

VIISNURK AS

Consolidated Interim Report for the 4th Quarter of 2003

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Outline and Contact Details

AS Viisnurk is a multi-business wood processing company with over half a century's experience in adding value to wood. Its core business is furniture production although at present it is also involved in other areas of activity.

AS Viisnurk has four business units: furniture, sports goods, building materials and wood divisions.

Furniture division consists of the furniture factory that manufactures and markets wooden household furniture.

Sports goods division produces and markets cross-country skis and ice hockey sticks and distributes various sports and leisure goods.

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

Wood division is composed of a hardwood sawmill, a drying kilns complex and wood panels factory.

The Group also includes Skano OÜ, a wholly owned subsidiary (registered on 1 September 2003), which is engaged in the retail sale of furniture in Tallinn and Pärnu.

OÜ Visu (registered on 8 Detsember 2003) and OÜ Isotex (registered on 19 Detsember 2003) were established to allow former divisions to operate independently under their own trademarks and to facilitate their development. In connection with the decision to sell the divisions use of the subsidiaries has been abandoned.

The company has been listed on the Tallinn Stock Exchange.

| | |
|---|-----------------------------------|
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| Homepage: | www.viisnurk.ee |
| Beginning of the financial year: | 01.01.2003 |
| End of the financial year: | 31.12.2003 |
| Beginning of the Interim Report Period: | 01.01.2003 |
| End of the Interim Report Period: | 31.12.2003 |
| Chairman of management board: | Toivo Kuldmäe |

Consolidated Balance Sheet

| | | Thou. croons | Thou. croons | Thou. euros | Thou. euros |
|--|----------|-----------------------|-----------------------|----------------------|----------------------|
| | | 31.12.2003 | 31.12.2002 | 31.12.2003 | 31.12.2002 |
| Cash and bank | | 1,141 | 1,764 | 73 | 113 |
| Customer receivables | (Note 1) | 45,005 | 54,143 | 2,876 | 3,460 |
| Other receivables | | 115 | 1,916 | 7 | 122 |
| Prepayments | | 7,127 | 4,447 | 455 | 284 |
| Inventories | (Note 2) | 63,819 | 58,602 | 4,080 | 3,746 |
| Total current assets | | 117,207 | 120,872 | 7,491 | 7,725 |
| Long-term financial investments | (Note 3) | 1,436 | 1,436 | 92 | 92 |
| Investment property | (Note 4) | 2,535 | 2,792 | 162 | 178 |
| Tangible fixed assets | (Note 5) | 156,102 | 219,008 | 9,977 | 13,998 |
| Intangible fixed assets | (Note 5) | 3,716 | 785 | 237 | 50 |
| Total fixed assets | | 163,789 | 224,021 | 10,468 | 14,318 |
| <u>TOTAL ASSETS</u> | | <u>280,996</u> | <u>344,893</u> | <u>17,959</u> | <u>22,043</u> |
| Debt obligations | (Note 6) | 90,011 | 38,773 | 5,753 | 2,478 |
| Customer prepayments | | 219 | 620 | 14 | 40 |
| Supplier payables | | 38,802 | 30,978 | 2,480 | 1,980 |
| Taxes payable | | 6,956 | 5,944 | 445 | 380 |
| Accrued expenses | | 17,514 | 12,267 | 1,119 | 784 |
| Short-term provisions | (Note 7) | 3,129 | 1,493 | 200 | 95 |
| Total current liabilities | | 156,631 | 90,075 | 10,011 | 5,757 |
| Non-current debt obligations | (Note 6) | 50,160 | 111,773 | 3,206 | 7,144 |
| Total non-current liabilities | | 50,160 | 111,773 | 3,206 | 7,144 |
| Total liabilities | | 206,791 | 201,848 | 13,217 | 12,901 |
| Share capital (nominal value) | | 44,991 | 44,991 | 2,875 | 2,875 |
| Issue premium | | 11,332 | 11,332 | 724 | 724 |
| Mandatory capital reserve | | 4,499 | 4,499 | 288 | 288 |
| Retained profits | | 82,233 | 101,855 | 5,255 | 6,510 |
| Net profit for the year | | (68,840) | (19,632) | (4,400) | (1,255) |
| Total equity | (Note 8) | 74,205 | 143,045 | 4,742 | 9,142 |
| <u>TOTAL LIABILITIES AND EQUITY</u> | | <u>280,996</u> | <u>344,893</u> | <u>17,959</u> | <u>22,043</u> |

