

**2<sup>nd</sup> quarter**  
**Interim Report**  
**2006**

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## Outline and Contact Details

AS Viisnurk is a multibusiness wood processing company, with over half a century of experience in adding value to wood.

The Furniture and Building Materials Divisions are the business units of Viisnurk AS. The Furniture Division focuses on manufacturing and marketing of domestic furniture of unique design. The Building Materials Division produces and markets two independent softboard-based product categories: fibre-boards for insulation and soundproofing, and interior finishing panels for walls and ceilings.

AS Viisnurk has concentrated on export markets. Apart from the domestic market, the main markets of the company are in the neighboring regions: the Nordic countries, Western and Central Europe and Russia. The long-term customers and co-operation partners of Viisnurk AS are distinguished representatives of their respective fields.

The company has been listed on the Tallinn Stock Exchange.

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Beginning of the financial year:	1.1.2006
End of the financial year:	31.12.2006
Beginning of the Interim Report Period:	1.1.2006
End of the Interim Report Period:	30.6.2006

## Management Report

The net sales of Viisnurk AS for the first half of 2006 were 109.2 mil kroons/7.0 mil euros (in the same period last year the net sales were 118.5 mil kroons/7.6 mil euros) and the net profit 4.9 mil kroons/310 thousand euros (6.7 mil kroons/428 thousand euros in 2005). The net sales of the 2nd quarter of the accounting year amounted to 56.2 mil kroons/3.6 mil euros (56.6 mil kroons/3.6 mil euros in 2005) and the net profit amounted to 3.0 mil kroons/189 thousand euros (2.7 mil kroons/173 thousand euros in 2005).

The results of Viisnurk AS in the first half of 2006 were significantly influenced by cold weather in January and February that brought along higher heating costs and work stoppages in the Building Materials Division. The fire on the storage area in May had also negative impact on the company's results. Although the finished goods of the company are insured (excess 157 thousand kroons/10 thousand euros), the sales margin was lost on the destroyed goods; in addition the accident caused a three day work stoppage in the division.

In connection with the expenses related to the implementation of the retail trade strategy developed in 2006 the decrease in profitability of the Furniture Division is expected in the last quarter of the year. Although the net profit of the first half of the year is approx. 40% more than in 2005, the division has been influenced by a lower demand than expected in German market during the summer period as well as the increasing personnel expenses.

Considering the above factors the management of the company shall correct the profit estimation from the initial 16-18 mil kroons (1-1.15 mil euros) to 12-14 mil kroons (0.77-0.89 mil euros).

The total assets of Viisnurk amounted to 153.5 mil kroons (9.8 mil euros) at 30.06.2006. The liabilities of the company accounted for 57% thereof, i.e. 87 mil kroons (5.6 mil euros).

In the 2<sup>nd</sup> quarter of 2006, the dividends paid out to the shareholders amounted to 4.2 mil kroons (267 thousand euros). The income tax on dividends amounted to 438 thousand kroons (27 thousand euros).

### Divisional review:

(Th EEK)	Net sales		Profit	
	2006 6m	2005 6m	2006 6m	2005 6m
Furniture Division	65,231	64,605	4,498	3,167
Building Materials Division	43,978	53,768	4,959	9,657
Terminated business activities	0	162	0	(991)
<b>TOTAL</b>	<b>109,209</b>	<b>118,535</b>	<b>9,457</b>	<b>11,833</b>
Unallocated expenses			(3,022)	(3,123)
<b>OPERATING PROFIT</b>			<b>6,435</b>	<b>8,710</b>
Net financial costs			(1,140)	(2,019)
<b>PROFIT BEFORE TAXES</b>			<b>5,295</b>	<b>6,691</b>
Prepaid income tax			(438)	0
<b>NET PROFIT</b>			<b>4,857</b>	<b>6,691</b>

(Th EUR)	Net sales		Profit	
	2006 6m	2005 6m	2006 6m	2005 6m
Furniture Division	4,169	4,129	288	202
Building Materials Division	2,811	3,437	317	617
Terminated business activities	0	10	0	(63)
<b>TOTAL</b>	<b>6,980</b>	<b>7,576</b>	<b>605</b>	<b>756</b>
Unallocated expenses			(194)	(199)
<b>OPERATING PROFIT</b>			<b>411</b>	<b>557</b>
Net financial costs			(73)	(129)
<b>PROFIT BEFORE TAXES</b>			<b>338</b>	<b>428</b>
Prepaid income tax			(28)	0
<b>NET PROFIT</b>			<b>310</b>	<b>428</b>

## **Furniture Division**

The net sales of the Furniture Division of Viisnurk for six months were 65.2 mil kroons (4.2 mil euros) and the profit 4.5 mil kroons (288 thousand euros). As compared to the previous year the turnover of the division has increased by 626 thousand kroons (40 thousand euros) and the profit by 1.3 mil kroons (86 thousand euros).

