

VIISNURK AS

Consolidated Interim Report for the 3rd Quarter of 2005

Table of Contents

Outline and Contact Details	2
Balance Sheet	3
Income Statement	4
Cash Flow Statement	5
Statement of Movements in Equity	6
Notes to Interim Report	7
Accounting Policies And Measurement Bases	7
Note 1: Customer receivables	7
Note 2: Long-term financial investments	7
Note 3: Investment property	8
Note 4: Tangible And Intangible Fixed Assets	8
Note 5: Debt Obligations	9
Note 6: Short-term provisions	9
Note 7: Owner's Equity	9
Note 8: Earnings per Share	9
Note 9: Business Segments	10
Explanatory Note to Interim Report	12

Outline and Contact Details

AS Viisnurk is a multibusiness wood processing company, that produces home furniture and 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 78 368
E-mail:	mail@viisnurk.ee
Homepage:	www.viisnurk.ee
Beginning of the financial year:	01.01.2005
End of the financial year:	31.12.2005
Beginning of the Interim Report Period:	01.01.2005
End of the Interim Report Period:	30.09.2005

Consolidated Balance Sheet

		Thou. kroons 30.09.2005	Thou. kroons 31.12.2004	Thou. euros 30.09.2005	Thou. euros 31.12.2004
Cash and bank		13,658	3,870	873	247
Customer receivables	(Note 1)	24,217	27,645	1,548	1,767
Other receivables		58	85	4	5
Prepayments		1,912	2,576	122	165
Inventories		38,197	40,419	2,441	2,583
Tangible fixed assets for sell		0	50,943	0	3,256
Total current assets		78,042	125,538	4,988	8,023
Long-term financial investments	(Note 2)	1	1	0	0
Investment property	(Note 3)	15,371	15,636	982	999
Tangible fixed assets	(Note 4)	58,014	64,466	3,708	4,120
Intangible fixed assets	(Note 4)	2,075	2,884	133	185
Total fixed assets		75,461	82,987	4,823	5,304
<u>TOTAL ASSETS</u>		<u>153,503</u>	<u>208,525</u>	<u>9,811</u>	<u>13,327</u>
Debt obligations	(Note 5)	2,349	76,061	150	4,861
Customer prepayments		2,484	11,186	159	715
Supplier payables		18,150	20,998	1,160	1,342
Taxes payable		2,821	3,443	181	220
Accrued expenses		6,243	8,756	399	560
Short-term provisions	(Note 6)	445	445	28	28
Total current liabilities		32,492	120,889	2,077	7,726
Non-current debt obligations	(Note 5)	56,829	30,279	3,632	1,935
Total non-current liabilities		56,829	30,279	3,632	1,935
Total liabilities		89,321	151,168	5,709	9,661
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		(3,466)	13,384	(221)	856
Net profit for the year		6,826	(16,849)	436	(1,077)
Total equity		64,182	57,357	4,102	3,666
<u>TOTAL LIABILITIES AND EQUITY</u>		<u>153,503</u>	<u>208,525</u>	<u>9,811</u>	<u>13,327</u>

