Annual report

2005

VIISNURK

Contents

Introduction

The Company

AS Viisnurk is a wood processing company with over half a century's experience in adding value to wood.

AS Viisnurk has two divisions: the *Furniture* division and the *Building materials* division.

The *Furniture* division manufactures and distributes wooden household furniture of unique design. Self-produced products are sold under the *Skano* brand name, which is also the name of the Company's retail furniture stores in Estonia and Latvia.

The *Building materials* division produces and markets two softboard-based product categories: insulation and soundproofing boards, and interior finishing boards for walls and ceilings which are distributed under the *Isotex* brand name.

In addition to Estonia, AS Viisnurk's target markets include the Nordic countries, Western and Central Europe and Russia. Our customers and business associates are recognised representatives of their area who have opted for long-term relations with AS Viisnurk.

AS Viisnurk is the only Estonian wood processing company whose shares are quoted in List I of Tallinn Stock Exchange.

AS Viisnurk places great value on the satisfaction of its customers, staff and shareholders and balanced relations with the environment.

The year in brief

- In 2005, AS Viisnurk attained all its main objectives – completed the restructuring process, began earning a stable profit and improved its financial position significantly.
- As part of the restructuring process, in the first half of the year the plant and equipment of the *Sports goods* division were sold and the divestment of the *Wood* division was completed.
- On 2 June 2005, the majority shareholder changed as OÜ Trigon Wood acquired a 59.62 percent shareholding in AS Viisnurk.
- AS Viisnurk ended the financial year with revenue of EEK 218.7 million (€14 million) and a net profit of EEK 9.8 million (€0.6 million).
- The turnover of OÜ Skano, a subsidiary of the *Furniture* division and a furniture retailer, grew approximately 70 percent. In November, the subsidiary expanded to Latvia, opening a furniture store in Riga.
- The *Building materials* division improved the positions of *Isotex* products in Finland, its primary market, and sustained growth in the domestic market.
- Operating cash flows were positive, amounting to EEK 20.4 million (€1.3 million); the outstanding loan balance was reduced by EEK 49.5 million (€3.2 million) using mostly cash received from the divestment of discontinued operations (EEK 40.4 million (€2.6 million)).

Financial highlights

EEK'000	**2005**	2004	2003	2002	2001
Income statement					
Revenue	**218,710**	347,544	392,331	367,531	346,972
Operating profit/loss	**12,840**	(11,579)	(60,466)	(9,729)	27,249
Operating margin	**5.9%**	(3.3%)	(15.4%)	(3.5%)	7.9%
Net profit/loss	**9,776**	(16,385)	(68,840)	(19,632)	19,383
Balance sheet					
Total assets	**155,822**	208,525	280,996	344,893	357,520
Return on assets	**6.3%**	(7.9%)	(24.5%)	(6.2%)	5.6%
Equity	**65,780**	56,004	74,205	143,045	162,677
Return on equity	**14.9%**	(29.3%)	(92.8%)	(15.9%)	11.9%
Debt-to-equity ratio	**58%**	73%	74%	58%	54%
Share (31 December)					
Closing price	**41.15**	21.12	33.64	25.00	42.00
Earnings per share	**2.17**	(3.64)	(15.30)	(4.36)	4.31
Price-earnings ratio	**19.0**	-	-	-	9.7
Book value of a share	**14.62**	12.45	16.49	31.79	36.14
Market to book ratio	**2.8**	1.7	2.0	0.8	1.2
Market capitalisation	**185,134**	95,020	151,346	112,610	188,961

€'000	**2005**	**2004**	**2003**	**2002**	**2001**
Income statement					
Revenue	**13,978**	22,212	25,074	23,489	22,171
Operating profit/loss	**821**	(740)	(3,865)	(622)	1,741
Operating margin	**5.9%**	(3.3%)	(15.4%)	(3.5%)	7.9%
Net profit/loss	**625**	(1,047)	(4,400)	(1,255)	1,239
Balance sheet					
Total assets	**9,959**	13,327	17,959	22,043	22,845
Return on assets	**6.3%**	(7.9%)	(24.5%)	(6.2%)	5.6%
Equity	**4,259**	3,666	4,743	9,142	10,395
Return on equity	**14.9%**	(29.3%)	(92.8%)	(15.9%)	11.9%
Debt-to-equity ratio	**58%**	73%	74%	58%	54%
Share (31 December)					
Closing price	**2.63**	1.35	2.15	1.6	2.68
Earnings per share	**0.14**	(0.23)	(0.98)	(0.28)	0.28
Price-earnings ratio	**19.0**	-	-	-	9.7
Book value of a share	**0.93**	0.80	1.05	2.03	2.31
Market to book ratio	**2.8**	1.7	2.0	0.8	1.2
Market capitalisation	**11,832**	6,073	9,673	7,197	12,074

Contacts

The core activities of AS Viisnurk are wooden furniture and softboard production.

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Registration number:	10106774
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E-mail:	mail@viisnurk.ee
Website:	www.viisnurk.ee
Beginning of financial year:	1 January 2005
End of financial year:	31 December 2005
Chairman of the management board:	Toivo Kuldmäe
Auditor:	KPMG Baltics AS

Report by the management board

AS Viisnurk

In 2005, AS Viisnurk attained all its main objectives – completed the restructuring process, began earning a stable profit and improved its financial position significantly. As part of the restructuring process, in the first half of the year the plant and equipment of the *Sports goods* division were sold and the divestment of the *Wood* division was completed. Thanks to better than expected restructuring results, the divestment of *Building materials* division has been suspended. The transactions did not have any major impact on AS Viisnurk's result for 2005 because most of them were recognised in the financial statements for 2004. For the continuing *Furniture* and *Building materials* divisions, the past financial year was one of strategising and planning.

A significant development was the change of the majority shareholder. On 2 June 2005, a sales contract was signed and OÜ Trigon Wood acquired 59.47 percent of the shares in AS Viisnurk.

In the past financial year, AS Viisnurk employed, on average, 324 people (2004: 435 people). At 31 December 2005, the number of staff was 322 (31 December 2004: 389).

Financial review

Revenue and result of operations

AS Viisnurk ended 2005 with revenue of EEK 218.7 million (€14 million). The sales figures are not comparable to those of the preceding financial year (EEK 347.5 million and € 22.2 million) because after the divestment of two divisions the Company's business volume has shrunk considerably.

The result of operations was a profit of EEK 9.8 million (€0.6 million). For comparison, 2004 ended in a loss of EEK 16.4 million (€1 million). Earnings per share were EEK 2.17 (€0.14). In 2006, the Company expects to increase earnings per share to EEK 3.5 - 4 (€0.22 - 0.26).

AS Viisnurk's revenue and result of operations:

EEK'000	**REVENUE**		**RESULT FOR THE PERIOD**	
	2005	**2004**	**2005**	**2004**
Furniture division	**122,105**	156,537	**4,817**	2,938
Building materials division	**96,443**	96,076	**13,910**	18,565
Discontinued operations	**162**	94,107	**345**	(29,554)
Other operations	**0**	824	**0**	5,200
TOTAL	**218,710**	347,544	**19,072**	(2,851)
Unallocated expenses			**(6,232)**	(8,729)
OPERATING PROFIT			**12,840**	(11,580)
Net financing costs			**(3,064)**	(4,805)
AS VIISNURK NET PROFIT			**9,776**	(16,385)

€'000	REVENUE		RESULT FOR THE PERIOD	
	2005	**2004**	**2005**	**2004**
Furniture division	**7,804**	10,005	**308**	188
Building materials division	**6,164**	6,140	**889**	1,187
Discontinued operations	**10**	6,015	**422**	(1,889)
Other operations	**0**	52	**0**	332
TOTAL	**13,978**	22,212	**1,219**	(182)
Unallocated expenses			**(398)**	(558)
OPERATING PROFIT			**821**	(740)
Net financing costs			**(196)**	(307)
AS VIISNURK NET PROFIT			**625**	(1,047)

Balance sheet and statement of cash flows

At 31 December 2005, AS Viisnurk's total assets stood at EEK 155.8 million (€10 million). The balance sheet shrank by EEK 52.7 million (€3.4 million) due to scheduled restructuring. A positive development was the decrease in loans and borrowings by EEK 49.5 million (€3.2 million), which reduced the debt to equity ratio to 58 percent.

Operating cash flows were positive, amounting to EEK 20.4 million (€1.3 million). In addition, the divestment of discontinued operations contributed cash of EEK 40.4 million (€6 million). The cash used in investments required for operating activities (acquisition of property, plant and equipment) totalled EEK 4.3 million (€0.3 million).

Performance of business units

Furniture division

- Discontinuance of cheap subcontracting services (to IKEA, etc.)
- Increase in the sale and importance of self-produced products
- Sustained focus on the design of a profitable product portfolio, streamlining and optimisation of expenses
- 70 percent growth in the retail sale of furniture through OÜ Skano
- Establishment of the subsidiary SIA Skano in Latvia and opening of a furniture store in Riga

The *Furniture* division manufactures and markets wooden household furniture, including items for living, dining and bedrooms and studies. Self-produced products are marketed under the *Skano* brand name, which is also the name of the Company's two retail furniture stores in Estonia and one in Latvia.

Operating results

The *Furniture* division ended the financial year with revenue of EEK 122.1 million (€7.8 million) and a profit of EEK 4.7 million (€0.3 million). For comparison, 2004 ended with revenue of EEK 156.5 million (€10 million) and a profit of EEK 2.9 million (€0.2 million). The profitability of operations improved by 2 percent.
Similarly to prior years, the main markets were Finland, Russia, and Germany which accounted for 78 percent of sales.

Furniture production

In 2005, the *Furniture* division discontinued the supply of subcontracting services to major customers (IKEA, etc.) and focused on the design of a profitable product portfolio, improvement of production efficiency and optimisation of expenses.
The above are indispensable for ensuring sustainable production in an environment of heightening competition and cost inflation.
The division's target customers are small and medium-sized furniture wholesalers and retailers who seek unique design, high quality and flexible customer service.

Retailing

In the past financial year, development of retail operations became a priority. AS Viisnurk has two wholly-owned subsidiaries which are engaged in the retail sale of furniture - OÜ Skano in Estonia and SIA Skano in Latvia.
The *Furniture* division's retailing concept has proved its viability since 2003 when it was devised. In 2005, retail operations were expanded to Riga, Latvia, where a new furniture store was opened in November. Furniture sales by OÜ Skano grew by an exceptional 70 percent.
The division's strategy for the next few years foresees proactive development of retail operations in the nearby markets.

At the end of the financial year, the division employed 239 people (2004: 299 people); including the subsidiaries the number of staff was 247 (2004: 304).

Building materials division

- Strong operating results which complied with projections
- Approximately 10 percent growth in the sales of *Isotex* products which have a higher profit margin and consolidation of positions in Finland, the core market
- Stiffening of competition in the supply of insulation and soundproofing boards – saturation of the market due to expanded production capacities

The *Building materials* division produces two softboard-based product categories: insulation and soundproofing boards and interior finishing boards for walls and ceilings.

Operating results

For the *Building materials* division, the past financial year was highly successful and corresponded to projections. Sales remained similar to 2004 – EEK 96.4 million (€6.2 million) and the year ended in a profit of EEK 13.9 million (€0.9 million) (2004: EEK 18.6 million (€1.2 million)).
Exports accounted for 53 percent of sales. The main export markets were Finland, Portugal and the Netherlands.

Interior finishing boards

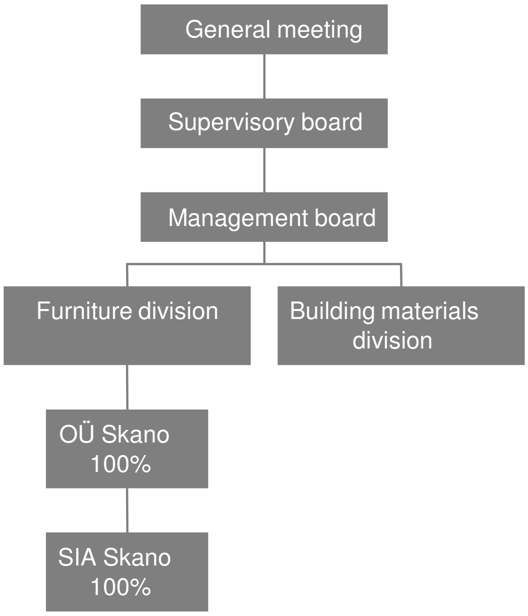
The division produces only AS Viisnurk's own *Isotex* brand of finishing board. Interior finishing boards are made of natural softboard, which is produced on the factory's main production line. The boards have milled tenons and the surface is covered with paper or textile. The technology allows producing boards of different colour and pattern. The main advantages are effective sound insulation and easy and fast installation.
In 2005, sales of interior finishing boards totalled EEK 33 million (€2.1 million), approximately 10 percent up on 2004. The figure accounts for 35 percent of the division's total turnover. Similarly to previous years, the largest product group was *Quatro* ceiling panels with tongue-and-groove tenons on all four edges which accounted for over 73 percent of the sales of *Isotex* products.
During the year, the division consolidated positions in Finland, the largest target market, and sustained growth in the domestic market.
For subsequent years the strategy of the division foresees increasing the output of *Isotex* products with a view to exporting to Russia where the construction sector is developing at a high pace, creating excellent opportunities for continued improvement of the division's operating results.