The six-month performance of the Furniture Division proves the success of the selected strategy that focuses on stable customers and production of more profitable product lines. Sales in the company's basic target markets in Finland and Russia have proceeded according to the plans. However, the increase in profit of the Furniture Division is less than estimated due to lower demand during summer period in Germany and the increasing pressure on personnel expenses.

Retail sale of furniture shows a rising tendency and, according to the strategy, the division is preparing itself for the expansion of retail business to on-shore markets. In connection with additional expenses due to the extension of retail business this year the profitability of the Furniture Division may decrease in the last quarter of the year.

## **Building Materials Division**

The Building Materials Division earned a profit of 5.0 mil kroons (317 mil euros) at the net sales of 44 mil kroons (2.8 mil euros) in six months. In the same period of the last year, the turnover of the division totalled 53.8 mil kroons (3.4 mil euros) and the net profit 9.7 mil kroons (617 mil euros).

The results of the six months were significantly influenced by extreme weather conditions in the beginning of the year when cold weather in January and February brought along higher heating costs and work stoppages (around 15 % of the working time of the main production line was lost). The fire on 6 May had also an impact on the results. The destroyed property was insured and the excess in the case of an insured event is 157 thousand kroons (10 thousand euros). The insurance covers the cost of the goods in cost price, having an impact on the revenues and profit by sales margin.

Among "Isoplaat" general building boards the demand of wind protection board in the internal market has leaped ahead. The increase of sales in Finland, which was planned for the 1<sup>st</sup> quarter of this year, achieved success in the 2<sup>nd</sup> quarter by selling under our trademark in all of the most significant retail chains.

Sales volumes and results of "Isotex" internal finishing boards were on planned levels both in the internal and external markets.

Since the beginning of the 2<sup>nd</sup> quarter production volumes, sales and profitability of the division have improved rapidly and the factory is working on full capacity in order to satisfy the increased demand. In addition, active selling has been initiated in the eastern market - Russia, Ukraine, Latvia and Lithuania.

## **Investments**

During 6 months 2006 investments into technology totalled 1.7 mil kroons (110 th euros) and into buildings 2.0 mil kroons (126 th euros). At the same period of 2005 investments into technology totalled 1.9 mil kroons (122 th euros). In 2005 there were no investments into buildings.

## People

At 30 June 2006 Viisnurk AS employed 350 people (344 people in the same period of the last year). The average number of personnel in the nine months of 2006 was 347 (347 in 2005).

In the first six months of 2006, wages and salaries amounted 24.9 mil kroons/1.6 mil euros (22.6 mil kroons/1.4 mil euros in the same period of the last year).

Payments made to management and supervisory board members with relevant taxes:

	Th EEK 2006 6m	Th EEK 2005 6m	Th EUR 2006 6m	Th EUR 2005 6m
Board member and other remuneration	628	787	40	50
Social tax and unemployment insurance premiums	210	265	13	17
<b>TOTAL</b>	<b>838</b>	<b>1,052</b>	<b>53</b>	<b>67</b>

## Financial highlights

	Th EEK 2006 6m	Th EEK 2005 6m	Th EUR 2006 6m	Th EUR 2005 6m
<b>Income statement</b>				
Revenue	109,209	118,535	6,980	7,576
Operating profit	6,435	8,710	411	557
Operating margin	5.9%	7.3%	5.9%	7.3%
Net profit	4,857	6,691	310	428
<b>Balance sheet</b>				
Total assets	153,493	152,761	9,810	9,763
Return on assets	3.2%	4.4%	3.2%	4.4%
Equity	66,446	62,696	4,246	4,007
Return on equity	7.3%	10.7%	7.3%	10.7%
Debt-to-equity ratio	57%	59%	57%	59%
<b>Share (30 June)</b>				
Closing price (EEK/EUR)	32.39	34.11	2.07	2.18
Earnings per share (EEK/EUR)	1.08	1.49	0.07	0.10
Price-earnings ratio	30.0	22.9	30.0	22.9
Book value of a share (EEK/EUR)	14.77	13.94	0.94	0.89
Market to book ratio	2.2	2.4	2.2	2.4
Market capitalisation	145,723	153,461	9,313	9,808

Operating margin = Operating 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**

AS Viisnurk'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 1 January 2006, 6 months' EURIBOR was 2.637 and at 30 June 2006 3.245.

