

AS VIISNURK

Interim Financial Statements
Second Quarter

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Company

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

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Beginning of financial year:	1.1.2002
End of financial year:	31.12.2002
Beginning of reporting period:	1.1.2002
End of reporting period:	30.6.2002

Signatures of management board members

Approval of the financial statements as of 30.6.2002 (pages 3-12).

Chairman of Management Board	Meelis Kukk
Member of Management Board	Toivo Kuldmäe
Member of Management Board	Olavi Rinne
Member of Management Board	Jüri Rokk
Member of Management Board	Andrus Aljas
Member of Management Board	Erik Piile

6. August 2002

Balance sheet

		In th. of kroons 30.6.2002	In th. of kroons 31.12.2001	In th. of euros 30.6.2002	In th. of euros 31.12.2001
Cash and bank		630	5 036	40	322
Customer receivables		54 458	52 496	3 480	3 355
Other receivables		1 960	2 215	125	142
Prepaid expenses		5 653	5 449	361	348
Inventories		91 540	74 576	5 851	4 765
Total current assets		154 241	139 772	9 857	8 932
Long-term fin. investments		1 436	1 436	92	92
Tangible assets	(Note 1)	216 301	216 043	13 824	13 808
Intangible assets	(Note 1)	479	269	31	17
Total non-current assets		218 216	217 748	13 947	13 917
<u>TOTAL ASSETS</u>		<u>372 457</u>	<u>357 520</u>	<u>23 804</u>	<u>22 849</u>
Debt obligations	(Note 2)	45 855	47 368	2 931	3 027
Customer prepayments		80	1 216	5	78
Supplier payables		44 034	36 793	2 814	2 351
Taxes payable		6 710	5 639	429	360
Accrued expenses		11 457	8 348	732	534
Total current liabilities		108 136	99 364	6 911	6 350
Long-term liabilities	(Note 2)	97 900	95 479	6 257	6 102
Total non-current liabil.		97 900	95 479	6 257	6 102
Share capital at par value		44 991	44 991	2 875	2 875
Share premium		11 332	11 332	724	724
Mandatory capital reserve		4 499	4 499	288	288
Retained earnings		101 855	82 472	6 510	5 271
Net profit for the year		3 744	19 383	239	1 239
Total equity	(Note 3)	166 421	162 677	10 636	10 397
<u>TOTAL LIABILITIES AND EQUITY</u>		<u>372 457</u>	<u>357 520</u>	<u>23 804</u>	<u>22 849</u>

Income statement

		In th. of kroons II quarter 2002	In th. of kroons II quarter 2001	In th. of kroons 6 months 2002	In th. of kroons 6 months 2001	In t. of euros II quarter 2002	In t. of euros II quarter 2001	In th. of euros 6 months 2002	In th. of euros 6 months 2001
NET SALES	(Note 5)	93 997	77 509	175 787	143 647	6 007	4 954	11 235	9 181
Cost of goods sold		(78 939)	(58 312)	(151 873)	(108 429)	(5 045)	(3 727)	(9 706)	(6 930)
Gross profit		15 058	19 197	23 914	35 218	962	1 227	1 529	2 251
Marketing expenses		(5 003)	(4 167)	(9 633)	(8 761)	(320)	(266)	(616)	(560)
General admin. expenses		(2 497)	(2 218)	(4 993)	(4 925)	(160)	(142)	(319)	(315)
Other income		262	233	513	1 168	17	15	33	75
Other expenses		(407)	(751)	(988)	(1 025)	(25)	(48)	(64)	(67)
Profit from operations	(Note 5)	7 413	12 294	8 813	21 675	474	786	563	1 384
Financial income		7	288	34	316		19	3	21
Financial expenses		(2 580)	(2 637)	(5 103)	(3 479)	(165)	(169)	(327)	(222)
NET PROFIT		4 840	9 945	3 744	18 512	309	636	239	1 183
Basic earnings per share	(Note 4)	1,08	2,21	0,83	4,11	0,07	0,14	0,05	0,26
Diluted earnings per share	(Note 4)	1,08	2,21	0,83	4,11	0,07	0,14	0,05	0,26