Insulation and soundproofing boards

Sales of insulation and soundproofing boards amounted to EEK 59.4 million (€3.8 million), a result similar to 2004. The best-selling product group was wind-protection board which accounted for 39 percent of the sales of insulation and soundproofing boards.
The division's largest foreign customers are distributors and manufacturers, whereas in the domestic market the largest customers are building materials retail chains. Insulation boards are also marketed under AS Viisnurk's own *Isoplaat* brand name.
In 2005, competition heightened in all the principal markets. In recent years, European board manufacturers have increased their capacities substantially but market growth has been considerably slower. This has increased manufacturers' inventories and triggered a price decline. The developments have had an adverse effect on the profitability of the *Building materials* division.

At the end of 2005, the *Building materials* division employed 83 people (2004: 90 people).

Organisation and people



Organisational chart of AS Viisnurk at 31 December 2005*

* The chart does not include wholly-owned subsidiaries OÜ Isotex and OÜ Visu because the companies did not conduct business operations in 2005.

By the end of 2005, the workforce of AS Viisnurk had decreased to 322 (2004: 394). Including the employees of OÜ Skano, at 31 December 2005 the Group's staff totalled 330. The continued downsizing resulted from the need to streamline and improve operating efficiency in an environment of inflating costs. At the end of the financial year, the staff comprised of 264 workers and 58 specialists and executives. The average age was 43.9.
Employee wages and salaries totalled EEK 29.6 million (€1.9 million), a 46 percent decrease from 2004. The gross remuneration of the members of the management board and executive management equalled EEK 1.9 million (€0.12 million), 21 percent down from 2004.

The staff of AS Viisnurk:

	2005	2004	Change %
Furniture division	**239**	299	(20.1)
Building materials division	**83**	90	(7.8)
OÜ Skano	**5**	5	0
SIA Skano	**3**	-	-
TOTAL AS VIISNURK	**330**	394	(16.2)

Environmental policy

Since 2004, both the *Furniture* and *Building materials* divisions have an integrated environmental permit which is required by the Integrated Pollution Prevention and Control Act. Adherence to the requirements of the permits ensures that production activity has the minimum impact on the environment. The obligations prescribed by the permits ensure the protection of water, air and soil and the management of generated waste in an environmentally sustainable manner.
To meet the requirements of the Packaging Act, in 2005 AS Viisnurk made a contract with the Estonian Recovery Organization (ERO) and transferred its packaging collection and recovery and related reporting responsibility to ERO. The contract ensures that all end-consumers may return the packaging free of charge to containers bearing the Green Point (der Grüne Punkte) sign. To support sales in the German-speaking markets, a contract was also made with the German packaging recovery organisation ISD Interseroh GmbH. The contract ensures that all packaging taken to the German market is duly collected and recovered.
In 2005, AS Viisnurk's current internal environmental expenses totalled EEK 500,000 (€32,000). Environmental charges totalled EEK 1,731,000 (€111,000).

Water intake

In thousands of m^3	**2005**	**2004**	**Change %**
Water intake:	**85.8**	126.21	(-47.1)
Ground water (municipal water)	**4.4**	12.0	(-172.7)
Ground water (own bore wells)	**18.9**	26.9	(-42.3)
Surface water	**62.5**	87.3	(-39.7)
Water discharge:	**63.2**	111.1	(-75.9)
Conditionally clean wastewater	**15.5**	46.4	(-199.4)
Wastewater	**47.7**	64.7	(-35.7)
Water losses	**22.6**	32.9	(-45.6)

Water intake and wastewater discharge

	2005 *EEK´000*	2004 *EEK´000*	**2005** *€´000*	2004 *€´000*	**Change %**
Water intake:	**59.1**	118.15	**3.8**	7.55	(-99.9)
Ground water (municipal water)	**35.5**	88.26	**2.3**	5.64	(-148.6)
Ground water (own bore wells)	**11.1**	14.25	**0.7**	0.91	(-28.4)
Surface water	**12.5**	15.64	**0.8**	1.00	(-25.1)
Water discharge:	**1126.1**	2012.02	**72.0**	128.59	(-78.7)
Conditionally clean wastewater					
Wastewater	**1126.1**	2012.02	**72.0**	128.59	(-78.7)
Total expense	**1185.2**	2130.17	**75.8**	136.14	(-79.7)

Main pollutants

In tons	**2005**	**2004**	**Change %**
Volatile organic compounds	**47.2**	92.0	(-94.9)
Organic dust	**3.9**	5.9	(-66.1)
Total	**51.1**	97.9	(-91.6)

Waste handling

	2005 *EEK´000*	**2004** *EEK´000*	**2005** *€´000*	**2004** *€´000*	**Change %**
Handling of hazardous waste	**142.4**	136.8	**9.1**	8.74	4.1
Handling of non-hazardous waste	**260.6**	293.9	**16.7**	18.79	(-12.8)
Total expenses	**403.0**	430.8	**25.8**	27.53	(-6.9)
Recycling of waste in the production of heat energy	**366.3**	327.9	**23.4**	20.95	11.7
Sales of wood waste	**195.7**	85.5	**12.5**	5.46	129.9
Sales of metal waste	**14.9**	18.5	**1.0**	1.18	(-24.0)
Total conditional income	**576.9**	431.8	**36.9**	27.6	33.6

Consolidated financial statements

Statement of management responsibility

The management board acknowledges its responsibility for the preparation, integrity and fair presentation of the consolidated financial statements of AS Viisnurk Group for 2005 as set out on pages 12 to 43 of this report, and confirms that to the best of its knowledge, information and belief:

- the accounting policies applied in the preparation of the consolidated financial statements comply with International Financial Reporting Standards as adopted by the European Union;
- the consolidated financial statements give a true and fair view of the financial positions of the Group and AS Viisnurk and the results of their operations and their cash flows;
- all significant events that occurred until the date on which the consolidated financial statements were authorised for issue (28 April 2006) have been properly recognised and disclosed; and
- AS Viisnurk and its subsidiaries are going concerns.

______________________	______________________
Toivo Kuldmäe	Andrus Aljas
Chairman of Management Board	Member of Management Board

Consolidated balance sheet

	31.12.2005 *EEK*	31.12.2004 (restated) *EEK*	31.12.2005 *€*	31.12.2004 (restated) *€*
Cash and cash equivalents	5,552,478	3,869,622	354,868	247,314
Short-term financial assets (note 4)	6,784,686	0	433,621	0
Trade receivables (note 1)	21,937,518	27,645,029	1,402,063	1,766,839
Other receivables	521,883	84,970	33,354	5,431
Prepayments (note 2)	3,289,824	2,576,047	210,258	164,639
Inventories (note 3)	42,160,509	40,418,880	2,694,548	2,583,237
Non-current assets held for sale (note 3)	0	50,943,176	0	3,255,862
Total current assets	**80,246,898**	**125,537,724**	**5,128,712**	**8,023,322**
Long-term financial assets (note 4)	600	600	38	38
Investment property (note 5)	15,521,213	15,636,379	991,986	999,347
Property, plant and equipment (note 6)	58,234,608	64,465,656	3,721,870	4,120,107
Intangible assets (note 7)	1,818,221	2,884,278	116,206	184,339
Total non-current assets	**75,574,642**	**82,986,913**	**4,830,100**	**5,303,831**
TOTAL ASSETS	**155,821,540**	**208,524,637**	**9,958,812**	**13,327,153**
Loans and borrowings (note 8)	8,908,960	76,061,374	569,386	4,861,208
Customer advances	491,419	11,186,335	31,407	714,937
Trade payables	23,648,760	20,997,906	1,511,431	1,342,011
Tax liabilities (note 11)	2,980,187	3,443,133	190,469	220,056
Accrued expenses (note 10)	5,232,310	8,755,995	334,406	559,610
Provisions (note 12)	430,000	936,594	27,482	59,859
Total current liabilities	**41,691,636**	**121,381,337**	**2,664,581**	**7,757,681**
Provisions (note 12)	430,000	860,000	27,482	54,964
Loans and borrowings (note 8)	47,920,204	30,279,128	3,062,660	1,935,189
Total non-current liabilities	**48,350,204**	**31,139,128**	**3,090,142**	**1,990,153**
Total liabilities	**90,041,840**	**152,520,465**	**5,754,723**	**9,747,834**
Share capital at par value	44,990,610	44,990,610	2,875,424	2,875,424
Share premium	11,331,780	11,331,780	724,233	724,233
Statutory capital reserve	4,499,061	4,499,061	287,542	287,542
Retained earnings	(4,817,279)	11,567,872	(307,880)	739,322
Profit/loss for the period	9,775,528	(16,385,151)	624,770	(1,047,202)
Total equity (note 13)	**65,779,700**	**56,004,172**	**4,204,089**	**3,579,319**
TOTAL LIABILITIES AND EQUITY	**155,821,540**	**208,524,637**	**9,958,812**	**13,327,153**

The consolidated financial statements should be read in conjunction with the notes to and forming part of the consolidated financial statements set out on pages 17 to 43.

The information in euro has been presented for the user's convenience and does not form part of the audited consolidated financial statements.

Consolidated income statement

	2005 *EEK*	2004 (restated) Continuing operations *EEK*	2004 (restated) Discontinued operations *EEK*	2004 (restated) TOTAL *EEK*
REVENUE (note 22)	**218,709,730**	**253 437 380**	**94 106 970**	**347,544,350**
Cost of sales (note 15)	(180,840,127)	**(212 954 062)**	**(114 401 706)**	**(327,355,768)**
Gross profit	**37,869,603**	**40 483 318**	**(20 294 736)**	**20,188,582**
Distribution expenses (note 16)	(20,472,672)	(17 621 278)	(5 156 427)	(22,777,705)
Administrative expenses (note 17)	(6,232,239)	(8 728 551)	0	(8,728,551)
Other operating income (note 19)	2,721,902	4 428 275	188 564	4,616,839
Other operating expenses (note 20)	(1,046,437)	(586 996)	(4 291 387)	(4,878,383)
Operating profit/loss	**12,840,157**	**17 974 766**	**(29 553 986)**	**(11,579,220)**
Financial income (note 21)	114,232	1 799 900	0	1,799,900
Financial costs (note 21)	3,178,861	(6 605 830)	0	6,605,830
PROFIT/LOSS FOR THE PERIOD	**9,775,528**	**13 168 835**	**(29 553 986)**	**(16,385,151)**
Basic earnings per share (note 14)	**2.17**	**2,93**	**(6,57)**	**(3.64)**
Diluted earnings per share (note 14)	**2.17**	**2,93**	**(6,57)**	**(3.64)**

	2005 *€*	2004 (restated) Continuing operations *€*	2004 (restated) Discontinued operations *€*	2004 (restated) TOTAL *€*
REVENUE (note 22)	**13,978,099**	**16 197 600**	**6 014 532**	**22,212,132**
Cost of sales (note 15)	**(11,557,790)**	**(13 610 245)**	**(7 311 602)**	**(20,921,847)**
Gross profit	**2,420,309**	**2 587 355**	**(1 297 070)**	**1,290,285**
Distribution expenses (note 16)	(1,308,442)	(1 126 205)	(329 556)	(1,455,761)
Administrative expenses (note 17)	(398,313)	(557 856)	0	(557,856)
Other operating income (note 19)	173,961	283 019	12 051	295,070
Other operating expenses (note 20)	(66,880)	(37 515)	(274 270)	(311,785)
Operating profit/loss	**820,636**	**1 148 797**	**(1 888 844)**	**(740,047)**
Financial income (note 21)	7,301	115 035	0	115,035
Financial costs (note 21)	203,166	(422 190)	0	422,190
PROFIT/LOSS FOR THE PERIOD	**624,770**	**841 642**	**(1 888 844)**	**(1,047,202)**
Basic earnings per share (note 14)	**0.14**	**0,19**	**(0,42)**	**(0.23)**
Diluted earnings per share (note 14)	**0.14**	**0,19**	**(0,42)**	**(0.23)**

The consolidated financial statements should be read in conjunction with the notes to and forming part of the consolidated financial statements set out on pages 17 to 43.

The information in euro has been presented for the user’s convenience and does not form part of the audited consolidated financial statements.

