Annual Report
2006

Beginning of financial year:	01.01.2006
End of financial year:	31.12.2006
Business name:	AS Viisnurk
Commercial Registry No:	10106774
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Introduction

The Group in brief

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

The core activities of AS Viisnurk are manufacturing of furniture and softboard made of wood.

The business units of Viisnurk include furniture division and building materials division.

The furniture division manufactures and distributes unique household furniture. The trademark of self-produced products is Skano and the Group's retail furniture stores bearing this name operate in Estonia and Latvia.

The building materials division manufactures and distributes two softboard-based product categories: insulation and soundproofing board, and interior finishing boards for walls and ceilings which are distributed under the Isotex brand name.

In addition to the domestic market, the Group's main target markets are the Nordic countries, Western and Central Europe and Russia. The clients and cooperation partners of AS Viisnurk are accomplished representatives of their field who have long-term relations of the Group.

AS Viisnurk is the first and the only wood-processing company in Estonia whose shares are listed in List I of Tallinn Stock Exchange.

AS Viisnurk places great value on the satisfaction of its clients, employees and shareholders as well as balanced relations with the environment.

Management report

Operating results

Sales revenue and results of operations

In 2006, the revenue of AS Viisnurk totalled 227.4 million kroons (14.5 million euros) and in 2005, 218.7 million kroons (14.0 million euros).

In 2006, the net profit of AS Viisnurk amounted to 12.8 million kroons (0.8 million euros). As a comparison, the net profit in 2005 totalled 9.5 million kroons (0.6 million euros). In 2006, the earnings per share of Viisnurk were 2.84 kroons (0.18 euros).

The distribution of revenue and results of operations of AS Viisnurk by activities:

In thousand kroons	REVENUE		OPERATING RESULTS	
	2006	2005	2006	2005
Furniture division	**132 823**	122 105	**9 540**	4 817
Building materials division	**94 581**	96 443	**11 674**	13 910
Discontinued operations	**0**	162	**0**	345
TOTAL	**227 404**	218 710	**21 214**	19 072
Unallocated expenses			**(5 414)**	(6 232)
OPERATING PROFIT			**15 800**	12 840
Financial income/expenses			**(2 575)**	(3 322)
PROFIT BEFORE TAX			**13 225**	9 518
Corporate income tax			**(438)**	0
NET PROFIT OF AS VIISNURK			**12 787**	9 518

In thousand euros	REVENUE		OPERATING RESULTS	
	2006	2005	2006	2005
Furniture division	**8 489**	**7 804**	**610**	**308**
Building materials division	**6 045**	**6 164**	**746**	**889**
Discontinued operations	**0**	**10**	**0**	**22**
TOTAL	**14 534**	**13 978**	**1 356**	**1 219**
Unallocated expenses			**(346)**	**(398)**
OPERATING PROFIT			**1 010**	**821**
Financial income and expense			**(165)**	**(213)**
PROFIT BEFORE TAX			**845**	**608**
Corporate income tax			**(28)**	**0**
NET PROFIT OF AS VIISNURK			**817**	**608**

Balance sheet and cash flow statement

As at 31.12.2006, the total assets of AS Viisnurk amounted to 153.2 million kroons (9.8 million euros). The balance sheet total decreased by 2.6 million kroons (0.2 million euros). As at 31.12.2006, the Company's liabilities totalled 81.4 million kroons (5.2 million euros), decreasing by 11.2 million kroons (0.7 million euros) as compared with 31.12.2005, and the Company's debt ratio decreased to 53%.

In 2006, the Company's cash flows from operating activities totalled 17.5 million kroons (1.1 million euros). In addition, the sales of financial assets yielded 6.8 million kroons (0.4 million euros). Cash used for investing activities totalled 3.5 million kroons (0.2 million euros).

Performance of business units

Furniture division

- Increasing the share of furniture made of birch
- Growing attention on developing a profitable product portfolio, production efficiency and optimisation of cost levels
- 60% of growth in retail sales through OÜ Skano
- A plan to expand furniture retail sales was developed and its implementation was launched

The furniture division manufactures and markets wooden household furniture. The furniture division makes furniture for living rooms, offices, dining rooms as well as bedrooms. The brand of self-produced products is Skano and two furniture stores bearing this name operate in Estonia and one in Latvia.

Division's results of operations

In 2006, the furniture division's revenue totalled 132.8 million kroons (8.5 million euros) and the net profit totalled 9.5 million kroons (0.6 million euros). In 2005, the respective figures were 122.1 million kroons (7.8 million euros) and 4.8 million kroons (0.3 million euros). As compared with the previous year, the division's profit margin increased by 3.3%.
The furniture division's main markets continued to be Finland, Russia and Germany which accounted for 84% of the division's total sales.

Furniture production

In 2006, the furniture division continued to focus on the profitable product portfolio, increasing the production efficiency and optimizing cost levels.
These activities are the key for sustainable profitability in an environment of growing competition and cost inflation.
In the accounting period, the division increased the share of high-margin furniture made of birch to 91% (in 2005: 79%). The demand for pine furniture has been decreasing and the Company plans to further increase the share of birch furniture.
The target customers of the furniture division are primarily medium and small wholesalers and retailers who value the unique design of furniture, high quality and flexible customer service.

Retail business

Greater emphasis was laid on the development of furniture retail sales. AS Viisnurk has set up two wholly-owned subsidiaries which are engaged in retail sales – OÜ Skano in Estonia and SIA Skano in Latvia.
Since its inception in 2003, the retail concept of the furniture division has been successful. In 2005, furniture retail trade was expanded into the Republic of Latvia, where a new furniture store was opened in Riga, and the active development of furniture retail trade in the neighbouring markets will become the main strategy of the furniture division of Viisnurk.
In 2007, several furniture stores are planned to be opened in the neighbouring markets.
In the financial year, the sales of the subsidiary operating under the Skano name and focusing on retail trade increased by about 60%.

At the year-end, the division employed 239 employees (2005 - 239), and 250 employees including subsidiaries (2005 – 247).

Building materials division

- Strong operating results as budgeted
- Approximately 5 per cent growth in the sales of Isotex products with higher margins – strengthening of the market position in the core market of Finland, operating in the new markets of Latvia and Russia.

The building materials division produces two separate softboard-based product categories; insulation and soundproofing boards as well as interior finishing boards for walls and ceilings.

Division's results of operations

In 2006, the building materials division continued to be successful and as planned. In 2006, the division's revenue was 94.6 million kroons/6.0 million euros and its net profit was 11.7 million kroons/0.7 million euros (2005: the respective figures were 96.4 million kroons/6.2 million euros and 13.9 million kroons/0.9 million euros).
Exports made up 54% of the division's total sales, the largest export markets continued to be Finland and Germany. The period's results were affected by unusual weather conditions at the beginning of the year and a fire which occurred in May. These negative factors had a one-time effect on the divisions' results of operations.

Interior finishing boards

Interior finishing boards are produced only under Viisnurk's own Isotex brand. 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. This technology enables the Company to produce boards of different colours and patterns. The main advantages are effective sound insulation and easy and fast installation.
In 2006, the revenue of interior finishing boards totalled 35 million kroons/ 2.2 million euros. As compared with the previous year, revenue increased about 5%. Interior finishing boards made up 34% (2005 – 35%) of the division's total sales.
In future periods, the main strategic trend of the building materials division will be increasing the volumes of Isotex products and this primarily with the focus on the Eastern market where the fast development of the construction sector creates good preconditions for the division's long-term growth. For this purpose, construction of a new product line for the manufacturing of Isotex interior finishing boards was launched. In the fourth quarter of 2006, the renovation works of the building designed for the line were commenced. The increasing of the volume of Isotex products will allow the Company to improve the sales margins and add more value to the current production.

Insulation and soundproofing boards

As compared with the previous year, the sales of insulation and soundproofing boards stayed at almost the same level, reaching 59.4 million kroons (3.8 million euros). Wind-protection boards, being the largest group, accounted for 39% of the sales of insulation and soundproofing boards.
The demand for wind-protection boards has increased steeply in the domestic market; the direct sales of products under the Company's own brand have been successful in all largest chains of the main target market of Finland.
In addition, the Company has increased the share of direct sales as compared to the products sold through distributors – this leads to higher margins and increases sustainability over the longer term. In 2006, the division introduced its insulation and soundproofing boards in the Eastern markets with a great potential – Russia and the Ukraine.

At the year-end 2006, the building materials division employed 87 people (2005 – 83).

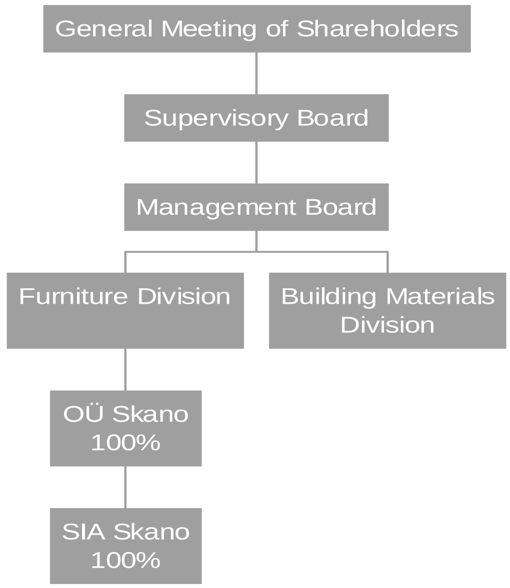
Investments

With regard to the retail trade of the furniture division, activities were launched to expansion to the neighbouring markets according to the strategy. The expansion of the retail trade involves the opening of new stores offering household furniture and furnishings in different markets of Eastern Europe.

To satisfy increasing demand in the current markets and to enter the markets of Russia and the Ukraine, the Supervisory Board of AS Viisnurk has approved the increasing of production capacity of interior finishing boards by setting up a second production line. The investment's total cost is expected to be 10 million kroons/639 thousand euros and the line will be launched in the third quarter of 2007. The new line will enable to increase the volume of Isotex products from 39% to 55% of the revenue of the building materials division. The increasing of the production volumes of Isotex products will allow the Company to improve its sales margins and add value to existing products.

In 2006, investments into technology totalled 2.4 million kroons (154 thousand euros) and into buildings, 2.6 million kroons (166 thousand euros). In 2005, the respective figures stood at 2.2 million kroons (144 thousand euros) and 244 thousand kroons (16 thousand euros).

Employees



Organisational chart of AS Viisnurk as at 31.12.2006*

* The chart does not include wholly-owned subsidiaries OÜ Isotex, OÜ Visu and OÜ VN Niidu Kinnisvara because the companies did not have any operations in the financial year.

In 2006, the average number of employees at AS Viisnurk was 335 (2005: 324) people. By the end of 2006, AS Viisnurk employed 326 people (2005 – 322). As at 31.12.2006, the Group employed 337 people (2005: 330), including the employees of OÜ Skano. As at the end of the financial year, the Company employed 278 workers and 59 specialists and executives. The average age of the Company's employees was 46.1 years.
In 2006, employee wages and salaries totalled 34.2 million kroons (2.2 million euros). As compared with the previous year, the Company's payroll expenses increased by 15.5%. In 2006, gross remuneration paid to the members of the Management Board totalled 0.9 million kroons (0.06 million euros). The members of the Supervisory Board did not receive any remuneration in 2006.

