

AS VIISNURK

Consolidated Interim Report for the 1st Quarter of 2004

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Outline and Contact Details

AS Viisnurk is a multibusiness wood processing company, that produces home furniture, cross-country skis, ice-hockey sticks, insulation and interior finishing boards.

The company has been listed on the Tallinn Stock Exchange.

Business name:	Viisnurk AS
Registry code:	10106774
Address:	Suur-Jõe 48, Pärnu 80042, Estonia
Telephone:	+372 44 78 323
Fax	+372 44 78 320
E-mail:	mail@viisnurk.ee
Homepage:	www.viisnurk.ee
Beginning of the financial year:	01.01.2004
End of the financial year:	31.12.2004
Beginning of the Interim Report Period:	01.01.2004
End of the Interim Report Period:	31.03.2004

Consolidate Balance Sheet

		Thou. croons 31.03.2004	Thou. croons 31.12.2003	Thou. euros 31.03.2004	Thou. euros 31.12.2003
Cash and bank		1,391	1,141	89	73
Customer receivables	(Note 1)	44,598	45,005	2,850	2,876
Other receivables		36	115	2	7
Prepayments		4,537	7,127	290	455
Inventories		68,278	63,819	4,364	4,080
Total current assets		118,840	117,207	7,595	7,491
Long-term financial investments	(Note 2)	1,436	1,436	92	92
Investment property	(Note 3)	1,808	2,535	116	162
Tangible fixed assets	(Note 4)	152,021	156,102	9,716	9,977
Intangible fixed assets	(Note 4)	3,450	3,716	220	237
Total fixed assets		158,715	163,789	10,144	10,468
<u>TOTAL ASSETS</u>		<u>277,555</u>	<u>280,996</u>	<u>17,739</u>	<u>17,959</u>
Debt obligations	(Note 5)	87,202	90,011	5,573	5,753
Customer prepayments		182	219	12	14
Supplier payables		38,212	38,801	2,442	2,480
Taxes payable		6,241	6,956	399	445
Accrued expenses		17,393	17,514	1,112	1,119
Short-term provisions	(Note 6)	2,672	3,129	171	200
Total current liabilities		151,902	156,630	9,709	10,011
Non-current debt obligations	(Note 5)	50,160	50,160	3,206	3,206
Total non-current liabilities		50,160	50,160	3,206	3,206
Total liabilities		202,062	206,790	12,915	13,217
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		13,384	82,223	855	5,255
Net profit for the year		1,287	(68,839)	82	(4,400)
Total equity	(Note 7)	75,493	74,206	4,824	4,742
<u>TOTAL LIABILITIES AND EQUITY</u>		<u>277,555</u>	<u>280,996</u>	<u>17,739</u>	<u>17,959</u>

Consolidate Income Statement

		Thou kroons 1 st quarter 2004	Thou kroons 1 st quarter 2003	Thou kroons 1 st quarter 2004	Thou kroons 1 st quarter 2003
RETURN ON SALES	(Note 9)	105,441	91,197	6,739	5,829
Cost of production sold		(95,292)	(79,848)	(6,090)	(5,104)
Gross profit		10,149	11,349	649	725
Marketing expenses		(7,388)	(5,616)	(472)	(359)
General administrative expenses		(2,327)	(2,709)	(149)	(173)
Other income		3,251	374	207	24
Other expenses		(521)	(602)	(33)	(38)
Operating profit	(Note 9)	3,164	2,796	202	179
Financial income and financial expenses		(1,876)	(2,210)	(120)	(142)
NET PROFIT FOR THE PERIOD		1,288	586	82	37
Basic earnings per share	(Note 8)	0,29	0,13	0,02	0,01
Diluted earnings per share	(Note 8)	0,29	0,13	0,02	0,01

