

## Viisnurk financial result, Q4 2008

### Income statement

Consolidated net sales of fourth quarter 2008 was 62.5 mil. kroons/4.0 mil. euros (69.0 mil. kroons/4.4 mil. euros in same period of 2007) representing a 9.4% decrease on the fourth quarter compared to Q4 2007. The Group's gross margin in the fourth quarter of 2008 reached 19.6% compared to 19.3% in the fourth quarter of 2007. Consolidated operating loss amounted to 3.8 mil. kroons/246 thousand euros (2.1 mil. kroons/135 thousand euros profit in 2007). The consolidated operating margin of net sales was -6.2% (3.1% in Q4 2007). Loss before tax amounted to 4.4 mil. kroons/281 thousand euros in Q4 2008 (1.3 mil. kroons/80 thousand euros profit in Q4 2007).

Consolidated net loss amounted to 4.4 mil. kroons/281 thousand euros, compared to 1.3 mil. kroons/80 thousand euros in Q4 2007), and the net margin was -7.0% (1.8% in Q4 2007). In Q4 2008, the Group's return on equity was -6.2% (1.8% in Q4 2007) and return on assets was -2.7% (0.8% in Q4 2007).

The main reason for loss was weakening of Ukrainian hryvnia against euro and it cause loss of currency movement 3.0 mil. kroons/191 thousand euros.

### Balance sheet

As of the end of 2008 the total assets of Viisnurk amounted to 163.8 mil. kroons/10.5 mil. euros (31.12.2007: 157.4 mil. kroons/10.1 mil. euros). The liabilities of the company accounted for 57% (31.12.2007: 55%) thereof, i.e. 92.6 mil. kroons/5.9 mil. euros (31.12.2007: 86.2 mil. kroons/5.5 mil. euros).

Receivables and prepayments have decreased by 10.3 mil. kroons/0.7 mil. euros i.e. 34% decrease with 12 months.

Inventories increased by 13.4 mil. kroons/0.9 mil. euros to reach 68.1 mil. kroons/4.4 mil. euros at 31 December 2008. (31.12.2007: 54.7 mil. kroons/3.5 mil. euros). The growth in inventory results primarily from smaller sales at the end of 2008 and the retail expansion. Property, plant and intangibles increased by 2.4 mil. kroons/0.2 mil. euros.

Short-term loans increased by 8.9 mil. kroons/0.6 mil. euros and amounted in 31 December 2008 17.7 mil. kroons/1.1 mil. euros (31.12.2007: 8.8 mil. kroons/0.6 mil. euros). Supplier payables, tax liabilities, other payables, including payables to employees, and provisions amounted to 43.8 mil. kroons/2.8 mil. euros (31.12.2007: 37.7 mil. kroons/2.4 mil. euros). Current and non-current liabilities increased by 6.4 mil. kroons/0.4 mil. euros to 92.6 mil. kroons/5.9 mil. euros (31.12.2007: 86.2 mil. kroons/5.5 mil. euros).

### Divisional review:

#### Net sales by business segments

	<i>th. EEK</i>		<i>th. EUR</i>		<i>% of net sales</i>	
	Q4 2008	Q4 2007	Q4 2008	Q4 2007	Q4 2008	Q4 2007
Furniture Division	43,821	41,806	2,801	2,672	70.1%	60.6%
<i>incl. retail</i>						
<i>(Skano)</i>	12,127	8,813	776	310	19.4%	12.8%
Building Materials Division	18,684	27,211	1,194	1,739	29.9%	39.4%
<b>TOTAL</b>	<b>62,505</b>	<b>69,017</b>	<b>3,995</b>	<b>4,411</b>	<b>100.0%</b>	<b>100.0%</b>

**Net sales by geographical segments**

	<i>th. EEK</i>		<i>th. EUR</i>		<i>% of net sales</i>	
	Q4 2008	Q4 2007	Q4 2008	Q4 2007	Q4 2008	Q4 2007
Finland	21,058	25,996	1,346	1,661	33.7%	37.7%
Russia, Ukraine, Belorussian	21,058	25,996	1,346	1,661	33.7%	37.7%
Estonia	21,489	17,898	1,373	1,144	34.4%	25.9%
Latvia, Lithuania	10,465	15,806	669	1,010	16.7%	22.9%
Sweden	5,424	4,435	347	283	8.7%	6.4%
Germany	732	1,483	47	95	1.2%	2.1%
Other countries	522	1,511	33	97	0.8%	2.2%
<b>Total</b>	<b>62,505</b>	<b>69,017</b>	<b>3,995</b>	<b>4,411</b>	<b>100.0%</b>	<b>100.0%</b>

Regarding the markets, turnover has increased in Russia, Latvia and Lithuania. Sales in Estonia and Finland has decreased. The main reasons of increased turnover in Lithuania were the stores opened in May 2007 which in the IV quarter of 2007 were still in the start-up phase and the store movement to a more attractive location in November 2007 had a positive impact for sales in Latvia.