The distribution of the number of employees of AS Viisnurk by units:

	2006	**2005**	**Change %**
Furniture division	**239**	239	0,0%
Building materials division	**87**	83	4,6%
OÜ Skano	**8**	5	37,5%
SIA Skano	**3**	3	0,0%
TOTAL AS VIISNURK	**337**	330	2,1%

Financial ratios

In thousand kroons	**2006**	**2005**	**2004**	**2003**	**2002**
Income statement					
Revenue	**227 404**	218 710	347 544	392 331	367 531
Operating profit/loss	**15 800**	12 840	(11 579)	(60 466)	(9 729)
Operating margin	**6,9%**	5,9%	(3,3%)	(15,4%)	(3,5%)
Net profit/loss	**12 787**	9 518	(16 385)	(68 840)	(19 632)
Net margin	**5,6%**	4,4%	(4,7%)	(17,5%)	(5,3%)
Balance sheet					
Total assets	**153 217**	155 822	208 525	280 996	344 893
Return on assets	**8,3%**	6,1%	(7,9%)	(24,5%)	(6,2%)
Equity	**71 798**	63 195	56 004	74 205	143 045
Return on equity	**17,8%**	15,1%	(29,3%)	(92,8%)	(15,9%)
Debt-to-equity ratio	**53%**	59%	73%	74%	58%
Share (31.12)					
Closing price	**47,10**	41,15	21,12	33,64	25,00
Earnings per share	**2,84**	2,12	(3,64)	(15,30)	(4,36)
Price/earnings (P/E) ratio	**16,6**	19,4	-	-	-
Book value of share	**15,96**	14,05	12,45	16,49	31,79
Market to book ratio	**3,0**	2,9	1,7	2,0	0,8
Market capitalisation	**211 906**	185 134	95 020	151 346	112 610

in thousand euros	**2006**	**2005**	**2004**	**2003**	**2002**
Income statement					
Revenue	**14 534**	13 978	22 212	25 074	23 489
Operating profit/loss	**1 010**	821	(740)	(3,865)	(622)
Operating margin	**6,9%**	5,9%	(3,3%)	(15,4%)	(3,5%)
Net profit/loss	**817**	608	(1 047)	(4 400)	(1 255)
Net margin	**5,6%**	4,4%	(4,7%)	(17,5%)	(5,3%)
Balance sheet					
Total assets	**9 792**	9 959	13 327	17 959	22 043
Return on assets	**8,3%**	6,1%	(7,9%)	(24,5%)	(6,2%)
Equity	**4 589**	4 039	3 666	4 743	9 142
Return on equity	**17,8%**	15,1%	(29,3%)	(92,8%)	(15,9%)
Debt-to-equity ratio	**53%**	59%	73%	74%	58%
Share (31.12)					
Closing price	**3,01**	2,63	1,35	2,15	1,60
Earnings per share	**0,18**	0,14	(0,23)	(0,98)	(0,28)
Price/earnings (P/E) ratio	**16,6**	19,4	-	-	-
Book value of share	**1,02**	0,90	0,80	1,05	2,03
Market to book ratio	**3,0**	2,9	1,7	2,0	0,8
Market capitalisation	**13 543**	11 832	6 073	9 673	7 197

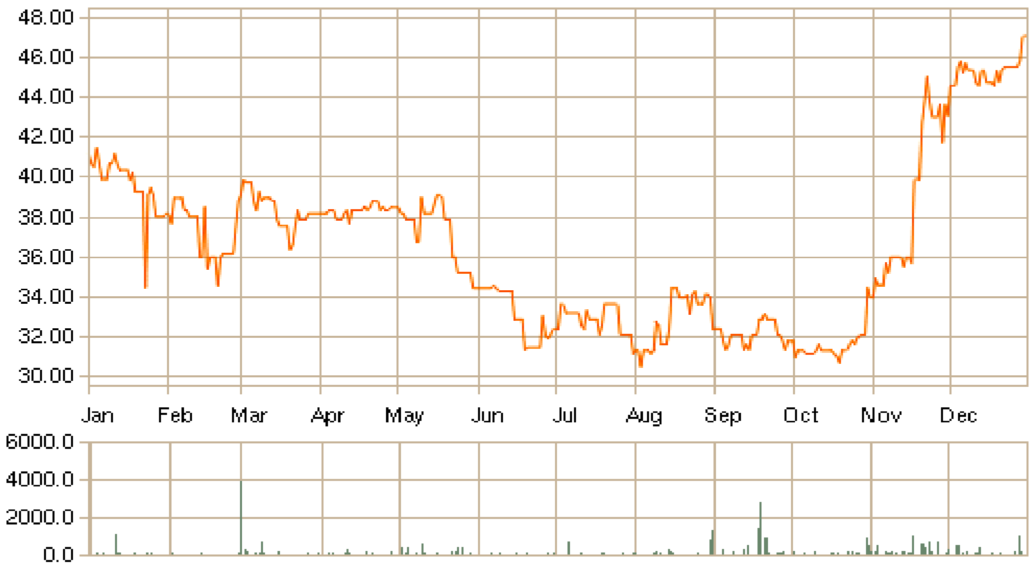
Operating margin = operating profit / revenue
Net margin = net profit / revenue
Return on equity = net profit / total assets
Return on equity = net profit / equity
Debt ratio = liabilities / total assets
Earnings per share = net profit/ number of shares
Price/earnings (PE) ratio = closing price of share / earnings per share
Book value of share = equity / number of shares
Market to book value = closing price of share / book value of share
Market capitalisation = closing price of share * number of shares

Share

Share price

In 2006, the opening price of the share was 40.68 kroons (2.60 euros). The highest price of the year was 47.10 kroons (3.01 euros) and the lowest price was 30.51 kroons (1.95 euros). The closing price of year 2006 was 47.10 kroons (3.01 euros). A total of 1 093 481 shares were traded in 2006 and the total sales amounted to 39.88 million kroons (2.55 million euros).

The following table provides an overview of the movements of the Group's share price and the daily trading volumes on Tallinn Stock Exchange (EEK).



Shareholders

The distribution of share capital by the number of shares acquired as at 31.12.2006.

	Number of shareholders	% of shareholders	Number of shares	% of share capital
1 - 99	68	11.7%	2 162	0.05%
100 - 999	274	47.1%	104 181	2.32%
1 000 - 9 999	218	37.5%	480 719	10.67%
10 000 - 99 999	19	3.3%	487 497	10.84%
100 000 - 999 999	2	0.3%	742 310	16.50%
1 000 000 - 9 999 999	1	0.1%	2 682 192	59.62%
Total	582	100%	4 499 061	100.00%

List of shareholders with over 1% holdings as at 31.12.2006.

Shareholders	Number of shares	Ownership %
OÜ TRIGON WOOD	2 682 192	59,62
ING LUXEMBOURG S.A.	518 000	11,51
Skandinaviska Enskilda Banken Ab Clients	334 310	4,99
Ulf Mikael Liljeström	90 600	2,01
Skandinaviska Enskilda Banken Finnish Clients	54 100	1,20
TOIVO KULDMÄE	49 231	1,09

Direct holdings of the members of the Management and Supervisory Boards as at 31.12.2006.
Ülo Adamson – does not own any shares
Joakim Helenius – does not own any shares
Gleb Ognyannikov – does not own any shares
Toivo Kuldmäe – 49 231 shares

Risks

Interest rate risk

The interest rate risk of AS Viisnurk arises primarily from possible changes in EURIBOR (Euro Interbank Offered Rate), because most of the Company's loans are tied to EURIBOR. As at 1.1.06, the 6-month EURIBOR was 2.637 and as at 31.12.06, it was 3.807.
Interest rate risk also depends on the overall economic condition of the Estonian economy and the changes in the average interest rates at banks. The Company has cash flow risk arising from changes in interest rates because most of the Company's loans have floating interest rates. Management estimates that the cash flow risk is not material; therefore no financial instruments are used to hedge risks.

Foreign exchange risk

The foreign exchange risk is very low because most of the export-import agreements have been concluded in euros.

Group structure

Shares of subsidiaries

	Skano OÜ	Visu OÜ	Isotex OÜ	VN Niidu Kinnisvara OÜ	Skano SIA
Country of location	(Estonia)	(Estonia)	(Estonia)	(Estonia)	(Latvia)
Number of shares at 31.12.2005 (pcs)	1	1	1	0	1
Ownership % at 31.12.2005	100	100	100	0	100
Number of shares at 31.12.2006 (pcs)	1	1	1	1	1
Ownership % at 31.12.2006	100	100	100	100	100

Skano OÜ is engaged in retail sales in Estonia and it rents two furniture stores – in Järve Keskus, Tallinn and on the ground floor of the head office of AS Viisnurk in Pärnu. Skano OÜ owns 100% of the company Skano SIA. Skano SIA is engaged in retail sales in Latvia and it owns one furniture store which was opened in November 2005.
The goal of setting up Visu OÜ and Isotex OÜ is to enable the former divisions to operate independently under their own brands and to foster the development of their business units. In conjunction with the implementation of the Group's restructuring plan, the legal entities of the subsidiaries have been no longer utilised.
VN Niidu Kinnisvara OÜ was set up in Pärnu for the development of registered immovables located in Niidu Street, Pärnu belonging to AS Viisnurk.
The subsidiaries Visu OÜ, Isotex OÜ and VN Niidu Kinnisvara OÜ did not have any operating activities in 2006.

Corporate Governance Code

The Group follows most of the recommendations of the Corporate Governance Code, except for:
The Group's Supervisory Board does not have any independent members and no recommendation to elect independent members of the Supervisory Board has been made at the General Meeting of Shareholders.
The Management Board has more than one member – between 01.06.2006 and 26.02.2007, the Management Board had one member. At the time of authorising the financial statements for issue, the Management Board has three members.
The Group does not follow the recommendation to disclose the remuneration paid to each member of the Supervisory and Management Board. The Group believes that such disclosure is not relevant and it does not outweigh the potential damage it may cause. The Group does not wish to disclose this information to its competitors.

Environmental policy

Since 2004, both the furniture and building materials divisions have a termless 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 a minimal impact on the environment. The requirements set out in the integrated permit 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 entered into a contract with the Estonian Recovery Organisation (ERO) and transferred its responsibilities related to packaging collection, recovery and related reporting. The contract ensures that all end-consumers may return the packaging free of charge to containers bearing the Green Point sign. To foster the sales in the German-speaking markets, a contract was also entered into with the German packaging recovery organisation ISD Interseroh GmbH, which ensures that all packaging taken to the German market is duly collected and recovered.
In 2006, AS Viisnurk's environmental expenses totalled 2 107 thousand kroons (135 thousand euros).

Water usage

In thousands of m^3	2006	2005	Change %
Water use:	**88,2**	**85,8**	2,7
groundwater (municipal water)	**4,4**	**4,4**	0,0
groundwater (own bore wells)	**18,2**	**18,9**	(3,8)
surface water	**65,6**	**62,5**	4,7
Water discharge:	**56,0**	**63,2**	(12,9)
conditionally clean wastewater	**11,9**	**15,5**	(30,3)
wastewater	**44,1**	**47,7**	(8,2)
Water loss	**32,2**	**22,6**	29,8

Water use and wastewater discharge

	2006 *EEK´000*	2005 *EEK´000*	2006 *€´000*	2005 *€´000*	Change %
Water use:	**64,7**	**59,1**	**4,1**	**3,8**	8,7
groundwater (municipal water)	**37,8**	**35,5**	**2,4**	**2,3**	6,1
groundwater (own bore wells)	**11,6**	**11,1**	**0,7**	**0,7**	4,3
surface water	**15,3**	**12,5**	**1,0**	**0,8**	18,3
Water discharge:	**1 571,3**	**1 126,1**	**100,4**	**72,0**	28,3
conditionally clean wastewater					
wastewater	**1 571,3**	**1 126,1**	**100,4**	**72,0**	28,3
Total expenses	**1 636,0**	**1 185,2**	**104,5**	**75,8**	27,6

Main pollutants

In tons	2006	2005	Change %
Volatile organic compounds	**67,0**	**47,2**	29,6
Organic dust	**4,1**	**3,9**	4,9
Total	**71,1**	**51,1**	28,1

Waste handling

	2006 *EEK´000*	2005 *EEK´000*	2006 *€´000*	2005 *€´000*	Change %
Handling of hazardous waste	**148,2**	**142,4**	**9,5**	**9,1**	3,9
Handling of non-hazardous waste	**277,9**	**260,6**	**17,8**	**16,7**	6,2
Total expenses	**426,1**	**403,0**	**27,3**	**25,8**	5,4
Recycling of waste in the production of heat energy	**373,5**	**366,3**	**23,9**	**23,4**	1,9
Sales of wood waste	**205,5**	**195,7**	**13,1**	**12,5**	4,8
Sales of metal waste	**41,0**	**14,9**	**2,6**	**1,0**	63,7
Total conditional income	**620,0**	**576,9**	**39,6**	**36,9**	7,0

Consolidated financial statements

Management Board's confirmation of the financial statements

The Management Board confirms the correctness and completeness AS Viisnurk's 2006 consolidated financial statements as presented on pages 12 – 42.

The Management Board confirms that:

- the accounting policies and presentation of information are in compliance with International Financial Reporting Standards as adopted by the European Union;
- the consolidated financial statements present a true and fair view of the financial position, the results of the operations and the cash flows of the Group;
- AS Viisnurk and its subsidiaries are going concerns.

Andres Kivistik
Chairman of the Management Board

Einar Pähkel
Member of the Management Board

Erik Piile
Member of the Management Board

Pärnu, 9 April 2007

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Kuupäev/date 13.04.07.
PricewaterhouseCoopers, Tallinn

Consolidated balance sheet

	31.12.2006 *EEK*	31.12.2005 (restated) *EEK*	31.12.2006 *€*	31.12.2005 (restated) *€*
Cash and bank	13 138 005	5 552 478	839 672	354 868
Financial assets at fair value through profit or loss (Note 6)	0	6 784 686	0	433 620
Receivables and prepayments (Note 7)	26 627 875	25 749 225	1 701 831	1 645 675
Inventories (Note 8)	44 970 850	42 160 509	2 874 161	2 694 548
Total current assets	**84 736 730**	**80 246 898**	**5 415 664**	**5 128 711**
Investment property (Note 9)	10 294 631	15 521 213	657 947	991 986
Property, plant and equipment (Note 10)	57 535 404	58 235 209	3 677 182	3 721 908
Intangible assets (Note 11)	650 475	1 818 221	41 573	116 206
Total non-current assets	**68 480 510**	**75 574 643**	**4 376 702**	**4 830 100**
TOTAL ASSETS	**153 217 240**	**155 821 541**	**9 792 366**	**9 958 811**
Borrowings (Notes 12)	19 408 964	8 908 959	1 240 459	569 386
Payables and prepayments (Note 14)	30 230 621	32 352 676	1 932 089	2 067 713
Short-term provisions (Note 15)	220 964	176 006	14 122	11 249
Total current liabilities	**49 860 549**	**41 437 641**	**3 186 670**	**2 648 348**
Long-term provisions (Note 15)	3 047 312	3 268 276	194 759	208 881
Long-term borrowings (Notes 12)	28 511 239	47 920 204	1 822 200	3 062 659
Total non-current liabilities	**31 558 551**	**51 188 480**	**2 016 959**	**3 271 540**
TOTAL LIABILITIES	**81 419 100**	**92 626 121**	**5 203 629**	**5 919 888**
Share capital at nominal value (Note 16)	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 reserve capital	4 499 061	4 499 061	287 542	287 542
Retained earnings	10 976 689	2 373 969	701 538	151 724
Total equity	**71 798 140**	**63 195 420**	**4 588 737**	**4 038 923**
TOTAL LIABILITIES AND EQUITY	**153 217 240**	**155 821 541**	**9 792 366**	**9 958 811**

The notes to the financial statements presented on pages 17 – 42 are an integral part of these financial statements.

