

**AS VIISNURK**

Consolidated Interim Report for the 1<sup>st</sup> Quarter of 2005

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## Outline and Contact Details

AS Viisnurk is a multibusiness wood processing company, that produces home furniture and insulation and interior finishing boards.

The company has been listed on the Tallinn Stock Exchange.

|   |                                   |
|---|-----------------------------------|
| Business name:                          | Viisnurk AS                       |
| Registry code:                          | 10106774                          |
| Address:                                | Suur-Jõe 48, Pärnu 80042, Estonia |
| Telephone:                              | +372 44 78 323                    |
| Fax                                     | +372 44 78 320                    |
| E-mail:                                 | mail@viisnurk.ee                  |
| Homepage:                               | www.viisnurk.ee                   |
| Beginning of the financial year:        | 01.01.2005                        |
| End of the financial year:              | 31.12.2005                        |
| Beginning of the Interim Report Period: | 01.01.2005                        |
| End of the Interim Report Period:       | 31.03.2005                        |

## Consolidate Balance Sheet

|  |          | Thou. croons<br><b>31.03.2005</b> | Thou. croons<br><b>31.12.2004</b> | Thou. euros<br><b>31.03.2005</b> | Thou. euros<br><b>31.12.2004</b> |
|--|----------|-----------------------------------|-----------------------------------|----------------------------------|----------------------------------|
| Cash and bank                              |          | 1,585                             | 3,870                             | 101                              | 247                              |
| Customer receivables                       | (Note 1) | 32,424                            | 27,645                            | 2,072                            | 1,767                            |
| Other receivables                          |          | 9                                 | 85                                | 1                                | 5                                |
| Prepayments                                |          | 3,264                             | 2,576                             | 209                              | 165                              |
| Inventories                                |          | 41,163                            | 40,419                            | 2,631                            | 2,583                            |
| Tangible fixed assets for sell             |          | 50,943                            | 50,943                            | 3,256                            | 3,256                            |
| <b>Total current assets</b>                |          | <b>129,388</b>                    | <b>125,538</b>                    | <b>8,270</b>                     | <b>8,023</b>                     |
| Long-term financial investments            | (Note 2) | 1                                 | 1                                 | 0                                | 0                                |
| Investment property                        | (Note 3) | 15,371                            | 15,636                            | 982                              | 999                              |
| Tangible fixed assets                      | (Note 4) | 61,731                            | 64,466                            | 3,945                            | 4,120                            |
| Intangible fixed assets                    | (Note 4) | 2,612                             | 2,884                             | 167                              | 185                              |
| <b>Total fixed assets</b>                  |          | <b>79,715</b>                     | <b>82,987</b>                     | <b>5,094</b>                     | <b>5,304</b>                     |
| <b><u>TOTAL ASSETS</u></b>                 |          | <b><u>209,103</u></b>             | <b><u>208,525</u></b>             | <b><u>13,364</u></b>             | <b><u>13,327</u></b>             |
| Debt obligations                           | (Note 5) | 70,084                            | 76,061                            | 4,479                            | 4,861                            |
| Customer prepayments                       |          | 11,235                            | 11,187                            | 718                              | 715                              |
| Supplier payables                          |          | 23,667                            | 20,998                            | 1,513                            | 1,342                            |
| Taxes payable                              |          | 2,947                             | 3,443                             | 188                              | 220                              |
| Accrued expenses                           |          | 9,238                             | 8,756                             | 591                              | 560                              |
| Short-term provisions                      | (Note 6) | 445                               | 445                               | 28                               | 28                               |
| <b>Total current liabilities</b>           |          | <b>117,616</b>                    | <b>120,890</b>                    | <b>7,517</b>                     | <b>7,726</b>                     |
| Non-current debt obligations               | (Note 5) | 30,279                            | 30,279                            | 1,935                            | 1,935                            |
| <b>Total non-current liabilities</b>       |          | <b>30,279</b>                     | <b>30,279</b>                     | <b>1,935</b>                     | <b>1,935</b>                     |
| <b>Total liabilities</b>                   |          | <b>147,895</b>                    | <b>151,169</b>                    | <b>9,452</b>                     | <b>9,661</b>                     |
| Share capital (nominal value)              |          | 44,991                            | 44,991                            | 2,875                            | 2,875                            |
| Issue premium                              |          | 11,332                            | 11,332                            | 724                              | 724                              |
| Mandatory capital reserve                  |          | 4,499                             | 4,499                             | 288                              | 288                              |
| Retained profits                           |          | (3,466)                           | 13,383                            | (221)                            | 856                              |
| Net profit for the year                    |          | 3,852                             | (16,849)                          | 246                              | (1,077)                          |
| <b>Total equity</b>                        | (Note 7) | <b>61,208</b>                     | <b>57,356</b>                     | <b>3,912</b>                     | <b>3,666</b>                     |
| <b><u>TOTAL LIABILITIES AND EQUITY</u></b> |          | <b><u>209,103</u></b>             | <b><u>208,525</u></b>             | <b><u>13,364</u></b>             | <b><u>13,327</u></b>             |