**Gross profit by business segments**

	<i>th. EEK</i>		<i>th. EUR</i>		<i>Gross margin</i>	
	Q4 2008	Q4 2007	Q4 2008	Q4 2007	Q4 2008	Q4 2007
Furniture Division	9,420	7,437	925	522	21.5%	17.8%
<i>incl. retail</i> (Skano)	6,342	4,595	405	294	52.3%	52.1%
Building Materials Division	2,858	5,205	183	333	15.3%	19.1%
<b>TOTAL</b>	<b>12,278</b>	<b>12,642</b>	<b>1,108</b>	<b>855</b>	<b>19.6%</b>	<b>18.3%</b>

The reason for decreased gross margin in Building Material Division are changes in product portfolio.

**Profit by business segments**

	<i>th. EEK</i>		<i>th. EUR</i>	
	Q4 2008	Q4 2007	Q4 2008	Q4 2007
Furniture Division	(2,227)	1,266	(141)	81
<i>incl. retail</i> (Skano)	(3,837)	68	(245)	4
Building Materials Division	(765)	1,612	(49)	103
<b>TOTAL</b>	<b>(2,992)</b>	<b>2,878</b>	<b>(190)</b>	<b>184</b>
Unallocated expenses	(853)	(767)	(55)	(49)
<b>OPERATING PROFIT</b>	<b>(3,845)</b>	<b>2,111</b>	<b>(245)</b>	<b>135</b>
Net financial costs	(544)	(854)	(36)	(55)
<b>PROFIT BEFORE TAXES</b>	<b>(4,389)</b>	<b>1,257</b>	<b>(281)</b>	<b>80</b>
Income tax	0	0	0	0
<b>NET PROFIT</b>	<b>(4,389)</b>	<b>1,257</b>	<b>(281)</b>	<b>80</b>

**Furniture Division**

The net sales of AS Viisnurk Furniture Division in fourth quarter amounted to 43.8 mil. kroons/2.8 mil. euros (2007: 41.8 mil. kroons/2.7 mil. euros) and the economic result -2.2 mil. kroons/-141 thousand euros as a loss (2007 profit 1.3 mil. kroons/81 thousand euros). As compared to the

previous year the turnover of the division has increased by 2.0 mil. kroons/129 thousand euros (4.8%).

#### **Furniture Retail - Skano**

AS Viisnurk retail business is operated by a private limited company OÜ Skano and its subsidiaries in Latvia, Lithuania and Ukraine. Skano has totally 10 stores in Tallinn, Pärnu, Riga, Vilnius, Kaunas, Klaipeda, Kiev, Donetsk, Kharkiv and Odessa at the moment of publishing interim report.

As a result of unexpectable economical situation, management decided to stop openings of new stores. At the moment of publishing of the report, one store in Ukraine is closed for moving into new place. Movement will take place after finding suitable premise.

#### **Retail sales by countries**

	<i>th. EEK</i>		<i>th. EUR</i>		<i>% of net sales</i>		<i>Number of stores</i>	
	Q4 2008	Q4 2007	Q4 2008	Q4 2007	Q4 2008	Q4 2007	31.12.08	31.12.07
Estonia	3,581	4,647	229	297	29.5%	52.7%	2	2
Latvia	1,794	1,330	115	85	14.8%	15.1%	1	1
Lithuania	2,453	1,897	157	121	20.2%	21.5%	3	3
Ukraine	4,299	939	275	60	35.4%	10.7%	4	1
<b>TOTAL</b>	<b>12,127</b>	<b>8,813</b>	<b>776</b>	<b>563</b>	<b>100.0%</b>	<b>100.0%</b>	<b>10</b>	<b>7</b>

The retail sale of the Furniture Division shows a rising tendency. Within fourth quarter this year the retail sale has increased by 38% as compared to the same period last year. The stores that were opened before 31.12.2007 (Tallinn, Riga, Pärnu, Vilnius, Kaunas, Klaipeda, Kharkiv) have decreased the sales in fourth quarter 6% compared to the same period in 2007.

#### **Furniture Production**

The Furniture Division's sales in 4th quarter in the company's basic target market in Russia and Finland have decreased and clients does not estimate sales recovering in near future.