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Kuupäev/date 13.04.07.
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Consolidated income statement

	2006 *EEK*	2005 (restated) *EEK*	2006 *€*	2005 (restated) **€**
REVENUE (Note 26)	**227 403 908**	**218 709 730**	**14 533 759**	**13 978 099**
Cost of goods sold (Note 18)	(184 526 173)	(180 840 127)	**(11 793 372)**	**(11 557 790)**
Gross profit	**42 877 735**	**37 869 603**	**2 740 387**	**2 420 309**
Distribution costs (Note 19)	(21 257 663)	(20 472 672)	(1 358 612)	(1 308 442)
Administrative expenses (Note 20)	(5 414 007)	(6 232 239)	(346 018)	(398 313)
Other operating income (Note 22)	525 527	2 721 902	33 587	173 961
Other operating expenses (Note 23)	(931 791)	(1 046 437)	(59 552)	(66 880)
Operating profit	**15 799 801**	**12 840 157**	**1 009 792**	**820 636**
Financial income (Note 24)	158 290	114 232	10 116	7 301
Finance costs (Note 24)	(2 733 161)	(3 436 354)	(174 681)	(219 624)
PROFIT BEFORE TAX	**13 224 930**	**9 518 035**	**845 227**	**608 313**
Corporate income tax (Note 16)	(438 083)	0	(27 999)	0
NET PROFIT	**12 786 847**	**9 518 035**	**817 228**	**608 313**
Basic earnings per share (Note 17)	**2,84**	**2,12**	**0,18**	**0,14**
Diluted earnings per share (Note 17)	**2,84**	**2,12**	**0,18**	**0,14**

The notes to the financial statements presented on pages 17 – 42 are an integral part of these financial statements.

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Consolidated cash flow statement

	2006 *EEK*	2005 (restated) *EEK*	2006 *€*	2005 (restated) *€*
Cash flows from operating activities				
Profit before tax	**13 224 930**	**9 518 035**	**845 227**	**608 313**
Adjustments of profit before tax for the effects of non-cash transactions, items of income or expense associated with investing or financing cash flows and changes in assets and liabilities related to operating activities (Note 25)	7 311 662	14 267 431	467 300	911 856
Cash generated from operations	**20 536 592**	**23 785 466**	**1 312 527**	**1 520 169**
Interest payments (Note 24)	(2 634 624)	(3 380 219)	(168 383)	(216 035)
Corporate income tax paid (Note 16)	(438 083)	0	(27 999)	0
Net cash generated from operating activities	**17 463 885**	**20 405 247**	**1 116 145**	**1 304 134**
Cash flows from investing activities				
Purchase of investment property (Note 9)	0	(150 000)	0	(9 587)
Proceeds from sale of investment property	0	1 500 000	0	95 868
Purchase of property, plant and equipment (Note 10)	(3 732 517)	(4 338 303)	(238 551)	(277 268)
Proceeds from sale of property, plant and equipment	127 246	210 103	8 133	13 428
Purchase of intangible assets (Note 11)	0	(2 068)	0	(132)
Purchase of financial assets (Note 6)	0	(6 784 686)	0	(433 621)
Proceeds from sale of financial assets (Note 6)	6 820 000	0	435 877	0
Proceeds from sale of discontinued operations	0	40 353 902	0	2 579 084
Net cash generated from investing activities	**3 214 729**	**30 788 948**	**205 459**	**1 967 772**
Cash flows from financing activities				
Repayment of loans (Note 12)	(8 908 960)	(43 117 521)	(569 386)	(2 755 712)
Finance lease payments	0	(587 415)	0	(37 543)
Decrease in overdraft balance	0	(5 806 403)	0	(371 097)
Payment of dividends (Note 16)	(4 184 127)	0	(267 414)	0
Net cash used in financing activities	**(13 093 087)**	**(49 511 339)**	**(836 800)**	**(3 164 352)**
NET INCREASE IN CASH AND CASH EQUIVALENTS	**7 585 527**	**1 682 856**	**484 804**	**107 554**
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**5 552 478**	**3 869 622**	**354 868**	**247 314**
CASH AND CASH EQUIVALENTS AT END OF YEAR	**13 138 005**	**5 552 478**	**839 672**	**354 868**

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Consolidated statement of changes in equity

EEK	Share capital	Share premium	Statutory reserve capital	Accumulated losses/ retained earnings	Total
Balance at 31.12.2004	**44 990 610**	**11 331 780**	**4 499 061**	**(4 817 279)**	**56 004 172**
Adjustment (Note 5)	0	0	0	(2 326 787)	(2 326 787)
Adjusted balance at 31.12.2004	**44 990 610**	**11 331 780**	**4 499 061**	**(7 144 066)**	**53 677 385**
Net profit for 2005	0	0	0	9 775 528	9 775 528
Adjustment of net profit for 2005 (Note 5)	0	0	0	(257 493)	(257 493)
Adjusted net profit for 2005	0	0	0	9 518 035	9 518 035
Adjusted balance at 31.12.2005	**44 990 610**	**11 331 780**	**4 499 061**	**2 373 969**	**63 195 420**
Net profit for 2006	0	0	0	12 786 847	12 786 847
Payment of dividends (Note 16)	0	0	0	(4 184 127)	(4 184 127)
Balance at 31.12.2006	**44 990 610**	**11 331 780**	**4 499 061**	**10 976 689**	**71 798 140**

€	Share capital	Share premium	Statutory reserve capital	Accumulated losses/ retained earnings	Total
Balance at 31.12.2004	**2 875 424**	**724 233**	**287 542**	**(307 880)**	**3 579 319**
Adjustment (Note 5)	0	0	0	(148 709)	(148 709)
Adjusted balance at 31.12.2004	**2 875 424**	**724 233**	**287 542**	**(456 589)**	**3 430 610**
Net profit for 2005	0	0	0	624 770	624 770
Adjustment of net profit for 2005 (Note 5)	0	0	0	(16 457)	(16 457)
Adjusted net profit for 2005	0	0	0	608 313	608 313
Adjusted balance at 31.12.2005	**2 875 424**	**724 233**	**287 542**	**151 724**	**4 038 923**
Net profit for 2006	0	0	0	817 228	817 228
Payment of dividends (Note 16)	0	0	0	(267 414)	(267 414)
Balance at 31.12.2006	**2 875 424**	**724 233**	**287 542**	**701 538**	**4 588 737**

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Notes to the consolidated financial statements

1 General information

AS Viisnurk (the Company) (registration number: 10106774; address: Suur-Jõe 48, Pärnu) is a company registered in the Republic of Estonia and operating in Estonia and Latvia. The consolidated financial statements prepared for the financial year ended 31 December 2006 include the financial information of the Company and its subsidiaries (together referred to as the Group): Skano OÜ, Visu OÜ, Isotex OÜ and VN Niidu Kinnisvara OÜ, and Skano OÜ's wholly-owned subsidiary SIA Skano. The Group manufactures and distributes furniture and softboard made of wood.

The Group is listed in List I of Tallinn Stock Exchange. The majority owner of AS Viisnurk is OÜ Trigon Wood. The ultimate controlling party of the Group is TDI Investments KY, registered in the Republic of Finland and belonging to the Scandinavian investors.

The Management Board of AS Viisnurk authorised these consolidated financial statements for issue at 9 April 2007. Pursuant to the Commercial Code of the Republic of Estonia, the financial statements are subject to approval by the Supervisory Board of AS Viisnurk and the General Meeting of Shareholders.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

A Basis of preparation

The 2006 consolidated financial statements of AS Viisnurk Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss, which are presented at fair value as disclosed in the accounting policies below.

The preparation of the financial statements in accordance with IFRS requires management to make assumptions and judgements, which affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. The estimates and the related assumptions are based on the historical experience and several other factors that are believed to be relevant and that are based on circumstances which help define principles for the evaluation of assets and liabilities and which are not directly available from other sources. Actual results may not coincide with 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 changed if it affects only the current period, or current and future periods, if the revision affects both current and future periods.

Management decisions and accounting estimates related to the application of IFRS that have a significant effect on the financial statements and that may be subject to adjustment are presented in Note 4.

Standards, amendments and interpretations effective in 2006 but not relevant

The following standards, amendments and interpretations are mandatory for accounting periods beginning on or after 1 January 2006 but are not relevant to the Group's operations:

- IAS 19 (Amendment), Actuarial Gains and Losses, Group Plans and Disclosures
- IAS 39 (Amendment), Cash Flow Hedge Accounting of Forecast Intragroup Transactions;
- IAS 39 (Amendment), The Fair Value Option;
- IAS 39 and IFRS 4 (Amendment), Financial Guarantee Contracts;
- IFRS 1 (Amendment), First-time Adoption of International Financial Reporting Standards;
- IFRS 6 (Amendment), Exploration for and Evaluation of Mineral Resources;
- IFRIC 4, Determining whether an Arrangement contains a Lease;
- IFRIC 5, Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds; and

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- IFRIC 6, Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment.

Standards and interpretations to existing standards that are not yet effective and have not been early adopted by the Group
The following interpretations and amendments to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 January 2007 or later periods that the Group has not early adopted:

- Amendments to IAS 1, Capital Disclosures. The amendment introduces requirements for additional disclosures about capital (effective from 1 January 2007);
- IFRS 7 Financial Instruments: Disclosures. IFRS 7 introduces new requirements to improve the information on financial instruments (effective from 1 January 2007); and
- IFRS 8 Operating segments. IFRS 8 replaces IAS 8 and aligns segment reporting with the requirements of the US standard SFAS 131 (effective from 1 January 2009).

The Group will apply amendments to IAS 1, and IFRS 7 from 1 January 2007 and IFRS 8 from 1 January 2009. The management is considering the impact on the Group's accounts.

Interpretations to existing standards that are not yet effective and not relevant for the Group's operations.
The following interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 March 2006 or later periods but are not relevant for the Group's operations:

- IFRIC 7, Applying the Restatement Approach under IAS 29, Financial Reporting in Hyperinflationary Economies (effective from 1 March 2006);
- IFRIC 8, Scope of IFRS 2 (effective for annual periods beginning on or after 1 May 2006); and
- IFRIC 9, Reassessment of embedded derivatives (effective for annual periods beginning on or after 1 June 2006);
- IFRIC 10, Interim Financial Reporting and Impairment (effective for annual periods beginning on or after 1 November 2006); and
- IFRIC 11, IFRS 2 – Group and Treasury Share Transactions (effective for annual periods beginning on or after 1 March 2007).
- IFRIC 12, Service Concession Arrangements (effective for annual periods beginning on or after 1 January 2008).

IFRIC 10, 11, 12 and IFRS 8 have not been yet endorsed by the EU.

B Functional and presentation currency
Items included in the consolidated financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The functional currency of AS Viisnurk is Estonian kroon (EEK). These consolidated financial statements have been presented in Estonian kroons (EEK) and euros (EUR). Estonian kroon is pegged to Euro at the rate of EEK 15.6466 to € 1. All financial information presented in euros has been translated using the aforementioned exchange rate. Thus, no translation differences arise from the use of this presentation currency.

The results and financial position of each Group entity that have a functional currency different from the presentation currencies are translated into the presentation currencies as follows:

(a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
(b) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
(c) all resulting exchange differences are recognised as a separate component of equity.

C Comparability
The financial statements have been prepared in accordance with the consistency and comparability principles, the nature of the changes in methods and their effect is explained in the respective notes. When the presentation of items in the financial statements or their classification method has been amended, then also the comparative information of pervious periods has been restated. See Note 5 regarding correction of prior period error.

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D Principles of consolidation and accounting for subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

In the consolidated financial statements the subsidiaries have been combined on a line-by-line basis. Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Investments into subsidiaries are reported at cost (less any impairment losses) in the separate primary financial statements of the parent company.

E Foreign currency transactions

During the year, all foreign currency transactions of AS Viisnurk are translated into Estonian kroons using the foreign currency exchange rate of Estonian prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into Estonian kroons using the exchange rate prevailing at the balance sheet date. All gains and losses from foreign currency transactions are recognised in the income statement.

F Cash and cash equivalents

For the purposes of the balance sheet and the cash flow statement, cash and cash equivalents comprise cash on hand, bank account balances (except for overdraft) and term deposits with maturities of three months or less. Cash and cash equivalents are carried at fair value.