Consolidate Cash Flow Statement

	Thou kroons 1 st quarter 2004	Thou kroons 1 st quarter 2003	Thou euros 1 st quarter 2004	Thou euros 1 st quarter 2003
Cash flow from operations	1,288	586	82	37
Net profit				
<i>Adjustments for:</i>				
Depreciation of fixed assets	6,050	7,242	387	463
Gain on sale of fixed assets	(6)	(42)	0	(3)
Gain on sale of investment property	(3,151)	0	(201)	0
Use of provisions	(456)	(191)	(30)	(12)
Interest expense	1,841	2 190	118	140
Operating profit before changes in operating capital	5,566	9,785	356	625
Change in operations-related receivables and prepayments	3,092	7,858	198	502
Change in inventories	(4,459)	(13,809)	(285)	(882)
Change in operations-related liabilities and prepayments	(1,478)	(516)	(95)	(33)
Cash generated from operations	2,721	3,318	174	212
Interest paid	(1,841)	(3,110)	(118)	(199)
Total cash flow from operations	880	208	56	13
Cash flow from investments				
Acquisition of fixed assets	(1,694)	(1,627)	(108)	(104)
Sale of fixed assets	13	42	1	3
Sale of investment property	3,860	0	246	0
Total cash flow from investments	2,179	(1,585)	139	(101)
Cash flow from financing activities				
Repayment of loans	(4,037)	(1,203)	(258)	(77)
Settlement of finance lease liabilities	(425)	(569)	(27)	(36)
Change in the overdraft balance	1,653	2,008	106	128
Total cash flow from financing activities	(2,809)	236	(179)	15
TOTAL CASH FLOW	250	(1,141)	16	(73)
CASH AT BEGINNING OF PERIOD	1,141	1,764	73	113
CASH AT END OF PERIOD	1,391	623	89	40

Statement of Movements in Equity

	Share capital Thou kroons	Issue premiu m Thou kroons	Mandato ry capital reserve Thou kroons	Retained profits/lo sses kroons	Profit/lo ss for the last year Thou kroons	Profit/lo ss for the year Thou kroons	Total equity Thou kroons
Balance							
31.12.2002	44,991	11,332	4,499	101,855	0	(19,632)	143,045
Appropriatio n of 2002 loss	0	0	0	(19,632)	0	19,632	0
Loss for the accounting period	0	0	0	0	0	(68,839)	(68,839)
Balance							
31.12.2003	44,991	11,332	4,499	82,223	0	(68,839)	74,206
Loss for the last year	0	0	0	0	(68,839)	68,839	0
Net profit for the accounting period	0	0	0	0	0	1,287	1,287
Balance							
31.12.2003	44,991	11,332	4,499	82,223	(68,839)	1,287	75,493

	Share capital Thou euros	Issue premiu m Thou euros	Mandato ry capital reserve Thou euros	Retained profits/lo sses Thou euros	Profit/lo ss for the last year Thou euros	Profit/lo ss for the year Thou euros	Total equity Thou euros
Balance							
31.12.2002	2,875	724	288	6,510	0	(1,255)	9,142
Appropriatio n of 2002 loss	0	0	0	(1,255)	0	1,255	0
Loss for the accounting period	0	0	0	0	0	(4,400)	(4,400)
Balance							
31.12.2003	2,875	724	288	5,255	0	(4,400)	4,742
Loss for the last year	0	0	0	0	(4,400)	4,400	0
Net profit for the accounting period	0	0	0	0	0	82	82
Balance							
31.12.2003	2,875	724	288	5,255	(4,400)	82	4,824

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 1st quarter of 2004 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 31.12.2003.

According to the assessment of the Management Board, Viisnurk AS is a going concern and the Interim Report for the 1st quarter of 2004 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.

1. Customer receivables

	Thou kroons	Thou kroons	Thou euros	Thou euros
	31.03.2004	31.12.2003	31.03.2004	31.12.2003
Accounts receivable	46,195	46,602	2,952	2,978
Allowance for doubtful receivables	(1,597)	(1,597)	(102)	(102)
TOTAL	44,598	45,005	2,850	2,876

2. Long-term financial investments

	Thou kroons	Thou kroons	Thou euros	Thou euros
	31.03.2004	31.12.2003	31.03.2004	31.12.2003
Other shares and issues	1,436	1,436	92	92
TOTAL	1,436	1,436	92	92

Investments in Subsidiaries

	Skano OÜ (Estonia)	Visu OÜ (Estonia)	Isotex OÜ (Estonia)
Number of shares 01.01.2004	1	1	1
Number of shares 31.03.2004	1	1	1
Participation % 31.03.2004	100	100	100