Consolidated statement of cash flows

	2005 *EEK*	2004 (restated) *EEK*	2005 *€*	2004 (restated) *€*
Cash flows from operating activities				
Profit/loss for the period	**9,775,528**	**(16,385,150)**	**624,770**	**(1,047,202)**
Adjustments for:				
Depreciation and amortisation (notes 5, 6, 7)	11,562,332	17,746,513	738,968	1,134,209
Impairment losses (note 6)	0	12,936,295	0	826,780
Gains on long-term financial assets (note 21)	0	(1,664,968)	0	(106,411)
Gains on sale of investment property (note 19)	(1,236,072)	(3,232,262)	(78,999)	(206,579)
Gains on sale of discontinued operations (note19)	(410,725)	0	(26,250)	0
Gains on sale of property, plant and equipment and discontinued operations	(133,724)	(1,278,991)	(8,547)	(81,742)
Losses from write-down of receivables (note 20)	152,499	2,099,874	9,746	134,206
Provisions (note 12)	(936,594)	(2,843,131)	(59,859)	(181,709)
Interest expense (note 21) –	3,122,725	6,418,136	199,578	410,193
Operating profit before working capital changes	**21,895,969**	**13,796,316**	**1,399,407**	**881,745**
Change in current assets	4,404,325	20,056,426	281,488	1,281,840
Change in inventories (note 3)	(1,741,629)	23,502,233	(111,311)	1,502,066
Change in current liabilities	(1,030,693)	(30,537,103)	(65,873)	(1,951,677)
Cash from operating activities	**23,527,972**	**26,817,872**	**1,503,711**	**1,713,974**
Interest paid (note 21) –	(3,122,725)	(6,610,476)	(199,578)	(422,486)
Net cash from operating activities	**20,405,247**	**20,207,396**	**1,304,133**	**1,291,488**
Cash flows from investing activities				
Acquisition of investment property (note 5)	(150,000)	0	(9,587)	0
Proceeds from sale of investment property	1,500,000	3,950,000	95,868	252,451
Acquisition of property, plant and equipment	(4,338,303)	(3,424,879)	(277,268)	(218,890)
Proceeds from sale of property, plant and equipment	210,103	1,958,307	13,428	125,159
Acquisition of intangible assets (note 7)	(2,068)	(232,100)	(132)	(14,834)
Acquisition of shares and other securities (note 4) –	(6,784,686)	0	(433,621)	0
Proceeds from sale of long-term financial investments	0	3,099,968	0	198,124
Proceeds from disposal of discontinued operations	40,353,902	11,000,000	2,579,084	703,028
Net cash from investing activities	**30,788,948**	**16,351,296**	**1,967,772**	**1,045,038**
Cash flows from financing activities				
Repayment of loans	(43,117,521)	(20,900,076)	(2,755,712)	(1,335,758)
Payment of finance lease liabilities	(587,415)	(1,574,312)	(37,542)	(100,617)
Decrease in overdraft balance	(5,806,403)	(11,355,432)	(371,097)	(725,745)
Net cash from financing activities (note 8)	**(49,511,339)**	**(33,829,820)**	**(3,164,351)**	**(2,162,120)**
NET INCREASE IN CASH AND CASH EQUIVALENTS	**1,682,856**	**2,728,872**	**107,554**	**174,407**
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**3,869,622**	**1,140,750**	**247,314**	**72,907**
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	**5,552,478**	**3,869,622**	**354,868**	**247,314**

The consolidated financial statements should be read in conjunction with the notes to and forming part of the consolidated financial statements set out on pages 17 to 43.

The information in euro has been presented for the user's convenience and does not form part of the audited consolidated financial statements.

Consolidated statement of changes in equity

EEK	Share capital	Share premium	Statutory capital reserve	Retained earnings	Total
Balance at 31 December 2003	44,990,610	11,331,780	4,499,061	13,383,849	74,205,300
Restatement (note 28)	0	0	0	(1,815,977)	(1,815,977)
Restated balance at 31 December 2003	44,990,610	11,331,780	4,499,061	11,567,872	72,389,323
Loss for 2004	0	0	0	(16,849,432)	(16,849,432)
Restatement of the loss for 2004 (note 28)				464,281	464,281
Restated loss for 2004				(16,385,151)	(16,385,151)
Restated balance at 31 December 2004	44,990,610	11,331,780	4,499,061	(4,817,279)	56,004,172
Profit for 2005	0	0	0	9,775,528	9,775,528
Balance at 31 December 2005	44,990,610	11,331,780	4,499,061	4,958,249	65,779,700

€	Share capital	Share premium	Statutory capital reserve	Retained earnings	Total
Balance at 31 December 2003	2,875,424	724,233	287,542	855,384	4,742,583
Restatement (note 28)	0	0	0	(116,062)	(116,062)
Restated balance at 31 December 2003	2,875,424	724,233	287,542	739,322	4,626,521
Loss for 2004	0	0	0	(1,076,875)	(1,076,875)
Restatement of the loss for 2004 (note 28)				29,673	29,673
Restated loss for 2004				(1,047,202)	(1,047,202)
Restated balance at 31 December 2004	2,875,424	724,233	287,542	(307,880)	3,579,319
Profit for 2005	0	0	0	624,770	624,770
Balance at 31 December 2005	2,875,424	724,233	287,542	316,890	4,204,089

The consolidated financial statements should be read in conjunction with the notes to and forming part of the consolidated financial statements set out on pages 17 to 43.

The information in euro has been presented for the user's convenience and does not form part of the audited consolidated financial statements.

Notes to the consolidate financial statements

Significant accounting policies

AS Viisnurk (the “Company”) is a company domiciled in Estonia. The consolidated financial statements of AS Viisnurk for the year ended 31 December 2005 comprise the Company and its subsidiaries (together referred to as the “Group”).

The management board of AS Viisnurk authorised the financial statements for issue on 28 April 2006. In accordance with the Estonian Commercial Code, the financial statements have to be approved by the supervisory board and the general meeting of the shareholders of AS Viisnurk.

A Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

B Basis of preparation

In compliance with Tallinn Stock Exchange rules, the consolidated financial statements are presented in Estonian kroons (EEK) and in euro (€). The functional currency of the Group is the Estonian kroon. The Estonian kroon is pegged to the euro at the rate of EEK 15.64660 to €1. The information in euro has been presented for the user’s convenience and does not form part of the Group’s financial statements. All amounts shown in the financial statements for both years presented are converted at this rate, therefore the presentation practice does not give rise to foreign exchange translation differences.

In accordance with amendments to the Estonian Accounting Act which entered into effect on 1 January 2005, the separate principal reports of the parent company should be disclosed (see note 27). The principal reports of the parent company are prepared using the same accounting policies as in the preparation of the consolidated financial statements.

The financial statements are prepared, in all material respects, on the historical cost basis, except that financial assets classified as at fair value through profit or loss are carried at fair value.

Group companies use uniform accounting policies. There have been no significant changes in accounting policies compared to the previous year.

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 25.

C Changes in accounting policies and presentation practice

Since 1 January 2005, certain new and revised International Financial Reporting Standards have entered into effect which are mandatory for the Group from the period beginning on 1 January 2005. The revised standards whose application is required for annual periods beginning on 1 January 2005 and which the Group has applied since that period are:

- IAS 1 (revised in 2003), *Presentation of Financial Statements*
- IAS 2 (revised in 2003), *Inventories*
- IAS 8 (revised in 2003), *Accounting Policies, Changes in Accounting Estimates and Errors*
- IAS 10 (revised in 2003), *Events after the Balance Sheet Date*

- IAS 16 (revised in 2003), *Property, Plant and Equipment*
- IAS 17 (revised in 2003), *Leases*
- IAS 21 (revised in 2003), *The Effects of Changes in Foreign Exchange Rates*
- IAS 24 (revised in 2003), *Related Party Disclosures*
- IAS 27 (revised in 2003), *Consolidated and Separate Financial Statements*
- IAS 28 (revised in 2003), *Investments in Associates*
- IAS 32 (revised in 2003), *Financial Instruments: Disclosure and Presentation*
- IAS 33 (revised in 2003), *Earnings per Share*
- IAS 36 (revised in 2004), *Impairment of Assets*
- IAS 38 (revised in 2004), *Intangible Assets*
- IAS 39 (revised in 2003), *Financial Instruments: Recognition and Measurement*
- IAS 40 (revised in 2004), *Investment Property*

New International Financial Reporting Standards and interpretations of standards which are effective for periods beginning on 1 January 2005 are:

- IFRS 2 *Share-based Payment*
- IFRS 3 *Business Combinations* (applicable to periods beginning from 31 March 2004)
- IFRS 4 *Insurance Contracts*
- IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*
- IFRIC 1 *Changes in Existing Decommissioning, Restoration and Similar Liabilities*
- IFRIC 2 *Members' Shares in Co-operative Entities*

Application of the new and revised standards and interpretations did not cause significant changes in the Group's accounting policies and did not affect the Groups' result of operations, except for the implementation of IFRS 5. The application of IFRS 5 resulted in representing the comparative figures in the consolidated income statement for continuing and discontinued operations, based upon the classification at the current reporting date. Information of the revenue, expenses and loss from discontinued operations is presented on the face of the income statement. According to the prior requirements (IAS 35) the respective information was presented in the notes.

Changes in presentation practice

In accordance with amendments to the Estonian Accounting Act which entered into effect on 1 January 2005, presentation of information in the financial statements has been amended so that the financial statements for 2005 are the consolidated financial statements of the Group and the parent company's separate financial statements are now presented as a separate note to the consolidated financial statements (see note 27).

In connection with the entry into effect of amendments to IAS 27 *Consolidated and Separate Financial Statements*, from 1 January 2005 in the separate financial statements of the parent which are disclosed in the notes to the consolidated financial statements accounting for subsidiaries has been changed. In place of the formerly applied equity method, investments in subsidiaries are stated at cost (less impairment losses if any).

D Basis of consolidation and subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

At 31 December 2005, AS Viisnurk had the following wholly-owned subsidiaries: Skano OÜ, Visu OÜ and Isotex OÜ. At 31 December 2005, Skano OÜ had wholly-owned subsidiary SIA Skano.

On consolidation, the financial statements of the parent and its subsidiaries are combined line-by-line so that the financial statements reflect the results of the parent and its subsidiaries as those of a single enterprise. All intra-group balances and transactions and any unrealised gains and losses arising from intra-group transactions are eliminated.

E Foreign currency

Functional currency and presentation currency

The Group's foreign subsidiaries keep their accounts in their functional currency which is the currency of their primary economic environment. The consolidated financial statements are presented in Estonian kroons (EEK) which is the functional and presentation currency of AS Viisnurk.

Transaction s in foreign currencies
Transactions in foreign currencies are translated to Estonian kroons at the foreign exchange rates ruling at the date of the transaction. Monetary assets and liabilities that are denominated in a foreign currency at the balance sheet date are translated to Estonian kroons using the exchange rates ruling at that date. Foreign exchange differences arising on translation are reported in the income statement.

Financial statements of foreign operations
The financial statements of foreign operations are translated to the presentation currency as follows: the assets and liabilities of foreign operations are translated at the closing rate ruling at the balance sheet date of the entity; the income and expenses of foreign operations are translated using the annual average exchange rates which approximate to the exchange rate ruling at the date of the transaction. The financial statements of the Latvian company are translated using the Estonian kroon exchange rate against the Lithuanian litt (LVL 1 = EEK 22.4726).

F Cash and cash equivalents
Cash and cash equivalents comprise cash in hand, balances on current accounts (excluding overdrafts) and deposits with a maturity of up to three months.

G Financial assets
Depending on the purpose of acquisition and management's plans, financial assets are classified into the following categories:
- financial assets at fair value through profit or loss;
- loans and receivables;
- held-to-maturity investments; and
- available-for-sale financial assets.

Financial assets at fair value through profit or loss are initially recognised at their fair value which does not include the attributable transaction costs. The fair value of financial assets classified as at fair value through profit or loss is their quoted bid price at the balance sheet date. After initial recognition, financial assets at fair value through profit or loss are remeasured at their fair value and gains and losses arising from a change in their fair value are recognised in the income statement of the period.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

The Group has not classified any financial assets as held-to-maturity financial investments or available-for-sale financial assets.

H Receivables
Trade and other receivables are initially stated at their fair value and subsequently at amortised cost less impairment losses.

I Inventories
Work in progress and finished goods are recognised at cost. The cost of work in progress and finished goods includes direct and indirect production costs incurred in bringing the inventories to their existing location and condition. Production overheads are allocated to the cost of products on the basis of normal production capacity.

Other inventories are recognised at cost. The cost of other inventories includes the purchase price, non-refundable duties and taxes, and directly attributable transport and other costs less discounts and rebates. The cost of inventories is assigned using the weighted average cost formula.

In the balance sheet, inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Inventory write-downs are recognised in the income statement in the *Cost of sales*.