G Financial assets

The purchases and sales of financial assets are recognised at trade date. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Depending on the purpose for which financial assets were acquired as well as management's intentions, financial assets are divided into the following groups:
- financial assets at fair value though 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 financial assets held for trading purposes (i.e. assets acquired principally for the purpose of selling in the short term). Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement, and subsequently are carried at fair value with changes in fair value recognised in the income statement. The fair values of quoted investments are based on current bid prices.

Loans and receivables are initially recognised at fair value plus transaction costs and are subsequently carried at amortised cost using the effective interest method (less any impairment losses). See also accounting policy M.

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

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

H Trade receivables

Trade receivables are non-derivative financial assets with fixed or determinable payments, and are not quoted in an active market. Trade receivables are recognised initially at fair value plus transaction costs

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and are subsequently measured at amortised cost using the effective interest method, less provision for impairment.
An allowance for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Recoverability of receivables is assessed separately. Doubtful receivables are written down to their recoverable value. The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the market rate of similar borrowers. Impairment losses are charged to income statement.

I Inventories

Inventories are stated at the lower of cost and net realisable value. Cost consists of purchase costs, direct and indirect production costs and other costs incurred in bringing the inventories to their current condition and location.
Purchase costs include the purchase price, other non-refundable taxes and directly attributable transport and other costs related to purchase, less discounts and subsidies. The production costs of inventories include costs directly related to the units of production (such as direct materials and packing material costs, unavoidable storage costs related to work in progress, direct labour), and also a systematic allocation of fixed and variable production overheads that are allocated to the cost of products on the basis of normal production capacities.

The weighted average cost method is used for the evaluation of inventories.

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. The amount of the impairment loss is recognised in the income statement line *Cost of goods sold*.

J Investment property

Real estate properties (land, buildings) that the entity owns or leases under finance lease terms to earn lease income or for capital appreciation or both, and that are not occupied by the Group, are classified as investment property.

Investment property is measured initially at its cost, including related transaction costs. After initial recognition, investment property is carried at historical cost less accumulated depreciation and any accumulated impairment losses. Depreciation is calculated based on the straight-line method. Annual depreciation rates of investment property range from 2.5 to 15 per cent. Refer to policy K for more detailed principles applied to both property, plant and equipment, and investment property.

K Property, plant and equipment

Property, plant and equipment are non-current assets used in the operating activities of the entity with a useful life of over one year. An item of property, plant and equipment is initially recognised at its acquisition cost which consists of purchase price (including customs duties and other non-refundable taxes) and other expenditures directly related to the acquisition, and that are necessary for bringing the asset to its operating condition and location. Costs include borrowing costs incurred on specific or general funds borrowed to finance construction of qualifying assets. The cost of a self-constructed asset is determined using the same principles as for an acquired asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Property, plant and equipment are subsequently carried at cost less any accumulated depreciation and impairment losses (see principle M). The difference between the acquisition cost and the residual value of an asset is depreciated over the useful life of the asset. Each part of an item with a cost that is significant in relation to the total cost of the item and with the useful life different from other significant parts of that same item is depreciated separately based on its useful life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. When the asset's residual value exceeds its carrying amount, no depreciation is recognised.

Depreciation is calculated based on the straight-line method. The annual depreciation rates applied to individual assets by groups of property, plant and equipment are as follows (per cent):

- buildings and facilities 2.5 – 15
- machinery and equipment 10 – 25

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- motor vehicles 10 – 20
- other fixtures and fittings 20 – 40
- Land is not depreciated

L Intangible assets

Intangible assets are initially recorded at acquisition cost. Subsequently, intangible assets are carried at cost less any accumulated amortisation and impairment losses (see accounting policy M).
Intangible assets with definite useful lives are amortised over their useful lives (2.5-5 years) using the straight-line method. The Group has no intangible assets with indefinite useful lives.

M Impairment of assets

Assets that are subject to amortisation and depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date. The previous impairment loss is reversed only to the extent that the remaining carrying amount does not exceed the carrying amount which would have been determined considering regular deprecation, had the impairment loss not been recognised.

N Operating lease and finance lease

Leases in which a significant portion of the risks and rewards of ownership are transferred to the lessee are classified as finance leases. All other leases are classified as operating leases.

Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property and the present value of minimum lease payments. Each lease payment is apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Payments made or received under operating leases are charged to the income statement on a straight-line basis over the period of the lease. Properties leased out under operating leases are classified as investment property.

O Financial liabilities

Financial liabilities (trade payables, borrowings, accrued expenses and other short and long-term borrowings) are initially recognised at their fair value and subsequently measured at amortised cost using the effective interest rate method. Upon the initial recognition of such financial liabilities which are not accounted for at fair value through profit or loss, the transactions costs directly related to the acquisition are deducted from their fair value.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset shall be capitalised as part of the cost of that asset. All other borrowing costs are charged to period expenses.

P Provisions and contingent liabilities

Provisions are recognised in the balance sheet when the Group has a present legal or contractual obligation arisen as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and the amount has been reliably estimated.

The provisions are recognised based on the management's (or independent experts') estimates regarding the amount and timing of the expected outflows. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Guarantees and other commitments that in certain circumstances may become obligations, but it is not probable that an outflow of resources will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability are disclosed in the notes to the financial statements as contingent liabilities.

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Provisions for long-term disability compensations

Under law, the Group is obliged to pay compensations to former employees who have lost their ability to work during their employment in the Group. The level of the benefit depends on the extent of disability, the average monthly salary of the employee, and the changes of pension payments by the state. The level of benefit does not depend on the length of service and obligation arises when employee suffers injury that causes permanent disability.

The amount recognised as a liability amounts to the present value of the obligation at the balance sheet date. Management's best estimates of the variables that will determine the ultimate cost of providing post-employment benefits, are used, including demographic assumptions about the future characteristics of former employees who are eligible for benefits (matters such as mortality), financial assumptions (dealing with items such as the discount rate and future benefit levels).

The rate used to discount the obligation shall be determined by reference to market yields at the balance sheet date on high quality corporate bonds, currency and term of which is consistent with the currency and estimated term of the obligation.

Q Employee benefits

Payables to employees contain the contractual right arising from employment contracts and performance-based pay which is calculated on the basis of Group's financial results and meeting of objectives set for the employees. Performance-based pay is included in period expenses and as a liability if it is payable in the next financial year.

Pursuant to employment contracts and current legislation, payables to employees also include an accrued holiday pay liability as at the balance sheet date. This liability also includes accrued social and unemployment taxes calculated on it.

The companies of the Group only operate defined contribution plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group does not have a legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all benefits acquired by the employees in the current period and in prior years. Under the defined contribution plans, the Group pays mandatory contributions to pension insurance plans under public administration. Once the determined contributions have been paid, the Group does not have any further obligations. Contributions are recognized as an employee benefit expense when they are due.

R Taxation

Corporate income tax

According to the Estonian Income Tax Act, from 1 January 2000 the profits earned by companies are not taxed in Estonia. Instead, the distribution of retained earnings is subject to income tax of 22/78 (until 31.12.2006: 23/77, until 31.12.2005: 24/76, and until 31.12.2004: 26/74) of the amount paid out as net dividends, from which income tax paid before 1.1.2000 can be deducted using a respective coefficient. The corporate income tax arising from the payments of dividends is accounted for as an expense in the period when dividends are declared, regardless of the actual payment date or the period for which dividends are paid.

Due to the peculiarity of the Estonian taxation system, the term *tax base of assets and liabilities* does not have economic substance and therefore no deferred tax liabilities and assets can arise.

According to local income tax legislation, in Latvia the profits of companies are adjusted for the differences provided by the law. In the Republic of Latvia, the corporate profits are taxed with the 15% tax rate. Pursuant to the Latvian tax legislation, temporary differences arise between the carrying amount and tax bases of assets and liabilities; therefore deferred income tax liabilities and assets may arise. As at 31.12.2006 and 31.12.2005, the Latvian subsidiary did not have any deferred tax assets and liabilities.

Other taxes

In Estonia, pursuant to current tax legislation, other taxes include value-added tax, corporate income tax, social security tax and unemployment insurance tax.

- Value added tax

18% on taxable value except where the law provides otherwise;

0% on exported goods or services.

- Corporate income tax

22/78 (until 31.12.2006: 23/77, until 31.12.2005: 24/76, and until 31.12.2004: 26/74) on fringe benefits paid to physical persons, gifts, donations, entertainment expenses, profit distributions and expenses and disbursement not related to business activities.

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- Social security tax
  33% on employee wages and salaries and other remuneration as well as fringe benefits and income tax payable on fringe benefits.

- Unemployment insurance tax
  0,3% on employee wages and salaries and other remuneration.

S Revenue

Revenue is recognised at the fair value of the consideration received or receivable net of value-added tax, returns, rebates and discounts.
Revenue from the sale of goods and products in recognised when all significant risks and rewards of ownership have been transferred to the buyer, when the amount of revenue and costs incurred in respect of the transaction can be measured reliably and it is probable that future economic benefits associated with the sales transaction will be collected by the Group.
Revenue from the rendering of services is recognised in the period in which the services are rendered. If a service is rendered over a longer period of time, revenue is recorded using the stage of completion method.
Lease income from operating leases is recognised on a straight-line basis over the lease term. Lease incentives granted to lessees upon concluding lease agreements are included within lease income.

T Cash flow statement

The cash flow statement is prepared using the indirect method. Cash flows from operating activities are determined by adjusting the net profit for the financial year through elimination of the effect of non-monetary transactions, changes in the balances of assets and liabilities related to operating activities and revenue and expenses related to investing or financing activities.

U Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. Business segments by the areas of operations are considered as the primary segment of the Group.
A geographical segment is considered as secondary segment of the Group. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those segments operating in other economic environments. The secondary segment of the Group is defined according to the geographical location of customers.
Segment results, assets and liabilities include items which are directly related to the segment or can be allocated to it on a reasonable basis. Unallocated items include borrowings, financial expenses arising from the borrowings, financial income, the assets and expenses related to general administration and other items that cannot be allocated on a reasonable basis.

V Statutory reserve capital

Statutory reserve capital is formed from annual net profit allocations as well as other provisions which are entered in reserve capital pursuant to legislation or articles of association. The amount of reserve capital is stipulated in the articles of association and it cannot be less than one tenth of share capital. When reserve capital reaches the level required by the articles of association, the allocations to reserve capital from the net profit may be terminated.
Statutory legal reserve may be used to cover a loss, or to increase share capital. Payments shall not be made to shareholders from statutory legal reserve.

W Earnings per share

Basic earnings per share are calculated by dividing the net profit for the financial year attributable to the equity holders of the parent company by the period's weighted average number of outstanding ordinary shares. Diluted earnings per share are calculated by dividing the net profit of the financial year attributable to the equity holders of the parent company by the weighted average number of outstanding ordinary shares, adjusted for the effect of potential dilutive shares.

X Discontinued operations

Discontinued operations are part of the Group's business which the Group has decided to transfer or discontinue according to a specific plan. This part may represent a major line of business or a geographical area of operations, a separate major line of business or a geographical area of operations, or a subsidiary which has been acquired for the purpose of selling.

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Y Events after the balance sheet date

Significant circumstances that have an adjusting effect on the evaluation of assets and liabilities and that became evident between the balance sheet date and the date of approving the financial statements (9 April 2007) but that are related to the reporting period or prior periods, have been recorded in the financial statements. Non-adjusting events and the events that have a significant impact on the results of the next financial year have been disclosed in the notes to the financial statements.

3 Financial risk management

Cash-flow interest rate risk

The interest rate risk of AS Viisnurk Group arises from possible changes in EURIBOR (Euro Interbank Offered Rate) as most of the Group's loans are tied to EURIBOR. As at 31.12.2005, the 6-month EURIBOR was 2.637 and as at 31.12.2006, it was 3.807.

The dates for settling interest rates of loans depending on changes in EURIBOR are as follows:

- ✓ on the loan in the amount of EEK 13 000 000 at 30 November and 30 May of each year
- ✓ on the loan in the amount of EUR 2 660 000 at 30 September and 31 March of each year

Interest rate risk also depends on Estonia's overall economic situation and the changes in the banks' average interest rates. The Group is exposed to cash flow risk arising from changes in interest rates as most loans have variable interest rates. Additional information on loans is presented in Note 12 and on interest expenses in Note 24. Management estimates that the cash flow risk is not significant; therefore hedging instruments are not used.

Credit risk

AS Viisnurk's credit risk is the risk of the inability of its business partners to meet their contractual obligations. As at the balance sheet date, the Group did not have any major risks related to accounts receivable, except for one in the amount of 503 270 kroons (32 165 euros) (2005: 152 499 kroons (9 746 euros)) to the extent of which an allowance for impairment has been recorded, see Note 23. The Group constantly monitors the financial condition of its current and potential partners and their ability to meet the obligations they have assumed. The Group does not have any major credit risk.

Foreign exchange risk

The foreign exchange risk is the risk that the company may have significant loss as a result of fluctuating foreign exchange rates. AS Viisnurk's foreign exchange risk is low because most export-import contracts are nominated in euros. In the financial year, the Group collected 18.2 million kroons (1.2 million euros) in currencies to which the Estonian kroon is not directly or indirectly pegged, of which 87 per cent constituted proceeds in USD, and the Group paid for goods and services 2.6 million kroons (0.2 million euros) in the currencies with an exchange risk, of which 62 per cent in LVL and 25 per cent in GBP.

