Annual Report

2009

(Translation of the Estonian original)

Beginning of financial year:	01.01.2009
End of financial year:	31.12.2009
Business name:	AS Viisnurk
Commercial Registry no.:	11421437
Address:	Suur-Jõe 48, 80042 Pärnu
Phone:	+372 447 8323
Fax:	+372 447 8320
E-mail:	mail@viisnurk.ee
Website:	www.viisnurk.ee
Main activity:	Furniture production
Auditor:	AS PricewaterhouseCoopers

VIISNURK

Table of contents

Introduction

The Group in brief

AS Viisnurk is engaged in the retail trade of furniture and household furnishings as well as manufacture of furniture and building materials.

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

The furniture division contains furniture store chain named Skano operating in Ukraine and the Baltic States, and a factory manufacturing unique household furniture.

The building materials division manufactures and distributes two softboard-based product categories: insulation and soundproofing boards as well as interior finishing boards for walls and ceilings.

The Company's key markets are Scandinavia, Russia, Ukraine and the Baltic States. The customers and cooperation partners of AS Viisnurk are accomplished representatives in their field who have long-term relations with the Company.

From 5 June 1997 AS Viisnurk is listed on the Tallinn Stock Exchange. On 19 September 2007, division of AS Viisnurk took place and the shares of the manufacturing entity that was spun off were relisted in the Main List of Tallinn Stock Exchange pursuant to the resolution of the Listing Committee of the Tallinn Stock Exchange on 20 September 2007, and trading of the shares of AS Viisnurk was launched on 25 September 2007. The majority owner of AS Viisnurk is OÜ Trigon Wood.

During the restructuring of the majority owner of OÜ Trigon Wood, TDI Investments Ky in October-November 2009, the ownership interest in OÜ Trigon Wood TDI Investments Ky was divided between the Scandinavian investors.

As at 31.12.2009, the largest owners of OÜ Trigon Wood and the entities with significant influence over the Group are: AS Trigon Capital (20.75%), Veikko Laine Oy (15.52%), BCB Baltic AB (14.07%), Hermitage Eesti OÜ (11.94%), Thominvest Oy (11.94%) and Assetman Oy (11.45%).

Management report

Overview of operating results

Revenue and operating results

In 2009, the revenue of AS Viisnurk totalled 205.8 million kroons (13.2 million euros) and in 2008, 280.5 million kroons (17.9 million euros). In 2009, the net profit of AS Viisnurk amounted to 0.2 million kroons (0.01 million euros). As a comparison, the net profit in 2008 totalled 6.0 million kroons (0.4 million euros). In 2009, the earnings per share of Viisnurk were 0.03 kroons (0.002 euros) and in 2008, 1.34 kroons (0.09 euros).

The distribution of revenue and operating results of the Group by activities:

EEK '000	REVENUE				OPERATING RESULTS			
	2009	2008	2007	2006	2009	2008	2007	2006
Furniture factory	107 142	144 660	128 211	127 258	6 870	7 743	3 589	2 866
Skano	32 895	40 064	22 514	11 348	(5334)	(5161)	(1 090)	951
Building materials division	80 576	116 166	112 896	94 581	1 224	8 671	13 892	11 674
Eliminations	(14 823)	(20 362)	(14 099)	(6 319)	17	(83)	(442)	-
TOTAL	**205 790**	**280 527**	**249 522**	**226 868**	**2 777**	**11 170**	**15 949**	**15 491**
Finance income and expense					(2 553)	(3 454)	(2 817)	(2 536)
PROFIT BEFORE TAX					**224**	**7 716**	**13 132**	**12 955**
Corporate income tax					(69)	(1 674)	(475)	(438)
NET PROFIT					**155**	**6 042**	**12 657**	**12 517**

€ '000	REVENUE				OPERATING RESULTS			
	2009	**2008**	**2007**	**2006**	**2009**	**2008**	**2007**	**2006**
Furniture factory	6 848	9 245	8 194	8 133	439	495	229	183
Skano	2 102	2 561	1 439	725	(341)	(330)	(70)	61
Building materials division	5 150	7 424	7 215	6 045	78	554	888	746
Eliminations	(948)	(1 301)	(901)	(403)	1	(5)	(28)	-
TOTAL	**13 152**	**17 929**	**15 947**	**14 500**	**177**	**714**	**1 019**	**990**
Finance income and costs					(163)	(221)	(180)	(162)
PROFIT BEFORE TAX					**14**	**493**	**839**	**828**
Corporate income tax					(4)	(107)	(30)	(28)
NET PROFIT					**10**	**386**	**809**	**800**

Group's revenue by geographical markets:

	EEK '000		€ '000		% of sales	
	2009	2008	2009	2008	2009	2008
Finland	88 653	117 253	5 666	7 494	43.1%	41.8%
Russia	39 219	63 267	2 506	4 044	19.1%	22.6%
Estonia	37 800	53 110	2 417	3 394	18.4%	18.9%
Ukraine	10 751	10 831	656	692	5.2%	3.9%
Lithuania	8 308	9 116	531	583	4.0%	3.2%
Latvia	6 930	12 026	443	769	3.4%	4.3%
Sweden	4 047	5 044	259	322	2.0%	1.9%
Kazakhstan	3 476	3 998	222	255	1.7%	1.4%
Germany	2 300	3 962	147	253	1.1%	1.4%
Portugal	2 140	954	137	61	1.0%	0.3%
Other countries	2 166	966	138	62	1.0%	0.3%
TOTAL	**205 790**	**280 527**	**13 152**	**17 929**	**100.0%**	**100.0%**

The share of Finland and Ukraine has increased the most and that of Russia and Latvia has decreased the most in the Group's total sales. The share of Finland has increased the most and that of Russia has decreased the most due to the change in the share of the furniture factory. Ukraine and Latvia have been impacted primarily by the changes in the sales of retail chain Skano.

Statement of financial position and cash flow statement

As at 31.12.2009, the total assets of AS Viisnurk amounted to 132.8 million kroons (8.5 million euros). As at 31.12.2008, the total assets amounted to 163.8 million kroons (10.5 million euros). The balance sheet total decreased by 31.0 million kroons (2.0 million euros). As at 31.12.2009, the Company's liabilities were 61.3 million kroons (3.9 million euros) (31.12.2008: 92.6 million kroons (5.9 million euros)) and the Company's debt-to-equity ratio decreased from 57% to 46%.

In 2009, the Company's cash flows from operating activities totalled 13.7 million kroons (0.9 million euros) (2008: 18.1 million kroons (1.2 million euros)). Investments in non-current assets totalled 1.4 million kroons (0.1 million euros) (2008: 11.2 million kroons (0.7 million euros)).

Performance of business units

Furniture division

The furniture division is focused on manufacturing and distribution of wooden household furniture. The furniture division manufactures furniture for living rooms, offices, dining rooms as well as bedrooms. The retail brand of the division is Skano and there are nine furniture showrooms bearing this name: two in Estonia, one in Latvia, three in Lithuania and three in Ukraine.

Retail business

Greater emphasis was laid on the development of furniture retail sales. The wholly–owned subsidiary of AS Viisnurk, OÜ Skano has been set up to focus on the retail business. The wholly-owned subsidiaries of OÜ Skano, SIA Skano, UAB Skano LT and TOV Skano Ukraine operate in Latvia, Lithuania and Ukraine, respectively.

Retail sales by countries:

	EEK '000		€ '000		%of sales		Number of stores	
	2009	2008	2009	2008	2009	2008	31.12.09	31.12.08
Estonia	9 608	14 155	614	905	29.3%	35.3%	2	2
Latvia	4 807	9 021	307	577	14.6%	22.5%	1	1
Lithuania	7 974	8 514	510	544	24.2%	21.3%	3	3
Ukraine	10 506	8 374	671	535	31.9%	20.9%	3	4
TOTAL	**32 895**	**40 064**	**2 102**	**2 561**	**100.0%**	**100.0%**	**9**	**10**

Due to weakening of demand in target markets, no new showrooms are planned to be opened in 2010. However, if possible, the existing showrooms will be relocated to more attractive venues.

In the financial year, the sales of subsidiaries operating under Skano name and focusing on the retail business decreased by 18%. In 2008, the sales of subsidiaries increased by 78%.

Furniture production

In 2009, the focus continued to be on the profitable product portfolio, increasing the production efficiency and optimizing cost levels.

In the accounting period, the furniture factory focused on production of higher-margin furniture made of birch wood. Market demand for pine furniture has been declining and the Company has shut down the production of pine furniture.

The target customers of the furniture factory are primarily medium and small-sized furniture wholesalers and retailers who value the unique design and high quality of furniture as well as flexible customer service.

The search for new subcontracted series has been completed.

The sales of the furniture factory by countries

	EEK '000		€ '000		% of sales	
	2009	2008	2009	2008	2009	2008
Finland	51 787	58 310	3 310	3 727	48.4%	40.3%
Russia	34 050	57 231	2 176	3 658	31.8%	39.6%
Kazakhstan	3 476	3 998	222	255	3.2%	2.8%
Germany	1 444	2 775	92	177	1.3%	1.9%
Estonia	1 231	1 767	80	113	1.1%	1.2%
Other countries	540	217	34	14	0.5%	0.2%
Subsidiaries	14 614	20 362	934	1 301	13.7%	14.0%
TOTAL	**107 142**	**144 660**	**6 848**	**9 245**	**100.0%**	**100.0%**

Building materials division

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 operating results

In 2009, the building material division's sales were 80.4 million kroons (5.1 million euros) and the net profit of the division amounted to 1.2 million kroons (0.1 million euros). In 2008, the sales were 116.2 million kroons (7.4 million euros) and the net profit was 8.7 million kroons (0.6 million euros).

Exports made up 66% of the division's total sales (2008: 68%), the largest export markets were Finland, Russia and Sweden.

The sales of the building materials division by countries:

	EEK '000		€ '000		% of sales	
	2009	2008	2009	2008	2009	2008
Finland	36 866	58 943	2 356	3 767	45.8%	50.7%
Estonia	26 961	37 381	1 723	2 389	33.5%	32.2%
Russia	5 169	6 036	330	386	6.4%	5.2%
Sweden	4 047	5 044	259	322	5.0%	4.3%
Portugal	2 140	954	137	61	2.7%	0.8%
Latvia	2 123	2 812	136	180	2.6%	2.4%
Germany	856	1 187	55	76	1.0%	1.0%
Lithuania	334	602	21	38	0.4%	0.5%
Ukraine	245	2 457	15	157	0.3%	2.1%
Other countries	1 626	749	104	48	2.0%	0.6%
Subsidiaries	209	0	14	0	0.3%	0.0%
TOTAL	**80 576**	**116 165**	**5 150**	**7 424**	**100.0%**	**100.0%**

Interior finishing boards

Interior finishing boards are produced under Isotex brand, wholly owned by the Group. Interior finishing boards are made of natural softboard which is produced on the factory's main production line and the boards have milled tenons and the surface is covered with paper or textile. This technology enables to produce boards of different colours and patterns.

In 2009, the revenue of interior finishing boards totalled 29 million kroons (1.9 million euros) (2008: 37 million kroons (2.4 million euros)). As compared with the previous year, the revenue decreased 21%. Interior finishing boards made up 36% (2008: 32%) of the division's total sales. The largest market for interior finishing boards continued to be Finland.

Due to the overall decline of the construction market, sales declined in all major markets at the year-end.

General construction boards

As compared with the previous year, the sales of insulation and soundproofing boards decreased by 35%, reaching 51.3 million kroons (3.3 million euros) (2008: 78.9 million kroons (5.0 million euros)). Wind-protection boards continue to be the largest product group.

In 2009, the Company started to manufacture Isomodul boards. Isomodul represents thicker general construction boards with phased edges. Isomodul woodfibre-isolation elements made solely of wood are appropriate for eco-friendly buildings: they are open to diffusion while having excellent heat isolating features, and they can be used for ceilings and floors to balance heights and add mass.

Due to the simple edge profile form of Isomodul woodfibre isolation elements, this building material can be used in most diverse areas as a soundproofing and heat isolation material – for example, for muffling walking related noise when building floors, as a wall, ceiling or roof isolation material, or interior and exterior coating of wood framed buildings.

Investments

With regard to the retail business of the furniture division, the activities to expand the retail business in the neighbouring markets have been halted. The expansion of the retail business involves the opening of new stores offering household furniture and furnishings in different markets of Eastern Europe.

In 2009, investments in machinery and equipment totalled 4.8 million kroons (0.3 million euros) and in buildings, 0.3 million kroons (0.02 million euros). In 2008, investments into machinery and equipment totalled 8.5 million kroons (0.5 million euros) and into buildings, 2.7 million kroons (0.2 million euros).

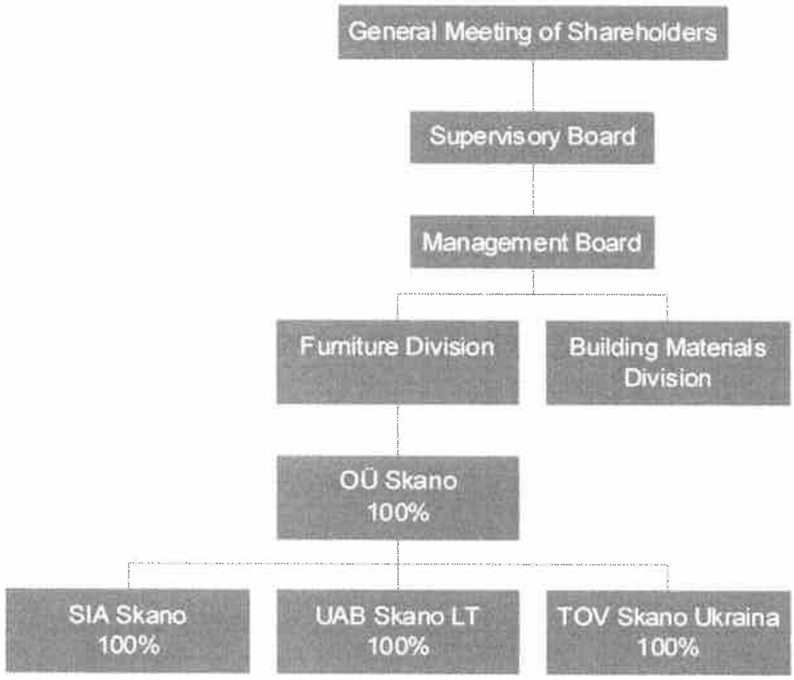
Forecast and development

According to preliminary plans for the year 2010, no new Skano retail chain showrooms will be opened, as in the conditions of a cooling economy, the Company wants to minimise the risks related to expansion and maintain sufficient liquidity. However, management may consider opening new stores if the location or rental terms are favourable. In 2009, a store was closed in Odessa, Ukraine and in February 2010, a new store was opened in Kiev.

For the year 2010, we forecast continuation of lower retail sales and lower sales in those markets where AS Viisnurk is not engaged in retail trade and therefore, also continuously lower production of the furniture factory. Agreements have been reached with employees in respect of shorter working hours until 31.03.2010. The Company will extend the agreement regarding the use of shorter working hours until 31.03.2011.

Due to the unfavourable economic climate in the primary target markets and low demand for building materials, the production will continue at reduced capacity. In the main production line, three shifts will be used instead of the former four shifts.

Employees



Organisational chart of AS Viisnurk as at 31.12.2009

* The chart does not include OÜ Isotex and OÜ Visu because these entities did not have any operations in the financial year.

In 2009, the average number of employees of the Group was 326 (2008: 350). By the end of 2009, AS Viisnurk employed 270 employees (2008: 310). As at 31.12.2009, the Group including the subsidiaries employed 307 people (2008: 354). At the end of the financial year, the Group employed 222 workers and 85 specialists and executives (2008: 259 and 95, respectively). The average age of the Company's employees was 45.7 years (2008: 44.5).

In 2009, employee wages and salaries totalled 36.9 million kroons (2.4 million euros) (2008: 52.4 million kroons (3.3 million euros)). Compared with the previous financial year, the Company's payroll expenses decreased by 29.5%. In 2009, gross remuneration paid to the members of the Management Board totalled 2.2 million kroons (142 thousand euros) (2008: 2.6 million kroons (169 thousand euros)). The members of the Supervisory Board neither received any remuneration in 2009 nor in 2008.