According to loan agreements, interest rates are reviewed on the basis of changes in EURIBOR as follows:

- the loan in starting amount of EEK 13,000,000 (EUR 830,851) every year on 30 November and 30 May;
- the loan in starting amount of EEK 10,000,000 (EUR 639,115) every year on 31 January and 31 July;
- the loan in starting amount of EUR 2,660,000 (EEK 41,619,956) every year on 30 September and 31 March.

The interest rate risk also depends on the overall economic situation in Estonia and on changes in the banks' average interest rates. AS Viisnurk 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 currency risk of AS Viisnurk is low because most export-import agreements are concluded in euro.

## **Group structure**

AS Viisnurk is a company domiciled in Estonia. At 30 June 2006, AS Viisnurk had the following wholly-owned subsidiaries: OÜ Skano, OÜ Visu, OÜ VN Niidu Kinnisvara and OÜ Isotex (domiciled in Estonia). At 30 June 2006, OÜ Skano had wholly-owned subsidiary SIA Skano (domiciled in Latvia).

OÜ Visu, OÜ Isotex and OÜ VN Niidu Kinnisvara did not perform any business operations.

## Declaration of the Management Board

The Management Board of AS Viisnurk is prepared consolidated Interim Report for the 2<sup>nd</sup> quarter of 2006, which is presented on pages 8 to 17.

- 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 AS Viisnurk and the results of their operations and their cash flows;
- AS Viisnurk and its subsidiaries are going concerns.

Manager

/signature/

Toivo Kuldmäe

03<sup>rd</sup> January 2007



## Consolidated Balance Sheet

		Th EEK 30.6.2006	Th EEK 31.12.2005	Th EUR 30.6.2006	Th EUR 31.12.2005
Cash and bank		4,002	5,552	256	355
Short-term financial investments	(Note 1)	0	6,785	0	434
Receivables and prepayments	(Note 2)	28,964	21,938	1,850	1,402
Inventories		48,531	42,160	3,102	2,695
<b>Total current assets</b>		<b>81,497</b>	<b>80,247</b>	<b>5,208</b>	<b>5,129</b>
Long-term financial investments	(Note 1)	1	1	0	0
Investment property	(Note 3)	15,521	15,521	992	992
Tangible fixed assets	(Note 4)	55,132	58,235	3,524	3,722
Intangible fixed assets	(Note 5)	1,342	1,818	86	116
<b>Total fixed assets</b>		<b>71,996</b>	<b>75,575</b>	<b>4,602</b>	<b>4,830</b>
<b><u>TOTAL ASSETS</u></b>		<b><u>153,493</u></b>	<b><u>155,822</u></b>	<b><u>9,810</u></b>	<b><u>9,959</u></b>
Debt obligations	(Note 6)	4,455	8,909	285	569
Payables and prepayments	(Note 7)	34,020	5,232	2,175	334
Short-term provisions	(Note 8)	222	430	14	27
<b>Total current liabilities</b>		<b>38,697</b>	<b>41,692</b>	<b>2,474</b>	<b>2,665</b>
Non-current provisions	(Note 6)	47,920	430	3,063	27
Non-current debt obligations	(Note 8)	430	47,920	27	3,063
<b>Total non-current liabilities</b>		<b>48,350</b>	<b>48,350</b>	<b>3,090</b>	<b>3,090</b>
<b>Total liabilities</b>		<b>87,047</b>	<b>90,042</b>	<b>5,564</b>	<b>5,755</b>
Share capital (nominal value)	(Note 9)	44,991	44,991	2,875	2,875
Issue premium		11,332	11,332	724	724
Statutory capital reserve		4,499	4,499	288	288
Retained profits		767	(4,817)	49	(308)
Net profit for the year		4,857	9,775	310	625
<b>Total equity</b>		<b>66,446</b>	<b>65,780</b>	<b>4,246</b>	<b>4,204</b>
<b><u>TOTAL LIABILITIES AND EQUITY</u></b>		<b><u>153,493</u></b>	<b><u>155,822</u></b>	<b><u>9,810</u></b>	<b><u>9,959</u></b>

