



2nd QUARTER  
INTERIM REPORT

2015

Beginning of the Interim Report Period:	1.1.2015
End of the Interim Report Period:	30.06.2015
Beginning of the financial year:	1.1.2015
End of the financial year:	31.12.2015
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Auditor:	AS PricewaterhouseCoopers

## TABLE OF CONTENTS

<b>TABLE OF CONTENTS</b>	<b>2</b>
<b>OUTLINE</b>	<b>3</b>
<b>MANAGEMENT REPORT</b>	<b>4</b>
<b>DIVISIONAL REVIEW:</b>	<b>6</b>
SKANO FIBREBOARD	7
SKANO FURNITURE	8
<b>FORECAST AND DEVELOPMENT</b>	<b>9</b>
<b>INVESTMENTS</b>	<b>10</b>
<b>PEOPLE</b>	<b>10</b>
<b>FINANCIAL HIGHLIGHTS</b>	<b>11</b>
<b>FINANCIAL RISKS</b>	<b>12</b>
INTEREST RATE RISK	12
CURRENCY RISK	12
RISK OF THE ECONOMIC ENVIRONMENT	12
FAIR VALUE	12
<b>GROUP STRUCTURE</b>	<b>13</b>
<b>FINANCIAL STATEMENTS</b>	<b>14</b>
<b>DECLARATION OF THE MANAGEMENT BOARD</b>	<b>14</b>
<b>CONSOLIDATED STATEMENT OF FINANCIAL POSITION</b>	<b>15</b>
<b>CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME</b>	<b>16</b>
<b>CONSOLIDATED CASH FLOW STATEMENT</b>	<b>17</b>
<b>CONSOLIDATED STATEMENT OF CHANGES EQUITY</b>	<b>18</b>
<b>NOTES TO THE CONSOLIDATED INTERIM REPORT</b>	<b>19</b>
ACCOUNTING POLICIES AND MEASUREMENT BASES	19
NOTE 1 RECEIVABLES AND PREPAYMENTS	19
NOTE 2 INVENTORIES	20
NOTE 3 INVESTMENT PROPERTY	20
NOTE 4 TANGIBLE FIXED ASSETS	20
NOTE 5 INTANGIBLE FIXED ASSETS	21
NOTE 6 DEBT OBLIGATIONS	22
NOTE 7 PAYABLES AND PREPAYMENTS	22
NOTE 8 PROVISIONS	22
NOTE 9 SHARE CAPITAL	23
NOTE 10 EARNINGS PER SHARE	23
NOTE 11 SEGMENTS	24
NOTE 12 RELATED PARTY TRANSACTIONS	25



## 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 SECOND QUARTER IN SHORT

Consolidated net sales of the second quarter of 2015 were 4.7 mil. euros, representing a 13% decrease on the second quarter compared to the same period in 2014. At the same time, consolidated EBITDA amounted to 271 thousand euros (EBITDA 431 thousand euros in Q2 2014). Net sales in 2015 H1 amounted to 9.7 mil. euros, representing 9% decrease (2014 H1 net sales: 10.7 mil. euros). First 6 months EBITDA in 2015 was 524 thousand euros staying at the same level as last year (2014 6 months EBITDA: 531 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. The main reasons behind it are improvements of fibreboard production process allowing to reduce production cost and keep profitability at much lower production volumes.

The sale in Skano Fibreboard OÜ Pärnu factory (incl. Isotex) was 2.0 mil. euros, decreased as compared to the respective period last year by 9%, the operating profit of the second quarter was 220 thousand euros compared with the operating profit 126 thousand euros last year.

The turnover of Skano Fibreboard OÜ Püssi factory was 1.1 mil. euros, representing 12% decrease in the second quarter compared to the same period in 2014. Operating loss amounted to 104 thousand euros compared with the operating loss 25 thousand euros last year.

Sales mainly decreased in our core markets. As our main foreign markets Russia and Finland are still very weak due to the general economic situation we have been continuously expanding the list of our target markets and made significant efforts in product development. In the second quarter we also conducted product testing and tuning of production process in both factories in order to achieve a lower production cost and break-even point.

The priority of the management of the company is continuously to ensure the sales of the production of both factories in order to guarantee the maximum production capacity and efforts are taken in this direction on an on-going basis.

Sales of Suomen Tuulielijona OY in Q2 2015 decreased 17% compared to last year, which amounted to 1.3 mil. euros. Suomen Tuulielijona OY is the wholesaler of Skano fibreboard products in Finland, which was acquired in July 2014. In Q2 2014 sale of Suomen Tuulielijona OY was not consolidated yet and was recorded under Skano Fibreboard OÜ sales to Finland.