Consolidated Income Statement

| | | Thou. croons 4 th quarter 2003 | Thou. croons 4 th quarter 2002 | Thou. croons 12 months 2003 | Thou. croons 12 months 2002 | Thou. euros 4 th quarter 2003 | Thou. euros 4 th quarter 2002 | Thou. euros 12 months 2003 | Thou. euros 12 months 2002 |
|--|-----------|---|---|-----------------------------------|-----------------------------------|--|--|----------------------------------|----------------------------------|
| RETURN ON SALES | (Note 10) | 113,192 | 109,309 | 392,331 | 367,531 | 7,234 | 6,986 | 25,074 | 23,489 |
| Cost of production sold | | (159,645) | (113,510) | (414,157) | (343,168) | (10,203) | (7,254) | (26,469) | (21,932) |
| Gross profit | | (46,453) | (4,201) | (21,826) | 24,363 | (2,969) | (268) | (1,395) | 1,557 |
| Marketing expenses | | (7,448) | (6,267) | (23,210) | (19,664) | (476) | (401) | (1,483) | (1,257) |
| General administrative expenses | | (2,903) | (2,955) | (11,915) | (9,953) | (186) | (189) | (762) | (636) |
| Other income | | 943 | 190 | 6,865 | 1,642 | 60 | 12 | 439 | 105 |
| Other expenses | | (5,761) | (4,508) | (10,380) | (6,117) | (367) | (288) | (664) | (391) |
| Operating profit | (Note 10) | (61,622) | (17,741) | (60,466) | (9,729) | (3,938) | (1,134) | (3,865) | (622) |
| Financial income and financial expenses | | (1,986) | (2,475) | (8,374) | (9,903) | (127) | (158) | (535) | (633) |
| NET PROFIT FOR THE PERIOD | | (63,608) | (20,216) | (68,840) | (19,632) | (4,065) | (1,292) | (4,400) | (1,255) |
| Basic earnings per share | (Note 9) | (14,14) | (4,49) | (15,30) | (4,36) | (0,90) | (0,29) | (0,98) | (0,28) |
| Diluted earnings per share | (Note 9) | (14,14) | (4,49) | (15,30) | (4,36) | (0,90) | (0,29) | (0,98) | (0,28) |

Consolidated Cash Flow Statement

| | Thou. croons 12 months 2003 | Thou. croons 12 months 2002 | Thou. euros 12 months 2003 | Thou. euros 12 months 2002 |
|---|-----------------------------------|-----------------------------------|----------------------------------|----------------------------------|
| Cash flow from operations | | | | |
| Net profit | (68,840) | (19,632) | (4,400) | (1,255) |
| <i>Adjustments for:</i> | | | | |
| Loss from write-down of receivables | 1,489 | 1,945 | 95 | 124 |
| Loss from write-down of inventories | 7,107 | 9,536 | 454 | 610 |
| Depreciation of fixed assets | 27,887 | 26,699 | 1,782 | 1,706 |
| Impairment loss of fixed assets | 38,018 | 0 | 2,430 | 0 |
| Gain on sale of fixed assets | (410) | 91 | (26) | 6 |
| Gain on sale of investment property | (2,479) | 0 | (158) | 0 |
| Gain on long-term financial investments | 0 | (297) | 0 | (19) |
| Change in provisions | 1,636 | 1,493 | 105 | 95 |
| Interest expense | 8,182 | 9,984 | 523 | 638 |
| Operating profit before changes in operating capital | 12,590 | 29,819 | 805 | 1,905 |
| Change in operations-related receivables and prepayments | 6,769 | (2,291) | 433 | (146) |
| Change in inventories | (12,324) | 6,439 | (788) | 412 |
| Change in operations-related liabilities and prepayments | 14,602 | (2,062) | 932 | (132) |
| Cash generated from operations | 21,637 | 31,905 | 1,382 | 2,039 |
| Interest paid | (9,103) | (10,109) | (582) | (646) |
| Total cash flow from operations | 12,534 | 21,796 | 800 | 1,393 |
| Cash flow from investments | | | | |
| Acquisition of tangible fixed assets | (6,449) | (29,182) | (412) | (1,865) |
| Sale of tangible fixed assets | 2,011 | 437 | 129 | 28 |
| Acquisition of intangible fixed assets | (1,374) | (40) | (88) | (3) |
| Sale of investment property | 2,653 | 0 | 170 | 0 |
| Dividends received | 0 | 297 | 0 | 19 |
| Total cash flow from investments | (3,159) | (28,488) | (201) | (1,821) |
| Cash flow from financing activities | | | | |
| Proceeds from borrowing | 0 | 10,000 | 0 | 639 |
| Repayment of loans | (5,842) | (1,454) | (373) | (93) |
| Settlement of finance lease liabilities | (2,527) | (2,384) | (162) | (152) |
| Change in the overdraft balance | (1,629) | (2,742) | (104) | (175) |
| Total cash flow from financing activities | (9,998) | 3,420 | (639) | 219 |
| TOTAL CASH FLOW | (623) | (3,272) | (40) | (209) |
| CASH AT BEGINNING OF PERIOD | 1,764 | 5,036 | 113 | 322 |
| CASH AT END OF PERIOD | 1,141 | 1,764 | 73 | 113 |