## Consolidated Income Statement

		Th EEK 2 <sup>nd</sup> quarter 2006	Th EEK 2 <sup>nd</sup> quarter 2005	Th EEK Half year 2006	Th EEK Half year 2005	Th EUR 2 <sup>nd</sup> quarter 2006	Th EUR 2 <sup>nd</sup> quarter 2005	Th EUR Half year 2006	Th EUR Half year 2005
<b>RETURN ON SALES</b>	(Note 11)	<b>56,174</b>	<b>56,626</b>	<b>109,209</b>	<b>118,535</b>	<b>3,590</b>	<b>3,619</b>	<b>6,980</b>	<b>7,576</b>
Cost of production sold		(45,528)	(46,416)	(89,834)	(97,211)	(2,910)	(2,967)	(5,741)	(6,213)
Gross profit		10,646	10,210	19,375	21,324	680	652	1,239	1,363
Marketing expenses		(5,086)	(4,732)	(9,918)	(10,195)	(325)	(302)	(634)	(652)
General administrative expenses		(1,509)	(1,500)	(3,022)	(3,123)	(95)	(96)	(194)	(199)
Other income		226	812	299	2,278	14	52	19	146
Other expenses		(228)	(1,239)	(299)	(1,574)	(15)	(79)	(19)	(101)
<b>Operating profit</b>	(Note 11)	<b>4,049</b>	<b>3,551</b>	<b>6,435</b>	<b>8,710</b>	<b>259</b>	<b>227</b>	<b>411</b>	<b>557</b>
Financial income and financial expenses		(656)	(847)	(1,140)	(2,019)	(42)	(54)	(73)	(129)
<b>Profit before taxes</b>		<b>3,393</b>	<b>2,704</b>	<b>5,295</b>	<b>6,691</b>	<b>217</b>	<b>173</b>	<b>338</b>	<b>428</b>
Prepaid income tax		(438)	0	(438)	0	(28)	0	(28)	0
<b>NET PROFIT FOR THE PERIOD</b>		<b>2,955</b>	<b>2,704</b>	<b>4,857</b>	<b>6,691</b>	<b>189</b>	<b>173</b>	<b>310</b>	<b>428</b>
<b>Basic earnings per share</b>	(Note 10)	<b>0,66</b>	<b>0,60</b>	<b>1,08</b>	<b>1,49</b>	<b>0,05</b>	<b>0,04</b>	<b>0,08</b>	<b>0,10</b>
<b>Diluted earnings per share</b>	(Note 10)	<b>0,66</b>	<b>0,60</b>	<b>1,08</b>	<b>1,49</b>	<b>0,05</b>	<b>0,04</b>	<b>0,08</b>	<b>0,10</b>