Cash flow statements

	In th. of kroons 6 months 2002	In th. of kroons 6 months 2001	In th. of euros 6 months 2002	In th. of euros 6 months 2001
Cash flows from operating activities				
<i>Profit before income tax</i>	3 744	18 512	239	1 183
<i>Adjustments for:</i>				
Period's accumulated depreciation	13 042	10 756	834	687
Profit from sale of non-curr. assets	(118)	(191)	(8)	(12)
Interest expense	4 878	3 350	312	214
Operating profit before changes in working capital	21 546	32 427	1 377	2 072
Change in current assets	(18 876)	(13 649)	(1 207)	(873)
Change in current liabilities	10 326	(12 320)	659	(787)
Cash generated from operations	12 996	6 458	829	412
Interest paid	(4 921)	(3 167)	(315)	(202)
Net cash from operating activities	8 075	3 291	514	210
Cash flows from investing activities				
Acquisition of non-current assets	(10 021)	(20 884)	(640)	(1 335)
Sale of non-current assets	152	490	10	31
Net cash used in investing activities	(9 869)	(20 394)	(630)	(1 304)
Cash flows from financing activities				
Proceeds from borrowing		5 000		320
Repayment of loans	(680)	(5 680)	(43)	(363)
Settlement of finance lease liabilities	(1 162)	(632)	(74)	(40)
Change in the overdraft balance	(770)	14 661	(49)	937
Net cash from financing activities	(2 612)	13 349	(166)	854
NET INCREASE IN CASH	(4 406)	(3 754)	(282)	(240)
CASH AT BEGINNING OF PERIOD	5 036	4 908	322	314
CASH AT END OF PERIOD	630	1 154	40	74

Statement of movements in equity

	In th. of kroons 6 months 2002	In th. of kroons 6 months 2001	In th. of euros 6 months 2002	In th. of euros 6 months 2001
Distributable profits at beginning of year	101 855	84 137	6 510	5 377
Transferred to mandatory capital reserve		(1 665)		(106)
Net profit for the period	3 744	18 512	239	1 183
Distributable profits at end of year	105 599	100 984	6 749	6 454

Notes to the interim financial statements

Accounting policies and measurement bases

At 31 March 2002 AS Viisnurk did not have any subsidiary companies or interest in associated companies or joint ventures.

The financial statements of AS Viisnurk for the first quarter of 2002 have been prepared in accordance with *Instructions for the preparation and presentation of interim financial statements* by the Estonian Accounting Board. The accounting policies and measurement bases of these financial statements comply with the ones used in the preparation of the annual financial statements for the year ended 31 December 2001.

The management board declares that AS Viisnurk is a going concern and the financial statements for the first quarter of 2002 give a true and fair view of the company's financial position and the results of its operations. The financial statements have not been audited.

The statements are presented in thousands of Estonian kroons and Euros, the exchange rate between kroon and euros is 15.64664.

1. Tangible and intangible assets

In thousands of kroons

	Tangible assets	Intangible assets	TOTAL
Acquisition cost 1.1.2002	281 432	1 445	282 877
Additions in 6 months 2002	6 778	375	7 153
Disposals in 6 months 2002	(342)		(342)
Acquisition cost 30.6.2002	287 868	1 820	289 688
Depreciation 1.1.2002	(79 292)	(1 176)	(80 468)
Depreciation of 6 months 2002	(12 877)	(165)	(13 042)
Depreciation on items disposed of in 6 months 2002	310		310
Depreciation 30.6.2002	(91 859)	(1 341)	(93 200)
Net book value 30.6.2002	196 009	479	196 488

