growth came from Finland thanks to the new distribution partner and from Estonia. Despite of sales growth from Finland, which came at the expense of a bigger market share, our main foreign markets remained weak due to the general economic situation in Europe. We have continuously expanded the list of our target markets and made considerable efforts in product development to obtain certificates necessary for different markets. In the second quarter we also conducted product testing and fine tuning of the production process in both factories in order to achieve a lower production cost.

The priority of the management of the company is to continuously 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 second quarter by 7,5% and amounted to 1,7 mil. euros. The operating profit in the second quarter was 141 thousand euros, in 2013 the operating profit of the same period was 133 thousand euros. Sales in the second quarter of 2014 decreased mostly in Finland due to a weak demand by 23% compared to 2013, also sales to the Baltics (through the subsidiary) decreased by 16%. Sales to Russia remained at the same level compared to 2013. In addition to seeking new sales possibilities in the current markets, the company has made considerable efforts to enter into new markets. The sales in new markets is not yet covering the gap from our main markets.

The turnover of Skano Furniture OÜ retail chain was 543 thousand euros which is a 12% decrease compared to the same period last year and the operating loss was 49 thousand euros, compared with the sales of 619 thousand and operating loss of 3 thousand euros in the second quarter of 2013. The current year second quarter operating loss of 49 thousand euros also contains a loss from the drop in currency exchange rate of hryvnia 55 thousand euros, out of which 32 thousand euros was due to the revaluation of intragroup loans as a separate subsidiary but which will be eliminated out on the group level and will not affect Skano Group end result. The realized currency exchange rate loss amounted to 20 thousand euros (the realized loss from the currency exchange rate was 13 thousand euros in the same period of 2013). Retail sales increased surprisingly in Ukraine but decreased in the Baltics. 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

The consolidated net sales of the second quarter in 2014 was 5.35 mil. euros (4.74 mil. euros in the same period of 2013) representing a 13% increase compared to Q2 2013. The Group's gross margin in the second quarter of 2014 was 21.8% compared to 15.6% in the second quarter of 2013. The consolidated operating profit amounted to 212 thousand euros (operating loss of 104 thousand euros from the main activities in the same period of 2013). The consolidated operating margin of net sales was 4.0% (-2.2% from main activities in Q2 2013).

The consolidated net profit amounted to 142 thousand euros (compared to a net loss of 164 thousand euros in Q2 2013), and the net margin was 2.7% (-3.5% in Q2 2013).

POSITION OF FINANCIAL STATEMENT

As of 30.06.2014 the total assets of Skano Group AS amounted to 15.1 mil. euros (30.06.2013: 15.3 mil. euros). The liabilities of the company accounted for 55.5% (30.06.2013: 54.1%) thereof, i.e. 8.4 mil. euros (30.06.2013: 8.2 mil. euros).

Receivables and prepayments have decreased by 0.3 mil. euros i.e. 18% decrease with 12 months. The reason of decrease of receivables was implementation of factoring instrument.

Inventories have increased with 12 months by 0,25 mil. euros compared to last year, amounting to 3.5 mil. euros on 30.06.2014. (30.06.2013: 3.3 mil. euros). Property, plant and intangibles decreased by 0.4 mil. euros mainly as a result of depreciation.

Short-term loans have increased by 0.2 mil. euros and amounted to 1.4 mil. euros in 30.06.2014 which was a result of the usage of bank overdraft (30.06.2013: 1.2 mil. euros). Supplier payables, tax liabilities, other payables, including payables to employees, and provisions amounted to 2.6 mil. euros (30.06.2013: 2.4 mil. euros).

Long-term loans have decreased by 0.2 mil euros and amounted to 4.1 mil. euros in 30.06.2014 (30.06.2013: 4.3 mil. euros). The decrease was due to principal payments amounted to 0.2 mil. euros.

Current and non-current liabilities increased by 0.2 mil. euros to 8.4 mil. euros (30.06.2013: 8.2 mil. euros).