Owner's equity of subsidiaries 31.3.2004

	Skano OÜ (Estonia)	Visu OÜ (Estonia)	Isotex OÜ (Estonia)	Total
Share capital	40	40	40	120
Net profit for the last year	(214)	0	0	(214)
Net profit for the year	246	0	0	246
Total equity	72	40	40	152

	Skano OÜ	Visu OÜ	Isotex OÜ	Total

	(Estonia)	(Estonia)	(Estonia)	
Share capital	2	3	3	8
Net profit for the last year	(14)	0	0	(14)
Net profit for the year	16	0	0	16
Total equity	4	3	3	10

3. Investment property

	Thou kroons	Thou euros
Acquisition cost at 01.01.2004	3,362	215
Disposals in 3 months of 2004	(1,360)	(87)
Acquisition cost at 31.03.2004	2,002	128
Accumulated depreciation at 01.01.2004	(827)	(53)
Depreciation in 3 months of 2004	(17)	(1)
Depreciation disposed of in 3 months of 2004	651	42
Accumulated depreciation at 31.03.2004	(193)	(12)
Net book value at 01.01.2004	2,535	162
Net book value at 31.03.2004	1,809	116

In the 3 months Viisnurk earned 3,151 thousand kroons (201 thousand euros) of profit (other income) from the sales of real estate investments.

Costs of maintenance for 3 months of 2004 were 49 thousand kroons (3 thousand euros).

4. Tangible And Intangible Fixed Assets

	Thou kroons		
	Tangible fixed assets	Intangible fixed assets	TOTAL
Acquisition cost at 01.01.2004	317,351	5,537	322,888
Acquired in 3 months of 2004	1,242		1,242
Fixed assets disposed of in 3 months of 2004	(164)		(164)
Acquisition cost at 31.3.2004	318,429	5,537	323,966
Depreciation at 01.01.2004	(162,174)	(1,821)	(163,995)
Depreciation in 3 months of 2004	(5,757)	(266)	(6,023)
Depreciation on fixed assets disposed of in 3 months of 2004	157		157
Depreciation at 31.03.2004	(167,774)	(2,087)	(169,861)
Net book value at 01.01.2004	155,177	3,716	155,177
Net book value at 01.03.2004	150,655	3,450	150,655

	Thou euros		
	Tangible fixed assets	Intangible fixed assets	TOTAL
Acquisition cost at 01.01.2004	20 282	353	20 635
Acquired in 3 months of 2004	79		79
Fixed assets disposed of in 3 months of 2004	(10)		(10)
Acquisition cost at 31.3.2004	20 351	353	20 704
Depreciation at 01.01.2004	(10 364)	(116)	(10 480)
Depreciation in 3 months of 2004	(368)	(17)	(385)
Depreciation on fixed assets disposed of in 3 months of 2004	10		10
Depreciation at 31.03.2004	(10 722)	(133)	(10 855)
Net book value at 01.01.2004	9 918	237	10 155
Net book value at 01.03.2004	9 629	220	9 849

The balance of construction in progress amounted to 1,248 thousand kroons (80 thousand euros) as of 31.03.2004 and 796 thousand kroons (51 thousand euros) as of 01.01.2004.

5. Debt Obligations

	Thou kroons	Thou kroons	Thou euros	Thou euros
	31.03.2004	31.12.2003	31.03.2004	31.12.2003
Current liabilities	87,202	90,011	5,573	5,753
Non-current debt obligations	50,160	50,160	3,206	3,206
Incl. long-term loans	45,590	45,590	2,914	2,914
Non-convertible debt	4,570	4,570	292	292
TOTAL	137,362	140,171	8,779	8,959

6. Short-term provisions

	Thou kroons	Thou kroons	Thou euros	Thou euros
	31.03.2004	31.12.2003	31.03.2004	31.12.2003
Restructuring provision	1,923	1,923	123	123
Guaranty provision	749	1,206	48	77
TOTAL	2,672	3,129	171	200

7. Owners' Equity

	Number of shares	Share capital	Share capital
		Thou kroons	Thou euros
Balance 31.03.2004	4,499,061	44,991	2,875

At 31.3.2004, the share capital of Viisnurk AS totaled 44,990,610 kroons (2,875,417 euros) that was made up of 4,499,061 shares with the nominal value of 10 kroons (0.64 euros) each; the maximum share capital outlined in the Articles of Association is 177,480,800 kroons (11,343,062 euros).