## Consolidated Cash Flow Statement

		Th EEK Half year 2006	Th EEK Half year 2005	Th EUR Half year 2006	Th EUR Half year 2005
<b>Cash flow from operations</b>					
<b>Profit before taxes</b>	(Note 1)	<b>5,291</b>	<b>6,691</b>	<b>338</b>	<b>428</b>
<i>Adjustments for:</i>					
Depreciation of fixed assets	(Note 4;5)	5,407	5,994	346	383
Gains on sale of fixed assets		(30)	(537)	(2)	(34)
Gains on sale of investment property		0	(1,236)	0	(79)
Gains on sale of financial investments	(Note 1)	(35)	0	(2)	0
Use of provisions	(Note 8)	(208)	(251)	(13)	(17)
Interest expense		1,017	2,007	65	128
<b>Operating profit before changes in operating capital</b>		<b>11,442</b>	<b>12,668</b>	<b>732</b>	<b>809</b>
Change in operations-related receivables and prepayments		(3,479)	2,408	(223)	154
Change in inventories		(6,371)	45,887	(407)	2,933
Change in operations-related liabilities and prepayments		1,493	(17,213)	95	(1,100)
<b>Cash generated from operations</b>		<b>3,085</b>	<b>43,750</b>	<b>197</b>	<b>2,796</b>
Interest paid		(1,017)	(2,007)	(65)	(128)
<b>Total cash flow from operations</b>		<b>2,068</b>	<b>41,743</b>	<b>132</b>	<b>2,668</b>
<b>Cash flow from investments</b>					
Sale of financial investments	(Note 1)	6,820	0	436	0
Acquisition of fixed assets	(Note 4;5)	(1,829)	(641)	(117)	(41)
Sale of fixed assets	(Note 4;5)	30	7,496	2	479
Sale of real estate investments	(Note 3)	0	1,500	0	96
<b>Total cash flow from investments</b>		<b>5,021</b>	<b>8,355</b>	<b>321</b>	<b>534</b>
<b>Cash flow from financing activities</b>					
Repayment of loans	(Note 6)	(4,455)	(38,663)	(285)	(2,471)
Settlement of finance lease liabilities		0	(527)	0	(34)
Change in the overdraft balance		0	(5,806)	0	(371)
Dividend payment		(4,184)	0	(267)	0
<b>Total cash flow from financing activities</b>		<b>(8,639)</b>	<b>(44,996)</b>	<b>(552)</b>	<b>(2,876)</b>
<b>TOTAL CASH FLOW</b>		<b>(1,550)</b>	<b>5,102</b>	<b>(99)</b>	<b>326</b>
<b>CASH AT BEGINNING OF PERIOD</b>		<b>5,552</b>	<b>3,870</b>	<b>355</b>	<b>247</b>
<b>CASH AT END OF PERIOD</b>		<b>4,002</b>	<b>8,972</b>	<b>256</b>	<b>573</b>

## Statement of Movements in Equity

Th EEK	Share capital	Share premium	Statutory capital reserve	Retained earnings	Total
<b>Balance at 31.12.2004</b>	<b>44,991</b>	<b>11,332</b>	<b>4,499</b>	<b>(4,817)</b>	<b>56,005</b>
Profit for half year of 2005	0	0	0	6,691	6,691
<b>Balance at 30.6.2005</b>	<b>44,991</b>	<b>11,332</b>	<b>4,499</b>	<b>1,874</b>	<b>62,696</b>
<b>Balance at 31.12.2005</b>	<b>44,991</b>	<b>11,332</b>	<b>4,499</b>	<b>4,958</b>	<b>65,780</b>
Profit for half year of 2006	0	0	0	4,857	4,857
Distribution of dividend	0	0	0	(4,191)	(4,191)
<b>Balance at 30.6.2006</b>	<b>44,991</b>	<b>11,332</b>	<b>4,499</b>	<b>5,624</b>	<b>66,446</b>

Th EUR	Share capital	Share premium	Statutory capital reserve	Retained earnings	Total
<b>Balance at 31.12.2004</b>	<b>2,875</b>	<b>724</b>	<b>288</b>	<b>(308)</b>	<b>3,579</b>
Profit for half year of 2005	0	0	0	428	428
<b>Balance at 30.6.2005</b>	<b>2,875</b>	<b>724</b>	<b>288</b>	<b>120</b>	<b>4,007</b>
<b>Balance at 31.12.2005</b>	<b>2,875</b>	<b>724</b>	<b>288</b>	<b>317</b>	<b>4,204</b>
Profit for half year of 2006	0	0	0	310	310
Distribution of dividend	0	0	0	(268)	(268)
<b>Balance at 30.6.2006</b>	<b>2,875</b>	<b>724</b>	<b>288</b>	<b>359</b>	<b>4,246</b>

## Notes to Interim Report

### Accounting Policies And Measurement Bases

The consolidated financial statements of AS Viisnurk for the period ended 30 June 2006 comprise the Company and its subsidiaries (together referred to as the "Group").

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 31.12.2005.

According to the assessment of the Management Board, Viisnurk AS is a going concern and the Interim Report for the 2<sup>nd</sup> quarter of 2006 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 kroons and in thousands of euros. The exchange rate between croons and euros is 15.6466.

### 1. Financial investments

	Th EEK	Th EEK	Th EUR	Th EUR
	<b>30.6.2006</b>	<b>31.12.2005</b>	<b>30.6.2006</b>	<b>31.12.2005</b>
Kesko CP 13.03.2006	0	6,785	0	434
Other shares and issues	1	1	0	0
<b>TOTAL</b>	<b>1</b>	<b>6,786</b>	<b>0</b>	<b>434</b>

In the 2<sup>nd</sup> quarter of 2006 Viisnurk earned 35 thousand kroons (2 thousand euros) profit (financial income) from sales of Kesko CP 13.03.2006.

