

ANNUAL REPORT 2000





AS Viisnurk is the multibusiness wood processing company with 55-year-long experience.

The primary areas of activity of the company - production of furniture, sports goods and softboards - are based on utilisation of timber. In 2001, a new main area of activity, production of edge-glued panels of soft- and hardwood for furniture and building material industries, will be added to the existing ones.

The supporting activities of the company - procurement of timber and production of sawn timber, production of heat energy, and maintenance and repairs - should first and foremost ensure stable operation of the primary areas of activity, however, the respective services are also provided for external customers.

The business units of the company operate as independent profit centres.

All business units are supported by corporate financial and administrative functions, including financial and management accounting, financing and investing, human resources and risk management, and communications.

MISSION: DIVERSIFIED BENEFICIATION OF TIMBER INTO VARIOUS PRODUCTS TO IMPROVE CUSTOMERS' QUALITY OF LIFE

VISION: TO BE THE BEST WOOD PROCESSING COMPANY IN THE BALTIC REGION



YEAR IN BRIEF

The business activity of AS Viisnurk increased substantially and performance of the primary areas of activity improved. The net sales of the company boosted by 45.4%, operating profit increased by 72.8% and net profit by 20.7%.

A new business unit - the Wood Panels Factory that will launch production activities in the 1st quarter of 2001 - was established. The total investment in the company was 121.4 million kroons including 81 million kroons invested in the production of edge-glued panels.

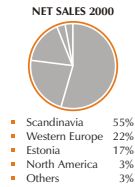
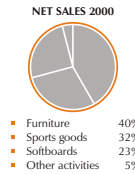
Production activities were launched in the sawmill of the Forestry Centre of the company.

A quality certificate proving the conformity of the quality system with the

TABLE OF CONTENTS

- Year in brief** 1
- Chairman's Review** 2
- Divisional Review**
 - Furniture 4
 - Sports Goods 6
 - Softboards 8
 - Other Activities 10
- The Environment** 12
- Personnel** 14
- Annual Report**
 - Activity Report by the Management Board 16
 - Annual Financial Statements 18
 - Income Statements 18
 - Statement of Movements in Equity 18
 - Balance Sheet 19
 - Statement of Cash Flows 20
 - Notes to the Annual Financial Statements 21
 - Profit Allocation Proposal 32
 - Auditor's Report 33
- News 2000 in Brief** 34
- Information for Shareholders** 35
- Contact Information** 36

| Key indicators | in thousand kroons | | | | | |
|-------------------------|--------------------|----------|---------|---------|---------|---------|
| | 2000 | Change % | 1999 | 1998 | 1997 | 1996 |
| Net sales | 309,083 | 45.4 | 212,570 | 201,619 | 200,612 | 153,857 |
| Operating profit | 34,197 | 72.8 | 19,787 | 23,421 | 25,256 | 16,163 |
| Profit margin, % | 11.1 | | 9.3 | 11.6 | 12.6 | 10.5 |
| Net profit | 31,628 | 20.7 | 26,212 | 17,589 | 14,050 | 8,135 |
| Profit per share | 7.03 | 20.6 | 5.83 | 3.93 | 3.37 | 2.17 |
| Total assets | 331,878 | 84.6 | 179,772 | 157,742 | 147,582 | 116,735 |
| Return on assets, % | 12.4 | | 15.5 | 11.5 | 10.6 | 7.8 |
| Equity | 143,293 | 28.3 | 111,665 | 85,453 | 66,712 | 42,845 |
| Return on equity, % | 22.1 | | 23.5 | 20.6 | 21.1 | 19.0 |
| Debt-to-equity ratio, % | 57 | | 38 | 44 | 55 | 63 |



CHAIRMAN'S REVIEW

To be the best wood processing company in the Baltic region - that has been the vision of AS Viisnurk since the year of 2000. Being the best and foremost means constant advancement, development and meeting new challenges. Today AS Viisnurk is stronger than ever before to achieve active growth.

I believe we have managed to carry out the scheduled activities for 2000, and we have achieved even more than we initially planned. There was progress in the key indicators and market positions of all primary business units as well as their essential product categories.

The main aims of our activities expansion and efficiency in primary business activities to the satisfaction of the owners - were achieved. The most important development project of the year - the establishment of a new business unit, the Wood Panels Factory - was completed in time, and the efficiency of AS Viisnurk as a whole improved owing to the growth in the general efficiency of the primary business activities. Production of edge-glued panels will gear the further growth in the years to come.

Throughout the year we were developing, launching and improving

According to quantity of pairs of skis produced and sold last year, the Ski Factory is estimated to be the largest producer of cross-country skis in the world. Under the circumstances of a conservative market, we focus on the development of our brands and ensuring the achieved positions. As far as sports goods are concerned, our growth potential for the next year will be based on the investments in the prospective production of hockey sticks.

We experienced the record sales of softboards, however, we should be especially happy with the marketing results of interior finishing boards. The demand for insulation boards stays high due to its properties as a naturally clean product.

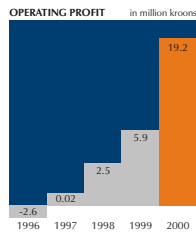
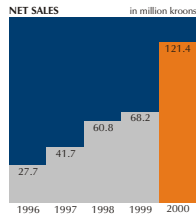
AS Viisnurk continued the optimisation process of its supporting activities with the aim of improving the work allocation and enabling each business unit to focus on its specific field and achieve even better results. In the field of heat energy production, we agreed on the principles of joint activities with a strategic co-operation partner who has, among other things, completed a boiler house and supplies AS Viisnurk with heat energy at its new production site. The Forestry Centre launched



D I V I S I O N A L
R E V I E W S

FURNITURE

The annual growth in furniture sales exceeded the expected figures. Clearly improved profitability reflected both the growth in sales and improvement in production management that has been paid a lot of attention to during the past years. Net sales increased by 78%. Operating profit was up 3.2 times at 19.2 million kroons.



| Key indicators | in thousand kroons | | |
|--------------------------------------|--------------------|--------|----------|
| | 2000 | 1999 | Change % |
| Net sales | 121,373 | 68,214 | 77.9 |
| % of net sales of AS Viisnurk | 39.3 | 32.1 | |
| Operating profit | 19,233 | 5,948 | 223.4 |
| % of operating profit of AS Viisnurk | 41.2 | 19.1 | |
| Profit margin, % | 15.8 | 8.7 | |
| Number of employees (31.12.2000) | 295 | 289 | 2.1 |
| % of employees of AS Viisnurk | 31.1 | 36.2 | |

The Furniture Factory of AS Viisnurk, the most traditional production unit of the company, is mainly oriented on production of domestic furniture of solid wood as well as laminated chipboard.

The activities of the Furniture Factory continued in two main directions that were equal in volumes: production of furniture designed in-house and performing as a subcontractor. Retro-style home office furniture was the most important product line.

The success of the factory rests on its specialisation and the investments made with the aim of improving the efficiency thereof. In the course of specialisation, the range of products was tied up and contract work extended; the investments were targeted on improvement of

Investments regarding technology were mainly targeted at improving the final finishing processes of furniture. A new staining line that enables implementation of new finishing methods (e.g. alkaline surface processing) in addition to improvement in efficiency was launched. Important technological innovations also included implementation of a new broad-band polishing line and reconditioning of the technological process in the machine processing unit.

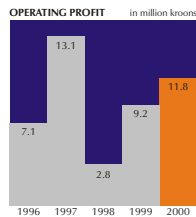
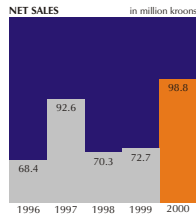
Several projects of process and production management improvement were resumed and new ones initiated. Implementation of the quality management system in accordance with the international quality standard



SPORTS GOODS

Net sales of the Ski Factory grew by 36% as compared to the previous year.