## Consolidate Income Statement

|   |          | Thou kroons<br>1 <sup>st</sup> quarter<br>2005 | Thou kroons<br>1 <sup>st</sup> quarter<br>2004 | Thou kroons<br>1 <sup>st</sup> quarter<br>2005 | Thou kroons<br>1 <sup>st</sup> quarter<br>2004 |
|---|----------|--|--|--|--|
| <b>RETURN ON SALES</b>                  | (Note 9) | <b>61,909</b>                                  | <b>105,441</b>                                 | <b>3,957</b>                                   | <b>6,739</b>                                   |
| <b>Cost of production sold</b>          |          | <b>(50,930)</b>                                | <b>(95,292)</b>                                | <b>(3,255)</b>                                 | <b>(6,090)</b>                                 |
| <b>Gross profit</b>                     |          | <b>10,979</b>                                  | <b>10,149</b>                                  | <b>702</b>                                     | <b>649</b>                                     |
| Marketing expenses                      |          | (5,463)  | (7,388)  | (349)  | (472)  |
| General administrative expenses         |          | (1,623)  | (2,327)  | (104)  | (149)  |
| Other income                            |          | 1,466  | 3,251  | 94   | 207  |
| Other expenses                          |          | (335)  | (521)  | (21)   | (33)   |
| <b>Operating profit</b>                 | (Note 9) | <b>5,024</b>                                   | <b>3,164</b>                                   | <b>321</b>                                     | <b>202</b>                                     |
| Financial income and financial expenses |          | (1,172)  | (1,876)  | (75)   | (120)  |
| <b>NET PROFIT FOR THE PERIOD</b>        |          | <b>3,852</b>                                   | <b>1,288</b>                                   | <b>246</b>                                     | <b>82</b>                                      |
| <b>Basic earnings per share</b>         | (Note 8) | <b>0,86</b>                                    | <b>0,29</b>                                    | <b>0,05</b>                                    | <b>0,02</b>                                    |
| <b>Diluted earnings per share</b>       | (Note 8) | <b>0,86</b>                                    | <b>0,29</b>                                    | <b>0,05</b>                                    | <b>0,02</b>                                    |