J Investment property

Investment property is property held to earn rentals or for capital appreciation or both. Investment property is recognised at cost and measured thereafter using the cost model i.e. the property is stated at cost less any accumulated depreciation and impairment losses.
Investment property is depreciated over its estimated useful life using the straight-line method. Annual depreciation rates range from 2.5-15 percent.

K Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see policy M). The cost of self-constructed assets includes direct and indirect costs of construction.

Where an item of property, plant and equipment consists of significant parts that have different useful lives, the parts are recognised as separate items of property, plant and equipment and assigned depreciation rates that correspond to their useful lives.

Renovation and improvement costs (ie subsequent costs) are added to the initial cost of an item of property, plant and equipment only when it is probable they increase future economic benefits that can be expected to flow to the Group from the item and the cost of the item can be measured reliably.

L Depreciation

Items of property, plant and equipment are depreciated over their estimated useful lives using the straight-line method. Land and construction in progress are not depreciated. The following annual depreciation rates are applied:

- buildings and structures 2.5 –15%
- plant and equipment 10 – 25%
- motor vehicles 10 – 20%
- other equipment and fixtures 20 – 40%

Estimated useful lives, residual values and deprecation methods are reassessed annually.

M Impairment

At each balance sheet date, management assesses whether there is any indication that an asset other than inventories (see policy H) may be impaired. If any such indication exists, the asset is tested for impairment and its recoverable amount is measured.

An impairment loss is recognised when the recoverable amount of an asset or the cash-generating unit to which the asset belongs is less than the carrying amount of the asset or the cash-generating unit. An impairment loss is recognised in the income statement.

The recoverable amount of the Group’s receivables is calculated as the present value of the expected future cash flows, discounted at the original effective interest rate inherent in the asset. Receivables with a short duration are not discounted.

The recoverable amount of the Group’s other assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss in respect of a receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

In respect of other assets, an impairment loss is reversed if there is an indication that the impairment no longer exists and there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

N Intangible assets

Intangible assets are stated at cost less accumulated amortisation and impairment losses (see policy M). Items are amortised over their estimated useful lives (2.5-5 years) on a straight-line basis.

Subsequent expenditure on intangible assets is capitalised only when it is probable that it will increase the future economic benefits associated with the asset. All other expenditure is expensed as incurred.

O Leases

Leases are recognised as operating and finance leases based on the economic substance of the transaction. Leases that transfer substantially all the risks and rewards of ownership to the lessee are classified as finance leases. All other leases are treated as operating leases.

Assets and liabilities connected with finance leases are initially recognised at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments at the inception of the lease and depreciated over the shorter of the lease term and its useful life. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

P Financial liabilities

Financial liabilities (trade payables, loans received, accrued expenses and other short- and long-term borrowings) are initially recognised at fair value. Subsequent to initial recognition, financial liabilities are measured at amortised cost using the effective interest rate method. Financial liabilities that are not classified as financial liabilities at fair value through profit or loss are initially recognised at fair value less directly attributable transaction costs.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying item of property, plant and equipment are capitalised as part of the cost of that item. Capitalisation ceases when substantially all the activities necessary to prepare the item of property, plant and equipment for its intended use are complete. All other borrowing costs are expensed.

Q Taxation

Corporate income tax

In accordance with the effective Estonian Income Tax Act, from 1 January 2000 corporate income tax is not levied on profits earned but dividends distributed. From 1 January 2006, the tax rate is 23/77 of the amount distributed as the net dividend (until 31 December 2005, the tax rate was 24/76 and until 31 December 2004 the tax rate was 26/74). The income tax payable on a dividend distribution is recognised as income tax expense in the period in which the dividend is declared. The income tax payable on future dividends is not established as a provision before the dividend is declared but information on the contingent tax liability is disclosed in the notes to the financial statements.

Because of the specific nature of the Estonian taxation concept, the term *tax base of assets and liabilities* does not have economic substance and deferred income tax liabilities and assets cannot arise.

In accordance with Latvian income tax legislation, in Latvia the profits earned by companies operating in Latvia are adjusted for the differences provided by the law and taxed at the rate of 15 percent. Latvian tax legislation provides for temporary differences between the carrying amounts and tax bases of assets and liabilities. Therefore, deferred tax assets and liabilities may arise. At the balance sheet date, the Latvian entity did not have any deferred tax assets or liabilities.

Other taxes

In accordance with Estonian legislation, other taxes include value-added tax, income tax, social tax and unemployment insurance premiums.

- VAT

18% of taxable value except where the law provides otherwise;
0% of the value of exported goods or services.

- Income tax

24/76 of fringe benefits provided to individuals, gifts, donations, entertainment expenses, profit distributions, and non-business expenses and disbursements. From 1 January 2006, the income tax rate is 23/77.

- Social tax

33% of wages, salaries and other payments to employees, fringe benefits, and the income tax payable on fringe benefits.

- Unemployment insurance contributions

0.5% of wages, salaries and other payments to employees. From 1 January 2006, the rate is 0.3 percent.

R Revenue

Revenue from the sale of goods and products is recognised when all significant risks and rewards of ownership have been transferred to the buyer, the revenue and expenses associated with the transaction can be measured reliably, and collection of consideration is probable.
Revenue from the rendering of services is recognised on the provision of the service or, if the service is rendered over an extended period, in proportion to the stage of completion of the service at the balance sheet date.
Rental income from investment property is recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income.

Revenue is stated in the net amount, which does not include value-added tax, discounts and rebates provided.

S Statement of cash flows

The statement of cash flows is prepared using the indirect method. Cash flows from operating activities are determined by adjusting the result for the period so as to eliminate the effect of non-cash transactions, changes in assets and liabilities related to operating activities and income and expenses from investing and financing activities.

T Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment) which is subject to risks and rewards that are different from those of other segments.

U Provisions and contingent liabilities

A provision is recognised when the company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

The amount recognised as a provision is the best estimate of the expenditure required to settle the obligation and the timing of the settlement. The estimates of the timing and amount of provisions are determined by the judgement of management or independent experts. In the balance sheet, provisions are stated in the amount which according to management's estimate is required to settle the obligation or transfer the obligation to a third party at the balance sheet date. Where the obligation should be settled within more than 12 months of the balance sheet date, the provision is stated at its discounted present value.

Promises, guarantees and other commitments whose realisation probability is remote or amount cannot be measured sufficiently reliably but which may transform into liabilities under certain circumstances are disclosed in the notes to the financial statements as contingent liabilities.

V Earnings per share

Basic earnings per share are calculated by dividing the profit or loss attributable to ordinary equity holders of the parent company by the weighted average number of ordinary shares outstanding. Diluted earnings per share are calculated by dividing the profit or loss attributable to ordinary equity holders of the parent company by the weighted average number of ordinary shares outstanding, both adjusted for the effects of all dilutive potential ordinary shares.

W Discontinued operations

A discontinued operation is a component of the Group's business that is part of a single co-ordinated plan to dispose of major line of business or geographical area of operations, or represents a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

X Subsequent events

The annual financial statements reflect all significant events affecting the valuation of assets and liabilities that became evident between the balance sheet date and the date on which the financial statements were authorised for issue (28 April 2006) but are related to the reporting or prior periods.

Y New International Financial Reporting Standards and Interpretations of the Financial Reporting Interpretations Committee (IFRIC)

To date, certain new standards, and amendments and interpretations to standards have been adopted which are mandatory for the Group in annual periods beginning on or after 1 January 2006. The following is the Group's assessment of the possible impact the new standards, amendments and interpretations will have on its financial statements in the period of initial application.

- Amendment to IAS 1 - *Presentation of Financial Statements – Capital Disclosures* (effective for annual periods beginning on or after 1 January 2007). The Group has not elected to adopt the amendment early. The amendment will require increased disclosures in the financial statements.
- Amendment to IAS 19 *Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures* (effective for annual periods beginning on or after 1 January 2006). The amendment establishes additional requirements to the disclosure of actuarial gains and losses. The amendment will not affect the Group's financial statements.
- Amendment to IAS 21 *The Effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operation* (effective for annual periods beginning on or after 1 January 2006). The amendments clarify in which circumstances a loan may form part of a reporting entity's net investment in a foreign operation, and the currency in which such an item may be denominated. Management believes that this amendment should not have a significant impact on the Group's financial statements.
- Amendment to IAS 39 *Financial Instruments: Recognition and Measurement – Cash Flow Hedge Accounting of Forecast Intragroup Transactions* (effective for annual periods beginning on or after 1 January 2006). The amendment will not affect the Group's financial statements.
- Amendment to IAS 39 *Financial Instruments: Recognition and Measurement – The Fair Value Option* (effective for annual periods beginning on or after 1 January 2006). The amendment changes the

definition and restricts the designation of financial instruments as “at fair value through profit or loss”. The amendment will not affect the Group’s financial statements.

- Amendment to IAS 39 *Financial Instruments: Recognition and Measurement* and IFRS 4 *Insurance Contracts – Financial Guarantee Contracts* (effective for annual periods beginning on or after 1 January 2006). According to management’s assessment, application of the amendment should not cause changes in the recognition of the Group’s existing assets and liabilities in the preparation of the financial statements.
- Amendment to IFRS 1 *First-time Adoption of International Financial Reporting Standards* and IFRS 6 *Exploration for and Evaluation of Mineral Resources* (effective for annual periods beginning on or after 1 January 2006). The amendment will not affect the Group’s financial statements.

- IFRIC 4 *Determining Whether an Arrangement Contains a Lease* (effective for annual periods beginning on or after 1 January 2006). The interpretation requires that whether an arrangement contains a lease should be determined based on the substance of the arrangement. For this, the entity has to assess whether (a) fulfilment of the arrangement depends upon the use of a specific asset and (b) the arrangement involves the transfer of the right to use the underlying asset. Management has not completed its analysis and therefore cannot assess the impact of IFRIC 4 on the Group’s financial statements.

- IFRIC 5 *Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds* (effective for annual periods beginning on or after 1 January 2006). IFRIC 5 will not affect the Group’s financial statements.

- IFRIC 6 *Liabilities Arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment* (effective for annual periods beginning on or after 1 December 2005). IFRIC 6 will not affect the Group’s financial statements.

- IFRIC 7 *Applying the Restatement Approach under* IAS 29 *Financial Reporting in Hyperinflationary Economies*. (effective for annual periods beginning on or after 1 March 2006). IFRIC 7 will not affect the Group’s financial statements.

- IFRIC 8 *Scope of IFRS 2 Share-based Payment* (effective for annual periods beginning on or after 1 May 2006). IFRIC 8 will not affect the Group’s financial statements.

- IFRIC 9 *Reassessment of Embedded Derivatives* (effective for annual periods beginning on or after 1 June 2006). The Interpretation clarifies that the treatment of an embedded derivative is assessed by the entity when the entity first becomes a party to the contract, and that reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract. IFRIC 8 will not affect the Group’s financial statements .

1 Trade receivables

	Group 2005 EEK	Group 2004 EEK	Group 2005 €	Group 2004 €
Accounts receivable from customers	22,221,400	29,605,025	1,420,206	1,892,106
Allowance for doubtful receivables	(283,882)	(1,959,997)	(18,143)	(125,267)
TOTAL	**21,937,518**	**27,645,029**	**1,402,063**	**1,766,839**

In 2005, receivables written off as irrecoverable totalled EEK 1,758,119 (€112,364). Items that were considered doubtful in the period and impaired amounted to EEK 152,499 (€9,746), with the resulting charge classified in *Other operating expenses*. The Group collected items of EEK 70,495 (€4,505) which had been considered doubtful in 2004.

2 Prepayments

	Group 2005 *EEK*	Group 2004 *EEK*	Group 2005 *€*	Group 2004 *€*
Prepaid VAT	3,087,699	2,505,515	197,340	160,131
Prepaid expenses	202,125	70,532	12,918	4,508
TOTAL	**3,289,824**	**2,576,047**	**210,258**	**164,639**

3 Inventories

	Group 2005 *EEK*	Group 2004 *EEK*	Group 2005 *€*	Group 2004 *€*
Raw and other materials	13,080,178	10,218,916	835,976	653,108
Work in progress	10,963,709	10,424,093	700,709	666,221
Finished goods	15,735,453	16,052,562	1,005,679	1,025,945
Merchandise purchased for resale	2,054,151	3,157,405	131,284	201,795
Prepayments to suppliers	327,018	565,904	20,900	36,168
TOTAL	**42,160,509**	**40,418,880**	**2,694,548**	**2,583,237**

In 2005, the *Furniture* division changed the method applied to accounting for work in progress. As a result, as at 31 December 2005 the cost of work in progress increased by EEK 461,242 (€29,479).

The cost of finished goods written off in 2005 amounted to EEK 406,432 (€ 25,976).

