

1<sup>st</sup> quarter  
Interim Report  
**2007**

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End of the Interim Report Period: 31.3.2007  
Beginning of the financial year: 1.1.2007  
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## Outline

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AS Viisnurk is a multibusiness wood processing company, with over half a century of experience in adding value to wood.

The Furniture and Building Materials Divisions are the business units of Viisnurk AS. The Furniture Division focuses on manufacturing and marketing of domestic furniture of unique design. The Building Materials Division produces and markets two independent softboard-based product categories: fibre-boards for insulation and soundproofing, and interior finishing panels for walls and ceilings.

AS Viisnurk has concentrated on export markets. Apart from the domestic market, the main markets of the company are in the neighboring regions: the Nordic countries, Western and Central Europe and Russia. The long-term customers and co-operation partners of Viisnurk AS are distinguished representatives of their respective fields.

The Group is listed in List I of Tallinn Stock Exchange. The majority owner of AS Viisnurk is OÜ Trigon Wood. The ultimate controlling party of the Group is TDI Investments KY, registered in the Republic of Finland and belonging to the Scandinavian investors.

## Management Report

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### 3 months of 2007

The net sales of Viisnurk AS for the 1<sup>st</sup> quarter of 2007 were 66.7 mil. kroons/4.3 mil. euros (53.0 mil. kroons/3.4 mil. euros during the same period in 2006) and the net profit amounted to 7.5 mil. kroons/0.5 mil. euros (1.8 mil. kroons/0.1 mil. euros during the same period in 2006). As of the end of March 2007 the total assets of Viisnurk amounted to 161.2 mil. kroons/10.3 mil. euros (31.3.2006: 157.6 mil. kroons/10.1 mil. euros). The liabilities of the company accounted for 51% (31.3.2006: 59%) thereof, i.e. 81.9 mil. kroons/5.2 mil. euros (31.3.2006: 92.3 mil. kroons/5.9 mil. euros).

The turnover of the Furniture Division in the 1<sup>st</sup> quarter of 2007 amounted to 33.7 mil. kroons/2.2 mil. euros (32.0 mil. kroons/2.0 mil. euros during the same period in 2006) and the profit amounted to 2.7 mil. kroons/171 thou. euros (1.2 mil. kroons/78 thou. euros during the same period in 2006).

The turnover of the Building Materials Division in the 1<sup>st</sup> quarter of 2007 amounted to 33.0 mil. kroons/2.1 mil. euros (21.0 mil. kroons/1.3 mil. euros during the same period in 2006) and the profit amounted to 5.9 mil. kroons/378 thou. euros (1.7 mil. kroons/106 thou. euros during the same period in 2006).

The profit of the Divisions does not reflect the general administrative costs of the corporation in the amount of 512 thou. kroons/33 thou. euros (498 thou. kroons/32 thou. euros during the same period in 2006) and the financial expenses of 584 thou. kroons/37 thou. euros (540 thou. kroons/35 thou. euros during the same period in 2006) that have been recorded in the report of business segments as unallocated expenses.

### Forecast and development

According to the strategy of developing the retail sale of the Furniture Division an international retail chain of furniture stores in our neighbouring markets operating under the trademark Skano shall be created. The company will plan to open on 2<sup>nd</sup> quarter of 2007 three stores in Lithuania and prepares to enter into Russian and Ukrainian market. Upon creating the retail unit Viisnurk AS entered the business area of the retail of furniture and furnishing materials that is operated by a private limited company Skano, registered on 1 September 2003. Viisnurk AS holds 100% of the shares of Skano OÜ.

The production unit of the Furniture Division has concentrated on producing wooden home furniture. The trademark of the Division's own products is Skano.

The Building Materials Division will increase the production capacity of Isotex interior finishing boards as products of higher level of refinement and higher margin by installing a new production line to satisfy the increased demand in existing markets and to enter new markets. In the 4<sup>th</sup> quarter of 2006 renovation works of the building for Isotex lines were started and the works are being carried out according to the plans. Increasing the production capacity of Isotex products helps the company to improve sales margins and give the existing production a higher value.