### 2. Receivables and prepayments

	Th EEK	Th EEK	Th EUR	Th EUR
	<b>30.6.2006</b>	<b>31.12.2005</b>	<b>30.6.2006</b>	<b>31.12.2005</b>
Customer receivables	23,157	21,937	1,480	1,402
Prepaid VAT	2,147	3,088	137	197
Other receivables	3,172	522	202	33
Prepaid services	488	202	31	13
<b>TOTAL</b>	<b>28,964</b>	<b>25,749</b>	<b>1,850</b>	<b>1,645</b>

### 3. Investment property

<b>2006 6 months</b>	Th EEK	Th EUR
Acquisition cost at 1.1.2006	18,949	1,211
Acquisition cost at 30.6.2006	18,949	1,211
Accumulated depreciation at 1.1.2006	(3,428)	(219)
Accumulated depreciation at 30.6.2006	(3,428)	(219)
Net book value at 1.1.2006	15,521	992
Net book value at 30.6.2006	15,521	992

<b>2005 6 months</b>	Th EEK	Th EUR
Acquisition cost at 1.1.2005	19,215	1,228
Disposals in 6 months of 2005	(416)	(27)
Acquisition cost at 30.06.2005	18,799	1,201
Accumulated depreciation at 1.1.2005	(3,579)	(229)
Depreciation in 6 months of 2005	(1)	(0)
Depreciation disposed of in 6 months of 2005	152	10
Accumulated depreciation at 30.06.2005	(3,428)	(219)
Net book value at 1.1.2005	15,636	999
Net book value at 30.06.2005	15,371	982

Costs of maintenance for 6 months of 2006 were 28 thousand kroons (2 thousand euros) and 132 thousand kroons (8 thousand euros) in the same period of 2005.

#### 4. Tangible Fixed Assets

	Th EEK	Th EEK	Th EUR	Th EUR
	<b>30.6.2006</b>	<b>31.12.2005</b>	<b>30.6.2006</b>	<b>31.12.2005</b>
Land	1,087	1,087	69	69
Buildings and constructions	33,101	32,120	2,116	2,053
Machinery, plant and equipment	19,206	21,258	1,228	1,359
Other equipment and fixtures	545	501	35	32
Construction in progress	1,193	3,269	76	209
<b>TOTAL</b>	<b>55,132</b>	<b>58,235</b>	<b>3,524</b>	<b>3,722</b>

<b>2006 6 months</b>	Th EEK	Th EUR
Acquisition cost at 1.1.2006	150,299	9,606
Acquired in 6 months of 2006	3,892	249
Acquisition cost at 30.6.2006	154,191	9,855
Depreciation at 1.1.2006	(95,333)	(6,093)
Depreciation in 6 months of 2006	(4,919)	(314)
Depreciation at 30.6.2006	(100,252)	(6,407)
Net book value at 1.1.2006	54,966	3,513
Net book value at 30.6.2006	53,939	3,448

<b>2005 6 months</b>	Th EEK	Th EUR
Acquisition cost at 1.1.2005	146,119	9,339
Acquired in 6 months of 2005	1,986	127
Fixed assets disposed of in 6 months of 2005	(959)	(61)
Acquisition cost at 30.6.2005	147,146	9,405
Depreciation at 1.1.2005	(83,300)	(5,324)
Depreciation in 6 months of 2005	(5,450)	(348)
Depreciation on fixed assets disposed of in 6 months of 2005	943	60
Depreciation at 30.06.2005	(87,807)	(5,612)
Net book value at 1.1.2005	62,819	4,015
Net book value at 30.06.2005	59,339	2,342

#### 5. Intangible Fixed Assets

	Th EEK	Th EUR
Acquisition cost at 1.1.2006	5,771	369
Acquired in 6 months of 2006	13	1
Acquisition cost at 30.6.2006	5,784	370

Depreciation at 1.1.2006	(3,953)	(253)
Depreciation in 6 months of 2006	(489)	(31)
Depreciation at 30.6.2006	(4,442)	(284)
Net book value at 1.1.2006	1,818	116
Net book value at 30.6.2006	1,342	86