DIVISIONAL REVIEW:

NET SALES BY BUSINESS SEGMENTS

	<i>th EUR</i>		<i>% of net sales</i>	
	Q2 2014	Q2 2013	Q2 2014	Q2 2013
Skano Fibreboard OÜ	3,397	2,631	63.5%	55.5%
Skano Furniture Factory OÜ	1,694	1,831	31.7%	38.7%
Skano Furniture OÜ retail	543	619	10.1%	13.1%
Elimination	(284)	(344)	(5.3%)	(7.3%)
TOTAL	5,350	4,737	100.0%	100.0%

NET SALES BY GEOGRAPHICAL SEGMENTS

	<i>th EUR</i>		<i>% of net sales</i>	
	Q2 2014	Q2 2013	Q2 2014	Q2 2013
Finland	2,113	1,404	39.5%	29.6%
Russia	1,358	1,636	25.4%	34.5%
Estonia	872	704	16.3%	14.9%
Great Britain	252	235	4.7%	5.0%
Ukraine	135	136	2.5%	2.9%
Latvia	117	112	2.2%	2.4%
Lithuania	108	165	2.0%	3.5%
Sweden	99	146	1.9%	3.1%
United Arab Emirates	56	0	1.0%	0.0%
Germany	45	18	0.8%	0.4%
Kazakhstan	43	39	0.8%	0.8%
Japan	20	0	0.4%	0.0%
Other countries	142	142	2.7%	3.0%
TOTAL	5,350	4,737	100.0%	100.0%

Regarding the markets, turnover has increased in Finland and Estonia. The percentage of turnover has decreased in most in Russia.

PROFIT BY BUSINESS SEGMENTS

<i>th EUR</i>	Q2 2014	Q2 2013
Skano Furniture factory	141	133
Skano Furniture retail	(49)	(3)
Skano Fibreboard	101	(234)
Elimination	19	0
TOTAL	212	(104)
Net financial costs	(70)	(60)
Income tax	0	0
NET PROFIT	142	(164)



SKANO FIBREBOARD

The net sales of Skano Fibreboard in the second quarter of 2014 amounted to 3.4 mil. euros and operating profit to 101 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 234 thousand euros. Due to a new distribution partner in Finland we have managed to increase sales considerably at the expense of a bigger market share. Sales to Finland grew by 105%. Considerable investments into production efficiency have paid off and improved production profitability in the second quarter.

The biggest drop in sales in the second quarter compared to last year took place in Russia, 37% respectively due to the general political situation and weakened purchase power in Russia for import goods.

NET SALES BY GEOGRAPHICAL SEGMENTS

	<i>th EUR</i>		<i>% of net sales</i>	
	Q2 2014	Q2 2013	Q2 2014	Q2 2013
Finland	1,651	803	48.6%	30.5%
Estonia	552	382	16.2%	14.5%
Russia	509	806	15.0%	30.6%
Great Britain	262	229	7.7%	8.7%
Sweden	99	146	2.9%	5.5%
Latvia	68	45	2.0%	1.7%
Germany	45	18	1.3%	0.7%
Netherlands	32	51	0.9%	1.9%
Ukraine	28	35	0.8%	1.3%
Japan	20	0	0.6%	0.0%
Other countries	125	107	3.7%	4.1%
Intragroup	6	9	0.2%	0.3%
TOTAL	3,397	2,631	100.0%	100.0%

<i>th EUR</i>	Net sales		Operating Profit	
	Q2 2014	Q2 2013	Q2 2014	Q2 2013
Pärnu Fibreboard factory	1,564	1,091	111	(125)
Püssi Fibreboard factory	1,233	889	(25)	(158)
Pärnu interior boards factory (Isotex)	594	642	15	49
Not allocated	6	9	0	0
TOTAL	3,397	2,631	101	(234)

The net sales of the Pärnu fibreboard factory and interior board's line increased 25% in the second quarter of 2014 compared to the same quarter of 2013 and amounted to 2.2 mil. euros. Production efficiency has improved thanks to our targeted production improvement and investment program.

The turnover of Püssi fibreboard factory amounted to 1.2 mil. euros growing 39% compared to the same quarter in 2013 and operating loss amounted to 25 thousand euros (turnover 0.9 mil. euros and operating loss 158 thousand euros in Q2 2013). Output of Püssi Fibreboard factory grew in the second quarter but the main challenge is still to secure Püssi Fibreboard factory with sufficient sales volumes and optimizing production portfolio and efficiency.