Operating profit rose 29% to 11.8 million kroons. AS Viisnurk is estimated to be the largest producer of cross-country skis as to its output of pairs of skis.



| Key indicators | in thousand kroons | | |
|--------------------------------------|--------------------|--------|----------|
| | 2000 | 1999 | Change % |
| Net sales | 98,828 | 72,662 | 36.0 |
| % of net sales of AS Viisnurk | 32.0 | 34.2 | |
| Operating profit | 11,847 | 9,161 | 29.3 |
| % of operating profit of AS Viisnurk | 25.4 | 29.4 | |
| Profit margin, % | 12.0 | 12.6 | |
| Number of employees (31.12.2000) | 308 | 219 | 40.6 |
| % of employees of AS Viisnurk | 32.4 | 27.4 | |

The Ski Factory of AS Viisnurk produces cross-country skis and hockey sticks, and resells summer and winter sports goods.

The volume of ski production that is the primary activity of the division increased by 55% as compared to the previous year, however, the total volume of the global ski market was stable throughout the period. AS Viisnurk significantly increased its market share as a ski producer and manufactured and produced over 300,000 pairs of skis, becoming the world leader among the producers. Improved customer relations, increase in sales in the key markets and extension of its product collection owing to new cap-skis served as the basis for the rise. The volume of the skis sold under the own brand name (Visu) increased, in particular in the category of more expensive racing skis.

The production capacity of hockey sticks was steadily increased and the range of products was expanded, keeping in mind the co-operation with the bulk buyers and breakthrough in the North American market of hockey sticks.

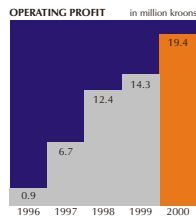
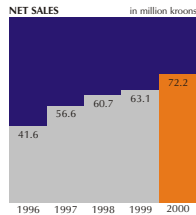
Intermediate trade of sports goods that is mainly targeted at the domestic market continued in three directions, involving full range of skiing and roller-skating equipment and Wilson sports goods.

The factory continued to produce



SOFTBOARDS

The Softboard Factory strengthened its market positions in both product categories. Net sales grew by 14.5% compared to last year and profitability improved. Operating profit increased by 35.7% and totalled 19.4 million kroons.



| Key indicators | in thousand kroons | | |
|--------------------------------------|--------------------|--------|----------|
| | 2000 | 1999 | Change % |
| Net sales | 72,252 | 63,120 | 14.5 |
| % of net sales of AS Viisnurk | 23.4 | 29.7 | |
| Operating profit | 19,362 | 14,264 | 35.7 |
| % of operating profit of AS Viisnurk | 41.5 | 45.8 | |
| Profit margin, % | 26.8 | 22.6 | |
| Number of employees (31.12.2000) | 97 | 99 | -2.0 |
| % of employees of AS Viisnurk | 10.2 | 12.4 | |

The Softboard Factory of AS Viisnurk produces woodfibre softboards for insulation and interior finishing purposes.

The growth in sales and efficiency of production activities in 2000 was ensured by active sales promotion, favourable development of target markets, increase in the share of finishing boards as higher value added product category in the output, and successful control of prices of principal production inputs.

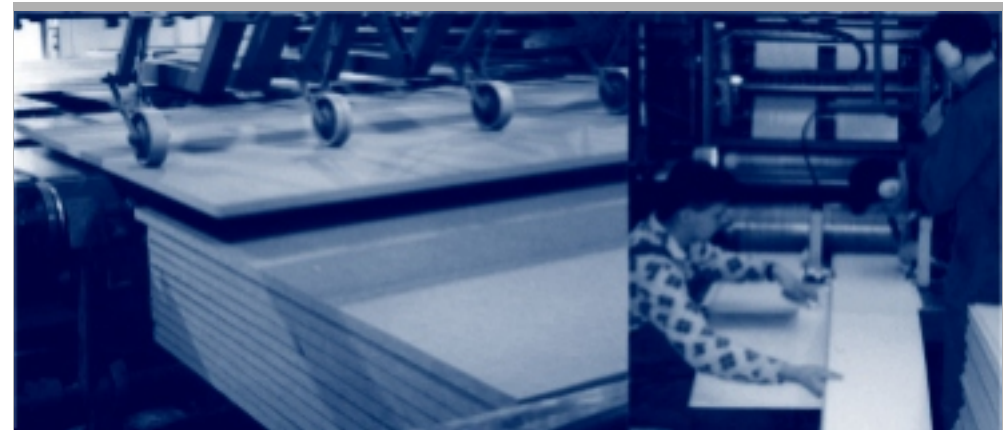
The Softboard Factory strengthened its position in the existing markets of insulation boards in spite of the stiffening competition. The demand was geared by the continuous positive trend to utilise natural insulation materials. A novel type of wind-protection boards with tongue-and-groove tenons was developed and

range of the Isotex boards was extended and the Isotex Quatro ceiling boards with four-edge tongue-and-groove tenons had the greatest share among the product groups. Export amounted to 80% of the sales of finishing boards.

The Softboard Factory sold 35% under its own brands, incl. 100% of the Isotex finishing boards and 30% of the Isoplaat insulation boards. The total output of various boards was 10,800 tons (cf. 8,600 tons in 1999).

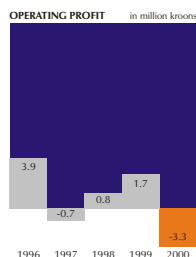
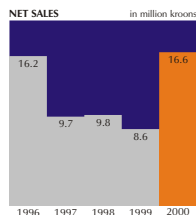
Being the first business unit of AS Viisnurk that was awarded a quality certificate as a proof of compliance of its quality system with the international standard ISO 9001 was one of the most important achievements of the Softboard Factory in 2000.

The investments of the Softboard



OTHER ACTIVITIES

As compared to the previous year, external net sales of the supporting activities increased by 93,5% and internal net sales by 92,7%. Loss from operations was 3.3 million kroons (cf. profit of 1.8 million kroons in 1999).



| Key indicators | in thousand kroons | | |
|-------------------------------------|--------------------|--------|----------|
| | 2000 | 1999 | Change % |
| External net sales | 16,589 | 8,574 | 93.5 |
| % of net sales of AS Viisnurk | 5.4 | 4.0 | |
| Net sales between business segments | 26,612 | 13,813 | 92.7 |
| Operating profit | -3,329 | 1,764 | |

The supporting activities of AS Viisnurk included heat energy production, procurement and primary processing of timber in the respective business units of the company and other small-scale activities.

The increase in external and internal net sales of the supporting activities of the company as compared to the previous year results from launching the production activities in the sawmill of the Forestry Centre. The loss from operations was mainly related to putting the sawmill into operation, incl. the costs of maintenance and adjustment of equipment, processing small-volume test orders of various specifications and implementation of a new production territory.

Procurement and primary processing of timber

AS Viisnurk continued to procure timber through its central unit of timber procurement the Forestry Centre. The sawmill, which was acquired at the end of 1999 together with the production territory of 45 ha, was set up with

At the end of the year, the company made a decision to import necessary timber in addition to the raw material procured from the domestic market.

External net sales of the Forestry Centre were 11.9 million kroons, export amounted to 22% thereof.

Production of heat energy

The boiler house of the company produced 87.2 GWh (cf. 87.3 GWh in 1999) heat energy, 83.5% thereof (i.e. 72.8 GWh) was consumed internally and 16.5% (i.e. 14.4 GWh) was sold to external consumers. As compared to 1999, consumption of heat energy for production purposes increased by 7.6% and external consumption decreased by 14%.