The turnover of Skano Furniture Factory OÜ in Pärnu decreased in the second quarter by 29% and amounted to 1.2 mil. euros. The operating loss of the second quarter was 58 thousand euros as in 2014 the operating profit of the same period was 141 thousand euros. Profitability was impacted by low sales volumes. In the second quarter of 2015 sales to Russia decreased heavily due to very weak demand by 59% as compared to 2014. Sales to Finland increased slightly and remained at the same level in the Baltics. In addition to seeking new sales possibilities in the current markets the company has made considerable effort to enter into new markets like UK, France and USA.

The turnover of Skano Furniture OÜ retail chain increased 17% as compared to the same period last year being 634 thousand euros, operating profit was 80 thousand euros compared with the sales 543 thousand and operating loss 49 thousand euros in the second quarter of 2014. 2015 second quarter operating profit 80 thousand euros contains also a profit from a drop of currency exchange rate of hryvnia 67 thousand euros (realized loss from currency exchange rate 55 thousand euros in the same period of 2014).

Retail sale increased in Estonia and Latvia but decreased slightly in Lithuania and remarkably 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 second quarter in 2015 was 4.7 mil. euros (5.4 mil. euros in same period of 2014) representing a 13% decrease compared to Q2 2014. The Group's gross margin in the second quarter of 2015 was 22% compared to 22% in the second quarter of 2014. Consolidated operating profit amounted to 68 thousand euros (operating profit 212 thousand euros from main activities in same period 2014). The consolidated operating margin of net sales was 1.5% (4.0% from main activities in Q2 2014).

Consolidated net loss amounted to 12 thousand euros (compared to net profit 142 thousand euros in Q2 2014), and the net margin was -0.3% (2.7% in Q2 2014).

### **POSITION OF FINANCIAL STATEMENT**

As of 30.06.2015 the total assets of Skano Group AS amounted to 14.0 mil. euros (30.06.2014: 15.1 mil. euros). The liabilities of the company accounted for 64% (30.06.2014: 56%) thereof, i.e. 8.9 mil. euros (30.06.2014: 8.4 mil. euros).

Receivables and prepayments have increased by 0.2 mil. euros i.e. 13% increase within 12 months due to new receivables of Suomen Tuulileijona OY recently acquired.

Inventories have slightly decreased with 12 months, amounting to 3.4 mil. euros on 30.06.2015. (30.06.2014: 3.5 mil. euros). Property, plant and intangibles decreased by 1.2 mil. euros mainly due to one-off write-down of Püssi factory assets by 0.9 mil. euros, the rest was as a result of depreciation.

Short-term loans have increased by 0.5 mil. euros and amounted to 1.9 mil. euros in 30.06.2015 which was a result of increase of factoring liabilities of Suomen Tuulileijona OY recently acquired and usage of bank overdraft (30.06.2014: 1.4 mil. euros). Supplier payables, tax liabilities, other payables, including payables to employees, and provisions amounted to 2.7 mil. euros (30.06.2014: 2.6 mil. euros).

Long-term loans have decreased by 0.1 mil euros and amounted to 4.0 mil. euros in 30.06.2015 (30.06.2014: 4.1 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 0.5 mil. euros to 8.9 mil. euros (30.06.2014: 8.4 mil. euros).



## DIVISIONAL REVIEW:

### NET SALES BY BUSINESS SEGMENTS

	<i>th EUR</i>		<i>% of net sales</i>	
	Q2 2015	Q2 2014	Q2 2015	Q2 2014
Skano Fibreboard OÜ	3,049	3,397	65.5%	63.5%
Skano Furniture Factory OÜ	1,200	1,694	25.8%	31.7%
Skano Furniture OÜ retail	634	543	13.6%	10.1%
Suomen Tuulileijona OY	1,333	0	28.6%	0.0%
Elimination	(1,563)	(284)	(33.6%)	(5.3%)
<b>TOTAL</b>	<b>4,653</b>	<b>5,350</b>	<b>100.0%</b>	<b>100.0%</b>

### NET SALES BY GEOGRAPHICAL SEGMENTS

	<i>th EUR</i>		<i>% of net sales</i>	
	Q2 2015	Q2 2014	Q2 2015	Q2 2014
Finland	1,892	2,113	40.7%	39.5%
Estonia	782	872	16.7%	16.3%
Russia	778	1,358	16.7%	25.4%
Great Britain	309	252	6.6%	4.7%
Latvia	198	117	4.3%	2.2%
Sweden	134	99	2.9%	1.9%
Ukraine	92	135	2.0%	2.5%
Lithuania	77	108	1.7%	2.0%
SAR	63	0	1.4%	0.0%
Germany	45	45	1.0%	0.8%
Kazakhstan	43	43	0.9%	0.8%
Saudia Arabia	35	0	0.8%	0.0%
Other countries	205	208	4.4%	3.9%
<b>TOTAL</b>	<b>4,653</b>	<b>5,350</b>	<b>100.0%</b>	<b>100.0%</b>

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

### PROFIT BY BUSINESS SEGMENTS

<i>th EUR</i>	Q2 2015	Q2 2014
Skano Furniture factory	(58)	141
Skano Furniture retail	80	(49)
Skano Fibreboard	114	101
Suomen Tuulileijona OY	(6)	0
Elimination	(62)	19
<b>TOTAL</b>	<b>68</b>	<b>212</b>
Net financial costs	(80)	(70)
Income tax	0	0
<b>NET PROFIT</b>	<b>(12)</b>	<b>142</b>



## SKANO FIBREBOARD

The net sales of Skano Fibreboard in the second quarter of 2015 amounted to 3.0 mil. euros and operating profit to 114 thousand euros. In the same period last year, the turnover of Skano Fibreboard totaled to 3.4 mil. euros and the operating profit from main activities 101 thousand euros.