Non-current assets held for sale

31 December 2004

Segment	Land, buildings and structures	Plant and equipment	Other equipment and fixtures	*EEK* TOTAL
Wood division	28,124,941	15,794,497	80,562	44,000,000
Sports goods division	0	6,943,176	0	6,943,176
Total	**28,124,941**	**22,737,673**	**80,562**	**50,943,176**

Segment	Land, buildings and structures	Plant and equipment	Other equipment and fixtures	€ TOTAL
Wood division	1,797,511	1,009,452	5,149	2,812,112
Sports goods division	0	443,750	0	443,750
Total	**1,797,511**	**1,453,202**	**5,149**	**3,255,862**

At the end of 2005, the Group did not have any non-current assets held for sale. At 31 December 2004, non-current assets held for sale comprised the non-current assets of divisions closed in 2004. The assets were sold in 2005. Non-current assets held for sale were stated at the lower of cost and fair value less costs to sell.

During year ended 31 December 2005, the discontinued operations had inflows from operating activities of nil (2004: EEK14,009,890 (€895,395)), cash inflows from investing activities of nil (2004:11,062,323 (€707,011)) and cash outflow from financing activities of nil (2004:30,202,390 (€1,930,285).

4 Financial assets at fair value through profit or loss

	Group 2005 *EEK*	**Group 2004** *EEK*	**Group 2005** *€*	**Group 2004** *€*
Kesko CP 13.03.06	6,784,686	0	433,621	0
TOTAL – diff of 1 from b/s	**6,784,686**	**0**	**433,621**	**0**

The above financial instruments are classified as at fair value through profit or loss and are actively traded. Therefore, their fair value is based on their market value at the balance sheet date.

5 Investment property

Movements in investment property in 2005

	Group *EEK*	Group *€*
Cost at 1 January 2005	19,215,702	1,228,107
Acquisitions	150,000	9,587
Disposals	(416,481)	(26,618)
Cost at 31 December 2005	18,949,221	1,211,076
Depreciation at 1 January 2005	(3,579,324)	(228,760)
Depreciation of the period	(1,234)	(79)
Depreciation of items disposed of	152,550	9,749
Depreciation at 31 December 2005	(3,428,008)	(219,090)
Carrying amount at 1 January 2005	15,636,378	999,347
Carrying amount at 31 December 2005	15,521,213	991,986

Movements in investment property in 2004

	Group *EEK*	Group *€*
Cost at 1 January 2004	3,361,859	214,862
Acquisitions	17,500	1,118
Reclassification from PPE	17,231,285	1,101,280
Disposals	(1,394,942)	(89,153)
Cost at 31 December 2004	19,215,702	1,228,107
Depreciation at 1 January 2004	(826,658)	(52,833)
Reclassification from PPE	(3,377,242)	(215,845)
Depreciation of the period	(35,128)	(2,245)
Depreciation of items disposed of	659,705	42,163
Depreciation at 31 December 2004	(3,579,323)	(228,760)
Carrying amount at 1 January 2004	2,535,201	162,029
Carrying amount at 31 December 2004	15,636,379	999,347

According to the valuation report issued on 3 February 2006 of an independent real estate company the estimated market value of the properties located in Niidu Street, Pärnu, as at balance sheet date amounted to EEK 57,800,000 (€3,694,093). At 31 December 2005, the carrying amount of the same properties was EEK 7,664,368 (€489,842).
Management believes that the market values of other investment properties are similar to their carrying amounts – EEK 8 million (€0,5 million).

In 2005, gains on the sale of investment property totalled EEK 1,236,072 (€78,999). The gains were recognised in the income statement as *Other operating income*.

Direct operating expenses that did not generate rental income of the period totalled EEK 304,667 (€19,472).

At 31 December 2005, the carrying amount of investment property pledged as collateral amounted to EEK 7,664,368 (€489,842). The carrying amount of investment property leased under finance lease amounted to EEK 8,068,419 (€515,666).

6 Property, plant and equipment

	Group 2005 *EEK*	**Group 2004** *EEK*	**Group 2005** *€*	**Group 2004** *€*
Land, buildings, and structures	49,901,925	49,684,835	3,189,314	3,175,440
Plant and equipment	96,197,733	91,860,572	6,148,156	5,870,960
Other equipment and fixtures	4,199,641	4,573,299	268,406	292,288
Accumulated depreciation	(95,333,083)	(83,299,817)	(6,092,894)	(5,323,829)
Construction in progress	3,268,392	1,646,767	208,888	105,248
TOTAL	**58,234,608**	**64,465,656**	**3,721,870**	**4,120,107**

At 31 December, the carrying amount of items of property, plant and equipment pledged as collateral was EEK 33,207,372 (€2,122,338).

Movements in property, plant and equipment in 2005

	Land, buildings and structures	Plant and equipment	Other equipment and fixtures	*EEK* **TOTAL**
Cost at 1 January 2005	49,684,835	91,860,572	4,573,299	**146,118,706**
Acquisitions	243,865	2,340,095	132,718	**2,716,678**
Reclassification from non-current assets held for sale		2,897,109		**2,897,109**
Disposals	(26,775)	(900,043)	(506,376)	**(1,433,194)**
Cost at 31 December 2005	49,901,925	96,197,733	4,199,641	**150,299,299**
Depreciation at 31 December 2005	(14,743,522)	(64,653,180)	(3,903,115)	**(83,299,817)**
Depreciation of the period	(1,977,625)	(8,273,850)	(241,499)	**(10,492,974)**
Reclassification from non-current assets held for sale		(2,897,109)		**(2,897,109)**
Depreciation of items disposed of	26,594	884,077	446,146	**1,356,817**
Depreciation at 31 December 2005	(16,694,553)	(74,940,062)	(3,698,468)	**(95,333,083)**
Carrying amount at 1 January 2005	34,941,313	27,207,392	670,184	**62,818,889**

Carrying amount at 31 December 2005	33,207,372	21,257,671	501,173	**54,966,216**

	Land, buildings and structures	Plant and equipment	Other equipment and fixtures	€ **TOTAL**
Cost at 1 January 2005	3,175,440	5,870,960	292,288	**9,338,688**
Acquisitions	15,585	149,560	8,481	**173,626**
Reclassification from non-current assets held for sale		185,159		**185,159**
Disposals	(1,711)	(57,523)	(32,363)	**(91,597)**
Cost at 31 December 2005	3,189,314	6,148,156	268,406	**9,605,876**
Depreciation at 31 December 2005	(942,283)	(4,132,091)	(249,455)	**(5,323,829)**
Depreciation of the period	(126,393)	(528,796)	(15,434)	**(670,623)**
Reclassification from non-current assets held for sale		(185,159)		**(185,159)**
Depreciation of items disposed of	1,700	56,503	28,514	**86,717**
Depreciation at 31 December 2005	(1,066,976)	(4,789,543)	(236,375)	**(6,092,894)**
Carrying amount at 1 January 2005	2,233,157	1,738,869	42,833	**4,014,859**
Carrying amount at 31 December 2005	2,122,338	1,358,613	32,031	**3,512,982**

Movements in property, plant and equipment in 2004

	Land, buildings and structures	Plant and equipment	Other equipment and fixtures	*EEK* **TOTAL**
Cost at 1 January 2004	116,811,130	194,549,800	6,126,093	**317,487,023**
Reclassification to held for sale and to investment property	(67,886,864)	(103,245,119)	(838,265)	**(171,970,248)**
Acquisitions	1,098,705	920,594	137,160	**2,156,459**
Disposals	(338,136)	(364,703)	(851,689)	**(1,554,528)**
Cost at 31 December 2004	49,684,835	91,860,572	4,573,299	**146,118,706**
Depreciation at 1 January 2004	(29,373,407)	(127,886,090)	(4,921,799)	**(162,181,296)**
Reclassification to held for sale and to investment property	25,907,879	80,507,447	757,703	**107,173,029**
Depreciation of the period	(3,121,867)	(12,972,714)	(553,321)	**(16,647,902)**
Impairment losses of the period	(8,268,921)	(4,643,688)	(23,686)	**(12,936,295)**
Depreciation of items disposed of	112,794	341,866	837,987	**1,292,647**
Depreciation at 31 December 2004	(14,743,522)	(64,653,179)	(3,903,116)	**(83,299,817)**
Carrying amount at 1 January 2004	87,437,723	66,663,710	1,204,294	**155,305,727**
Carrying amount at 31 December 2004	34,941,313	27,207,392	670,184	**62,818,889**

	Land, buildings and structures	Plant and equipment	Other equipment and fixtures	€ **TOTAL**
Cost at 1 January 2004	7,465,592	12,433,998	391,529	**20,291,119**
Reclassification to held for sale and to investment property	(4,338,761)	(6,598,566)	(53,575)	**(10,990,902)**
Acquisitions	70,220	58,837	8,766	**137,823**
Disposals	(21,611)	(23,309)	(54,432)	**(99,352)**
Cost at 31 December 2004	3,175,440	5,870,960	292,288	**9,338,688**
Depreciation at 1 January 2004	(1,877,303)	(8,173,411)	(314,560)	**(10,365,274)**
Reclassification to held for sale and to investment property	1,655,815	5,145,364	48,426	**6,849,605**
Depreciation of the period	(199,524)	(829,107)	(35,364)	**(1,063,995)**
Impairment losses of the period	(528,480)	(296,786)	(1,514)	**(826,780)**
Depreciation of items disposed of	7,209	21,849	53,557	**82,615**
Depreciation at 31 December 2004	(942,283)	(4,132,091)	(249,455)	**(5,323,829)**
Carrying amount at 1 January 2004	5,588,289	4,260,587	76,969	**9,925,845**
Carrying amount at 31 December 2004	2,233,157	1,738,869	42,833	**4,014,859**

At 31 December 2005, the cost of fully depreciated items still in use was EEK 33,631,666 (€2,149,455). At 31 December 2004, the corresponding figure was EEK 16,512,863 (€1,055,364).

Construction in progress
At the balance sheet date, the largest item under construction in progress was the renovation of the office building of the *Building materials* division (EEK 1,842,300 (€117,700)).

7 Intangible assets

Movements in intangible assets in 2005

	Group EEK	Group €
Cost at 1 January 2005	5,769,324	368,727
Acquisitions	2,060	132
Cost at 31 December 2005	5,771,384	368,859
Amortisation at 1 January 2005	(2,885,046)	(184,388)
Amortisation of the period	(1,068,117)	(68,265)
Amortisation at 31 December 2005	(3,953,163)	(252,653)
Carrying amount at 1 January 2005	2,884,278	184,339
Carrying amount at 31 December 2005	1,818,221	116,206

Movements in intangible assets in 2004

	Group EEK	Group €
Cost at 1 January 2004	5,537,224	353,893
Acquisitions	232,100	14,834
Cost at 31 December 2004	5,769,324	368,727
Amortisation at 1 January 2004	(1,821,563)	(116,419)
Amortisation of the period	(1,063,483)	(67,969)
Amortisation at 31 December 2004	(2,885,046)	(184,388)
Carrying amount at 1 January 2004	3,715,661	237,474
Carrying amount at 31 December 2004	2,884,278	184,339

Intangible assets comprise computer software that cannot be directly linked to hardware and the customer base acquired on the takeover of the operations of the Swiss company Skano AG (carrying amount as at 31.12.2005 EEK 1,489,654 (€95,206)).

The amortisation is recognised in the income statement in the cost of sales.

8 Loans and borrowings

CURRENT LOANS AND BORROWINGS	**Group 2005** *EEK*	**Group 2004** *EEK*	**Group 2005** *€*	**Group 2004** *€*
Finance lease liabilities	391,658	979,073	25,032	62,574
Current portion of long-term loans	8,517,302	69,275,899	544,354	4,427,537
Short-term bank loans	0	5,806,403	0	371,097
TOTAL	**8,908,960**	**76,061,375**	**569,386**	**4,861,208**

NON-CURRENT LOANS AND BORROWINGS	**Group 2005** *EEK*	**Group 2004** *EEK*	**Group 2005** *€*	**Group 2004** *€*
Finance lease liabilities	3,329,093	3,720,751	212,768	237,799,
Long-term bank loans	44,591,111	26,558,377	2,849,892	1,697,390
TOTAL	**47,920,204**	**30,279,128**	**3,062,660**	**1,935,189**

Information on loans and borrowings as at 31 December 2005:

EEK

		Payable			
	Total	Less than 1 year	Between 1-2 years	Between 3-5 years	Over 5 years
Bank loans:					
€2,660,000 – 6 months' EURIBOR + 1.5%	37,608,418	6,017,307	6,017,307	18,051,921	7,521,884
€639,115 – 6 months' EURIBOR + 1.75%	2,499,995	2,499,995	0	0	0
€830,851 - 6 months' EURIBOR + 2%	13,000,000	0	13,000,000	0	0
TOTAL	**53,108,413**	**8,517,302**	**19,017,307**	**18,051,921**	**7,521,884**

Notes to the consolidated financial statements

€

	Total	Payable Less than 1 year	Between 1-2 years	Between 3-5 years	Over 5 years
Bank loans:					
€2,660,000 – 6 months' EURIBOR + 1.5%	2,403,616	384,576	384,576	1,153,728	480,736
€639,115 – 6 months' EURIBOR + 1.75%	159,779	159,779	0	0	0
€830,851 - 6 months' EURIBOR + 2%	830,851	0	830,851	0	0
TOTAL	**3,394,246**	**544,355**	**1,215,427**	**1,153,728**	**480,736**

The loans taken by AS Viisnurk are secured with (aggregate amounts):

- a commercial pledge of EEK 35,000,000 (€2,236,902);
- a mortgage of EEK 116,374,900 (€7,437,712).