44,800 scm of wood chips, 10,400 scm of wooden production waste and 73 t of black oil was consumed for heat production. The share of wooden production waste increased due to launching production activities in the sawmill; as a result, less wood chips and black oil was procured. As



THE ENVIRONMENT

With respect to the surrounding environment, AS Viisnurk follows the principles of using environmentally friendly and resource-sparing technology, manufacturing healthy and environmentally friendly products and creating healthy and safe working environment.

| in thousand m ³ | | | |
|----------------------------|-------|-------|----------|
| Water consumption balance | 2000 | 1999 | Change % |
| Water consumption: | 191.5 | 165.0 | 16.1 |
| ground water | 70.8 | 61.6 | 14.9 |
| surface water | 120.7 | 103.4 | 16.7 |
| Waste of water: | 123.4 | 103.9 | 18.4 |
| provisionally clean water | 72.7 | 63.7 | 14.1 |
| wastewater | 52.7 | 42.2 | 24.9 |
| Water loss | 66.1 | 59.1 | 11.8 |

| in thousand kroons | | | |
|--|---------|-------|----------|
| Water consumption and wastewater treatment | 2000 | 1999 | Change % |
| Water consumption: | 200.0 | 146.9 | 36.1 |
| ground water | 187.9 | 138.9 | 35.3 |
| surface water | 12.1 | 8.0 | 51.3 |
| Waste of water: | 858.0 | 552.4 | 55.3 |
| provisionally clean water | - | - | - |
| wastewater | 858.0 | 552.4 | 55.3 |
| Total costs | 1,058.0 | 699.3 | 51.3 |

| tons | | | |
|---|-------|-------|----------|
| Main pollutants | 2000 | 1999 | Change % |
| CO | 341.4 | 356.0 | -4.1 |
| Solid particles (boiler house)* | 272.8 | 69.6 | 292.0 |
| Emissions of organic substances (boiler house)* | 59.0 | 45.4 | 30.0 |
| NO | 16.4 | - | - |
| NO | 34.1 | 57.4 | -40.6 |
| Organic dust | 5.3 | 6.6 | -19.7 |
| So ₂ | 3.7 | 33.2 | -88.9 |
| Heavy metals | 0.2 | 0.1 | 100.0 |
| Total | 732.9 | 568.3 | 29.0 |

* Change in accounting methods

| in thousand kroons | | | |
|--|---------|-------|----------|
| Waste treatment | 2000 | 1999 | Change % |
| Treatment of hazardous waste | 57.5 | 38.4 | 49.7 |
| Treatment of ordinary waste | 96.8 | 96.9 | -0.1 |
| Waste pollution tax | 31.0 | 30.9 | 0.3 |
| Collection and transport of waste | 665.5 | 498.9 | 33.4 |
| Total costs | 850.8 | 665.1 | 27.9 |
| Recycling of waste in the boiler house | 1,103.7 | 188.1 | 486.8 |
| Sales of wooden waste | 337.6 | 122.4 | 175.8 |
| Sales of scrap metal | 23.4 | 42.2 | -44.5 |
| Total provisional income | 1,464.7 | 352.7 | 315.3 |

Power consumption

Power consumption normally reflects the volume of activities, i.e. any increase in output results in higher consumption of power. The volume of activities of AS Viisnurk increased 45.4% in 2000, however, the total increase in the consumption of power was just 18.8% and was 23,142 MWh (cf. 19,486 MWh in 1999). Expenditure of power was up 13.6% and amounted to 12.9 million kroons (cf. 11.4 million kroons in 1999). The increased expenditure and consumption of power resulted from launching the activities of the sawmill at the beginning of the year. On the other hand, expenditure of power per product unit decreased in all production units.

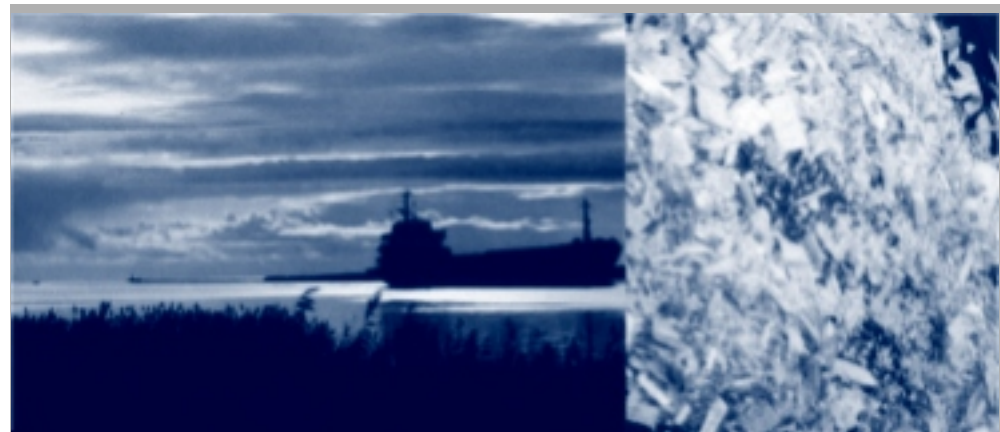
Water consumption

In total, AS Viisnurk consumed 191,500 m³ of water for both technological and daily living needs (cf. 165,000 m³ in 1999) - that is 16.1% more than the year before. The quantity of wasted water increased by 18.4%. It is a normal growth as the volume of activities increased 45.4% in the same period. Water was mainly

to improve its quality. The total expenditure of water consumption and wastewater treatment for 2000 was 1.1 million kroons (cf. 0.7 million kroons in 1999). The increase in costs resulted from the increased production volumes as well as from the rise in water price and treatment taxes.

Waste management

The total expenditure of the company on treatment of various waste amounted to 850,800 kroons (cf. 665,100 kroons in 1999), 78.2% thereof was spent on collection and transport of waste. The treatment costs of hazardous waste increased due to bigger production volumes and periodical utilisation of the said waste that was undertaken last year. Although the quantities of ordinary waste decreased (19.2% as compared to 1999), the respective treatment costs per unit remained on the same level. The provisional income from waste treatment surged 4.2 times mainly due to recycling of wooden production waste in the boiler house and increase sales of wooden waste to external consumers, forming 1.46 million



PERSONNEL

AS Viisnurk, one of the biggest employers in the town and county of Pärnu, created 144 new jobs in 2000.

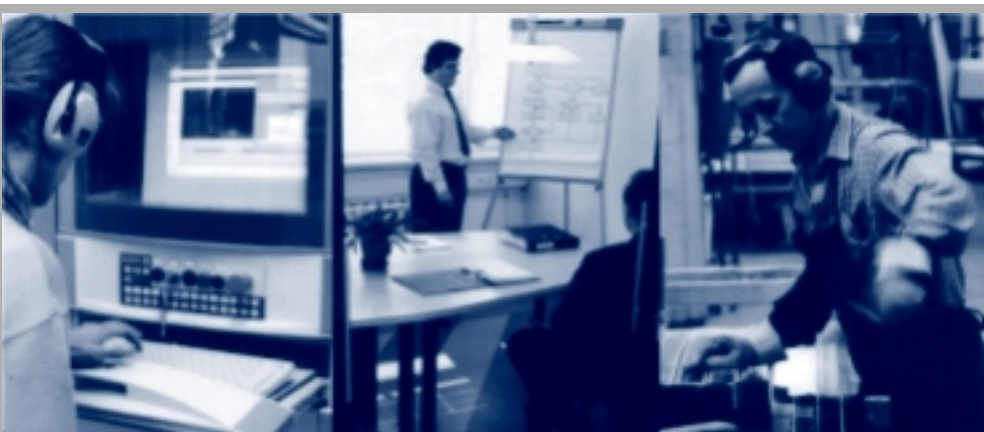
As of 31.12.2000, 950 people were employed in AS Viisnurk. 144 new jobs were created in 2000 (mainly in the Ski Factory and the Forestry Centre that started its activities at the beginning of the year).