Although the factory producing building boards is working on full capacity, we have not been able to produce in advance finished goods for the period of repairs and vacations in summer (mainly in July) which means lower sales and profits for that time as compared to the previous quarter.

The Building Materials Division produces two categories of products: softboard-based building boards for insulation and soundproofing, and interior finishing boards for walls and ceilings. The trademarks of the Division's products are Isoplaat (building board) and Isotex (interior finishing boards).

## Divisional review:

Th EEK	Net sales		Profit	
	3 m 2007	3 m 2006	3 m 2007	3 m 2006
Furniture Division	33,705	32,017	2,668	1,221
Building Materials Division	33,038	21,026	5,918	1,658
<b>TOTAL</b>	<b>66,743</b>	<b>53,043</b>	<b>8,586</b>	<b>2,879</b>
Unallocated expenses			(512)	(498)
<b>OPERATING PROFIT</b>			<b>8,074</b>	<b>2,381</b>
Net financial costs			(584)	(540)
<b>NET PROFIT</b>			<b>7,490</b>	<b>1,841</b>

Th EUR	Net sales		Profit	
	3 m 2007	3 m 2006	3 m 2007	3 m 2006
Furniture Division	2,154	2,046	171	78
Building Materials Division	2,112	1,344	378	106
<b>TOTAL</b>	<b>4,266</b>	<b>3,390</b>	<b>549</b>	<b>184</b>
Unallocated expenses			(33)	(32)
<b>OPERATING PROFIT</b>			<b>516</b>	<b>152</b>
Net financial costs			(37)	(35)
<b>NET PROFIT</b>			<b>479</b>	<b>117</b>

### Furniture Division

The three-month net sales of Viisnurk AS Furniture Division were 33.7 mil. kroons/2.2 mil. euros (2006: 32.0 mil. kroons/2.0 mil. euros) and the economic result 2.7 mil. kroons/171 thou. euros (2006: 1.2 mil kroons/78 thou. euros) as a profit. As compared to the previous year the turnover of the division has increased by 1.6 mil. kroons/99 thou. euros and the profit by 1.4 mil. kroons/93 thou. euros.

The Furniture Division's three-month sales in the company's basic target markets in Finland and Russia have proceeded according to the plans and as compared to 2006 the sales have increased considerably. The Division has increased the sales of higher margin furniture that is based on the birch timber up to 94% in the accounting period (2006: 90%). Thus, the share of pine furniture was 6% (2006: 10%) and the market demand in the respective sector is decreasing. The company intends to further increase the share of birch furniture.

Among potential markets the division sees an opportunity to increase sales in Great Britain and Eastern and Central Europe.

The retail sale of the Furniture Division shows a rising tendency. Within three months this year the retail sale has increased by 68% as compared to the same period last year.

### Building Materials Division

The three-month net sales of the Building Materials Division amounted to 33.0 mil. kroons/2.1 mil. euros and profit to 5.9 mil. kroons/378 thou. euros. In the same period of the last year, the turnover of the division totalled 21.0 mil. kroons/1.3 mil. euros and the net profit 1.7 mil. kroons/106 thou. euros.

Since the beginning of the third quarter production volumes, sales and profitability of the division have improved rapidly and the factory is working on full capacity in order to satisfy the increased demand. In addition, active selling has been initiated in the eastern market - Russia and the Ukraine as well as Latvia and Lithuania.

### Building Boards

The results of the 1<sup>st</sup> quarter of 2007 have most been influenced by the sales success of Isoplaat wind protection boards in Scandinavia. The demand for wind protection boards is

increasing in the domestic market as well. In other neighbouring markets, especially in Latvia and Russia, the sales of floor boards has increased. Wind protection boards were the product group with the largest share in the sales of building boards.

### Interior Finishing Boards

Sales volumes and results of Isotex interior finishing boards have increased due to the new range of products and changes in the image of the trademark. The new logo and image were launched in the 4<sup>th</sup> quarter of the previous year in order to mark the broader product range.