SKANO FURNITURE

FURNITURE RETAIL SALES

Skano Group AS retail business is operated by a private limited company Skano Furniture OÜ and its subsidiaries in Latvia, Lithuania and Ukraine. Skano has totally 10 stores in Tallinn (2), Tartu, Pärnu, Riga, Vilnius, Kiev (2), Kharkiv and Dnipropetrovs'k at the end of the second quarter in 2014.

RETAIL SALES BY COUNTRIES

	<i>th EUR</i>		<i>% of net sales</i>		<i>Number of stores</i>	
	Q2 2014	Q2 2013	Q2 2014	Q2 2013	30.06.14	30.06.13
Estonia	294	308	54.2%	49.8%	4	3
Latvia	49	67	9.0%	10.8%	1	1
Lithuania	93	143	17.1%	23.1%	1	1
Ukraine	107	101	19.7%	16.3%	4	4
TOTAL	543	619	100.0%	100.0%	10	9

The furniture retail sales amounted to 543 thousand euros in the second quarter of 2014 and operating loss 49 thousand euros (sales 619 thousand euros and operating loss 3 thousand euros in Q2 2013). The current year second quarter operating loss 49 thousand euros contains also a loss from a drop in the currency exchange rate of hryvnia 55 thousand euros, out of which 32 thousand euros was due to revaluation of intragroup loans as a separate subsidiary but which will be eliminated out on group level and will not affect Skano Group end result and the realized currency exchange rate loss amounted to 20 thousand euros (realized loss from currency exchange rate 13 thousand euros in the same period of 2013).

FURNITURE PRODUCTION

The net sales of the Skano Furniture Factory in the second quarter amounted to 1.7 mil. euros and operating profit to 141 thousand euros. In the same period last year, the turnover of the factory amounted to 1.8 mil. euros and the profit to 133 thousand euros. As compared to the previous year the turnover of the factory has decreased 7.5% and the operating profit has increased by 8 thousand euros. In the second quarter the sales decreased especially in Finland by 23% due to a colder economic environment and weaker demand for durable goods.

FURNITURE FACTORY SALES BY COUNTRIES

	<i>th EUR</i>		<i>% of net sales</i>	
	Q2 2014	Q2 2013	Q2 2014	Q2 2013
Russia	849	830	50.1%	45.3%
Finland	462	601	27.3%	32.8%
Kazakhstan	43	39	2.5%	2.1%
Estonia	26	14	1.5%	0.8%
Other countries	36	12	2.1%	0.7%
Subsidiaries	278	335	16.5%	18.3%
TOTAL	1,694	1,831	100.0%	100.0%



FORECAST AND DEVELOPMENT

SKANO FIBREBOARD. Sales of Skano Fibreboard in Q3 2014 will remain at the same level compared to sales of the same period last year. In Q3 collective vacations in both factories are planned which will influence profitability. In addition to optimizing the production portfolio the management's priority is to also improve energy efficiency in the production process, with the aim to achieve our 2014 investment and improvement program target.

We are moderately optimistic about 2014 2H, but further escalation of the conflict in Ukraine would impact negatively to fibreboard sales in our main markets of Finland and Russia. Despite of geopolitical developments we are taking actions to enter into new export markets.

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

SKANO FURNITURE FACTORY. In the third quarter of 2014 we expect smaller sales of the furniture factory compared to the same period in 2013 because of the deteriorated economic situation in the neighbouring region, in Finland due to general economic situation and in Russia due to conflict in Ukraine, which has impact on local purchasing power and general trade with EU.

INVESTMENTS

During the six months of 2014 investments into fixed assets amounted to a total of 270 thousand euros. In the same period of 2013 investments amounted to 183 thousand euros.

PEOPLE

On the 30th of June in 2014 Concern employed 352 people (349 people in the same period last year). The average number of personnel in six months of 2014 was 353 (2013: 355).

During first six months in 2014, wages and salaries amounted to 2.6 mil. euros (2.4 mil. euros in the same period last year).