## Consolidate Cash Flow Statement

|   | Thou kroons<br>1 <sup>st</sup> quarter<br>2005 | Thou kroons<br>1 <sup>st</sup> quarter<br>2004 | Thou euros<br>1 <sup>st</sup> quarter<br>2005 | Thou euros<br>1 <sup>st</sup> quarter<br>2004 |
|---|--|--|---|---|
| <b>Cash flow from operations</b>                            | <b>3,852</b>                                   | <b>1,288</b>                                   | <b>246</b>                                    | <b>82</b>                                     |
| <b>Net profit</b>   |  |  |   |   |
| <i>Adjustments for:</i>                                     |  |  |   |   |
| Depreciation of fixed assets                                | 3,020  | 6,050  | 193   | 387   |
| Gain on sale of fixed assets                                | (42)   | (6)  | (3)   | 0   |
| Gain on sale of investment property                         | (1,236)  | (3,151)  | (79)  | (201)   |
| Use of provisions   | 0  | (456)  | 0   | (30)  |
| Interest expense  | 1,157  | 1,841  | 74  | 118   |
| <b>Operating profit before changes in operating capital</b> | <b>6,751</b>                                   | <b>5,566</b>                                   | <b>431</b>                                    | <b>356</b>                                    |
| Change in operations-related receivables and prepayments    | (5,387)  | 3,092  | (344)   | 198   |
| Change in inventories                                       | (744)  | (4,459)  | (48)  | (285)   |
| Change in operations-related liabilities and prepayments    | 2,699  | (1,478)  | 173   | (95)  |
| <b>Cash generated from operations</b>                       | <b>3,319</b>                                   | <b>2,721</b>                                   | <b>212</b>                                    | <b>174</b>                                    |
| Interest paid   | (1,157)  | (1,841)  | (74)  | (118)   |
| <b>Total cash flow from operations</b>                      | <b>2,162</b>                                   | <b>880</b>                                     | <b>138</b>                                    | <b>56</b>                                     |
| <b>Cash flow from investments</b>                           |  |  |   |   |
| Acquisition of fixed assets                                 | (28)   | (1,694)  | (2)   | (108)   |
| Sale of fixed assets  | 58   | 13   | 4   | 1   |
| Sale of investment property                                 | 1,500  | 3,860  | 96  | 246   |
| <b>Total cash flow from investments</b>                     | <b>1,530</b>                                   | <b>2,179</b>                                   | <b>98</b>                                     | <b>139</b>                                    |
| <b>Cash flow from financing activities</b>                  |  |  |   |   |
| Repayment of loans  | (3,664)  | (4,037)  | (234)   | (258)   |
| Settlement of finance lease liabilities                     | (375)  | (425)  | (24)  | (27)  |
| Change in the overdraft balance                             | (1,938)  | 1,653  | (124)   | 106   |
| <b>Total cash flow from financing activities</b>            | <b>(5,977)</b>                                 | <b>(2,809)</b>                                 | <b>(382)</b>                                  | <b>(179)</b>                                  |
| <b>TOTAL CASH FLOW</b>                                      | <b>(2,285)</b>                                 | <b>250</b>                                     | <b>(146)</b>                                  | <b>16</b>                                     |
| <b>CASH AT BEGINNING OF PERIOD</b>                          | <b>3,870</b>                                   | <b>1,141</b>                                   | <b>247</b>                                    | <b>73</b>                                     |
| <b>CASH AT END OF PERIOD</b>                                | <b>1,585</b>                                   | <b>1,391</b>                                   | <b>101</b>                                    | <b>89</b>                                     |

## Statement of Movements in Equity

|                                      | Share capital<br>Thou kroons | Issue premium<br>Thou kroons | Mandatory capital reserve<br>Thou kroons | Retained profits/losses<br>kroons | Profit/loss for the last year<br>Thou kroons | Profit/loss for the year<br>Thou kroons | Total equity<br>Thou kroons |
|--------------------------------------|------------------------------|------------------------------|--|-----------------------------------|--|---|-----------------------------|
| <b>Balance 31.12.2002</b>            | <b>44,991</b>                | <b>11,332</b>                | <b>4,499</b>                             | <b>101,854</b>                    | <b>0</b>                                     | <b>(19,632)</b>                         | <b>143,044</b>              |
| Appropriation of 2002 loss           | 0                            | 0                            | 0  | (19,632)                          | 0  | 19,632                                  | 0                           |
| Loss for the accounting period       | 0                            | 0                            | 0  | 0                                 | 0  | (68,839)                                | (68,839)                    |
| <b>Balance 31.12.2003</b>            | <b>44,991</b>                | <b>11,332</b>                | <b>4,499</b>                             | <b>82,222</b>                     | <b>0</b>                                     | <b>(68,839)</b>                         | <b>74,205</b>               |
| Appropriation of 2003 loss           | 0                            | 0                            | 0  | (68,839)                          | 0  | 68,839                                  | 0                           |
| Loss for the accounting period       | 0                            | 0                            | 0  | 0                                 | 0  | (16,849)                                | (16,849)                    |
| <b>Balance 31.12.2004</b>            | <b>44,991</b>                | <b>11,332</b>                | <b>4,499</b>                             | <b>13,383</b>                     | <b>0</b>                                     | <b>(16,849)</b>                         | <b>57,356</b>               |
| Loss for the last year               | 0                            | 0                            | 0  | 0                                 | (16,849)                                     | 16,849                                  | 0                           |
| Net profit for the accounting period | 0                            | 0                            | 0  | 0                                 | 0  | 3,852                                   | 3,852                       |
| <b>Balance 31.03.2005</b>            | <b>44,991</b>                | <b>11,332</b>                | <b>4,499</b>                             | <b>13,383</b>                     | <b>(16,849)</b>                              | <b>3,852</b>                            | <b>61,208</b>               |