The decrease in sales in the second quarter compare to last year took place in all core markets. Sales increased in Sweden and Great Britain.

### NET SALES BY GEOGRAPHICAL SEGMENTS

	<i>th EUR</i>		<i>% of net sales</i>	
	Q2 2015	Q2 2014	Q2 2015	Q2 2014
Finland (incl. to Suomen Tuulileijona OY)	1,361	1,651	44.6%	48.6%
Russia	432	509	14.2%	15.0%
Estonia	405	552	13.3%	16.2%
Great Britain	297	262	9.7%	7.7%
Sweden	134	99	4.4%	2.9%
Latvia	75	68	2.5%	2.0%
SAR	63	0	2.1%	0.0%
Germany	45	45	1.5%	1.3%
Ukraine	37	28	1.2%	0.8%
Denmark	35	17	1.1%	0.5%
Other countries	165	166	5.4%	4.9%
<b>TOTAL</b>	<b>3,049</b>	<b>3,397</b>	<b>100.0%</b>	<b>100.0%</b>

<i>th EUR</i>	Net sales		Operating Profit	
	Q2 2015	Q2 2014	Q2 2015	Q2 2014
Pärnu Fibreboard factory	1,527	1,564	246	111
Püssi Fibreboard factory	1,090	1,233	(104)	(25)
Pärnu interior boards factory (Isotex)	432	594	(26)	15
Not allocated	0	6	0	0
<b>TOTAL</b>	<b>3,049</b>	<b>3,397</b>	<b>114</b>	<b>101</b>

The net sales of the Pärnu fibreboard factory and interior board's line decreased 9% in the second quarter of 2015 compared to the same quarter of 2014 and amounted to 2.0 mil. euros.

The turnover of Püssi fibreboard factory amounted to 1.1 mil. euros declining 12% compared to the same quarter in 2014 (turnover 1.2 mil. euros in Q2 2014).



## SKANO FURNITURE

### FURNITURE RETAIL SALES

Skano Group AS retail business is operated by a private limited company Skano Furniture OÜ and its subsidiaries in Latvia, Lithuania and Ukraine. Skano has totally 11 stores in Tallinn (3), Tartu, Pärnu, Riga, Vilnius, Kiev (2), Kharkiv and Dnipropetrovs'k at the end of the second quarter in 2015.

### RETAIL SALES BY COUNTRIES

	<i>th EUR</i>		<i>% of net sales</i>		<i>Number of stores</i>	
	Q2 2015	Q2 2014	Q2 2015	Q2 2014	30.06.15	30.06.14
Estonia	368	294	58.0%	54.1%	4	5
Latvia	123	49	19.4%	9.0%	1	1
Lithuania	88	93	13.9%	17.1%	1	1
Ukraine	55	107	8.7%	19.7%	4	4
<b>TOTAL</b>	<b>634</b>	<b>543</b>	<b>100.0%</b>	<b>100.0%</b>	<b>10</b>	<b>11</b>

Retail sale amounted to 634 thousand euros in the second quarter of 2015 and operating profit 80 thousand euros (sales 543 thousand euros and operating loss 49 thousand euros in Q2 2014). Current year second quarter operating profit 80 thousand euros contains also loss profit of currency exchange rate of hryvnia 67 thousand euros (realized loss from currency exchange rate 55 thousand euros in the same period of 2014). In the second quarter a new shop was opened in Tallinn in Estconde building in Pärnu mnt 158/1.

### FURNITURE PRODUCTION

The net sales of the Skano Furniture Factory in the second quarter amounted to 1.2 mil. euros and operating loss to 58 thousand euros. In the same period last year, the turnover of the factory amounted to 1.7 mil. euros and the profit to 141 thousand euros. As compared to the previous year the turnover of the factory has decreased 29%. In the second quarter the sales decreased in Russia by 59% due to colder economic environment and weaker purchasing power for imported durable goods. Sales in Finland and the Baltics remained at the same level.