In March ceiling panels with new patterns were introduced in Finland and Estonia helping to strengthen our leading positions in the above markets even more.

Ceiling panels comprised 80% (73% in 2006) and wall panels 20% (27% in 2006) of the sales of interior finishing boards.

Sales of Isotex interior finishing boards comprised 37% of the total sales of the division in 2007. Interior finishing boards are being produced since 1996 and they are sold 100% under the company's own trademark Isotex.

### Investments

In the retail business of the division activities were initiated in the fourth quarter to expand the retail business to our neighbouring markets according to the strategy. The expansion of retail business includes opening new stores offering home furniture and furnishing materials in various Eastern European markets.

In order to satisfy the increased demand in the existing markets and to enter the markets of Russia and the Ukraine, the Supervisory Board of Viisnurk AS has approved the decision to increase the production capacity of interior finishing boards via opening the second production line. The estimated total cost of the investment shall be 10 mil. kroons (639 thou. euros) and the planned deadline for implementing the line is the beginning of the 3<sup>rd</sup> quarter in 2007. The works related to building the line are being carried out according to the plans. The new production line enables to increase the volume of Isotex products to 55% of the net sales of the Building Materials Division. Increasing the production capacity of Isotex products helps the company to improve sales margins and give the existing production a higher value.

During 3 months 2007 investments into technology totalled 31 thou. kroons/2 thou. euros and into buildings 368 thou. kroons/24 thou. euros. At the same period of 2006 investments into technology totalled 1.3 mil. kroons/81 thou. euros and into buildings 2.0 mil. kroons/126 thou. euros.

### People

At 31 March 2007 Viisnurk AS employed 325 people (352 people in the same period of the last year). The average number of personnel in the three months of 2007 was 327 (2006: 345). In the 3 months of 2007, wages and salaries amounted 14.4 mil. kroons/0.9 mil. euros (12.50 mil. kroons/0.8 mil. euros in the same period of the last year).

Payments made to management and supervisory board members with relevant taxes:

	<i>Th EEK</i> 1 <sup>st</sup> quarter 2007	<i>Th EEK</i> 1 <sup>st</sup> quarter 2006	<i>Th EUR</i> 1 <sup>st</sup> quarter 2007	<i>Th EUR</i> 1 <sup>st</sup> quarter 2006
Board member and other remuneration	258	344	16	22
Social tax and unemployment insurance premiums	86	115	5	7
<b>TOTAL</b>	<b>344</b>	<b>459</b>	<b>21</b>	<b>29</b>

On 26 February 2007 Supervisory Board recalled Toivo Kuldmäe from Management Board and elected Einar Pähkel, Andres Kivistik and Erik Piile as the new Members of the

Management Board. In Supervisory board meeting on 27 February 2007 Andres Kivistik appointed the Chairman of Management Board until 31 December 2007, when Supervisory Board acts according to the situation.

## Financial highlights

	<i>Th EEK</i> 1 <sup>st</sup> quarter 2007	<i>Th EEK</i> 1 <sup>st</sup> quarter 2006	<i>Th EUR</i> 1 <sup>st</sup> quarter 2007	<i>Th EUR</i> 1 <sup>st</sup> quarter 2006
<b>Income statement</b>				
Revenue	66,743	53,043	4,266	3,390
Operating profit	8,074	2,381	516	152
Operating margin	12.1%	4.5%	12.1%	4.5%
Net profit	7,490	1,841	479	117
Net margin	11.2%	3.5%	11.2%	3.5%
<b>Balance sheet</b>				
Total assets	161,187	157,592	10,302	10,072
Return on assets	4.6%	1.2%	4.6%	1.2%
Equity	79,289	65,294	5,068	4,173
Return on equity	9.4%	2.8%	9.4%	2.8%
Debt-to-equity ratio	50.8%	58.6%	50.8%	58.6%
<b>Share (31 March)</b>				
Closing price (EEK/EUR)	48.04	38.18	3.07	2.44
Earnings per share (EEK/EUR)	1.66	0.41	0.11	0.03
Price-earnings ratio	28.9	93.1	28.9	93.1
Book value of a share (EEK/EUR)	17.62	14.51	1.13	0.93
Market to book ratio	2.7	2.6	2.7	2.6
Market capitalisation	216,132	171,772	13,813	10,978