|                                      | Share capital<br>Thou euros | Issue premium<br>Thou euros | Mandatory capital reserve<br>Thou euros | Retained profits/losses<br>Thou euros | Profit/loss for the last year<br>Thou euros | Profit/loss for the year<br>Thou euros | Total equity<br>Thou euros |
|--------------------------------------|-----------------------------|-----------------------------|---|---------------------------------------|---|--|----------------------------|
| <b>Balance 31.12.2002</b>            | <b>2,875</b>                | <b>724</b>                  | <b>288</b>                              | <b>6,510</b>                          | <b>0</b>                                    | <b>(1,256)</b>                         | <b>9,143</b>               |
| Appropriation of 2002 loss           | 0                           | 0                           | 0                                       | (1,256)                               | 0   | 1,256                                  | 0                          |
| Loss for the accounting period       | 0                           | 0                           | 0                                       | 0                                     | 0   | (4,400)                                | (4,400)                    |
| <b>Balance 31.12.2003</b>            | <b>2,875</b>                | <b>724</b>                  | <b>288</b>                              | <b>5,256</b>                          | <b>0</b>                                    | <b>(4,400)</b>                         | <b>4,743</b>               |
| Appropriation of 2003 loss           | 0                           | 0                           | 0                                       | (4,400)                               | 0   | 4,400                                  | 0                          |
| Net profit for the accounting period | 0                           | 0                           | 0                                       | 0                                     | 0   | (1,077)                                | (1,077)                    |
| <b>Balance 31.12.2004</b>            | <b>2,875</b>                | <b>724</b>                  | <b>288</b>                              | <b>856</b>                            | <b>0</b>                                    | <b>(1,077)</b>                         | <b>3,666</b>               |
| Loss for the last year               | 0                           | 0                           | 0                                       | 0                                     | (1,077)                                     | 1,077                                  | 0                          |
| Net profit for the accounting period | 0                           | 0                           | 0                                       | 0                                     | 0   | 246                                    | 246                        |
| <b>Balance 31.03.2005</b>            | <b>2,875</b>                | <b>724</b>                  | <b>288</b>                              | <b>856</b>                            | <b>(1,077)</b>                              | <b>246</b>                             | <b>3,912</b>               |

## Notes to Interim Report

### Accounting Policies And Measurement Bases

The accounting policies applied at the preparation of the Interim Report of Viisnurk AS for the 1<sup>st</sup> quarter of 2005 comply with the International Accounting Standards. The same accounting policies were applied for both the Interim Report and the Annual Report for the financial year that ended on 31.12.2004.

According to the assessment of the Management Board, Viisnurk AS is a going concern and the Interim Report for the 1<sup>st</sup> quarter of 2005 gives a true and fair view of the financial position of Viisnurk AS and the results of its operations. The present Interim Report has not been audited.

The Interim Report has been presented in thousands of Estonian Croons and in thousands of euros. The exchange rate between Croons and euros is 15.6466.