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

<i>th EUR</i>	6 m 2014	6 m 2013
Board member and other remuneration	69	120
Social tax and unemployment insurance premiums	23	44
TOTAL	92	164



FINANCIAL HIGHLIGHTS

<i>th EUR</i>	6 m 2014	6 m 2013	6 m 2012
Income statement			
Revenue	10,701	9,098	9,440
EBITDA	531	86	512
EBITDA margin	5.0%	0.9%	5.4%
Operating profit	87	(370)	10
Operating margin	0.8%	(4.1%)	0.1%
Net profit	(44)	(486)	(134)
Net margin	(0.4%)	(5.3%)	(1.4%)
Balance sheet (30.06)			
Total assets	15,133	15,256	16,050
Return on assets	(0.3%)	(3.2%)	(0.8%)
Equity	6 737	7 009	7,532
Return on equity	(0.7%)	(6.9%)	(1.8%)
Debt-to-equity ratio	55.5%	54.1%	53.1%
Share (30.06)			
Closing price	1.00	1.06	1.31
Earnings per share	(0.01)	(0.11)	(0.03)
Price-earnings ratio	(100.00)	(9.64)	(43.67)
Book value of a share	1.50	1.56	1.67
Market to book ratio	0.67	0.68	0.78
Market capitalization	4,499	4,769	5,894

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 June 2014, 1 months' EURIBOR was 0.099 and at 30 June 2013 0.123. Interest rates are reviewed on the basis of changes in EURIBOR on monthly basis on the 30th of each month.

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

CURRENCY RISK

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

RISK OF THE ECONOMIC ENVIRONMENT

The risk of the economic environment for the Fiberboard Division depends on general developments in the construction market; the risk for Furniture Division depends on the expectations of the customers towards economic welfare in future. According recent process of Europe's economy the risk of economic environment has increased significantly.

FAIR VALUE

The management estimates, that the fair values of cash, accounts payable, short-term loans and borrowings do not materially differ from their carrying amounts. The fair values of long-term loans do not materially differ from their carrying amounts because their interest rates correspond to the interest rate risks prevailing on the market.



GROUP STRUCTURE

SHARES IN SUBSIDIARIES

	Skano Fibreboard OÜ	Skano Furniture Factory OÜ	Skano Furniture OÜ	OÜ Isotex	SIA Skano	UAB Skano LT	TOV Skano Ukraine
Country of location	Estonia	Estonia	Estonia	Estonia	Latvia	Lithuania	Ukraine
Number of shares at 30.06.2013	-	-	1	1	1	100	1
Ownership at 30.06.2013 (%)	-	-	100	100	100	100	100
Number of shares at 30.06.2014	1	1	1	1	1	100	1
Ownership at 30.06.2014 (%)	100	100	100	100	100	100	100

Skano Furniture OÜ is engaged with the retail trade of furniture in Estonia. The company owns four furniture stores – one in Järve Keskus in Tallinn, one in Rocca Al Mare Kaubanduskeskus in Tallinn, one in Tartu E-Kaubamaja and one on the first floor of the headquarters of Skano Group AS in Pärnu. Skano Furniture OÜ holds 100% of the shares in enterprises SIA Skano, UAB Skano LT and TOV Skano Ukraine.

SIA Skano is engaged in the retail sale of furniture in Latvia, Riga since November 2005. UAB Skano LT started in May 2007 and retail of furniture in Vilnius. TOV Skano Ukraina started in June 2007 and retail of furniture in Kharkiv, Kiev and Dnipropetrovs'k.

OÜ Isotex was established to allow former division to operate independently under their own trademarks and to facilitate their development. In connection with restructuring, use of the subsidiary has been abandoned. OÜ Isotex did not have any operations in the financial year 2014 and 2013.

Skano Group AS established in 2013 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 the same persons form the current management board of Skano Group AS. Pursuant to the restructuring plan, Skano Group AS transferred the production of fibreboard and furniture to the newly established subsidiaries in September. On the 13th of August 2013 at the Extraordinary General Meeting approved the increase of share capital of newly established subsidiaries by non-monetary contribution. The object of the non-monetary contribution is the set of assets of the fibreboard and furniture production units.