### FURNITURE FACTORY SALES BY COUNTRIES

	<i>th EUR</i>		<i>% of net sales</i>	
	Q2 2015	Q2 2014	Q2 2015	Q2 2014
Finland	486	462	40.5%	27.3%
Russia	346	849	28.8%	50.1%
Other countries	96	105	8.0%	6.2%
Subsidiaries	272	278	22.7%	16.4%
<b>TOTAL</b>	<b>1,200</b>	<b>1,694</b>	<b>100.0%</b>	<b>100.0%</b>





## FORECAST AND DEVELOPMENT

**SKANO FIBREBOARD.** We expect sales of Skano Fibreboard in Q3 2015 to be slightly lower compared to sales of the same period last year due to weak demand in our core markets. On the other hand we see already better results in efficiency even with lower production volumes compared to last year as a result of the recent production improvement plan.

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

**SKANO FURNITURE RETAIL SALES.** We expect total retail sale in Q3 2015 to remain at the same level compared to sales of the same period last year. We expect sale increase in the Baltics but decrease in Ukraine due to political and economic instability.

**SKANO FURNITURE FACTORY.** In Q3 2015 we expect smaller sales of the furniture factory compared to the same period in 2014 because of the deteriorated economic situation in the near regions, especially in Russia. In Russia sales are down due to weak currency, broad-based economic downturn and low consumer confidence.

Sales to new markets in Q3 2015 are not covering the lag from our main markets but our goal is to compensate with sales in new markets partly the gap from our main markets in Russia and Finland. In addition to seeking sales possibilities in new markets, we are refreshing our existing furniture series, developing new furniture series and alternative sales channels.



## INVESTMENTS

During the first six months of 2015 investments into fixed assets amounted to a total of 317 thousand euros. In the same period of 2014 investments amounted to 270 thousand euros.

## PEOPLE

On the 30<sup>th</sup> of June in 2015 Concern employed 328 people (352 people in the same time last year). The average number of personnel in six months of 2015 was 333 (2014: 353).

During the first six months in 2015, wages and salaries with taxes amounted to 2.5 mil. euros (2.6 mil. euros in the same period of the last year).

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

<i>th EUR</i>	6 m 2015	6 m 2014
Board member and other remuneration	132	69
Social tax and unemployment insurance premiums	45	23
<b>TOTAL</b>	<b>182</b>	<b>92</b>



## FINANCIAL HIGHLIGHTS

<i>th EUR</i>	6 m 2015	6 m 2014	6 m 2013
<b>Income statement</b>			
Revenue	9,761	10,701	9,098
EBITDA	524	531	86
EBITDA margin	5.4%	5.0%	0.9%
Operating profit	104	87	(370)
Operating margin	1.1%	0.8%	(4.1%)
Net profit	(51)	(44)	(486)
Net margin	(0.5%)	(0.4%)	(5.3%)
<b>Balance sheet (30.06)</b>			
Total assets	14,032	15,133	15,256
Return on assets	(0.4%)	(0.3%)	(3.2%)
Equity	5,136	6,737	7,009
Return on equity	(1.0%)	(0.7%)	(6.9%)
Debt-to-equity ratio	63.4%	55.5%	54.1%
<b>Share (30.06)</b>			
Closing price	0.805	1.000	1.060
Earnings per share	(0.01)	(0.01)	(0.11)
Price-earnings ratio	(80.50)	(100.00)	(9.64)
Book value of a share	1.14	1.50	1.56
Market to book ratio	0.71	0.67	0.68
Market capitalization	3,622	4,499	4,769

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 2015, 1 months' EURIBOR was (0.064) and at 30 June 2014 0.099. Interest rates are reviewed on the basis of changes in EURIBOR on monthly basis on the 30<sup>th</sup> of each month.

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

### CURRENCY RISK

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

### RISK OF THE ECONOMIC ENVIRONMENT

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

### FAIR VALUE

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



## GROUP STRUCTURE

### SHARES IN SUBSIDIARIES

Country of location	Skano Fibreboard OÜ	Skano Furniture Factory OÜ	Skano Furniture OÜ	OÜ Isotex	Suomen Tuulileijona OY	SIA Skano	UAB Skano LT	TOV Skano Ukraine
	Estonia	Estonia	Estonia	Estonia	Finland	Latvia	Lithuania	Ukraine
Number of shares at 30.06.2014	1	1	1	1	-	1	100	1
Ownership at 30.06.2014 (%)	100	100	100	100	-	100	100	100
Number of shares at 30.06.2015	1	1	1	1	1	1	100	1
Ownership at 30.06.2015 (%)	100	100	100	100	100	100	100	100

Skano Group AS is a holding company which owns directly two subsidiary Skano Fibreboard OÜ and Skano Furniture Factory OÜ. Skano Fibreboard OÜ produces and distributes fibre-boards for insulation and soundproofing. Skano Fibreboard OÜ subsidiary Suomen Tuulileijona OY is the distributor of Skano's fibreboard products in Finland. Skano Furniture Factory OÜ is producing home furniture and its subsidiary Skano Furniture OÜ is engaged with the retail trade of furniture in Estonia. The company owns four furniture stores – one in Järve Keskus in Tallinn, one in Rocca Al Mare Kaubanduskeskus in Tallinn, one in Estconde building in Tallinn, one in Tartu E-Kaubamaja and one on the first floor of the headquarters of Skano Group AS in Pärnu. Skano Furniture OÜ holds 100% of the shares in enterprises SIA Skano, UAB Skano LT and TOV Skano Ukraine.