Consolidated statement of changes in equity

| | Share capital Thou. croons | Share premium Thou. croons | Mandatory capital reserve Thou. croons | Retained earnings Thou. croons | Profit/loss for the period Thou. croons | Total Thou. croons |
|-------------------------------|-------------------------------|-------------------------------|---|-----------------------------------|--|-----------------------|
| 31.12.2001 | 44,991 | 11,332 | 4,499 | 82,472 | 19,383 | 162,677 |
| Covering of the loss for 2001 | 0 | 0 | 0 | 19,383 | (19,383) | 0 |
| Loss for 2002 | 0 | 0 | 0 | 0 | (19,632) | (19,632) |
| 31.12.2002 | 44,991 | 11,332 | 4,499 | 101,855 | (19,632) | 143,045 |
| Covering of the loss for 2002 | 0 | 0 | 0 | (19,632) | 19,632 | 0 |
| Loss for 2003 | 0 | 0 | 0 | 0 | (68,840) | (68,840) |
| 31.12.2003 | 44,991 | 11,332 | 4,499 | 82,223 | (68,840) | 74,205 |

| | Share capital Thou. euros | Share premium Thou. euros | Mandatory capital reserve Thou. euros | Retained earnings Thou. euros | Profit/loss for the period Thou. euros | Total Thou. euros |
|-------------------------------|------------------------------|------------------------------|--|----------------------------------|---|----------------------|
| 31.12.2001 | 2,875 | 724 | 288 | 5,271 | 1,239 | 10,397 |
| Covering of the loss for 2001 | 0 | 0 | 0 | 1,239 | (1,239) | 0 |
| Loss for 2002 | 0 | 0 | 0 | 0 | (1,255) | (1,255) |
| 31.12.2002 | 2,875 | 724 | 288 | 6,510 | (1,255) | 9,142 |
| Covering of the loss for 2002 | 0 | 0 | 0 | (1,255) | 1,255 | 0 |
| Loss for 2003 | 0 | 0 | 0 | 0 | (4,400) | (4,400) |
| 31.12.2003 | 2,875 | 724 | 288 | 5,255 | (4,400) | 4,742 |

Notes to Interim Report

Accounting Policies And Measurement Bases

The accounting policies applied at the preparation of the Interim Report of Viisnurk AS for the 4th quarter of 2003 comply with the International Accounting Standards. The same accounting policies were applied for both the Interim Report and the Annual Report for the financial year that ended on 31.12.2002.

According to the assessment of the Management Board, Viisnurk AS is a going concern and the Interim Report for the 4th quarter of 2003 gives a true and fair view of the financial position of Viisnurk AS and the results of its operations. The present Interim Report has not been audited.

The Interim Report has been presented in thousands of Estonian Croons and in thousands of euros. The exchange rate between Croons and euros is 15.64664.

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

1. Customer receivables

| | Thou. croons | Thou. croons | Thou. euros | Thou. euros |
|------------------------------------|-------------------|-------------------|-------------------|-------------------|
| | 31.12.2003 | 31.12.2002 | 31.12.2003 | 31.12.2002 |
| Accounts receivable | 46,602 | 56,381 | 2,978 | 3,603 |
| Allowance for doubtful receivables | (1,597) | (2,238) | (102) | (143) |
| TOTAL | 45,005 | 54,143 | 2,876 | 3,460 |

In 2003 receivables written off as irrecoverable totalled EEK 1,981 thou (€127 thou). Items that were considered doubtful amounted to EEK 1,489 thou (€95 thou). In 2003 we collected EEK 150 thou (€10 thou) of receivables that had been considered doubtful in 2002.

2. Inventories

| | Thou. croons | Thou. croons | Thou. euros | Thou. euros |
|----------------------------------|-------------------|-------------------|-------------------|-------------------|
| | 31.12.2003 | 31.12.2002 | 31.12.2003 | 31.12.2002 |
| Materials | 20,785 | 19,362 | 1,328 | 1,237 |
| Work in progress | 25,450 | 22,718 | 1,627 | 1,452 |
| Finished goods | 12,909 | 11,805 | 826 | 755 |
| Merchandise purchased for resale | 3,642 | 4,518 | 233 | 289 |
| Prepayments to suppliers | 1,033 | 199 | 66 | 13 |
| TOTAL | 63,819 | 58,602 | 4,080 | 3,746 |

At 31 December 2003, the carrying amount of inventories reported at net realisable value amounted to EEK 16,803 thou (€1,074 thou). At 31 December 2002, the corresponding figure was EEK 20,676 thou (€1,321 thou).