According to decision of the Supervisory Board starting from the 6th of June the Management Board of Skano Group AS consist of 3 members, current members Martin Kalle as CEO and Gert Kuus responsible for production and development and a new member Gregory Devine Grace responsible for sales activities.

Skano Group AS decided to acquire 100% of Suomen Tuulileijona OY, our current distribution partner in Finland for fibreboard products. The contract for this transaction was signed on June



30 and the transaction was finalized this year during the month of July. The acquired company will be consolidated into Skano Group AS in the 3rd quarter when actual control over the company was achieved.



FINANCIAL STATEMENTS DECLARATION OF THE MANAGEMENT BOARD

The Management Board of Skano Group AS confirm that the consolidated unaudited Interim Report for the 2nd quarter of 2014, which is presented on pages 4 to 26 have been correctly prepared, and represents and warrants that to the best of their knowledge:

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

Chairman of Management board

Martin Kalle

Member of Management board

Gert Kuus

Member of Management board

Gregory Devine Grace

29th of August 2014



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<i>th EUR</i>	30.06.2014	31.12.2013	30.06.2013
Cash and bank	264	355	111
Receivables and prepayments (Note 1)	1,601	1,368	1,942
Inventories (Note 2)	3,512	2,974	3,257
Total current assets	5,377	4,697	5,310
Investment property (Note 3)	408	408	185
Tangible fixed assets (Note 4)	9,322	9,505	9,741
Intangible fixed assets (Note 5)	26	26	20
Total fixed assets	9,756	9,939	9,946
TOTAL ASSETS	15,133	14,636	15,256
Debt obligations (Note 6)	1,406	1,919	1,249
Payables and prepayments (Note 7)	2,617	2,255	2,419
Short-term provisions (Note 8)	7	14	7
Total current liabilities	4,030	4,188	3,675
Non-current debt obligations (Note 6)	4,127	3,413	4,328
Non-current provisions (Note 8)	239	230	244
Total non-current liabilities	4,366	3,643	4,572
Total liabilities	8,396	7,831	8,247
Share capital at nominal value (Note 9)	2,699	2,699	2,699
Issue premium	364	364	364
Statutory capital reserve	288	288	288
Currency translation	(16)	8	(8)
Retained profits	3,446	4,152	4,152
Net profit (loss) for the year (Note 10)	(44)	(706)	(486)
Total equity	6,737	6,805	7,009
TOTAL LIABILITIES AND EQUITY	15,133	14,636	15,256



CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

<i>th EUR</i>	2 nd Q 2014	2 nd Q 2013	6 m 2014	6 m 2013
RETURN ON SALES (Note 11)	5,350	4,736	10,701	9,098
Cost of production sold	(4,181)	(3,999)	(8,719)	(7,841)
Gross profit	1,169	737	1,982	1,257
Marketing expenses	(729)	(649)	(1,451)	(1,229)
General administrative expenses	(159)	(180)	(332)	(387)
Other income	6	19	23	61
Other expenses	(75)	(31)	(135)	(72)
Operating profit (loss) (Note 11)	212	(104)	87	(370)
Financial income and financial expenses	(70)	(60)	(131)	(115)
Profit (loss) before taxes	142	(164)	(44)	(485)
Prepaid income tax	0	0	0	(1)
NET PROFIT (LOSS) FOR THE PERIOD	142	(164)	(44)	(486)
Basic earnings per share (Note 10)	0.03	(0.04)	(0.01)	(0.11)
Diluted earnings per share (Note 10)	0.03	(0.04)	(0.01)	(0.11)
Other comprehensive income:				
Currency translation differences	21	3	(24)	13
TOTAL COMPREHENSIVE INCOME	163	(161)	(68)	(473)