Fair value

The management estimates that the fair values of cash, accounts payable, short-term loans and borrowings do not materially differ from their carrying amounts. The fair values of long-term loans do not materially differ from their carrying amounts because their interest rates correspond to the interest rate risks prevailing on the market.

4 Critical accounting estimates and judgements

The preparation of the financial statements in conformity with International Financial Reporting Standards requires management to make accounting estimates. Management also needs to make judgements regarding the choice of accounting policies and their application.

Management judgements and estimates are reviewed on an ongoing basis and they are based on historical experience and other factors such as forecasts of future events which are considered reasonable under current circumstances.

The areas which require more significant or complex management decisions and estimates and which have a major effect on the financial statements, include valuation of inventories (Note 8), and estimation of useful lives of property, plant and equipment (Note 10), intangible assets (Note 11) and investment property (Note 9), and of the provisions for compensations for long-term disability (Note 15).

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Valuation of inventories

Management measures inventories using its best judgement, historical experience, general background information and assumptions and conditions of future expected events. In determining the recoverable value of inventories, the sales potential and potential net realisable value of finished goods is considered; in assessing the recoverable value of raw materials and materials, their potentiality of usage in producing finished goods and earning income is estimated. In assessing work-in-progress, its stage of completion which can be measured reliably is used as the basis. In assessing cost of the part of the raw materials which are not measurable precisely, management uses estimates based on historical experience.

Useful lives and residual values of investment property; property, plant and equipment; and intangible assets.

Management determined the useful lives of real estate properties, buildings and equipment on the basis of physical conditions and prognosis of production volumes. The residual values are determined based on historical experience in the area and future outlook.

Estimation of provisions for long-term disability compensations

Calculation of the amount of compensations depends on several estimates of which most significant are assumptions regarding expected remaining lifetime of employees receiving the compensation, and assumptions on discount rate. Management has used the statistical data publicly available at Statistical Office of Estonia regarding expectations of remaining period of payments. The discount rate has been determined based on market yields on high quality corporate bonds, available at Baltic Bond List.
See also Note 2 Q and Note 15.

5 Correction of prior period errors

The management has discovered an error in calculation of provision for long-term disability compensations. The error has been corrected retrospectively and comparatives have been adjusted respectively.

The effect of the correction of error on opening balances of the consolidated financial statements is as follows:

	EEK	€
Increase of financial expense for 2005	257 494	16 457
Decrease of net profit for 2005	257 494	16 457
Decrease of short-term provisions as at 31.12.2005	253 994	16 233
Increase of long-term provisions as at 31.12.2005	2 838 276	181 399
Decrease of equity as at 31.12.2005	2 584 282	165 166
Incl. decrease of retained earnings as at 31.12.2005	2 326 788	148 709
Decrease of net profit for 2005	257 494	16 457
Basic earnings per share in 2005 before adjustment	2.17	0.14
Basic earnings per share in 2005 after adjustment	2.12	0.14
Diluted earnings per share in 2005 before adjustment	2.17	0.14
Diluted earnings per share in 2005 after adjustment	2.12	0.14

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6 Financial asset at fair value through profit or loss

	31.12.2006 EEK	31.12.2005 EEK	31.12.2006 €	31.12.2005 €
Kesko Commercial Paper 13.03.06	0	6 784 686	0	433 620
TOTAL	**0**	**6 784 686**	**0**	**433 620**

The above money market instruments are actively traded and therefore, the basis for determining the fair value of the instrument is its market price at the balance sheet date.
The Kesko Commercial Papers matured at 13.03.2006. Gain from increase in fair value of the instrument amounted to 35 314 kroons (2 257 euros) in 2006, 16 580 kroons (1 060 euros) in 2005, see also Note 24.

7 Receivables and prepayments

	31.12.2006 EEK	31.12.2005 EEK	31.12.2006 €	31.12.2005 €
Trade receivables	23 453 325	22 221 400	1 498 941	1 420 206
Less: allowance for impairment of receivables	(624 722)	(283 882)	(39 927)	(18 143)
Trade receivables - net	22 828 603	21 937 518	1 459 014	1 402 063
Prepaid value-added tax	2 660 771	3 087 699	170 054	197 340
Prepaid expenses	776 666	202 125	49 638	12 918
Other current receivables	361 835	521 883	23 125	33 354
TOTAL	**26 627 875**	**25 749 225**	**1 701 831**	**1 645 675**

In 2006, trade receivables have been written off as uncollectible in the amount of 162 430 kroons (10 381 euros) (2005: 1 758 119 kroons (112 364 euros)) and impairment losses have been recognised in the amount of 503 270 kroons (32 165 euros) (2005: 152 499 kroons (9 746 euros)). Receipt of the receivables written down in previous periods amounted to 274 397 kroons (17 537 euros) in 2006 (2005: 70 495 kroons (4 505 euros)). The creation and release of allowance for impaired receivables have been included in the income statement line *Other operating expenses.*
The receivables and prepayments are pledged as a part of the commercial pledge, see Note 12.

8 Inventories

	31.12.2006 EEK	31.12.2005 EEK	31.12.2006 €	31.12.2005 €
Raw materials and other materials	12 135 402	13 080 178	775 594	835 976
Work-in-progress	8 596 468	10 963 709	549 414	700 709
Finished goods	23 184 503	15 735 453	1 481 760	1 005 679
Goods purchased for resale	951 005	2 054 151	60 780	131 284
Prepayments to suppliers	103 472	327 018	6 613	20 900
TOTAL	**44 970 850**	**42 160 509**	**2 874 161**	**2 694 548**

In 2006, materials were written off in the amount of 538 965 kroons (34 446 euros) (2005: 0) and finished goods in the amount of 3 063 982 kroons (195 824 euros) (2005: 406 432 kroons (25 976 euros)), including finished goods destroyed in the fire of the finished goods warehouse of the building materials division with cost of 2 931 875 kroons (187 381 euros) of which insurance compensation amounted to 2 774 875 kroons (177 347 euros).
The inventories are pledged as a part of the commercial pledge, see Note 12.

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9 Investment property

	EEK	€
Cost at 31.12.2004	**19 215 702**	**1 228 107**
Accumulated depreciation at 31.12.2004	**(3 579 324)**	**(228 760)**
Net book amount at 31.12.2004	**15 636 378**	**999 347**
Additions	150 000	9 587
Disposals	(263 931)	(16 869)
Depreciation charge	(1 234)	(79)
Closing net book amount	15 521 213	991 986
Cost at 31.12.2005	**18 949 221**	**1 211 076**
Accumulated depreciation at 31.12.2005	**(3 428 008)**	**(219 090)**
Net book amount at 31.12.2005	**15 521 213**	**991 986**
Reclassification to property, plant and equipment (Note 10)	(5 226 582)	(334 039)
Closing net book amount	10 294 631	657 947
Cost at 31.12.2006	**11 397 794**	**728 452**
Accumulated depreciation at 31.12.2006	**(1 103 163)**	**(70 505)**
Net book amount at 31.12.2006	**10 294 631**	**657 947**

The net book amount can be allocated to the following properties:

Net book amount at 31.12.2005	**15 521 213**	**991 986**
Niidu Street, Pärnu	7 664 368	489 842
Rääma Street and other properties	7 856 845	502 144
Net book amount at 31.12.2006	**10 294 631**	**657 947**
Niidu Street, Pärnu	7 391 839	472 425
Rääma Street, Pärnu	2 877 866	183 929
Other	24 927	1 593

Fair values of these properties:

At year-end 2005	**65 800 000**	**4 205 386**
Niidu Street, Pärnu	57 800 000	3 964 093
Rääma Street and other properties	8 000 000	511 293
At year-end 2006	**128 130 000**	**8 189 000**
Niidu Street, Pärnu	110 130 000	7 038 590
Rääma Street 31, Pärnu	18 000 000	1 150 410

The estimated market value of the real estate properties in Niidu Street, Pärnu has been determined according to the valuation report by independent real estate expert on 04.12.2006 (comparatives: 03.02.2006).

The estimated market value of the component of the real estate property in Rääma street 31, Pärnu that is recorded as investment property, has been determined according to the valuation report by an independent real estate expert on 12.03.2007. The fair value is based on the assumption that the component is realisable separately; the assumption is feasible according to management's estimate. The component has not been valued separately before, therefore no objective comparative amounts can be presented. According to management's estimation the market values of properties in Rääma street 31 and other properties were close to their carrying amounts as at 31.12.2005.

Depreciation of investment property has been ceased because the estimated residual values of the investment properties exceed their carrying amounts.

In the financial year, the amount of expenses directly related to the management of investment property amounted to 226 969 kroons (14 506 euros) (2005: 305 000 kroons (19 493 euros)). Majority of the expenses arised from investment property that did not generate rental income during the period.

The net book amount of assets leased out under operating leases amounted to 1 038 156 kroons (66 350 euros) as at 31.12.2006 (2005: 1 071 919 kroons (68 508 euros)). Information about lease income is provided in Note 13.

As at 31.12.2006 and 31.12.2005, the carrying amount of investment property pledged as collateral amounted to 7 664 368 kroons (489 842 euros), see Note 12.

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10 Property, plant and equipment

EEK

	Land	Buildings and facilities	Machinery and equipment	Other fixtures	Construction-in-progress	TOTAL
Cost at 31.12.2004	**1 087 060**	**48 597 775**	**91 860 572**	**4 573 299**	**1 646 767**	**147 765 473**
Accumulated depreciation at 31.12.2004	**0**	**(14 743 522)**	**(64 653 180)**	**(3 903 115)**	**0**	**(83 299 817)**
Net book amount at 31.12.2004	**1 087 060**	**33 854 253**	**27 207 392**	**670 184**	**1 646 767**	**64 465 656**
Additions	0	243 865	2 340 095	132 718	1 622 225	**4 338 903**
Disposals	0	(181)	(15 966)	(60 230)	0	**(76 377)**
Depreciation charge	0	(1 977 625)	(8 273 850)	(241 499)	0	**(10 492 974)**
Closing net book amount	1 087 060	32 120 312	21 257 671	501 173	3 268 992	**58 235 208**
Cost at 31.12.2005	**1 087 060**	**48 814 865**	**96 197 733**	**4 199 641**	**3 268 992**	**153 568 291**
Accumulated depreciation at 31.12.2005	**0**	**(16 694 553)**	**(74 940 062)**	**(3 698 468)**	**0**	**(95 333 083)**
Net book amount at 31.12.2005	**1 087 060**	**32 120 312**	**21 257 671**	**501 173**	**3 268 992**	**58 235 209**
Reclassification from investment property (Note 9)	232 815	4 993 767	0	0	0	**5 226 582**
Reclassification	0	1 554 193	0	0	(1 554 193)	**0**
Additions	0	1 049 857	2 413 915	268 745	0	**3 732 517**
Disposals	0	0	(22 823)	0	0	**(22 823)**
Depreciation charge	0	(2 020 099)	(7 336 170)	(279 811)	0	**(9 636 080)**
Closing net book amount	1 319 875	37 698 030	16 312 593	490 107	1 714 799	**57 535 604**
Cost at 31.12.2006	**1 319 875**	**58 692 488**	**97 693 354**	**4 312 353**	**1 714 799**	**163 732 869**
Accumulated depreciation at 31.12.2006	**0**	**(20 994 458)**	**(81 380 761)**	**(3 822 246)**	**0**	**(106 197 465)**
Net book amount at 31.12.2006	**1 319 875**	**37 698 030**	**16 312 593**	**490 107**	**1 714 799**	**57 535 404**

€

	Land	Buildings and facilities	Machinery and equipment	Other fixtures	Construction-in-progress	TOTAL
Cost at 31.12.2004	**69 476**	**3 105 964**	**5 870 960**	**292 288**	**105 248**	**9 443 936**
Accumulated depreciation at 31.12.2004	**0**	**(942 283)**	**(4 132 091)**	**(249 455)**	**0**	**(5 323 829)**
Net book amount at 31.12.2004	**69 476**	**2 163 681**	**1 738 869**	**42 833**	**105 248**	**4 120 107**
Additions	0	15 585	149 560	8 481	103 678	**277 304**
Disposals	0	(1 711)	(57 523)	(32 363)	0	**(91 597)**
Depreciation charge	0	(126 393)	(528 796)	(15 434)	0	**(670 623)**
Closing net book amount	69 476	2 052 862	1 358 613	32 031	208 922	**3 721 908**
Cost at 31.12.2005	**69 476**	**3 119 838**	**6 148 156**	**268 406**	**208 922**	**9 814 802**
Accumulated depreciation at 31.12.2005	**0**	**(1 066 976)**	**(4 789 543)**	**(236 375)**	**0**	**(6 092 894)**
Net book amount at 31.12.2005	**69 476**	**2 052 862**	**1 358 613**	**32 031**	**208 922**	**3 721 908**
Reclassification from investment property (Note 9)	14 879	319 160	0	0	0	**334 039**
Reclassification	0	99 331	0	0	(99 331)	**0**
Additions	0	67 098	154 277	17 176	0	**238 551**
Disposals	0	0	(1 459)	0	0	**(1 459)**
Depreciation charge	0	(129 108)	(468 867)	(17 883)	0	**(615 858)**
Closing net book amount	84 355	2 409 343	1 042 565	31 324	109 595	**3 677 182**
Cost at 31.12.2006	**84 355**	**3 751 133**	**6 243 743**	**275 610**	**109 595**	**10 464 436**
Accumulated depreciation at 31.12.2006	**0**	**(1 341 790)**	**(5 201 178)**	**(244 286)**	**0**	**(6 787 254)**
Net book amount at 31.12.2006	**84 355**	**2 409 343**	**1 042 565**	**31 324**	**109 595**	**3 677 182**

As at 31.12.2006, the cost of fully depreciated property, plant and equipment still in use amounted to 45 459 439 kroons (2 905 388 euros) (2005: 33 631 666 kroons (2 149 455 euros)).

