

AS VIISNURK

Annual report 2001

Annual report

Company

AS Viisnurk's core activity is the production of edge-glued panels, softboard, and wood-based furniture and sports goods.

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Beginning of financial year:	1.1.2001
End of financial year:	31.12.2001
Managing director:	Meelis Kukk
Auditor:	KPMG Estonia

Signatures of management and supervisory board members

The management board has prepared the annual report for 2001. The annual report (pp. 1-28) comprises an activity report, annual financial statements, a profit allocation proposal and an auditor's report. The supervisory board has reviewed the annual report and approved its presentation to the general meeting of shareholders.

Chairman of Management Board	Meelis Kukk
Member of Management Board	Toivo Kuldmäe
Member of Management Board	Toomas Matvere
Member of Management Board	Jüri Rokk
Member of Management Board	Andrus Aljas
Member of Management Board	Erik Piile
Chairman of Supervisory Board	Toomas Reisenbuk
Member of Supervisory Board	Joakim Helenius
Member of Supervisory Board	Indrek Koolmeister

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Activity report

Company

AS Viisnurk has four independent business units:

- Furniture Factory, which produces domestic furniture of pine and birch, and solid wood panels.
- Sports Goods Division, which produces cross-country skis and hockey sticks and distributes various sports and leisure time goods.
- Softboard Factory, which produces boards for insulation and soundproofing, and interior finishing boards for walls and ceilings.
- Wood Panel Factory, which produces edge-glued panels for the furniture industry.

Supporting units include Forestry Centre, which supplies the company with roundwood and sells sawn timber, Boiler House, which produces heat energy, and Maintenance Department, which is responsible for the maintenance of buildings, plant and equipment and arrangement of transportation. Besides the above, income is earned from rental activities and operation of in-house canteens.

Financial review

Net sales

AS Viisnurk ended the year with net sales of 347 million kroons (22.18 million euros) - increase of 12.3 percent on the previous financial year. As regards business units, the sales of Furniture Factory grew by a significant 30 percent. Expected sales were also attained at Softboard Factory, whose sales did not increase due to limited installed capacities only. The sales of Sports Goods Division, however, fell short of expectations and the sales of Wood Panel Factory, which experienced difficulties in the launching stage, proved considerably smaller than expected. The sales of supporting units increased on account of an increase in the sales of Forestry Centre, which began supplying sawn timber to Wood Panel Factory.

AS Viisnurk's net sales and internal sales by units (in thousands of Estonian kroons):

	2001	2000	Change, %
Furniture Factory	157,581	121,497	29.7
<i>incl. internal sales</i>	92	124	(25.8)
Sports Goods Division	86,590	103,764	(16.6)
<i>incl. internal sales</i>	0	4,936	-
Softboard Factory	71,892	72,252	(0.5)
Wood Panel Factory	18,645	41	-
<i>incl. internal sales</i>	9,613	0	-
Supporting units	72,036	43,201	66.7
<i>incl. internal sales</i>	50,067	26,612	88.1
<i>Eliminations (internal sales)</i>	(59,772)	(31,672)	88.7
AS VIISNURK NET SALES	346,972	309,083	12.3

AS Viisnurk's net sales and internal sales by units (in thousands of Euros):

	2001	2000	Change, %
Furniture Factory	10,071	7,765	29.7
<i>incl. internal sales</i>	6	8	(25.8)
Sports Goods Division	5,534	6,632	(16.6)
<i>incl. internal sales</i>	0	315	-
Softboard Factory	4,595	4,618	(0.5)

Wood Panel Factory	1,191	2	-
<i>incl. internal sales</i>	<i>614</i>	<i>0</i>	<i>-</i>
Supporting units	4,604	2,761	66.7
<i>incl. internal sales</i>	<i>3,200</i>	<i>1,701</i>	<i>88.1</i>
<i>Eliminations (internal sales)</i>	<i>(3,820)</i>	<i>(2,024)</i>	<i>88.7</i>
AS VIISNURK NET SALES	22,175	19,754	12.3

Earnings

The company ended the year with a net profit of 19.4 million kroons (1.24 million euros) and a net profit margin of 5.6 percent. The corresponding figures for 2000 were 31.6 million kroons (2.02 million euros) and 4.6 percent. Operating margin for 2001 amounted to 7.9 percent, a 3.2 percent decrease on 2000. In terms of business units, profits increased at Furniture Factory (+20 percent) and Softboard Factory (+6 percent). Supporting units passed the break-even point and began earning a profit thanks to an improvement in the operating results of Forestry Centre. The results of Sports Goods Division and Wood Panel Factory remained more modest than expected.

Profit formation (in thousands of Estonian kroons):

	2001	2000	Change, %
Furniture Factory	23,052	19,233	19.9
Sports Goods Division	5,569	11,847	(53.0)
Softboard Factory	20,589	19,362	6.3
Wood Panel Factory	(11,963)	(476)	-
Supporting units	146	(3,329)	-
TOTAL	37,393	46,637	(19.8)
<i>Unallocated expenses (general administration)</i>	<i>(10,144)</i>	<i>(12,441)</i>	<i>(18.5)</i>
AS VIISNURK OPERATING PROFIT	27,249	34,196	(20.3)
<i>Net financial expenses</i>	<i>(7,866)</i>	<i>(2,568)</i>	<i>206.3</i>
AS VIISNURK NET PROFIT	19,383	31,628	(38.7)

Profit formation (in thousands of Euros):

	2001	2000	Change, %
Furniture Factory	1,473	1,229	19.9
Sports Goods Division	356	757	(53.0)
Softboard Factory	1,316	1,237	6.3
Wood Panel Factory	(764)	(30)	-
Supporting units	9	(213)	-
TOTAL	2,390	2,980	(19.8)
<i>Unallocated expenses (general administration)</i>	<i>(648)</i>	<i>(795)</i>	<i>(18.5)</i>
AS VIISNURK OPERATING PROFIT	1,742	2,185	(20.3)
<i>Net financial expenses</i>	<i>(503)</i>	<i>(164)</i>	<i>206.3</i>
AS VIISNURK NET PROFIT	1,239	2,021	(38.7)

Assets, liabilities and cash flows

Total assets increased by 7.7 percent amounting to 357.5 million kroons (22.85 million euros) at the year-end. The largest increase occurred in inventories. Due to weaker than projected sales in the fourth quarter and the usual seasonal fluctuations inventory balance grew by 28.6 percent. Non-current assets increased by 18.9 million kroons (1.21 million euros). Liabilities and equity went up by 6.3 million kroons (0.4 million euros) and 19.4 million kroons (1.24 million euros) respectively. Equity increased on account of the net profit for 2001. Debt to equity ratio decreased from 57 percent to 54.5 percent.