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

OÜ Isotex was established to allow former division to operate independently under their own trademarks and to facilitate their development. In connection with restructuring, use of the subsidiary has been abandoned. OÜ Isotex did not have any operations in the financial year 2015 and 2014.

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



## FINANCIAL STATEMENTS DECLARATION OF THE MANAGEMENT BOARD

The Management Board of Skano Group AS confirms that the prepared consolidated unaudited Interim Report for the 2<sup>nd</sup> quarter of 2015, which is presented on pages 4 to 26, has been correctly prepared, and represents and warrants that to the best of their knowledge:

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

Chairman of Management board    Martin Kalle

Member of Management board    Gert Kuus

Member of Management board    Gregory Devine Crace

Member of Management board    Heiti Riisberg

28<sup>th</sup> of August 2015



## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<i>th EUR</i>	<b>30.06.2015</b>	<b>31.12.2014</b>	<b>30.06.2014</b>
Cash and bank	306	432	264
Receivables and prepayments (Note 1)	1,806	1,232	1,601
Inventories (Note 2)	3,355	2,962	3,512
<b>Total current assets</b>	<b>5,467</b>	<b>4,626</b>	<b>5,377</b>
Investment property (Note 3)	407	407	408
Tangible fixed assets (Note 4)	8,133	8,267	9,322
Intangible fixed assets (Note 5)	25	29	26
<b>Total fixed assets</b>	<b>8,565</b>	<b>8,703</b>	<b>9,756</b>
<b>TOTAL ASSETS</b>	<b>14,032</b>	<b>13,329</b>	<b>15,133</b>
Debt obligations (Note 6)	1,932	2,030	1,406
Payables and prepayments (Note 7)	2,708	2,198	2,617
Short-term provisions (Note 8)	8	15	7
<b>Total current liabilities</b>	<b>4,648</b>	<b>4,243</b>	<b>4,030</b>
Non-current debt obligations (Note 6)	4,013	3,563	4,127
Non-current provisions (Note 8)	235	223	239
<b>Total non-current liabilities</b>	<b>4,248</b>	<b>3,786</b>	<b>4,366</b>
<b>Total liabilities</b>	<b>8,896</b>	<b>8,029</b>	<b>8,396</b>
Share capital at nominal value (Note 9)	2,699	2,699	2,699
Issue premium	364	364	364
Statutory capital reserve	288	288	288
Other reserves	2	0	0
Currency translation	(129)	(16)	(16)
Retained profits	1,963	3,446	3,446
Net profit (loss) for the year (Note 10)	(51)	(1,481)	(44)
<b>Total equity</b>	<b>5,136</b>	<b>5,300</b>	<b>6,737</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>14,032</b>	<b>13,329</b>	<b>15,133</b>



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

<i>th EUR</i>	2 <sup>nd</sup> Q 2015	2 <sup>nd</sup> Q 2014	6 m 2015	6 m 2014
<b>RETURN ON SALES (Note 11)</b>	<b>4,653</b>	<b>5,350</b>	<b>9,761</b>	<b>10,701</b>
<b>Cost of production sold</b>	<b>(3,652)</b>	<b>(4,181)</b>	<b>(7,574)</b>	<b>(8,719)</b>
<b>Gross profit</b>	<b>1,001</b>	<b>1,169</b>	<b>2,187</b>	<b>1,982</b>
Marketing expenses	(793)	(729)	(1,627)	(1,451)
General administrative expenses	(179)	(159)	(353)	(332)
Other income	200	6	266	23
Other expenses	(161)	(75)	(369)	(135)
<b>Operating profit (loss) (Note 11)</b>	<b>68</b>	<b>212</b>	<b>104</b>	<b>87</b>
Financial income and financial expenses	(80)	(70)	(152)	(131)
<b>Profit (loss) before taxes</b>	<b>(12)</b>	<b>142</b>	<b>(48)</b>	<b>(44)</b>
Prepaid income tax	0	0	(3)	0
<b>NET PROFIT (LOSS) FOR THE PERIOD</b>	<b>(12)</b>	<b>142</b>	<b>(51)</b>	<b>(44)</b>
Basic earnings per share (Note 10)	(0.00)	0.03	(0.01)	(0.01)
Diluted earnings per share (Note 10)	(0.00)	0.03	(0.01)	(0.01)
Other comprehensive income:				
Currency translation differences	(64)	21	(113)	(24)
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>(76)</b>	<b>163</b>	<b>(164)</b>	<b>(68)</b>





