

AS VIISNURK

Interim Financial Statements
First Quarter 2002

Contents

Company	2
Signatures of management board members	2
Balance sheet	3
Income statement	4
Cash flow statement	5
Statement of movements in equity	6
Notes to the interim financial statements	7
Accounting policies and measurement bases	7
Note 1. Tangible and intangible assets	7
Note 2. Debt obligations and long-term liabilities	8
Note 3. Equity	8
Note 4. Earnings per share	8
Note 5. Financial information by segments	9
Explanations to the interim financial statements	11

Company

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

Business name: AS Viisnurk
Commercial Register number: 10106774
Address: Suur-Jõe 48, 80042 Pärnu
Telephone: (044) 78 323
Fax: (044) 78 320
Email: mail@viisnurk.ee
Homepage: www.viisnurk.ee
Beginning of financial year: 1.1.2002
End of financial year: 31.12.2002
Beginning of reporting period: 1.1.2002
End of reporting period: 31.3.2002

Signatures of management board members

Approval of the financial statements as of 31.3.2002 (pages 3-12).

Juhatuse esimees	Meelis Kukk
Juhatuse liige	Toivo Kuldmäe
Juhatuse liige	Olavi Rinne
Juhatuse liige	Jüri Rokk
Juhatuse liige	Andrus Aljas
Juhatuse liige	Erik Piile

6. May 2002

Balance sheet

		In th. of kroons 31.3.2002	In th. of kroons 31.12.2001	In th. of euros 31.3.2002	In th. of euros 31.12.2001
Cash and bank		363	5 036	23	322
Customer receivables		42 316	52 496	2 704	3 355
Other receivables		2 044	2 215	131	142
Prepaid expenses		5 382	5 449	344	348
Inventories		81 400	74 576	5 202	4 765
Total current assets		131 505	139 772	8 404	8 932
Long-term fin. investments		1 436	1 436	92	92
Tangible assets	(Note 1)	215 075	216 043	13 746	13 808
Intangible assets	(Note 1)	182	269	12	17
Total non-current assets		216 693	217 748	13 850	13 917
<u>TOTAL ASSETS</u>		<u>348 198</u>	<u>357 520</u>	<u>22 254</u>	<u>22 849</u>
Debt obligations	(Note 2)	45 199	47 368	2 889	3 027
Customer prepayments		82	1 216	5	78
Supplier payables		32 007	36 793	2 045	2 351
Taxes payable		4 905	5 639	314	360
Accrued expenses		8 945	8 348	572	534
Total current liabilities		91 138	99 364	5 825	6 350
Long-term liabilities	(Note 2)	95 479	95 479	6 102	6 102
Total non-current liabil.		95 479	95 479	6 102	6 102
Share capital at par value		44 991	44 991	2 875	2 875
Share premium		11 332	11 332	724	724
Mandatory capital reserve		4 499	4 499	288	288
Retained earnings		101 855	82 472	6 510	5 271
Net profit for the year		(1 096)	19 383	(70)	1 239
Total equity	(Note 3)	161 581	162 677	10 327	10 397
<u>TOTAL LIABILITIES AND EQUITY</u>		<u>348 198</u>	<u>357 520</u>	<u>22 254</u>	<u>22 849</u>

Income statement

		In th. of kroons I quarter 2002	In th. of kroons I quarter 2001	In th. of euros I quarter 2002	In th. of euros I quarter 2001
<u>NET SALES</u>	(Note 5)	81 791	66 138	5 227	4 227
Cost of goods sold		(72 808)	(49 763)	(4 653)	(3 180)
Gross profit		8 982	16 375	574	1 047
Marketing expenses		(4 630)	(4 594)	(296)	(294)
General admin. expenses		(2 622)	(3 060)	(168)	(196)
Other income		251	935	16	60
Other expenses		(581)	(275)	(37)	(17)
Profit from operations	(Note 5)	1 400	9 381	89	600
Financial income		27	28	2	2
Financial expenses		(2 523)	(842)	(161)	(54)
NET PROFIT		(1 096)	8 567	(70)	548
Basic earnings per share	(Note 4)	(0,24)	1,90	(0,02)	0,12
Diluted earnings per share	(Note 4)	(0,24)	1,90	(0,02)	0,12