#### 1. Customer receivables

|                                    | Thou kroons   | Thou kroons   | Thou euros   | Thou euros   |
|------------------------------------|---------------|---------------|--------------|--------------|
|                                    | 31.03.2005    | 31.12.2004    | 31.03.2005   | 31.12.2004   |
| Accounts receivable                | 34,384        | 29,605        | 2,197        | 1,892        |
| Allowance for doubtful receivables | (1,960)       | (1,960)       | (125)        | (125)        |
| <b>TOTAL</b>                       | <b>32,424</b> | <b>27,645</b> | <b>2,072</b> | <b>1,767</b> |

#### 2. Long-term financial investments

|                         | Thou kroons | Thou kroons | Thou euros | Thou euros |
|-------------------------|-------------|-------------|------------|------------|
|                         | 31.03.2005  | 31.12.2004  | 31.03.2005 | 31.12.2004 |
| Other shares and issues | 1           | 1           | 0          | 0          |
| <b>TOTAL</b>            | <b>1</b>    | <b>1</b>    | <b>0</b>   | <b>0</b>   |

#### Investments in Subsidiaries

|                             | Skano OÜ  | Visu OÜ   | Isotex OÜ |
|-----------------------------|-----------|-----------|-----------|
|                             | (Estonia) | (Estonia) | (Estonia) |
| Number of shares 01.01.2005 | 1         | 1         | 1         |
| Number of shares 31.03.2005 | 1         | 1         | 1         |
| Participation % 31.03.2005  | 100       | 100       | 100       |

#### Owner's equity of subsidiaries 31.3.2005

|                              | Skano OÜ   | Visu OÜ   | Isotex OÜ | Total        |
|------------------------------|------------|-----------|-----------|--------------|
|                              | (Estonia)  | (Estonia) | (Estonia) |              |
| Share capital                | 40         | 40        | 40        | 120          |
| Retained profits/losses      | (214)      | 0         | 0         | (214)        |
| Net profit for the last year | 904        | 0         | 0         | 904          |
| Net profit for the year      | 232        | 0         | 0         | 232          |
| <b>Total equity</b>          | <b>962</b> | <b>40</b> | <b>40</b> | <b>1,042</b> |



Thou euros

|                              | Skano OÜ<br>(Estonia) | Visu OÜ<br>(Estonia) | Isotex OÜ<br>(Estonia) | Total     |
|------------------------------|-----------------------|----------------------|------------------------|-----------|
| Share capital                | 2                     | 3                    | 3                      | 8         |
| Retained profits/losses      | (14)                  | 0                    | 0                      | (14)      |
| Net profit for the last year | 58                    | 0                    | 0                      | 58        |
| Net profit for the year      | 15                    | 0                    | 0                      | 15        |
| <b>Total equity</b>          | <b>61</b>             | <b>3</b>             | <b>3</b>               | <b>67</b> |

### 3. Investment property

|  | Thou kroons | Thou euros |
|--|-------------|------------|
| Acquisition cost at 01.01.2005               | 19,215      | 1,228      |
| Disposals in 3 months of 2005                | (416)       | (27)       |
| Acquisition cost at 31.03.2005               | 18,799      | 1,201      |
| Accumulated depreciation at 01.01.2005       | (3,579)     | (229)      |
| Depreciation in 3 months of 2005             | (1)         | (0)        |
| Depreciation disposed of in 3 months of 2005 | 152         | 10         |
| Accumulated depreciation at 31.03.2005       | (3,428)     | (219)      |
| Net book value at 01.01.2005                 | 15,636      | 999        |
| Net book value at 31.03.2005                 | 15,371      | 982        |

In the 3 months Viisnurk earned 1,236 thousand kroons (79 thousand euros) of profit (other income) from the sales of real estate investments.

Costs of maintenance for 3 months of 2005 were 69 thousand kroons (4 thousand euros).