## CONSOLIDATED CASH FLOW STATEMENT

<i>th EUR</i>	<b>6 m 2015</b>	<b>6 m 2014</b>
<b>Cash flow from operations</b>		
<b>Net profit (loss) before taxes</b>	<b>(48)</b>	<b>(44)</b>
<i>Adjustments for:</i>		
Depreciation of fixed assets (Note 4; 5)	433	455
Loss on disposals of fixed assets (Note 4)	22	0
Interest expense	149	131
<b>Operating profit (loss) before changes in operating capital</b>	<b>556</b>	<b>542</b>
Change in operations-related receivables and prepayments (Note 1)	(574)	(233)
Change in inventories (Note 2)	(393)	(538)
Change in operations-related liabilities and prepayments	515	364
<b>Cash generated from operations</b>	<b>104</b>	<b>135</b>
Interest paid	(149)	(131)
Income tax	(3)	0
<b>Total cash flow from operations</b>	<b>(48)</b>	<b>4</b>
<b>Cash flow from investments</b>		
Acquisition of fixed assets (Note 4; 5)	(317)	(272)
<b>Total cash flow from investments</b>	<b>(317)</b>	<b>(272)</b>
<b>Cash flow from financing activities</b>		
Raise a loan (Note 6)	365	213
Settlement of finance lease liabilities (Note 6)	(13)	(12)
<b>Total cash flow from financing activities</b>	<b>352</b>	<b>201</b>
<b>TOTAL CASH FLOW</b>	<b>(13)</b>	<b>(67)</b>
<b>Currency translation differences</b>	<b>(113)</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>306</b>	<b>264</b>



## CONSOLIDATED STATEMENT OF CHANGES EQUITY

<i>th EUR</i>	Share capital	Share premium	Statutory capital reserve	Other reserves	Currency translation	Retained earnings	Total
<b>Balance at 31.12.2013</b>	<b>2,699</b>	<b>364</b>	<b>288</b>	<b>0</b>	<b>8</b>	<b>3,446</b>	<b>6,805</b>
Comprehensive income (loss) for 6 months 2014	0	0	0	0	(24)	(44)	(68)
<b>Balance at 30.06.2014</b>	<b>2,699</b>	<b>364</b>	<b>288</b>	<b>0</b>	<b>(16)</b>	<b>3,402</b>	<b>6,737</b>
<b>Balance at 31.12.2014</b>	<b>2,699</b>	<b>364</b>	<b>288</b>	<b>0</b>	<b>(16)</b>	<b>1,965</b>	<b>5,300</b>
Share options	0	0	0	2	0	(2)	0
Comprehensive income (loss) for 6 months 2015	0	0	0	0	(113)	(51)	(164)
<b>Balance at 30.06.2015</b>	<b>2,699</b>	<b>364</b>	<b>288</b>	<b>2</b>	<b>(129)</b>	<b>1,912</b>	<b>5,136</b>



## NOTES TO THE CONSOLIDATED INTERIM REPORT

### ACCOUNTING POLICIES AND MEASUREMENT BASES

The consolidated financial statements prepared for the period ended 30 June 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 2<sup>nd</sup> quarter of 2015 gives a true and fair view of the financial position of Skano Group AS and the results of its operations. The present Interim Report has not been audited.

The Interim Report has been presented in thousands of euros.

### NOTE 1 RECEIVABLES AND PREPAYMENTS

<i>th EUR</i>	<b>30.06.2015</b>	<b>31.12.2014</b>	<b>30.06.2014</b>
Customer receivables	1,458	897	1,217
Prepaid taxes	285	250	311
Other receivables	41	59	50



SKANO GROUP AS CONSOLIDATED INTERIM REPORT  
FOR THE 2<sup>nd</sup> QUARTER OF 2015

Prepaid services	22	26	23
<b>TOTAL</b>	<b>1,806</b>	<b>1,232</b>	<b>1,601</b>

**NOTE 2 INVENTORIES**

<i>th EUR</i>	<b>30.06.2015</b>	<b>31.12.2014</b>	<b>30.06.2014</b>
Raw materials and other materials	683	645	903
Work-in-progress	503	495	679
Finished goods	1,981	1,495	1,710
Goods purchased for resale	222	192	200
Goods in transit	73	232	59
Prepayments to suppliers	38	39	47
Write-off reserve for inventories	(145)	(136)	(86)
<b>TOTAL</b>	<b>3,355</b>	<b>2,962</b>	<b>3,512</b>

**NOTE 3 INVESTMENT PROPERTY**

	<i>th EUR</i>
Cost at 31.12.2013	752
Accumulated depreciation at 31.12.2013	(344)
Net book amount at 31.12.2013	408
Cost at 30.06.2014	752
Accumulated depreciation at 30.06.2014	(344)
Net book amount at 30.06.2014	408
Cost at 31.12.2014	693
Accumulated depreciation at 31.12.2014	(286)
Net book amount at 31.12.2014	407
<b>Cost at 30.06.2015</b>	<b>693</b>
<b>Accumulated depreciation at 30.06.2015</b>	<b>(286)</b>
<b>Net book amount at 30.06.2015</b>	<b>407</b>

Costs of maintenance for six months of 2015 were 19 thousand euros and 20 thousand euros in the same period of 2014. Rental income from investment properties for six months of 2015 were 14 thousand euros and 28 thousand euros in the same period of 2014.