Despite a substantial decline in net profit, cash flows from operating activities increased by 3.5 million kroons (0.22 million euros) and all units attained positive cash flows. Cash flows from operating activities were significantly affected by an increase in a non-monetary expense - depreciation. Due to major investments in 2000, annual depreciation increased by ca 10 million kroons (0.64 million euros). This reduced the company's profit but did not affect the amount of cash earned. During the reporting period the company invested 40.1 million kroons (2.56 million euros) and borrowed 11.3 million kroons (0.72 million euros).

Investment

In the past financial year production-related investments totalled 40.7 million kroons (2.6 million euros). The largest amount, 14.4 million kroons (0.92 million euros), was allocated for the completion of the new Wood Panel Factory. Total investments in the factory now amount to 95 million kroons (6.07 million euros). To continue the streamlining and expansion of Furniture Factory, 9 million kroons (0.58 million euros) was spent on improving finishing, establishing a department for the processing of squared elements and upgrading the warehousing system. The investments made in Softboard Factory and Sports Goods Division were aimed at implementing a solution for using sawdust for production purposes and the expansion of the hockey stick department.

Viisnurk share

The total turnover of Viisnurk share at Tallinn Stock Exchange was 25.4 million kroons (1.62 million euros). The corresponding figure for 2000 was 48.2 million kroons (3.08 million euros). The period's highest and lowest closing prices amounted to 51.5 kroons (3.29 euros) and 41 kroons (2.62 euros) and were registered on 11 January and 12 September 2001 respectively. The year-end closing price was 42 kroons (2.68 euros), a decrease of 14.3 percent on the beginning of the year.

On 8 August the company declared a share issue with a view to raising funds for expansion. The intention was to increase share capital by 850,000 shares by way of additional monetary contributions. The issue price of the new shares was 44 kroons (2.81 euros). In connection with the general turbulence at the world's stock markets the share issue failed and Management Board cancelled the issue on 28 September.

Performance of units

Furniture Factory

In terms of sales and turnover, Furniture Factory is definitely the largest business unit of AS Viisnurk. Sales have increased rapidly in the past years and the same trend could be observed in 2001 when sales grew by 30 percent. The factory's operating profit amounted to 23.1 million kroons (1.47 million euros).

During the year Furniture Factory continued manufacturing own products and completing sub-contracting orders, keeping the activities at a balance. The largest product line is that of antique-style home-office furniture, which is successfully exported to Europe and Russia. The largest sub-contracting customer is IKEA, one of the world's leading furniture distributors.

To maintain competitiveness in a strained market that is suffering from excess capacities, the management has put a lot of effort in organisation development and streamlining. At the beginning of 2001 the factory was granted an ISO 9001 quality certificate. Another important project was the implementation of a new production management system, which is based on the restrictions theory and has shortened the production cycle and reduced the inventory balance to a considerable extent.

Sports Goods Division

The results of Sports Goods Division remained modest. The division's total sales decreased by 17 percent and profit dropped by a half, amounting to 5.6 million kroons (0.36 million euros).

Poor snow conditions in the previous winter brought about a decline in the ski market and a substantial decrease in the production volume. This became especially evident in the fourth quarter when production of skis dropped by 56 percent compared to 2000. The critical decrease in output caused the division to end the fourth quarter with a loss of ca 411,000 (26,300 euros) The fourth quarter of 2000 ended with a profit of 6.1 million kroons (0.39 million euros). Altogether Ski Factory produced 212,000 pairs of skis, i.e. 30 percent less than in 2000. In hockey stick production the results of the fourth quarter were adversely affected by production expansion and marketing development costs. The results of mediation activities remained on the level of 2000.

Despite a significant decline in sales, Sports Goods Division retained its market positions in the production cross-country skis both in Europe and North America and penetrated the world hockey stick market. For Sports Goods Division, 2001 was a year of product development and trademark promotion. The division began producing a completely new product - metal-edged skis. Ten percent of cross-country skis were sold under the company's own "Visu" trademark and seven percent of hockey sticks were sold under the "Maxx" trademark.

Softboard Factory

Softboard Factory continued attaining excellent results. Due to maximum utilisation of installed capacities, sales remained as high as in the previous year. Profit increased slightly, amounting to 20.6 million kroons (1.32 million euros). Operating margin amounted to 28.6 percent.

Operating margin was retained thanks to successful control over production inputs, an increase in sales to neighbouring markets, an increase in the share of interior finishing boards and efficient operation of an ISO 9001-compliant quality management system that was implemented in 2000. The share of the Estonian market increased by 25 percent and surpasses now 30 percent of sales. Sales of interior finishing boards accounted for 27 percent of total sales.

The factory's dependence on developments in the construction sector decreased. As a result of efforts made in previous periods, softboard sales were not limited to the construction industry only. In 2001 softboards were sold to furniture producers in Estonia, a notice board producer in Portugal, partition producers in Finland and Australia, and a producer of fire lighting supplies in the Netherlands.

Wood Panel Factory

Investments in the production of edge-glued panels were aimed at increasing production capacities, creating conditions for diversification into new wood processing areas and ensuring the development and expansion of furniture production. For Wood Panel Factory, 2001 was the first year of operation. Operation began at the beginning of the second quarter.

The factory ended the first nine months with net sales of 18.6 million kroons (1.19 million euros). More than a half of the sales were internal. External sales amounted to 9 million kroons (0.58 million euros) and 48 percent of the aggregate. Together with financial expenses the loss of the factory amounted to 17.3 million kroons (1.11 million euros), an excess of 15 percent over the projected figure.

Loss proved larger than expected because launch of operations, increase of capacities and penetration of suitable marketing channels were adversely affected by a general slump in the market and higher than expected input prices.

At the beginning of 2001 when production was launched, the principal edge-glued panels markets in Scandinavia and Western Europe were in a recession that resulted from a general cooling of world economy and a decline in furniture consumption. Competition in the production of edge-glued panels of pine was extremely stiff and both Scandinavian and Western European manufacturers had excess capacities, which reduced the price of pine panels to the lowest of the past couple of years. Furthermore, the consumers' interest in pine as a traditional furniture material decreased. On the other hand, interest in birch products increased. Thus, in the following periods the factory may focus on increasing the production of birch panels.

Supporting units

At Forestry Centre centralised purchase and preliminary processing of timber increased 2.1 times. The net sales of Forestry Centre amounted to 50.4 million kroons (3.22 million euros), a considerable increase on the 24.2 million kroons (1.55 million euros) attained a year ago. Intra-company sales increased 2.7 times to 33.7 million kroons (2.15 million euros) and accounted for 67 percent of the total. External sales amounted to 16.8 million kroons (1.07 million euros), a solid increase on the 11.9 million kroons (0.76 million euros) achieved in 2000. The result of operations was a loss of 1.1 million kroons (0.07 million euros), a notable improvement on the loss of 4.7 million kroons (0.3 million euros) incurred

in 2000. Altogether the centre distributed purchased and self-produced timber of 21,200 cubic metres. The shares of soft- and hardwood were equal.