Write-down of inventories

Thou. croons

| | Sports goods division | Furniture division | Building materials division | Wood division | Total |
|----------------------------------|-----------------------|--------------------|-----------------------------|---------------|--------------|
| Materials | 148 | 279 | 695 | 42 | 1,164 |
| Work in progress | 2,024 | 0 | 0 | 1,596 | 3,620 |
| Finished goods | 713 | 0 | 133 | 243 | 1,089 |
| Merchandise purchased for resale | 1,234 | 0 | 0 | 0 | 1,234 |
| TOTAL | 4,119 | 279 | 828 | 1,881 | 7,107 |

Thou. euros

| | Sports goods division | Furniture division | Building materials division | Wood division | Total |
|----------------------------------|-----------------------|--------------------|-----------------------------|---------------|------------|
| Materials | 9 | 18 | 44 | 3 | 74 |
| Work in progress | 129 | 0 | 0 | 102 | 231 |
| Finished goods | 46 | 0 | 9 | 15 | 70 |
| Merchandise purchased for resale | 79 | 0 | 0 | 0 | 79 |
| TOTAL | 263 | 18 | 53 | 120 | 454 |

Inventories were written down due to a shrinkage in demand and a decline in net realisable value.

3. Long-term financial investments

| | Thou. croons 31.12.2003 | Thou. croons 31.12.2002 | Thou. euros 31.12.2003 | Thou. euros 31.12.2002 |
|-------------------------|----------------------------|----------------------------|---------------------------|---------------------------|
| Other shares and issues | 1,436 | 1,436 | 92 | 92 |
| TOTAL | 1,436 | 1,436 | 92 | 92 |

Shares in subsidiaries

Thou. croons

| | Skano OÜ (Estonia) | Visu OÜ (Estonia) | Isotex OÜ (Estonia) | TOTAL |
|---|-----------------------------|----------------------|------------------------|-------|
| Date of registration | 1.9.2003 | 8.12.2003 | 19.12.2003 | |
| Shares acquired during the period | 1 | 1 | 1 | |
| Number of shares 31.12.2003 | 1 | 1 | 1 | |
| Interest 31.12.2003 | 100 | 100 | 100 | |
| Cost of shares acquired during the period | 40 | 40 | 40 | 120 |
| Loss for the period under the equity method | (40) | 0 | 0 | (40) |
| Book value 31.12.2003 | 0 | 40 | 40 | 80 |
| Cost 31.12.2003 | 40 | 40 | 40 | 120 |
| Market value at end of period | Cannot be measured reliably | | | |

Thou. euros

| | Skano OÜ (Estonia) | Visu OÜ (Estonia) | Isotex OÜ (Estonia) | TOTAL |
|---|-----------------------|----------------------|------------------------|-------|
| Date of registration | 1.9.2003 | 8.12.2003 | 19.12.2003 | |
| Shares acquired during the period | 1 | 1 | 1 | |
| Number of shares 31.12.2003 | 1 | 1 | 1 | |
| Interest 31.12.2003 | 100 | 100 | 100 | |
| Cost of shares acquired during the period | 2 | 3 | 3 | 8 |
| Loss for the period under the equity method | (2) | 0 | 0 | (2) |

| | | | | |
|-------------------------------|-----------------------------|---|---|---|
| Carrying amount 31.12.2003 | 0 | 3 | 3 | 6 |
| Cost 31.12.2003 | 2 | 3 | 3 | 8 |
| Market value at end of period | Cannot be measured reliably | | | |

Subsidiaries' equities at 31 December 2003

| | Thou. croons | | | |
|---------------------|-----------------------|----------------------|------------------------|-------------|
| | Skano OÜ (Estonia) | Visu OÜ (Estonia) | Isotex OÜ (Estonia) | TOTAL |
| Share capital | 40 | 40 | 40 | 120 |
| Loss for the period | (214) | 0 | 0 | (214) |
| Total equity | (174) | 40 | 40 | (94) |

| | Thou. euros | | | |
|---------------------|-----------------------|----------------------|------------------------|------------|
| | Skano OÜ (Estonia) | Visu OÜ (Estonia) | Isotex OÜ (Estonia) | TOTAL |
| Share capital | 2 | 3 | 3 | 8 |
| Loss for the period | (14) | 0 | 0 | (14) |
| Total equity | (12) | 3 | 3 | (6) |

4. Investment property

| | Thou. croons | Thou. euros |
|---|--------------|-------------|
| Acquisition cost at 01.01.2003 | 3,563 | 227 |
| Disposals in 12 months of 2003 | (201) | (13) |
| Acquisition cost at 31.12.2003 | 3,362 | 214 |
| Accumulated depreciation at 01.01.2003 | (771) | (49) |
| Depreciation in 12 months of 2003 | (84) | (5) |
| Depreciation disposed of in 12 months of 2003 | 28 | 2 |
| Accumulated depreciation at 31.12.2003 | (827) | (52) |
| Net book value at 01.01.2003 | 2,792 | 178 |
| Net book value at 31.12.2003 | 2,535 | 162 |

In the 12 months Viisnurk earned 2,479 thousand croons (158 thousand euros) of profit (other income) from the sales of real estate investments.