### 4. Tangible and Intangible Fixed Assets

Thou kroons

|  | Tangible fixed assets | Intangible fixed assets | TOTAL    |
|--|-----------------------|-------------------------|----------|
| Acquisition cost at 01.01.2005                               | 143,119               | 5,769                   | 151,888  |
| Acquired in 3 months of 2005                                 | 224                   | 0                       | 224      |
| Fixed assets disposed of in 3 months of 2005                 | (126)                 | 0                       | (126)    |
| Acquisition cost at 31.3.2005                                | 146,217               | 5,769                   | 151,986  |
| Depreciation at 01.01.2005                                   | (83,300)              | (2,885)                 | (86,185) |
| Depreciation in 3 months of 2005                             | (2,746)               | (272)                   | (3,018)  |
| Depreciation on fixed assets disposed of in 3 months of 2005 | 110                   | 0                       | 110      |
| Depreciation at 31.03.2005                                   | (85,936)              | (3,157)                 | (89,093) |
| Net book value at 01.01.2005                                 | 62,819                | 2,884                   | 65,703   |
| Net book value at 01.03.2005                                 | 60,281                | 2,612                   | 62,893   |

Thou euros

|  | Tangible fixed assets | Intangible fixed assets | TOTAL   |
|--|-----------------------|-------------------------|---------|
| Acquisition cost at 01.01.2005                               | 9,339                 | 369                     | 9,708   |
| Acquired in 3 months of 2005                                 | 14                    | 0                       | 14      |
| Fixed assets disposed of in 3 months of 2005                 | (8)                   | 0                       | (8)     |
| Acquisition cost at 31.3.2005                                | 9,345                 | 369                     | 9,714   |
| Depreciation at 01.01.2005                                   | (5,324)               | (184)                   | (5,508) |
| Depreciation in 3 months of 2005                             | (176)                 | (17)                    | (193)   |
| Depreciation on fixed assets disposed of in 3 months of 2005 | 7                     | 0                       | 7       |
| Depreciation at 31.03.2005                                   | (5,493)               | (201)                   | (5,694) |

|                              |       |     |       |
|------------------------------|-------|-----|-------|
| Net book value at 01.01.2005 | 4,015 | 185 | 4,200 |
| Net book value at 01.03.2005 | 3,852 | 167 | 4,020 |

The balance of construction in progress amounted to 1,450 thousand kroons (93 thousand euros) as of 31.03.2005 and 1,647 thousand kroons (105 thousand euros) as of 01.01.2005.

#### 5. Debt Obligations

|                              | Thou kroons       | Thou kroons       | Thou euros        | Thou euros        |
|------------------------------|-------------------|-------------------|-------------------|-------------------|
|                              | <b>31.03.2005</b> | <b>31.12.2004</b> | <b>31.03.2005</b> | <b>31.12.2004</b> |
| Current liabilities          | 70,084            | 76,061            | 4,479             | 4,861             |
| Non-current debt obligations | 30,279            | 30,279            | 1,935             | 1,935             |
| Incl. long-term loans        | 26,558            | 26,558            | 1,697             | 1,697             |
| Non-convertible debt         | 3,721             | 3,721             | 238               | 238               |
| <b>TOTAL</b>                 | <b>100,363</b>    | <b>106,340</b>    | <b>6,414</b>      | <b>6,796</b>      |

#### 6. Short-term provisions

|                    | Thou kroons       | Thou kroons       | Thou euros        | Thou euros        |
|--------------------|-------------------|-------------------|-------------------|-------------------|
|                    | <b>31.03.2005</b> | <b>31.12.2004</b> | <b>31.03.2005</b> | <b>31.12.2004</b> |
| Guaranty provision | 445               | 445               | 28                | 28                |
| <b>TOTAL</b>       | <b>445</b>        | <b>445</b>        | <b>28</b>         | <b>28</b>         |

#### 7. Owners' Equity

|                    | Number of shares | Share capital | Share capital |
|--------------------|------------------|---------------|---------------|
|                    |                  | Thou kroons   | Thou euros    |
| Balance 31.03.2005 | 4,499,061        | 44,991        | 2,875         |

At 31.3.2005, the share capital of Viisnurk AS totaled 44,990,610 kroons (2,875,424 euros) that was made up of 4,499,061 shares with the nominal value of 10 kroons (0.64 euros) each; the maximum share capital outlined in the Articles of Association is 177,480,800 kroons (11,343,090 euros).

The share capital did not change in the 1<sup>st</sup> quarter of the year 2005.