Training

117 employees attended various types of training last year. The main emphasis was laid on the professional training of specialists and managers. The training in analysis of management activities and teamwork was the most extensive one among the training courses. A lot of attention was paid to improvement of computer and language skills of the specialists and

Survey of personnel

In the period of 11-16 October, the company conducted the first survey of personnel aimed at determining the level of general satisfaction of employees with their working environment, management, professional collaboration and relations and set goals for supporting the areas where the level of employee satisfaction is the lowest. In 2000, the index of general satisfaction of AS Viisnurk as a whole was 3.94 on a 6-point scale.



A N N U A L
R E P O R T

ACTIVITY REPORT BY THE MANAGEMENT BOARD

Highlights of the Year

In 2000, AS Viisnurk continued successful operation in all its primary business units:

- the Furniture Factory (production of domestic furniture);
 - the Ski Factory (production of cross-country skis and hockey sticks, resale of sports goods);
 - the Softboard Factory (production of insulation and finishing boards).
- Supporting units include the Forestry Centre (procurement of timber and production of sawn timber), the Boiler House (production of heat energy) and the Technical Services Unit (maintenance and repairs).

The most important event of 2000 was the establishment of the Wood Panels Factory that is scheduled to launch its activities in the 1st quarter of 2001. The Factory specialises in the production of edge-glued panels of soft- and hardwood and furniture components for the furniture and building materials industries. The installed annual output of the Wood Panels Factory is 16,500 m³ of softwood panels, or 5,000 m³ of hardwood panels. In 2000, 81 million kroons were invested in this new production area. The launching of the Wood Panels Factory and the continuous upgrading of the Forestry Centre, which was established in 1999, should ensure timber supply for the other primary business units and contribute substantially to the growth of turnover and profits.

For the whole company, 2000 was a year of process development and streamlining.

- At the end of the year, the Management Board approved the corporate strategic management model that was prepared in co-

Financial Review

2000 was the year of records for AS Viisnurk. The net sales of the company reached the record amount of 309.1m kroons. For the first time, the operating profit amounted to 34.2m kroons and net profit 31.6m kroons. The results of the primary and supporting activities were as follows:

| | 2000 | 1999 |
|-------------------|---------|--------|
| Furniture Factory | 121,373 | 19,233 |
| Ski Factory | 11,241 | 11,041 |
| Softboard Factory | 72,252 | 19,362 |
| Other activities | 16,630 | -3,805 |

As compared to 1999, the sales of AS Viisnurk increased by 45.4%, operating profit by 72.8% and net profit by 20.7%. Among the units, the greatest increase in both sales (78%) and profits (3.2 times) was attained at the Furniture Factory.

The profit margin of AS Viisnurk for 2000 was 11.1%, reflecting a 2% increase on 1999. The profit margin improved first and foremost thanks to a flexible response to market opportunities and an increase in production efficiency. The latter was achieved due to the investments of previous periods and sustained improvement of production management. The net profit margin suffered a decline (10,2% vs. 12,3%). However, the substantial increase in the net profit for 1999 (of 8.6m kroons) resulted from changes in the Income Tax Act (the deferred tax liability was

Review of Primary Business Units

income from the sale of a subsidiary). In 2000, there was neither extraordinary income nor expense.

As of 31.12.2000, the balance-sheet total of AS Viisnurk was 331.9m

to 121.4m kroons and operating profit to 19.2m kroons. The success of the Furniture Factory results from its reorientation to customers with a growth potential, and modernisation of production by automation of production management and implementation of new technology, which were initiated in the second half of 1999. In 2000, the Furniture Factory invested 14m kroons, mainly in the improvement of final finishing. Exports accounted for 96% of sales.

Ski Factory

In 2000, the sales and operating profit of the Ski Factory amounted to 98.8m kroons (+36% compared to the previous year) and 11.8m kroons (+29% as compared to 1999) respectively. The Ski Factory produced over 300 thousand pairs of cross-country skis and about 40 thousand hockey sticks. Resale of sports goods accounted for 9.2m kroons of sales. According to the quantity of skis produced in 2000, AS Viisnurk is currently the leading cross-country ski

Activities of Supporting Units and Administration

higher price category and promoting the brand. Extensive investments were made in the development of the hockey stick production. These measures should ensure a stable and profitable development of the Factory. Exports amounted to 87% of sales.

Softboard Factory

The sales of the Softboard Factory amounted to 72.3m kroons and operating profit to 19.4m kroons. Sales increased by 14.5% and profit by 36%. This was attained thanks to favourable market developments and successful controlling of the prices of the principal production inputs (heat energy and wood chips). The rise in profitability

Information Technology

In 2000, AS Viisnurk created its corporate website at www.viisnurk.ee and completed construction of a uniform internal computer network.

Administration

In the reporting year AS Viisnurk

Future Prospects

it owns. To date, eleven immovable properties with the total area of 69.7 ha have been registered in the Land Register.

In 2000, after two-year standstill (1998-1999), AS Viisnurk reached the phase of fast growth and management intends to direct all their efforts at retaining the growth. During the year, all units prepared their strategic development plans till 2004. The goals outlined in the plans, and the large-scale edge-glued panel production project that will be launched in 2001 should ensure significant growth in operating capacities.

In line with its mission, AS Viisnurk has established an almost ideal co-operation chain for its principal activity - timber beneficiation. The Forestry Centre deals with the procurement and primary processing of timber and roundwood. It supplies other production units with raw materials, from waste products for the boiler house to semimanufactured skis for the Ski Factory, and utilises the timber almost fully. The new Wood Panels Factory will be an important part of the chain. It will sell edge-glued panels, adding value to the production of the sawmill and supplying the Furniture Factory with the necessary materials.

SUPERVISORY BOARD

Chairman:
Toomas Reisenbuk
Chairman of Management Board of
OO Reisenbuk Holding
Chief Analyst of AS Trigon Capital

Members:
Joakim Helenius
Chairman of Supervisory Board of
AS Trigon Capital

Indrek Koolmeister
Attorney at Law of
Koolmeister & Ko Law Office

MANAGEMENT BOARD

Chairman:
Meelis Kukk
Managing Director of AS Viisnurk

Members:
Andrus Aljas
Financial Director of AS Viisnurk

Toivo Kuldmae
Corporate Development
Director of AS Viisnurk

Toomas Matvere
Director of Ski Factory
of AS Viisnurk

Erik Piile
Director of Softboard Factory
of AS Viisnurk

Jüri Rook
Director of Furniture Factory
of AS Viisnurk



INCOME STATEMENT

| In kroons | 2000 | 1999 |
|--|----------------------|----------------------|
| NET SALES | 309,082,948 | 212,570,076 |
| Cost of goods sold | (243,301,665) | (166,466,466) |
| Gross profit | 65,781,283 | 46,103,610 |
| Marketing expenses | (17,170,690) | (13,052,422) |
| General administrative expenses | (12,440,960) | (11,349,872) |
| Other income (Note 17) | 1,704,068 | 536,620 |
| Other expenses (Note 18) | (3,677,042) | (2,451,377) |
| Profit from operations | 34,196,659 | 19,786,559 |
| Financial income (Note 19) | 670,669 | 6,496,493 |
| Financial expenses (Note 19) | (3,239,232) | (3,064,677) |
| Profit from ordinary activities | 31,628,096 | 23,218,375 |
| Deferred income tax expense | 0 | 2,859,137 |
| Net profit for the year | 31,628,096 | 26,077,512 |
| Minority interest | 0 | 134,363 |
| GROUP'S NET PROFIT | 31,628,096 | 26,211,875 |
| Basic earnings per share (Note 15) | 7.03 | 5.83 |
| Diluted earnings per share (Note 15) | 7.03 | 5.83 |