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As at 31.12.2006, the carrying amount of land, buildings and facilities pledged as collateral amounted to 39 017 905 kroons (2 493 698 euros) (2005: 33 207 372 kroons (2 122 338 euros)), see Note 12.

Construction-in-progress

As at 31.12.2006, the significant elements of construction in progress were an investment in the construction of a new production facility of the construction materials division in the amount of 615 thousand kroons (39 thousand euros) and an investment in equipment in process of installation in the amount of 1 013 thousand kroons (65 thousand euros). As at 31.12.2005, construction in progress included investment in the renovation of the office of construction materials division in the amount of 1 842 thousand kroons (118 thousand euros) and in equipment in the amount of 1 195 thousand kroons (76 thousand euros).

11 Intangible assets

	EEK	*€*
Cost at 31.12.2004	**5 769 324**	**368 727**
Accumulated amortisation at 31.12.2004	**(2 885 046)**	**(184 388)**
Net book amount at 31.12.2004	**2 884 278**	**184 339**
Additions	2 060	132
Amortisation charge	(1 068 117)	(68 265)
Closing net book amount	1 818 221	116 206
Cost at 31.12.2005	**5 771 384**	**368 859**
Accumulated amortisation at 31.12.2005	**(3 953 163)**	**(252 653)**
Net book amount at 31.12.2005	**1 818 221**	**116 206**
Amortisation charge	(1 167 746)	(74 633)
Closing net book amount	650 475	41 573
Cost at 31.12.2006	**5 771 384**	**368 859**
Accumulated amortisation at 31.12.2006	**(5 120 909)**	**(327 286)**
Net book amount at 31.12.2006	**650 475**	**41 573**

Intangible assets include computer software not directly linked to the hardware and the customer base acquired in the takeover of the activities of the Swiss company Skano AG in 2004 with the carrying amount on 31.12.2006 of 550 997 kroons (35 215 euros) (2005: 1 489 654 kroons (95 206 euros)). The amortisation of intangible assets is recorded in the income statement line *Cost of goods sold*.

12 Borrowings

Information regarding loans as at 31.12.2006:

					EEK	
				Due date		
	Total	One year or less	More than 1 year: total	Between 1-2 years	Between 3-5 years	More than 5 years
2 660 000 EUR – 6 month EURIBOR+1.5%	31 591 111	6 017 306	25 573 805	6 017 307	18 051 921	1 504 577
830 851 EUR - 6 month EURIBOR+2%	13 000 000	13 000 000	0	0	0	0
5 874 880 EEK – fixed interest 39 166 EEK per year	3 329 092	391 658	2 937 434	391 658	1 174 974	1 370 802
TOTAL	**47 920 203**	**19 408 964**	**28 511 239**	**6 408 965**	**19 226 895**	**2 875 379**

					€	
				Due date		
	Total	One year or less	More than 1 year: total	Between 1-2 years	Between 3-5 years	More than 5 years
2 660 000 EUR – 6 month EURIBOR+ 1.5%	2 019 040	384 576	1 634 464	384 576	1 153 728	96 160
830 851 EUR - 6 month EURIBOR+2%	830 851	830 851	0	0	0	0
5 874 880 EEK – fixed interest 39 166 EEK per year	212 768	25 032	187 736	25 032	75 094	87 610
TOTAL	**3 062 659**	**1 240 459**	**1 822 200**	**409 608**	**1 228 822**	**183 770**

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Information regarding loans as at 31.12.2005:

EEK

	Total	One year or less	More than 1 year: total	Due date Between 1-2 years	Between 3-5 years	More than 5 years
2 660 000 EUR – 6 month EURIBOR+ 1.5%	37 608 418	6 017 306	31 591 112	6 017 307	18 051 921	7 521 884
639 115 EUR – 6 month EURIBOR+1.75%	2 499 995	2 499 995	0	0	0	0
830 851 EUR - 6 month EURIBOR+2%	13 000 000	0	13 000 000	13 000 000	0	0
5 874 880 EEK – fixed interest 39 166 EEK per year	3 720 751	391 658	3 329 092	391 658	1 174 974	1 762 461
TOTAL	**56 829 164**	**8 908 959**	**47 920 204**	**19 408 965**	**19 226 895**	**9 284 345**

€

	Total	One year or less	More than 1 year: total	Due date Between 1-2 years	Between 3-5 years	More than 5 years
2 660 000 EUR – 6 month EURIBOR+1.5%	2 403 616	384 576	2 019 040	384 576	1 153 728	480 736
639 115 EUR – 6 month EURIBOR+1.75%	159 779	159 779	0	0	0	0
830 851 EUR - 6 month EURIBOR+2%	830 851	0	830 851	830 851	0	0
5 874 880 EEK – fixed interest 39 166 EEK per year	237 799	25 031	212 768	25 032	75 094	112 642
TOTAL	**3 632 045**	**569 386**	**3 062 659**	**1 240 459**	**1 228 822**	**593 378**

At 31.12.2006 and 31.12.2005 the borrowings of AS Viisnurk have been secured as follows:

- a commercial pledge in the total amount of 35 000 000 kroons (2 236 902 euros);
- a mortgage in the total amount of 116 374 900 kroons (7 437 712 euros).

Information regarding the carrying amounts of assets pledged as collateral for bank loans is disclosed in Notes 7, 8, 9 and 10.

13 Operating lease

The Group is the lessee

In 2006, operating lease expenses amounted to 1 869 520 kroons (119 484 euros) and in 2005 to 1 069 258 kroons (68 338 euros).
Future minimum lease payments under the non-cancellable operating leases:

	Machinery and equipment *EEK*	Machinery and equipment *€*	Store premises *EEK*	Store premises *€*
At 31.12.2006				
- one year or less	616 061	39 373	527 360	33 705
- between 1 and 5 years	1 615 533	103 251	0	0
TOTAL	**2 231 594**	**142 624**	**527 360**	**33 705**
At 31.12.2005				
- one year or less	338 044	21 605	750 550	47 969
- between 1 and 5 years	421 650	26 948	0	0
TOTAL	**759 694**	**48 553**	**750 550**	**47 969**

The Group as the lessor

Operating lease income:

	EEK	*€*
Operating lease income 2006	**536 450**	**34 285**
incl. lease income for land	488 450	31 218
Incl. lease income for premises	48 000	3 068
Operating lease income 2005	**617 060**	**39 437**
incl. lease income for land	579 060	37 009
Incl. lease income for premises	38 000	2 428

Information regarding assets that are leased out is presented in Note 9.

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Based on the effective lease agreements, the future minimum lease income under non-cancellable operating leases:

	EEK	€
At 31.12.2006		
- one year or less	308 000	19 685
- between 1 and 5 years	282 000	18 023
TOTAL	**590 000**	**37 708**
At 31.12.2005		
- one year or less	426 000	27 226
- between 1 and 5 years	565 000	36 110
TOTAL	**991 000**	**63 336**

14 Payables and prepayments

	31.12.2006 EEK	31.12.2005 EEK	31.12.2006 €	31.12.2005 €
Trade payables	**20 352 198**	**23 648 760**	**1 300 743**	**1 511 431**
Payables to employees	**4 617 349**	**4 465 971**	**295 102**	**285 428**
incl. accrued holiday pay reserve	2 041 337	2 243 983	130 465	143 417
provision for bonuses	239 497	151 834	15 307	9 704
Tax liabilities	**3 713 831**	**2 980 187**	**237 357**	**190 469**
incl. social security and unemployment insurance premium	2 425 266	1 908 105	155 003	121 950
personal income tax	1 214 286	1 013 339	77 607	64 764
other taxes	74 279	58 743	4 747	3 755
Prepayments received	**1 280 906**	**491 419**	**81 865**	**31 407**
Other payables	**266 337**	**766 339**	**17 022**	**48 978**
TOTAL	**30 230 621**	**32 352 676**	**1 932 089**	**2 067 713**

As at 31.12.2005, other payables include the fee payable for the takeover of SKANO AG in the amount of 742 912 kroons (47 481 euros)

15 Provisions

	EEK	€
Balance at 31.12.2004	**4 111 596**	**262 779**
Incl current portion	667 314	42 649
non-current portion	3 444 282	220 130
Movements in 2005:		
Reversal	(444 898)	(28 434)
Used during the year	(483 165)	(30 880)
Interest cost (Note 24)	260 749	16 665
Balance at 31.12.2005	**3 444 282**	**220 130**
Incl current portion	176 006	11 249
non-current portion	3 268 276	208 881
Movements in 2006:		
Used during the year	(404 785)	(25 870)
Interest cost (Note 24)	228 779	14 622
Balance at 31.12.2006	**3 268 276**	**208 881**
Incl current portion	220 964	14 122
non-current portion	3 047 312	194 759

Provisions as at 31.12.2006 and 31.12.2005 relate to the compensations for loss of working capacity of former employees after work accidents. The total amount of the provision has been estimated considering the number of persons receiving the compensation, extent of their disability, their former level of salary, level of pension payments, and estimations of the remaining period of payments. See also Note 4.

The reversal of provisions in 2005 was related to the warranty provision established for potential claims of Sports goods division that was sold in 2005. Since no claims were received, the provision was reversed.

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16 Equity

Share capital

	Number of shares (pcs)	Share capital *in kroons*	Share capital *in euros*
Balance at 31.12.2006	4 499 061	44 990 610	2 875 424
Balance at 31.12.2005	4 499 061	44 990 610	2 875 424

As at 31.12.2006 and 31.12.2005, the share capital of AS Viisnurk amounted to 44 990 610 kroons (2 875 424 euros). The share capital consists of 4 499 061 issued, authorised and fully paid ordinary shares with nominal value of 10 kroons (0.64 euros) each. According to the articles of association, the maximum amount of share capital is 177 480 800 kroons (11 343 090 euros).
Each ordinary share grants its owner one vote in the General Meeting of Shareholders and the right to receive dividends.

In 2006, dividends were distributed in the amount of 4 184 127 kroons (267 414 euros), i.e. 93 cents (5,94 euro cents) per share. Corresponding income tax expense amounted to 438 083 kroons (27 999 euros). No dividends were distributed in 2005.

As at 31.12.2006, the Company had 583 shareholders (2005: 470 shareholders) of which the entities with more than a 5% holding were:

- Trigon Wood OÜ with 2 682 192 shares or 59,6167%
- ING Luxembourg S.A. with 518 000 shares or 11.51351% (2005: 498 000 shares or 11.0690%)

The number of shares owned by the members of the Management Boards of AS Viisnurk was as follows:
As at 31.12.2006:

- Toivo Kuldmäe 49 231 shares or 1.09425%

As at 31.12.2005:

- Toivo Kuldmäe 49 231 shares or 1.09425%
- Andrus Aljas Did not own any shares

As at 31.12.2006 and 31.12.2005, the members of the Supervisory Board did not own any shares of AS Viisnurk.

Contingent income tax liability
As at 31 December 2006, the retained earnings amounted to 10 976 689 kroons (701 538 euros).

No provision is set up for the payment of corporate income tax on dividends, but the following is taken into consideration with regard to unrestricted equity:

- as at 31.12.2006 it is possible to pay out 10 010 177 kroons (639 767 euros) as dividends;
- corresponding corporate income tax on dividends would amount to 966 512 kroons (61 771 euros).

As at 31 December 2005, the adjusted retained earnings amounted to 2 373 969 kroons (151 724 euros), as at 31.12.2005 it was possible to pay out 2 125 411 kroons (135 838 euros) as dividends, and the corresponding corporate income tax on dividends would have amounted to 248 558 kroons (15 886 euros).

The maximum potential income tax liability is calculated under the assumption that the distributable net dividends and the amount of the income tax expense on dividends cannot exceed the distributable retained earnings as at the balance sheet date.

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17 Earnings per share

	2006 EEK	2005 EEK	2006 €	2005 €
Basic earnings per share	2.84	2.12	0.18	0.14
Diluted earnings per share	2.84	2.12	0.18	0.14
Book value of share	15.96	14.05	1.02	0.90
Price/earnings ratio (P/E)	16.58	19.41	16.58	19.41
Closing price of the share of AS Viisnurk on Tallinn Stock Exchange at 31.12	47.10	41.15	3.01	2.63

Earnings per share have been calculated by dividing the net profit for the reporting period with the number of shares:
Earnings per share in 2006 = 12 786 847/4 499 061 = 2.84 kroons / 0.18 euros
Earnings per share in 2005 = 9 518 035/4 499 061 = 2.12 kroons / 0.14 euros

In 2006 and 2005, the diluted earnings per share equal the basic earnings per share because the Group does not have any potential ordinary shares with a dilutive effect on the earnings per share.