The share capital did not change in the 1st quarter of the year 2004.

8. Earnings per share

Basic earnings per share have been calculated by dividing the net profit for the period 1,287,612 kroons (82,293 euros) by the number of shares 4,499,061.

Basic earnings per share for 3 months of 2004 = $1,287,612 / 4,499,061 = 0.29$ kroons / 0.02 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.

9 . Business Segments (consolidated)

Thou kroons

	Sports Goods Division		Furniture Division*		Building Materials Division		Wood Division		Supporting units		Eliminations		TOTAL OF VIISNURK	
	1 st Quarter 2004	1 st Quarter 2003	1 st Quarter 2004	1 st Quarter 2003	1 st Quarter 2004	1 st Quarter 2003	1 st Quarter 2004	1 st Quarter 2003	1 st Quarter 2004	1 st Quarter 2003	1 st Quarter 2004	1 st Quarter 2003	1 st Quarter 2004	1 st Quarter 2003
External sales	7,503	9,196	42,303	42,480	26,836	24,020	28,607	15,173	192	328	0	0	105,441	91,197
Inter-segmental sales	30	13	624	0	24	1,992	6,899	6,527	0	4,406	(7,577)	(12,938)	0	0
Total sales revenue	7,533	9,209	42,927	42,480	26,860	26,012	35,506	21,700	192	4,734	(7,577)	(12,938)	105,441	91,197
Segment's result	(4,605)	(4,928)	970	5 676	5,622	5,401	217	(709)	3 287	65	0	0	5,491	5,505
Unallocated expenses													(2,327)	(2,709)
Operating profit													3,164	2,796
Net financial expenses													(1,876)	(2,210)
Net profit for accounting period													1,288	586
Annual inventory write-down	0	229	0	52	0	0	0	0	0	0	0	0	0	281

* - The Furniture Division segment consist of AS Viisnurk furniture factory and subsidiary company Skano OÜ (Skano OÜ earned 247 thousand kroons profit on its turnover of 1 mil. kroons)

Thou euros

	Sports Goods Division		Furniture Division*		Building Materials Division		Wood Division		Supporting units		Eliminations		TOTAL OF VIISNURK	
	1 st Quarter 2004	1 st Quarter 2003	1 st Quarter 2004	1 st Quarter 2003	1 st Quarter 2004	1 st Quarter 2003	1 st Quarter 2004	1 st Quarter 2003	1 st Quarter 2004	1 st Quarter 2003	1 st Quarter 2004	1 st Quarter 2003	1 st Quarter 2004	1 st Quarter 2003
External sales	480	588	2,704	2,715	1,715	1,535	1,828	970	12	21	0	0	6,739	5,829
Inter-segmental sales	2	1	40	0	2	127	441	417	0	282	(485)	(827)	0	0
Total sales revenue	482	589	2,744	2,715	1,717	1,662	2,269	1,387	12	303	(485)	(827)	6,739	5,829
Segment's result	(294)	(315)	62	363	359	345	14	(45)	210	4	0	0	351	352
Unallocated expenses													(149)	(173)
Operating profit													202	179
Net financial expenses													(120)	(142)
Net profit for accounting period													82	37
Annual inventory write-down	0	15	0	3	0	0	0	0	0	0	0	0	0	18

* - The Furniture Division segment consist of AS Viisnurk furniture factory and subsidiary company Skano OÜ (Skano OÜ earned 15.8 thousand euros profit on its turnover of 0.06 mil. euros)

Explanatory Note to Interim Report

The net sales of Viisnurk AS for the three months of 2004 were 105.4 mil. kroons (6.7 mil. euros) and the net profit 1.3 mil. kroons (0.08 mil. euros). In the same period of the last year, the net sales totalled 91.2 mil. kroons (5.8 mil. euros) and the net profit 0.6 mil. kroons (0.04 mil. euros). When compared to the same period of the previous year, the turnover of Viisnurk has increased by 15%, and profit by nearly 50%.