STATEMENT OF MOVEMENTS IN EQUITY

| In kroons | 2000 | 1999 |
|--|-------------|------------|
| Distributable profits at beginning of year | 53,828,938 | 28,497,063 |
| Transferred to mandatory capital reserve (Note 14) | (1,320,000) | (880,000) |
| Net profit for the year | 31,628,096 | 26,211,875 |
| Distributable profits at end of year | 84,137,034 | 53,828,938 |

BALANCE SHEET

| In kroons | 2000 | 1999 |
|--|--------------------|--------------------|
| Cash and bank | 4,908,087 | 2,946,322 |
| Shares and other securities (Note 2) | 0 | 261,300 |
| Customer receivables (Note 3) | 51,229,471 | 34,906,046 |
| Other receivables | 377,779 | 81,366 |
| Prepaid expenses (Note 4) | 18,331,277 | 5,482,882 |
| Inventories (Note 5) | 58,681,669 | 48,582,993 |
| Total current assets | 133,528,283 | 92,260,909 |
| Long-term financial investments (Note 8) | 606,040 | 605,440 |
| Tangible assets (Note 6) | 197,120,410 | 85,912,441 |
| Intangible assets (Note 7) | 623,151 | 992,670 |
| Total non-current assets | 198,349,601 | 87,510,551 |
| TOTAL ASSETS | 331,877,884 | 179,771,460 |
| Debt obligations (Note 10) | 9,928,861 | 6,565,409 |
| Customer prepayments | 110,869 | 453,131 |
| Supplier payables (Note 12) | 41,277,690 | 22,417,164 |
| Taxes payable (Note 13) | 6,574,296 | 4,248,070 |
| Accrued expenses (Note 12) | 10,250,224 | 7,784,024 |
| Total current liabilities | 68,141,940 | 41,467,798 |
| Long-term liabilities (Note 10) | 120,442,660 | 26,638,474 |
| Total non-current liabilities | 120,442,660 | 26,638,474 |
| Share capital at par value | 44,990,610 | 44,990,610 |
| Share premium | 11,331,780 | 11,331,780 |
| Mandatory capital reserve | 2,833,860 | 1,513,860 |
| Retained earnings | 52,508,938 | 27,617,063 |
| Net profit for the financial year | 31,628,096 | 26,211,875 |
| Total equity (Note 14) | 143,293,284 | 111,665,188 |
| TOTAL LIABILITIES AND EQUITY | 331,877,884 | 179,771,460 |

STATEMENT OF CASH FLOWS

Indirect method

| In kroons | 2000 | 1999 |
|---|----------------------|---------------------|
| OPERATING ACTIVITIES | | |
| Profit before income tax | 31,628,096 | 26,077,512 |
| Adjustments for: | | |
| Accumulated depreciation for the year | 12,509,806 | 9,103,592 |
| Gain on sale of shares | (369,449) | (537,590) |
| Gain on sale of shares in subsidiaries | | (5,745,968) |
| Gains and losses on sale of non-current assets | 478,529 | 482,014 |
| Investment income | | (186,256) |
| Interest expense | 2,915,279 | 2,737,310 |
| Operating profit before changes in working capital | 47,162,261 | 31,930,614 |
| Change in current assets | (39,566,909) | (1,501,100) |
| Change in current liabilities | 22,257,823 | 7,922,329 |
| Change in deferred income tax liability | | (2,859,137) |
| Cash generated from operations | 29,853,175 | 35,492,706 |
| Interest paid | (4,309,779) | (3,029,928) |
| Income tax paid | | (1,198,306) |
| Net cash from operating activities | 25,543,396 | 31,264,472 |
| INVESTING ACTIVITIES | | |
| Acquisition of non-current assets | (118,701,032) | (37,034,682) |
| Sale of non-current assets | 798,334 | 582,400 |
| Acquisition of shares and securities | (901,620) | (6,053,060) |
| Sale of shares and securities | 1,531,769 | 6,672,186 |
| Sale of shares in subsidiaries | | 8,495,873 |
| Interest received | | 86,083 |
| Dividends received | | 100,173 |
| Net cash used in investing activities | (117,272,549) | (27,151,028) |
| FINANCING ACTIVITIES | | |
| Proceeds from borrowing | 74,498,884 | 9,026,370 |
| Proceeds from the issue of dept securities | 31,293,200 | 0 |
| Repayment of loans | (18,650,551) | (14,030,041) |
| Settlement of finance lease liabilities | (1,223,030) | (900,036) |
| Increase in the overdraft balance | 7,772,415 | 0 |
| Net cash from/used in financing activities | 93,690,918 | (5,903,707) |
| NET CHANGE IN CASH | 1,961,765 | (1,790,263) |
| CASH AT BEGINNING OF PERIOD | 2,946,322 | 4,736,585 |
| CASH AT END OF PERIOD | 4,908,087 | 2,946,322 |

NOTES TO THE FINANCIAL STATEMENTS

1. Significant accounting policies

AS Viisnurk is a company domiciled in the Republic of Estonia. At 31 December 2000 the company did not have any subsidiaries, or interest in associates or jointly controlled entities. The management board authorised these financial statements for issue on 9 February 2001.

A. Statement of compliance

The consolidated financial statements of AS Viisnurk have been prepared in accordance with International Accounting Standards.

B. Bases of preparation

The statements are presented in Estonian kroons, rounded to the nearest full kroon. Assets and liabilities are reported on the historical cost basis.

C. Basis of consolidation

At consolidation, the financial statements of the parent and its subsidiaries were combined on a line-by-line basis. Minority interests in the equities of subsidiaries and the results of their operations were reported separately. The effect of infra-group transactions was eliminated.

D. Foreign currency

We translate transactions in foreign currencies into Estonian kroons at the exchange rate of the date of the transaction. Monetary assets and liabilities that are denominated in foreign currency at the balance sheet date are translated into Estonian kroons using the exchange rate ruling at that date. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated into Estonian kroons at the exchange rate ruling at the date of the transaction.

I. Depreciation

Non-current assets are depreciated over their estimated useful lives using the straightline method. The following annual depreciation rates are used:

| | |
|------------------------------|--------|
| plant and equipment | 2.5-15 |
| motor vehicles | 10-25 |
| other equipment and fixtures | 10-20 |
| | 20-40 |

J. Intangible assets

Intangible assets are carried at net book value. Items are amortised over their estimated useful lives (2.5-5 years) on a straight-line basis.

K. Operating and finance lease

Transactions are classified as operating and finance leases based on the economic substance of the transaction. Leases in terms of which the company assumes substantially all the risks and rewards relating to ownership are classified as finance leases. All other leases are treated as operating leases. Assets acquired by way of finance lease are carried at acquisition cost, which is equal to the discounted present value of the minimum lease payments at the inception of the lease.

Assets acquired under finance lease are depreciated similarly to other tangible non-current assets over their estimated useful lives (see also tangible non-current assets).

L. Interest-bearing loans

Interest-bearing loans are recognised at cost. Contract fees and other differences between cost and the redemption value are amortised over the loan term and reported as financial expenses.

NOTES TO THE FINANCIAL STATEMENTS

O. Financing costs

Financing costs are recognised in the income statement. Expenses that are directly related to the acquisition or construction of a non-current asset are capitalised. Capitalisation is ended

2. Shares and other securities

| In kroons | 2000 | 1999 |
|-----------------------|------|---------|
| Marketable securities | 0 | 261,300 |

In 2000, profits on transactions with

3. Customer receivables

| In kroons | 2000 | 1999 |
|------------------------------------|-------------------|-------------------|
| Accounts receivable | 51,520,795 | 35,473,089 |
| Allowance for doubtful receivables | (291,324) | (567,043) |
| Total | 51,229,471 | 34,906,046 |

The collectability of every item is reviewed separately. In 2000

P. Segment reporting

Business segments are distinguishable components of the company that are engaged in providing different products and function as independent

were considered doubtful amounted to 291,324 kroons.