The sales of Boiler House amounted to 19.7 million kroons (1.26 million euros), an 8 percent increase on 2001. Inter-segment sales of 16.4 million kroons (1.05 million euros) accounted for 83.2 percent of the total. External sales amounted to 3.3 million kroons (0.21 million euros), a slight increase on the 3.1 million kroons (0.2 million euros) attained in 2000. The year ended with a profit of 0.5 million kroons (0.03 million euros). The corresponding figure for 2000 was 0.7 million kroons (0.04 million euros). During the financial year Boiler House produced 79.6 GWh (2000 - 87.2 GWh) and purchased 10.5 GWh of heat energy.

Maintenance Department deals with the maintenance of production equipment and technical communications, produces special equipment for the core production activities and is in charge of power supply and management. The monetary value of services provided in 2001 amounted to 28.4 million kroons (1.82 million euros), a 20 percent increase on 2000.

Future objectives

For AS Viisnurk 2001, was a year of sustaining growth. At the end of the period we completed our development strategy until 2005, which outlines our strategic objectives and the measures for attaining them.

In line with the corporate vision, a significant increase in operating capacities will remain an important objective both in the short and long range. In 2002 turnover should continue increasing rapidly. Growth is rapid when it exceeds 15 percent per year. However, stable profitability is even more important. In 2001 difficulties in the launch of Wood Panel Factory caused a setback in profits. In 2002 we intend to increase profitability and expect to reach the level of net profit earned in 2000.

Units have the following objectives.

Furniture Factory

Furniture production remains a priority. On existing premises capacities cannot be increased. Therefore, the factory's main objective for 2002 is to prepare a business plan and launch a project for the implementation of additional production capacities in 2003. Due to limited production capacities, the results of 2002 should remain similar to the ones attained in 2001.

Sports Goods Division

The key to the development of Sports Goods Division is sustaining rapid growth in hockey stick production and hedging production risks at the manufacture of cross-country skis. Expectations regarding an increase in net sales are not high because adverse climatic conditions do not allow to foresee a substantial increase in the number of pairs of cross-country skis that can be sold. On the other hand, in the long range overall growth can be attained through an increase in the sales of hockey sticks. Especially as the hockey sticks market is many times larger than the cross-country skis market. In 2002 the division should increase the average price of cross-country skis by way of increasing the sales of skis that bear our own trademark and new, more sophisticated models. As regards the sales of hockey sticks, the division will focus on winning new large customers through active sales campaigns and more aggressive sales techniques. The preparations made in product development and marketing in 2001 allow to expect an increase in profits in 2002.

Softboard Factory

In 2002 the objective of Softboard Factory is to maintain profitability in an environment of continually rising input prices (especially power). This can be achieved by optimising marketing expenses and increasing the share of products of a higher finishing category. Installed capacities will not be increased.

Wood Panel Factory

The short-term objective of Wood Panel Factory is to attain the results outlined in the business plan. The long-term objective is to ensure the supply of the expanded Furniture Factory with high quality raw material. In 2002 Wood Panel Factory should become the company's main growth engine. Generation of profit should begin in the second half-year and by the year-end the factory should have attained all the capacity, output and quality targets that are outlined in the business plan.

Annual financial statements

Statement of management responsibility

The management board acknowledges its responsibility for the preparation, integrity and fair presentation of the annual financial statements of AS Viisnurk for 2001 as set out on pages 9 to 26 of this report, and confirms that to the best of its knowledge, information and belief:

- the accounting policies applied at the preparation of the annual accounts comply with generally accepted accounting principles;
- the annual financial statements give a true and fair view of the financial position of AS Viisnurk and the results of its operations;
- all significant events that occurred between the balance sheet date and the date on which the financial statements were authorised for issue (15 February 2002) have been properly recognised and disclosed;
- AS Viisnurk is a going concern.

Chairman of Management Board	Meelis Kukk
Member of Management Board	Toivo Kuldmäe
Member of Management Board	Toomas Matvere
Member of Management Board	Jüri Rokk
Member of Management Board	Andrus Aljas
Member of Management Board	Erik Piile

Balance sheet

		In kroons 2001	In kroons 2000	In euros 2001	In euros 2000
Cash and bank		5,035,767	4,908,087	321,843	313,683
Customer receivables	(Note 1)	52,496,448	51,229,471	3,355,126	3,274,151
Other receivables	(Note 2)	2,214,510	377,779	141,533	24,144
Prepaid expenses	(Note 2)	5,448,645	18,331,277	348,231	1,171,579
Inventories	(Note 3)	74,576,331	58,681,669	4,766,284	3,750,433
Total current assets		139,771,701	133,528,283	8,933,017	8,533,991
Long-term fin. investments	(Note 6)	1,435,600	606,040	91,751	38,733
Tangible assets	(Note 4)	216,043,395	197,120,410	13,807,654	12,598,258
Intangible assets	(Note 5)	268,805	623,151	17,180	39,827
Total non-current assets		217,747,800	198,349,601	13,916,585	12,676,818
<u>TOTAL ASSETS</u>		<u>357,519,501</u>	<u>331,877,884</u>	<u>22,849,602</u>	<u>21,210,808</u>
Debt obligations	(Note 7)	47,367,754	9,928,861	3,027,343	634,568
Customer prepayments		1,216,491	110,869	77,748	7,086
Supplier payables	(Note 9)	36,792,037	41,277,690	2,351,434	2,638,118
Taxes payable	(Note 10)	5,638,995	6,574,296	360,396	420,173
Accrued expenses	(Note 9)	8,348,089	10,250,224	533,539	655,107
Total current liabilities		99,363,366	68,141,940	6,350,460	4,355,052
Long-term liabilities	(Note 7)	95,479,466	120,442,660	6,102,235	7,697,669
Total non-current liabil.		95,479,466	120,442,660	6,102,235	7,697,669
Share capital at par value		44,990,610	44,990,610	2,875,417	2,875,417
Share premium		11,331,780	11,331,780	724,231	724,231
Mandatory capital reserve		4,499,061	2,833,860	287,541	181,116
Retained earnings		82,471,833	52,508,938	5,270,897	3,355,924
Net profit for the year		19,383,385	31,628,096	1,238,821	2,021,399
Total equity	(Note 11)	162,676,669	143,293,284	10,396,907	9,158,087
<u>TOTAL LIABILITIES AND EQUITY</u>		<u>357,519,501</u>	<u>331,877,884</u>	<u>22,849,602</u>	<u>21,210,808</u>