The earnings of Viisnurk before interest and depreciation, i.e. EBITDA, amounted to 9.2 mil. kroons (0.6 mil. euros) in the 1st quarter of 2004, and to 10.0 mil. kroons (0.6 mil. euros) in the 1st quarter of 2003.

During the 1st quarter of 2004 the Supervisory Board of Viisnurk AS approved a restructuring plan according to which it was decided:

- To sell the Building Materials Division;
- To sell the Sports Goods Division;
- To close down the Wood Division and to sell or rent out its fixed assets.

The objective of the restructuring plan is to enable concentration of efforts on to the development of the main activity (furniture production), and to strengthen the company's financial position. At present, the activities concerning the restructuring process are advanced as planned.

Divisional Review

The net sales of the Furniture Division of Viisnurk AS for the 1st quarter were 42.3 mil. kroons (2.7 mil. euros) and the profit was 1 mil. kroons (0.06 mil. euros). The figures of the Furniture Division include also the results of the subsidiary Skano OÜ, which deals with the retail sales of Viisnurk furniture. Skano OÜ earned 247 thousand kroons (15.8 thousand euros) profit on its turnover of 1 mil. kroons (0.06 mil. euros). The net sales of the Furniture Division for the 1st quarter in 2003 were 42.5 mil. kroons (2.7 mil. euros) and the profit was 5.7 mil. kroons (0.36 mil. euros).

The economic results of the Furniture Division for the 1st quarter were as planned. The economic results were positively influenced by a thorough analysis of the product portfolio costs and revenues, and by implementing these results primarily for the development of sales of higher profitability products. At the same time, during the 1st quarter the Division was continually dealing with technological and purchasing problems related to the series manufacture of new products introduced at the end of the last year. At present, the decision has been reached to terminate the production of problematic products, and a plan has been developed for further improvement of the Furniture Division's product portfolio and for significant reductions in the expenditure.

The economic activities of the Sports Goods Division resulted in the net sales of 7.5 mil. kroons (0.48 mil. euros) and the loss of 4.6 mil. kroons (0.29 mil. euros) in the 1st quarter. In the same period last year, the turnover of the division was 9.2 mil. kroons (0.59 mil. euros) and the loss 4.9 mil. kroons (0.31 mil. euros).

In the 1st quarter the economic results were affected by small production capacity, which is due to the seasonality of the division's activity. Since beginning of the year the Sports Goods Division has been active in fulfilling the orders of the new season.

In addition Viisnurk is currently introducing the Sporting Goods Division to potential buyers as part of the restructuring process.

The net sales of the Building Material Division for the 1st quarter were 26.8 mil. kroons (1.7 mil. euros) and the profit was 5.6 mil. kroons (0.36 mil. euros). Compared to the year before, the turnover of the division has grown by 12% and profits by 4%. The economic results of the division are continuously advanced by favourable market situation, which has offered possibilities for increasing the profitability of the product portfolio.

Potential buyers are currently performing due diligence in the Building Materials Division and Viisnurk is expecting to receive the final bids in the middle of June. Upon receiving satisfactory bids the transaction closing is expected in July.

The net sales of the Wood Division of Viisnurk AS for the 1st quarter were 28.6 mil. kroons (1.8 mil. euros) and its economic activity resulted in the profit of 217 thousand kroons (13.9 thousand euros). During the same period in 2003, the turnover of the division was 15.2 mil. kroons (0.97 mil. euros) and the loss 709 thousand kroons (45.2 thousand euros). Positive economic results were achieved due to an improving market situation in the beginning of the year, which enabled the division to increase production capacity and efficiency. Since April 16 the Wood Panels Division has been closed and Viisnurk is currently negotiating a sale of the division's assets with potential buyers.

During the 1st quarter Viisnurk AS sold its real estates not related to production for 3.9 mil. kroons (0.25 mil. euros), earning a profit of 3.1 mil. kroons (0.2 mil. euros).