4. Prepaid expenses

| In kroons | 2000 | 1999 |
|------------------------------|-------------------|------------------|
| Prepaid VAT | 17,816,627 | 3,854,090 |
| Prepaid corporate income tax | 0 | 1,150,994 |
| Other prepaid expenses | 514,650 | 477,798 |
| Total | 18,331,277 | 5,482,882 |

The largest item under prepaid expenses is an operating lease

5. Inventories

| In kroons | 2000 | 1999 |
|----------------------------------|-------------------|-------------------|
| Materials | 21,709,227 | 14,426,364 |
| Work in progress | 13,693,784 | 14,484,652 |
| Finished goods | 16,212,867 | 12,641,091 |
| Merchandise purchased for resale | 6,155,137 | 5,362,883 |
| Prepayments to suppliers | 910,654 | 1,668,003 |
| Total | 58,681,669 | 48,582,993 |

At 31 December 2000 the net book value of assets carried at net realisable

6. Tangible non-current assets

| In kroons | 2000 | 1999 |
|-----------------------------------|--------------------|-------------------|
| Land, buildings and constructions | 55,720,478 | 40,883,734 |
| Plant and equipment | 96,377,674 | 72,321,973 |
| Other equipment and fixtures | 6,392,706 | 5,517,132 |
| Accumulated depreciation | (59,492,951) | (49,253,038) |
| Constructions in progress | 98,122,503 | 16,442,640 |
| Total | 197,120,410 | 85,912,441 |

Movements in tangible non-current assets in 2000

| In kroons | Land, buildings and constructions | Plant and equipment | Other equipment and fixtures | Total |
|---|-----------------------------------|---------------------|------------------------------|----------|
| Acquisition cost 1.1.2000 | 40,884 | 72,322 | 5,517 | 118,723 |
| Additions in 2000 | 14,836 | 26,943 | 1,166 | 42,945 |
| Disposals in 2000 | 0 | 2,887 | 290 | 3,177 |
| Acquisition cost 31.12.2000 | 55,720 | 96,378 | 6,393 | 158,491 |
| Depreciation 1.1.2000 | (9,160) | (37,269) | (2,824) | (49,253) |
| Depreciation 2000 | (1,815) | (9,197) | (1,129) | (12,141) |
| Depreciation on items disposed of in 2000 | 0 | 1,630 | 271 | 1,901 |
| Depreciation 31.12.2000 | (10,975) | (44,836) | (3,682) | (59,493) |
| Net book value 31.12.2000 | 44,745 | 51,542 | 2,711 | 98,998 |

At 31 December 2000, the acquisition cost of fully depreciated items that

NOTES TO THE FINANCIAL STATEMENTS

Leased assets

During the financial year the company acquired of 3,476,720 kroons under the terms of finance lease. At 31 December 2000, the net book value of assets leased under finance lease amounted to 3,581,209 kroons. The

the balance of constructions in progress. The figure comprises the acquisition costs of the factory building, related constructions, uninstalled equipment, and capitalised loan interest of 2,447,367 kroons. Completion of stage I in the

7. Intangible assets

In kroons

2000

| | |
|-------------------------------------|-----------|
| Acquisition cost 1.1.2000 | 1,444,950 |
| Acquisition cost 31.12.2000 | 1,444,950 |
| Amortisation 1.1.2000 | (452,280) |
| Amortisation for the financial year | (369,519) |
| Amortisation 31.12.2000 | (821,799) |
| Net book value 1.1.2000 | 992,670 |
| Net book value 31.12.2000 | 623,151 |

Intangible assets comprise computer has been fully recognised in the income

8. Long-term financial investments

Long-term financial investments kroons and 6 shares in AS Fiiber (0.15%

9. Subsidiaries

At 31 December 2000, AS Viisnurk did not have subsidiaries. Therefore, the closing balance sheet includes only the

10. Debt obligations and long-term liabilities

In kroons

2000

1999

DEBT OBLIGATIONS

| | | |
|---|------------------|------------------|
| Unsecured debt | 1,000,450 | 409,413 |
| Current period long-term debt repayment | 1,155,996 | 1,155,996 |
| Short-term loans from banks | 7,772,415 | 5,000,000 |
| Total | 9,928,861 | 6,565,409 |

In kroons

2000

1999

LONG-TERM LIABILITIES

| | | |
|-----------------------------|--------------------|-------------------|
| Non-convertible debt | 38,395,234 | 42,331 |
| Long-term bank loans | 82,047,426 | 26,203,423 |
| Other long-term liabilities | 0 | 392,720 |
| Total | 120,442,660 | 26,638,474 |

In kroons

Total

Payable within a year

Payable in 1-2 years

Payable in 2-5 years

Payable in more than 5 years

Banks loans

| | | | | |
|------------------|------------|-----------|------------|------------|
| 1,490,000 EUR - | | | | |
| EURIBOR + 4.25% | 23,313,434 | | 23,313,434 | |
| 361,248 DEM - | | | | |
| LIBOR + 3% | 2,889,987 | 1,155,997 | 1,155,997 | 577,993 |
| 38,000,000 EEK - | | | | |
| EURIBOR + 3.1% | 38,000,000 | | 19,000,000 | 19,000,000 |
| 19,000,000 EEK - | | | | |
| EURIBOR + 3.1% | 19,000,000 | | 9,500,000 | 9,500,000 |

Overdrafts

| | | | | |
|-----------------------|-----------|-----------|--|--|
| Limit 5,000,000 EEK - | | | | |
| 7% | 4,950,712 | 4,950,712 | | |
| Limit 319,558 EUR - | | | | |
| 6.8% | 2,821,703 | 2,821,703 | | |

Finance lease

| | | | | |
|----------------|-----------|---------|---------|-----------|
| Motor vehicles | 2,705,435 | 796,785 | 807,917 | 1,100,733 |
|----------------|-----------|---------|---------|-----------|

Debt securities

| | | | | |
|-----------------|------------|--|------------|--|
| 2,000,000 EUR - | | | | |
| 7.4% | 31,293,200 | | 31,293,200 | |

Payable under instalment plan

| | | | | | |
|-----------------------|--------------------|------------------|-------------------|-------------------|-------------------|
| Privatisation of land | 5,397,050 | 203,665 | 261,660 | 1,174,974 | 3,756,751 |
| Total | 130,371,521 | 9,928,862 | 25,539,008 | 62,646,900 | 32,256,751 |

Bank loans have been secured with a mortgage agreement with the Estonian Privatisation Agency under which the company's immovable property at 11 Niidu Street has been mortgaged to the extent of 5,874,900 kroons. The mortgage is of the first ranking and has been established for the benefit of the

benefit of Union Bank of Estonia. The company's immovable property at 31 Rääma Street has been mortgaged for the benefit of Hansabank.

In addition to the mortgages, the loans are secured with a commercial pledge of the first ranking of 35,000,000 kroons and a commercial pledge of the

NOTES TO THE FINANCIAL STATEMENTS

11. Operating leases

Operating lease payments calculated and expensed in 2000 totalled 1,141,859 kroons. Under effective agreements, operating lease payments

Rental income for the financial year amounted to 1,213,615 kroons breaking down between income from

12. Supplier payables and accrued expenses

| In kroons | 2000 | 1999 |
|------------------------|-------------------|-------------------|
| Accounts payable | 40,884,970 | 21,717,324 |
| Notes payable | 392,720 | 699,840 |
| Payables to employees | 9,055,534 | 7,656,897 |
| Interest payable | 1,170,787 | 127,127 |
| Other accrued expenses | 23,903 | 0 |
| Total | 51,527,914 | 30,201,188 |

Payables to employees include to 3,730,971 kroons and 31

13. Taxes payable

| In kroons | 2000 | 1999 |
|--|------------------|------------------|
| Social security and health assurance tax | 3,915,755 | 2,649,717 |
| Personal income tax | 2,658,541 | 1,598,353 |
| Total | 6,574,296 | 4,248,070 |

14. Equity**Share capital**

At 31 December 2000 the share capital of AS Viisnurk amounted to 44,490,610 kroons (the maximum amount outlined in the Articles of Association is 177,480,800 kroons), being made up of 4,449,061 shares with a par value of 10 kroons each. During the financial year, share capital did not change.