CONSOLIDATED CASH FLOW STATEMENT

<i>th EUR</i>	6 m 2014	6 m 2013
Cash flow from operations		
Net profit (loss) before taxes	(44)	(485)
<i>Adjustments for:</i>		
Depreciation of fixed assets (Note 4; 5)	455	456
Interest expense	131	115
Operating profit (loss) before changes in operating capital	542	86
Change in operations-related receivables and prepayments (Note 1)	(233)	(150)
Change in inventories (Note 2)	(538)	46
Change in operations-related liabilities and prepayments	364	499
Cash generated from operations	135	481
Interest paid	(131)	(115)
Income tax	0	(1)
Total cash flow from operations	4	365
Cash flow from investments		
Acquisition of fixed assets (Note 4; 5)	(272)	(184)
Total cash flow from investments	(272)	(184)
Cash flow from financing activities		
Raise a loan (Note 6)	213	0
Repayment of loans (Note 6)	0	(225)
Settlement of finance lease liabilities (Note 6)	(12)	(16)
Total cash flow from financing activities	201	(241)
TOTAL CASH FLOW	(67)	(60)
Currency translation differences	(24)	13
CASH AT BEGINNING OF PERIOD	355	158
CASH AT END OF PERIOD	264	111



CONSOLIDATED STATEMENT OF CHANGES EQUITY

<i>th EUR</i>	Share capital	Share premium	Statutory capital reserve	Currency translation	Retained earnings	Total
Balance at 31.12.2012	2,699	364	288	(21)	4,152	7,482
Comprehensive income (loss) for 6 months 2013	0	0	0	13	(486)	(473)
Balance at 30.06.2013	2,699	364	288	(8)	3,666	7,009
Balance at 31.12.2013	2,699	364	288	8	3,446	6,805
Comprehensive income (loss) for 6 months 2014	0	0	0	(24)	(44)	(68)
Balance at 30.06.2014	2,699	364	288	(16)	3,402	6,737



NOTES TO THE CONSOLIDATED INTERIM REPORT

ACCOUNTING POLICIES AND MEASUREMENT BASES

The consolidated financial statements prepared for the period ended 30 June 2014 include the financial information of the Company and its subsidiaries (together referred to as the Group): Skano Fibreboard OÜ, Skano Furniture Factory OÜ, Skano Furniture OÜ, OÜ Isotex and Skano Furniture OÜ's wholly-owned subsidiaries SIA Skano, UAB Skano LT and TOV Skano Ukraine. The Group manufactures and distributes furniture and softboard made of wood.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The same accounting policies were applied for both the Interim Report and the Annual Report for the financial year that ended on 31.12.2013. The consolidated financial statements have been prepared in accordance with International Accounting Standard (IAS) 34: Interim Financial Reporting.

According to the assessment of the Management Board, Skano Group AS is a going concern and the Interim Report for the 2nd quarter of 2014 gives a true and fair view of the financial position of Skano Group AS and the results of its operations. The present Interim Report has not been audited.

The Interim Report has been presented in thousands of euros.

NOTE 1 RECEIVABLES AND PREPAYMENTS

<i>th EUR</i>	30.06.2014	31.12.2013	30.06.2013
Customer receivables	1,217	956	1,586
Prepaid taxes	311	312	286
Other receivables	50	65	33
Prepaid services	23	35	37
TOTAL	1,601	1,368	1,942

NOTE 2 INVENTORIES

<i>th EUR</i>	30.06.2014	31.12.2013	30.06.2013
Raw materials and other materials	903	914	1,005
Work-in-progress: production	679	586	532
Work-in-progress: real estate development	0	0	214
Finished goods	1,710	1,231	1,182
Goods purchased for resale	200	196	202
Goods in transit	59	104	74
Prepayments to suppliers	47	29	48
Write-off reserve for inventories	(86)	(86)	0
TOTAL	3,512	2,974	3,257



NOTE 3 INVESTMENT PROPERTY

	<i>th EUR</i>
Cost at 31.12.2012	469
Accumulated depreciation at 31.12.2012	(284)
Net book amount at 31.12.2012	185
Cost at 30.06.2013	469
Accumulated depreciation at 30.06.2013	(284)
Net book amount at 30.06.2013	185
Cost at 31.12.2013	752
Accumulated depreciation at 31.12.2013	(344)
Net book amount at 31.12.2013	408
Cost at 30.06.2014	752
Accumulated depreciation at 30.06.2014	(344)
Net book amount at 30.06.2014	408

Costs of maintenance for six months of 2014 were 20 thousand euros and 5 thousand euros in the same period of 2013. Rental income from investment properties for six months of 2014 were 28 thousand euros and 3 thousand euros in the same period of 2013.