Consolidated Income Statement

		Thou. kroons 3rd quarter 2005	Thou. kroons 3rd quarter 2004	Thou. kroons 9 months 2005	Thou. kroons 9 months 2004	Thou. euros 3rd quarter 2005	Thou. euros 3rd quarter 2004	Thou. euros 9 months 2005	Thou. euros 9 months 2004
RETURN ON SALES	(Note 9)	47,333	81,294	165,868	276,332	3,025	5,196	10,601	17,661
Cost of production sold		(40,458)	(72,239)	(137,920)	(249,681)	(2,586)	(4,617)	(8,815)	(15,957)
Gross profit		6,875	9,055	27,948	26,651	439	579	1,786	1,704
Marketing expenses		(4,589)	(3,824)	(14,784)	(16,525)	(293)	(245)	(945)	(1,056)
General administrative expenses		(1,463)	(2,129)	(4,586)	(6,728)	(93)	(136)	(293)	(430)
Other income		146	167	2,424	4,790	9	11	155	306
Other expenses		(39)	(451)	(1,613)	(1,234)	(2)	(29)	(103)	(79)
Operating profit	(Note 9)	930	2,818	9,389	6,954	60	180	600	445
Financial income and financial expenses		(544)	155	(2,563)	(3,421)	(35)	10	(164)	(219)
NET PROFIT FOR THE PERIOD		386	2,973	6,826	3,533	25	190	436	226
Basic earnings per share	(Note 8)	0.09	0.66	1.52	0.79	0.01	0.04	0.10	0.05
Diluted earnings per share	(Note 8)	0.09	0.66	1.52	0.79	0.01	0.04	0.10	0.05

Consolidated Cash Flow Statement

	Thou. kroons 9 months 2005	Thou. kroons 9 months 2004	Thou. euros 9 months 2005	Thou. euros 9 months 2004
Cash flow from operations				
<i>Net profit</i>	6,826	3,533	436	226
<i>Adjustments for:</i>				
Depreciation of fixed assets	8,797	21,077	562	1,347
Gains on sale of fixed assets	(580)	(372)	(37)	(23)
Gains on sale of investment property	(1,236)	(2,480)	(79)	(159)
Use of provisions	(1,493)	(1,493)	(95)	(95)
Interest expense	2,567	6,270	164	401
Operating profit before changes in operating capital	16,374	14,480	1,046	925
Change in operations-related receivables and prepayments	4,103	11,212	262	717
Change in inventories	46,222	16,031	2,954	1,024
Change in operations-related liabilities and prepayments	(14,670)	(17,886)	(937)	(1,143)
Cash generated from operations	52,029	23,837	3,325	1,523
Interest paid	(2,567)	(5,271)	(164)	(337)
Total cash flow from operations	49,462	18,566	3,161	1,186
Cash flow from investments				
Acquisition of fixed assets	(1,551)	(3,466)	(99)	(221)
Sale of fixed assets	7,539	1,859	482	119
Sale of financial investments	(1,500)	3,100	(96)	198
Sale of real estate investments	1,500	3,950	96	252
Total cash flow from investments	7,488	5,443	479	348
Cash flow from financing activities				
Repayment of loans	(40,792)	(19,378)	(2,607)	(1,238)
Settlement of finance lease liabilities	(564)	(1,246)	(36)	(80)
Change in the overdraft balance	(5,806)	(3,413)	(371)	(218)
Total cash flow from financing activities	(47,162)	(24,037)	(3,014)	(1,536)
TOTAL CASH FLOW	9,788	(28)	626	(2)
CASH AT BEGINNING OF PERIOD	3,870	1,141	247	73
CASH AT END OF PERIOD	13,658	1,113	873	71

**Statement of Movements in
Equity**

	Thou. kroons 9 months 2005	Thou. kroons 9 months 2004	Thou. euros 9 months 2005	Thou. euros 9 months 2004
Distributable profits at beginning of period	(3,466)	13,384	(221)	856
Net profit for accounting year	6,826	3,533	436	226
Distributable profits at end of period	3,360	16,917	215	1,082

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 2005 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 31.12.2004.

According to the assessment of the Management Board, Viisnurk AS is a going concern and the Interim Report for the 3rd quarter of 2005 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 kroons and euros is 15.6466.