Operating margin = Operating profit / Revenue

Net margin = Net profit / Revenue

Return on assets = Net profit / Total assets

Return on equity = Net profit / Equity

Debt-to-equity ratio = Liabilities / Total assets

Earnings per share = Net profit / Total shares

Price-earnings ratio = Closing price / Earnings per share

Book value of a share = Equity / Total shares

Market to book ratio = Closing price / Book value of a share

Market capitalization = Closing price \* Total shares

## Financial risks

### Interest rate risk

AS Viisnurk's interest rate risk depends, above all, on changes in EURIBOR (Euro Interbank Offered Rate) because most of its loans are linked to EURIBOR. At 31 March 2007, 6 months' EURIBOR was 4.043 and at 31 December 2006 3,807.

According to loan agreements, interest rates are reviewed on the basis of changes in EURIBOR as follows:

- the loan in starting amount of EEK 13,000,000 (EUR 830,851) every year on 30 November and 30 May;
- the loan in starting amount of EUR 2,660,000 (EEK 41,619,956) every year on 30 September and 31 March.

The interest rate risk also depends on the overall economic situation in Estonia and on changes in the banks' average interest rates. AS Viisnurk has a cash flow risk arising from the interest rate risk because most loans have a floating interest rate. Management believes that the cash flow risk is not significant. Therefore, no hedging instruments are used.

### Currency risk

The foreign exchange risk is the risk that the company may have significant loss as a result of fluctuating foreign exchange rates. AS Viisnurk's foreign exchange risk is low because most export-import contracts are nominated in euros.

### Risk of the Economic Environment

The risk of the economic environment for the Building Materials Division depends on general developments in the construction market; the risk for Furniture Division depends on the expectations of the customers towards economic welfare in future.

### Fair value

The management estimates that, the fair values of cash, accounts payable, short-term loans and borrowings do not materially differ from their carrying amounts. The fair values of long-term loans do not materially differ from their carrying amounts because their interest rates correspond to the interest rate risks prevailing on the market.

## Group structure

### Shares in subsidiaries

	Skano OÜ (Estonia)	Visu OÜ (Estonia)	Isotex OÜ (Estonia)	VN Niidu Kinnisvara OÜ (Estonia)	SIA Skano (Latvia)
Number of shares at 31.12.2005	1	1	1	-	1
Number of shares at 31.3.2006	1	1	1	1	1
Ownership at 31.3.2006	100	100	100	100	100
Number of shares at 31.12.2006	1	1	1	1	1
Number of shares at 31.3.2007	1	1	1	1	1
Ownership at 31.3.2007	100	100	100	100	100

Skano OÜ is engaged in the retail sale of furniture in Estonia. It has two stores: one in Järve Keskus, Tallinn, and the other on the ground floor of the head office of AS Viisnurk in Pärnu. SIA Skano is engaged in the retail sale of furniture in Latvia. It has one store which was opened in November 2005.

OÜ Visu and OÜ Isotex were established to allow former divisions to operate independently under their own trademarks and to facilitate their development. In connection with restructuring, use of the subsidiaries has been abandoned.

The subsidiaries Visu OÜ, Isotex OÜ and VN Niidu Kinnisvara OÜ did not have any operations in the financial year 2007 and 2006.



## Declaration of the Management Board

The Management Board of AS Viisnurk is prepared consolidated unaudited Interim Report for the 1<sup>st</sup> quarter of 2007, which is presented on pages 9 to 19.

- the accounting policies applied in the preparation of the consolidated financial statements comply with International Financial Reporting Standards as adopted by the European Union;
- the consolidated financial statements give a true and fair view of the financial positions of the Group and AS Viisnurk and the results of their operations and their cash flows;
- AS Viisnurk and its subsidiaries are going concerns.