Income statement

		In kroons 2001	In kroons 2000	In euros 2001	In euros 2000
<u>NET SALES</u>		<u>346,971,805</u>	<u>309,082,948</u>	<u>22,175,483</u>	<u>19,753,950</u>
Cost of goods sold	(Note 13)	(290,413,731)	(243,301,665)	(18,560,773)	(15,549,771)
Gross profit		56,558,074	65,781,283	3,614,710	4,204,179
Marketing expenses	(Note 14)	(17,866,449)	(17,170,690)	(1,141,871)	(1,097,404)
General admin. expenses	(Note 15)	(10,143,704)	(12,440,960)	(648,299)	(795,120)
Other income	(Note 17)	1,669,611	1,704,068	106,707	108,910
Other expenses	(Note 18)	(2,968,269)	(3,677,042)	(189,706)	(235,005)
Profit from operations		27,249,263	34,196,659	1,741,541	2,185,560
Financial income	(Note 19)	1,170,922	670,669	74,835	42,863
Financial expenses	(Note 19)	(9,036,800)	(3,239,232)	(577,555)	(207,024)
NET PROFIT		19,383,385	31,628,096	1,238,821	2,021,399
Basic earnings per share	(Note 12)	4.31	7.03	0.28	0.45
Diluted earnings per share	(Note 12)	4.31	7.03	0.28	0.45

Cash flow statement

	In kroons 2001	In kroons 2000	In euros 2001	In euros 2000
Cash flows from operating activities				
Profit before income tax	19,383,385	31,628,096	1,238,821	2,021,399
<i>Adjustments for:</i>				
Period's accumulated depreciation	22,598,912	12,509,806	1,444,330	799,520
Gain on sale of shares	17,950	(369,449)	1,147	(23,612)
Income from long-term financial investments	(829,560)		(53,018)	
Loss on sale of non-current assets	187,669	478,529	11,994	30,583
Interest expense	8,820,104	2,915,279	563,706	186,320
Operating profit before changes in working capital	50,178,460	47,162,261	3,206,980	3,014,210
Change in current assets	(6,115,739)	(39,566,909)	(390,866)	(2,528,780)
Change in current liabilities	(6,311,853)	22,257,823	(403,400)	1,422,530
Cash generated from operations	37,750,868	29,853,175	2,412,714	1,907,961
Interest paid	(8,753,314)	(4,309,779)	(559,437)	(275,444)
Net cash from operating activities	28,997,552	25,543,396	1,853,277	1,632,516
Cash flows from investing activities				
Acquisition of non-current assets	(40,654,349)	(118,701,032)	(2,598,280)	(7,586,359)
Sale of non-current assets	540,728	798,334	34,559	51,022
Acquisition of shares and other securities	(764,280)	(901,620)	(48,846)	(57,624)
Sale of shares and other securities	746,330	1,531,769	47,699	97,898
Net cash used in investing activities	(40,131,571)	(117,272,549)	(2,564,868)	(7,495,063)
Cash flows from financing activities				
Proceeds from borrowing	5,000,000	74,498,884	319,557	4,761,334
Proceeds from issue of debt securities		31,293,200		1,999,995
Repayment of loans	(6,359,662)	(18,650,551)	(406,455)	(1,191,984)
Settlement of finance lease liabilities	(1,138,694)	(1,223,030)	(72,776)	(78,166)
Increase in the overdraft balance	13,760,051	7,772,415	879,425	496,747
Net cash from financing activities	11,261,695	93,690,918	719,751	5,987,926
NET INCREASE IN CASH	127,676	1,961,765	8,160	125,379
CASH AT BEGINNING OF PERIOD	4,908,087	2,946,322	313,683	188,304
CASH AT END OF PERIOD	5,035,763	4,908,087	321,843	313,683

Statement of movements in equity

	In kroons 2001	In kroons 2000	In euros 2001	In euros 2000
Distributable profits at beginning of year	84,137,034	53,828,938	5,377,323	3,440,287
Transferred to mandatory capital reserve (Note 11)	(1,665,201)	(1,320,000)	(106,426)	(84,363)
Net profit for the year	19,383,385	31,628,096	1,238,821	2,021,399
Distributable profits at end of year	101,855,218	84,137,034	6,509,718	5,377,323

Notes to the annual financial statements

Accounting policies and measurement bases

At 31 December 2001 AS Viisnurk did not have any subsidiary companies or interest in associated companies or joint ventures.

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 and Euros, rounded to the nearest full kroon (euro). The exchange rate between kroon and euros is 15.64664. Assets and liabilities are reported on the historical cost basis.

c) 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.

d) Cash and bank

Cash and bank comprise cash on hand and at bank.

e) Inventories

Inventories are carried at the lower of cost and net realisable value. Work in progress and finished goods are stated at the conversion cost, which includes the direct and indirect costs of production. The cost of inventories is assigned using the weighted average cost formula.

f) Financial investments

All financial investments (both long- and short-term ones) are carried at the lower of cost and net realisable value. A decrease in the value of a financial investment is reported as financial expense.

g) Tangible non-current assets

Purchases are recognised as tangible non-current assets if their acquisition cost exceeds 10,000 kroons (640 euros) and their estimated useful life extends beyond one year. Items of smaller value are fully expensed as of implementation.

Tangible non-current assets are taken on account at acquisition cost. In the balance sheet, they are carried at net book value. The cost of self-constructed assets includes direct and indirect costs of construction. Renovation and improvement costs are added to acquisition cost.

h) Depreciation

Tangible non-current assets are depreciated over their estimated useful lives using the straight-line method. The following annual depreciation rates are applied (%):

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

i) 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.

j) 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 held under 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 held under finance lease are depreciated similarly to other tangible non-current assets over their estimated useful lives (see Tangible non-current assets).

k) Interest-bearing loans

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

l) Income tax consequences of dividends

The amount of income tax that would have to be paid if owners decided to distribute all of the unrestricted equity as dividends is disclosed in the notes to the annual financial statements. If the profit allocation proposal made by the management board foresees distribution of profits, the company discloses the amount of tax that would have to be paid if the shareholders approved the proposal in the notes to the annual accounts.

The amount of tax that would have to be paid at the distribution of dividends is estimated on the basis of the shareholder structure of the date when the management board approves the annual accounts.

The amount of income tax that has to be paid on dividends is recognised in the balance sheet at the date the profit allocation decision is made. The item is reported as a reduction of retained earnings.

m) Net sales

Revenue from the sale of goods is recognised when all significant risks and rewards relating to ownership have transferred to the buyer and it is probable that the buyer will settle the account.

Revenue from services rendered is recognised as of the provision of the service.

n) 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 when all significant operations for the implementation of the asset have been completed.

o) Segment reporting

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

Geographical segments are the company's target markets (areas) whose inherent risks differ to a significant extent.