Information on assets pledged as collateral is presented in notes 5 and 6.

Finance lease liabilities

Finance lease liabilities are payable as follows:

EEK

	Minimum lease payments 2005	Interest 2005	Principal 2005	Minimum lease payments 2004	Interest 2004	Principal 2004
Less than one year	430,824	39,166	391,658	430,824	39,166	979,073
Between one and five years	1,723,295	156,663	1,566,632	1,723,295	156,663	1,566,632
More than five years	1,938,707	176,246	1,762,461	2,369,531	215,412	2,154,119
	4,091,826	**372,075**	**3,720,751**	**4,523,650**	**411,241**	**4,699,824**

eurodes

	Minimum lease payments 2005	Interest 2005	Principal 2005	Minimum lease payments 2004	Interest 2004	Principal 2004
Less than one year	27 535	2 503	25 032	27 535	2 503	62 574
Between one and five years	110 139	10 013	100 126	110 139	10 013	100 126
More than five years	123 906	11 264	112 642	151 441	13 767	137 673
Less than one year						
Between one and five years	**261 579**	**23 780**	**237 799**	**289 114**	**26 283**	**300 373**

9 Operating lease

The Group as a lessee

The future minimum lease payments under non-cancellable leases are as follows:

	Plant and equipment *EEK*	Plant and equipment *€*	Sales premises *EEK*	Sales premises *€*
Payable				
- Less than 1 year	338,044	21,605	750,550	47,969
- Between 1 and 5 years	421,650	26,948,	971,654	62,100
TOTAL	**759,694**	**48,553,**	**1,722,204**	**110,069**

During the year ended 31 December 2005, EEK 1,069,258 (€68,338) was recognised as an expense in the income statement in respect of operating leases. (2004: EEK 1,095,703 (€70,028)).

The Group as a lessor

During the year ended 31 December 2005, EEK 617,060 (€39,437) was recognised as lease income in the income statement. The figure comprised EEK 579,060 (€37,009) recognised in respect of land and EEK 38,000 (€2,428) recognised in respect of premises. In 2004, operating lease income amounted to EEK 598,025 (€38,221), including EEK 579,060 (€37,009) earned on the lease of land and EEK 18,965 (€1,212) earned on the lease of premises. Information on assets leased out is presented in note 5.
In 2006, the minimum lease payments under effective leases will amount to EEK 426,000 (€27,000).
Under effective leases, the minimum lease payments of 2007-2008 will total EEK 565,000 (€36,000).

10 Accrued expenses

	Group 2005 *EEK*	Group 2004 *EEK*	Group 2005 *€*	Group 2004 *€*
Payables to employees	4,465,971	5,690,313	285,428	363,677
Including vacation pay liability	2,243,983	1,983,346	143,417	126,759
provision for bonuses	151,834	1,588,297	9,704	101,511
Other accrued expenses	766,339	3,065,682	48,978	195,933
TOTAL	**5,232,310**	**8,755,995**	**334,406**	**559,610**

At 31 December 2005, other accrued expenses included EEK 742,912 (€47,481) payable in connection with the takeover of SKANO AG (2004: EEK 2,009,682 (€128,442)).

11 Tax liabilities

	Group 2005 *EEK*	Group 2004 *EEK*	Group 2005 *€*	Group 2004 *€*
Social tax and unemployment insurance premiums	1,908,105	2,135,032	121,950	136,454
Personal income tax	1,013,339	1,248,245	64,764	79,777
Funded pension premiums	58,743	59,855	3,755	3,825
TOTAL	**2,980,187**	**3,443,133**	**190,469**	**220,056**

12 Provisions

EEK

	Warranty provision	Provision for compensation for loss of capacity for work	TOTAL
Balance at 1 January 2005	444,898	1,351,696	1,796,594
Reversal	(444,898)	0	(444,898),
Use		(491,696)	(491,696)
Balance at 31 December 2005	**0**	**860,000**	**860,000**
Current portion		430,000	430,000,
Non-current portion		430,000	430,000
			860,000

€

	Warranty provision	Provision for compensation for loss of capacity for work	TOTAL
Balance at 1 January 2005	28,434	86,389	114,823
Reversal	(28,434)	0	(28,434),
Use		(31,425)	(31,425)
Balance at 31 December 2005	**0**	**54,964**	**54,964**
Current portion		27,482	27,482
Non-current portion		27,482	27,482
			54,964

The warranty provision was established on the basis of historical experience for claims that could be submitted to the *Sports goods* division in subsequent periods. Since no claims were submitted in the period following the closure of the *Sports goods* division, management decided to reverse the provision and transfer the amount to *Other operating income*.

AS Viisnurk is required by the law to compensate former employees for damages incurred in connection with accidents at work. The Group has established for such damages a provision which has been calculated on the basis of the estimated number of people entitled to such compensation and the period in which the compensation should be paid.

13 Equity

Share capital

	Number of shares	Share capital *EEK*	Share capital *€*
Balance at 31 December 2005	4,499,061	44,990,610	2,875,424
Balance at 31 December 2004	4,499,061	44,990,610	2,875,424

At 31 December 2005, the share capital of AS Viisnurk amounted to EEK 44,990,610 (€2,875,424). The authorised share capital comprised 4,499,061 issued and fully paid ordinary shares (2004: 4,499,061) with a par value of EEK 10 (€0,64) each. According to the Articles of Association, the Company's maximum share capital amounts to EEK 177,480,800 (€11,343,090).
During the financial year, the share capital did not change.
The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

At 31 December 2005, the Company had 470 shareholders. Shareholders whose interest exceeded 5 percent included:

- Trigon Wood OÜ with 2,682,192 shares (59.6167 percent)
- ING Luxembourg S.A. with 498,000 shares (11.0690 percent)

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

- Toivo Kuldmäe 49,231 shares (1.0943 percent)
- Andrus Aljas Andrus Aljas does not have shares in the company

At 31 December 2005, members of the supervisory board did not have shares in AS Viisnurk.

Statutory capital reserve
The mandatory capital reserve is established with annual net profit transfers and other transfers that are made on the basis of the law or the Articles of Association. The size of the capital reserve is prescribed by the Articles of Association and it cannot be less than one tenth of the share capital. Every year, the Company has to transfer to the capital reserve at least one twentieth 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 unrestricted equity.

Contingent income tax liability
At 31 December 2005, the undistributed profits of AS Viisnurk amounted to EEK 4,958,249 (€316,890). No provision will be established for the income tax payable on the distribution of dividends but in respect of the unrestricted equity it is taken into account that:

- at the balance sheet date EEK 4,211,706 (€269,177)could be distributed to the shareholders as dividends;
- the distribution would give rise to an income tax liability of EEK 746,543 (€47,713).

The maximum income tax liability has been calculated under the assumption that the net dividend and the income tax expense recognised in the income statement for 2006 cannot exceed the distributable profits as of 31 December 2005.
According to the profit allocation proposal, in 2006 shareholders will be distributed a dividend of 93 cents (5,94 cents) per share, i.e., EEK 4,184,127 (€267,414) in aggregate. According to management's calculations, the distribution will give rise to an income tax liability of EEK 438,083 (€27,999).

14 Earnings per share

	Group 2005 EEK	Group 2004 EEK	Group 2005 €	Group 2004 €
Basic earnings per share	2.17	(3.64)	0.14	(0.23)
Diluted earnings per share	2.17	(3.64)	0.14	(0.23)
Book value of a share	14.62	12.45	0.93	0.80
Price/earnings ratio (P/E)	18.96	-	18.96	-
Closing price of the share at Tallinn Stock Exchange at 31 December	41.15	21.12	2.63	1.35

Earnings per share have been calculated by dividing the result for the period by the number of shares outstanding:

Earnings per share for 2005 = 9,775,528/4,499,061 = EEK 2.17 / €0.14
Earnings per share for 2004 = (16,385,150)/4,499,061 = EEK (3.64) / €(0.23)

Basic earnings per share equal diluted earnings per share because the Company does not have any potential ordinary shares that would affect earnings per share.

Price earnings ratio for 2005 = 41.15 / 2.17 = 18.96

15 Cost of sales

	Group 2005 EEK	Group 2004 EEK	Group 2005 €	Group 2004 €
Raw and other materials	92,129,721	149,247,827	5,888,148	9,538,675
Personnel expenses	36,736,075	71,613,242	2,347,857	4,576,920
Electricity and heating	24,709,045	30,083,488	1,579,192	1,922,685
Depreciation	10,788,107	16,854,562	689,484	1,077,203
Impairment losses	0	12,936,295	0	826,780
Cost of goods purchased	5,931,474	20,251,046	379,089	1,294,278
Other expenses	11,174,685	15,044,420	714,191	961,514
Change in work in progress and finished goods inventories	(628,980)	11,324,888	(40,199)	723,792
TOTAL	**180,840,127**	**327,355,768**	**11,557,790**	**20,921,847**

16 Distribution expenses

	Group 2005 EEK	Group 2004 EEK	Group 2005 €	Group 2004 €
Transport expenses	7,966,452	8,490,374	509,149	542,634
Personnel expenses	3,497,383	5,200,556	223,524	332,376,
Advertising expenses	3,092,448	3,063,702	197,643	195,806
Agency fees	3,080,752	2,897,093	196,896	185,158
Other expenses	2,835,637	3,125,980	181,230	199,787
TOTAL	**20,472,672**	**22,777,705**	**1,308,442**	**1,455,761**

17 Administrative expenses

	Group 2005 EEK	Group 2004 EEK	Group 2005 €	Group 2004 €
Personnel expenses	3,276,457	4,392,351	209,404	280,722
Office expenses	907,969	886,914	58,030	56,684
Cost of services purchased	1,381,766	3,029,650	88,311	193,630
Other expenses	666,047	419,636	42,568	26,820
TOTAL	**6,232,239**	**8,728,551**	**398,313**	**557,856**

18 Personnel expenses

	Group 2005 EEK	Group 2004 EEK	Group 2005 €	Group 2004 €
Wages and salaries	29,581,614	55,236,573	1,890,610	3,530,260
Social tax and unemployment insurance premiums	9,917,243	18,525,805	633,827	1,184,015

Transfers to vacation pay liability	3,459,475	6,773,038	221,101	432,876
TOTAL	**42,958,332**	**80,535,416**	**2,745,538**	**5,147,151**

In 2005, AS Viisnurk employed, on average, 324 people (2004: 689).
The gross remuneration of the members of the management board and executive management totalled EEK 1,927,071 (€123,162). The corresponding figure for 2004 was EEK 2,427,184 (€155,125).

Management board members are entitled to severance compensation equal to their four months' remuneration.

19 Other operating income

	Group 2005 *EEK*	Group 2004 *EEK*	Group 2005 *€*	Group 2004 *€*
Gains on the sale of investment property	1,236,072	3,232,262	79,000	206,579
Gains on the sale of non-current assets held for sale	410,725	0	26,250	0
Net gain on the sale of property, plant and equipment	133,724	1,278,991	8,547	81,742
Net foreign exchange gain	15,833	985	1,012	63
Net Insurance indemnification	0	28,148	0	1,799
Recovery of expensed receivables	70,495	0	4,505	0
Gains on sale of trademark	500,000	0	31,956	0
Other income	355,053	76,453	22,692	4,886
TOTAL	**2,721,902**	**4,616,839**	**173,962**	**295,069**

20 Other operating expenses

	Group 2005 *EEK*	Group 2004 *EEK*	Group 2005 *€*	Group 2004 *€*
Doubtful receivables	152,499	2,099,874	9,746	134,206
Contract fees	197,430	330,416	12,618	21,117
Net insurance losses	352,357	0	22,520	0
Claims	(444,898)	76,807	(28,434)	4,909
Performance bonuses	440,740	1,408,000	28,168	89,988
Other expenses	348,309	963,286	22,261	61,565,
TOTAL	**1,046,437**	**4,878,383**	**66,880**	**311,785**

21 Financial income and financial expenses

	Group 2005 *EEK*	Group 2004 *EEK*	Group 2005 *€*	Group 2004 *€*
Financial income:				
Interest income	97,652	16,881	6,241	1,079
Gains on sale of shares	0	1,664,968	0	106,411
Other financial income	16,580	118,051	1,060	7,545
Total financial income	**114,232**	**1,799,900**	**7,301**	**115,035**
Financial expenses				
Interest expenses	3,122,725	6,418,136	199,578	410,194
Foreign exchange loss	56,136	111,049	3,588	7,097
Other financial expenses	0	76,645	0	4,899
Total financial expenses	**3,178,861**	**6,605,830**	**203,166**	**422,190**

22 Segment reporting

Segment reporting includes reporting by business segments (primary segment). The results of business segments are derived from management accounting. Inter-segmental sales are recognised at market prices. Due to the specific nature of the products and services, the prices are based on agreements between segment managements. The secondary format is geographical segment.