#### 8. Earnings per Share

Basic earnings per share have been calculated by dividing the net profit for the period 3,852,601 kroons (246,226 euros) by the number of shares 4,499,061.

Basic earnings per share for 3 months of 2005 = 3,852,601/4,499,061 = 0.86 kroons / 0.05 euros

Basic earnings per share for 3 months of 2004 = 1,287,612/4,499,061 = 0.29 kroons / 0.02 euros

Basic earnings per share equal diluted earnings per share because the company does not have any potential ordinary shares, which might reduce earnings per share.

**9 . Business Segments (consolidated)**

Thou kroons

|                                  | Furniture Division*          |                              | Building Materials Division  |                              | Finished activities**        |                              | Supporting units             |                              | Eliminations                 |                              | TOTAL OF VIISNURK            |                              |
|----------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
|                                  | 1 <sup>st</sup> Quarter 2005 | 1 <sup>st</sup> Quarter 2004 | 1 <sup>st</sup> Quarter 2005 | 1 <sup>st</sup> Quarter 2004 | 1 <sup>st</sup> Quarter 2005 | 1 <sup>st</sup> Quarter 2004 | 1 <sup>st</sup> Quarter 2005 | 1 <sup>st</sup> Quarter 2004 | 1 <sup>st</sup> Quarter 2005 | 1 <sup>st</sup> Quarter 2004 | 1 <sup>st</sup> Quarter 2005 | 1 <sup>st</sup> Quarter 2004 |
| External sales                   | 32,628                       | 42,303                       | 29,275                       | 26,836                       | 6                            | 36,109                       | 0                            | 192                          | 0                            | 0                            | 61,909                       | 105,441                      |
| Inter-segmental sales            | 0                            | 59                           | 35                           | 24                           | 0                            | 6,929                        | 0                            | 0                            | (35)                         | (7,012)                      | 0                            | 0                            |
| Total sales revenue              | 32,628                       | 42,362                       | 29,310                       | 26,860                       | 6                            | 43,038                       | 0                            | 192                          | (35)                         | (7,012)                      | 61,909                       | 105,441                      |
| Segment's result                 | 2,385                        | 970                          | 5,225                        | 5,622                        | (963)                        | (4,388)                      | 0                            | 3,287                        | 0                            | 0                            | 6,647                        | 5,491                        |
| Unallocated expenses             |                              |                              |                              |                              |                              |                              |                              |                              |                              |                              | (1,623)                      | (2,327)                      |
| Operating profit                 |                              |                              |                              |                              |                              |                              |                              |                              |                              |                              | 5,024                        | 3,164                        |
| Net financial expenses           |                              |                              |                              |                              |                              |                              |                              |                              |                              |                              | (1,172)                      | (1,876)                      |
| Net profit for accounting period |                              |                              |                              |                              |                              |                              |                              |                              |                              |                              | 3,852                        | 1,288                        |

\* - Furniture Division segment consist of AS Viisnurk furniture factory and subsidiary company Skano OÜ.

\*\* - Finished activities segment consist of two closed divisions - Sporting Goods Division and Wood Division