Investment management expenses and rental income of the period amounted to EEK 183 thou (€12 thou) and EEK 18 thou (€1 thou) respectively.

5. Tangible And Intangible Fixed Assets

| | Thou. croons | | |
|--|--------------------------|----------------------------|-----------|
| | Tangible fixed assets | Intangible fixed assets | TOTAL |
| Acquisition cost at 01.01.2003 | 317,050 | 2,277 | 319,327 |
| Acquired in 12 months of 2003 | 7,647 | 3,260 | 10,907 |
| Fixed assets disposed of in 12 months of 2003 | (7,204) | 0 | (7,204) |
| Acquisition cost at 31.12.2003 | 317,493 | 5,537 | 323,030 |
| Depreciation at 01.01.2003 | (101,668) | (1,492) | (103,160) |
| Depreciation in 12 months of 2003 | (27,473) | (329) | (27,802) |
| Inflation of fixed assets | (38,018) | 0 | (38,018) |
| Depreciation on fixed assets disposed of in 12 months of 2003 | 4,972 | 0 | 4,972 |
| Depreciation at 31.12.2003 | (162,187) | (1,821) | (164,008) |
| Net book value at 01.01.2003 | 215,382 | 785 | 216,167 |
| Net book value at 31.12.2003 | 155,306 | 3,716 | 159,022 |

| | Thou. euros | | |
|--|----------------|------------|-------|
| | Tangible fixed | Intangible | TOTAL |
| | | | |

| | assets | fixed assets | |
|---|----------|--------------|-----------------|
| Acquisition cost at 01.01.2003 | 20,263 | 145 | 20,408 |
| Acquired in 12 months of 2003 | 489 | 208 | 697 |
| Fixed assets disposed of in 12 months of 2003 | (460) | 0 | (460) |
| Acquisition cost at 31.12.2003 | 20,292 | 353 | 20,645 |
| Depreciation at 01.01.2003 | (6,498) | (95) | (6,593) |
| Depreciation in 12 months of 2003 | (1,756) | (21) | (1,777) |
| Inflation of fixed assets | (2,430) | 0 | (2,430) |
| Depreciation on fixed assets disposed of in 12 months of 2003 | 318 | 0 | 318 |
| Depreciation at 31.12.2003 | (10,366) | (116) | (10,482) |
| Net book value at 01.01.2003 | 13,765 | 50 | 13,815 |
| Net book value at 31.12.2003 | 9,926 | 237 | 10,163 |

The balance of construction in progress amounted to 796 thousand croons (51 thousand euros) as of 31.12.2003 and 3,626 thousand croons (233 thousand euros) as of 01.01.2003.

6. Debt Obligations

| | Thou. croons | Thou. croons | Thou. euros | Thou. euros |
|------------------------------|-------------------|-------------------|-------------------|-------------------|
| | 31.12.2003 | 31.12.2002 | 31.12.2003 | 31.12.2002 |
| Current liabilities | 90,011 | 38,773 | 5,753 | 2,478 |
| Non-current debt obligations | 50,160 | 111,773 | 3,206 | 7,144 |
| Incl. long-term loans | 45,590 | 73,563 | 2,914 | 4,702 |
| Non-convertible debt | 4,570 | 38,210 | 292 | 2,442 |
| TOTAL | 140,171 | 150,546 | 8,959 | 9,622 |

7. Short-term provisions

| | Thou. croons | Thou. croons | Thou. euros | Thou. euros |
|-------------------------|-------------------|-------------------|-------------------|-------------------|
| | 31.12.2003 | 31.12.2002 | 31.12.2003 | 31.12.2002 |
| Restructuring provision | 1,923 | 1,493 | 123 | 95 |
| Guaranty provision | 1,206 | 0 | 77 | 0 |
| TOTAL | 3,129 | 1,493 | 200 | 95 |

Restructuring involves the lay-off of 191 employees. Lay-off expenses have been recognised as personnel expenses under cost of goods sold. Restructuring involves the closure of the wood division on 16 April 2004.

The guaranty provision has been established on the basis of historical data for claims that may be submitted to the sports goods division in 2004. Expenses related to potential claims have been recognised under other expenses.

8. Owners' Equity

Share capital

| | Number of shares | Share capital | Share capital |
|------------|------------------|---------------|---------------|
| | | Thou. croons | Thou. euros |
| 31.12.2003 | 4,499,061 | 44,991 | 2,875 |

At 31 December 2003 the share capital of AS Viisnurk amounted to EEK 44,990,610 (€2,875,417). The share capital is made up of 4,499,061 shares with a par value of EEK 10

(€0.64) each. According to the Articles of Association, the company's maximum share capital amounts to EEK 177,480,800 (€11,343,062).

The share capital did not change in the 4th quarter of the year 2003.