Chairman of Management board

Andres Kivistik



Member of Management board

Einar Pähkel



Member of Management board

Erik piile

25<sup>th</sup> April 2007

## Consolidated balance sheet

	<i>Th EEK</i> 31.3.2007	<i>Th EEK</i> 31.12.2006	<i>Th EUR</i> 31.3.2007	<i>Th EUR</i> 31.12.2006
Cash and bank	13,303	13,138	850	840
Receivables and prepayments (Note 2)	32,202	26,629	2,058	1,702
Inventories	46,584	44,970	2,978	2,874
<b>Total current assets</b>	<b>92,089</b>	<b>84,737</b>	<b>5,886</b>	<b>5,416</b>
Other shares and issues	1	1	0	0
Investment property (Note 3)	10,295	10,295	658	658
Tangible fixed assets (Note 4)	58,302	57,534	3,726	3,677
Intangible fixed assets (Note 5)	500	650	32	42
<b>Total fixed assets</b>	<b>69,098</b>	<b>68,480</b>	<b>4,416</b>	<b>4,377</b>
<b><u>TOTAL ASSETS</u></b>	<b><u>161,187</u></b>	<b><u>153,217</u></b>	<b><u>10,302</u></b>	<b><u>9,793</u></b>
Debt obligations (Note 6)	17,905	19,409	1,144	1,241
Payables and prepayments (Note 7)	32,259	30,230	2,062	1,932
Short-term provisions (Note 8)	176	221	11	15
<b>Total current liabilities</b>	<b>50,340</b>	<b>49,860</b>	<b>3,217</b>	<b>3,188</b>
Non-current debt obligations (Note 6)	28,511	28,511	1,822	1,822
Non-current provisions (Note 8)	3,047	3,047	195	195
<b>Total non-current liabilities</b>	<b>31,558</b>	<b>31,558</b>	<b>2,017</b>	<b>2,017</b>
<b>Total liabilities</b>	<b>81,898</b>	<b>81,418</b>	<b>5,234</b>	<b>5,205</b>
Share capital at nominal value (Note 9)	44,991	44,991	2,875	2,875
Issue premium	11,332	11,332	724	724
Statutory capital reserve	4,499	4,499	288	288
Retained profits	10,977	(1,810)	702	(116)
Net profit for the year	7,490	12,787	479	817
<b>Total equity</b>	<b>79,289</b>	<b>71,799</b>	<b>5,068</b>	<b>4,588</b>
<b><u>TOTAL LIABILITIES AND EQUITY</u></b>	<b><u>161,187</u></b>	<b><u>153,217</u></b>	<b><u>10,302</u></b>	<b><u>9,793</u></b>

## Consolidated income statement

	<i>Th EEK</i> 1 <sup>st</sup> quarter 2007	<i>Th EEK</i> 1 <sup>st</sup> quarter 2006 (adjusted)	<i>Th EUR</i> 1 <sup>st</sup> quarter 2007	<i>Th EUR</i> 1 <sup>st</sup> quarter 2006 (adjusted)
<b>REVENUE (Note 11)</b>	<b>66,743</b>	<b>53,043</b>	<b>4,266</b>	<b>3,390</b>
<b>Cost of goods sold</b>	<b>(50,979)</b>	<b>(45,329)</b>	<b>(3,258)</b>	<b>(2,897)</b>
<b>Gross profit</b>	<b>15,764</b>	<b>7,714</b>	<b>1,008</b>	<b>493</b>
Distribution costs	(7,108)	(4,837)	(454)	(309)
Administrative expenses	(512)	(498)	(33)	(32)
Other operating income	45	73	3	5
Other operating expenses	(115)	(71)	(8)	(5)
<b>Operating profit (Note 11)</b>	<b>8,074</b>	<b>2,381</b>	<b>516</b>	<b>152</b>
Financial income and financial expenses (Note 1; 11)	(584)	(540)	(37)	(35)
<b>NET PROFIT FOR THE PERIOD (Note 1; 11)</b>	<b>7,490</b>	<b>1,841</b>	<b>479</b>	<b>117</b>
<b>Basic earnings per share (Note 1; 10)</b>	<b>1.66</b>	<b>0.41</b>	<b>0.11</b>	<b>0.03</b>
<b>Diluted earnings per share (Note 1; 10)</b>	<b>1.66</b>	<b>0.41</b>	<b>0.11</b>	<b>0.03</b>