In thousands of euros

	Tangible assets	Intangible assets	TOTAL
Acquisition cost 1.1.2002	17 987	92	18 079
Additions in 6 months 2002	433	25	458
Disposals in 6 months 2002	(22)		(22)
Acquisition cost 30.6.2002	18 398	117	18 515
Depreciation 1.1.2002	(5 067)	(75)	(5 142)
Depreciation of 6 months 2002	(823)	(11)	(834)
Depreciation on items disposed of in 6 months 2002	19		19
Depreciation 30.6.2002	(5 871)	(86)	(5 957)
Net book value 30.6.2002	12 527	31	12 558

At 30 June 2002 the balance of constructions in progress stood at 20 292 thousand kroons (1 297 thousand euros), at 1.1.2002 13 904 thousand kroons (889 thousand euros).

2. Debt obligations and long-term liabilities

In thousands of kroons/euros

	30.6.2002	31.12.2001	30.6.2002	31.12.2001
Debt obligations	45 855	47 368	2 931	3 027
Long-term liabilities	97 900	95 479	6 257	6 102
incl. long-term bank loans	57 578	57 578	3 680	3 680
non-convertible debt	40 322	37 901	2 577	2 422
KOKKU	143 755	142 847	9 188	9 129

3. Equity

At 30 June 2002 the share capital of AS Viisnurk amounted to 44 490 610 kroons (2 843 461 euros) and was made up of 4 499 061 shares with a par value of 10 kroons (0.64 euros) each. The maximum amount outlined in the Articles of Association is 177 480 800 kroons (11 343 062 euros). During the second quarter, share capital did not change.

4. Earnings per share

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

2002. a. 6 months PK/A = $3\,743\,581 / 4\,499\,061 = 0,83$ kroons / 0,05 euros

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

5. Financial information by segment

In thousands of kroons

	Sports goods divison		Furniture factory		Softboard factory		Wood pan. factory		Supporting units		Eliminations		VIISNURK TOTAL	
	2002 6m	2001 6m	2002 6m	2001 6m	2002 6m	2001 6m	2002 6m	2001 6m	2002 6m	2001 6m	2002 6m	2001 6m	2002 6m	2001 6m
External sales	20 589	16 001	88 942	76 719	39 686	37 672	10 475	1 144	16 095	12 111			175 787	143 647
Inter-segments sales			50	26			12 229	2 427	40 122	23 490	(52 401)	(25 943)	0	0
Total sales revenue	20 589	16 001	88 992	76 745	39 686	37 672	22 704	3 571	56 217	35 601	(52 401)	(25 943)	175 787	143 647
Segment result	(2 081)	606	12 023	13 293	9 028	12 359	(7 004)	(3 886)	1 840	4 228			13 806	26 600
Unallocated expenses													(4 993)	(4 925)
Operating profit													8 813	21 675
Net financial expenses													(5 069)	(3 163)
Net profit for the period													3 744	18 512

In thousands of euros

	Sports goods divison		Furniture factory		Softboard factory		Wood pan. factory		Supporting units		Eliminations		VIISNURK TOTAL	
	2002 6m	2001 6m	2002 6m	2001 6m	2002 6m	2001 6m	2002 6m	2001 6m	2002 6m	2001 6m	2002 6m	2001 6m	2002 6m	2001 6m
External sales	1 316	1 023	5 685	4 903	2 536	2 408	669	73	1 029	774			11 236	9 181
Inter-segments sales			3	2			782	155	2 564	1 501	(3 349)	(1 658)	0	0
Total sales revenue	1 316	1 023	5 688	4 905	2 536	2 408	1 451	228	3 593	2 275	(3 349)	(1 658)	11 236	9 181
Segment result	(133)	39	768	850	577	790	(448)	(248)	118	268			882	1 699
Unallocated expenses													(319)	(315)
Operating profit													563	1 384
Net financial expenses													(324)	(201)
Net profit for the period													239	1 183