9. Earnings per share

Basic earnings per share have been calculated by dividing the net negative profit for the period 68,839,541 croons (4,399,637 euros) by the number of shares 4,499,061.

Basic earnings per share for 12 months of 2003 = $(68,839,541) / 4,499,061 = (15.30)$ croons / (0.98) euros

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

10. Business Segments (consolidated)

In thousands of Estonian croons

| | Sports Goods Division | | Furniture Factory* | | Building Materials Division | | Wood Division | | Supporting units | | Eliminations | | TOTAL OF VIISNURK | |
|----------------------------------|-----------------------|----------|--------------------|---------|-----------------------------|--------|---------------|----------|------------------|--------|--------------|----------|-------------------|----------|
| | 2003 | 2002 | 2003 | 2002 | 2003 | 2002 | 2003 | 2002 | 2003 | 2002 | 2003 | 2002 | 2003 | 2002 |
| External sales | 71,809 | 83,099 | 153,263 | 156,094 | 92,201 | 83,234 | 74,135 | 43,229 | 923 | 1,875 | 0 | 0 | 392,331 | 367,531 |
| Inter-segmental sales | 0 | 0 | 722 | 76 | 2,722 | 4,757 | 24,984 | 31,067 | 14,993 | 18,151 | (43,421) | (54,051) | 0 | 0 |
| Total sales revenue | 71,809 | 83,099 | 153,985 | 156,170 | 94,923 | 87,991 | 99,119 | 74,296 | 15,916 | 20,026 | (43,421) | (54,051) | 392,331 | 367,531 |
| Segment's result | (24,471) | (15,484) | 6,551 | 15,184 | 19,482 | 17,275 | (52,914) | (17,401) | 2,801 | 650 | 0 | 0 | (48,551) | 224 |
| Unallocated expenses | | | | | | | | | | | | | (11,915) | (9,953) |
| Operating profit | | | | | | | | | | | | | (60,466) | (9,729) |
| Net financial expenses | | | | | | | | | | | | | (8,374) | (9,903) |
| Net profit for accounting period | | | | | | | | | | | | | (68,840) | (19,632) |
| Inflation of fixed assets | 6,759 | 0 | 0 | 0 | 0 | 0 | 31,259 | 0 | 0 | 0 | 0 | 0 | 38,018 | 0 |
| Provisions | 1,206 | 1,239 | 0 | 0 | 0 | 0 | 1,746 | 0 | 177 | 254 | 0 | 0 | 3,129 | 1,493 |
| Annual inventory write-down | 4,119 | 7,904 | 279 | 166 | 828 | 419 | 1,881 | 1,047 | 0 | 0 | 0 | 0 | 7,107 | 9,536 |

* - The Furniture Division segment consist of AS Viisnurk furniture factory and subsidiary company Skano OÜ (Skano OÜ earned 214 thou croons loss on its turnover of 312 thou croons)

Viisnurk AS
Consolidate Interim Report for the 4th Quarter of 2003

In thousands of euros

| | Sports Goods Division | | Furniture Factory* | | Building Materials Division | | Wood Division | | Supporting units | | Eliminations | | TOTAL OF VIISNURK | |
|----------------------------------|-----------------------|-------|--------------------|-------|-----------------------------|-------|---------------|---------|------------------|-------|--------------|---------|-------------------|---------|
| | 2003 | 2002 | 2003 | 2002 | 2003 | 2002 | 2003 | 2002 | 2003 | 2002 | 2003 | 2002 | 2003 | 2002 |
| External sales | 4,589 | 5,311 | 9,795 | 9,976 | 5,893 | 5,320 | 4,738 | 2,762 | 59 | 120 | 0 | 0 | 25,074 | 23,489 |
| Inter-segmental sales | 0 | 0 | 46 | 5 | 174 | 304 | 1,597 | 1,986 | 958 | 1,160 | (2,775) | (3,455) | 0 | 0 |
| Total sales revenue | 4,589 | 5,311 | 9,841 | 9,981 | 6,067 | 5,624 | 6,335 | 4,748 | 1,017 | 1,280 | (2,775) | (3,455) | 25,074 | 23,489 |
| Segment's result | (1,564) | (990) | 419 | 970 | 1,245 | 1,104 | (3,382) | (1,112) | 179 | 42 | 0 | 0 | (3,103) | 14 |
| Unallocated expenses | | | | | | | | | | | | | (762) | (636) |
| Operating profit | | | | | | | | | | | | | (3,865) | (622) |
| Net financial expenses | | | | | | | | | | | | | (535) | (633) |
| Net profit for accounting period | | | | | | | | | | | | | (4,400) | (1,255) |
| Inflation of fixed assets | 432 | 0 | 0 | 0 | 0 | 0 | 1,998 | 0 | 0 | 0 | 0 | 0 | 2,430 | 0 |
| Provisions | 77 | 79 | 0 | 0 | 0 | 0 | 112 | 0 | 11 | 16 | 0 | 0 | 200 | 95 |
| Annual inventory write-down | 263 | 505 | 18 | 11 | 53 | 27 | 120 | 67 | 0 | 0 | 0 | 0 | 454 | 610 |