## Consolidated cash flow statement

	Th EEK 1 <sup>st</sup> quarter 2007	Th EEK 1 <sup>st</sup> quarter 2006 (adjusted)	Th EUR 1 <sup>st</sup> quarter 2007	Th EUR 1 <sup>st</sup> quarter 2006 (adjusted)
<b>Cash flow from operations</b>				
<b>Net profit (Note 1; 10; 11)</b>	<b>7,490</b>	<b>1,841</b>	<b>479</b>	<b>117</b>
<i>Adjustments for:</i>				
Depreciation of fixed assets (Note 4; 5)	2,413	2,714	154	173
Gains on sale of fixed assets (Note 4; 5)	0	(29)	0	(2)
Gains on sale of financial investments	0	(35)	0	(2)
Interest expense (Note 1)	633	574	40	37
<b>Operating profit before changes in operating capital</b>	<b>10,536</b>	<b>5,065</b>	<b>673</b>	<b>324</b>
Change in operations-related receivables and prepayments	(6,037)	(1,320)	(386)	(84)
Change in inventories	(1,614)	(6,754)	(103)	(432)
Change in operations-related liabilities and prepayments	2,448	2,047	156	131
<b>Cash generated from operations</b>	<b>5,333</b>	<b>(962)</b>	<b>340</b>	<b>(61)</b>
Interest paid	(633)	(574)	(40)	(37)
<b>Total cash flow from operations</b>	<b>4,700</b>	<b>(1,536)</b>	<b>300</b>	<b>(98)</b>
<b>Cash flow from investments</b>				
Sale of financial investments	0	6,820	0	436
Acquisition of fixed assets (Note 4; 5)	(3,031)	(1,451)	(194)	(93)
Sale of fixed assets (Note 4; 5)	0	29	0	2
<b>Total cash flow from investments</b>	<b>(3,031)</b>	<b>5,398</b>	<b>(194)</b>	<b>345</b>
<b>Cash flow from financing activities</b>				
Repayment of loans (Note 6)	(1,504)	(2,129)	(96)	(136)
<b>Total cash flow from financing activities</b>	<b>(1,504)</b>	<b>(2,129)</b>	<b>(96)</b>	<b>(136)</b>
<b>TOTAL CASH FLOW</b>	<b>165</b>	<b>1,733</b>	<b>10</b>	<b>111</b>
<b>CASH AT BEGINNING OF PERIOD</b>	<b>13,138</b>	<b>5,552</b>	<b>840</b>	<b>355</b>
<b>CASH AT END OF PERIOD</b>	<b>13,303</b>	<b>7,285</b>	<b>850</b>	<b>466</b>

## Consolidated statement of changes in equity

<i>Th EEK</i>	Share capital	Share premium	Statutory capital reserve	Retained earnings	Total
Balance at 31.12.2004	44,991	11,332	4,499	4,958	65,780
Restatement (Note 1)	0	0	0	(2,327)	(2,327)
<b>Restated balance at 31.12.2005</b>	<b>44,991</b>	<b>11,332</b>	<b>4,499</b>	<b>2,631</b>	<b>63,453</b>
Profit for 3 months 2005	0	0	0	1,841	1,841
<b>Balance at 31.3.2006</b>	<b>44,991</b>	<b>11,332</b>	<b>4,499</b>	<b>4,472</b>	<b>65,294</b>
<b>Balance at 31.12.2006</b>	<b>44,991</b>	<b>11,332</b>	<b>4,499</b>	<b>10,977</b>	<b>71,799</b>
Profit for 3 months 2007	0	0	0	7,490	7,490
<b>Balance at 31.3.2007</b>	<b>44,991</b>	<b>11,332</b>	<b>4,499</b>	<b>18,467</b>	<b>79,289</b>