Explanations to the interim financial statements

The net sales of Viisnurk AS for the second quarter of 2002 were 94 mil. kroons (6 mil. euros) and net profit was 4.8 mil. kroons (0.31 mil. euros). As compared to the second quarter of the previous year, the net sales of the company increased by 21.3% and net profit almost halved. During the first half of the accounting year, Viisnurk exposed the profit of 3.7 mil. kroons (0.24 mil. euros) at the net sales of 175.8 mil. kroons (11.2 mil. euros). In 2001, the net sales were 143.6 mil. kroons (9.2 mil. euros) and the profit 18.5 mil. kroons (1.18 mil. euros) respectively. The economic results of Viisnurk for the first half-year were influenced most by the loss produced by the Wood Panel Factory and the low demand on the major export markets.

The economic results of the company were influenced by the following factors:

- ° The Wood Panel Factory, which was launched last year, exposed the loss of 2.5 mil. kroons (0.16 mil. euros) at the net sales of 12.1 mil. kroons (0.77 mil. euros) in the 2nd quarter. As compared to the previous quarter, the net sales of the factory increased by 13.2% and the loss decreased by approximately 2 mil. kroons (0.13 mil. euros). The total net sales for the first half-year amounted to 22.7 mil. kroons (1.45 mil. euros) and the total loss to 7 mil. kroons (0.45 mil. euros). Lack of qualified work force at the Wood Panel Factory constituted the hindrance in gaining positive economic results besides; the operation of the factory was influenced by difficulties on the European furniture industry, thus complicating procurement of suitable orders.

- ° The net sales of the Furniture Factory in the first half of 2002 amounted to 88.9 mil. kroons (5.68 mil. euros), soaring by 16% on the same period of the previous year (incl. 11.6% in the 2nd quarter). The operating profit of the factory amounted to 12 mil. kroons (0.77 mil. euros) in the first half-year, which is approximately 10% less than the year before. The profitability of the Furniture Factory was 13.6% for the 2nd quarter; showing an improvement as compared to the previous quarter.

- ° The net sales of the Sports Goods Division for the first half-year amounted to 20.6 mil. kroons (1.32 mil. euros), which is 28.7% more than that of the last year. The economic activities of the division resulted in the loss of 2.1 mil. kroons (0.13 mil. euros). During the 2nd quarter, the most important contracts concerning the sale of skis and hockey sticks for the next season were concluded by the Sports Goods Division. Pursuant the agreements, the production of the skis will remain at the same level as the year before, whereas the average price for the sold skis will decrease by approximately 10% owing to sagging demand. The estimated output of hockey sticks will exceed that of the previous year by ca 40%.

- ° The Softboard Factory exposed the profit of 9 mil. kroons (0.58 mil. euros) at the net sales of 39.7 mil. kroons (2.54 mil. euros) for the first half of the year. As compared to the previous year, the net sales of the factory increased by 5% and the profit decreased by 27%. The profitability of the factory improved in the 2nd quarter as compared to the 1st one, however, the decline on target markets as well as the increase of the price of such factors of production as electricity and wood chips, hindered us to achieve the level of the preceding year.

To provide continuous growth in profitability, Viisnurk AS continues to focus its activities on upgrading first and foremost in furniture production.

The financial ratios of AS Viisnurk at 30 June 2002:

	II quarter 2002	II quarter 2001	6 months 2002	6 months 2001
Current ratio (current assets/current liabilities)	1,43	2,06	1,43	2,06

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liabilities)				
Debt to total assets ratio	55%	54%	55%	54%
Operating margin (operating profit/net sales)	7,9%	15,9%	5,0%	15,1%
Net profit margin (net profit/net sales)	5,1%	12,8%	2,1%	12,9%
Return on assets (net profit/average total assets)	1,3%	2,9%	1,0%	5,4%
Return on equity (net profit/shareholders' equity)	2,9%	6,2%	2,2%	11,4%