* - The Furniture Division segment consist of AS Viisnurk furniture factory and subsidiary company Skano OÜ (Skano OÜ earned 14 thou euros loss on its turnover of 20 thou euros)

11. Discontinuing operations

In accordance with a decision adopted by the management and supervisory boards of AS Viisnurk on 16 February 2004, the operation of the wood division will be terminated from 16 April 2004. The wood division comprised a sawmill and a drying kiln complex (were engaged in the purchase of wood and production of sawn timber) and a wood panels factory (was engaged in the production of wood panels).

The decision was adopted because the division continued incurring losses.

In connection with the closure of the division, the inventories and property, plant and equipment of the division were written down and a provision of EEK 1,746 thou (€112 thou) was established for the lay-off of 186 employees from the wood division and a provision of EEK 177 thou (€11 thou) was established for the lay-off of 5 employees from the business management division. The loss from the write-down of inventories amounted to EEK 1,184 thou (€76 thou) and the one from the write-down of property, plant and equipment equalled EEK 31,259 thou (€1,998 thou).

The assets of the wood division will be sold in a set or separately depending on negotiations with buyers. The divestment process is managed by AS Trigon Capital. The carrying amount of the assets of the wood division is EEK 84,664 thou (€5,411 thou) and the time of collection of the estimated sales price is uncertain.

On 22 January 2004 the supervisory board of AS Viisnurk decided to launch the divestment of the building materials and sports goods divisions in order to allow the company to focus on its core activities: furniture production and distribution. Both divisions will be sold as a set. Transaction advice will be provided by AS Trigon Capital. The carrying amounts of the assets of the sports goods division and building materials division equal EEK 54,355 thou (€3,474 thou) and EEK 42,358 thou (€2,707 thou). The time of collection of the estimated sales price is uncertain.

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

The sports goods division produces and markets cross-country skis and ice hockey sticks and distributes various sports and leisure goods.

The divisions will be sold without loans.

AS Viisnurk intends to complete the divestment of the building materials and sports goods divisions in 2004.

In connection with the divestment of the divisions, their inventories and property, plant and equipment were restated.

The losses of the sports goods division from an additional restatement of inventories and property plant and equipment amounted to EEK 1,157 thou (€74 thou) and EEK 6,759 thou (€432 thou) respectively. In addition, a warranty provision of EEK 1,206 thou (€77 thou) was established for potential claims.

The loss of the building materials division from additional restatement of inventories amounted to EEK 167 thou (€11 thou).

Explanatory Note to Interim Report

Performance

Revenue and result of operations

The net sales of Viisnurk for the 4th quarter of 2003 were EEK 113.2m (€7.2m). AS Viisnurk ended 2003 with revenues of EEK 392.3m (€25.1m), 6.7% up on 2002. In terms of business units, the revenues of the wood and building materials divisions increased by a third and 8% respectively, those of the furniture division remained stable, and the one of the sports goods division declined roughly 14%.

AS Viisnurk ended the financial year with a loss of EEK 68.8m (€4.4m). In the 4th quarter, the company made a loss of EEK 63.6m (€4.1 m). The result for 2002 was a loss of EEK 19.6m (€1.2m). The building materials and furniture divisions earned a profit of EEK 19.5m (€1.2m) and EEK 6.8m (€0.4m) respectively, whereas the wood and sports goods divisions incurred a loss of EEK 52.9m (€3.4m) and EEK 24.5m (€1.6m) respectively. Extraordinary write-downs and provisions related to the restructuring of the company accounted for EEK 41.2m (€2.6m) of the overall loss figure.

Assets, liabilities and cash flows

Total assets decreased by 18.5% to EEK 281 (€18m). The amount of current assets remained stable but the carrying amount of property, plant and equipment decreased by EEK 60.2m (€3.8m) due to write-down of assets at the wood and sports goods divisions (EEK 38.1m (€2.4m) in aggregate) and the fact that depreciation expense surpassed investments made. The overall amount of liabilities remained stable (EEK 206.8m (€13.2m)) but the share of current liabilities increased substantially (EEK 156.6m (€10m)) as two loans expiring in 2004 (EEK 56m (€3.6m) in aggregate) were recorded as current items. The loans will be refinanced in the first half of 2004.

Cash flows from operating activities were positive, amounting to EEK 12.5m (€0.8m). Investments related to operating activity totalled EEK 7.8m (€0.5m); proceeds from the sale of investment properties and property, plant and equipment amounted to EEK 4.7m (€0.3m). Loan liabilities decreased by approximately EEK 10m (€0.6m).