**NOTE 4 TANGIBLE FIXED ASSETS**

<i>th EUR</i>	<b>30.06.2015</b>	<b>31.12.2014</b>	<b>30.06.2014</b>
Land	226	226	226
Buildings and constructions	2,158	2,256	2,424
Machinery, plant and equipment	5,463	5,473	6,327
Other equipment and fixtures	33	29	19
Construction in progress	253	283	326



<b>TOTAL</b>	<b>8,133</b>	<b>8,267</b>	<b>9,322</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 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
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 6 months of 2015*			315
Write-off 6 months of 2015			(30)
Depreciation in 6 months of 2015			(427)
Write-off of accumulated amortization 6 months of 2015			8
<b>Cost at 30.06.2015</b>			<b>19,648</b>
<b>Accumulated depreciation at 30.06.2015</b>			<b>(11,515)</b>
<b>Net book amount at 30.06.2015</b>			<b>8,133</b>

\*On the 30th of June the binding liabilities of acquiring the tangible assets are 183 thousand euros.

#### NOTE 5 INTANGIBLE FIXED ASSETS

	<i>th EUR</i>
Cost at 31.12.2013	100
Accumulated depreciation at 31.12.2013	(74)
Net book amount at 31.12.2013	26
Acquired in 6 months of 2014	5
Depreciation in 6 months of 2014	(5)
Cost at 30.06.2014	90
Accumulated depreciation at 30.06.2014	(70)
Net book amount at 30.06.2014	20
Cost at 31.12.2014	113
Accumulated depreciation at 31.12.2014	(84)
Net book amount at 31.12.2014	29
Acquired in 6 months of 2015	2
Depreciation in 6 months of 2015	(6)



<b>Cost at 30.06.2015</b>	<b>115</b>
<b>Accumulated depreciation at 30.06.2015</b>	<b>(90)</b>
<b>Net book amount at 30.06.2015</b>	<b>25</b>

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

#### NOTE 6 DEBT OBLIGATIONS

<i>th EUR</i>	<b>30.06.2015</b>	<b>31.12.2014</b>	<b>30.06.2014</b>
Current liabilities	1,932	2,030	1,406
incl non-convertible debt	2	15	12
Non-current debt obligations	4,013	3,563	4,127
incl non-convertible debt	0	0	15
<b>TOTAL</b>	<b>5,945</b>	<b>5,593</b>	<b>5,533</b>

#### NOTE 7 PAYABLES AND PREPAYMENTS

<i>th EUR</i>	<b>30.06.2015</b>	<b>31.12.2014</b>	<b>30.06.2014</b>
Supplier payables	1,332	1,092	1,386
Payables to employees	423	317	532
Taxes payables	485	415	362
Other payables	311	134	123
Customer prepayments	157	240	214
<b>TOTAL</b>	<b>2,708</b>	<b>2,198</b>	<b>2,617</b>

#### NOTE 8 PROVISIONS

	<i>th EUR</i>
<b>Balance at 31.12.2013</b>	<b>244</b>
Incl current portion	14
non-current portion	230
Used during the 6 months 2014	(14)
Increased during the 6 months 2014	10
Interest cost 6 months 2014	6
<b>Balance at 30.06.2014</b>	<b>246</b>
Incl current portion	7
non-current portion	239
<b>Balance at 31.12.2014</b>	<b>238</b>
Incl current portion	15
non-current portion	223
Used during the 6 months 2015	(12)
Increased during the 6 months 2015	11



Interest cost 6 months 2015	6
<b>Balance at 30.06.2015</b>	<b>243</b>
Incl current portion	8
non-current portion	235

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 30.06.2015	4,499,061	2,699
Balance 31.12.2014	4,499,061	2,699
Balance 30.06.2014	4,499,061	2,699

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

As at 30.06.2015, the Group had 503 shareholders (30.06.2014: 538 shareholders) of which with more than 5% ownership interest were:

- Trigon Wood OÜ with 2,682,192 shares or 59.62% (30.06.2014: 59.62%)

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

- Ülo Adamson 0 shares (2014: 0 shares)
- Joakim Johan Helenius 20,000 shares (2014: 20,000 shares)
- Pekka Armas Soikkeli 0 shares (2014: 0 shares)
- Martin Kalle 341 shares (2014: 4,331 shares)
- Gert Kuus 0 shares (2014: 0 shares)
- Gregory Devine Grace 0 shares (2014: 0 shares)
- Heiti Riisberg 87,000 shares (2014: 87,000 shares)