Cash flow statements

	In th. of kroons I quarter 2002	In th. of kroons I quarter 2001	In th. of euros I quarter 2002	In th. of euros I quarter 2001
Cash flows from operating activities				
<i>Profit before income tax</i>	(1 096)	8 567	(70)	548
<i>Adjustments for:</i>				
Period's accumulated depreciation	6 488	5 136	415	328
Profit from sale of non-curr. assets	(40)	(137)	(3)	(9)
Interest expense	2 449	781	157	50
Operating profit before changes in working capital	7 801	14 347	499	917
Change in current assets	3 594	12 753	230	814
Change in current liabilities	(5 986)	(14 538)	(384)	(929)
Cash generated from operations	5 409	12 562	345	802
Interest paid	(2 520)	(2 377)	(161)	(152)
Net cash from operating activities	2 889	10 185	184	650
Cash flows from investing activities				
Acquisition of non-current assets	(5 443)	(12 647)	(348)	(808)
Sale of non-current assets	50	186	3	12
Net cash used in investing activities	(5 393)	(12 461)	(345)	(796)
Cash flows from financing activities				
Proceeds from borrowing		5 000		320
Repayment of loans	(578)	(5 762)	(16)	(368)
Settlement of finance lease liabilities	(260)	(180)	(85)	(12)
Change in the overdraft balance	(1 331)	(606)	(37)	(39)
Net cash from financing activities	(2 169)	(1 548)	(138)	(99)
NET INCREASE IN CASH	(4 673)	(3 824)	(299)	(245)
CASH AT BEGINNING OF PERIOD	5 036	4 908	322	314
CASH AT END OF PERIOD	363	1 084	23	69

Statement of movements in equity

	In th. of kroons I quarter 2002	In th. of kroons I quarter 2001	In th. of euros I quarter 2002	In th. of euros I quarter 2001
Distributable profits at beginning of year	101 855	84 137	6 510	5 377
Transferred to mandatory capital reserve		(1 665)		(106)
Net profit for the period	(1 096)	8 567	(70)	548
Distributable profits at end of year	100 759	91 039	6 440	5 819

Notes to the interim financial statements

Accounting policies and measurement bases

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

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

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

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

1. Tangible and intangible assets

In thousands of kroons

	Tangible assets	Intangible assets	TOTAL
Acquisition cost 1.1.2002	281 432	1 445	282 877
Additions in 3 months 2002	4 339		4 339
Disposals in 3 months 2002	(265)		(265)
Acquisition cost 31.3.2002	285 506	1 445	286 951
Depreciation 1.1.2002	(79 292)	(1 176)	(80 468)
Depreciation of 3 months 2002	(6 401)	(87)	(6 488)
Depreciation on items disposed of in 3 months 2002	255		255
Depreciation 31.3.2002	(85 438)	(1 263)	(86 701)
Net book value 31.3.2002	200 068	182	200 250

In thousands of euros

	Tangible assets	Intangible assets	TOTAL
Acquisition cost 1.1.2002	17 987	92	18 079
Additions in 3 months 2002	277		277
Disposals in 3 months 2002	(17)		(17)
Acquisition cost 31.3.2002	18 247	92	18 339
Depreciation 1.1.2002	(5 067)	(75)	(5 142)
Depreciation of 3 months 2002	(409)	(5)	(414)
Depreciation on items disposed of in 3 months 2002	16		16
Depreciation 31.3.2002	(5 460)	(80)	(5 540)
Net book value 31.3.2002	12 787	12	12 799

At 30 March 2002 the balance of constructions in progress stood at 15 008 thousand kroons (959 thousand euros), at 1.1.2002 13 904 thousand kroons (889 thousand euros).

2. Debt obligations and long-term liabilities

In thousands of kroons/euros

	31.3.2002	31.12.2001	31.3.2002	31.12.2001
Debt obligations	45 199	47 368	2 889	3 027
Long-term liabilities	95 479	95 479	6 102	6 102
incl. long-term bank loans	57 578	57 578	3 680	3 680
non-convertible debt	37 901	37 901	2 422	2 422
KOKKU	140 678	142 847	8 991	9 129

3. Equity

At 31 December 2001 the share capital of AS Viisnurk amounted to 44 490 610 kroons (2 843 461 euros) and was made up of 4 499 061 shares with a par value of 10 kroons (0.64 euros) each. The maximum amount outlined in the Articles of Association is 177 480 800 kroons (11 343 062 euros). During the first quarter, share capital did not change.

4. Earnings per share

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

Basic earnings per share = $(1\,095\,970) / 4\,499\,061 = (0.24)$ kroons / (0.02) euros

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

5. Financial information by segment

In thousands of kroons

	Sports goods divison		Furniture factory		Softboard factory		Wood panel factory		Supporting units		Eliminations		VIISNURK TOTAL	
	2002 3m	2001 3m	2002 3m	2001 3m	2002 3m	2001 3m	2002 3m	2001 3m	2002 3m	2001 3m	2002 3m	2001 3m	2002 3m	2001 3m
External sales	8 655	4 626	42 085	34 715	17 791	19 667	4 236	209	9 023	6 921			81 791	66 138
Inter-segments sales			50				6 414		19 571	16 854	(26 036)	(16 854)	0	0
Total sales revenue	8 655	4 626	42 135	34 715	17 791	19 667	10 650	209	28 594	23 775	(26 036)	(16 854)	81 791	66 138
Segment result	(2 591)	(1 448)	5 645	6 044	3 865	6 619	(4 461)	(935)	1 564	1 808			4 022	12 088
Unallocated expenses													(2 622)	(2 707)
Operating profit													1 400	9 381
Net financial expenses													(2 496)	(814)
Net profit for the period													(1 096)	8 567

