

VIISNURK AS

Consolidated Interim Report for the 3rd Quarter of 2004

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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. The company's core business is furniture production although at present it also has other areas of activity.

AS Viisnurk's business units include furniture, sports goods, building materials and wood divisions.

Furniture division consists of a 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.

The company has been listed on the Tallinn Stock Exchange.

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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:	30.09.2004

Consolidated Balance Sheet

		Thou. kroons 30.09.2004	Thou. kroons 31.12.2003	Thou. euros 30.09.2004	Thou. euros 31.12.2003
Cash and bank		1,211	1,141	78	73
Customer receivables	(Note 1)	38,332	45,005	2,450	2,876
Other receivables		126	115	8	7
Prepayments		256	7,127	16	455
Inventories		47,787	63,819	3,054	4,080
Total current assets		87,712	117,207	5,606	7,491
Long-term financial investments	(Note 2)	1	1,436	0	92
Investment property	(Note 3)	1,788	2,535	114	162
Tangible fixed assets	(Note 4)	145,289	156,102	9,286	9,977
Intangible fixed assets	(Note 4)	2,922	3,716	187	237
Total fixed assets		150,000	163,789	9,587	10,468
<u>TOTAL ASSETS</u>		<u>237,712</u>	<u>280,996</u>	<u>15,193</u>	<u>17,959</u>
Debt obligations	(Note 5)	70,350	90,011	4,496	5,753
Customer prepayments		3,240	219	207	14
Supplier payables		20,745	38,801	1,326	2,480
Taxes payable		10,834	6,956	693	445
Accrued expenses		8,575	17,514	548	1,119
Short-term provisions	(Note 6)	445	3,129	28	200
Total current liabilities		114,189	156,630	7,298	10,011
Non-current debt obligations	(Note 5)	45,784	50,160	2,926	3,206
Total non-current liabilities		45,784	50,160	2,926	3,206
Total liabilities		159,973	206,790	10,224	13,217
Share capital (nominal value)	(Note 7)	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	856	5,255
Net profit for the year		3,533	(68,839)	226	(4,400)
Total equity		77,739	74,206	4,969	4,742
<u>TOTAL LIABILITIES AND EQUITY</u>		<u>237,712</u>	<u>280,996</u>	<u>15,193</u>	<u>17,959</u>

Consolidated Income Statement

		Thou. kroons 3rd quarter 2004	Thou. kroons 3rd quarter 2003	Thou. kroons 9 months 2004	Thou. kroons 9 months 2003	Thou. euros 3rd quarter 2004	Thou. euros 3rd quarter 2003	Thou. euros 9 months 2004	Thou. euros 9 months 2003
RETURN ON SALES	(Note 9)	81,294	91,108	276,332	279,679	5,196	5,823	17,661	17,875
Cost of production sold		(72,239)	(90,189)	(249,681)	(255,052)	(4,617)	(5,764)	(15,957)	(16,301)
Gross profit		9,055	919	26,651	24,627	579	59	1,704	1,574
Marketing expenses		(3,824)	(4,052)	(16,525)	(15,762)	(245)	(259)	(1,056)	(1,007)
General administrative expenses		(2,129)	(2,768)	(6,728)	(9,012)	(136)	(177)	(430)	(576)
Other income		167	2,763	4,790	5,921	11	177	306	378
Other expenses		(451)	(3,240)	(1,234)	(4,619)	(29)	(208)	(79)	(295)
Operating profit	(Note 9)	2,818	(6,378)	6,954	1,155	180	(408)	445	74
Financial income and financial expenses		155	(2,065)	(3,421)	(6,387)	10	(132)	(219)	(408)
NET PROFIT FOR THE PERIOD		2,973	(8,443)	3,533	(5,232)	190	(540)	226	(334)
Basic earnings per share	(Note 8)	0.66	(1.88)	0.79	(1.16)	0.04	(0.12)	0.05	(0.07)
Diluted earnings per share	(Note 8)	0.66	(1.88)	0.79	(1.16)	0.04	(0.12)	0.05	(0.07)