1. Customer receivables

	Thou. kroons	Thou. kroons	Thou euros	Thou euros
	30.09.2005	31.12.2004	30.09.2005	31.12.2004
Accounts receivable	26,018	29,605	1,663	1,892
Allowance for doubtful receivables	(1,801)	(1,960)	(115)	(125)
TOTAL	24,217	27,645	1,548	1,767

2. Long-term financial investments

	Thou. kroons	Thou. kroons	Thou euros	Thou euros
	30.09.2005	31.12.2004	30.09.2005	31.12.2004
Other shares and issues	1	1	0	0
TOTAL	1	1	0	0

Investments in Subsidiaries

	Skano OÜ (Estonia)	SIA Skano (Latvia)	Visu OÜ (Estonia)	Isotex OÜ (Estonia)
Number of shares 01.01.2005	1	0	1	1
Number of shares 30.09.2005	1	1	1	1
Participation % 30.09.2005	100	100	100	100

Owner's equity of subsidiaries 30.9.2005

	Skano OÜ (Estonia)	SIA Skano (Latvia)	Visu OÜ (Estonia)	Isotex OÜ (Estonia)	Total
Share capital	40	45	40	40	165
Net profit for the last year	690	0	0	0	690
Net profit for the year	987	0	0	0	987
Total equity	1,717	45	40	40	1,842

Thou euros

	Skano OÜ (Estonia)	SIA Skano (Latvia)	Visu OÜ (Estonia)	Isotex OÜ (Estonia)	Total
Share capital	2	3	3	3	11
Net profit for the last year	44	0	0	0	44
Net profit for the year	63	0	0	0	63
Total equity	109	3	3	3	118

3. Investment property

	Thou. kroons	Thou euros
Acquisition cost at 01.01.2005	19,215	1,228
Disposals in 9 months of 2005	(416)	(27)
Acquisition cost at 30.09.2005	18,799	1,201
Accumulated depreciation at 01.01.2005	(3,579)	(229)
Depreciation in 9 months of 2005	(1)	(0)
Depreciation disposed of in 9 months of 2005	152	10
Accumulated depreciation at 30.09.2005	(3,428)	(219)
Net book value at 01.01.2005	15,636	999
Net book value at 30.09.2005	15,371	982

In the 9 months Viisnurk earned 1,500 thousand kroons (96 thousand euros) of profit (other income) from the sales of real estate investments.
Costs of maintenance for 9 months of 2005 were 132 thousand kroons (8 thousand euros).

4. Tangible and Intangible Fixed Assets

Thou kroons

	Tangible fixed assets	Intangible fixed assets	TOTAL
Acquisition cost at 01.01.2005	146,119	5,769	151,888
Acquired in 9 months of 2005	2,081		2,081
Fixed assets disposed of in 9 months of 2005	(959)		(959)
Acquisition cost at 30.9.2005	147,241	5,769	153,010
Depreciation at 01.01.2005	(83,300)	(2,885)	(86,185)
Depreciation in 9 months of 2005	(7,987)	(809)	(8,796)
Depreciation on fixed assets disposed of in 9 months of 2005	943		943
Depreciation at 30.09.2005	(90,344)	(3,694)	(94,038)
Net book value at 01.01.2005	62,819	2,884	65,703
Net book value at 30.09.2005	56,897	2,075	58,972

Thou euros

	Tangible fixed assets	Intangible fixed assets	TOTAL
Acquisition cost at 01.01.2005	9,339	369	9,708
Acquired in 9 months of 2005	133		133
Fixed assets disposed of in 9 months of 2005	(61)		(61)
Acquisition cost at 30.9.2005	9,411	369	9,780
Depreciation at 01.01.2005	(5,324)	(184)	(5,508)
Depreciation in 9 months of 2005	(510)	(52)	(562)
Depreciation on fixed assets disposed of in 9 months of 2005	60		60
Depreciation at 30.09.2005	(5,774)	(236)	(6,010)
Net book value at 01.01.2005	4,015	185	4,200
Net book value at 30.09.2005	3,637	133	3,770

The balance of construction in progress amounted to 1,117 thousand kroons (71 thousand euros) as of 30.09.2005 and 1,647 thousand kroons (105 thousand euros) as of 01.01.2005.