1. Customer receivables

In Estonian kroons /Euros

	2001	2000	2001	2000
Accounts receivable	53,142,458	51,520,795	3,396,413	3,292,770
Allowance for doubtful receivables	(646,010)	(291,324)	(41,287)	(18,619)
TOTAL	52,496,448	51,229,471	3,355,126	3,274,151

The recoverability of every item is reviewed separately. In 2001 receivables written off as irrecoverable totalled 185,440 kroons (11,852 euros). Items that were considered doubtful amounted to 540,126 kroons (34,520 euros).

2. Other receivables and prepaid expenses

In Estonian kroons /Euros

	2001	2000	2001	2000
Other receivables	2,214,510	377,779	141,533	24,144
Prepaid VAT	4,680,406	17,816,627	299,132	1,138,687
Other prepaid expenses	768,239	514,650	49,099	32,892
TOTAL	7,663,155	18,709,056	489,764	1,195,723

3. Inventories

In Estonian kroons /Euros

	2001	2000	2001	2000
Materials	24,788,938	21,709,227	1,584,298	1,387,469
Work in progress	24,401,189	13,693,784	1,559,516	875,190
Finished goods	19,088,139	16,212,867	1,219,951	1,036,188
Merchandise purchased for resale	4,965,332	6,155,137	317,342	393,384
Prepayments to suppliers	1,332,733	910,654	85,177	58,202
TOTAL	74,576,331	58,681,669	4,766,284	3,750,433

At 31 December 2001, the net book value of assets carried at net realisable value amounted to ca 13,336,000 kroons (852,000 euros).

4. Tangible non-current assets

In Estonian kroons /Euros

	2001	2000	2001	2000
Land, buildings and constructions	96,817,303	55,720,478	6,187,738	3,561,178
Plant and equipment	177,738,837	96,377,674	11,359,553	6,159,640
Other equipment and fixtures	6,876,119	6,392,706	439,463	408,568
Accumulated depreciation	(79,292,459)	(59,492,951)	(5,067,699)	(3,802,283)
Construction in progress	13,903,595	98,122,503	888,599	6,271,155
TOTAL	216,043,395	197,120,410	13,807,654	12,598,258

Movements in tangible non-current assets in 2001

In thousands of Estonian kroons

	Land, buildings and constructions	Plant and equipment	Other equipment and fixtures	TOTAL
Acquisition cost 1.1.2001	55,720	96,378	6,393	158,491
Additions in 2001	41,869	83,000	1,246	126,115
Disposals in 2001	(772)	(1,639)	(763)	(3,174)
Acquisition cost 31.12.2001	96,817	177,739	6,876	281,432
Depreciation 1.1.2001	(10,975)	(44,836)	(3,682)	(59,493)
Depreciation of 2001	(4,018)	(16,882)	(1,344)	(22,244)
Depreciation on items disposed of in 2001	494	1,190	761	2,445
Depreciation 31.12.2001	(14,499)	(60,528)	(4,265)	(79,292)
Net book value 31.12.2001	82,318	117,211	2,611	202,140

In thousands of Euros

	Land, buildings and constructions	Plant and equipment	Other equipment and fixtures	TOTAL
Acquisition cost 1.1.2001	3,561	6,160	409	10,129
Additions in 2001	2,676	5,305	80	8,060
Disposals in 2001	(49)	(105)	(49)	(203)
Acquisition cost 31.12.2001	6,188	11,360	439	17,987
Depreciation 1.1.2001	(701)	(2,866)	(235)	(3,802)
Depreciation of 2001	(257)	(1,079)	(86)	(1,422)
Depreciation on items disposed of in 2001	32	76	49	156
Depreciation 31.12.2001	(927)	(3,868)	(273)	(5,068)
Net book value 31.12.2001	5,261	7,491	167	12,919

At 31 December 2001 the acquisition cost of fully depreciated items in use totalled 22,960,561 kroons (1,467,444 euros).

Leased assets

During the financial year the company acquired assets of 1,214,000 kroons (77,589 euros) under finance lease. At 31 December 2001, the net book value of plant and equipment held under finance lease amounted to 4,121,667 kroons (263,422 euros). The assets secure the lease liabilities (Note 10).

Constructions in progress

At the balance sheet date, the largest item under constructions in progress was an investment of 3.2 million kroons (0.2 million euros) made in Softboard Factory for the use of sawdust as a raw material.

Capitalised interest expense

During the financial year the company capitalised loan interest of 1,703,202 kroons (108,854 euros). In 2000 the corresponding figure was 2,447,367 kroons (156,415 euros).

5. Intangible assets

In Estonian kroons /Euros

	2001	2000
Acquisition cost 1.1.2001	1,444,950	92,349
Acquisition cost 31.12.2001	1,444,950	92,349
Amortisation 1.1.2001	(821,799)	(52,522)
Amortisation for the period	(354,346)	(22,647)
Amortisation 31.12.2001	(1,176,145)	(75,169)
Net book value 1.1.2001	623,151	39,826
Net book value 31.12.2001	268,805	17,180

Intangible assets comprise computer software that cannot be directly linked to the hardware. Amortisation has been fully recognised in the income statement under "General administrative expenses".

6. Long-term financial investments

Long-term financial investments include 5,504 shares in AS Tallinna Mööblimaja (10 percent interest) of 1,435,600 kroons (91,713 euros) and 6 shares in AS Fiiber (0.15 percent interest) of 600 kroons (38 euros). In 2001 the interest in AS Tallinna Mööblimaja was written up to acquisition cost because the write-down of 829,560 (53,018 euros) made in 1997 was no longer justified.

7. Debt obligations and long-term liabilities

In Estonian kroons /Euros

<i>DEBT OBLIGATIONS</i>	2001	2000	2001	2000
Unsecured debt	1,068,196	1,000,450	68,270	63,940
Current period long-term debt repayment	24,767,091	1,155,996	1,582,901	73,881
Short-term loans from banks	21,532,467	7,772,415	1,376,172	496,747
TOTAL	47,367,754	9,928,861	3,027,343	634,568

In Estonian kroons /Euros

<i>LONG-TERM LIABILITIES</i>	2001	2000	2001	2000
Non-convertible debt	37,901,470	38,395,234	2,422,339	2,453,896
Long-term bank loans	57,577,996	82,047,426	3,679,896	5,243,773
TOTAL	95,479,466	120,442,660	6,102,235	7,697,669

Obligations and liabilities at 31.12.2001:

In Estonian kroons

	Total	Payable within less than a year	Payable in 1-2 years	Payable in 2-5 years	Payable in over 5 years
<i>Bank loans:</i>					
EUR 1,490,000 - EURIBOR+4.25%	23,313,434	23,313,434			
DEM 216,749 - LIBOR+3%	1,733,992	1,155,997	577,995		
EEK 38,000,000 - EURIBOR+3.1%	38,000,000		9,500,000	19,000,000	9,500,000
EEK 19,000,000 - EURIBOR+3.1%	19,000,000		4,750,000	9,500,000	4,750,000
<i>Overdrafts:</i>					
Limit EEK 11,000,000 - 7%	9,701,465	9,701,465			
Limit EUR 957,716 - 6.8%	11,831,003	11,831,003			
Limit EUR 63,911 - 7%					
<i>Finance leases:</i>					
Motor vehicles	2,780,741	1,068,196	1,073,451	639,095	
<i>Debt securities:</i>					
EUR 2,000,000 - 7.4%	31,293,200			31,293,200	
<i>Payable in instalments:</i>					
Privatisation of land	5,193,385	297,660	391,658	1,174,974	3,329,093
TOTAL	142,847,220	47,367,754	16,293,104	61,607,269	17,579,093

In Euros

	Total	Payable within less than a year	Payable in 1-2 years	Payable in 2-5 years	Payable in over 5 years
<i>Bank loans:</i>					
EUR 1,490,000 - EURIBOR+4.25%	1,489,996	1,489,996			
DEM 216,749 - LIBOR+3%	110,822	73,881	36,941		
EEK 38,000,000 - EURIBOR+3.1%	2,428,636		607,159	1,214,318	607,159
EEK 19,000,000 - EURIBOR+3.1%	1,214,318		303,580	607,159	303,580

<i>Overdrafts:</i>					
Limit EEK 11,000,000 - 7%	620,036	620,036			
Limit EUR 957,716 - 6.8%	756,137	756,137			
Limit EUR 63,911 - 7%					
<i>Finance leases:</i>					
Motor vehicles	177,721	68,270	68,606	40,846	
<i>Debt securities:</i>					
EUR 2,000,000 - 7.4%	1,999,995			1,999,995	
<i>Payable in instalments:</i>					
Privatisation of land	331,917	19,024	25,031	75,094	212,767
TOTAL	9,129,578	3,027,344	1,041,316	3,937,412	1,123,506

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 (375,474 euros). The mortgage is of the first ranking and has been established for the benefit of the Republic of Estonia. In addition, the same property has been encumbered with a divided mortgage of the second ranking. It has been mortgaged to the extent of 38,000,000 kroons (2,428,636 euros) for the benefit of Compensation Fund, and to the extent of 19,000,000 kroons (1,214,318 euros) for 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, the loans are secured with a commercial pledge of the first ranking of 35,000,000 kroons (2,236,902 euros) and a commercial pledge of the second ranking of 10,000,000 kroons (639,115 euros).

According to contracts, the interest payable on the leases in 2002, 2003 and 2004 and afterward amounts to 161,534 kroons (10,324 euros), 83,406 kroons (5,331 euros) and 22,376 kroons (1,430 euros) respectively.

8. Operating lease

Operating lease payments calculated and expensed in 2001 totalled 1,147,420 kroons (73,333 euros).

Under effective agreements, operating lease payments to be made in 2002 and 2003-2005 amount to 594,189 kroons (37,976 euros) and 425,578 kroons (27,199 euros) respectively.

Rental income for the financial year amounted to 591,375 kroons (37,796 euros). Income from lease of land amounted to 382,753 kroons (24,462 euros) and income from rental of premises equalled 208,622 kroons (13,333 euros).

9. Supplier payables and accrued expenses

In Estonian kroons /Euros

	2001	2000	2001	2000
Accounts payable	36,792,037	40,884,970	2,351,434	2,613,019
Notes payable	0	392,720	0	25,099
Payables to employees	7,101,780	9,055,534	453,885	578,752
Interest payable	1,237,578	1,170,787	79,096	74,827
Other accrued expenses	8,731	23,903	558	1,528
TOTAL	45,140,126	51,527,914	2,884,973	3,293,225

Payables to employees include the vacation pay liability. At 31 December 2001 the latter amounted to 3,306,687 kroons (211,335 euros) and at 31 December 2000 to 3,730,971 kroons (238,452 euros).

10. Taxes payable

In Estonian kroons /Euros

	2001	2000	2001	2000
Social security, health assurance and unemployment insurance	3,465,256	3,915,755	221,469	250,262
Personal income tax	2,173,739	2,658,541	138,927	169,911
TOTAL	5,638,995	6,574,296	360,396	420,173

11. Equity

Share capital

At 31 December 2001 the share capital of AS Viisnurk amounted to 44,990,610 kroons (2,875,417 euros) and was made up of 4,499,061 shares with a par value of 10 kroons (0.64 euros) each. The maximum amount outlined in the Articles of Association is 177,480,800 kroons (11,343,062 euros). During the financial year, share capital did not change.

At 31 December 2001 the company had 311 shareholders. Shareholders whose interest exceeded 5 percent included:

- Bank of Bermuda (Guernsey) Ltd Clients Account with 2,675,752 shares (59.4736 per cent interest)
- Nordea Bank Finland Plc Clients Account Trading with 490,000 shares (10.8912 per cent interest).

Members of the supervisory and management boards had the following number of shares:

Management board members:

- Meelis Kukk 30,586 shares (0.6798 percent interest)
- Toivo Kuldmäe 49,231 shares (1.0942 percent interest)
- Erik Piile 395 shares (0.0088 percent interest)
- Toomas Matvere 25,143 shares (0.5588 percent interest)
- Jüri Rokk 10,410 shares (0.2314 percent interest)
- Andrus Aljas does not have a share in the company

Members of the supervisory board do not have shares in the company.

Mandatory capital reserve

The mandatory capital reserve is established by way of annual net profit transfers and other transfers that are made based on 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, the reserve may be used for covering losses if these cannot be covered with the company's unrestricted equity, or for increasing the share capital.

At 31 December 2001 the company's capital reserve amounted to 4,499,061 kroons (287,541 euros), which is the maximum amount outlined in the Articles of Association.

Restriction on distribution of profits

According to the Income Tax Act which became effective on 1 January 2002, all dividends are subject to income tax. Dividends can be paid from undistributed profits. 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 income tax paid in 1994-1999, the company could, based on the annual accounts as of 31 December 2001, distribute dividends of 82,688,195 kroons (5,284,725 euros). This would give rise to a tax liability of 19,167,023 krooni (1,224,993 euros) and the company's undistributed profits would decrease by a total of 101,855,218 kroons (6,509,718 euros).