NOTE 4 TANGIBLE FIXED ASSETS

<i>th EUR</i>	30.06.2014	31.12.2013	30.06.2013
Land	226	226	226
Buildings and constructions	2,424	2,529	2,608
Machinery, plant and equipment	6,327	6,609	6,766
Other equipment and fixtures	19	25	25
Construction in progress	326	116	116
TOTAL	9,322	9,505	9,741

	<i>Th EUR</i>
Cost at 31.12.2012	19,400
Accumulated depreciation at 31.12.2012	(9,390)
Net book amount at 31.12.2012	10,010
Acquired in 6 months of 2013	184
Write-off 6 months of 2013	(16)
Depreciation in 6 months of 2013	(453)
Write-off of accumulated amortization 6 months of 2013	16
Cost at 30.06.2013	19,568
Accumulated depreciation at 30.06.2013	(9,827)
Net book amount at 30.06.2013	9,741



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 6 months of 2014*	267
Write-off 6 months of 2014	(5)
Depreciation in 6 months of 2014	(450)
Write-off of accumulated amortization 6 months of 2014	5
Cost at 30.06.2014	20,024
Accumulated depreciation at 30.06.2014	(10,702)
Net book amount at 30.06.2014	9,322

*On the 30th of June the binding liabilities of acquiring the tangible assets are 97 thousand euros.

NOTE 5 INTANGIBLE FIXED ASSETS

	<i>th EUR</i>
Cost at 31.12.2012	90
Accumulated depreciation at 31.12.2012	(67)
Net book amount at 31.12.2012	23
Depreciation in 6 months of 2013	(3)
Cost at 30.06.2013	90
Accumulated depreciation at 30.06.2013	(70)
Net book amount at 30.06.2013	20
Cost at 31.12.2013	100
Accumulated depreciation at 31.12.2013	(74)
Net book amount at 31.12.2013	26
Acquired in 6 months of 2014	5
Depreciation in 6 months of 2014	(5)
Cost at 30.06.2014	105
Accumulated depreciation at 30.06.2014	(79)
Net book amount at 30.06.2014	26

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



NOTE 6 DEBT OBLIGATIONS

<i>th EUR</i>	30.06.2014	31.12.2013	30.06.2013
Current liabilities	1,406	1,919	1,249
incl non-convertible debt	12	24	13
Non-current debt obligations	4,127	3,413	4,328
incl non-convertible debt	15	15	39
TOTAL	5,533	5,332	5,577

NOTE 7 PAYABLES AND PREPAYMENTS

<i>th EUR</i>	30.06.2014	31.12.2013	30.06.2013
Supplier payables	1,386	942	1,249
Payables to employees	532	312	421
Taxes payables	362	345	313
Other payables	123	159	232
Customer prepayments	214	497	204
TOTAL	2,617	2,255	2,419

NOTE 8 PROVISIONS

	<i>th EUR</i>
Balance at 31.12.2012	248
Incl current portion	12
non-current portion	236
Used during the 6 months 2013	(12)
Increased during the 6 months 2013	9
Interest cost 6 months 2013	6
Balance at 30.06.2013	251
Incl current portion	7
non-current portion	244
Balance at 31.12.2013	244
Incl current portion	14
non-current portion	230
Used during the 6 months 2014	(14)
Increased during the 6 months 2014	10
Interest cost 6 months 2014	6
Balance at 30.06.2014	246
Incl current portion	7
non-current portion	239



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 30.06.2014	4,499,061	2,699
Balance 31.12.2013	4,499,061	2,699
Balance 30.06.2013	4,499,061	2,699

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

As at 30.06.2014, the Group had 538 shareholders (30.06.2013: 611 shareholders) of which with more than 5% ownership interest were:

- Trigon Wood OÜ with 2,682,192 shares or 59.62% (30.06.2013: 59.62%)

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

- Ülo Adamson 0 shares (2013: 0 shares)
- Joakim Johan Helenius 20,000 shares (2013: 20,000 shares)
- Heiti Riisberg 87,000 shares (2013: 50,000 shares)
- Pekka Armas Soikkeli 0 shares (2013: 0 shares)
- Martin Kalle 4,331 shares (2013: 0 shares)
- Gert Kuus 0 shares (2013: 0 shares)