In thousands of euros

	Sports goods divison		Furniture factory		Softboard factory		Wood panel factory		Supporting units		Eliminations		VIISNURK TOTAL	
	2002 3m	2001 3m	2002 3m	2001 3m	2002 3m	2001 3m	2002 3m	2002 3m	2001 3m	2002 3m	2001 3m	2002 3m	2001 3m	2002 3m
External sales	553	296	2 690	2 219	1 137	1 257	271	13	576	442			5 227	4 227
Inter-segments sales			3				410		1 251	1 077	(1 664)	(1 077)	0	0
Total sales revenue	553	296	2 693	2 219	1 137	1 257	681	13	1 827	1 519	(1 664)	(1 077)	5 227	4 227
Segment result	(166)	(93)	361	386	247	423	(285)	(60)	100	117			257	773
Unallocated expenses													(168)	(173)
Operating profit													89	600
Net financial expenses													(159)	(52)
Net profit for the period													(70)	548

Explanations to the interim financial statements

The net sales of Viisnurk AS for the first quarter of 2002 were 81.8 mil. kroons and the economic activities resulted in the loss of 1.1 mil. kroons. As compared to the same period of the previous year, the net sales of the company increased by 24%. Viisnurk earned 8.6 mil. kroons of profit in the first quarter of 2001. The difference in the economic results of the compared quarters mainly results from the activities of the Wood Panel Factory, which produced the loss of 6.2 mil. kroons in the first quarter of the current year (the factory did not operate in the first quarter of 2001). Such a loss of Viisnurk corresponds to the budget of the factory and does not require any adjustment of the annual goals of the company.

Performance of Units

° The net sales of the Furniture Factory for the 1st quarter amounted to 42.1 million kroons, soaring by 21% on the same period of the previous year. The increase in the sales of the Furniture Factory resulted, first and foremost, from the growth of contract work in furniture production, which formed 43% of the net sales of the 1st quarter (39% in the 1st quarter of 2001). Notwithstanding the growth of sales, the increased role of contract work of lower profitability and changes in the range of products of the respective group have curtailed the profit of the factory. The operating profit of the Furniture Factory amounted to 5.6 million kroons in the 1st quarter, which is 0.4 mil. kroons less than the year before. This year, the factory is paying special attention to more efficient utilization of material and streamlining its procurement network to improve profitability.

° The net sales of the Sports Goods Division for the first quarter amounted to 8.7 million kroons (4.6 mil. kroons in the 1st quarter of 2001). The economic activities of the division resulted in the loss of 2.6 mil. kroons. The loss resulted from the traditionally slow sales of winter sports goods at the beginning of the year and modest production capacity, because the orders for the next season are placed as a rule at the end of the 1st and the beginning of the 2nd quarters. The current market situation predicts that the estimated output of both skis and hockey sticks in 2002 will exceed that of 2001.

° The net sales of the Wood Panel Factory for the 1st quarter were 10.7 mil. kroons, of which external sale formed 40% or 4.2 mil. kroons. As compared to the last quarter of 2001, the net sales of the factory have increased approximately by a third. In the first quarter, the operations of the Wood Panel Factory resulted in a loss of 4.5 million kroons. The efficiency of the factory has improved significantly on the last quarter; however, it is about a million kroons less than estimated. The inability to meet the estimations results from suspending the launch the third shift, which was planned for the 1st quarter, to the beginning of the 2nd quarter due to the lack of competent workforce and ongoing problems in the yield of sawn timber (the quality of material, training of workers). The Wood Panel Factory aims at starting to generate profit in the third quarter of 2002.

° The net sales of the Softboard Factory were 17.8 mil. kroons in the 1st quarter of 2002, which is 10% less than that of the last year. The factory earned 2.6 million kroons of profit (3 mil. kroons less than in the 1st quarter of 2001). Decreased net sales and profit result from the low of the construction industry in the major export markets in Europe, which is clearly perceived by the factory and causes sagging demand and stiffening competition. The Softboard Factory operated only five days a week throughout the 1st quarter due to declined demand. The factory has actively sought new customers (incl. new consumer sectors) and it will continue to operate seven days a week with a non-stop cycle from the beginning of the second quarter.

° Among other activities, which exposed the profit of 1.6 mil. kroons at the net sales of 9 mil. kroons, the Forestry Centre has improved its results as compared to the last year (the net sales soared by 40% and the profit went up from 49 thousand kroons to 500 thousand kroons). The profit from operations of the boiler house decreased, first and foremost, due

to declining internal consumption and the deficit and high price of wood chips, which are the basic raw material, from 1.6 mil. kroons in the 1st quarter of 2001 to 0.5 mil. kroons.

The financial ratios of AS Viisnurk at 31 March 2002:

	3 months 2002	3 months 2001
Current ratio (current assets/current liabilities)	1,44	1,41
Debt to total assets ratio	54 %	55 %
Operating margin (operating profit/net sales)	1,7 %	7,9 %
Net profit margin (net profit/net sales)	-1,3 %	5,6 %
Return on assets (net profit/average total assets)	-0,3 %	5,6 %
Return on equity (net profit/shareholders' equity)	-0,7 %	11,9 %