The distribution of the number of employees of AS Viisnurk by units (as at 31.12):

	2009	2008	Change %
Building materials division	72	82	(12.2%)
Furniture factory	198	228	(13.2%)
OÜ Skano	12	11	9.1%
SIA Skano	3	7	(57.1%)
UAB Skano LT	6	10	(40%)
TOV Skano Ukraine	16	16	0%
TOTAL Group	**307**	**354**	**(13.3%)**

Financial ratios

EEK '000	2009	2008	2007	2006
Income statement				
Revenue	**205 790**	280 527	249 522	226 868
EBITDA	**10 220**	19 721	24 827	26 087
EBITDA margin	**5.0%**	7.0%	9.9%	11.5%
Operating profit	**2 777**	11 170	15 949	15 491
Operating margin	**1.3%**	4.0%	6.4%	6.8%
Net profit	**155**	6 042	12 657	12 517
Net margin	**0.1%**	2.2%	5.1%	5.5%
Balance sheet				
Total assets	**132 803**	163 824	157 447	144 132
Return on total assets	**0.1%**	3.7%	8.0%	8.7%
Equity	**71 508**	71 200	71 243	66 043
Return on equity	**0.2%**	8.5%	17.8%	19.0%
Debt-to-equity ratio	**46.2%**	57%	55%	54%
Share (31.12)				
Closing price*	**11.27**	12.20	28.95	-
Earnings per share	**0.03**	1.34	2.81	2.78
Price/earnings (P/E) ratio*	**375.67**	9.09	10.30	-
Book value of share	**15.89**	15.83	15.84	14.68
Market to book ratio*	**0.71**	0.77	1.83	-
Market capitalisation*	**50 704**	54 908	130 228	-

€'000	2009	2008	2007	2006
Income statement				
Revenue	**13 152**	17 929	15 947	14 500
EBITDA	**652**	1 261	1 587	1 667
EBITDA margin	**5.0%**	7.0%	9.9%	11.5%
Operating profit	**177**	714	1 019	990
Operating margin	**1.3%**	4.0%	6.4%	6.8%
Net profit	**10**	386	809	800
Net margin	**0.1%**	2.2%	5.1%	5.5%
Balance sheet				
Total assets	**8 488**	10 468	10 063	9 212
Return on total assets	**0.1%**	3.7%	8.0%	8.7%
Equity	**4 570**	4 548	4 553	4 221
Return on equity	**0.2%**	8.5%	17.8%	19.0%
Debt-to-equity ratio	**46.2%**	57%	55%	54%
Share (31.12)				
Closing price*	**0.72**	0.78	1.85	-
Earnings per share	**0.002**	0.09	0.18	0.18
Price/earnings (P/E) ratio*	**375.67**	9.09	10.30	-
Book value of share	**1.02**	1.01	1.01	0.94
Market to book ratio*	**0.71**	0.77	1.83	-
Market capitalisation*	**3 239**	3 509	8 323	-

* The figures per share are not shown for 2006 due to the absence of comparative information – due to the division, the shares of AS Viisnurk have been listed on the Tallinn Stock Exchange since 25 September 2007.

EBITDA = operating profit + depreciation
EBITDA margin = EBITDA / revenue
Operating margin = operating profit / revenue
Net margin = net profit / revenue
Return on total assets = 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

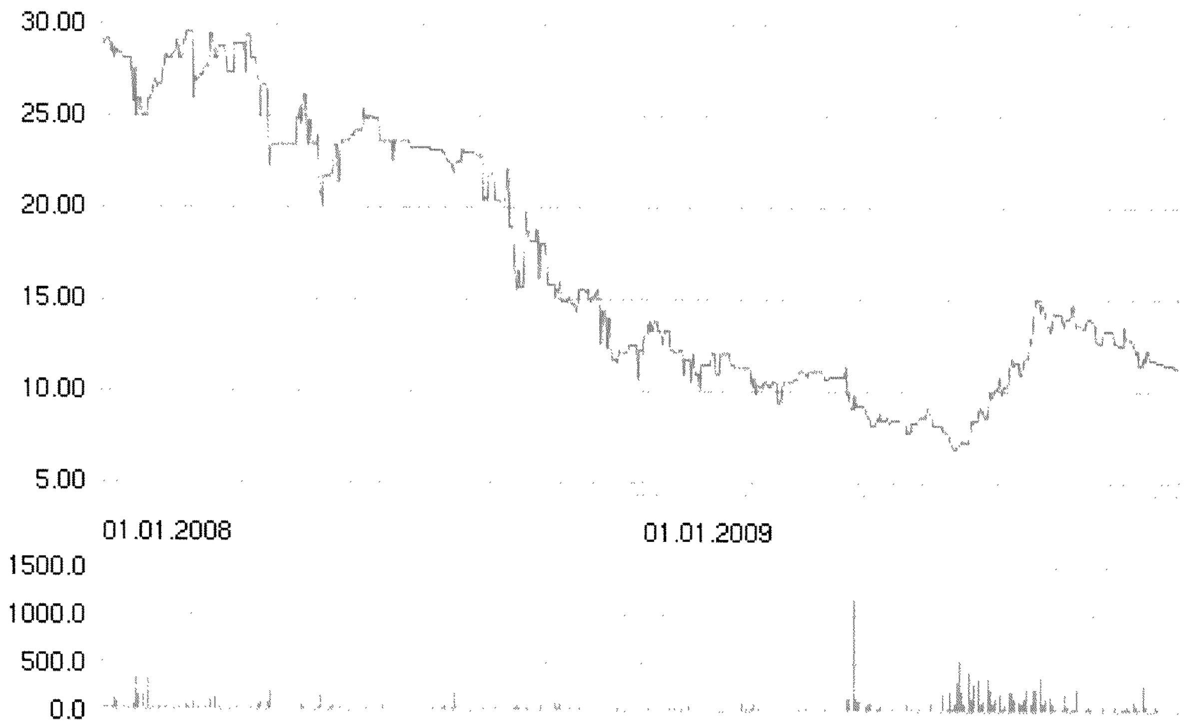
The shares of AS Viisnurk started to be traded in the Main List of the Tallinn Stock Exchange as at 25 September 2007.

The opening price in 2009 was 12.83 kroons (0.82 euros). The highest price of the year was 16.12 kroons (1.03 euros) and the lowest price 6.88 kroons (0.44 euros). The closing price in 2009 was 11.27 kroons (0.72 euros). A total of 1,281,969 shares were traded in 2009 and the total sales amounted to 12.44 million kroons (0.79 million euros).

The opening price in 2008 was 29.57 kroons (1.89 euros). The highest price of the year was 29.89 kroons (1.91 euros) and the lowest price was 10.17 kroons (0.65 euros). The closing price in 2008 was 12.20 kroons (0.78 euros). A total of 201 513 shares were traded in 2008 and the total sales amounted to 4.5 million kroons (0.29 million euros).

The opening price in 2007 was 59.14 kroons (3.78 euros). The highest price of the year was 63.68 kroons (4.07 euros) and the lowest price was 25.97 kroons (1.66 euros). The closing price in 2007 was 28.95 kroons (1.85 euros). A total of 201 546 shares were traded in 2007 and the total sales amounted to 8.15 million kroons (0.52 million euros).

The following table provides an overview of the movements in the share price of AS Viisnurk and the daily trading volumes on the Tallinn Stock Exchange (EEK) in 2008 and 2009.



Shareholders

The distribution of share capital by the number of shares acquired as at 31.12.2009:

	Number of shareholders	% of shareholders	Number of shares	% of share capital
1 - 99	88	16.2%	2 708	0.06%
100 - 999	213	39.3%	81 561	1.81%
1 000 - 9 999	210	38.7%	541 233	12.03%
10 000 - 99 999	29	5.4%	691 367	15.37%
100 000 - 999 999	1	0.2%	500 000	11.11%
1 000 000 - 9 999 999	1	0.2%	2 682 192	59.62%
Total	542	100%	4 499 061	100.00%

List of shareholders with ownership over 1% as at 31.12.2009:

Shareholder	Number of shares	Ownership %
OÜ TRIGON WOOD	2 682 192	59.62
ING LUXEMBOURG S.A.	500 000	11.11
Skandinaviska Enskilda Banken Finnish Clients	93 834	2.09
Vip Invest OÜ	75 100	1.67
Toivo Kuldmäe	49 231	1.09

Direct ownership of the members of the Management and Supervisory Boards as at 31.12.2009:

Ülo Adamson – does not own any shares
Joakim Johan Helenius – 20 000 shares 0.44%
Heiti Riisberg – does not own any shares
Andres Kivistik – does not own any shares
Einar Pähkel – does not own any shares

Risks

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 31.12.09, the 6-month EURIBOR was 0.994 and as at 31.12.08, 2.971.

Interest rate risk also depends on Estonia's overall economic situation and the changes in the banks' average interest rates. 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 currency exchange risk

Foreign currency exchange risk is the Company's risk to incur major losses due to fluctuations in foreign exchange rates. Currency risk is related to the change in the number of Skano stores and their sales, due to the use of local currencies in target markets. The assets and liabilities of the subsidiaries located outside Estonia are primarily exposed to this risk. The foreign currency exchange risk for AS Viisnurk is very low because most of the export-import agreements have been concluded in euros.

Risk of the economic environment

The risk of the economic environment in the building materials division depends on the overall trends in the construction market and in the furniture division, on the future expectations of the consumers with regard to economic welfare. Due to the latest developments in the global markets, the risk of the economic environment has significantly increased.

Fair value

The fair values of cash, accounts receivable, short-term loans and borrowings do not significantly differ from their book values. The fair values of long-term loans and borrowings do not significantly differ from their book values because their interest rates mostly correspond to the interest rates prevailing in the market.

Group structure

Shares of subsidiaries:

Domicile	OÜ Skano (Estonia)	OÜ Visu (Estonia)	OÜ Isotex (Estonia)	SIA Skano (Latvia)	UAB Skano LT (Lithuania)	TOV Skano Ukraina (Ukraine)
Number of shares at 31.12.2008 (pcs)	1	1	1	1	100	1
Ownership % 31.12.2008	100	100	100	100	100	100
Number of shares at 31.12.2009 (pcs)	1	1	1	1	100	1
Ownership % 31.12.2009	100	100	100	100	100	100

Skano OÜ is engaged in retail sales in Estonia, owning two furniture showrooms – in Järve Keskus, Tallinn and on the ground floor of the head office of AS Viisnurk, Pärnu. Skano OÜ owns 100% of the entities Skano SIA, UAB Skano LT and TOV Skano Ukraina.

SIA Skano launched its operations in November 2005 and it is involved in furniture retail sales in Latvia, owning one showroom in Riga. UAB Skano LT launched its operations in April 2007 and is involved in retail sales in Lithuania, owning furniture showrooms in Klaipeda, Kaunas and Vilnius. TOV Skano Ukraina launched its operations in Ukraine in June 2007 and is involved in furniture retail sales, owning furniture showrooms in Kharkov, Kiev and Donetsk.

The goal of setting up Visu OÜ and Isotex OÜ was 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 Company's restructuring plan, the subsidiaries are no longer used. The subsidiaries Visu OÜ and Isotex OÜ did not have any operating activities in 2008 and 2009.

Corporate Governance Recommendations Report

The Corporate Governance Recommendations is a set of guidelines and recommended rules to be carried out primarily by entities whose shares have been admitted to trading on a regulated market in Estonia. From 1 January 2006, the listed entities are required to follow the principle "Comply or Explain".

The Corporate Governance Recommendations lay down the principles of calling and conducting general meetings of shareholders, composition, activities and responsibilities of supervisory and management boards, disclosures and financial reporting.

As the principles outlined in the Recommendations are recommended, the Company does not have to comply with all of them but needs to explain in the Corporate Governance Recommendations Report why these requirements are not complied with.

In its business, AS Viisnurk adheres to prevailing laws and legislative provisions. As a public entity, AS Viisnurk also follows the requirements of the Tallinn Stock Exchange and the principles of equal treatment of shareholders and investors. Pursuant to this, the Company follows most of the guidelines set out in the Recommendations. Below are arguments for noncompliance of the Recommendations that the Company does not comply with.

Clause 1.3.1 *The Chairman of the Supervisory Board and a member of the Management Board shall not be elected as the Chair of the General Meeting*

The Chairman of the Management Board, Andres Kivistik was elected as the Chair of the General Meeting of Shareholders at 5 June 2009. He ensured a smooth running of the General Meeting in the Estonian language taking into account the interests of all shareholders. All shareholders present at the meeting agreed with the election of Andres Kivistik as the Chair of the General Meeting.

Clause 1.3.2 *Members of the Management Board, the Chairman of the Supervisory Board and if possible, all members of the Supervisory Board and at least one of the auditors shall participate in the General Meeting.*

All members of the Management Board were present at the General Meeting of Shareholders at 5 June 2009. The Chairman of the Supervisory Board and the auditor were not present at the meeting. The auditor was not present at the meeting because the Management Board did not consider the auditor's participation necessary as there were not any issues on the agenda that might have needed the auditor's comments.

Clause 1.3.3 *Issuers shall make participation in the General Meeting possible by means of communication equipment (Internet) if the technical equipment is available and where doing so is not too cost prohibitive to the Issuer.*

The Issuer did not make monitoring and participation in the General Meeting possible by means of communication equipment, because no technical equipment was available.

Clause 2.2.7 *Basic wages, performance pay, termination benefits, other payable benefits and bonus schemes of a member of the Management Board as well as their essential features (incl. features based on comparison, incentives and risk) shall be published in a clear and unambiguous form on the website of the Issuer and in the Corporate Governance Recommendations Report. Information published shall be deemed clear and unambiguous if it directly expresses the amount of expense to the Issuer or the amount of foreseeable expense as at the day of disclosure.*

The Issuer shall not disclose the remuneration paid to the members of the Management Board by person because the Issuer considers this information sensitive to a member of the Management Board and invasion of his privacy. Its disclosure is not necessary for making a statement of the management quality of the Issuer and it will harm the competitive position of the Issuer and the members of the Management Board. Thus, the Issuer has decided not to disclose the remuneration paid to the members of the Management Board. In 2009, the gross remuneration paid to the members of the Company's Management Board totalled 2,225 thousand kroons (142 thousand euros). As at 31.12.2009, pursuant to the contracts entered into, termination benefits totalling 4-month remuneration are payable to the members of the Management Board.

Clause 2.3.2 *The Supervisory Board shall decide significant transactions of the Issuer and a member of its Management Board or close relative or a related person and shall decide the terms of such transactions. The transactions approved by the Supervisory Board and conducted between a member of the Management Board, its close relative or a related person and the Issuer shall be published in the Corporate Governance Recommendations Report.*

There have not been any transactions between the Issuer and a member of its Management Board or a close relative or a related person.

Clause 3.2.2 *At least half of the members of the Supervisory Board of the Issuer shall be independent.*

The Supervisory Board currently consists of three members, none of whom can be considered independent under the Recommendations. Ülo Adamson and Joakim Johan Helenius are members of the Management Board of the shareholder OÜ Trigon Wood controlling the Issuer. Heiti Riisberg is not independent under the Recommendations because he works at AS Trigon Capital and he reports to the other members of the Supervisory Board. However, the Issuer is convinced that the experience and knowledge of the aforementioned persons shall ensure effective and profitable management of the Issuer and thus take account of the interests of shareholders in every aspect.

Clause 3.2.5 *The amount of remuneration of a member of the Supervisory Board appointed at the meeting and the procedure for his payment shall be published in the Corporate Governance Recommendations Report, outlining separately basic and additional remuneration (incl. termination and other payable benefits).*

The Issuer does not pay any remuneration to the members of the Supervisory Board.

Clause 3.2.6 *If a member of the Supervisory Board has attended fewer than a half of the meetings of the Supervisory Board, this shall be indicated separately in the Corporate Governance Recommendations Report*

All members of the Supervisory Board have participated in more than half of the meetings of the Supervisory Board.

Clause 3.3.2 *Before his election, a member candidate of the Supervisory Board shall notify other members of the Supervisory Board of an existence of a conflict of interest, if it arises after the election, he shall immediately notify of it. A member of the Supervisory Board shall immediately notify the Chairman of the Supervisory Board and the Management Board of a business proposal made to a member of the Supervisory Board, his close relative or a related person.*

The members of the Supervisory Board have not notified the Issuer of any conflicts of interest by the time of preparing the 2009 annual report.