Management has identified the following business segments:

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

The *Building materials* division produces softboard and interior finishing boards.

Discontinued operations comprise the *Sports goods* division and *Wood* division which were closed in 2004.

Other operations comprise activities of small volume.

Segment results, assets and liabilities comprise of 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.

Reporting by business segments is presented on pages 34-35.

Reporting by business segments (Group)

EE´K'000

	Furniture division		Building materials division		Discontinued operations		Other operations		Eliminations		GROUP TOTAL	
	2005	**2004**	**2005**	**2004**	**2005**	**2004**	**2005**	**2004**	**2005**	**2004**	**2005**	**2004**
External sales	122,105	156,537	96,443	96,076	162	94,107	0	824			**218,710**	**347,544**
Inter-segmental sales	0	178	86	146	0	13,002	0	7	(86)	(13,333)	**0**	**0**
Total revenue	122,105	156,715	96,529	96,222	162	107,109	0	831	(86)	(13,333)	**218,710**	**347,544**
Segment result	4,817	2,938	13,910	18,565	345	(29,554)	0	5,200			**19,072**	**(2,851)**
Unallocated expenses											**(6,232)**	**(8,729)**
Operating profit/loss											**12,840**	**(11,580)**
Net financing costs											**(3,064)**	**(4,805)**
Profit/loss for the financial year											**9,776**	**(16,385)**
Segment assets	86,268	87,180	46,134	45,457	1,113	64,782	0	0			**133,515**	**197,419**
Unallocated assets											**22,307**	**11,106**
Total assets											**155,822**	**208,525**
Segment liabilities	24,517	22,453	7,813	8,120	23	13,389	0	0			**32,353**	**43,962**
Unallocated liabilities											**57,689**	**108,558**
Total liabilities											**90,042**	**152,520**
Acquisitions of non-current segment assets	1,053	96	3,285	1,459	0	602	0	0			**4,338**	**2,156**
Unallocated acquisitions of non-current assets											**0**	**250**
Total acquisitions of non-current assets											**4,338**	**2,406**
Inter-segmental movements	1,220	628	2,,364	481	(3,584)	9,657	0	(10,766)			**0**	**0**
Impairment of assets	0	0	0	0	0	12,936	0	0			**0**	**12,936**
Segment depreciation and amortisation	7,842	7,923	3,720	4,463	0	4,581	0	0			**11,562**	**16,967**
Unallocated depreciation and amortisation											**0**	**780**
Total depreciation and amortisation											**11,562**	**17,747**

€'000

	Furniture division		Building materials division		Discontinued operations		Other operations		Eliminations		**VIISNURK TOTAL**	
	2005	**2004**	**2005**	**2004**	**2005**	**2004**	**2005**	**2004**	**2005**	**2004**	**2005**	**2004**
External sales	7,804	10,005	6,164	6,140	10	2,116	0	52			**13,978**	**22,212**
Inter-segmental sales	0	11	5	9	0	815	0	0	(5)	(851)	**0**	**0**
Total revenue	7,804	10,016	6,169	6,149	10	2,931	0	52	(5)	(851)	**13,978**	**22,212**
Segment result	308	188	889	1,187	22	(1,889)	0	332			**1,219**	**(182)**
Unallocated expenses											**(398)**	**(558)**
Operating profit/loss											**821**	**(740)**
Net financing costs											**(196)**	**(307)**
Profit/loss for the financial year											**625**	**(1,047)**
Segment assets	5,514	5,572	2,948	2,905	71	2,824	0	0			**8,533**	**12,617**
Unallocated assets											**1,426**	**710**
Total assets											**9,959**	**13,327**
Segment liabilities	1,567	1,435	499	519	2	777	0	0			**2,068**	**2,810**
Unallocated liabilities											**3,687**	**6,938**
Total liabilities											**5,755**	**9,748**
Acquisitions of non-current segment assets	67	6	210	93	0	4	0	0			**277**	**138**
Unallocated acquisitions of non-current assets											**0**	**16**
Total acquisitions of non-current assets											**277**	**154**
Inter-segmental movements	78	40	151	31	(229)	(29)	0	(688)			**0**	**0**
Impairment of assets	0	0	0	0	0	827	0	0			**0**	**827**
Segment depreciation and amortisation	501	506	238	285	0	293	0	0			**739**	**1,084**
Unallocated depreciation and amortisation											**0**	**50**
Total depreciation and amortisation											**739**	**1,134**

Revenue by markets:

	2005 EEK´000				2004 EEK´000			
	Furniture	Building	OTHER	**Group**	Furniture	Building	OTHER	**Group**
EXPORTS								
Europe:								
Finland	56 460	32 733		**89 193**	53 380	38 228	5 733	**97 341**
Russia, Ukraine, Byelorussia	26 995	896	157	**28 048**	26 590	499	4 176	**31 265**
Gernany	9 346	800		**10 146**	21 923	883	761	**23 567**
Sweden	8 017	2 066		**10 083**	37 160	1 608	6 826	**45 594**
Portugal		8 371		**8 371**				**-**
Šwitzerland	5 297			**5 297**				**-**
The Netherlands	103	5 180		**5 283**		6 166	0	**6 166**
Latvia, Lithuania	2 908	1 296		**4 204**	4 527	522	1 313	**6 362**
France	1 081			**1 081**	362		5 101	**5 463**
Other	392			**392**	334	2 622	29 507	**32 463**
Total	110 599	51 342	157	**162 098**	144 276	50 528	53 417	**248 221**
Rest of the world	1 869			**1 869**	484		16 083	**16 567**
TOTAL EXPORTS	112 468	51 342	157	**163 967**	144 760	50 528	69 500	**264 788**
DOMESTIC MARKET	9 637	45 101	5	**54 743**	11 777	45 550	25 429	**82 756**
Total	122 105	96 443	162	**218 710**	156 537	96 078	94 929	**347 544**

	2005 EUR´000				2004 EUR´000			
	Furniture	Building	OTHER	**Group**	Furniture	Building	OTHER	**Group**
EXPORTS								
Europe:								
Finland	3 608	2 092	0	**5 700**	3 412	2 443	366	**6 221**
Russia, Ukraine, Byelorussia	1 725	57	10	**1 793**	1 699	32	267	**1 998**
Gernany	597	51	0	**648**	1 401	56	49	**1 506**
Sweden	512	132	0	**644**	2 375	103	436	**2 914**
Portugal	0	535	0	**535**	0	0	0	**0**
Šwitzerland	339	0	0	**339**	0	0	0	**0**
The Netherlands	7	331	0	**338**	0	394	0	**394**
Latvia, Lithuania	186	83	0	**269**	289	33	84	**407**
France	69	0	0	**69**	23	0	326	**349**
Other	25	0	0	**25**	21	168	1 886	**2 075**
Total	7 069	3 281	10	**10 360**	9 221	3 229	3 414	**15 864**
Rest of the world	119	0	0	**119**	31	0	1 028	**1 059**
TOTAL EXPORTS	7 188	3 281	10	**10 479**	9 252	3 229	4 442	**16 923**
DOMESTIC MARKET	616	2 882	0	**3 499**	753	2 911	1 625	**5 289**
Total	7 804	6 164	10	**13 978**	10 005	6 141	6 067	**22 212**

23 Significant subsidiaries

Shares in subsidiaries

EEK

	Skano OÜ (Estonia)	Visu OÜ (Estonia)	Isotex OÜ (Estonia)	SIA Skano (Latvia)
Number of shares at 31 December 2005	1	1	1	1
Ownership at 31 December 2005	100	100	100	100

€

	Skano OÜ (Estonia)	Visu OÜ (Estonia)	Isotex OÜ (Estonia)	SIA Skano (Latvia)
Number of shares at 31 December 2005	1	1	1	1
Ownership at 31 December 2005	100	100	100	100

Skano OÜ is engaged in the retail sale of furniture in Estonia. It has two stores: one in Järve Keskus, Tallinn, and the other on the ground floor of the head office of AS Viisnurk in Pärnu. SIA Skano is engaged in the retail sale of furniture in Latvia. It has one store which was opened in November 2005.

OÜ Visu and OÜ Isotex were established to allow former divisions to operate independently under their own trademarks and to facilitate their development. In connection with restructuring, use of the subsidiaries has been abandoned. In 2004 and 2005 the subsidiaries did not perform any business operations.

24 Transactions with related parties

Related parties include:

- the parent company OÜ Trigon Wood and the parent company's shareholders;
- subsidiaries;
- AS Viisnurk Group entities managements, management boards and supervisory boards, and their close family members;
- companies controlled by members of the management and supervisory boards;
- individuals whose shareholding is significant unless they cannot exert significant influence on the Group's operating decisions.

Payments made to management and supervisory board members in 2005 with relevant taxes:

	Group 2005 *EEK*	**Group 2004** *EEK*	**Group 2005** *€*	**Group 2004** *€*
Board member and other remuneration	1,927,071	1,516,466	123,162	96,920
Social tax and unemployment insurance premiums	640,455	505,416	40,933	32,302
TOTAL	2,567,526	2,021,882	164,095	129,222

Information on the severance compensation payable to members of the management board is disclosed in note 18.

In 2005, services purchased from companies in which members of the supervisory board had significant influence totalled EEK 1,496,740 (€95,659). Based on contracts made with the companies, in 2004 the expenses were recognised on an accrual basis and totalled EEK 1,056,000 (€67,491). At 31 December 2004, the amount was recognised in *Accrued expenses*.
In the income statement for 2005, EEK 440,740 (€28,168) has been recognised in *Other expenses*.

25 Accounting estimates and judgements

The preparation of financial statements in conformity with IFRSs requires management to make estimates and to use its best judgement in selecting and applying accounting policies.

The estimates and judgements are reviewed on an ongoing basis and they are based on historical experience and various other factors such as projections of future events that are believed to be reasonable under the circumstances.

Areas which involve more complicated estimation and judgement and have a significant effect on the financial statements include valuation of inventories (note 3) and estimation of the useful lives of items of property, plant and equipment (note 6), intangible assets (note 7) and investment property (note 5).

Valuation of inventories
Management measures inventories using its best judgement, historical experience, general background information and assumptions and conditions related to future developments. The write-down of finished goods is determined on the basis of the marketability and possible net realisable value of the finished goods; raw and other materials are valued on the basis of their usability in the production of finished goods and generation of revenue. Work in progress is valued on the basis of its stage of completion which can be measured reliably.

Useful lives of investment property, property, plant and equipment and intangible assets
Management determines the useful lives of investment property, buildings, plant and equipment and other items based on production volumes, their state and condition, historical experience, and future prospects.

26 Financial risks

Interest rate risk
AS Viisnurk's interest rate risk depends, above all, on changes in EURIBOR (Euro Interbank Offered Rate) because most of its loans are linked to EURIBOR. At 1 January 2005, 6 months' EURIBOR was 2.218 and at 31 December 2005 2.637.
According to loan agreements, interest rates are reviewed on the basis of changes in EURIBOR as follows:

- the loan of EEK 13,000,000 every year on 30 November and 30 May;
- the loan of EEK 10,000,000 every year on 31 January and 31 July;
- the loan of €2,660,000 every year on 30 September and 31 March.

The interest rate risk also depends on the overall economic situation in Estonia and on changes in the banks' average interest rates. AS Viisnurk has a cash flow risk arising from the interest rate risk because most loans have a floating interest rate. Additional information on loans and interest expenses is presented in notes 8 and 21 respectively. Management believes that the cash flow risk is not significant. Therefore, no hedging instruments are used.

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 AS Viisnurk was not aware of any major risks relating to trade receivables except for those related to doubtful items of EEK 283,882 (€18,143). The financial positions and settlement practice of existing and potential partners are monitored on an ongoing basis. AS Viisnurk does not have any significant credit risks.

Currency risk
The currency risk of AS Viisnurk is low because most export-import agreements are concluded in euro. During the financial year, AS Viisnurk received EEK 8.5 million (€0.5 million) in currencies to which the Estonian kroon is not directly or indirectly pegged (99 percent of the amount in USD), and paid for goods and services EEK 2.0 million (€0.1 million) in currencies with an exchange risk (60 percent in SEK and 23 percent in GBP).