Consolidated Cash Flow Statement

	Thou. kroons 9 months 2004	Thou. kroons 9 months 2003	Thou. euros 9 months 2004	Thou. euros 9 months 2003
Cash flow from operations				
Net profit	3,533	(5,232)	226	(334)
<i>Adjustments for:</i>				
Depreciation of fixed assets	14,436	21,077	923	1,347
Gains on sale of fixed assets	(1,291)	(372)	(82)	(23)
Gains on sale of investment property	(3,232)	(2,480)	(207)	(159)
Gains on sale of long-term financial investments	(1,665)		(107)	
Use of provisions	(2,379)	(1,493)	(152)	(95)
Interest expense	5,078	6,270	324	401
Operating profit before changes in operating capital	14,480	17,770	925	1,137
Change in operations-related receivables and prepayments	11,212	520	717	33
Change in inventories	16,031	(13,253)	1,024	(847)
Change in operations-related liabilities and prepayments	(17,886)	6,014	(1,143)	384
Cash generated from operations	23,837	11,051	1,523	707
Interest paid	(5,271)	(7,190)	(337)	(460)
Total cash flow from operations	18,566	3,861	1,186	247
Cash flow from investments				
Acquisition of fixed assets	(3,466)	(3,536)	(221)	(226)
Sale of fixed assets	1,859	1,586	119	101
Acquisition of subsidiary company		(40)		(3)
Sale of financial investments	3,100		198	
Sale of real estate investments	3,950	2,653	252	170
Total cash flow from investments	5,443	663	348	42
Cash flow from financing activities				
Repayment of loans	(19,378)	(4,180)	(1,238)	(267)
Settlement of finance lease liabilities	(1,246)	(1,873)	(80)	(120)
Change in the overdraft balance	(3,413)	439	(218)	28
Total cash flow from financing activities	(24,037)	(5,614)	(1,536)	(359)
TOTAL CASH FLOW	(28)	(1090)	(2)	(70)
CASH AT BEGINNING OF PERIOD	1,141	1,764	73	113
CASH AT END OF PERIOD	1,113	674	71	43

**Statement of Movements in
Equity**

	Thou. kroons 9 months 2004	Thou. kroons 9 months 2003	Thou. euros 9 months 2004	Thou. euros 9 months 2003
Distributable profits at beginning of period	13,384	82,223	856	5,255
Net profit for accounting year	3,533	(5,232)	226	(334)
Distributable profits at end of period	16,917	76,991	1,082	4,921

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 3rd 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 3rd 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 kroons and in thousands of euros. The exchange rate between croons and euros is 15.6466.

1. Customer receivables

	Thou. kroons 30.09.2004	Thou. kroons 31.12.2003	Thou euros 30.09.2004	Thou euros 31.12.2003
Accounts receivable	39,929	46,602	2,552	2,978
Allowance for doubtful receivables	(1,597)	(1,597)	(102)	(102)
TOTAL	38,332	45,005	2,450	2,876

2. Long-term financial investments

	Thou. kroons 30.09.2004	Thou. kroons 31.12.2003	Thou euros 30.09.2004	Thou euros 31.12.2003
Other shares and issues	1	1,436	0	92
TOTAL	1	1,436	0	92

In the 3rd quarter of 2004 Viisnurk earned 1,665 thousand kroons (106 thousand euros) of profit (financial income) from the sale of long-term financial investments.