5. Debt Obligations

	Thou. kroons	Thou. kroons	Thou euros	Thou euros
	30.09.2005	31.12.2004	30.09.2005	31.12.2004
Current liabilities	2,349	76,061	150	4,861
Non-current debt obligations	56,829	30,279	3,632	1,935
Incl. long-term loans	53,108	26,558	3,394	1,697
Non-convertible debt	3,721	3,721	238	238
TOTAL	59,178	106,340	3,782	6,796

6. Short-term provisions

	Thou. kroons	Thou. kroons	Thou euros	Thou euros
	30.09.2005	31.12.2004	30.09.2005	31.12.2004
Guaranty provision	445	445	28	28
TOTAL	445	445	28	28

7. Owners Equity

	Number of shares	Share capital	Share capital
		Thou. kroons	Thou euros
Balance 30.09.2005	4,499,061	44,991	2,875

At 30.9.2005, 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 2005.

8. Earnings per share

Basic earnings per share have been calculated by dividing the net profit for the period 6,825,771 kroons (436,246 euros) by the number of shares 4,499,061.

Basic earnings per share for 9 months of 2005 = 6,825,771 / 4,499,061 = 1.52 kroons / 0.10 euros

Basic earnings per share are equal with 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

	Furniture Division*		Building Materials Division		Finished activities**		Supporting units		Eliminations		TOTAL OF VIISNURK	
	9 months 2005	9 months 2004	9 months 2005	9 months 2004	9 months 2005	9 months 2004	9 months 2005	9 months 2004	9 months 2005	9 months 2004	9 months 2005	9 months 2004
External sales	89,574	119,127	76,132	73,062	162	32,891	0	524	0	0	165,868	276,332
Inter-segmental sales	0	166	86	120	0	12,749		0	(86)	(13,144)	0	0
Total sales revenue	89,574	119,293	76,218	73,182	162	45,640	0	524	(86)	(13,144)	165,868	276,332
Segment's result	4,395	3,336	11,025	14,991	(1,445)	(3,147)	0	4,936	0	0	13,975	13,682
Unallocated expenses											(4,586)	(6,728)
Operating profit											9,389	6,954
Net financial expenses											(2,563)	(3,421)
Net profit for accounting period											6,826	3,533

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

** - Finished activities segment consist of two closed divisions - Sporting Goods Division and Wood Division.

Thou euros

	Furniture Division*		Building Materials Division		Finished activities**		Supporting units		Eliminations		TOTAL OF VIISNURK	
	9 months 2005	9 months 2004	9 months 2005	9 months 2004	9 months 2005	9 months 2004	9 months 2005	9 months 2004	9 months 2005	9 months 2004	9 months 2005	9 months 2004
External sales	5,725	7,614	4,866	4,670	10	2,102	0	33	0	0	10,601	17,661
Inter-segmental sales	0	10	5	8	0	815	0	0	(5)	(840)	0	0
Total sales revenue	5,725	7,624	4,871	4,678	10	2,917	0	33	(5)	(840)	10,601	17,661
Segment's result	281	213	705	958	(93)	(201)	0	316	0	0	893	875
Unallocated expenses											(293)	(430)
Operating profit											600	445
Net financial expenses											(164)	(219)
Net profit for accounting period											436	226

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

** - Finished activities segment consist of two closed divisions - Sporting Goods Division and Wood Division.

Explanatory Note to Interim Report

The net sales of Viisnurk AS in the first nine months of 2005 amounted to 165.8 mil. Estonian kroons (10.6 mil. euros) and net profit to 6.8 mil. kroons (436 thousand euros). In the 3rd quarter of the accounting year, the net sales amounted to 47.3 mil. kroons (3 mil. euros) and net profit to 0.4 mil. kroons (25 thousand euros). The outcomes of the 3rd quarter were affected by the annual collective vacation of the divisions in July. The net profit of nine months has almost doubled compared to the previous year. The net profit of the nine month of last year was 3.5 mil. kroons (226 thousand euros).