Results of divisions

Furniture division

The furniture division ended the financial year with revenues of EEK 153.3m (€9.8m) and a profit of EEK 6.6m (€0.4m). Sales remained comparable to 2002 but an increase in marketing and personnel expenses, arisen from the division's new strategic development plan, and problems related to implementation of new products and purchase of materials in the second half of the year reduced profitability by a half.

The new strategic development plan, which was prepared in 2003, is aimed at attaining a significant increase in furniture sales of subsequent periods. Based on the plan, the organisational structure was supplemented with 12 new managerial and specialist positions to reinforce the marketing, engineering and logistics departments.

Exports accounted for 92% of sales. The main export markets were Finland, Sweden, Russia and Germany.

Sports goods division

The sports goods division earned revenues of EEK 71.8m (€4.6m) but incurred a loss of EEK 24.5m (€1.6m).

Sales of skis and ice hockey sticks accounted for 67% and 20% of sales and the retail and wholesale distribution sports goods contributed 13%.

Sales declined largely because of the output reduction strategy adopted at the beginning of the year for solving production problems. The loss resulted primarily from customer claims for delayed supply and large quantities of substandard skis. In addition, the result for 2003 reflects extraordinary expenses of EEK 6.8m (€0.4m) resulting from the claims of prior periods (EEK 2,7m/€0.2m) and inventory write-downs (EEK 4.1m/€0.2m). In addition, in the fourth quarter the property, plant and equipment of the division were written down to the extent of EEK 6.8m (€0.4m).

Despite problems, the orders of all major customers were completed and the division's customer relations remained good. Cooperation with Atomic was restored. The sales and production plans of 2004 are covered with contracts and to minimise production problems, acceptance of orders for more complicated skis has been reduced.

A positive development was the one-third improvement in the sales of ice hockey sticks. Sales of other winter goods (ski boots, poles, wax, etc) proved more modest than expected because of the belated winter.

Exports accounted for 83% of sales. The main export markets were the USA, Norway, Finland and Canada.

Building materials division

The results of the building materials division were exceptional: sales of EEK 92.2m (€5.9m), 8% up, and a profit of EEK 19.5m (€1.2m), 14% up on 2002.

Results have improved because of the optimisation of the product portfolio of the basic line by increasing the share of items with higher margins. Optimisation has been possible due to strong demand in the domestic and export markets. The plan to increase sales of Isotex interior finishing boards that contain more added value was completed successfully: sales of Isotex boards grew to 28% of total sales of the division (22% in 2002).

Exports accounted for 56% of sales. Similarly to previous periods, the main export markets were Finland and the Netherlands.

Wood division

The wood division ended 2003 with revenues EEK 74.1m (€6.3m) and with intra-company sales EEK 25m (€1.6m). The total revenues of the sawmill and drying kiln complex were EEK 33.7m (€2.2m), 3% up on 2002, and the total revenues of the wood panel factory amounted to EEK 65.4m (€4.2m), 58% up on 2002. The operation of the division ended in a loss of EEK 52.9m (€3.4m), including EEK 34.4m (€2.2m) resulting from write-downs and provisions related to the closure of the division.

In spite of increasing revenues the division continued incurring losses on the core activity. Low prices caused by overproduction in the European market and high fixed costs do not allow the division to operate profitably. In addition, in the fourth quarter the operation of the division was adversely affected by the scarcity of raw material.

Exports accounted for 45% of sales; the main export markets were Denmark, Germany and the United Kingdom.

Restructuring

To improve the company's financial position and allow focusing on the core activity (furniture production), we have decided to

- sell the building materials division;
- sell the sports goods division; and to
- close the wood division and sell or let its property, plant and equipment.

Following the decisions, in the fourth quarter of 2003 the property, plant and equipment of the wood and sports goods divisions were written down on the basis of market value appraisals performed for each asset. The divestment of the sports goods division and divestment or lease of the assets of the sports goods division are still in progress.

Therefore, it is possible, depending on the buyer's business plan and other circumstances, that the sales prices of the divisions when sold as sets may prove considerably higher than the total carrying amounts of their individual assets.

The property, plant and equipment of the wood division was written down to the extent of EEK 31.3m (€2.0m). Closure-related inventory write-downs totalled EEK 1.2m (€0.1m) and severance settlements were established a provision of EEK 1.9m (€0.1m).

The property, plant and equipment of the sports goods division was written down to the extent of EEK 6.8m (€0.4m).

Altogether, write-downs performed and provisions established because of the restructuring totalled EEK 41.2m (€2.6m).

The management and supervisory boards of AS Viisnurk are convinced that an opportunity to focus on the core activity and a stronger financial position will allow the company to advance towards its primary objective of becoming the leading furniture producer of the Baltic countries while sustaining profitable operation. The year 2004 is going to bring major changes whose first positive impacts should be visible in 2005.