Investments in Subsidiaries

	Skano OÜ (Estonia)	Visu OÜ (Estonia)	Isotex OÜ (Estonia)
Number of shares 01.01.2004	1	1	1
Number of shares 30.09.2004	1	1	1
Participation % 30.09.2004	100	100	100

Owner's equity of subsidiaries 30.9.2004

	Skano OÜ (Estonia)	Visu OÜ (Estonia)	Isotex OÜ (Estonia)	Total Thou kroons
Share capital	40	40	40	120
Net profit for the last year	(214)	0	0	(214)
Net profit for the year	662	0	0	662
Total equity	488	40	40	568

Thou euros

	Skano OÜ (Estonia)	Visu OÜ (Estonia)	Isotex OÜ (Estonia)	Total
Share capital	2	3	3	8
Net profit for the last year	(14)	0	0	(14)
Net profit for the year	42	0	0	42
Total equity	30	3	3	36

3. Investment property

	Thou. kroons	Thou euros
Acquisition cost at 01.01.2004	3,362	215
Disposals in 9 months of 2004	(1,378)	(88)
Acquisition cost at 30.09.2004	1,984	127
Accumulated depreciation at 01.01.2004	(827)	(53)
Depreciation in 9 months of 2004	(29)	(2)
Depreciation disposed of in 9 months of 2004	660	42
Accumulated depreciation at 30.09.2004	(196)	(13)
Net book value at 01.01.2004	2,535	162
Net book value at 30.09.2004	1,788	114

In the 9 months Viisnurk earned 3,232 thousand kroons (207 thousand euros) of profit (other income) from the sales of real estate investments.
Costs of maintenance for 9 months of 2004 were 128 thousand kroons (8 thousand euros).

4. Tangible and Intangible Fixed Assets

Thou kroons

	Tangible fixed assets	Intangible fixed assets	TOTAL
Acquisition cost at 01.01.2004	317,487	5,537	323,024
Acquired in 9 months of 2004	1,745		1,745
Fixed assets disposed of in 9 months of 2004	(1,114)		(1,114)
Acquisition cost at 30.9.2004	318,118	5,537	323,655
Depreciation at 01.01.2004	(162,181)	(1,821)	(164,002)
Depreciation in 9 months of 2004	(13,622)	(794)	(14,416)
Depreciation on fixed assets disposed of in 9 months of 2004	876		876
Depreciation at 30.09.2004	(174,927)	(2,615)	(177,542)
Net book value at 01.01.2004	155,306	3,716	159,022
Net book value at 30.09.2004	143,191	2,922	146,113

Thou euros

	Tangible fixed assets	Intangible fixed assets	TOTAL
Acquisition cost at 01.01.2004	20,291	354	20,645
Acquired in 9 months of 2004	112		112
Fixed assets disposed of in 9 months of 2004	(71)		(71)
Acquisition cost at 30.9.2004	20,332	354	20,686
Depreciation at 01.01.2004	(10,365)	(116)	(10,481)
Depreciation in 9 months of 2004	(871)	(51)	(922)
Depreciation on fixed assets disposed of in 9 months of 2004	56		56
Depreciation at 30.09.2004	(11,180)	(167)	(11,347)
Net book value at 01.01.2004	9,926	237	10,163
Net book value at 30.09.2004	9,152	187	9,339

The balance of construction in progress amounted to 2,098 thousand kroons (134 thousand euros) as of 30.09.2004 and 796 thousand kroons (51 thousand euros) as of 01.01.2004.

5. Debt Obligations

	Thou. kroons	Thou. kroons	Thou euros	Thou euros
	30.09.2004	31.12.2003	30.09.2004	31.12.2003
Current liabilities	70,350	90,011	4,496	5,753
Non-current debt obligations	45,784	50,160	2,926	3,206
Incl. long-term loans	41,214	45,590	2,634	2,914
Non-convertible debt	4,570	4,570	292	292
TOTAL	116,134	140,171	7,422	8,959

6. Short-term provisions

	Thou. kroons	Thou. kroons	Thou euros	Thou euros
	30.09.2004	31.12.2003	30.09.2004	31.12.2003
Restructuring provision		1,923		123
Guaranty provision	445	1,206	28	77
TOTAL	445	3,129	28	200

7. Owners' Equity

	Number of shares	Share capital	Share capital
		Thou. kroons	Thou euros
Balance 30.09.2004	4,499,061	44,991	2,875

At 30.9.2004, the share capital of Viisnurk AS totaled 44,990,610 kroons (2,875,424 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 (11,343,090 euros).