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

#### NOTE 10 EARNINGS PER SHARE

<i>EUR</i>	<b>30.06.2015</b>	<b>30.06.2014</b>
Basic earnings per share	(0.01)	(0.01)
Diluted earnings per share	(0.01)	(0.01)
Book value of share	1.14	1.50
Price/earnings ratio (P/E)	(80.50)	(100.00)



SKANO GROUP AS CONSOLIDATED INTERIM REPORT  
FOR THE 2<sup>nd</sup> QUARTER OF 2015

Closing price of the share of Skano Group AS on Tallinn Stock Exchange at 31.12*	0.805	1.00
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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 2015  $= (51,279) / 4,499,061 = (0.01)$  euros

Basic earnings per share for 6 months of 2014  $= (43,850) / 4,499,061 = (0.01)$  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 6 months of 2015  $= (51,279) / 4,949,061 = (0.01)$  euros

Diluted earnings per share for 6 months of 2014  $= (43,850) / 4,499,061 = (0.01)$  euros

Price/earnings ratio (P/E) for 6 months of 2015  $= 0.805 / (0.01) = (80.50)$

Price/earnings ratio (P/E) for 6 months of 2014  $= 1.00 / (0.01) = (100.00)$

\* 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.

*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		
	6 m 2015	6 m 2014	6 m 2015	6 m 2014	6 m 2015	6 m 2014	6 m 2015	6 m 2014	6 m 2015	6 m 2014	6 m 2015	6 m 2014	6 m 2015	6 m 2014	
Revenue from external customers	1,912	2,836	1,287	1,151	3,625	6,714	2,937	0	0	0	0	0	0	9,761	10,701
Inter-segment revenue	613	575	0	0	2,869	71	0	0	27	37	0	0	0	3,509	683





SKANO GROUP AS CONSOLIDATED INTERIM REPORT  
FOR THE 2<sup>nd</sup> QUARTER OF 2015

Operating profit/loss	(147)	263	(160)	(294)	219	(157)	35	0	(8)	(7)	165	282	<b>104</b>	<b>(87)</b>
Segment assets	3,078	3,842	715	697	9,583	10,683	934	0	(254)	(44)	(24)	(45)	<b>14,032</b>	<b>15,133</b>
Segment liabilities	2,173	2,490	251	212	4,726	4,625	737	0	1,009	1,069	0	0	<b>8,896</b>	<b>8,396</b>

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

th EUR	6 months 2015					6 months 2014				
	FF	FR	FB	STOY	TOTAL	FF	FR	FB	STOY	TOTAL
Finland	919	8	104	2,937	3,968	1,004	0	3,290	0	4,294
Estonia	25	729	820	0	1,574	50	623	878	0	1,551
Russia	751	0	800	0	1,551	1,687	0	946	0	2,633
Great Britain	19	0	496	0	515	19	0	474	0	493
South Africa	0	0	423	0	423	0	0	9	0	9
Latvia	0	247	132	0	379	0	127	132	0	259
Sweden	0	0	333	0	333	0	0	275	0	275
Lithuania	0	172	30	0	202	0	166	31	0	197
Ukraina	0	131	47	0	178	0	235	65	0	300
Kazakhstan	125	0	0	0	125	43	0	0	0	43
Denmark	0	0	91	0	91	0	0	17	0	17
Germany	0	0	83	0	83	0	0	45	0	45
France	64	0	10	0	74	6	0	30	0	36
Australia	9	0	42	0	51	0	0	38	0	38
Arabia	0	0	36	0	36	21	0	35	0	56
Saudi-Arabia	0	0	35	0	35	0	0	16	0	16
Tanzania	0	0	21	0	21	0	0	0	0	0
Oman	0	0	18	0	18	0	0	18	0	18
Malaysia	0	0	18	0	18	0	0	17	0	17
Hungary	0	0	17	0	17	0	0	15	0	15
Norway	0	0	14	0	14	0	0	0	0	0
Cyprus	0	0	10	0	10	0	0	0	0	0
Other countries	0	0	45	0	45	6	0	383	0	389
<b>TOTAL</b>	<b>1,912</b>	<b>1,287</b>	<b>3,625</b>	<b>2,937</b>	<b>9,761</b>	<b>2,836</b>	<b>1,151</b>	<b>6,714</b>	<b>0</b>	<b>10,701</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:

<i>th EUR</i>	6 m 2015	6 m 2014
Short-term benefits	137	69
Social security tax	45	23
<b>TOTAL</b>	<b>182</b>	<b>92</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>	6 m 2015	6 m 2014
Purchased services	18	17
<b>TOTAL</b>	<b>18</b>	<b>17</b>

Balances with related parties:

<i>th EUR</i>	30.06.2015	30.06.2014
Services payables	4	19
Short-term loan	140	0
Interest expense	3	0
<b>TOTAL</b>	<b>147</b>	<b>19</b>