#### **Building Materials Division**

The net sales of the Building Materials Division in fourth quarter amounted to 18.7 mil. kroons/1.2 mil. euros and loss to 0.8 mil. kroons/49 thousand euros. In the same period of the last year, the turnover of the division totalled 27.2mil. kroons/1.7 mil. euros and the profit 1.6 mil. kroons/103 thousand euros. As compared to the previous year the turnover of the division has decreased by 8.5 mil. kroons/545 thousand euros and the profit has increased by 2.4 mil. kroons/152 thousand euros.

#### **Net sales by geographical segments**

	<i>th. EEK</i>		<i>th. EUR</i>		<i>% of net sales</i>	
	Q4 2008	Q4 2007	Q4 2008	Q4 2007	Q4 2008	Q4 2007
Finland	7,308	11,593	467	741	39.1%	42.6%
Russia, Ukraine, Belorussia	1,794	1,990	115	127	9.6%	7.3%
Estonia	7,069	10,596	452	677	37.8%	38.9%
Latvia, Lithuania	659	1,209	42	77	3.5%	4.4%
Sweden	732	1,483	47	95	3.9%	5.5%
Germany	113	204	7	13	0.6%	0.7%
Other countries	1,009	136	64	9	5.4%	0.5%
<b>TOTAL</b>	<b>18,684</b>	<b>27,211</b>	<b>1,194</b>	<b>1,739</b>	<b>100.0%</b>	<b>100.0%</b>

## **Building Boards**

The product group makes the biggest proportion in general building boards are wind protection boards. Sale of products to companies operating outside the building sector has been increased which should ensure cost-effectiveness and risk spreading in the conditions of recession and decrease in the construction market.

## **Interior Finishing Boards**

The biggest market of Isotex interior finishing boards was Finland in 4th quarter. Regardless of intense competition it has been managed to achieve the level of the last year. Sale in the domestic market of Estonia has decreased marginally and was almost on the level of last year. A considerable growth in sales volumes has been achieved in the markets of Lithuania and Russia. In connection with the increase of production capacity potential, activities have been continued in order to find new markets. Above all, the company sees potential in the eastern markets such as Russia, Ukraine and other former countries of the eastern block.

## **Forecast and development**

One store was opened in the 1st quarter of 2008, two stores in the 2nd quarter and one store in 3rd quarter in Ukraine. One store will change its location. In Lithuania were changed the locations of stores in Vilnius and Kaunas. AS Viisnurk needs to minimize risks related to expanding in cooling economical situation, keep sufficient liquidity, and will not plan new openings in 2009.

For 2009 management forecasts decreasing of sales in retail market, also in markets not related in Skano retail business, and it will decrease the production volume in furniture factory. Since 12.01.2008 most of employees are engaged in part-time working time.

Based on relatively cold economical situation and low demand for building materials in target markets management plans to decrease production volume of both production groups in 1st quarter 2009. In Building Materials Division is decided not to increase inventories level and most employees are engaged in part-time working time.

## **Investments**

Concerning the retail trade of the furniture division, the company stopped its activities in the fourth quarter of 2008 in order to expand the retail trade to the neighbouring markets. The expansion of retail business includes opening new stores offering home furniture and furnishing goods in various Eastern European markets.

During 12 months 2008 investments into technology totalled 8.5 mil. kroons/543 thousand euros and into buildings 2.7 mil. kroons/169 thousand euros. At the same period of 2007 investments into technology totalled 6.6 mil. kroons/422 thousand euros and into buildings 9.7 mil. kroons/618 thousand euros.

## **Consolidated balance sheet**

	<i>Th EEK</i>	<i>Th EEK</i>	<i>Th EUR</i>	<i>Th EUR</i>
	31.12.2008	31.12.2007	31.12.2008	31.12.2007
Cash and bank	6,913	6,006	442	384