Clause 5.2 *The Issuer shall publish the disclosure dates of information subject to disclosure throughout the year at the beginning of the fiscal year in a separate notice, called a financial calendar.*

The Issuer did not disclose a separate notice but information subject to disclosure was made public no later than at the dates set out in the law.

Clause 5.6 *The Issuer shall disclose the dates and places of meetings with analysts and presentations and press conferences organized for analysts, investors or institutional investors on its website.*

According to the rules and regulations of the Tallinn Stock Exchange, the Group shall disclose all relevant information through the stock exchange. Meetings with analysts and press conferences are limited to the information made public earlier. The Group does not deem it necessary to make the schedule of meetings public.

The activities of the Issuer comply with the requirements of the Recommendations in all other aspects.

Environmental policy

Since 2004, both the furniture and building materials divisions hold integrated termless environmental permits which are 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 the Company entered into a contract with the Estonian Recovery Organisation (ERO). Under the contract, all responsibilities of AS Viisnurk related to packaging collection, recovery and related reporting were transferred to ERO. 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 2008, the share of water-based finishing materials was significantly increased in the furniture division and thereby, the use of solvent-based materials and emissions of volatile organic compounds was reduced to the total permitted emissions figure.

Water usage

In thousands of m^3	2009	2008	Change %
Water use:	**48.5**	**89.4**	(84.3%)
groundwater (municipal water)	**4.5**	**6.9**	(53.3%)
groundwater (own bore wells)	**15.2**	**18.9**	(24.3%)
surface water	**28.8**	**63.6**	(120.8%)
Water discharge:	**23.2**	**56.3**	(142.7%)
conditionally clean wastewater	**7.2**	**16.8**	(133.3%)
wastewater	**16.0**	**39.5**	(146.9%)
Water loss	**25.3**	**33.1**	(30.8%)

Water use and wastewater discharge

	2009 EEK '000	2008 EEK '000	2009 € '000	2008 € '000	Change %
Water use:	**70.2**	**126.4**	**4.4**	**8.1**	**(80.1%)**
groundwater (municipal water)	**48.5**	**67.4**	**3.1**	**4.3**	**(39.0%)**
groundwater (own bore wells)	**13.1**	**41.8**	**0.8**	**2.7**	**(219.1%)**
surface water	**8.6**	**17.2**	**0.5**	**1.1**	**(100.0%)**
Water discharge:	**907.0**	**1 434.1**	**58.0**	**91.7**	**(58.1%)**
wastewater	**907.0**	**1 434.1**	**58.0**	**91.7**	**(58.1%)**
Total expenses	**977.2**	**1 560.5**	**62.4**	**99.8**	**(59.7%)**
Sales of surface water and groundwater	**10.2**	**0**	**0.7**	**0**	**100.0%**
Total conditional income	**10.2**	**0**	**0.7**	**0**	**100.0%**

Main pollutants

In tons	2009	2008	Change %
Volatile organic compounds	**17.6**	60.3	(242.6%)
Organic dust	**2.2**	3.4	(54.5%)
Total	**19.8**	63.7	(221.7%)

Waste handling

	2009 EEK '000	2008 EEK '000	2009 € '000	2008 € '000	Change %
Handling of hazardous waste	**149.6**	**153.2**	**9.6**	**9.8**	(2.4%)
Handling of non-hazardous waste	**404.4**	**542.3**	**25.8**	**34.7**	(34.1%)
Total expenses	**554.0**	**695.5**	**35.4**	**44.5**	(25.5%)
Recycling of waste in the production of heat energy	**376.2**	**519.3**	**24.0**	**33.2**	(38.0%)
Sales of wood waste	**27.7**	**60.6**	**1.8**	**3.9**	(118.8%)
Sales of metal waste	**19.8**	**102.0**	**1.3**	**6.5**	(415.2%)
Total conditional income	**423.7**	**681.9**	**27.1**	**43.6**	(60.9%)

Management Board's confirmation of the management report

The Management Board confirms that the management report of AS Viisnurk Group set out on pages 4 - 15 presents a true and fair view of the development and results as well as the financial position of the parent and the entities included for consolidation purposes, and includes a description of the major risks and uncertainties.

Andres Kivistik	Chairman of the Management Board	....
Einar Pähkel	Member of the Management Board	....

Pärnu, 6 April 2010

Financial statements

Management Board's confirmation

The Management Board confirms the correctness and completeness of the consolidated financial statements of AS Viisnurk Group for the year 2009 as presented on pages 17 - 52 The Management Board confirms that:

- the accounting policies used in the preparation of the consolidated financial statements are in compliance with International Financial Reporting Standards as adopted in 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

Pärnu, 6 April 2010

Initsialiseeritud ainult identifitseerimiseks
Initialled for the purpose of identification only
Initsiaalid/initials M. M
Kuupäev/date 07.04.10
PricewaterhouseCoopers, Tallinn

Consolidated statement of financial position

	31.12.2009	31.12.2008	31.12.2009	31.12.2008
	EEK '000	*EEK '000*	*€ '000*	*€ '000*
Cash and cash equivalents (Note 3)	6 091	6 913	389	442
Receivables and prepayments (Notes 3; 5)	18 810	19 568	1 202	1 250
Inventories (Note 6)	41 912	68 096	2 680	4 351
Total current assets	**66 813**	**94 577**	**4 271**	**6 043**
Investment property (Note 7)	2 893	2 893	185	185
Property, plant and equipment (Note 8)	63 083	66 333	4 031	4 239
Intangible assets (Note 9)	14	21	1	1
Total non-current assets	**65 990**	**69 247**	**4 217**	**4 425**
TOTAL ASSETS	**132 803**	**163 824**	**8 488**	**10 468**
Borrowings (Notes 3; 10)	8 048	17 722	514	1 132
Payables and prepayments (Notes 3; 12)	22 742	43 646	1 454	2 790
Short-term provisions (Note 13)	118	115	8	7
Total current liabilities	**30 908**	**61 483**	**1 976**	**3 929**
Long-term borrowings (Notes 3; 10)	27 084	27 720	1 731	1 772
Long-term provisions (Note 13)	3 303	3 421	211	219
Total non-current liabilities	**30 387**	**31 141**	**1 942**	**1 991**
Total liabilities	**61 295**	**92 624**	**3 918**	**5 920**
Share capital (at nominal value) (Note 14)	44 991	44 991	2 875	2 875
Share premium	5 698	5 698	364	364
Statutory reserve capital	4 499	4 499	288	288
Currency translation differences	406	253	26	14
Retained earnings	15 914	15 759	1 017	1 007
Total equity (Note 14)	**71 508**	**71 200**	**4 570**	**4 548**
TOTAL LIABILITIES AND EQUITY	**132 803**	**163 824**	**8 488**	**10 468**

The notes to the financial statements presented on pages 22 – 52 are an integral part of these financial statements.

Initsialiseeritud ainult identifitseerimiseks
Initialled for the purpose of identification only
Initsiaalid/initials M. M
Kuupäev/date 07.04.10
PricewaterhouseCoopers, Tallinn

Consolidated statement of comprehensive income

	2009 *EEK '000*	2008 *EEK '000* *restated*	2009 *€ '000*	2008 *€ '000* *restated*
REVENUE (Note 25)	**205 790**	**280 527**	**13 152**	**17 929**
Cost of goods sold (Note 16)	**(163 337)**	**(217 647)**	**(10 439)**	**(13 910)**
Gross profit	**42 453**	**62 880**	**2 713**	**4 019**
Distribution costs (Note 17)	(33 433)	(42 252)	(2 137)	(2 700)
Administrative expenses (Note 18)	(5 462)	(6 960)	(349)	(445)
Other operating income (Note 20)	532	690	34	44
Other operating expenses (Note 21)	(1 313)	(3 188)	(84)	(204)
Operating profit	**2 777**	**11 170**	**177**	**714**
Finance income (Note 22)	9	32	1	2
Finance costs (Note 22)	**(2 562)**	**(3 491)**	**(164)**	**(223)**
PROFIT BEFORE INCOME TAX	**224**	**7 716**	**14**	**493**
Corporate income tax (Notes 14; 23)	(69)	(1 674)	(4)	(107)
NET PROFIT FOR THE FINANCIAL YEAR	**155**	**6 042**	**10**	**386**
Other comprehensive income:				
Currency translation differences	153	214	12	12
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR	**308**	**6 256**	**22**	**398**
Basic earnings per share (Note 15)	**0.03**	**1.34**	**0.00**	**0.09**
Diluted earnings per share (Note 15)	**0.03**	**1.34**	**0.00**	**0.09**

The notes to the financial statements presented on pages 22 – 52 are an integral part of these financial statements.

Initsialiseeritud ainult identifitseerimiseks
Initialled for the purpose of identification only
Initsiaalid/initials M. M
Kuupäev/date 07.04.10
PricewaterhouseCoopers, Tallinn

Consolidated cash flow statement

	2009 *EEK '000*	2008 *EEK '000*	2009 *€ '000*	2008 *€ '000*
Cash flows from operating activities				
Profit before income tax	**224**	**7 716**	**14**	**493**
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 24)	16 509	15 375	1 054	983
Cash generated from operations	**16 733**	**23 091**	**1 068**	**1 476**
Interest payments (Note 22)	(2 512)	(3 348)	(160)	(214)
Corporate income tax paid (Notes 14; 23)	(69)	(1 674)	(4)	(107)
Net cash generated from operating activities	**14 152**	**18 069**	**904**	**1 155**
Cash flows from investing activities				
Purchase of property, plant and equipment (Note 8)	(1 361)	(11 182)	(87)	(714)
Proceeds from sale of property, plant and equipment (Note 8)	0	182	0	11
Net cash used in investing activities	**(1 361)**	**(11 000)**	**(87)**	**(703)**
Cash flows from financing activities				
Proceeds from loans (Note 10)	0	9 137	0	584
Repayment of loans (Note 10)	(13 022)	(8 589)	(832)	(549)
Finance lease payments (Note 10)	(566)	(622)	(36)	(39)
Payment of dividends (Note 14)	0	(6 299)	0	(403)
Net cash used in financing activities	**(13 588)**	**(6 373)**	**(868)**	**(407)**
NET CHANGE IN CASH	**(797)**	**696**	**(51)**	**45**
EXCHANGE GAINS/LOSSES ON CASH AND CASH EQUIVALENTS	**(25)**	**211**	**(2)**	**13**
OPENING BALANCE OF CASH (Note 3)	**6 913**	**6 006**	**442**	**384**
CLOSING BALANCE OF CASH (Note 3)	**6 091**	**6 913**	**389**	**442**

The notes to the financial statements presented on pages 22 – 52 are an integral part of these financial statements.

Initsialiseeritud ainult identifitseerimiseks
Initialled for the purpose of identification only
Initsiaalid/initials M. M
Kuupäev/date 07.04.10
PricewaterhouseCoopers, Tallinn

Consolidated statement of changes in equity

EEK '000	Share capital	Share premium	Statutory reserve capital	Currency translation differences	Retained earnings	Total
Balance at 31.12.2007	**44 991**	**5 698**	**4 499**	**39**	**16 016**	**71 243**
Total comprehensive income for 2008	0	0	0	214	6 042	6 256
Payment of dividends (Note 14)	0	0	0	0	(6 299)	(6 299)
Balance at 31.12.2008	**44 991**	**5 698**	**4 499**	**253**	**15 759**	**71 200**
Total comprehensive income for 2009	0	0	0	153	155	308
Balance at 31.12.2009	**44 991**	**5 698**	**4 499**	**406**	**15 914**	**71 508**

€ '000	Share capital	Share premium	Statutory reserve capital	Currency translation differences	Retained earnings	Total
Balance at 31.12.2007	**2 875**	**364**	**288**	**2**	**1 024**	**4 553**
Total comprehensive income for 2008	0	0	0	12	386	398
Payment of dividends (Note 14)	0	0	0	0	(403)	(403)
Balance at 31.12.2008	**2 875**	**364**	**288**	**14**	**1 007**	**4 548**
Total comprehensive income for 2009	0	0	0	12	10	22
Balance at 31.12.2009	**2 875**	**364**	**288**	**26**	**1 017**	**4 570**

The notes to the financial statements presented on pages 22 – 52 are an integral part of these financial statements.

Initsialiseeritud ainult identifitseerimiseks
Initialled for the purpose of identification only
Initsiaalid/initials M. M
Kuupäev/date 07.04.10
PricewaterhouseCoopers, Tallinn

Initsialiseeritud ainult identifitseerimiseks
Initialled for the purpose of identification only
Initsiaalid/initials M. N
Kuupäev/date 07.04.10
PricewaterhouseCoopers, Tallinn

Notes to the consolidated financial statements

1 General information

AS Viisnurk (the Company) (registration number: 11421437; address: Suur-Jõe 48, Pärnu) is an entity registered in the Republic of Estonia. It operates in Estonia and through its subsidiaries, in Latvia, Lithuania and Ukraine. The consolidated financial statements prepared for the financial year ended 31 December 2009 include the financial information of the Company and its subsidiaries (together referred to as the Group): Skano OÜ, Visu OÜ, Isotex OÜ and Skano OÜ's wholly-owned subsidiaries SIA Skano; UAB Skano LT and TOV Skano Ukraina. The Group's main activities are production and distribution of furniture and softboard made of wood.

AS Viisnurk was established on 19 September 2007 in the demerger of the former AS Viisnurk, currently AS Trigon Property Development, as a result of which to which the manufacturing units, i.e. the construction materials division and furniture division were spun off and transferred to the new entity.

The Group's shares are listed in the Main List of the Tallinn Stock Exchange. The majority owner of AS Viisnurk is OÜ Trigon Wood. Until November 2009, the ultimate controlling party of AS Viisnurk was TDI Investments KY. Since November 2009 when the ownership interest in OÜ Trigon Wood was divided, the Group has no ultimate controlling party, but the following investors with largest holdings in OÜ Trigon Wood have significant influence over the Group as at 31 December 2009: AS Trigon Capital (20.75%), Veikko Laine Oy (15.52%), BCB Baltic AB (14.07%), Hermitage Eesti OÜ (11.94%), Thominvest Oy (11.94%) and Assetman Oy (11.45%).

The Management Board of AS Viisnurk authorised these consolidated financial statements for issue at 6 April 2010. 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. Shareholders have the right not to approve the annual report prepared and approved by the Management Board, and request preparation of a new annual report.

2 Summary of 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 stated otherwise.

A Bases of preparation

The 2009 consolidated financial statements of AS Viisnurk Group have been prepared in accordance with International Financial Reporting Standards as adopted in the European Union (IFRS).

The financial statements have been prepared under the historical cost convention.

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 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 next year are presented in Note 4.

Changes in presentation

The management has reclassified the expenses related to some employees from cost of goods sold to administrative expenses as their tasks were determined to be not directly related to production process. The comparatives have been reclassified accordingly. The impact of reclassification on the carrying value of inventories was insignificant.

Cost of goods sold

	2008 EEK '000 restated	2008 EEK '000	2008 € '000 restated	2008 € '000
Raw materials and main materials	119 110	119 110	7 613	7 613
Personnel expenses	53 986	55 512	3 450	3 548
Electricity and heat	35 197	35 218	2 250	2 251
Depreciation	7 933	7 933	507	507
Purchased goods	992	992	63	63
Change in balances of finished goods and work in progress	-10 256	-10 256	-656	-656
Other expenses	10 685	10 985	683	702
TOTAL	**217 647**	**219 494**	**13 910**	**14 028**

Administrative expenses

	2008 EEK '000 restated	2008 EEK '000	2008 € '000 restated	2008 € '000
Personnel expenses	5 495	3 835	351	245
Purchased services	222	156	14	10
Office expenses	327	327	21	21
Other expenses	916	795	59	51
TOTAL	**6 960**	**5 113**	**445**	**327**

Standards, amendments and interpretations effective in current reporting period, relevant to the Group's financial statements

- Amendment to IFRS 7, issued in March 2009 "Improving Disclosures about Financial Instruments". The amendment requires enhanced disclosures about fair value measurements and liquidity risk. The entity is required to disclose an analysis of financial instruments using a three-level fair value measurement hierarchy. The amendment (a) clarifies that the maturity analysis of liabilities should include issued financial guarantee contracts at the maximum amount of the guarantee in the earliest period in which the guarantee could be called; and (b) requires disclosure of remaining contractual maturities of financial derivatives if the contractual maturities are essential for an understanding of the timing of the cash flows. An entity will further have to disclose a maturity analysis of financial assets it holds for managing liquidity risk, if that information is necessary to enable users of its financial statements to evaluate the nature and extent of liquidity risk. The enhanced disclosure requirements did not have any impact on the disclosures in these financial statements.