<b>2005 6 months</b>	Th EEK	Th EUR
Acquisition cost at 1.1.2005	5,769	369
Acquisition cost at 30.6.2005	5,769	369
Depreciation at 1.1.2005	(2,885)	(184)
Depreciation in 6 months of 2005	(542)	(35)
Depreciation at 30.06.2005	(3,427)	(219)
Net book value at 1.1.2005	2,884	185
Net book value at 30.06.2005	2,342	150

## 6. Debt Obligations

	Th EEK	Th EEK	Th EUR	Th EUR
	<b>30.6.2006</b>	<b>31.12.2005</b>	<b>30.6.2006</b>	<b>31.12.2005</b>
Current liabilities	4,455	8,909	285	569
Non-current debt obligations	47,920	47,920	3,063	3,063
Incl. long-term loans	44,591	44,591	2,850	2,850
Non-convertible debt	3,329	3,329	213	213
<b>TOTAL</b>	<b>52,375</b>	<b>56,829</b>	<b>3,348</b>	<b>3,632</b>

## 7. Payables and prepayments

	Th EEK	Th EEK	Th EUR	Th EUR
	<b>30.6.2006</b>	<b>31.12.2005</b>	<b>30.6.2006</b>	<b>31.12.2005</b>
Supplier payables	22,372	23,649	1,430	1,511
Payables to employees	3,407	4,466	218	286
Taxes payables	4,630	2,980	296	191
Other payables	3,482	766	223	49
Customer prepayments	129	492	8	32
<b>TOTAL</b>	<b>34,020</b>	<b>32,353</b>	<b>2,175</b>	<b>2,069</b>

## 8. Provisions

	Th EEK	Th EEK	Th EUR	Th EUR
	<b>30.6.2006</b>	<b>31.12.2005</b>	<b>30.6.2006</b>	<b>31.12.2005</b>
Short-term provision	222	430	14	27
Long-term provision	430	430	27	27
<b>TOTAL</b>	<b>652</b>	<b>860</b>	<b>41</b>	<b>54</b>

AS Viisnurk is required by the law to compensate former employees for damages incurred in connection with accidents at work. The Group has established for such damages a provision, which has been calculated on the basis of the estimated number of people entitled to such compensation and the period in which the compensation should be paid. The amount of compensations for six months 2006 was 208 thousand kroons (13 thousand euros), 251 thousand kroons (16 thousand euros) in the same period of 2005.

## 9. Share Capital

	Number of shares	Share capital	Share capital
		Th EEK	Th EUR
Balance 31.12.2005	4,499,061	44,991	2,875
Balance 30.6.2006	4,499,061	44,991	2,875

At 31.3.2006, 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 6 months of the year 2006.

## 10. Earnings per share

Basic earnings per share have been calculated by dividing the net profit for the period 4,856,936 kroons (310,415 euros) by the number of shares 4,499,061.

- Basic earnings per share for 6 months of 2006 =  $4,856,936 / 4,499,061 = 1.08$  kroons (0.07 euros)
- Basic earnings per share for 6 months of 2005 =  $6,691,330 / 4,499,061 = 1.49$  kroons (0.10 euros)

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

## 11. Segments (consolidated)

Segment reporting includes reporting by business segments. The results of business segments are derived from management accounting. Inter-segmental sales are recognized at market process. Reporting by business segments is presented on page 13.

The geographical segments report is based on the geographical location of division's clients (on page 14).

### **Management has identified the following business segments:**

*The Furniture Division (FD)* is engaged in the production and retail sale of household furniture. The Furniture Division includes the furniture factory of AS Viisnurk and Skano OÜ (including SIA Skano).

*The Building Materials Division (BMD)* produced softboard and interior finishing boards.

*Discontinued operations* comprise the Sports Goods Division and Wood Division, which were closed in 2004.