The share capital did not change in the 9 months of the year 2004.

8. Earnings per share

Basic earnings per share have been calculated by dividing the net profit for the period 3,533,715 kroons (225,845 euros) by the number of shares 4,499,061.

Basic earnings per share for 9 months of 2004 = $3,533,715 / 4,499,061 = 0.79$ kroons / 0.05 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	
	9 months 2004	9 months 2003	9 months 2004	9 months 2003	9 months 2004	9 months 2003	9 months 2004	9 months 2003	9 months 2004	9 months 2003	9 months 2004	9 months 2003	9 months 2004	9 months 2003
External sales	50,728	43,572	119,127	118,016	73,062	68,299	32,891	49,051	524	741	0	0	276,332	279,679
Inter-segmental sales	109	36	166	0	120	2,698	12,749	18,569		14,725	(13,144)	(36,028)	0	0
Total sales revenue	50,837	43,608	119,293	118,016	73,182	70,997	45,640	67,620	524	15,466	(13,144)	(36,028)	276,332	279,679
Segment's result	(6,434)	(4,262)	3,336	8,852	14,991	15,851	(3,147)	(13,143)	4,936	2,869	0	0	13,682	10,167
Unallocated expenses													(6,728)	(9,012)
Operating profit													6,954	1,155
Net financial expenses													(3,421)	(6,387)
Net profit for accounting period													3,533	(5,232)

* - The Furniture Division segment consist of AS Viisnurk furniture factory and subsidiary company Skano OÜ.

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Thou euros

	Sports Goods Division		Furniture Division*		Building Materials Division		Wood Division		Supporting units		Eliminations		TOTAL OF VIISNURK	
	9 months 2004	9 months 2003	9 months 2004	9 months 2003	9 months 2004	9 months 2003	9 months 2004	9 months 2003	9 months 2004	9 months 2003	9 months 2004	9 months 2003	9 months 2004	9 months 2003
External sales	3,242	2,785	7,614	7,543	4,670	4,365	2,102	3,135	33	47	0	0	17,661	17,875
Inter-segmental sales	7	2	10	0	8	173	815	1,187	0	941	(840)	(2,303)	0	0
Total sales revenue	3,249	2,787	7,624	7,543	4,678	4,538	2,917	4,322	33	988	(840)	(2,303)	17,661	17,875
Segment's result	(411)	(272)	213	566	958	1,013	(201)	(840)	316	183	0	0	875	650
Unallocated expenses													(430)	(576)
Operating profit													445	74
Net financial expenses													(219)	(408)
Net profit for accounting period													226	(334)

* - The Furniture Division segment consist of AS Viisnurk furniture factory and subsidiary company Skano OÜ.

Explanatory Note to Interim Report

In the 9 months of 2004, the sales revenue of AS Viisnurk amounted to EEK 276.3 mil (EUR 17.7 mil) and the net profit was EEK 3.5 mil (EUR 226,000). In the same period last year, the sales revenue of the company amounted to EEK 279.7 mil (EUR 17.9 mil) and the loss was 5.2 mil (EUR 334,000). In comparison with the same period of the previous year the turnover of the company decreased 1.2% while the economic performance improved by a total of EEK 8.7 mil (EUR 0.6 mil). In the third quarter of the accounting period, a profit of EEK 3 mil (EUR 190,000) was achieved with the sales revenues of EEK 81.3 mil (EUR 5.2 mil).

As of 30 September 2004, the total assets of Viisnurk AS amounted to EEK 237.7 mil (EUR 15.2 mil), which is about 15% less than at the beginning of the year. The liabilities of the company have decreased by EEK 46.8 mil (EUR 3 mil) when compared with the year's start. At the end of the accounting period the debt ratio of AS Viisnurk was 67%, which shows a decline of more than 6% when compared with the beginning of the year.