- IFRS 8 "Operating Segments". The standard applies to entities whose debt or equity instruments are traded in a public market or that file, or are in the process of filing, their financial statements with a regulatory organisation for the purpose of issuing any class of instruments in a public market. IFRS 8 requires an entity to report financial and descriptive information about its operating segments, with segment information presented on a similar basis to that used for internal reporting purposes. The adoption of IFRS 8 has resulted in an increase in the number of reportable segments presented, as the previously reported Furniture segment has been split into Furniture factory and Skano.

- IAS 1, Presentation of Financial Statements, revised in September 2007. The main change in IAS 1 is the replacement of the income statement by a statement of comprehensive income which includes all non-owner changes in equity, such as the revaluation of available-for-sale financial assets. Alternatively, entities are allowed to present two statements: a separate income statement and a statement of comprehensive income. The Group has elected to present a single statement of comprehensive income. The revised IAS 1 also introduces a requirement to present a statement of financial position (balance sheet) at the beginning of the earliest comparative period whenever the entity restates comparatives due to reclassifications, changes in accounting policies, or corrections of errors. The revised IAS 1 had an impact on the presentation of the

Group's financial statements but had no impact on the recognition or measurement of specific transactions and balances.

- IAS 23, Borrowing Costs, revised in March 2007. The main change is the removal of the option of immediately recognising as an expense borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale. Such borrowing costs form part of the cost of that asset, if the commencement date for capitalisation is on or after 1 January 2009. Prior to the revision of the standard, the Group's accounting policy was capitalization of borrowing costs and thus the change had no impact on the Group's financial statements.

Standards, amendments and interpretations effective in current reporting period, irrelevant to the Group's financial statements

- Improvements to International Financial Reporting Standards, issued in May 2008. The amendments consist of a mixture of substantive changes, clarifications, and changes in terminology in various standards. The substantive changes relate to the following areas: classification as held for sale under IFRS 5 in case of a loss of control over a subsidiary (effective for annual periods beginning on or after 1 July 2009); possibility of presentation of financial instruments held for trading as non-current under IAS 1; accounting for sale of IAS 16 assets which were previously held for rental and classification of the related cash flows under IAS 7 as cash flows from operating activities; clarification of definition of a curtailment under IAS 19; accounting for below market interest rate government loans in accordance with IAS 20; making the definition of borrowing costs in IAS 23 consistent with the effective interest method; clarification of accounting for subsidiaries held for sale under IAS 27 and IFRS 5; reduction in the disclosure requirements relating to associates and joint ventures under IAS 28 and IAS 31; enhancement of disclosures required by IAS 36; clarification of accounting for advertising costs under IAS 38; amending the definition of the fair value through profit or loss category to be consistent with hedge accounting under IAS 39; introduction of accounting for investment properties under construction in accordance with IAS 40; and reduction in restrictions over manner of determining fair value of biological assets under IAS 41. Further amendments made to IAS 8, 10, 18, 20, 29, 34, 40, 41 and to IFRS 7 represent terminology or editorial changes only, which the IASB believes have no or minimal effect on accounting. The amendments did not have an impact on the Group.

- IFRS 1 and IAS 27 amendment- "Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate"

- IFRS 2 "Vesting Conditions and Cancellations"

- IAS 32 and IAS 1 amendment "Puttable Financial Instruments and Obligations Arising on Liquidation"

- IFRIC 13 "Customer Loyalty Programmes"

- IFRIC 14 " IAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction"

Standards, amendments and interpretations issued not effective on current reporting period and may have an impact on Group's financial statements

- Improvements to International Financial Reporting Standards (issued in April 2009, (amendments to IFRS 2, IAS 38, IFRIC 9 and IFRIC 16 are effective for annual periods beginning on or after 1 July 2009; amendments to IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 36 and IAS 39 are effective for annual periods beginning on or after 1 January 2010; the improvements have not yet been adopted by the EU). The improvements consist of a mixture of substantive changes and clarifications in the following standards and interpretations: clarification that contributions of businesses in common control transactions and formation of joint ventures are not within the scope of IFRS 2; clarification of disclosure requirements set by IFRS 5 and other standards for non-current assets (or disposal groups) classified as held for sale or discontinued operations; requiring to report a measure of total assets and liabilities for each reportable segment under IFRS 8 only if such amounts are regularly provided to the chief operating decision maker; amending IAS 1 to allow classification of certain liabilities settled by entity's own equity instruments as non-current; changing IAS 7 such that only expenditures that result in a recognised asset are eligible for classification as investing activities; allowing classification of certain long-term land leases as finance leases under IAS 17 even without transfer of ownership of the land at the end of the lease; providing additional guidance in IAS 18 for determining whether an entity acts as a principal or an agent; clarification in IAS 36 that a cash generating unit shall not be larger than an operating segment before aggregation; supplementing IAS 38 regarding measurement of fair value of intangible assets acquired in a business combination; amending IAS 39 (i) to include in its scope option contracts that could result in business combinations, (ii) to clarify the period of reclassifying gains or losses on cash flow hedging instruments from equity to profit or loss for the year and (iii) to state that a prepayment option is closely related to the host contract if upon exercise the borrower reimburses economic loss of the lender; amending IFRIC 9 to state that embedded derivatives in contracts acquired in common control transactions and formation of joint ventures are not within its scope; and removing the restriction in IFRIC 16 that hedging instruments may not be held by the foreign operation that itself is being hedged. The Group does not expect the amendments to have any material effect on its financial statements.

- IFRS 9, Financial Instruments Part 1: Classification and Measurement(effective for annual periods beginning on or after 1 January 2013; not yet adopted by the EU). IFRS 9 replaces those parts of IAS 39 relating to the classification and measurement of financial assets. Key features are as follows:

1. Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument;

2. An instrument is subsequently measured at amortised cost only if it is a debt instrument and both (i) the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and (ii) the asset's contractual cash flows represent only payments of principal and interest (that is, it has only "basic loan features"). All other debt instruments are to be measured at fair value through profit or loss;

3. All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognise unrealised and realised fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment.

The Group is considering the implications of the standard, the impact on the Group and the timing of its adoption by the Group.

Standards, amendments and interpretations issued not effective on current reporting period and have no impact on Group's financial statements

- IAS 24 "Related Party Disclosures", issued in November 2009 (effective for annual periods beginning on or after 1 January 2011; not yet adopted by the EU);

- IAS 27 "Consolidated and Separate Financial Statements", revised in January 2008 (effective for annual periods beginning on or after 1 July 2009);

- IAS 32 "Classification of Rights Issues" (effective for annual periods beginning on or after 1 February 2010);

- "Eligible Hedged Items"—Amendment to IAS 39 (effective with retrospective application for annual periods beginning on or after 1 July 2009);

- IFRS 1 "First-time Adoption of International Financial Reporting Standards", revised in December 2008 (effective for the first IFRS financial statements for a period beginning on or after 1 July 2009; restructured IFRS 1 as adopted by the EU is effective for annual periods beginning after 31 December 2009);

- "Additional Exemptions for First-time Adopters" - Amendments to IFRS 1 (effective for annual periods beginning on or after 1 January 2010; not yet adopted by the EU);

- "Group Cash-settled Share-based Payment Transactions" - Amendments to IFRS 2 (effective for annual periods beginning on or after 1 January 2010, not yet adopted by the EU);

- IFRS 3 "Business Combinations", revised in January 2008 (effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009);

- IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" amendments (effective for annual periods beginning on or after 1 July 2009);

- Embedded Derivatives - Amendments to IFRIC 9 and IAS 39, issued in March 2009 (effective for annual periods ending on or after 30 June 2009; amendments to IFRIC 19 and IAS 39 as adopted by the EU are effective for annual periods beginning after 31 December 2009, early adoption permitted);

- IFRIC 12 "Service Concession Arrangements" (effective for annual periods beginning on or after 30 March 2009);

- "Prepayments of a Minimum Funding Requirement" – Amendment to IFRIC 14(effective for annual periods beginning on or after 1 January 2011; not yet adopted by the EU);

- IFRIC 15 "Agreements for the Construction of Real Estate" (effective for annual periods beginning on or after 1 January 2009; IFRIC 15 as adopted by the EU is effective for annual periods beginning after 31 December 2009);

- IFRIC 16 "Hedges of a Net Investment in a Foreign Operation" (effective for annual periods beginning on or after 1 October 2008; IFRIC 16 as adopted by the EU is effective for annual periods beginning after 30 June 2009, early adoption permitted);

- IFRIC 17 "Distributions of Non-Cash Assets to Owners" (effective for annual periods beginning on or after 1 July 2009; IFRIC 17 as adopted by the EU is effective for annual periods beginning after 31 October 2009, early adoption permitted);

- IFRIC 18 "Transfers of Assets from Customers" (effective prospectively to transfers of assets from customers received on or after 1 July 2009, earlier application permitted; IFRIC 18 as adopted by the EU is effective for annual periods beginning after 31 October 2009, early adoption permitted);

- IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments" (effective for annual periods beginning on or after 1 July 2010; not yet adopted by the EU);

- "Limited exemption from comparative IFRS 7 disclosures for first-time adopters"- amendment to IFRS 1 (effective for annual periods beginning on or after 1 July 2010; not yet adopted by the EU).

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 previous periods has been restated.

Functional and presentation currency

Items included in the consolidated financial statements of each of the Group's entities are measured using the currency of their primary economic environment (the functional currency). The functional currency of AS Viisnurk is the Estonian kroon (EEK). These consolidated financial statements are presented in thousands of Estonian kroons (EEK) and in thousands of euros (EUR) in accordance with the requirements of Tallinn Stock Exchange. The Estonian kroon is pegged to the 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 foreign entities that have a functional currency other than the presentation currency of the Group are translated into the presentation currencies as follows:

(a) assets and liabilities are translated into Estonian kroons and Euros at the exchange rate prevailing at the balance sheet, except for non-current assets which are translated into Estonian kroons and Euros using the exchange rates prevailing at the acquisition date.

(b) income and expenses are translated at the average exchange rate for the year (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing at transaction dates, in which case income and expenses are translated at the rate at the transaction dates);

(c) all resulting exchange differences are recognised as a separate component of equity and comprehensive income.

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 50%. The consolidated financial statements comprise the financial statements of subsidiaries from the date at which control is transferred to the Group until the date at which 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 any costs directly attributable to the acquisition.

In the consolidated financial statements, the subsidiaries have been combined on a line-by-line basis. All inter-group receivables and liabilities balances and transactions between group entities and unrealised gains and losses on these transactions are eliminated except for losses due to impairment of assets. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. All group entities use uniform accounting policies.

E Foreign currency transactions

All foreign currency transactions are translated into functional currency using the foreign currency exchange rate prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into functional currency 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 amortised cost.

G Financial assets

The purchases and sales of financial assets are recognised at the 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 through profit or loss;
- loans and receivables:
- held-to-maturity investments;
- available-for-sale financial assets;

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

The Group has not classified any financial assets as held-to-maturity investments, financial assets at fair value through profit or loss or available-for sale financial assets.

The Group assesses at each balance sheet date whether there is 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 that are not quoted in an active market. Trade receivables are initially recognised at fair value plus transaction costs and are subsequently measured at amortised cost using the effective interest method, less a provision for impairment.

Impairment of receivables is recognised when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Evidence of potential impairment includes the bankruptcy or major financial difficulties of the debtor and non-adherence to payment dates. The impairment of the receivables that are individually significant (i.e. need for a write-down) is assessed individually for each customer, based on the present value of expected future collectible amounts. Receivables that are not individually significant or for which no objective evidence of impairment exists, are collectively assessed for impairment using previous years' experience on uncollectible receivables. The amount of loss of the impaired receivables is the difference between the carrying amounts of receivables and the present value of expected future cash flows discounted at the original effective interest rate. The carrying amount of receivables is reduced by the amount of doubtful receivables and the impairment loss is recognised in profit or loss within *Other operating expenses*. If a receivable is deemed irrecoverable, the receivable and its impairment loss are taken off the balance sheet. The collection of the receivables that have previously been written down is accounted for as a reversal of the allowance for doubtful receivables.

I Inventories

Inventories are stated at the lower of acquisition cost and net realisable value. Inventories are initially recognised at acquisition cost which consists of purchase costs, direct and indirect production costs and other costs incurred in bringing the inventories to their current condition and location.

In addition to the purchase price, purchase costs also include custom duties, 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 raw materials and materials and packing material costs, unavoidable storage costs related to work in progress, direct labour costs), and also 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 at the Group.

The 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 inventory write-down is recognised in the income statement line *Cost of goods sold.*

The expenditure incurred for the purpose of real estate development is reported in the balance sheet line *Inventories* either as work-in-progress or finished goods, depending on the stage of completion. When the development of property is financed with a loan, the borrowing costs incurred during development are included in the cost of the property. The completed real estate project is sold either in parts (by residential buildings, apartments, office premises, etc.) or as a whole. Revenue is recognised as revenue from the sale of goods. A notarial agreement is concluded between the seller and the buyer at the time of the sale of the property and the respective entry is made in the land register.

J Investment property

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

Investment property is initially measured at its cost, including related transaction costs. After initial recognition, investment property is carried at cost less accumulated depreciation and impairment losses. Investment property is depreciated over its useful life using the straight-line method for calculation of depreciation. Annual depreciation rates of investment property range from 2.5 to 15 per cent. The accounting policies in Section K apply to both property, plant and equipment, and investment property.

Depreciation of an asset begins when the asset is available for use for the purpose intended by management and is ceased when the residual value exceeds the carrying amount, when the asset is permanently withdrawn from use or upon its reclassification as held for sale. At each balance sheet date, the appropriateness of the depreciation rates, the depreciation method and the residual value is reviewed.

The costs of reconstruction and improvement are added to historical cost when it is probable that future economic benefits will flow to the Group and they can be measured reliably. All other repair and maintenance costs are charged to the income statement during the period in which they are incurred.

K Property, plant and equipment

Property, plant and equipment are non-current assets used in the operating activities of the Group with a useful life of over one year. An item of property, plant and equipment is initially recognised at its cost which consists of the purchase price (including customs duties and other non-refundable taxes) and other expenditures directly related to the acquisition that are necessary for bringing the asset to its operating condition and location. Borrowing costs related to the acquisition of non-current assets, the completion of which occurs over a longer period of time, are included in the cost of non-current assets. The cost of a self-constructed asset is determined using the same principles as for an acquired asset.

Costs of reconstruction and improvements 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 repair and maintenance costs are charged to the income statement during the period in which they are incurred

Property, plant and equipment are subsequently carried at cost less accumulated depreciation and impairment losses (see accounting policy 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 a useful life different from other significant parts of that same item is depreciated separately based on its useful life.

Depreciation is calculated under 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
- motor vehicles 10 – 20
- other fixtures and fittings 20 – 40
- land is not depreciated

Depreciation of an asset begins when the asset is available for use for the purpose intended by management and is ceased when the residual value exceeds the carrying amount, when the asset is permanently withdrawn from use or upon its reclassification as held for sale. At each balance sheet date, the appropriateness of the depreciation rates, the depreciation method and the residual values are reviewed.

Where an asset's carrying amount exceeds its estimated recoverable amount (higher of an asset's fair value less costs to sell and its value in use), it is written down immediately to its recoverable amount (see the accounting policy in Section M).

Items of property, plant and equipment are derecognised on disposal or when no future economic benefits are expected from their use or disposal. Gains or losses arising from the disposal of items of property, plant and equipment are included either within other operating income or other operating expenses in the income statement.

Items of property, plant and equipment that are expected to be sold within the next 12 months are reclassified as held for sale.

L Intangible assets

Intangible assets are initially recorded at cost and they are subsequently carried at cost less accumulated amortisation and any impairment losses (see accounting policy M).

Intangible assets with finite 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 depreciation and amortisation, and assets with unlimited useful lives (land) are reviewed for any indication of impairment. Whenever such indication exists, the recoverable amount of the asset is estimated and compared with the carrying amount. 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 its 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 impairment are reviewed for possible reversal of 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 and finance lease

Leases which transfer all significant risks and rewards incidental to ownership to the lessee are classified as finance leases. All other leases are classified as operating leases.