Price/earnings ratio (P/E) in 2006 = 47.10 / 2.84 = 16.58
Price/earnings ratio (P/E) in 2005 = 41.15 / 2.12 = 19.41

18 Cost of goods sold

	2006 EEK	2005 EEK	2006 €	2005 €
Raw materials and other materials	89 762 772	91 500 741	5 736 888	5 847 949
Personnel expenses	43 921 476	36 736 075	2 807 094	2 347 857
Electricity and heating	27 271 280	24 709 045	1 742 952	1 579 192
Depreciation	9 986 785	10 788 107	638 271	689 484
Goods purchased	2 651 386	5 931 474	169 454	379 089
Other expenses	10 932 474	11 174 685	698 713	714 191
TOTAL	**184 526 173**	**180 840 127**	**11 793 372**	**11 557 790**

19 Distribution costs

	2006 EEK	2005 EEK	2006 €	2005 €
Transportation expenses	7 173 866	7 966 452	458 494	509 149
Personnel expenses	3 883 400	3 497 383	248 195	223 524
Advertising costs	3 343 732	3 092 448	213 703	197 643
Agency fees	2 947 195	3 080 752	188 360	196 896
Other expenses	3 909 471	2 835 637	249 860	181 230
TOTAL	**21 257 663**	**20 472 672**	**1 358 612**	**1 308 442**

20 Administrative expenses

	2006 EEK	2005 EEK	2006 €	2005 €
Personnel expenses	2 860 499	3 276 457	182 820	209 404
Office supplies	732 567	907 969	46 820	58 030
Purchased services	1 316 903	1 381 766	84 165	88 311
Other expenses	504 038	666 047	32 213	42 568
TOTAL	**5 414 007**	**6 232 239**	**346 018**	**398 313**

21 Personnel expenses

	2006 EEK	2005 EEK	2006 €	2005 €
Wages and salaries	34 175 685	29 581 614	2 184 224	1 890 610
Social security and unemployment insurance taxes	11 369 576	9 917 243	726 648	633 827
Accrued holiday pay provision	4 547 808	3 459 475	290 658	221 101
TOTAL	**50 093 069**	**42 958 332**	**3 201 531**	**2 745 538**

In 2006, the average number of employees was 335 (2005: 324).

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In 2006, remuneration paid to the members of the Management Board and management amounted to 942 735 kroons (60 252 euros) and in 2005, it amounted to 1 927 071 kroons (123 162 euros). As at 31.12.2006, pursuant to the contracts entered into, the Chairman of the Management Board will receive severance pay amounting to 4-month remuneration.

From 26.02.2007, the contract with the member of the Management Board Toivo Kuldmäe has been terminated and a new Management Board with Andres Kivistik, Erik Piile and Einar Pähkel as its members has been elected. At the meeting of the Supervisory Board held at 27 February, Andres Kivistik was elected Chairman of the Management Board. The authorities of the Chairman of the Management Board are valid until 31.12.2007 when the Supervisory Board will again elect the Chairman.

22 Other operating income

	2006 *EEK*	2005 *EEK*	2006 *€*	2005 *€*
Receipt of trade receivables written down in previous periods	274 397	70 495	17 538	4 505
Profit from sale of property, plant and equipment	104 423	133 724	6 674	8 547
Other income	88 203	355 053	5 635	22 692
Insurance indemnities	49 343	0	3 154	0
Foreign exchange gains	9 161	15 833	586	1 012
Profit from sale of investment property	0	1 236 072	0	78 999
Profit from sale of trademark	0	500 000	0	31 956
Profit from sale of non-current assets held for sale	0	410 725	0	26 250
TOTAL	**525 527**	**2 721 902**	**33 587**	**173 961**

23 Other operating expenses

	2006 *EEK*	2005 *EEK*	2006 *€*	2005 *€*
Allowance for impairment of receivables	503 270	152 499	32 164	9 746
Other expenses	222 394	348 309	14 214	22 261
Insurance loss	174 051	352 357	11 124	22 520
Contract fees	18 000	197 430	1 150	12 618
Reclamations	14 076	(444 898)	900	(28 434)
Performance fees	0	440 740	0	28 168
TOTAL	**931 791**	**1 046 437**	**59 552**	**66 880**

24 Financial income and finance costs

	2006 *EEK*	2005 *EEK*	2006 *€*	2005 *€*
Financial income:				
Interest income	113 131	97 652	7 230	6 241
Gain from increase in fair value of financial assets at fair value through profit and loss (Note 6)	35 314	16 580	2 257	1 060
Other financial income	9 845	0	629	0
Total financial income	**158 290**	**114 232**	**10 116**	**7 301**
Finance costs				
Interest expenses	2 634 624	3 380 219	168 383	216 035
Incl. interest expenses for provisions (Note 15)	228 779	260 749	14 622	16 665
Foreign exchange loss	98 537	56 135	6 298	3 589
Total finance costs	**2 733 161**	**3 436 354**	**174 681**	**219 624**

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25 Adjustments of profit before tax for cash flow statement

	2006 EEK	2005 (restated) EEK	2006 €	2005 (restated) €
Depreciation and amortisation (Notes 9, 10, 11)	10 596 489	11 562 332	677 240	738 968
Gains from financial assets at fair value through profit and loss (Note 24)	(35 314)	0	(2 257)	0
Profit from sale of investment property (Note 22)	0	(1 236 072)	0	(78 999)
Profit from sale of property, plant and equipment (Note 22)	(104 424)	(133 726)	(6 674)	(8 547)
Profit from sale of non-current assets held for sale (Note 22)	0	(410 724)	0	(26 250)
Loss from impairment of trade receivables (Note 23)	503 270	152 499	32 165	9 746
Interest expense (Note 24)	2 634 624	3 380 219	168 383	216 035
Increase / decrease in current assets	(862 306)	3 725 225	(55 113)	238 086
Increase in inventories (Note 8)	(2 810 340)	(1 741 629)	(179 613)	(111 310)
Decrease in current liabilities	(2 610 337)	(1 030 693)	(166 831)	(65 873)
Total adjustments	**7 311 662**	**14 267 431**	**467 300**	**911 856**

26 Segment report

The Group's management has identified the following business segments by the areas of operations:

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

Building materials division (BMD) manufactures softboard and interior finishing boards.

The business segment report is set out on pages 36-37.

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Business segment by area of operations – primary segment

in thousand kroons

	Furniture division		Building materials division		Other		Eliminations		**GROUP TOTAL**	
	2006	**2005**	**2006**	**2005**	**2006**	**2005**	**2006**	**2005**	**2006**	**2005**
External sales	132 823	122 105	94 581	96 443	0	162	0	0	**227 404**	**218 710**
Inter-segmental sales	0	0	0	86	0	0	0	(86)	**0**	**0**
Total revenue	132 823	122 105	94 581	96 529	0	162	0	(86)	**227 404**	**218 710**
Segment results of operations	9 540	4 817	11 674	13 910	0	345	0	0	**21 214**	**19 072**
Unallocated expenses									**(5 414)**	**(6 232)**
Operating profit									**15 800**	**12 840**
Net financial expenses									**(2 575)**	**(3 322)**
Profit before tax									**13 225**	**9 518**
Corporate income tax									**438**	**0**
Net profit for the financial year									**12 787**	**9 518**
Segment assets	83 828	86 268	59 094	46 134	0	1 113			**142 922**	**133 515**
Unallocated assets									**10 295**	**22 307**
Total assets									**153 217**	**155 822**
Segment liabilities	20 211	24 517	10 020	7 813	0	23			**30 231**	**32 353**
Unallocated liabilities									**51 188**	**60 273**
Total liabilities									**81 419**	**92 626**
Acquisition of non-current segment assets	2 047	1 053	1 686	3 285	0	0			**3 733**	**4 338**
Inter-segmental movements in non-current assets	432	1 220	(432)	2 364	0	(3 584)			**0**	**0**
Segment depreciation	7 253	7 842	3 343	3 720	0	0			**10 596**	**11 562**

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Business segment by area of operations – primary segment

in thousand euros

	Furniture division		Building materials division		Other		Eliminations		**VIISNURK TOTAL**	
	2006	**2005**	**2006**	**2005**	**2006**	**2005**	**2006**	**2005**	**2006**	**2005**
External sales	8 489	7 804	6 045	6 164	0	10	0	0	**14 534**	**13 978**
Inter-segmental sales	0	0	0	5	0	0	0	(5)	**0**	**0**
Total revenue	8 489	7 804	6 045	6 169	0	10	0	(5)	**14 534**	**13 978**
Segment results of operations	610	308	746	889	0	22	0	0	**1 356**	**1 219**
Unallocated expenses									**(346)**	**(398)**
Operating profit									**1 010**	**821**
Net financial expenses									**(165)**	**(213)**
Profit before tax									**845**	**608**
Corporate income tax									**(28)**	**0**
Net profit for the financial year									**817**	**608**
Segment assets	5 357	5 514	3 777	2 948	0	71			**9 134**	**8 533**
Unallocated assets									**658**	**1 426**
Total assets									**9 792**	**9 959**
Segment liabilities	1 292	1 567	640	499	0	2			**1 932**	**2 068**
Unallocated liabilities									**3 272**	**3 852**
Total liabilities									**5 204**	**5 920**
Acquisition of non-current segment assets	131	67	108	210	0	0			**239**	**277**
Movements in inter-segmental non-current assets	28	78	(28)	151	0	(229)			**0**	**0**
Segment depreciation	463	501	214	238	0	0			**677**	**739**

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Geographical segment by location of customers – secondary segment:

	2006 *In thousand EEK*			2005 *In thousand EEK*			
	FD	BMD	**Group**	FD	BMD	Other	**Group**
EXPORTS							
European countries							
Finland	63 277	34 905	**98 182**	56 460	32 733	0	**89 193**
Russia, Belarus, Ukraine	39 673	2 301	**41 974**	26 995	896	157	**28 048**
Germany	9 109	3 650	**12 759**	9 346	800	0	**10 146**
Latvia, Lithuania	5 841	3 697	**9 539**	2 908	1 296	0	**4 204**
Netherlands	36	2 420	**2 456**	103	5 180	0	**5 283**
Sweden	37	2 262	**2 299**	8 017	2 066	0	**10 083**
Other countries	1 182	1 418	**2 600**	6 770	8 371	0	**15 141**
TOTAL	119 155	50 654	**169 809**	110 599	51 342	157	**162 098**
Rest of the world	1 722	0	**1 722**	1 869	0	0	**1 869**
TOTAL EXPORTS	120 877	50 654	**171 531**	112 468	51 342	157	**163 967**
DOMESTIC MARKET	11 946	43 927	**55 873**	9 637	45 101	5	**54 743**
Total	132 823	94 581	**227 404**	122 105	96 443	162	**218 710**

	2006 *In thousand EUR*			2005 *In thousand EUR*			
	FD	BMD	**Group**	FD	BMD	Other	**Group**
EXPORTS							
European countries							
Finland	4 044	2 232	**6 276**	3 608	2 092	0	**5 700**
Russia, Belarus, Ukraine	2 536	147	**2 683**	1 725	57	10	**1 793**
Germany	582	233	**815**	597	51	0	**648**
Latvia, Lithuania	373	236	**609**	186	83	0	**269**
Netherlands	2	155	**157**	7	331	0	**338**
Sweden	2	145	**147**	512	132	0	**644**
Other countries	75	90	**165**	433	535	0	**968**
Total	7 614	3 238	**10 852**	7 069	3 281	10	**10 360**
Rest of the world	110	0	**110**	119	0	0	**119**
TOTAL EXPORTS	7 724	3 238	**10 962**	7 188	3 281	10	**10 479**
DOMESTIC MARKET	765	2 807	**3 572**	616	2 882	0	**3 499**
Total	8 489	6 045	**14 534**	7 804	6 164	10	**13 978**

The disclosed revenue includes sales of goods. The revenue from rendering of services arises occasionally and its amounts are insignificant.

Vast majority of Group's assets are located in Estonia.

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27 Related party transactions

The following parties are considered to be related parties:

- Parent company OÜ Trigon Wood and owners of the parent company;
- Subsidiaries;
- Members of the Management, the Management Board and the Supervisory Board of AS Viisnurk Group and their close relatives;
- Entities under the control of the members of the Management Board and Supervisory Board;
- Individuals with significant ownership unless these individuals lack the opportunity to exert significant influence over the business decisions of the Group.

The ultimate controlling party of the Group is TDI Investments KY, registered in the Republic of Finland and belonging to Scandinavian investors.

The remuneration paid to the members of the Management and Supervisory Board including taxes:

	2006 *EEK*	**2005** *EEK*	**2006** *€*	**2005** *€*
Board member and other remuneration	942 735	1 927 071	60 252	123 162
Social security and unemployment insurance taxes	313 931	640 455	20 064	40 933
Total	**1 256 666**	**2 567 526**	**80 316**	**164 095**

The circumstances of severance pay to be paid upon the termination of the contract for services of the Management Board are disclosed in Note 21.

In 2006, there were no transactions between the related parties. In 2005, purchases of services from the parent company Trigon Capital amounted to 440 740 kroons (28 168 euros).