Fair value
The fair values of cash, receivables, short-term loans and borrowings do not differ materially from their carrying amounts because they will be paid within 12 months of the balance sheet date. The fair values of long-term loans and borrowings do not differ materially from their carrying amounts because their interest rates correspond to market interest rates.

27 Parent company's separate financial statements

Financial information on the parent company includes the parent company's separate financial statements the disclosure of which is required by the Estonian Accounting Act.

Parent company's separate balance sheet

	31.12.2005 *EEK*	31.12.2004 (restated) *EEK*	31.12.2005 *€*	31.12.2004 (restated) *€*
Cash and cash equivalents	4,161,115	3,112,018	271,057	198,894
Short-term financial assets	6,784,686	0	433,620	0
Trade receivables	21,772,738	27,628,325	1,391,532	1,765,772
Receivables from subsidiaries	503,230	241,536	32,162	15,437
Other receivables	249,250	73,789	15,930	4,716
Prepayments	3,262,160	2,576,047	208,490	164,639
Inventories	41,308,310	40,081,797	2,640,082	2,561,694
Non-current assets held for sale	0	50,943,176	0	3,255,863
Total current assets	**78,041,489**	**124,576,688**	**4,992,873**	**7,967,015**
Shares in subsidiaries	120,000	120,000	2,556	2,556
Long-term financial assets	600	600	38	38
Investment property	15,521,213	15,636,379	991,986	999,347
Property, plant and equipment	58,113,434	64,377,235	3,714,126	4,114,455
Intangible assets	1,816,161	2,884,278	116,074	184,339
Total non-current assets	**75,571,408**	**83,018,492**	**4,824,780**	**5,300,735**
TOTAL ASSETS	**153,612,897**	**207,595,180**	**9,817,653**	**13,267,750**
Loans and borrowings	8,908,960	76,061,374	569,386	4,861,208
Customer advances	370,064	11,105,220	23,651	709,753
Trade payables	23,530,038	20,966,955	1,503,844	1,340,033
Tax liabilities	2,919,561	3,358,377	186,594	214,639
Accrued expenses	5,143,329	8,713,683	328,719	556,906
Provisions	430,000	936,594	27,482	59,859
Total current liabilities	**41,301,952**	**121,142,203**	**2,639,676**	**7,742,398**
Provisions	430,000	860,000	27,482	54,964
Loans and borrowings	47,920,204	30,279,128	3,062,659	1,935,189
Total non-current liabilities	**48,350,204**	**31,139,128**	**3,090,141**	**1,990,153**
Total liabilities	**89,652,156**	**152,281,331**	**5,729,817**	**9,732,551**
Share capital at par value	44,990,610	44,990,610	2,875,424	2,875,424
Share premium	11,331,780	11,331,780	724,233	724,233
Statutory capital reserve	4,499,061	4,499,061	287,542	287,542
Retained earnings	(5,507,602)	11,781,515	(352,000)	752,976
Profit/loss for the period	8,646,892	(17,289,117)	552,637	(1,104,976)
Total equity	**63,960,741**	**55,313,849**	**4,087,836**	**3,535,199**
TOTAL LIABILITIES AND EQUITY	**153,612,897**	**207,595,180**	**9,817,653**	**13,267,750**

Parent company's separate income statement

	2005 *EEK*	2004 (restated) *EEK*	2005 *€*	2004 (restated) *€*
REVENUE	**216,085,448**	**345,499,652**	**13,810,377**	**22,081,452**
Including sales to subsidiaries	4,639,549	2,335,877	296,521	149,290
Cost of sales	(181,132,216)	**(327,241,819)**	**(11,576,459)**	**(20,914,564)**
Gross profit	**34,953,232**	**18,257,833**	**2,233,918**	**1,166,888**
Distribution expenses	(18,666,912)	(21,751,325)	(1,193,033)	(1,390,163)
Administrative expenses	(6,232,239)	(8,728,551)	(398,313)	(557,856)
Other operating income	2,878,862	4,850,885	183,993	310,028
Other operating expenses	(1,202,585)	(5,112,528)	(76,859)	(326,750)
Operating profit/loss	**11,730,358**	**(12,483,686)**	**749,706**	**(797,853)**
Net financing costs	(3,083,466)	(4,805,430)	(197,069)	(307,123)
PROFIT/LOSS FOR THE PERIOD	**8,646,892**	**(17,289,116)**	**552,637**	**(1,104,976)**

Parent company's separate statement of cash flows

	2005 *EEK*	2004 (restated) *EEK*	2005 *€*	2004 (restated) *€*
Cash flows from operating activities				
Profit/loss fort the period	**8,646,892**	**(17,289,116)**	**552,637**	**(1,104,976)**
Adjustments for:				
Depreciation and amortisation	11,520,219	17,705,703	736,276	1,131,601
Impairment losses	0	12,936,295	0	826,780
Gains on long-term financial assets	0	(1,664,968)	0	(106,411)
Gains on sale of investment property	(1,236,072)	(3,232,262)	(78,999)	(206,579)
Gains on sale of property, plant and equipment and discontinued operations	(544,449)	(1,293,424)	(34,797)	(82,665)
Losses from write-down of receivables	152,499	2,099,874	9,746	134,206
Short-term provisions	(936,594)	(2,843,131)	(59,859)	(181,709)
Interest expense	3,122,725	6,432,092	199,578	411,086
Operating profit before working capital changes	**20,725,220**	**12,851,063**	**1,324,583**	**821,333**
Change in current assets	4,617,268	20,011,532	295,097	1,278,970
Change in inventories	(1,226,513)	23,680,589	(78,388)	1,513,465
Change in current liabilities	(1,218,687)	(30,346,018)	(77,888)	(1,939,464)
Cash from operating activities	**22,897,288**	**26,197,166**	**1,463,404**	**1,674,304**
Interest paid	(3,122,725)	(6,610,476)	(199,578)	(422,486)
Net cash from operating activities	**19,774,563**	**19,586,690**	**1,263,825**	**1,251,818**
Cash flows from investing activities				
Acquisition of investment property	(150,000)	0	(9,587)	0
Proceeds from sale of investment property	1,500,000	3,950,000	95,868	252,451
Acquisition of property, plant and equipment	(4,261,378)	(3,424,879)	(272,352)	(218,890)
Proceeds from sale of property, plant and equipment	210,103	1,958,307	13,428	125,159
Acquisition of intangible assets	(2,068)	(232,100)	(132)	(14,834)
Acquisition of shares and other securities	(6,784,686)	0	(433,620)	0
Proceeds from sale of long-term financial assets	0	3,099,968	0	198,124
Proceeds from sale of discontinued operations	40,353,902	11,000,000	2,579,084	703,028
Net cash from investing activities	**30,865,873**	**16,351,296**	**1,972,689**	**1,045,038**

Cash flows from financing operations				
Repayment of loans	(43,117,521)	(20,900,076)	(2,755,712)	(1,335,758)
Payment of finance lease liabilities	(587,415)	(1,574,312)	(37,542)	(100,617)
Decrease in overdraft	(5,806,403)	(11,355,432)	(371,097)	(725,745)
Net cash from financing activities	**(49,511,339)**	**(33,829,820)**	**(3,164,351)**	**(2,162,120)**
NET INCREASE IN CASH AND CASH EQUIVALENTS	**1,129,097**	**2,108,166**	**72,163**	**134,736**
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**3,112,018**	**1,003,852**	**198,894**	**64,158**
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	**4,241,115**	**3,112,018**	**271,057**	**198,894**

The parent company's separate statement of changes in equity
For the year ended 31 December 2005

EEK	Share capital	Share premium	Statutory capital reserve	Retained earnings	Total
Balance at 31 December 2003	44,990,610	11,331,780	4,499,061	13,597,491	74,418,942
Restatement	0	0	0	(1,815,977)	(1,815,977)
Restated balance at 31 December 2003	44,990,610	11,331,780	4,499,061	11,781,514	72,602,965
Loss for 2004	0	0	0	(17,753,397)	(17,753,397)
Restatement of the loss for 2004				464,281	464,281
Restated loss for 2004				(17,289,116)	(17,289,116)
Restated balance at 31 December 2004	44,990,610	11,331,780	4,499,061	(5,507,602)	55,313,849
Profit for 2005	0	0	0	8,646,892	8,646,892
Balance at 31 December 2005	44,990,610	11,331,780	4,499,061	3,139,290	63,960,741
Interests under control and significant influence carrying amount under the equity method	0	0	0	0	1,818,959
Balance at 31 December 2005	44,990,610	11,331,780	4,499,061	3,139,290	65,779,700

€	Share capital	Share premium	Statutory capital reserve	Retained earnings	Total
Balance at 31 December 2003	2,875,424	724,233	287,542	869,038	4,756,237
Restatement	0	0	0	(116,062)	(116,062)
Restated balance at 31 December 2003	2,875,424	724,233	287,542	47,251	4,640,175
Loss for 2004	0	0	0	(1,134,649)	(1,134,649)
Restatement of the loss for 2004				29,673	29,673
Restated loss for 2004				(1,104,976)	(1,104,976)
Restated balance at 31 December 2004	2,875,424	724,233	287,542	(352,000)	3,535,199
Profit for 2005	0	0	0	552,637	552,637
Balance at 31 December 2005	2,875,424	724,233	287,542	200,637	4,087,836
Interests under control and significant influence carrying amount under the equity method	0	0	0	0	116,253
Balance at 31 December 2005	2,875,424	724,233	287,542	200,637	4,204,089

28 Adjustment of opening balances

Under the law, the employer has to indemnify the employees for damages incurred in accidents at work. AS Viisnurk has established a provision to cover the expenditure which may arise from the fulfilment of this obligation. On the recognition of the provision, the results of preceding periods were adjusted retrospectively because the events underlying the establishment of the provision occurred in the preceding periods.

The effect of the adjustment of the opening balances on the financial statements:

	EEK
Decrease in cost of sales for 2004	464,281
Decrease in loss for 2004	464,281
Increase in short-term provisions	491,696
Increase in long-term provisions	860,000
Decrease in equity	1,351,696
Including decrease in retained earnings	1,815,977
decrease in loss for 2004	464,281
Basic earnings per share for 2004 before adjustments	(3.75)
Basic earnings per share for 2004 after adjustments	(3.64)
Diluted earnings per share for 2004 before adjustments	(3.75)
Diluted earnings per share for 2004 before adjustments	(3.64)

	EUR
Decrease in cost of sales for 2004	29 673
Decrease in loss for 2004	29 673
Increase in short-term provisions	31 425
Increase in long-term provisions	54 964
Decrease in equity	86 389
Including decrease in retained	116 062
decrease in loss for 2004	29 673
Basic earnings per share for 2004 before adjustments	(0,24)
Basic earnings per share for 2004 after adjustments	(0,23)
Diluted earnings per share for 2004 before adjustments	(0,24)
Diluted earnings per share for 2004 before adjustments	(0,23)

Signatures

The management board has prepared the Group's annual report for 2005. The annual report (pp. 1 – 44) comprises the management report, the consolidated financial statements, the profit allocation proposal and the auditor's report. The supervisory board has reviewed the annual report prepared by the management board and has approved its presentation to the shareholders' general meeting.

Chairman of Management Board	Toivo Kuldmäe	....	....
Member of Management Board	Andrus Aljas	....	....
Chairman of Supervisory Board	Ülo Adamson	....	....
Member of Supervisory Board	Joakim Helenius	....	....
Member of Supervisory Board	Gleb Ognyannikov	…............	....

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Auditor's report

To the shareholders of AS Viisnurk

We have audited the accompanying consolidated balance sheet of AS Viisnurk (the "Company") as of 31 December 2005 and the related consolidated statements of income, changes in equity and cash flows for the year then ended. These consolidated financial statements, as set out on pages 12 to 43, 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 a 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 consolidated financial statements present fairly, in all material respects, the financial position of the Company as of 31 December 2005, and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, the requirements of paragraph 30 of the Estonian Accounting Law and the rules of the Tallinn Stock Exchange.

Tallinn, 28 April 2006
KPMG Baltics AS

/signature/
Kristina Ude
Authorised Public Accountant

/signature/
Andris Jegers
Authorised Public Accountant

Profit allocation proposal

Undistributed profits of AS Viisnurk:

Undistributed profits at 31 December 2004	EEK (4,817,279)	€(307,880)
Profit for 2005	EEK 9,775,528	€624,770
Undistributed profits at 2005	EEK 4,958,249	€316,890

The management board proposes that shareholders distribute dividends of 93 cents (€0.06) per share, i.e., EEK 4,184,127 (€267,414) in aggregate.

Toivo Kuldmäe
Chairman of Management Board

Andrus Aljas
Member of Management Board