Assets and liabilities under finance leases are initially recognised at the lower of the fair value of the leased property and the present value of minimum lease payments. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. Financial expenses are 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 attributable 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 are capitalised as part of the cost of that asset. All other borrowing costs are charged to period expenses.

The amortised cost of current financial liabilities generally equals their nominal value; therefore, current financial liabilities are carried in the balance sheet in their redemption value. For determining the amortised cost of non-current financial liabilities, they are initially recognised at the fair value of the consideration received (less any transaction costs), calculating interest expense on the liability in subsequent periods using the effective interest rate method.

A financial liability is classified as current when it is due to be settled within 12 months after the balance sheet date or the Group does not have an unconditional right to defer settlement of the liability for more than 12 months after the balance sheet date. Borrowings due to be settled within 12 months after the balance sheet date that are refinanced as long-term after the balance sheet date but before the financial statements are authorised for issue, are recognised as current liabilities. Borrowings that the lender has the right to recall at the balance sheet date as a consequence of a breach of contractual terms are also recognised as current liabilities.

P Provisions and contingent liabilities

Provisions are recognised in the balance sheet when the Group has a present legal or contractual obligation which has 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 of the liability can be reliably estimated.

The provisions are recognised based on management's (or independent experts') estimates regarding the amount and timing of the expected outflows. Risks and uncertainties are taken into consideration when measuring provisions; the provisions for which the effect of the time value of money is insignificant are discounted. The increase of the provision due to the passage of time is recognised as an interest expense.

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.

Provision for long-term disability compensations

Under law, the Group is obliged to pay compensation to employees for permanent injuries incurred during their employment at the Group. The level of the benefit depends on the extent of disability, the average monthly salary of the employee prior to injury, and the changes in pension payments by the state. The level of the benefit does not depend on the length of service. For the Group, the obligation to pay benefits arises at the time when the degree of the employee's incapacity for work is determined.

Disability compensation is recognised in the balance sheet in its discounted present value. In measuring the liability, management has used demographic assumptions (such as mortality), and financial assumptions (e.g. the discount rate and future benefit levels).

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

Q Payables to employees

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 paid out 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.

R Taxation

Corporate income tax

According to the Estonian Income Tax Act, the profits earned by Estonian entities are not taxed when they are incurred but at the time they are distributed. From 1 January 2008, dividends are taxed with the income tax rate of 21/79 (until 31.12.2007: 22/78) 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 nature 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, the profits of entities in Latvia, Lithuania and Ukraine are adjusted for the permanent and temporary differences provided by law. Pursuant to tax legislation, temporary differences arise between the carrying amounts and tax bases of assets and liabilities; therefore deferred income tax liabilities and assets arise. As at 31.12.2009 and 31.12.2008, the subsidiaries did not have any deferred tax assets and liabilities. The Management of the Group estimates that the realisation of the income tax asset is unlikely, thus it is not recorded in the financial statements.

According to income tax regulations in Latvia and Lithuania, the taxpayers of the respective country are subject to the corporate income tax on taxable profits earned in the financial year. In Latvia the income tax rate was 15% in 2009 and 2008, in Lithuania 20% in 2009 and 15% in 2008. The corporate income tax in Ukraine was 25% in 2009 and 2008.

S Revenue

Revenue is recognised at the fair value of the consideration received or receivable net of value-added tax, rebates and discounts.

Revenue from the sale of goods and products is 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.

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

Operating segments have been determined and information about operating segments has been disclosed in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision-maker who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Management Board of AS Viisnurk..

Segment results, assets and liabilities include items which are directly related to the segment or can be allocated to it 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 1/10 of share capital. Each financial year, at least 1/20 of net profit shall be entered in the reserve 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.

Based on the decision of the General Meeting of Shareholders, the statutory legal reserve may be used to cover a loss, or to increase share capital. Payments shall not be made to shareholders from the 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 by the period's weighted average number of outstanding ordinary shares. Diluted earnings per share are calculated by dividing the net profit for the financial year attributable to the equity holders of the parent by the weighted average number of outstanding ordinary shares, adjusted for the effect of dilutive potential ordinary shares.

X 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 (6 April 2010) 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.

Y Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the group will comply with all attached conditions. Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

3 Financial risk management

The Group's financial instruments include cash for funding operating activities and receivables from debtors and payables to creditors arising in operating activities as well as loans. Management defines risk as a potential deviation from the expected results. The Group's risk management is based on the requirements of the Tallinn Stock Exchange, Financial Supervision Authority and other regulatory bodies as well as compliance with Corporate Governance Recommendations and the Group's internal regulations.

All financial assets of the Group are in the category "loans and receivables", all financial liabilities are "other financial liabilities" carried at amortised cost.

	31.12.2009 *EEK '000*	**31.12.2008** *EEK '000*	**31.12.2009** *€ '000*	**31.12.2008** *€ '000*
Financial assets				
Cash and bank	**6 091**	**6 913**	**389**	**442**
incl. cash	121	188	8	12
bank	5 970	6 725	381	430
Receivables (Note 5)	**15 819**	**14 266**	**1 011**	**911**
incl. trade receivables	15 102	13 867	965	886
other short-term receivables	717	399	46	25
Total financial assets	**21 910**	**21 179**	**1 400**	**1 353**
Financial liabilities				
Borrowings (Note 10)	**35 132**	**45 442**	**2 245**	**2 904**
Payables (Note 12)	**12 941**	**29 305**	**828**	**1 873**
incl. trade payables	11 336	26 488	725	1 693
other short-term payables	1 605	2 817	103	180
Total financial liabilities	**48 073**	**74 747**	**3 073**	**4 777**

Interest rate risk

The Group's cash flow interest rate risk is primarily related to long-term borrowings with floating interest rates.

The Group is exposed to cash flow risk affected by interest rate changes because most of its loans are with variable interest rates – the sensitivity analysis for fluctuations in interest rates is presented below. Management estimates that the cash flow risk related to changes in interest rates is not material; therefore, the Group does not use financial instruments to manage risks.

The interest rate risk of AS Viisnurk arises primarily from possible changes in EURIBOR (Euro Interbank Offered Rate), because most of the Group's loans are tied to EURIBOR. As at 31.12.2009, the 6 month EURIBOR was 0.994 and as at 31.12.2008, 2.971. If EURIBOR had changed by 1 pp, the total interest cost of current loans would have changed by 450 thousand kroons (29 thousand euros) (2008: by 573 thousand kroons (36 thousand euros)).

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

- ✓ on the loan in the initial amount of EUR 2,660 thousand (EEK 41,620 thousand) at 30 September and 31 March of each year;
- ✓ on the loan in the initial amount of EUR 831 thousand (EEK 13,000 thousand) at 30 November and 30 May of each year;
- ✓ on the loan in the initial amount of EUR 479 thousand (EEK 7,500 thousand) at 30 April and 31 October of each year.

As at 31.12.2009, the total carrying amount of these loans was 29,784 thousand kroons (1,903 euros) and as at 31.12.2008: 36,414 thousand kroons (2,327 thousand euros).

The deposits of the Group's cash and cash equivalents have fixed interest rates.

As at 31.12.2009, finance lease agreements in the amount of 3 980 thousand kroons (254 thousand euros) (31.12.2008: 1,266 thousand kroons (81 thousand euros)) had fixed interest rates.

Credit risk

AS Viisnurk's credit risk is the risk of the inability of its business partners to meet their contractual obligations. The Group's credit risk arises from cash and cash equivalents, deposits in banks and receivables.

Initsialiseeritud ainult identifitseerimiseks
Initialled for the purpose of identification only
Initsiaalid/initials M. M
Kuupäev/date 07.04.10
PricewaterhouseCoopers, Tallinn

Cash and bank

The Group approves only banks and financial institutions with the credit rating of "A" operating in the Baltic States. With regard to banks operating in Eastern Europe, the banks and financial institutions without the credit rating are approved. For the purpose of managing current assets and funding its operations, the Group has approved mostly banks with the credit rating of "A".

	31.12.2009 *EEK '000*	**31.12.2008** *EEK '000*	**31.12.2009** *€ '000*	**31.12.2008** *€ '000*
Credit rating "A"	3 440	6 169	220	394
Credit rating "B"	692	0	44	0
Not rated	1 838	556	117	36
Total	**5 970**	**6 725**	**381**	**430**

The credit rating is available on the website of Moody's Investor Service.

Receivables

Pursuant to the Group's credit policy, no securities are required from wholesale customers to ensure collection of receivables, but focus is laid on monitoring deliveries, balances of accounts receivable and compliance with payment terms on a continuous basis. In riskier markets, complete or partial prepayment, credit limits and shorter payment terms are applied.

As a rule, sales to retail customers occur in cash, using prepayments or bank credit cards, therefore there is no credit risk related to sale to retail customers except for risk related to banks and financial institutions that the Group has approved as its business partners.

As at the balance sheet date, the Group was not aware of any major risks related to accounts receivable except for 476 thousand kroons (30 thousand euros) (2008: 547 thousand kroons (35 thousand euros)) which had been deemed as uncollectible, see Notes 5 and 21. The Group monitors the financial position of its current and potential partners and their ability to meet the obligations they have assumed.

Key customers and their share

Key customers are defined as those to whom the sales amount to more than 5% of the Group's revenue.

Balance of receivables from key customers by age:

	31.12.2009 *EEK '000*	**31.12.2008** *EEK '000*	**31.12.2009** *€ '000*	**31.12.2008** *€ '000*
Not due	8 941	4 909	572	314
Overdue:				
Up to 90 days	897	997	57	63
Over 90 days	0	9	0	1
TOTAL	**9 838**	**5 915**	**629**	**378**

*see Note 5.

Liquidity risk

Liquidity risk is a potential loss arising from limited or insufficient monetary funds necessary for the meeting of obligations arising from the Group's operations. Management constantly monitors cash flow forecasts, evaluating the existence and availability of the Group's monetary funds to meet the obligations assumed and to fund the Group's strategic goals. The Group has a factoring limit available in the total amount of 7,000 thousand kroons (477 thousand euros) (2008: 7,000 thousand kroons (477 thousand euros)) to manage liquidity risk.

Analysis of financial liabilities by maturities as at 31.12.2009:

EEK '000

	Balance at 31.12.2009	Undiscounted cash flows				
		Up to 3 months	3-12 months	1-2 years	3-5 years	Total
Bank loans and overdraft (Note 10)	31 153	1 407	7 234	16 717	7 752	33 110
Finance lease liabilities (Note 10)	3 979	157	472	608	2 823	4 060
Trade payables (Note 12)	11 336	11 336	-	-	-	11 336
Other payables (Note 12)	1 605	1 605	-	-	-	1 605
Total	**48 073**	**14 505**	**7 706**	**17 325**	**10 575**	**50 111**

€ '000

	Balance at 31.12.2009	Undiscounted cash flows				
		Up to 3 months	3-12 months	1-2 years	3-5 years	Total
Bank loans and overdraft (Note 10)	1 990	90	462	1 068	495	2 115
Finance lease liabilities (Note 10)	255	10	30	39	180	259
Trade payables (Note 12)	725	725	-	-	-	725
Other payables (Note 12)	103	103	-	-	-	103
Total	**3 073**	**928**	**492**	**1 107**	**675**	**3 202**

Analysis of financial liabilities by maturities as at 31.12.2008:

EEK '000

	Balance at 31.12.2008	Undiscounted cash flows				
		Up to 3 months	3-12 months	1-2 years	3-5 years	Total
Bank loans and overdraft (Note 10)	44 176	2 778	16 704	10 184	17 984	47 650
Finance lease liabilities (Note 10)	1 266	96	289	385	640	1 410
Trade payables (Note 12)	26 488	26 488	-	-	-	26 488
Other payables (Note 12)	2 817	2 817	-	-	-	2 817
Total	**74 747**	**32 179**	**16 993**	**10 569**	**18 624**	**78 365**

€ '000

	Balance at 31.12.2008	Undiscounted cash flows				
		Up to 3 months	3-12 months	1-2 years	3-5 years	Total
Bank loans and overdraft (Note 10)	2 823	178	1 068	651	1 149	3 045
Finance lease liabilities (Note 10)	81	6	18	25	41	90
Trade payables (Note 12)	1 693	1 693	-	-	-	1 693
Other payables (Note 12)	180	180	-	-	-	180
Total	**4 777**	**2 057**	**1 086**	**676**	**1 190**	**5 008**

For determining cash flows for interest bearing borrowings which are based on floating interest rate, the spot interest rate has been used.

Foreign currency exchange risk

The foreign currency exchange risk is the risk that the Group may incur a significant loss as a result of fluctuations in foreign exchange rates. AS Viisnurk's foreign currency exchange risk from export-import transactions is low because most of the contracts have been concluded in euros. In the financial year, the Group collected 19.0 million kroons (1.2 million euros) in currencies not directly or indirectly tied to the Estonian kroon, of which 65% constituted proceeds in UAH, 28% in LVL and 7% in USD. The Group paid for goods and services 13.3 million kroons (0.8 million euros) in the currencies with an exchange risk of which 68% in UAH and 26% in LVL. Management expects the foreign currency exchange risk to increase due to the expansion of activities in Ukraine, as the transactions are concluded in hryvnias in the local market. The assets and liabilities located outside Estonia are exposed to changes in exchange rates of the local currency.

The Group has not acquired any derivative financial instruments to manage currency risk.

The Group's foreign currency positions at 31.12.2009:

Amounts presented in the currencies in which the financial instruments have been denominated:	*EEK*	*EUR*	*LTL*	*LVL*	*UAH*	*SEK*	*'000*
Cash and bank	771	230	71	10	882	-	
Receivables (Note 5)	2 529	822	12	10	103	-	
Total financial assets	**3 300**	**1 052**	**83**	**20**	**985**	**-**	
Borrowings (Note 10)	3 034	2 051	0	0	0	-	
Payables (Note 12)	15 974	75	50	5	127	20	
Financial liabilities	**19 008**	**2 126**	**50**	**5**	**127**	**20**	
Net foreign currency positions	**(15 708)**	**(1 074)**	**33**	**15**	**858**	**(20)**	
Analysis in presentation currencies:							
Net foreign currency positions EEK	(15 708)	(16 804)	150	330	1 158	(30)	
Net foreign currency positions EUR	(1 003)	(1 074)	9	21	74	(2)	
Strengthening or weakening of foreign currency against EEK, %				2%	30%	15%	**Total impact on net profit:**
Effect on net profit EEK				7	347	5	**359**
Effect on net profit EUR				0	22	0	**22**

The Group's foreign currency positions and sensitivity analysis at 31.12.2008:

Amounts presented in the currencies in which the financial instruments have been denominated:	*EEK*	*EUR*	*LTL*	*LVL*	*UAH*	*NOK*	*'000*
Cash and bank	901	259	109	22	692	-	
Receivables (Note 5)	5 600	700	32	5	231	-	
Total financial assets	**6 501**	**959**	**141**	**27**	**923**	**-**	
Borrowings (Note 10)	0	2 904	0	0	0	-	
Payables (Note 12)	34 759	194	124	22	124	73	
Financial liabilities	**34 759**	**3 098**	**124**	**22**	**124**	**73**	
Net foreign currency positions	**(28 258)**	**(2 139)**	**17**	**5**	**799**	**(73)**	
Analysis in presentation currencies:							
Net foreign currency positions EEK	(28 258)	(33 481)	80	110	1 123	(115)	
Net foreign currency positions EUR	(1 806)	(2 140)	5	7	72	(7)	
Strengthening or weakening of foreign currency against EEK, %				2%	45%	10%	**Total impact on net profit:**
Effect on net profit EEK				2	505	12	**519**
Effect on net profit EUR				0	32	1	**33**

Capital management

In capital risk management, the Group's main goal is to ensure the Group's sustainability of operations in order to generate returns to its shareholders and benefits to other stakeholders, thereby maintaining the optimal capital structure to lower the cost of capital. In order to preserve or improve the capital structure, the Group can regulate the dividends payable to shareholders, reimburse the paid in capital, issue new shares or sell assets to lower its liabilities. The management monitors capital on the basis of the debt to capital ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as the sum of equity as shown in the consolidated balance sheet and net debt. The Group's strategy is to maintain the gearing ratio up to 35%.