Members of the management board had the following number of shares:

Management board members: a 0.8132 percent interest
 - Meelis Kukli 49,231 shares, i.e. a 1.0942 percent interest
 - Erik Piile
 - Toomas Matvere
 - Jüri Rokk

Mandatory capital reserve

The mandatory capital reserve is established by way of annual net profit transfers and other transfers that are made based on the law or the Articles of Association. The size of the capital reserve is prescribed by the Articles of Association and cannot be smaller than 1/10 of the share capital. Every year, the company has to transfer to the capital reserve at least 1/20 of its net profit. When the required level has been attained, transfers may be terminated.

At the decision of the general meeting,

However, a distribution gives rise to a tax liability, which reduces undistributed profits. Therefore, profits may be distributed only to the extent that allows the related tax liability to be covered.

The liability arising at the distribution of dividends may be reduced by the income tax paid on related profits in 1994-1999.

Considering the shareholder structure of AS Viisnurk at 9 February 2001 and the income tax paid in respect of distributable profits in 1994-1999, the

15. Earnings per share

| In kroons | 2000 | 1999 |
|--|-------|-------|
| Basic earnings per share | 7.03 | 5.83 |
| Diluted earnings per share | 7.03 | 5.83 |
| Book value of a share | 31.85 | 24.82 |
| Price/earnings ratio (P/E) | 6.7 | 3.6 |
| Closing price of the share at Tallinn Stock Exchange at 31.12.2000 | 47.3 | 20.7 |

Basic earnings per share have been calculated by dividing the net profit for the period by number of shares:
 Basic earnings per share for 2000=

Basic earnings per share equal diluted earnings per share because the company does not have any potential

16. Personnel expenses

| In kroons | 2000 | 1999 |
|---|-------------------|-------------------|
| Wages and salaries | 47,413,406 | 36,201,579 |
| Social security and health assurance | 15,728,654 | 12,125,259 |
| Transfers to the vacation pay provision | 7,311,275 | 5,855,038 |
| Total | 70,453,335 | 54,181,876 |

In 2000 the company had, on average,

The remuneration of the executive

NOTES TO THE FINANCIAL STATEMENTS

17. Other income

| In kroons | 2000 | 1999 |
|-------------------------------------|------------------|----------------|
| Gains on sale of non-current assets | 720,000 | 245,052 |
| Foreign exchange gains | 489,309 | 90,845 |
| Insurance indemnifications | 150,878 | 42,571 |
| Other | 343,881 | 158,152 |
| Total | 1,704,068 | 536,620 |

18. Other expenses

| In kroons | 2000 | 1999 |
|--------------------------------------|------------------|------------------|
| Losses on sale of non-current assets | 1,198,529 | 727,066 |
| Foreign exchange loss | 654,702 | 109,106 |
| Doubtful receivables | 1,053,182 | 568,293 |
| Other | 770,629 | 1,046,912 |
| Total | 3,677,042 | 2,451,377 |

19. Financial income and financial expenses

| In kroons | 2000 | 1999 |
|------------------------------------|------------------|------------------|
| FINANCIAL INCOME | | |
| Interest income | 257,875 | 86,083 |
| Financial income from subsidiaries | 0 | 5,745,968 |
| Other | 412,794 | 664,442 |
| Total | 670,669 | 6,496,493 |
| FINANCIAL EXPENSES | | |
| Interest expense | 2,915,279 | 2,737,310 |
| Foreign exchange loss | 265,734 | 195,164 |
| Other | 58,219 | 132,203 |
| Total | 3,239,232 | 3,064,677 |

20. Financial information by segment

Segment reporting includes reporting by business segments and geographical segments. The results of the business segments are derived from management accounting. Intra-segmental sales are recognised at market prices. Due to the specific nature of the company's products and services, the prices are based on agreements concluded between segment managements.

Softboard Factory, which produces softboards and benefited interior decoration boards. Exports accounted for 74% of sales and the largest partners were in Finland, the Netherlands and Portugal.

Glueboard Factory, will begin producing and selling edge-glued panels in the first quarter of 2001.

Other activities comprise production of heat energy, the activities of the Forestry Centre, and other less significant operations.

Results by business segments**Information on geographical segments (net sales):**

| In thousands of kroons | 2000 | 1999 |
|--------------------------------|----------------|----------------|
| EXPORT | | |
| European countries | | |
| Finland | 103,282 | 77,462 |
| Sweden | 55,608 | 15,010 |
| Germany | 25,672 | 12,809 |
| The Netherlands | 18,307 | 16,043 |
| Austria | 11,175 | 7,795 |
| Norway | 10,489 | 5,449 |
| Latvia, Lithuania | 2,429 | 2,497 |
| Other | 11,145 | 16,812 |
| Total | 238,107 | 153,877 |
| Russia, Ukraine | 10,103 | 6,113 |
| North America (USA and Canada) | 9,308 | 8,143 |
| The rest of the world | 547 | 1,313 |
| Total exports | 258,065 | 169,446 |
| DOMESTIC SALES | | |
| | 51,018 | 43,124 |
| TOTAL | 309,083 | 212,570 |

Information by business segments

| | Ski Factory | | Furniture Factory | | Softboard Factory | | Glueboard Factory | | Other activities | | Eliminations | | AS VIISNURK TOTAL | | |
|---|------------------------|--------|-------------------|--------|-------------------|--------|-------------------|------|------------------|--------|--------------|----------|-------------------|---------|--------|
| | 2000 | 1999 | 2000 | 1999 | 2000 | 1999 | 2000 | 1999 | 2000 | 1999 | 2000 | 1999 | 2000 | 1999 | |
| | In thousands of kroons | | | | | | | | | | | | | | |
| External sales | 98,828 | 72,662 | 121,373 | 68,214 | 72,252 | 63,120 | 41 | 0 | 16,589 | 8,574 | (31,672) | 0 | 309,083 | 212,570 | |
| Inter-segment sales | 4,936 | 1,658 | 124 | 26 | | | | | 26,612 | 13,813 | (31,672) | (15,499) | 0 | 0 | |
| Total sales revenue | 103,764 | 74,320 | 121,497 | 68,242 | 72,252 | 63,120 | 41 | 0 | 43,201 | 22,387 | (31,672) | (15,499) | 309,083 | 212,570 | |
| Segment result | 11,847 | 9,161 | 19,233 | 5,948 | 19,362 | 14,264 | (476) | 0 | (3,329) | 1,764 | | | 46,637 | 31,137 | |
| Unallocated expenses | | | | | | | | | | | | | | 12,441 | 11,350 |
| Operating profit | | | | | | | | | | | | | | 34,196 | 19,787 |
| Net financial expenses | | | | | | | | | | | | | | (2,568) | 3,432 |
| Deferred income tax | | | | | | | | | | | | | | | 2,859 |
| Net profit for the period | | | | | | | | | | | | | | 31,628 | 26,078 |
| Segments assets | 88,477 | 54,913 | 66,862 | 55,262 | 34,076 | 33,078 | 93,990 | 0 | 31,842 | 23,997 | | | 315,247 | 167,250 | |
| Unallocated assets | | | | | | | | | | | | | 16,631 | 12,521 | |
| Total assets | | | | | | | | | | | | | 331,878 | 179,771 | |
| Segment liabilities | 13,612 | 11,491 | 15,390 | 9,083 | 3,409 | 3,382 | 13,555 | 0 | 5,085 | 3,141 | | | 51,051 | 27,097 | |
| Unallocated liabilities | | | | | | | | | | | | | 137,534 | 41,010 | |
| Total liabilities | | | | | | | | | | | | | 188,585 | 68,107 | |
| Acquisition of segment assets | 12,488 | 2,179 | 13,326 | 3,325 | 4,662 | 2,975 | 212 | 0 | 4,357 | 12,007 | | | 35,045 | 20,486 | |
| Acquisition of unallocated assets | | | | | | | | | | | | | 7,900 | 4,233 | |
| Total acquisition of non-current assets | | | | | | | | | | | | | 42,945 | 24,719 | |
| Segment depreciation per year | 2,853 | 2,061 | 2,823 | 1,992 | 2,003 | 1,584 | 0 | 0 | 3,135 | 2,157 | | | 10,814 | 7,794 | |
| Unallocated depreciation per year | | | | | | | | | | | | | 1,696 | 1,089 | |
| Total depreciation per year | | | | | | | | | | | | | 12,510 | 8,883 | |