12. Earnings per share

In Estonian kroons / Euros

	2001	2000	2001	2000
Basic earnings per share	4.31	7.03	0.28	0.45
Diluted earnings per share	4.31	7.03	0.28	0.45
Book value of a share	36.14	31.85	2.31	2.04
Price/earnings ratio (P/E)	9.8	6.7	9.8	6.7
Closing price of the share at Tallinn Stock Exchange at 31.12.2001	42	47.3	2.68	3.02

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

Basic earnings per share for 2001 = 19,383,385 (1,238,821)/4,499,061 = 4.31 (0,28)

Basic earnings per share for 2000 = 31,628,096 (2,021,399) /4,499,061 = 7.03 (0,45)

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

13. Cost of goods sold

In Estonian kroons /Euros

	2001	2000	2001	2000
Materials	153,928,535	118,472,518	9,837,801	7,571,755
Personnel expenses	69,347,065	63,268,658	4,432,074	4,043,594
Power and heat energy	29,085,490	25,413,974	1,858,897	1,624,245
Depreciation	21,762,916	11,608,748	1,390,900	741,932
Cost of goods purchased	16,719,132	12,340,736	1,068,545	788,715
Other expenses	13,845,371	14,977,940	884,878	957,262
Change in work in progress	(10,707,405)	790,868	(684,326)	50,546
Change in finished goods	(3,567,373)	(3,571,777)	(227,996)	(228,278)
TOTAL	290,413,731	243,301,665	18,560,773	15,549,771

14. Marketing expenses

In Estonian kroons /Euros

	2001	2000	2001	2000
Transport	6,808,798	7,823,668	435,160	500,022
Personnel expenses	3,047,855	2,562,328	194,793	163,762
Advertising expenses	2,800,544	2,053,621	178,987	131,250
Agency fees	1,697,053	1,815,181	108,461	116,011
Other expenses	3,512,199	2,915,892	224,470	186,359
TOTAL	17,866,449	17,170,690	1,141,871	1,097,404

15. General administrative expenses

In Estonian kroons /Euros

	2001	2000	2001	2000
Personnel expenses	5,024,007	4,906,903	321,092	313,607
Office expenses	1,558,036	1,443,105	99,576	92,231
Cost of services purchased	1,250,283	1,696,035	79,907	108,396
Other expenses	2,311,378	4,394,917	147,724	280,886
TOTAL	10,143,704	12,440,960	648,299	795,120

16. Personnel expenses

In Estonian kroons /Euros

	2001	2000	2001	2000
Wages and salaries	52,163,510	47,413,406	3,333,847	3,030,261
Social security and health assurance	17,515,326	15,728,654	1,119,430	1,005,242
Transfers to vacation pay provision	7,805,867	7,311,275	498,885	467,274
TOTAL	77,484,703	70,453,335	4,952,162	4,502,777

In 2001 AS Viisnurk had, on average, 1,004 employees. The corresponding figure for 2000 was 917.

The remuneration of the executive management totalled 3,594,795 kroons (229,749 euros).

17. Other income

In Estonian kroons /Euros

	2001	2000	2001	2000
Gains on sale of non-current assets	168,883	720,000	10,794	46,016
Exchange gains	400,672	489,309	25,607	31,273
Insurance indemnification	54,969	150,878	3,513	9,643
Other	1,045,087	343,881	66,793	21,978
TOTAL	1,669,611	1,704,068	106,707	108,910

18. Other expenses

In Estonian kroons /Euros

	2001	2000	2001	2000
Losses on sale of non-current assets	356,552	1,198,529	22,788	76,600
Exchange losses	520,955	654,702	33,295	41,843
Doubtful receivables	540,126	1,053,182	34,520	67,310
Other	1,550,636	770,629	99,103	49,252
TOTAL	2,968,269	3,677,042	189,706	235,005

19. Financial income and financial expenses

In Estonian kroons /Euros

	2001	2000	2001	2000
<i>Financial income:</i>				
Interest income	20,173	257,875	1,289	16,481
Other	1,150,749	412,794	73,546	26,382
TOTAL	1,170,922	670,669	74,835	42,863
<i>Financial expenses:</i>				
Interest expense	8,820,621	2,915,279	563,739	186,320
Exchange loss	166,584	265,734	10,646	16,983
Other	49,595	58,219	3,170	3,721
TOTAL	9,036,800	3,239,232	577,555	207,024

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.

Results by business segments:

The company's management differentiates the following business segments:

Sports Goods Division produces cross-country skis and hockey sticks, and distributes sports goods. In 2001, exports accounted for 84 percent of its turnover (the main partners were in Finland, Austria, the USA, and Norway).

Furniture Factory produces domestic furniture. In 2001 the factory exported 95 percent of its products, mostly to Sweden and Finland.

Softboard Factory produces softboard and beneficiated interior decoration boards. Exports accounted for 68 percent of sales and the largest partners were in Finland and the Netherlands.

Wood Panel Factory began production in the first quarter of 2001. The factory produces edge-glued panels of pine and birch. In 2001, 48 percent of the products were sold to external partners and 52 percent to the company's own furniture factory. The share of exports in sales to external partners was 59 percent.

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

Segment results, assets and liabilities encompass items that are directly attributable to a segment or can be allocated to it on a reasonable basis.

Items that cannot be allocated include interest-bearing loans, financial income and expenses, the assets and expenses of the head office and other items that cannot be divided on a reasonable basis.

For financial information on business segments refer to page 22.

Net sales by geographical segments:

In thousands of Estonian kroons /Euros

	2001	2000	2001	2000
EXPORTS				
<i>European countries</i>				
Finland	96,705	103,282	6,181	6,601
Sweden	67,088	55,608	4,288	3,554
Germany	17,869	25,672	1,142	1,641
The Netherlands	18,780	18,307	1,200	1,170
Austria	9,583	11,175	612	714
Norway	13,550	10,489	866	670
Latvia, Lithuania	3,587	2,429	229	155
Other	15,832	11,145	1,012	712
TOTAL	242,994	238,107	15,530	15,217
Russia, Ukraine	19,473	10,103	1,245	646
North America (the USA and Canada)	20,421	9,308	1,305	595
The rest of the world	782	547	50	35
TOTAL EXPORTS	283,670	258,065	18,130	16,493
DOMESTIC SALES	63,302	51,018	4,046	3,261
TOTAL	346,972	309,083	22,176	19,754