	31.12.2009 *EEK '000*	**31.12.2008** *EEK '000*	**31.12.2009** *€ '000*	**31.12.2008** *€ '000*
Borrowings (Note 10)	35 132	45 442	2 245	2 904
Cash and cash equivalents	6 091	6 913	389	442
Net debt	29 041	38 529	1 856	2 462
Total equity (Note 14)	71 508	71 200	4 570	4 548
Total capital	100 549	109 729	6 426	7 010
Debt to capital ratio	29%	35%	29%	35%

Fair value

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 and borrowings do not materially differ from their carrying amounts because their interest rates correspond in material extent to the interest rate risks prevailing in the market. The Group has refinanced one loan in 2009; the risk margin of refinanced loan is 3.6% (Note 10). If the same risk margin were applied to determine the discount rate for calculating the fair value for all the other loans, the fair value of loans would be less than their carrying amounts by 189 thousand kroons (12 thousand euros). The Group's management has assumed that since the effect on the risk margin is low as compared with the date of loan assumption, the fair values of liabilities do not significantly differ from their carrying amounts.

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 pass judgement 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 receivables and inventories (Note 6), and estimation of useful lives and residual value of property, plant and equipment (Note 8) and investment property (Note 7), and of the provisions for compensations for long-term disability (Note 13).

Valuation of receivables

Trade receivables are short-term receivables from customers, generated in the Group's ordinary course of business. Trade receivables are carried at amortised cost (i.e. original invoice amount less any repayments and any impairment losses, if necessary). In valuating receivables, the Management bases its estimations on its best knowledge, taking into account historical experience, general background information and possible presumptions and conditions of future events. In identifying the amount of receivable written down the length of debt is taken into account.

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 amount of inventories, the sales potential and potential net realisable value of finished goods is considered; in assessing the recoverable amount of raw materials and materials, their potential use 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 the cost of raw materials which are not precisely measurable, management uses estimates based on historical experience.

Impairment testing of non-current assets

If there exist any indications that an asset may be impaired, the Group estimates the recoverable amount (higher of the asset's fair value (less costs to sell) and its value in use) of the asset. (see also the accounting policy in Section M)

Management has performed an impairment test in 2008 and 2009 during the course of which, the recoverable value (based on value in use) of non-current assets of the building materials division and the furniture factory were estimated. During the test, the future cash flows of the respective cash generating units were estimated, and the present value of the cash flows was compared with the unit's carrying amount. The discount rate used for discounting the cash flows was 12% (2008: 12%). No items of property, plant and equipment were written down as a result of the test.

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

Management determined the useful lives of real estate properties, buildings and equipment on the basis of production volumes, historical experience in the area and future outlook. The residual values are determined based on historical experience in the area and future outlook. When assessing the sensitivity of profits to depreciation and amortisation, management assumed that by changing the deprecation rates by 25%, the Group's profit in 2009 would change by 1,861 thousand kroons (119 thousand euros) and in 2008, by 2,129 thousand kroons (136 thousand euros).

Estimation of provisions for long-term disability compensation

Calculation of the amount of compensation depends on several assumptions, the most significant of which are assumptions regarding the expected remaining lives of employees receiving the compensation, and assumptions about the discount rate. Management has used the statistical data publicly available at the Statistical Office of Estonia regarding the expectations of the remaining period of payments. The discount rate has been determined based on market yields on high quality corporate bonds, available in the Baltic Bond List. The discount rate in 2009 was 8% and in 2008, 9%. If the discount rate was changed by 1 pp, the balance of payables would change by 242 thousand EEK (15 thousand euros) in 2009 and by 227 thousand EEK (15 thousand euros) in 2008. See also Note 2P and Note 13.

Effects of the economic crisis

Effect of the ongoing financial and economic crisis. The ongoing global financial and economic crisis which was triggered by a significant decline in global liquidity in the middle of 2007 (often also referred to as the *Credit Crunch)* has resulted in, among other things, a lower level of capital market funding, lower liquidity levels across the banking sector, and other economic sectors, and, at times, higher interbank lending rates and very high volatility in stock and currency markets. The uncertainties in the global financial markets have also led to bank failures and bank rescues in the United States of America, Western Europe, Russia and elsewhere. The full extent of the impact of the ongoing financial crisis is proving to be difficult to assess or completely guard against.

Impact on liquidity: The volume of overall and interbank financing has significantly decreased in 2009. Such circumstances may affect the ability of the Group to obtain new borrowings and re-finance its existing borrowings at terms and conditions similar to those applied to earlier transactions.

Impact on customers/borrowers: The overall financial and economic environment may negatively affect the solvency of the Group's debtors. Deteriorating operating conditions for debtors may also have an impact on management's cash flow forecasts and cause the impairment of financial and non-financial assets. To the extent that information is available, management has properly revised estimates of expected future cash flows in its impairment assessments.

Management cannot reliably predict the effect of the economic crisis on the activities and financial position of the Group. Management believes that all necessary measures have been taken into use to ensure the sustainability and development of the Group in current conditions.

5 Receivables and prepayments

	31.12.2009 EEK '000	31.12.2008 EEK '000	31.12.2009 € '000	31.12.2008 € '000
Trade receivables	16 106	14 662	1 029	937
Allowance for impaired receivables	(1 004)	(795)	(64)	(51)
Trade receivables - net (Note 3)	15 102	13 867	965	886
Prepaid taxes	2 253	2 845	144	182
Prepaid services	738	2 457	47	157
Other current receivables (Note 3)	717	399	46	25
TOTAL	**18 810**	**19 568**	**1 202**	**1 250**

Impairment losses of receivables and their reversal are included in the income statement lines *Other operating income* and *Other operating expenses*, see also Notes 20 and 21.

	31.12.2009 EEK '000	31.12.2008 EEK '000	31.12.2009 € '000	31.12.2008 € '000
Irrecoverable receivables taken off the balance sheet (Note 3)	209	183	13	12
Loss due to impairment of receivables (Note 3)	476	547	30	35
Collection of receivables written down in previous periods (Note 3)	58	208	4	13

Analysis of trade receivables by aging:

	31.12.2009 *EEK '000*	31.12.2008 *EEK '000*	31.12.2009 *€ '000*	31.12.2008 *€ '000*
Not due	12 901	10 129	825	647
Receivables from customers who also have receivables past due	*6 035*	*7 042*	*386*	*450*
Receivables from customers who have no receivables past due	*6 866*	*3 087*	*439*	*197*
Overdue but not impaired	2 201	3 738	140	239
Overdue up to 90 days	*2 201*	*2 952*	*140*	*189*
Overdue more than 90 days	*0*	*786*	*0*	*50*
Impaired	1 004	795	64	51
Overdue up to 90 days	*310*	*0*	*20*	*0*
Overdue more than 90 days	*694*	*795*	*44*	*51*
TOTAL	**16 106**	**14 662**	**1 029**	**937**

Other current receivables are not due as at 31.12.2009 and 31.12.2008.

The receivables and prepayments are pledged as part of the commercial pledge, see Note 10.

6 Inventories

	31.12.2009 *EEK '000*	31.12.2008 *EEK '000*	31.12.2009 *€ '000*	31.12.2008 *€ '000*
Raw materials and other materials	9 099	13 150	582	840
Work-in-progress - production	7 992	12 650	511	808
Work in progress - real estate development	3 346	3 335	214	213
Finished goods	17 658	32 975	1 129	2 107
Goods purchased for resale	3 723	5 943	238	380
Prepayments to suppliers	94	43	6	3
TOTAL (Note 24)	**41 912**	**68 096**	**2 680**	**4 351**

In 2009, materials were written off and written down in the amount of 288 thousand kroons (18 thousand euros) (2008: 227 thousand kroons (15 thousand euros)) and an allowance for the write-down and write-off of materials was set up in the amount 500 thousand kroons (32 thousand euros) as at 31.12.2009 (2008: 450 thousand kroons (29 thousand euros)).

In 2009, finished goods with the cost of 395 thousand kroons (25 thousand euros) (2008: 160 thousand kroons (10 thousand euros)) were written off and written down and an allowance for the write-down and write-off of finished goods was set up in the amount of 500 thousand kroons (32 thousand euros) as at 31.12.2009 (2008: 394 thousand kroons (25 thousand euros)).

In 2009, goods purchased for resale with the cost of 52 thousand kroons (3 thousand euros) (2008: 65 thousand kroons (4 thousand euros)) were written off.

Inventories have been pledged and they are part of the commercial pledge (Note 10).

Inventories - real estate development

The buildings and land forming a part (ca 14 000 m^2) of the property at Rääma Street 31, Pärnu and covered by the development contract are classified within inventories as a real estate development project. The development of the property started in 2007.

	EEK '000	*€ '000*
Work in progress – real estate development at 31.12.2007	**3 191**	**204**
Additional investments 2008	144	9
Work in progress – real estate development at 31.12.2008	**3 335**	**213**
Additional investments 2009	11	1
Work in progress – real estate development at 31.12.2009	**3 346**	**214**

Fair value of the share of the property:

	EEK '000	€ '000
31.12.2008	11 500	735
31.12.2009	8 500	543

The market value of the share of the registered immovable (no. 1409605) at Rääma Street 31, Pärnu was determined by an independent real estate expert as at 31.12 2009 and 2008. The fair value is based on the assumption that the share is separately realisable. Management estimates that it is separately realisable.

As at 31.12.2009, the work in progress – real estate development was pledged as collateral in carrying amount of 3,346 thousand kroons (214 thousand euros) (31.12.2008: 3,335 thousand kroons (213 thousand euros)), see also Note 10.

7 Investment property

	EEK '000	€ '000
Cost at 31.12.2007	**7 341**	**469**
Accumulated depreciation at 31.12.2007	**(4 448)**	**(284)**
Carrying amount at 31.12.2007	**2 893**	**185**
Cost at 31.12.2008	**7 341**	**469**
Accumulated depreciation at 31.12.2008	**(4 448)**	**(284)**
Carrying amount at 31.12.2008	**2 893**	**185**
Cost at 31.12.2009	**7 341**	**469**
Accumulated depreciation at 31.12.2009	**(4 448)**	**(284)**
Carrying amount at 31.12.2009	**2 893**	**185**

Fair value of investment property:

	EEK '000	€ '000
31.12.2007		
Share of registered immovable at Rääma Street 94, Pärnu	10 000	639
31.12.2008		
Share of registered immovable at Rääma Street 94, Pärnu	9 000	575

Investment property comprises part of the property at Rääma Street 94, Pärnu (no. 1403305). The market value of the share of the property was evaluated as at 31.12.2009 and 2008 by an independent real estate expert. The fair value is based on the assumption that the share is separately realisable. Management estimates that it is separately realisable.

The investment property is not depreciated because the estimated residual values of the investment properties exceed their carrying amounts.

In the financial year, the costs directly attributable to management of investment property were 109 thousand kroons (7 thousand euros) (2008: 88 thousand kroons (6 thousand euros)). The costs for management of investment property are attributable to registered immovables that did not generate rental income.

As at 31.12.2009, the carrying amount of investment property pledged as collateral amounted to 2,893 thousand kroons (185 thousand euros), and as at 31.12.2008, 2,893 thousand kroons (185 thousand euros); see also Note 10.

8 Property, plant and equipment

	Land	Buildings and facilities	Machinery and equipment	Other fixtures	Construction-in-progress	EEK '000 **TOTAL**
Cost at 31.12.2007	**1 238**	**61 034**	**102 227**	**4 646**	**2 818**	**171 963**
Accumulated depreciation at 31.12.2007	**0**	**(19 364)**	**(85 412)**	**(3 460)**	**0**	**(108 236)**
Carrying amount at 31.12.2007	**1 238**	**41 670**	**16 815**	**1 186**	**2 818**	**63 727**
Reclassification	0	2 707	6 868	638	(10 213)	**0**
Additions	0	0	1 566	641	9 051	**11 258**
Disposals and write-offs (Notes 21; 24)	0	0	(55)	(301)	(13)	**(369)**
Depreciation charge (Notes 16; 24)	0	(2 493)	(5 161)	(663)	0	**(8 317)**
Unrealised currency translation differences	0	0	0	63	(29)	**34**
Cost at 31.12.2008	**1 238**	**63 741**	**107 544**	**5 325**	**1 614**	**179 462**

	Land	Buildings and facilities	Machinery and equipment	Other fixtures	Construction-in-progress	TOTAL
Accumulated depreciation at 31.12.2008	**0**	**(21 857)**	**(87 511)**	**(3 761)**	**0**	**(113 129)**
Carrying amount at 31.12.2008	**1 238**	**41 884**	**20 033**	**1 564**	**1 614**	**66 333**
Reclassification	0	43	1 671	31	(1 745)	**0**
Additions	0	33	3 850	88	1 056	**5 027**
Disposals and write-offs (Notes 21; 24)	0	0	0	(168)	(46)	**(214)**
Depreciation charge (Notes 16; 24)	0	(2 643)	(4 909)	(504)	0	**(8 056)**
Unrealised currency translation differences	0	0	0	(12)	5	**(7)**
Cost at 31.12.2009	**1 238**	**63 817**	**112 551**	**4 483**	**884**	**182 973**
Accumulated depreciation at 31.12.2009	**0**	**(24 500)**	**(91 906)**	**(3 484)**	**0**	**(119 890)**
Carrying amount at 31.12.2009	**1 238**	**39 317**	**20 645**	**999**	**884**	**63 083**

€ '000

	Land	Buildings and facilities	Machinery and equipment	Other fixtures	Construction-in-progress	TOTAL
Cost at 31.12.2007	**79**	**3 901**	**6 533**	**297**	**180**	**10 990**
Accumulated depreciation at 31.12.2007	**0**	**(1 238)**	**(5 458)**	**(221)**	**0**	**(6 917)**
Carrying amount at 31.12.2007	**79**	**2 663**	**1 075**	**76**	**180**	**4 073**
Reclassification	0	173	439	41	(653)	**0**
Additions	0	0	100	42	577	**719**
Disposals and write-offs (Notes 21; 24)	0	0	(3)	(20)	(1)	**(24)**
Depreciation charge (Notes 16; 24)	0	(159)	(331)	(41)	0	**(531)**
Unrealised currency translation differences	0	0	0	2	0	**2**
Cost at 31.12.2008	**79**	**4 074**	**6 873**	**340**	**103**	**11 469**
Accumulated depreciation at 31.12.2008	**0**	**(1 397)**	**(5 593)**	**(240)**	**0**	**(7 230)**
Carrying amount at 31.12.2008	**79**	**2 677**	**1 280**	**100**	**103**	**4 239**
Reclassification	0	3	107	2	(112)	**0**
Additions	0	2	246	6	68	**322**
Disposals and write-offs (Notes 21; 24)	0	0	0	(10)	(3)	**(13)**
Depreciation charge (Notes 16; 24)	0	(169)	(314)	(33)	0	**(516)**
Unrealised currency translation differences	0	0	0	(1)	0	**(1)**
Cost at 31.12.2009	**79**	**4 079**	**7 193**	**287**	**56**	**11 694**
Accumulated depreciation at 31.12.2009	**0**	**(1 566)**	**(5 874)**	**(223)**	**0**	**(7 663)**
Carrying amount at 31.12.2009	**79**	**2 513**	**1 319**	**64**	**56**	**4 031**

As at 31.12.2009, the cost of fully depreciated property, plant and equipment still in use amounted to 87,131 thousand kroons (5,569 thousand euros) and as at 31.12.2008, the respective amount was 79,229 kroons (5,064 thousand euros).

As at 31.12.2009, the carrying amount of non-current assets pledged as mortgages was 40,555 thousand kroons (2,592 thousand euros) and as at 31.12.2008, 43,122 thousand kroons (2,756 thousand euros). The remaining non-current assets are part of the commercial pledge; see also Note 10.

Machinery and equipment include assets where the Group is a lessee under a finance lease in the carrying amount of 4,067 thousand kroons (259 thousand euros) as at 31.12.2009 (2008: 1 419 thousand kroons, 90 thousand euros).

Construction-in-progress

As at 31.12.2009, construction-in-progress includes the investment in production technology in the amount of 430 thousand kroons (27 thousand euros), the investment in the renovation of buildings in the amount of 179 thousand kroons (11 thousand euros), the investment in economics software in the amount of 252 thousand kroons (16 thousand euros) and the investment in other non-current assets in the amount of 23 thousand kroons (2 thousand euros).

As at 31.12.2008, construction-in-progress includes the investment in production technology in the amount of 1,279 thousand kroons (82 thousand euros), the investment in economics software in the amount of 252 thousand kroons (16 thousand euros) and the investment in other non-current assets in the amount of 83 thousand kroons (5 thousand euros).