**Business Segments (consolidated):**

Th EEK	Furniture Division		Building Material Division		Discontinued operations		Eliminations		TOTAL OF VIISNURK	
	Half year 2006	Half year 2005	Half year 2006	Half year 2005	Half year 2006	Half year 2005	Half year 2006	Half year 2005	Half year 2006	Half year 2005
External sales	65,231	64,605	43,978	53,768	0	162	0	0	109,209	118,535
Inter-segmental sales	0	0	0	35	0	0	0	(35)	0	0
Total sales revenue	65,231	64,605	43,978	53,803	0	162	0	(35)	109,209	118,535
Segment's result	4,498	3,167	4,959	9,657	0	(991)	0	0	9,457	11,833
Unallocated expenses									(3,022)	(3,123)
Operating profit									6,435	8,710
Net financial expenses									(1,140)	(2,019)
Profit before taxes									5,295	6,691
Prepaid income tax									(438)	0
Net profit for accounting period									4,857	6,691

Th EUR	Furniture Division		Building Material Division		Discontinued operations		Eliminations		TOTAL OF VIISNURK	
	Half year 2006	Half year 2005	Half year 2006	Half year 2005	Half year 2006	Half year 2005	Half year 2006	Half year 2005	Half year 2006	Half year 2005
External sales	4,169	4,129	2,811	3,437	0	10	0	0	6,980	7,576
Inter-segmental sales	0	0	0	2	0	0	0	(2)	0	0
Total sales revenue	4,169	4,129	2,811	3,439	0	10	0	(2)	6,980	7,576
Segment's result	288	202	317	617	0	(63)	0	0	605	756
Unallocated expenses									(194)	(199)
Operating profit									411	557
Net financial expenses									(73)	(129)
Profit before taxes									338	428
Prepaid income tax									(28)	0
Net profit for accounting period									310	428

**Net sales by divisions and clients location:**

Th EEK	Half year 2006			Half year 2005		
	FD	BMD	TOTAL	FD	BMD	TOTAL
<b>EXPORT</b>						
<i>European countries</i>						
Finland	30,041	15,547	45,588	26,390	20,151	46,541
Russia, Ukraine, Belarusian	19,190	544	19,734	15,882	90	15,972
Germany	5,191	2,177	7,368	5,101	545	5,646
Latvia, Lithuania	3,776	1,400	5,176	1,086	451	1,537
Netherlands	0	2,008	2,008	51	3,037	3,088
Sweden	37	970	1,007	6,397	1,093	7,490
Portugal	0	420	420	0	5,944	5,944
Switzerland	220	0	220	3,773	0	3,773
Other European countries	591	69	660	800	0	800
<b>TOTAL</b>	<b>59,046</b>	<b>23,135</b>	<b>82,181</b>	<b>59,480</b>	<b>31,311</b>	<b>90,791</b>
Other countries	631	0	631	604	0	604
<b>TOTAL EXPORT</b>	<b>59,677</b>	<b>23,135</b>	<b>82,812</b>	<b>60,084</b>	<b>31,311</b>	<b>91,395</b>
<b>Domestic Market</b>	<b>5,554</b>	<b>20,843</b>	<b>26,397</b>	<b>4,683</b>	<b>22,457</b>	<b>27,140</b>
<b>TOTAL</b>	<b>65,231</b>	<b>43,978</b>	<b>109,209</b>	<b>64,767</b>	<b>53,768</b>	<b>118,535</b>

Th EUR	Half year 2006			Half year 2005		
	FD	BMD	TOTAL	MD	BMD	TOTAL
<b>EXPORT</b>						
<i>European countries</i>						
Finland	1,921	994	2,915	1,688	1,287	2,975
Russia, Ukraine, Belarusian	1,226	35	1,261	1,015	6	1,021
Germany	332	140	472	326	35	361
Latvia, Lithuania	241	89	330	69	29	98
Netherlands	0	128	128	3	194	197
Sweden	2	62	64	409	70	479
Portugal	0	27	27	0	380	380
Switzerland	14	0	14	241	0	241
Other European countries	38	4	42	51	0	51
<b>TOTAL</b>	<b>3,774</b>	<b>1,479</b>	<b>5,253</b>	<b>3,802</b>	<b>2,001</b>	<b>5,803</b>
Other countries	40	0	40	39	0	39
<b>TOTAL EXPORT</b>	<b>3,814</b>	<b>1,479</b>	<b>5,293</b>	<b>3,841</b>	<b>2,001</b>	<b>5,842</b>
<b>Domestic Market</b>	<b>355</b>	<b>1,332</b>	<b>1,687</b>	<b>299</b>	<b>1,435</b>	<b>1,734</b>
<b>TOTAL</b>	<b>4,169</b>	<b>2,811</b>	<b>6,980</b>	<b>4,140</b>	<b>3,436</b>	<b>7,576</b>