The Supervisory Board which was convened on June 5, 2014 has decided to appoint a new member of the Management Board of Skano Group AS

- Gregory Devine Grace 0 shares (2013: 0 shares)

NOTE 10 EARNINGS PER SHARE

<i>EUR</i>	30.06.2014	30.06.2013
Basic earnings per share	(0.01)	(0.11)
Diluted earnings per share	(0.01)	(0.11)
Book value of share	1.50	1.56
Price/earnings ratio (P/E)	(100.00)	(9.64)
Closing price of the share of Skano Group AS on Tallinn Stock Exchange at 30.06*	1.00	1.06

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 6 months of 2014 $= (43,850) / 4,499,061 = (0.01)$ euros
 Basic earnings per share for 6 months of 2013 $= (486,422) / 4,499,061 = (0.11)$ 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 6 months of 2014 $= 1.00 / (0.01) = (100.00)$

Price/earnings ratio (P/E) for 6 months of 2013 $= 1.06 / (0.11) = (9.64)$

* 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	
	6 m 2014	6 m 2013	6 m 2014	6 m 2013	6 m 2014	6 m 2013	6 m 2014	6 m 2013	6 m 2014	6 m 2013	6 m 2014	6 m 2013
Revenue from external customers	2,836	2,921	1,151	1,168	6,714	5,009	0	0	0	0	10,701	9,098
Inter-segment revenue	575	586	0	0	71	84	0	0	37	0	683	670
Operating profit/loss	263	166	(294)	56	(157)	(581)	282	(11)	(7)	0	87	(370)
Segment assets	3,842	3,539	697	667	10,683	11,100	(45)	(50)	(44)	0	15,133	15,256
Segment liabilities	2,490	1,068	212	207	4,625	6,972	0	0	1,069	0	8,396	8,247



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

<i>th EUR</i>	6 months 2014				6 months 2013			
	FF	FR	FB	TOTAL	FF	FR	FB	TOTAL
Finland	1,004	0	3,290	4,294	1,211	0	1,435	2,646
Russia	1,687	0	946	2,633	1,588	0	1,278	2,866
Estonia	50	623	878	1,551	30	559	736	1,325
Great Britain	19	0	474	493	6	0	602	608
Ukraina	0	235	65	300	0	267	54	321
Sweden	0	0	275	275	0	0	242	242
Latvia	0	127	132	259	0	123	109	232
Lithuania	0	166	31	197	0	219	41	260
Taiwan	0	0	135	135	0	0	0	0
Netherlands	0	0	125	125	0	0	266	266
Arabia	21	0	35	56	0	0	0	0
Germany	0	0	45	45	0	0	25	25
Kazakhstan	43	0	0	43	80	0	0	80
Japan	0	0	41	41	0	0	0	0
Australia	0	0	38	38	0	0	5	5
France	6	0	30	36	0	0	9	9
Kuwait	0	0	19	19	0	0	0	0
Oman	0	0	18	18	0	0	0	0
Denmark	0	0	17	17	0	0	46	46
Malaysia	0	0	17	17	0	0	0	0
Saudi Arabia	0	0	16	16	0	0	0	0
Singapore	0	0	16	16	0	0	0	0
Hungary	0	0	15	15	0	0	14	14
Belorussia	6	0	9	15	6	0	0	6
Other countries	0	0	47	47	0	0	147	147
TOTAL	2,836	1,151	6,714	10,701	2,921	1,168	5,009	9,098

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>	6 m 2014	6 m 2013
Short-term benefits	69	120
Social security tax	23	44
TOTAL	92	164

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

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

<i>th EUR</i>	6 m 2014	6 m 2013
Purchased services	17	24
TOTAL	17	24

Balances with related parties:

<i>th EUR</i>	30.06.2014	30.06.2013
Services payables	19	19
TOTAL	19	19

NOTE 13 EVENTS AFTER THE REPORTING PERIOD

Skano Group AS has decided to acquire one hundred percent of Suomen Tuulileijona OY. The contract for this transaction was signed on June 30 and the transaction was finalized this year during the month of July.