21. Financial risks

Interest rate risk

The company's interest rate risk depends on changes in EURIBOR (Euro Interbank Offered Rate) because all loans taken by the company are linked to the latter. At 1 January 2000, EURIBOR stood at 3.51% and at 31 December 2000 at 4.834%. The loan of EUR 1,490,000 every year on 20 September and 20 March. According to loan agreements, interest rates are reviewed on the basis of the loan of DEM 5,777,998 every year on 5 February and 5 August.

Credit risk

Credit risk is the risk that a business partner will fail to discharge a contractual obligation and will cause AS Viisnurk to incur a financial loss. At the balance sheet date the company was not aware of any major risks relating to customer receivables (except for doubtful items of 291,324). The financial positions and settlement practice of existing and potential partners are monitored on a current basis.

PROFIT ALLOCATION PROPOSAL

| | |
|-------------------------------------|-------------------|
| Retained earnings at end of 2000 | 52,508,938 kroons |
| Net profit for 2000 | 31,628,096 kroons |
| Transfer to capital reserve | 1,665,201 kroons |

AUDITOR'S REPORT

FOR THE SHAREHOLDERS OF THE AS VIISNURK

We have audited the annual accounts of AS Viisnurk presented on pages 18 to 31 that includes the Balance Sheet as of 31.12.2000, the Income Statement for the period 1.01.-31.12.2000, the Cash Flow Statement and the Report of Changes in Equity and the Notes to the annual accounts reports is the responsibility of the management of the company. Our task concerns evaluation of the annual accounts on the bases of the results of the audit.

We carried out an audit in accordance with the International Standards on Auditing. The aforesaid standards provide that an audit should be planned and carried out in a way enabling to decide with the sufficient certainty that the annual accounts include no major errors or inaccuracies. In the course of the audit, we have examined the evidence the figures of the annual account are based on at random. Our audit also included the critical analysis of the accounting principles applied for compiling the annual report and accounting assessments rendered by the management, and an opinion about the way of presentation of the annual report as a whole. We believe the audit offers reasonable basis for expressing our opinion on the annual accounts.

Made Tamm
Authorised Public Accountant

NEWS 2000 IN BRIEF

January

On the first trading day of the year the closing price of the share of AS Viisnurk was 22 kroons at Tallinn Stock Exchange.

16-year-old Anti Saarepuu won a bronze medal at the Estonian Championship in Skiing in Otepää on a pair of Visu skis.

The Softboard Factory started to produce interior finishing panels covered with foil paper to ensure better fire-resistance qualities of the surface layer.

February

The Forestry Centre of the company launched production in the sawmill.

Visu cross-country skis and Maxxhockey hockey sticks were displayed at Ispo International Fair of Sports Goods in Munich (Germany)

The first copy of

AS Viisnurk celebrated its 55th anniversary of establishment.

March

Isotex finishing boards were displayed at the construction fair in Jyväskylä (Finland).

Visu skis were displayed at the fair of Snowsport Industry America in Las Vegas (the USA). Reliable Racing Supply Inc. became a new distributor for Visu brand.

The first shipment of sawn timber produced at the Forestry Centre was exported.

The 13th annual general meeting of the shareholders of AS Viisnurk.

The 5th season of the Estonian Television and Visu Skiing Cup for

July

The Ski Factory supported the international ITF tennis tournament for professionals held in Pärnu where Wilson was the official ball of the tournament. AS Viisnurk is the official dealer for Wilson brand in Estonia.

August

An agreement was closed with OU Vattenfall Estonia to erect a boiler house near the Wood Panels Factory at the new production site of AS Viisnurk.

The Ski Factory was a grand sponsor for the international roller skiing competition

Viisnurk's summer reunion for the personnel.

September

A cornerstone was laid to the new Wood Panels Factory.

October

AS Viisnurk received the title of the Best-looking Company of Pärnu.

AS Viisnurk was declared to be the Learning Organisation of the Year in Pärnu County.

The Ski Factory and Visu product line thereof were presented to the President of the International Skiing Federation (FIS) Gian Franco Kasper during his visit to Estonia.

November

A new boiler house was launched near the Wood Panels Factory on the new production site of AS Viisnurk

INFORMATION FOR SHAREHOLDERS

Annual General Meeting

The annual general meeting of the shareholders of AS Viisnurk shall be called on Saturday, 31 March 2001 at 12.00 in the Tervis Sanatorium at 6, Seedri St., Pärnu. The agenda of the meeting shall be announced pursuant to the procedure prescribed by the Articles of Association.

Registration of the participants of the general meeting shall start at 11.00 am. For registration, physical persons are

Financial Information

AS Viisnurk will disclose the quarterly interim reports for 2001 as follows:

| | |
|---------------------|-------------|
| | on 24 April |
| January - March | 2001; |
| January - June | |
| January - September | |

and the audited annual report for 2001 on 26 February 2002 at the latest.

Annual and interim reports of the company from 1997 on and press releases for 2000 are available at the corporate website of AS Viisnurk at <http://www.viisnurk.ee>.

CONTACT INFORMATION

AS VIISNURK

Suur-Jõe 48
EE 80042 Pärnu
ESTONIA
Tel. +372 44 78 323
Fax +372 44 78 320
mail@viisnurk.ee
www.viisnurk.ee

Furniture Factory

Suur-Jõe 48
EE 80042 Pärnu
ESTONIA
Tel. +372 44 78 389
Fax +372 44 78 368
furniture@viisnurk.ee

Ski Factory

Rääma 31
EE 80044 Pärnu
ESTONIA
Tel. +372 44 78 282
Fax +372 44 78 278
visu@viisnurk.ee
www.visu.ee
www.visuski.com
www.maxxhockey.com

Softboard Factory

Rääma 31
EE 80044 Pärnu
ESTONIA
Tel. +372 44 78 297
Fax +372 44 78 248
isoplaat@viisnurk.ee
www.viisnurk.ee/kiudplaat

Wood Panels Factory

Niidu 11
EE 80041 Pärnu
ESTONIA
Tel. +372 44 78 335
Fax +372 44 78 336
liimpuit@viisnurk.ee

Forestry Centre

Niidu 11
EE 80041 Pärnu
ESTONIA
Tel. +372 44 36 665
Fax +372 44 36 664
metsakeskus@viisnurk.ee

Boiler House

Rääma 94
EE 80044 Pärnu
ESTONIA
Tel. +372 44 78 270
Fax +372 44 78 252
soojus@viisnurk.ee

Technical Services Unit

Suur-Jõe 48
EE 80042 Pärnu
ESTONIA
Tel. +372 44 78 342
Fax +372 44 78 320
tehnika@viisnurk.ee



Design by: Ring Ajas OÜ
Photos by: Ahto Meri,
Ants Liigus,
Sven Lossmann,
Artur Holland
and AS Viisnurk

ANNUAL REPORT 2000