Sales by business segments

	In thousands of Estonian kroons												VIISNURK TOTAL	
	Sports Goods Division		Furniture Factory		Softboard Factory		Wood Panel Factory		Supporting units		Eliminations		2001	2000
	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000
External sales	86,590	98,828	157,489	121,373	71,892	72,252	9,032	41	21,969	16,589			346,972	309,083
Inter-segment sales		4,936	92	124			9,613		50,067	26,612	(59,772)	(31,672)	0	0
Total sales revenue	86,590	103,764	157,581	121,497	71,892	72,252	18,645	41	72,036	43,201	(59,772)	(31,672)	346,972	309,083
Segment result	5,569	11,847	23,052	19,233	20,589	19,362	(11,963)	(476)	146	(3,329)			37,393	46,637
Unallocated expenses													(10,144)	(12,441)
Operating profit													27,249	34,196
Net financial expenses													(7,866)	(2,568)
Net profit for the period													19,383	31,628
Segment assets	83,126	88,477	80,152	66,862	41,265	34,076	93,317	93,990	38,834	31,842			337,054	315,247
Unallocated assets													20,466	16,631
Total assets													357,520	331,878
Segment liabilities	10,503	13,612	18,226	15,390	4,755	3,409	2,625	13,555	8,964	5,085			45,073	51,051
Unallocated liabilities													149,770	137,534
Total liabilities													194,843	188,585
Acquisition of segment assets	3,518	12,488	14,107	13,326	7,896	4,662	94,708	212	1,439	4,357			121,668	35,045
Acquisition of unallocated assets													4,447	7,900
Total acquisition of non-current assets													126,115	42,945
Annual segment depreciation	4,016	2,853	4,448	2,823	2,469	2,003	6,816	0	3,262	3,135			21,011	10,814
Annual unallocated depreciation													1,233	1,696
Total annual depreciation													22,244	12,510

Sales by business segments

	In thousands of Euros												VIISNURK TOTAL	
	Sports Goods Division		Furniture Factory		Softboard Factory		Wood Panel Factory		Supporting units		Eliminations		2001	2000
	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000
External sales	5,534	6,316	10,065	7,757	4,595	4,618	577	3	1,404	1,060			22,175	19,754
Inter-segment sales		315	6	8			614		3,200	1,701	(3,820)	(2,024)	0	0
Total sales revenue	5,534	6,631	10,071	7,765	4,595	4,618	1,191	3	4,604	2,761	(3,820)	(2,024)	22,175	19,754
Segment result	356	757	1,473	1,229	1,316	1,237	(764)	(30)	9	(213)			2,390	2,980
Unallocated expenses													(648)	(795)
Operating profit													1,742	2,186
Net financial expenses													(503)	(164)
Net profit for the period													1,239	2,021
Segment assets	5,313	5,655	5,123	4,273	2,637	2,178	5,964	6,007	2,482	2,035			21,519	20,148
Unallocated assets													1,331	1,063
Total assets													22,850	21,211
Segment liabilities	671	870	1,165	984	304	218	168	866	573	325			2,881	3,263
Unallocated liabilities													9,572	8,790
Total liabilities													12,453	12,053
Acquisition of segment assets	225	798	902	852	505	298	6,053	14	92	278			7,777	2,240
Acquisition of unallocated assets													283	505
Total acquisition of non-current assets													8,060	2,745
Annual segment depreciation	257	182	284	181	158	128	436	0	209	200			1,344	691
Annual unallocated depreciation													100	108
Total annual depreciation													1,444	799

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 EURIBOR. At 1 January 2001, 6 months' EURIBOR stood at 4.834 and at 31 December 2001 at 3.256.

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

- The loan of EUR 1,490,000 every year on 20 September and 20 March
- The loan of DEM 577,998 every year on 5 February and 5 August
- The loan of EEK 38,000,000 every year on 1 March and 1 September
- The loan of EEK 19,000,000 every year on 1 March and 1 September.

The interest rate risk also depends on the overall economic situation in Estonia and on changes in the banks' average interest rates.

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 540,126 kroons (34,520 euros). The financial positions and settlement practice of existing and potential partners are monitored on a regular basis.

Currency risk

The currency risk of AS Viisnurk is very low because most of the export-import agreements are concluded in Deutschmark or in euro. During the financial year the company received 26.2 million kroons (1.67 million euros) in currencies to which the Estonian kroon is not directly or indirectly linked (82 percent of the amount was in USD), and paid 17.9 million kroons (1.14 million euros) for goods and services in currencies with an exchange risk (89 percent in USD).

22. Pending litigation

A charge was brought against AS Viisnurk and members of the management board Meelis Kukk and Toivo Kuldmäe in the Prosecutor's Office of Mikkeli Parish on 19 December 2000 for deliberation at Lappeenranta City Court. According to the statement of claim, the injured party is Halltex Sisustus Oy and the statement has been signed by the Prosecutor of Mikkeli Parish Ossi Jukarainen. The object of action is "instigation and abetting the disclosure and abuse of business secrets." According to the plaintiff, Kukk and Kuldmäe instigated and abetted a crime in 1994-1998, being aware that Eskelinen, Kiljunen, Ruhanen and Vesterinen were disclosing the business secrets of Halltex Sisustus Oy, that they were accomplices to a crime, and that they were causing financial damage to Halltex Sisustus Oy. In the statement of claim the prosecutor demands punishment for AS Viisnurk, indemnification of legal expenses by Kukk, Kuldmäe and AS Viisnurk and punishment for Kukk and Kuldmäe.

The preliminary hearing of the case took place on 14 August 2001 and hearings were held on 4 February 2002 - 20 February 2002.

On 11 February 2002 the prosecutor withdrew the charges against Meelis Kukk, Ruhanen and Vesterinen completely. The charge against Toivo Kuldmäe was withdrawn in part. According to the remaining charges, Kuldmäe is accused of instigating Eskelinen and abetting the disclosure of the business secrets Eskelinen received from Kiljunen. As regards AS Viisnurk, on 20 February 2002 the prosecutor stated that he is demanding a penalty of at least 40,000 euro (625,866 kroons). The court will pronounce the judgement on 13 March 2002. Should the court satisfy the claim, AS Viisnurk will have to pay the penalty and compensate a part of the legal expenses incurred by the state. In addition, it is probable that Halltex Sisustus Oy will claim damages.

AS Viisnurk is represented in the case by Pekka Pinomaa of Law Office Pekka Pinomaa and Paul Künnap of Asianajotoimisto Sorainen.

Auditor's report

(Translation of the original in Estonian language)

We have audited the financial statements of AS Viisnurk, comprising the balance sheet as of 31 December 2001, the related statements of income, cash flows, and changes in equity for the year then ended, and the notes to the financial statements, set out on pages 9 - 26. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements give a true and fair view of the financial position of AS Viisnurk as of 31 December 2001, and of the results of its operations and its cash flows for the year then ended in accordance with International Accounting Standards.

Tallinn, 15 February 2002

KPMG Estonia

(signed)

Marek Sukk
Authorised Public Accountant

(signed)

Made Tamm
Authorised Public Accountant

Profit allocation proposal

AS Viisnurk's undistributed profits:

Retained earnings at 31.12.2000	82,471,833 kroons	(5,270,897 euros)
Net profit for 2001	19,383,385 kroons	(1,238,821 euros)
Total undistributed profits	101,855,218 kroons	(6,509,718 euros)

The management board proposes that profits be retained.

Chairman of Management Board	Meelis Kukk
Member of Management Board	Toivo Kuldmäe
Member of Management Board	Toomas Matvere
Member of Management Board	Jüri Rokk
Member of Management Board	Andrus Aljas
Member of Management Board	Erik Piile