According to the contract signed in 2006 relating to the development of the component of real estate property on Rääma 33, Pärnu, a quarterly management fee will be paid to Trigon Capital in 2007 in the amount of 78 233 kroons (5 000 euros), with the maximum limit of 312 932 kroons (20 000 euros), as well as a performance fee of 20 per cent on the net profit earned as a result of changing the detailed plan and development of the area. The current market price of the land determined by an independent appraiser is used as the basis to calculate the net profit. The expected annual inflation rate is 6% on which no performance fee is paid to AS Trigon Capital.

28 Contingent liabilities

The tax authorities may at any time inspect the books and records within 6 years subsequent to the reported tax year, and upon establishing mistakes may impose additional tax assessments and penalties. The Group's management is not aware of any circumstances which may give rise to a potential material liability in this respect.

29 Supplementary disclosures on the parent company of the Group

In accordance with the Estonian Accounting Act, information on the separate primary financial statements of the consolidating entity is to be disclosed in the notes to the consolidated financial statements. The separate financial statements have been prepared using the same accounting policies as for the consolidated financial statements, except for measurement of investment in subsidiaries, which in separate financial statements are reported at cost (less any impairment losses).

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Balance sheet

	31.12.2006 *EEK*	31.12.2005 (adjusted) *EEK*	31.12.2006 *€*	31.12.2005 (adjusted) *€*
Cash and bank	10 215 878	4 161 115	652 914	265 944
Financial assets at fair value through profit and loss	0	6 784 686	0	433 620
Receivables and prepayments	26 689 653	25 787 378	1 705 779	1 648 114
Inventories	43 975 405	41 308 310	2 810 541	2 640 083
Total current assets	**80 880 936**	**78 041 489**	**5 169 234**	**4 987 761**
Shares of subsidiaries	160 000	120 000	10 226	7 669
Investment property	10 294 631	15 521 213	657 947	991 986
Property, plant and equipment	57 379 993	58 114 035	3 667 249	3 714 163
Intangible assets	638 670	1 816 161	40 818	116 074
Total non-current assets	**68 473 294**	**75 571 409**	**4 376 240**	**4 829 892**
TOTAL ASSETS	**149 354 230**	**153 612 898**	**9 545 474**	**9 817 653**
Borrowings	19 408 965	8 908 960	1 240 459	569 386
Payables and prepayments	29 152 533	31 962 991	1 863 186	2 042 808
Short-term provisions	220 964	176 006	14 122	11 249
Total current liabilities	**48 782 462**	**41 047 957**	**3 117 767**	**2 623 443**
Long-term provisions	3 047 312	3 329 093	194 759	208 881
Long-term borrowings	28 511 239	47 920 204	1 822 200	3 062 659
Total non-current liabilities	**31 558 551**	**51 188 480**	**2 016 959**	**3 271 540**
Total liabilities	**80 341 013**	**92 236 437**	**5 134 726**	**5 894 983**
Share capital at nominal 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 reserve capital	4 499 061	4 499 061	287 542	287 542
Retained earnings	8 191 766	555 010	523 549	35 471
TOTAL EQUITY	**69 013 217**	**61 376 461**	**4 410 748**	**3 922 670**
TOTAL LIABILITIES AND EQUITY	**149 354 230**	**153 612 898**	**9 545 474**	**9 817 653**

Income statement

	2006 *EEK*	2005 (adjusted) *EEK*	2006 *€*	2005 (adjusted) *€*
REVENUE	**222 374 900**	**216 085 448**	**14 212 346**	**13 810 377**
incl. sales to subsidiaries	6 319 035	4 639 549	403 860	296 521
Cost of goods sold	**(184 386 400)**	**(181 132 217)**	**(11 784 440)**	**(11 576 459)**
GROSS PROFIT	**37 988 500**	**34 953 231**	**2 427 906**	**2 233 918**
Distribution costs	(17 329 308)	(18 666 912)	(1 107 545)	(1 193 033)
Administrative expenses	(5 414 007)	(6 232 239)	(346 018)	(398 313)
Other operating income	524 367	2 878 863	33 513	183 993
Other operating expenses	(920 409)	(1 202 585)	(58 825)	(76 859)
Operating profit	**14 849 143**	**11 730 358**	**949 031**	**749 706**
Financial income and costs - net	(2 590 177)	(3 340 959)	(165 543)	(213 526)
PROFIT BEFORE TAX	**12 258 966**	**8 389 399**	**783 488**	**536 180**
Corporate income tax	(438 083)	0	(27 999)	0
NET PROFIT	**11 820 883**	**8 389 399**	**755 489**	**536 180**

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Cash flow statement

	2006 *EEK*	2005 (adjusted) *EEK*	2006 *€*	2005 (adjusted) *€*
Cash flows from operating activities				
Profit before tax	**12 258 966**	**8 389 399**	**783 488**	**536 180**
Adjustments:				
Depreciation	10 533 220	11 520 219	673 195	736 276
Gains from financial assets at fair value through profit and loss	(35 314)	0	(2 257)	0
Profit from sale of investment property	0	(1 236 072)	0	(78 999)
Profit from sale of property, plant and equipment	(104 424)	(544 450)	(6 674)	(34 797)
Loss from impairment of trade receivables	503 270	152 499	32 165	9 746
Interest expense	2 634 624	3 380 219	168 383	216 035
Increase / decrease in current assets	(940 723)	4 617 268	(60 123)	295 097
increase in inventories	(2 667 095)	(1 226 513)	(170 457)	(78 388)
Decrease in current liabilities	(3 222 956)	(1 897 788)	(205 984)	(121 290)
Cash generated from operations	**18 959 569**	**23 154 781**	**1 211 736**	**1 479 860**
Interest payments	(2 634 624)	(3 380 218)	(168 383)	(216 035)
Corporate income tax paid	(438 083)	0	(27 999)	0
Net cash generated from operating activities	**15 886 862**	**19 774 563**	**1 015 354**	**1 263 825**
Cash flows from investing activities				
Purchase of investment property	0	(150 000)	0	(9 587)
Proceeds from sale of investment property	0	1 500 000	0	95 868
Purchase of property, plant and equipment	(3 646 258)	(4 261 378)	(233 038)	(272 352)
Proceeds from sale of property, plant and equipment	127 246	210 103	8 133	13 428
Purchase of intangible assets	0	(2 068)	0	(132)
Purchase of shares of subsidiary	(40 000)	0	(2 556)	0
Purchase of financial assets	0	(6 784 686)	0	(433 620)
Proceeds from sale of financial assets	6 820 000	0	435 877	0
Proceeds from sale of discontinued operations	0	40 353 902	0	2 579 084
Net cash generated from investing activities	**3 260 988**	**30 865 873**	**208 416**	**1 972 689**
Cash flows from financing activities				
Repayment of loans	(8 908 960)	(43 117 521)	(569 386)	(2 755 712)
Finance lease payments	0	(587 415)	0	(37 542)
Decrease of overdraft balance	0	(5 806 403)	0	(371 097)
Payment of dividends	(4 184 127)	0	(267 414)	0
Net cash used in financing activities	**(13 093 087)**	**(49 511 339)**	**(836 800)**	**(3 164 351)**
NET INCREASE IN CASH BALANCE	**6 054 763**	**1 129 097**	**386 970**	**72 163**
OPENING BALANCE OF CASH	**4 161 115**	**3 112 018**	**265 944**	**198 894**
CLOSING BALANCE OF CASH	**10 215 878**	**4 241 115**	**652 914**	**271 057**

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Statement of changes in equity

EEK	Share capital	Share premium	Statutory reserve capital	Accumulated losses/ retained earnings	**Total**
Balance at 31.12.2004	44 990 610	11 331 780	4 499 061	(5 507 602)	**55 313 849**
Adjustment (Note 5)	0	0	0	(2 326 787)	**(2 326 787)**
Adjusted balance at 31.12.2004	**44 990 610**	**11 331 780**	**4 499 061**	**(7 834 389)**	**52 987 062**
Net profit for 2005	0	0	0	8 646 892	**8 646 892**
Adjustment of net profit for 2005 (Note 5)	0	0	0	(257 493)	**(257 493)**
Adjusted net profit for 2005	0	0	0	8 389 399	**8 389 399**
Adjusted balance at 31.12.2005	**44 990 610**	**11 331 780**	**4 499 061**	**555 010**	**61 376 461**
Book value of holdings under control or significant influence					**(120 000)**
Value of holdings under control or significant influence, calculated using the equity method					**1 938 959**
Adjusted unconsolidated equity at 31.12.2005					**63 195 420**
Adjusted balance at 31.12.2005	**44 990 610**	**11 331 780**	**4 499 061**	**555 010**	**61 376 461**
Net profit for 2006	0	0	0	11 820 883	**11 820 883**
Payment of dividends	0	0	0	(4 184 127)	**(4 184 127)**
Balance at 31.12.2006	**44 990 610**	**11 331 780**	**4 499 061**	**8 191 766**	**69 013 217**
Book value of holdings under control or significant influence					**(160 000)**
Value of holdings under control or significant influence, calculated using the equity method					**2 944 923**
Adjusted unconsolidated equity at 31.12.2006					**71 798 140**

€	Share capital	Share premium	Statutory reserve capital	Accumulated losses/ retained earnings	**Total**
Balance at 31.12.2004	2 875 424	724 233	287 542	(352 000)	**3 535 199**
Adjustment (Note 5)	0	0	0	(148 709)	**(148 709)**
Adjusted balance at 31.12.2004	**2 875 424**	**724 233**	**287 542**	**(500 709)**	**3 386 490**
Net profit for 2005	0	0	0	552 637	**552 637**
Adjustment of net profit for 2005 (Note 5)	0	0		(16 457)	**(16 457)**
Adjusted net profit for 2005	0	0	0	536 180	**536 180**
Adjusted balance at 31.12.2005	**2 875 424**	**724 233**	**287 542**	**35 471**	**3 922 670**
Book value of holdings under control or significant influence					**(7 669)**
Value of holdings under control or significant influence, calculated using the equity method					**123 922**
Adjusted unconsolidated equity at 31.12.2005					**4 038 923**
Adjusted balance at 31.12.2005	**2 875 424**	**724 233**	**287 542**	**35 471**	**3 922 670**
Net profit for 2006	0	0	0	755 492	**755 492**
Payment of dividends	0	0	0	(267 414)	**(267 414)**
Balance at 31.12.2006	**2 875 424**	**724 233**	**287 542**	**523 549**	**4 410 748**
Book value of holdings under control or significant influence					**(10 226)**
Value of holdings under control or significant influence, calculated using the equity method					**188 215**
Adjusted unconsolidated equity at 31.12.2006					**4 588 737**

According to the Estonian Accounting Act, the adjusted unconsolidated retained earnings is the amount which can be distributed to shareholders.

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INDEPENDENT AUDITOR'S REPORT

(Translation of the Estonian original)

To the Shareholders of AS Viisnurk

We have audited the accompanying consolidated financial statements of AS Viisnurk and its subsidiaries (the Group) which comprise the consolidated balance sheet as of 31 December 2006 and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management Board's Responsibility for the Financial Statements

Management Board is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2006, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Urmas Kaarlep
AS PricewaterhouseCoopers

Margus Lutsoja
Authorised Auditor

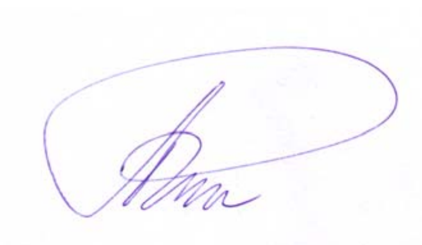
13 April 2007

Profit allocation proposal

The retained earnings of AS Viisnurk are:

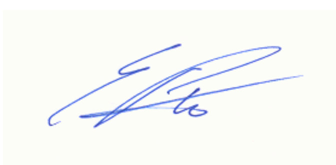
	EEK	*€*
Retained earnings at 31.12.2005	2 373 969	151 724
Paymet of dividends	(4 184 127)	(267 414)
Net profit for 2006	12 786 847	817 228
Retained earnings at 31.12.2006	10 976 689	701 538

The Management Board proposes to the General Meeting of Shareholders to pay dividends amounting to 1.20 kroons (0.08 euros) per share for the total amount of 5 398 873 kroons (345 051 euros).



Andres Kivistik
Chairman of the Management Board

Einar Pähkel
Member of the Management Board



Erik Piile
Member of the Management Board

Signatures of the Management Board and the Supervisory Board to the 2006 Consolidated Annual Report

The Management Board has prepared the Company's Annual Report for 2006. The Annual Report (pages 1-45) consists of the management report, financial statements, profit allocation proposal and auditor's report. The Supervisory Board has reviewed the Annual Report prepared by the Management Board and approved it for presentation at the General Meeting of Shareholders.

Chairman of the Management Board	Andres Kivistik	25.04.2007
Member of the Management Board	Einar Pähkel	25.04.2007.
Member of the Management Board	Erik Piile	25.04.2007.
Chairman of the Supervisory Board	Ülo Adamson	25.04.2007
Member of the Supervisory Board	Joakim Helenius	25.04.2007
Member of the Supervisory Board	Gleb Ognyannikov	25.04.2007