9 Intangible assets

	EEK '000	€ '000
Cost at 31.12.2007	**5 193**	**332**
Accumulated amortisation at 31.12.2007	**(4 973)**	**(318)**
Carrying amount at 31.12.2007	**220**	**14**
Amortisation charge (Note 24)	(199)	(13)
Cost at 31.12.2008	**5 193**	**332**
Accumulated amortisation at 31.12.2008	**(5 172)**	**(331)**
Carrying amount at 31.12.2008	**21**	**1**
Amortisation charge (Note 24)	(7)	(0)
Cost at 31.12.2009	**5 193**	**332**
Accumulated amortisation at 31.12.2009	**(5 179)**	**(331)**
Carrying amount at 31.12.2009	**14**	**1**

Intangible assets include computer software not directly linked to hardware. The amortisation of intangible assets is recorded in the income statement line *Cost of goods sold.*

10 Borrowings

Information regarding loans as at 31.12.2009:

EEK '000

	Total	Within 1 year	Due date 1 to 5 years	*1-2 years*	*3-5 years*
2,660,000 EUR - 6 month EURIBOR+3.6%	16 548	3 008	13 540	*6 018*	*7 522*
830,851.43 EUR - 6 month EURIBOR+2.2%	11 950	1 800	10 150	*10 150*	*0*
479,337.36 EUR - 6 month EURIBOR+1.5%	1 286	1 286	0	*0*	*0*
Finance lease 5.8%	214	114	100	*100*	*0*
Finance lease 5.3%	263	109	154	*114*	*40*
Finance lease 5.641%	468	118	350	*125*	*225*
Finance lease	3 034	244	2 790	*244*	*2 546*
Overdraft	1 369	1 369	0	*0*	*0*
TOTAL	**35 132**	**8 048**	**27 084**	***16 751***	***10 333***

€ '000

	Total	Within 1 year	Due date 1 to 5 years	*1-2 years*	*3-5 years*
2,660,000 EUR - 6 month EURIBOR+3.6%	1 057	192	865	*384*	*481*
830,851.43 EUR - 6 month EURIBOR+2.2%	764	115	649	*649*	*0*
479,337.36 EUR - 6 month EURIBOR+1.5%	82	82	0	*0*	*0*
Finance lease 5.8%	14	7	7	*7*	*0*
Finance lease 5.3%	17	7	10	*7*	*3*
Finance lease 5.641%	30	8	22	*8*	*14*
Finance lease	194	16	178	*15*	*163*
Overdraft	87	87	0	*0*	*0*
TOTAL	**2 245**	**514**	**1 731**	***1 070***	***661***

Information regarding loans as at 31.12.2008:

EEK '000

	Total	Within 1 year	Due date 1-5 years	*1-2 years*	*3-5 years*
2 660 000 EUR - 6 month EURIBOR+1.5%	19 557	6 018	13 539	*6 017*	*7 522*
830 851.43 EUR - 6 month EURIBOR+2.2%	13 000	1 050	11 950	*1 800*	*10 150*
479 337.36 EUR - 6 month EURIBOR+1.5%	3 857	2 571	1 286	*1 286*	*0*
Finance lease 5.8%	321	107	214	*114*	*100*
Finance lease 5.3%	366	103	263	*109*	*154*
Finance lease 5.641%	579	111	468	*118*	*350*
Overdraft	7 762	7 762	0	*0*	*0*
TOTAL	**45 442**	**17 722**	**27 720**	***9 444***	***18 276***

					€ '000
			Due date		
	Total	Within 1 year	1-5 years	*1-2 years*	*3-5 years*
2 660 000 EUR - 6 month EURIBOR+1.5%	1 250	384	866	*385*	*481*
830 851.43 EUR - 6 month EURIBOR+2.2%	831	67	764	*115*	*649*
479 337.36 EUR - 6 month EURIBOR+1.5%	246	164	82	*82*	*0*
Finance lease 5.8%	20	7	13	*7*	*6*
Finance lease 5.3%	24	7	17	*7*	*10*
Finance lease 5.641%	37	7	30	*8*	*22*
Overdraft	496	496	0	*0*	*0*
TOTAL	**2 904**	**1 132**	**1 772**	***604***	***1 168***

The borrowings of AS Viisnurk have been secured as follows:

- commercial pledge in the total amount of 35,000,000 kroons (2,236,902 euros);
- mortgage in the total amount of 80,374,900 kroons (5,136,892 euros).

Information regarding financial risks arising from borrowings is disclosed in Note 3. Information regarding the carrying amounts of assets pledged as collateral for bank loans is disclosed in Notes 5, 6, 7 and 8.

11 Operating lease

The Group is the lessee

In 2009 operating lease expenses amounted to 5,589 thousand kroons (357 thousand euros) and in 2008, to 7,677 thousand kroons (491 thousand euros).

Future lease payments under non-cancellable operating leases:

	Machinery and equipment *EEK '000*	Machinery and equipment *€ '000*	Store premises *EEK '000*	Store premises *€ '000*
At 31.12.2009				
- 1 years	946	61	842	54
between 1 and 5 years	819	52	-	-
TOTAL	**1 765**	**113**	**842**	**54**
At 31.12.2008				
- 1 years	1 004	64	2 950	189
between 1 and 5 years	1 674	107	-	-
TOTAL	**2 669**	**170**	**2 950**	**189**

12 Payables and prepayments

	2009 *EEK '000*	**2008** *EEK '000*	**2009** *€ '000*	**2008** *€ '000*
Trade payables (Notes 3)	**11 336**	**26 488**	**725**	**1 693**
Payables to employees (Note 3)	**4 749**	**5 644**	**303**	**361**
incl. accrued holiday pay reserve	2 279	2 202	146	141
provision for bonuses	485	905	31	58
Tax liabilities	**3 580**	**4 174**	**229**	**267**
incl. social security and unemployment insurance	2 256	2 648	144	169
personal income tax	969	1 294	62	83
contribution to mandatory funded pension	12	88	1	6
value added tax	311	134	20	8
other taxes	32	10	2	1
Prepayments received	**1 472**	**4 523**	**94**	**289**
Other payables (Note 3)	**1 605**	**2 817**	**103**	**180**
TOTAL	**22 742**	**43 646**	**1 454**	**2 790**

Initsialiseeritud ainult identifitseerimiseks
Initialled for the purpose of identification only
Initsiaalid/initials M. M
Kuupäev/date 07.04.10
PricewaterhouseCoopers, Tallinn

13 Provisions

	EEK '000	€ '000
Balance at 31.12.2007	**3 200**	**205**
incl. current portion of provision	264	17
incl. non-current portion of provision	2 936	188
Movements in 2008:		
Increase in reserve	600	38
Use of reserve	(414)	(27)
Interest cost (Note 22)	150	10
Balance at 31.12.2008	**3 536**	**226**
incl. current portion of provision	115	7
incl. non-current portion of provision	3 421	219
Movements in 2009:		
Use of reserve	(392)	(25)
Interest cost (Note 22)	277	18
Balance at 31.12.2009	**3 421**	**219**
incl. current portion of provision	118	8
incl. non-current portion of provision	3 303	211

Provisions as at 31.12.2009 and 31.12.2008 related to the compensation for work accidents to former employees of AS Viisnurk. The total amount of the provision has been estimated considering the number of persons receiving the compensation, extent of their disability, their former salary level, level of pension payments, and estimations of the remaining period of payments. See also Note 4.

14 Equity

Share capital

	Number of shares (pcs)	Share capital EEK '000	Share capital € '000
Balance at 31.12.2009	4 499 061	44 991	2 875
Balance at 31.12.2008	4 499 061	44 991	2 875

As at 31.12.2009 and 31.12.2008, the share capital of AS Viisnurk amounted to 44,991 thousand kroons (2,875 thousand euros). The share capital consists of 4,499,061 (2008: 4,499,061) issued, authorised and fully paid ordinary shares with the nominal value of 10 kroons (0.64 euros) each (2008: 10 kroons (0.64 euros)). According to the articles of association, the maximum amount of share capital is 177,481 thousand kroons (11,343 thousand euros). Each ordinary share grants its owner one vote at the General Meeting of Shareholders and the right to receive dividends.

In 2009, no dividends were paid to shareholders.

In 2008, the Group paid dividends to the shareholders in the amount of 6,299 thousand kroons (403 thousand euros), i.e. 1.40 kroons (8.94 euro cents) per share. The corresponding income tax on dividends was 1,674 thousand kroons (107 thousand euros) (Note 23).

As at 31.12.2009, the Group had 543 shareholders (31.12.2008: 443 shareholders) of which with more than 5% ownership interest were:

- Trigon Wood OÜ with 2,682,192 shares or 59.62% (2008: 59.62%)
- ING Luxembourg S.A. with 500,000 shares or 11.11% (2008: 11.11%)

The number of shares owned by the members of the Management Board and Supervisory Board of AS Viisnurk was as follows:

- Ülo Adamson: 0 shares (2008: 0 shares)
- Joakim Johan Helenius: 20,000 shares (2008: 20,000 shares)
- Heiti Riisberg: 0 shares (2008: 0 shares)
- Andres Kivistik: 0 shares (2008: 0 shares)
- Einar Pähkel: 0 shares (2008: 0 shares)

Contingent income tax liability

As at 31 December 2009, the retained earnings amounted to 15,914 thousand kroons (1,017 thousand euros). The following is taken into consideration with regard to available equity:

- as at the balance sheet date, it is possible to pay out 12,572 thousand kroons (803 thousand euros) as dividends;
- the corporate income tax on the aforementioned dividends would amount to 3,342 thousand kroons (214 thousand euros).

As at 31 December 2008, retained earnings amounted to 15,759 thousand kroons (1,007 thousand euros). The following is taken into consideration with regard to available equity:

- as at the balance sheet date, it is possible to pay out 12,450 thousand kroons (796 thousand euros) as dividends;
- the corporate income tax on the aforementioned dividends would amount to 3,309 thousand kroons (211 thousand 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.

According to the Income Tax Act, the Group is entitled to reduce the income tax payable on dividends to the extent of income tax withheld in subsidiary in Ukraine on interest expense, in the amount of 69 thousand kroons /4 thousand euros in 2009 (2008: 0 kroons) .

15 Earnings per share

	2009 *EEK*	**2008** *EEK*	**2009** *€*	**2008** *€*
Basic earnings per share (EPS)	0,03	1,34	0,00	0,09
Diluted earnings per share	0,03	1,34	0,00	0,09
Book value of share	15,89	15,83	1,02	1,01
Price/earnings ratio (P/E)	375,67	9,10	375,67	9,10
Closing price of the share of AS Viisnurk on the Tallinn Stock Exchange as at 31.12.*	11,27	12,20	0,72	0,78

* The share of AS Viisnurk is listed on the Tallinn Stock Exchange from 25.09.2007 (Notes 1; 2)

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

EPS in 2009 = 154,640/4,499,061 = 0.03 kroons / 0.002 euros

EPS in 2008 = 6 042 052/4 499 061 = 1.34 kroons / 0.09 euros

In 2009 and 2008, 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 2009 = 11.27 / 0.03 = 375.67

Price/earnings ratio (P/E) in 2008 = 12.20 / 1.34 = 9.10

16 Cost of goods sold

	2009 *EEK '000*	**2008** *EEK '000 restated*	**2009** *€ '000*	**2008** *€ '000 restated*
Raw materials and main materials	67 662	119 110	4 324	7 613
Employee benefits	36 886	53 986	2 357	3 450
Electricity and heat	24 013	35 197	1 535	2 250
Depreciation	6 993	7 933	447	507
Purchased goods	1 202	992	77	63
Change in balances of finished goods and work in progress	19 139	(10 256)	1 223	(656)
Other expenses	7 442	10 685	476	683
TOTAL	**163 337**	**217 647**	**10 439**	**13 910**

17 Distribution costs

	2009 EEK '000	2008 EEK '000	2009 € '000	2008 € '000
Transportation expenses	6 782	8 675	434	554
Employee benefits	8 466	9 603	541	614
Advertising costs	3 182	4 424	203	283
Agency fees	2 677	3 928	171	251
Rental expenses	4 892	6 795	313	434
Other expenses	7 434	8 827	475	564
TOTAL	**33 433**	**42 252**	**2 137**	**2 700**

18 Administrative expenses

	2009 EEK '000	2008 EEK '000 *restated*	2009 € '000	2008 € '000 *restated*
Employee benefits	4 430	5 495	283	351
Purchased services	305	222	20	14
Office supplies	364	327	23	21
Other expenses	363	916	23	59
TOTAL	**5 462**	**6 960**	**349**	**445**

19 Employee benefits

	2009 EEK '000	2008 EEK '000	2009 € '000	2008 € '000
Wages and salaries	34 497	46 813	2 205	2 992
incl. social security and unemployment insurance	12 456	15 496	796	990
Accrued holiday pay provision	2 442	5 577	156	357
Fringe benefits paid to employees	387	1 064	25	68
TOTAL	**49 782**	**68 950**	**3 182**	**4 407**

In 2009, the average number of employees of AS Viisnurk was 326 (2008: 350).

In 2009, the gross remuneration paid to the members of the Management Board totalled 2,225 thousand kroons (142 thousand euros) and in 2008, 2,640 thousand kroons (169 thousand euros). Pursuant to the contracts concluded, as at 31.12.2009, the members of the Management Board are entitled upon termination of management board member agreements by the initiative of Supervisory Board to receive severance pay amounting to up to four-month remuneration and as at 31.12.2008, severance pay amounting to two-month remuneration.

20 Other operating income

	2009 EEK '000	2008 EEK '000	2009 € '000	2008 € '000
Insurance indemnities	0	115	0	7
Penalties and fines for delay received	0	370	0	24
Income from export marketing grant*	306	135	20	9
Other income	226	70	14	4
TOTAL	**532**	**690**	**34**	**44**

* Export marketing grant was received from Enterprise Estonia. The export marketing project was launched at 01.07.2008 and it is valid until 30.04.2010.

21 Other operating expenses

	2009 EEK '000	2008 EEK '000	2009 € '000	2008 € '000
Allowance for doubtful receivables (Note 5)	418	339	26	22
Insurance loss	0	13	0	1
Foreign exchange loss	483	2 287	31	146
Contract fees	72	124	5	8
Reclamations	14	82	1	5
Loss from sale of non-current assets (Notes 8; 24)	0	79	0	5
Penalties and fines for delay paid	35	25	2	2
Other costs	291	239	19	15
TOTAL	**1 313**	**3 188**	**84**	**204**

22 Finance income and costs

	2009 EEK '000	2008 EEK '000	2009 € '000	2008 € '000
Finance income:				
Interest income	9	32	1	2
Other finance income	0	5	0	0
Total finance income	**9**	**37**	**1**	**2**
Finance costs:				
Interest expenses	2 512	3 348	161	214
incl. interest expense related to provision (Note 13)	277	150	18	10
Foreign exchange loss	50	143	3	9
Total finance costs	**2 562**	**3 491**	**164**	**223**

See also Note 24.

23 Income tax expense

	2009 EEK '000	2008 EEK '000	2009 € '000	2008 € '000
Income tax expense (Note 14)*	69	1 674	4	107
TOTAL	**69**	**1 674**	**4**	**107**

* The income tax expense for 2009 comprises the income tax withheld on interest payable by TOV Skano Ukraina. The income tax expense for 2008 comprises the income tax payable on dividends (Note 14).

24 Adjustments of profit before tax in the cash flow statement

	2009 EEK '000	2008 EEK '000	2009 € '000	2008 € '000
Depreciation charge (Notes 8; 9)	8 075	8 516	516	544
Loss from sale of non-current assets (Note 21)	0	79	0	5
Interest expenses (Note 22)	2 512	3 348	160	214
(Increase)/decrease in receivables and prepayments (Note 5)	757	10 629	48	680
(Increase)/decrease in inventories (Note 6)	26 184	(13 354)	1 673	(853)
Increase/(decrease) in liabilities related to operating activities	(21 019)	6 157	(1 343)	393
Total adjustments	**16 509**	**15 375**	**1 054**	**983**

25 Segment reporting

Operating segments have been determined based on the reports reviewed by the management board that are used to make strategic decision. The management board considers the business based on the types of products and services as follows:

Furniture factory (FF) is engaged in the production and wholesales of household furniture. The factory is located in Estonia.

Skano (SK) is engaged in retail sales of furniture in Estonia, Latvia, Lithuania and Ukraine.