As of 30.09.2005 the total assets of Viisnurk AS amounted to 153.5 mil. kroons (9.8 mil. euros). The liabilities of the company accounted for 58% thereof, i.e. 89.3 mil. kroons (5.7 mil. euros). The enterprise has reduced its liabilities by 61.8 mil. kroons (3.9 mil. euros) compared to the beginning of the year. At the beginning of the accounting year the debt to equity ratio of Viisnurk was 72.5 %.

Divisional review:

(Thousand kroons)	Net sales		Profit	
	2005 9m	2004 9m	2005 9m	2004 9m
Furniture Division	89 574	119 127	4 395	3 336
Building Materials Division	76 132	73 062	11 025	14 991
Terminated business activities	162	83 619	-1 445	-9 581
Other activities	0	524	0	4 936
TOTAL	165 868	276 332	13 975	13 682
Unallocated expenses			4 586	6 728
OPERATING PROFIT			9 389	6 954
Net financial expenses			2 563	3 421
NET PROFIT			6 826	3 533

(Thousand euros)	Net sales		Profit	
	2005 9m	2004 9m	2005 9m	2004 9m
Furniture Division	5 725	7 614	281	213
Building Materials Division	4 866	4 670	705	958
Terminated business activities	10	5 344	-93	-612
Other activities	0	33	0	316
TOTAL	10 601	17 661	893	875
Unallocated expenses			293	430
OPERATING PROFIT			600	445
Net financial expenses			164	219
NET PROFIT			436	226

Furniture Division

The nine-month net sales of Viisnurk AS Furniture Division were 89.6 mil. kroons (5.7 mil. euros) and the economic result 4.4 mil. kroons (281 thousand euros) as a profit. Compared to the same period last year, the turnover of the division has decreased by 29.5 mil. kroons (1.9 mil. euros) but the profit has increased by 1 mil. kroons (68 thousand euros). The division finished the 3rd quarter with a profit of 1.3 mil. kroons (82 thousand euros).

The current situation of the furniture division corresponds to the plan. The division has a stable client portfolio and a considerably improved cost structure that enables to earn

profit even in case of reduced sales volumes. Today Viisnurk AS is finishing restructuring the product portfolio, which means that the company will stop co-operation with customers of lower profitability and unprofitable customers, in addition to that contracts with new clients to gradually increase the volume of production and sales during the year 2006 have been concluded.

The Furniture Division continues the implementation of development plans related to increasing the percentage of sale of the division's own products and expanding the retail business of furniture. Among the division's own products the new product line of pine was successfully introduced at Barntrup furniture fair in Germany; within the project for expanding the retail business, preparations were made for opening a furniture store of the subsidiary Skano OÜ in Riga in November this year. This will be the third retail store of the Furniture Division in addition to Pärnu and Tallinn.

Skano is the trademark for own brands of the Furniture Division of Viisnurk AS and the retail furniture stores of the enterprise bare the same name.

Building Materials Division

The nine-month net sales of the Building Materials Division amounted to 76.1 mil. kroons (4.9 mil. euros) and profit to 11 mil. kroons (705 thousand euros). Last year, the turnover of the division totalled 73.1 mil. kroons (4.7 mil. euros) and the profit 15 mil. kroons (958 thousand euros) within the same period.

The drop in the profitability of the division is due to some stiffening of competition of one of our main products - building boards - both in Estonia and in other target markets. In previous periods, the fibreboard producers in Europe have significantly raised their production capacity and this has caused temporary increase in the stock of the producers. For restoring profitability the Building Materials Division will continue taking measures to increase the output of Isotex interior finishing boards of higher margin by entering new markets in the neighbourhood in Sweden, Ukraine and Russia and by actively developing products and technology.

The divisions of Viisnurk AS that were closed in 2004 resulted in a loss of 1.5 mil. kroons (93 thousand euros) during the first nine months of 2005. This was mainly due to the storage of the divisions' assets prior to sales and costs related to the sales process.