Receivables and prepayments	19,568	29,859	1,250	1,908
Inventories	68,096	54,742	4,351	3,499
<b>Total current assets</b>	<b>94,577</b>	<b>90,607</b>	<b>6,043</b>	<b>5,791</b>
Investment property	2,893	2,893	185	185
Tangible fixed assets	66,333	63,727	4,239	4,073
Intangible fixed assets	21	220	1	14
<b>Total fixed assets</b>	<b>69,247</b>	<b>66,840</b>	<b>4,425</b>	<b>4,272</b>
<b><u>TOTAL ASSETS</u></b>	<b><u>163,824</u></b>	<b><u>157,447</u></b>	<b><u>10,468</u></b>	<b><u>10,063</u></b>
Debt obligations	17,722	8,782	1,132	561
Payables and prepayments	43,646	37,488	2,790	2,396
Short-term provisions	115	264	7	17
<b>Total current liabilities</b>	<b>61,483</b>	<b>46,534</b>	<b>3,929</b>	<b>2,974</b>
Non-current debt obligations	27,720	36,734	1,772	2,348
Non-current provisions	3,421	2,936	219	188
<b>Total non-current liabilities</b>	<b>31,141</b>	<b>39,670</b>	<b>1,991</b>	<b>2,536</b>
<b>Total liabilities</b>	<b>92,624</b>	<b>86,204</b>	<b>5,920</b>	<b>5,510</b>
Share capital at nominal value	44,991	44,991	2,875	2,875
Issue premium	5,698	5,698	364	364
Statutory capital reserve	4,499	4,499	288	288
Currency translation reserve	253	39	14	2
Retained profits	9,717	3,359	621	215
Net profit for the year	6,042	12,657	386	809
<b>Total equity</b>	<b>71,200</b>	<b>71,243</b>	<b>4,548</b>	<b>4,553</b>
<b><u>TOTAL LIABILITIES AND EQUITY</u></b>	<b><u>163,824</u></b>	<b><u>157,447</u></b>	<b><u>10,468</u></b>	<b><u>10,063</u></b>

#### Consolidated income statement

<i>Th EEK</i>	Q4 2008	Q4 2007	12 m 2008	12 m 2007
<b>RETURN ON SALES</b>	<b>62,505</b>	<b>69,016</b>	<b>280,527</b>	<b>249,522</b>
<b>Cost of production sold</b>	<b>(50,227)</b>	<b>(55,698)</b>	<b>(219,494)</b>	<b>(196,773)</b>
<b>Gross profit</b>	<b>12,278</b>	<b>13,318</b>	<b>61,033</b>	<b>52,749</b>
Marketing expenses	(11,208)	(8,840)	(42,252)	(30,021)
General administrative expenses	(1,326)	(1,522)	(5,113)	(5,489)

Other income	1,065	81	3,582	206
Other expenses	(4,657)	(926)	(6,080)	(1,496)
<b>Operating profit</b>	<b>(3,848)</b>	<b>2,111</b>	<b>11,170</b>	<b>15,949</b>
Financial income and financial expenses	(541)	(854)	(3,454)	(2,817)
<b>Profit before tax</b>	<b>(4,389)</b>	<b>1,257</b>	<b>7,716</b>	<b>13,132</b>
Income tax	0	0	(1,674)	(475)
<b>NET PROFIT FOR THE PERIOD</b>	<b>(4,389)</b>	<b>1,257</b>	<b>6,042</b>	<b>12,657</b>
<b>Basic earnings per share</b>	<b>(0.98)</b>	<b>0.28</b>	<b>1.34</b>	<b>2.81</b>
<b>Diluted earnings per share</b>	<b>(0.98)</b>	<b>0.28</b>	<b>1.34</b>	<b>2.81</b>

<i>Th EUR</i>	Q4 2008	Q4 2007	12 m 2008	12 m 2007
<b>RETURN ON SALES</b>	<b>3,995</b>	<b>4,411</b>	<b>17,929</b>	<b>15,947</b>
<b>Cost of production sold</b>	<b>(3,210)</b>	<b>(3,560)</b>	<b>(14,028)</b>	<b>(12,576)</b>
<b>Gross profit</b>	<b>785</b>	<b>851</b>	<b>3,901</b>	<b>3,371</b>
Marketing expenses	(716)	(565)	(2,700)	(1,919)
General administrative expenses	(85)	(97)	(327)	(351)
Other income	68	5	229	13
Other expenses	(298)	(59)	(389)	(95)
<b>Operating profit</b>	<b>(246)</b>	<b>135</b>	<b>714</b>	<b>1,019</b>
Financial income and financial expenses	(35)	(55)	(221)	(180)
<b>Profit before tax</b>	<b>(281)</b>	<b>80</b>	<b>493</b>	<b>839</b>
Income tax	0	0	(107)	(30)
<b>NET PROFIT FOR THE PERIOD</b>	<b>(281)</b>	<b>80</b>	<b>386</b>	<b>809</b>
<b>Basic earnings per share</b>	<b>(0.06)</b>	<b>0.02</b>	<b>0.09</b>	<b>0.18</b>
<b>Diluted earnings per share</b>	<b>(0.06)</b>	<b>0.02</b>	<b>0.09</b>	<b>0.18</b>

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