Thou euros

|                                  | Furniture Division*          |                              | Building Materials Division  |                              | Finished activities**        |                              | Supporting units             |                              | Eliminations                 |                              | TOTAL OF VIISNURK            |                              |
|----------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
|                                  | 1 <sup>st</sup> Quarter 2005 | 1 <sup>st</sup> Quarter 2004 | 1 <sup>st</sup> Quarter 2005 | 1 <sup>st</sup> Quarter 2004 | 1 <sup>st</sup> Quarter 2005 | 1 <sup>st</sup> Quarter 2004 | 1 <sup>st</sup> Quarter 2005 | 1 <sup>st</sup> Quarter 2004 | 1 <sup>st</sup> Quarter 2005 | 1 <sup>st</sup> Quarter 2004 | 1 <sup>st</sup> Quarter 2005 | 1 <sup>st</sup> Quarter 2004 |
| External sales                   | 2,086                        | 2,704                        | 1,871                        | 1,715                        | 0                            | 2,308                        | 0                            | 21                           | 0                            | 0                            | 3,957                        | 6,739                        |
| Inter-segmental sales            | 0                            | 4                            | 2                            | 2                            | 0                            | 443                          | 0                            | 0                            | (2)                          | (449)                        | 0                            | 0                            |
| Total sales revenue              | 2,086                        | 2,708                        | 1,873                        | 1,717                        | 0                            | 2,751                        | 0                            | 21                           | (2)                          | (449)                        | 3,957                        | 6,739                        |
| Segment's result                 | 152                          | 62                           | 334                          | 359                          | (61)                         | (280)                        | 0                            | 210                          | 0                            | 0                            | 425                          | 351                          |
| Unallocated expenses             |                              |                              |                              |                              |                              |                              |                              |                              |                              |                              | (104)                        | (149)                        |
| Operating profit                 |                              |                              |                              |                              |                              |                              |                              |                              |                              |                              | 321                          | 202                          |
| Net financial expenses           |                              |                              |                              |                              |                              |                              |                              |                              |                              |                              | (75)                         | (120)                        |
| Net profit for accounting period |                              |                              |                              |                              |                              |                              |                              |                              |                              |                              | 246                          | 82                           |

\* - The Furniture Division segment consist of AS Viisnurk furniture factory and subsidiary company Skano OÜ.

\*\* - Finished activities segment consist of two closed divisions - Sporting Goods Division and Wood Division

## **Explanatory Note to Interim Report**

The net sales of Viisnurk AS for the 1<sup>st</sup> quarter of 2005 were 61.9 mil. kroons (4 mil. euros) and the net profit 3.9 mil. kroons (246 thou. euros). In the same period of the last year, the net sales totalled 105.4 mil. kroons (6.7 mil. euros) and the net profit 1.3 mil. kroons (82 thou. euros). The reason for the difference in the net sales of the company for 2004 in comparison to the previous periods can be explained by the fact that the Sports Goods and Wood Divisions were closed down in 2004, but they still operated in the 1<sup>st</sup> quarter of that year.

The total assets of Viisnurk amounted to 209.1 mil. kroons (13.4 mil euros) at 31.3.2005. At the end of the accounting period, the total liabilities of Viisnurk amounted to 147.9 mil kroons and the debt to equity ratio to 71%. The liabilities of the company have decreased by 3.3 mil. kroons (211 thou. euros) and the debt to equity ratio by 1.5% compared to the beginning of the year.

The cash flow from operations was positive with 2.2 mil. kroons (140 thou. euros) in the 1<sup>st</sup> quarter of the accounting year.

### **Divisional Review**

The net sales of the Furniture Division of Viisnurk for the three months were 32.6 mil. kroons (2.1 mil. euros) and the profit 2.4 mil. kroons (152 thou. euros). Last year the net sales of the Furniture Division for the three months totalled 42.3 mil. kroons (2.7 mil. euros) and the profit 1 mil. kroons (62 thou. euros).

The decrease in sales is, on the one hand, relating to the strategy devised in 2004 to terminate sales of some technically complicated and unprofitable product lines. On the other hand, the furniture sale on the main target markets (Finland, Germany) decreased, thereby influencing the customers of Viisnurk.

Measures to increase the net sales will be taken in the coming periods. We aim at optimising division related product development process thereby that would result in the increase in sales of corporate brands.

The Building Materials Division earned 5.2 mil. kroons (334 mil. euros) profit at the net sales of 29.3 mil. kroons (1.9 mil. euros) in three months. In the same period of the last year, the turnover of the division totalled 26.8 mil. kroons (1.7 mil. euros) and the net profit 5.6 mil. kroons (359 mil. euros). The sales of the division were clearly growing in the 1<sup>st</sup> quarter. The market situation and economic indicators for the business unit are very good and better than expected.

The two divisions of Viisnurk AS, which were closed in 2004, brought about the loss of 963 thou. kroons (62 thou. euros) in the 1<sup>st</sup> quarter. The main costs included sale process costs and were also related with the keeping of assets in order for sale. The disposal of the Sports Goods and Wood Divisions is finally completed by now.