Building materials division (BMD) manufactures and sells to wholesale customers general construction boards based on soft woodfibre boards, and interior finishing boards. The fibreboard factory is located in Estonia.

The management board assesses the performance of operating segments based on revenue as primary measure. As a secondary measure, the management board also reviews operating profit.

All amounts provided to the management board are measured in a manner consistent with that of the financial statements. Inter-segment sales are carried out at arm's length.

Segment information for operating segments:

EEK '000	Furniture factory		Skano		Building materials division		Eliminations		SEGMENTS TOTAL	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Revenue from external customers	92 528	124 298	32 895	40 064	80 367	116 165	0	0	**205 790**	**280 527**
Inter-segment revenue	14 614	20 362	0	0	209	0	0	0	**14 823**	**20 362**
Revenue from customers who contribute more than 10% of consolidated revenue:	75 091	96 482	0	0	0	0	0	0	**75 091**	**96 482**
Client 1	51 750	58 152	0	0	0	0	0	0	**51 750**	**58 152**
Client 2	23 341	38 330	0	0	0	0	0	0	**23 341**	**38 330**
Operating profit/loss	6 870	7 743	(5 334)	(5 161)	1 224	8 671	17	(83)	**2 777**	**11 170**
Amortisation/depreciation	2 807	3 900	338	508	4 930	4 108	0	0	**8 075**	**8 516**
Segment assets	64 463	76 565	11 305	17 768	57 544	70 016	(509)	(525)	**132 803**	**163 824**
Segment liabilities	28 330	40 010	2 951	4 250	30 014	48 364	0	0	**61 295**	**92 624**
Additions to non-current assets	290	4 824	33	1 214	4 704	5 220	0	0	**5 027**	**11 258**

€ '000	Furniture factory		Skano		Building materials division		Eliminations		SEGMENTS TOTAL	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Revenue from external customers	5 914	7 944	2 102	2 561	5 136	7 424	0	0	**13 152**	**17 929**
Inter-segment revenue	934	1 301	0	0	14	0	0	0	**948**	**1 301**
Revenue from clients who contribute more than 10% of consolidated revenue:	4 799	6 166	0	0	0	0	0	0	**4 799**	**6 166**
Client 1	3 307	3 716	0	0	0	0	0	0	**3 307**	**3 716**
Client 2	1 492	2 450	0	0	0	0	0	0	**1 492**	**2 450**
Operating profit/loss	439	495	(341)	(330)	78	554	1	(5)	**177**	**714**
Amortisation/depreciation	179	249	22	32	315	263	0	0	**516**	**544**
Segment assets	4 120	4 893	722	1 135	3 678	4 474	(32)	(34)	**8 488**	**10 468**
Segment liabilities	1 811	2 557	189	272	1 918	3 091	0	0	**3 918**	**5 920**
Additions to non-current assets	19	308	2	78	301	333	0	0	**322**	**719**

Eliminations comprise unrealised profits on inventories arising from inter-segment transactions.

Investment property and inventories relating to real estate development are allocated within building materials division in accordance with the allocation in the internal reports. Insignificant expenses related to these properties are also included within building materials division.

Revenues from external customers according to their location:

EEK '000	2009 FF	2009 SK	2009 BMD	2009 TOTAL	2008 FF	2008 SK	2008 BMD	2008 TOTAL
Finland	51 787	0	36 866	**88 653**	58 310	0	58 943	**117 253**
Russia	34 050	0	5 169	**39 219**	57 231	0	6 036	**63 267**
Estonia	1 231	9 608	26 961	**37 800**	1 767	13 962	37 381	**53 110**
Ukraine	0	10 506	245	**10 751**	0	8 374	2 457	**10 831**
Latvia	0	4 807	2 123	**6 930**	0	9 214	2 812	**12 026**
Lithuania	0	7 974	334	**8 308**	0	8 514	602	**9 116**
Portugal	0	0	2 140	**2 140**	0	0	954	**954**
Germany	1 444	0	856	**2 300**	2 775	0	1 187	**3 962**
Kazakhstan	3 476	0	0	**3 476**	3 998	0	0	**3 998**
Sweden	0	0	4 047	**4 047**	0	0	5 044	**5 044**
Belorussia	208	0	0	**208**	0	0	0	**0**
Others	332	0	1 626	**1 958**	217	0	749	**966**
TOTAL	**92 528**	**32 895**	**80 367**	**205 790**	**124 298**	**40 064**	**116 165**	**280 527**

€ '000	2009 FF	2009 SK	2009 BMD	2009 TOTAL	2008 FF	2008 SK	2008 BMD	2008 TOTAL
Finland	3 310	0	2 356	**5 666**	3 727	0	3 767	**7 494**
Russia	2 176	0	330	**2 506**	3 658	0	386	**4 044**
Estonia	80	614	1 723	**2 417**	113	892	2 389	**3 394**
Ukraine	0	671	15	**686**	0	535	157	**692**
Latvia	0	307	136	**443**	0	589	180	**769**
Lithuania	0	510	21	**531**	0	545	38	**583**
Portugal	0	0	137	**137**	0	0	61	**61**
Germany	92	0	55	**147**	177	0	76	**253**
Kazakhstan	222	0	0	**222**	255	0	0	**255**
Sweden	0	0	259	**259**	0	0	322	**322**
Belorussia	13	0	0	**13**	0	0	0	**0**
Others	21	0	104	**125**	14	0	48	**62**
TOTAL	**5 914**	**2 102**	**5 136**	**13 152**	**7 944**	**2 561**	**7 424**	**17 929**

Revenue is generated from sales of own production and goods purchased for resale.

Majority of the Group's assets are located in Estonia (95% as at 31.12.2009, 92% as at 31.12.2008).

26 Related party transactions

The following parties are considered as related parties:

- Parent OÜ Trigon Wood and owners of the parent (incl. ultimate controlling party TDI Investments KY until November 2009);
- Other entities in the same consolidation group
- Members of the Management, the Management Board and the Supervisory Board of AS Viisnurk Group entities and their close relatives;
- Entities under the control of the members of the Management Board and the Supervisory Board;
- Individuals with significant ownership unless these individuals lack the opportunity to exert significant influence over the business decisions of the Group.

As at 31.12.2009, the entities with significant influence over the Group are the largest owners of OÜ Trigon Wood: AS Trigon Capital (20.75%), Veikko Laine Oy (15.52%), BCB Baltic AB (14.07%), Hermitage Eesti OÜ (11.94%), Thominvest Oy (11.94%) and Assetman Oy (11.45%).

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

	2009 *EEK '000*	**2008** *EEK '000*	**2009** *€ '000*	**2008** *€ '000*
Board member and other remuneration (Note 19)	2 225	2 640	142	169
Social security tax (Note 19)	735	871	47	56
TOTAL	**2 960**	**3 511**	**189**	**225**

The termination benefits of the Management Board are disclosed in Note 19.

In 2009 and 2008, there were no other related party transactions.

27 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 errors, 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.

28 Supplementary disclosures on the Group's parent

In accordance with the Estonian Accounting Act, information on the separate primary financial statements of the consolidating entity (pages 50-52) 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).

Statement of financial position of the parent company

	31.12.2009 *EEK '000*	**31.12.2008** *EEK '000*	**31.12.2009** *€ '000*	**31.12.2008** *€ '000*
Cash and cash equivalents	3 664	3 633	234	232
Receivables and prepayments	32 339	32 898	2 607	2 103
Inventories	35 677	58 940	2 280	3 767
Total current assets	**71 660**	**95 471**	**4 581**	**6 102**
Investments of subsidiaries	120	120	8	8
Investment property	2 893	2 893	185	185
Property, plant and equipment	62 406	65 153	3 988	4 164
Total non-current assets	**65 419**	**68 166**	**4 181**	**4 357**
TOTAL ASSETS	**137 099**	**163 637**	**8762**	**10 459**
Borrowings	8 048	17 722	514	1 133
Payables and prepayments	19 791	39 397	1 265	2 518
Short-term provisions	118	115	8	7
Total current liabilities	**27 957**	**57 234**	**1 787**	**3 658**
Long-term borrowings	27 084	27 720	1 731	1 772
Long-term provisions	3 303	3 421	211	219
Total non-current liabilities	**30 387**	**31 141**	**1 942**	**1 991**
Total liabilities				
	58 344	88 375	**3 729**	**5 649**
Share capital at nominal value				
Share premium	44 991	44 991	2 875	2 875
Statutory reserve capital	5 698	5 698	364	364
Retained earnings	4 499	4 499	288	288
	23 567	20 074	1 506	1 283
Total equity				
	78 755	**75 262**	**5 033**	**4 810**
TOTAL LIABILITIES AND EQUITY				
Total non-current assets	**137 099**	**163 637**	**8 762**	**10 459**

Statement of comprehensive income of the parent company

	31.12.2009 *EEK '000*	**31.12.2008** *EEK '000*	**31.12.2009** *€ '000*	**31.12.2008** *€ '000*
REVENUE	**187 719**	260 824	**11 997**	16 670
incl. to subsidiaries	14 823	20 362	948	1 301
Cost of goods sold	**(160 663)**	**(220 456)**	**(10 268)**	**(14 090)**
Gross profit	**27 056**	**40 368**	**1 729**	**2 580**
Distribution costs	(12 827)	(18 924)	(820)	(1 209)
Administrative expenses	(5 462)	(5 112)	(349)	(327)
Other operating income	151	971	10	62

	31.12.2009 EEK '000	31.12.2008 EEK '000	31.12.2009 € '000	31.12.2008 € '000
Other operating expenses	(3133)	(888)	(201)	(57)
Operating profit	**5 785**	**16 415**	**369**	**1 049**
Finance income and costs - net	(2 292)	(3 182)	(146)	(203)
PROFIT BEFORE TAX	**3 493**	**13 233**	**223**	**846**
Corporate income tax	0	(1 674)	0	(107)
NET PROFIT FOR FINANCIAL YEAR	**3 493**	**11 559**	**223**	**739**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**3 493**	**11 559**	**223**	**739**

Cash flow statement of the parent company

	2009 EEK '000	2008 EEK '000	2009 € '000	2008 € '000
Cash flows from operating activities				
Profit before tax	**3 493**	**13 233**	**223**	**846**
Adjustments:				
Depreciation	7 742	8 010	495	512
Loss from sale of non-current assets	0	79	0	5
Loss from impairment of trade receivables	2550	225	163	15
Interest expenses	2 512	3 348	160	214
Interest income	(269)	0	(17)	0
(Increase)/decrease in receivables and prepayments	(2199)	1 276	(140)	81
(Increase)/decrease in inventories	23 263	(10 134)	1 486	(648)
Increase/(decrease) in current liabilities related to operating activities	(19 901	5 546	(1 272)	354
Cash generated from operations	**17 191**	**21 583**	**1 098**	**1 379**
Interest payments	(2 512)	(3 348)	(160)	(214)
Corporate income tax paid	0	(1 674)	0	(107)
Net cash generated from operating activities	**14 679**	**16 561**	**938**	**1 058**
Cash flows from investing activities				
Purchase of property, plant and equipment	(1 329)	(10 029)	(85)	(641)
Proceeds from sale of property, plant and equipment	0	182	0	12
Interest received	269	55	17	3
Net cash generated from investing activities	**(1 060)**	**(9 792)**	**(68)**	**(626)**
Cash flows from financing activities				
Borrowings	0	9 137	0	584
Repayments of borrowings	(13 022)	(8 589)	(832)	(549)
Finance e lease payments	(566)	(622)	(36)	(39)
Distribution of dividends	0	(6 299)	0	(403)
Net cash used in financing activities	**(13 588)**	**(6 373)**	**(868)**	**(407)**
NET CHANGE IN CASH BALANCE	**31**	**396**	**2**	**25**
OPENING BALANCE OF CASH	**3 633**	**3 237**	**232**	**207**
CLOSING BALANCE OF CASH	**3 664**	**3 633**	**234**	**232**

Statement of changes in equity of the parent company

EEK '000

	Share capital	Share premium	Statutory reserve capital	Retained earnings/ (accumulated deficit)	Total
Balance as at 31.12.2007	**44 991**	**5 698**	**4 499**	**14 815**	**70 003**
Carrying amount of investments under control and significant influence					**(120)**
Value of investments under control and significant influence under equity method					**1 360**
Adjusted unconsolidated equity at 31.12.2007					**71 243**
Balance at 31.12.2007	**44 991**	**5 698**	**4 499**	**14 815**	**70 003**
Total comprehensive income for 2008	0	0	0	11 559	**11 559**
Payment of dividends	0	0	0	(6 300)	**(6 300)**
Balance at 31.12.2008	**44 991**	**5 698**	**4 499**	**20 074**	**75 262**
Carrying amount of investments under control and significant influence					**(120)**
Value of investments under control and significant influence under equity method					**(3 942)**
Adjusted unconsolidated equity at 31.12.2008					**71 200**
Balance at 31.12.2008	**44 991**	**5 698**	**4 499**	**20 074**	**75 262**
Total comprehensive income for 2009	0	0	0	3 493	**3 493**
Balance at 31.12.2009	**44 991**	**5 698**	**4 499**	**23 567**	**78 755**
Carrying amount of investments under control and significant influence					**(120)**
Value of investments under control and significant influence under equity method					**(7 127)**
Adjusted unconsolidated equity at 31.12.2009					**71 508**

€ '000

	Share capital	Share premium	Statutory reserve capital	Retained earnings/ (accumulated deficit)	Total
Balance as at 31.12.2007	**2 875**	**364**	**288**	**947**	**4 474**
Carrying amount of investments under control and significant influence					**(8)**
Value of investments under control and significant influence under equity method					**87**
Adjusted unconsolidated equity at 31.12.2007					**4 553**
Balance at 31.12.2007	**2 875**	**364**	**288**	**947**	**4 474**
Total comprehensive income for 2008	0	0	0	739	**739**
Payment of dividends	0	0	0	(403)	**(403)**
Balance at 31.12.2008	**2 875**	**364**	**288**	**1 283**	**4 810**
Carrying amount of investments under control and significant influence					**(8)**
Value of investments under control and significant influence under equity method					**(254)**
Adjusted unconsolidated equity at 31.12.2008					**4 548**
Balance at 31.12.2008	**2 875**	**364**	**288**	**1 283**	**4 810**
Total comprehensive income for 2009	0	0	0	223	**223**
Balance at 31.12.2009	**2 875**	**364**	**288**	**1 506**	**5 033**
Carrying amount of investments under control and significant influence					**(8)**
Value of investments under control and significant influence under equity method					**(455)**
Adjusted unconsolidated equity at 31.12.2009					**4 570**

PRICEWATERHOUSECOOPERS

AS PricewaterhouseCoopers
Pärnu mnt. 15
10141 Tallinn
Estonia

Telephone +372 614 1800
Facsimile +372 614 1900
www.pwc.ee

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 statement of financial position as of 31 December 2009 and the consolidated statement of comprehensive income, 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.

PRICEWATERHOUSECOOPERS

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 2009, 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.

Ago Vilu
AS PricewaterhouseCoopers

Erki Mägi
Authorised Auditor

7 April 2010

---

* *This version of our report is a translation from the original, which was prepared in Estonian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.*

Profit allocation proposal

The retained earnings of AS Viisnurk are:

	EEK '000	€ '000
Retained earnings at 31.12.2008	15 759	1 007
Net profit in 2009	155	10
Retained earnings at 31.12.2009	15 914	1 017

The Management Board proposes to the shareholders not to allocate the retained earnings.

Andres Kivistik

Chairman of the Management board

Einar Pähkel

Member of the Management Board

Signatures of the Management Board and Supervisory Board to the 2009 Annual Report

The Management Board has prepared the Company's Annual Report for 2009. The Annual Report (pages 1 -54) consists of the management report, financial statements, auditor's report and profit allocation proposal. 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	27.04.2010
Member of the Management Board	Einar Pähkel	27.04.2010
Chairman of the Supervisory Board	Ülo Adamson	27.04.2010
Member of the Supervisory Board	Joakim Johan Helenius	27.04.2010
Member of the Supervisory Board	Heiti Riisberg	27.04.2010

Revenue of the parent according to EMTAK

	2009 *EEK '000*	2008 *EEK '000*	2009 *€ '000*	2008 *€ '000*
31091 manufacture of other furniture	107 142	144 660	6 848	9 245
16212 manufacture of particle boards and fibreboards	80 576	116 165	5 150	7 424