Divisional Review

In the 9 months the sales revenue of the Furniture Division of AS Viisnurk was EEK 119.1 mil (EUR 7.6 mil) and the economic performance reflected a profit of EEK 3.3 mil (EUR 0.2 mil). Last year the sales revenue of the Furniture Division in the 9 months was EEK 118 mil (EUR 7.5 mil) and the profit amounted to EEK 8.9 mil (EUR 0.57 mil).

In the third quarter, the most important event of the Furniture Division was completion of preparations for taking over the sales activities of Skano AG and the network of sales agents covering Germany, Austria and Switzerland. Skano AG has been in the furniture sales business for more than twenty years with purchase groups and retail sales chains engaged in mostly German-language European markets as its clients. In 2003, the turnover of Skano AG totalled EEK 16 mil (EUR 1 mil). The take-over at the beginning of October is an essential change in the sales strategy of the Furniture Division with the aim of creating, through the use of new sales channels, stable prerequisites for growth in the sales volume and profitability. The positive impact of the sales strategy change on the economic performance of the division is expected beginning from the first half of 2005.

At the end of September, the Furniture Division of AS Viisnurk, under the Skano trademark, participated in the M.O.W. (Möbel Ordermesse Westfalica) in Barntrup, Germany, the largest wholesalers' fair which is directed to specialists. The new product lines developed in cooperation with German designers were presented at the fair.

The Sports Goods Division ended the 9 months with a sales revenue of EEK 50.7 mil (EUR 3.2 mil) and a loss of EEK 6.4 mil (EUR 0.4 mil), which was better than the budgeted figures. The turnover of the division in the same period last year was EEK 43.6 mil (EUR 2.8 mil) and the loss amounted to EEK 4.3 mil (EUR 0.27 mil). The figures regarding the 9 months of 2004 also include the severance expenses of 141 employees who became redundant in the third quarter, in the amount of EEK 1.6 mil (EUR 0.1 mil).

By today all customer contracts have been duly performed in the Sports Goods Division and the division has been closed since 29 October in accordance with the resolution adopted on 31 May 2004. A total of 231 employees were laid off from the division. The severance expenses formed EEK 2.9 mil (EUR 0.2 mil). The sales of the assets of the division will be continued.

In the Building Materials Division the sales revenue achieved during the 9 months was EEK 73.1 mil (EUR 4.7 mil) and the profit was EEK 15 mil (EUR 0.96 mil). In the same period last year the turnover of the division was EEK 68.3 mil (EUR 4.4 mil) and the profit was EEK 15.8 mil (EUR 1 mil). No significant changes have taken place in the market situation of the division and the economic performance of the business unit has been continuously high. The potential buyer of the Building Materials Division has been elected and negotiations for entering into a purchase-sales contract of the division are under way.

The economic performance of the Wood Division of AS Viisnurk, which terminated its activities on 16 April, was a loss of EEK 3.1 mil (EUR 0.2 mil).

On 22 September 2004, AS Viisnurk signed a contract with OÜ Desparo for sales of the assets of the Wood Division. The assets of the Wood Division included a sawmill, a drying complex and a glulam plant. The assets were sold along with the land under the Wood Division the area of which was about 81.000 m². The total value of the transaction reached EEK 44 mil (EUR 2.8 mil), which shall be subject to VAT. EEK 11 mil (EUR 0.7 mil) of the purchase price has been paid, and EEK 33 mil (EUR 2.1 mil) will be paid after entry into the real right contract, which shall be executed after the acts required for division of the land under the Wood Division have been performed.

In the 9 months the company's operating revenue from sales of assets not connected with production was EEK 4.5 mil / EUR 0.3 mil (in the third quarter EEK 0.1 mil / EUR 6.000). Additionally, financial income of EEK 1.6 mil (EUR 0.1 mil) was also earned as a result of selling long-term financial investments in the third quarter.