<i>Th EUR</i>	Share capital	Share premium	Statutory capital reserve	Retained earnings	Total
Balance at 31.12.2004	2,875	724	288	317	4,204
Restatement (Note 1)	0	0	0	(149)	(149)
<b>Restated balance at 31.12.2005</b>	<b>2,875</b>	<b>724</b>	<b>288</b>	<b>168</b>	<b>4,055</b>
Profit for 3 months 2005	0	0	0	117	117
<b>Balance at 31.3.2006</b>	<b>2,875</b>	<b>724</b>	<b>288</b>	<b>285</b>	<b>4,172</b>
<b>Balance at 31.12.2006</b>	<b>2,875</b>	<b>724</b>	<b>288</b>	<b>702</b>	<b>4,589</b>
Profit for 3 months 2007	0	0	0	479	479
<b>Balance at 31.3.2007</b>	<b>2,875</b>	<b>724</b>	<b>288</b>	<b>1,181</b>	<b>5,068</b>

## Notes to the consolidated interim report

### Accounting Policies And Measurement Bases

The consolidated financial statements prepared for the period ended 31 March 2007 include the financial information of the Company and its subsidiaries (together referred to as the Group): Skano OÜ, Visu OÜ, Isotex OÜ and VN Niidu Kinnisvara OÜ, and Skano OÜ's wholly-owned subsidiary SIA Skano. The Group manufactures and distributes furniture and softboard made of wood.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The same accounting policies were applied for both the Interim Report and the Annual Report for the financial year that ended on 31.12.2006.

According to the assessment of the Management Board, Viisnurk AS is a going concern and the Interim Report for the 1<sup>st</sup> quarter of 2007 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.

### Note 1 Correction of prior period errors

The management has discovered an error in calculation of provision for long-term disability compensations. The error has been corrected retrospectively and comparatives have been adjusted respectively.

The effect of the correction of error on opening balances of the consolidated financial statements is as follows:

	<i>EEK</i>	<i>EUR</i>
Decrease of net profit as at 31.12.2005	2 326 788	148 709
Increase of financial expense for 1 <sup>st</sup> quarter 2006 (Note 10; 11)	57 195	3 655
Decrease of net profit for 1st quarter 2006 (Note 10; 11)	57 195	3 655
Basic earnings per share for 1 <sup>st</sup> quarter 2006 before adjustment (Note 10)	0,42	0,03
Basic earnings per share for 1 <sup>st</sup> quarter 2006 after adjustment (Note 10)	0,41	0,03
Diluted earnings per share for 1 <sup>st</sup> quarter 2006 before adjustment (Note 10)	0,42	0,03
Diluted earnings per share for 1 <sup>st</sup> quarter 2006 after adjustment (Note 10)	0,41	0,03
Book value of share for 1 <sup>st</sup> quarter 2006 before adjustment (Note 10)	15,04	0,96
Book value of share for 1 <sup>st</sup> quarter 2006 after adjustment (Note 10)	14,51	0,93
Price/earnings ratio (P/E) for 1 <sup>st</sup> quarter 2006 before adjustment (Note 10)	90,90	90,90
Price/earnings ratio (P/E) for 1 <sup>st</sup> quarter 2006 after adjustment (Note 10)	93,12	93,12

**Note 2 Receivables and prepayments**

	<i>Th EEK</i>	<i>Th EEK</i>	<i>Th EUR</i>	<i>Th EUR</i>
	<b>31.3.2007</b>	<b>31.12.2006</b>	<b>31.3.2007</b>	<b>31.12.2006</b>
Customer receivables	27,692	22,829	1,770	1,459
Prepaid VAT	3,280	2,661	210	170
Other receivables	788	362	50	23
Prepaid services	442	777	28	50
<b>TOTAL</b>	<b>32,202</b>	<b>26,629</b>	<b>2,058</b>	<b>1,702</b>

**Note 3 Investment property**

	<i>Th EEK</i>	<i>Th EUR</i>
Cost at 31.12.2005	18,949	1,211
Accumulated depreciation at 31.12.2005	(3,428)	(219)
Net book amount at 31.12.2005	15,521	992
<b>Cost at 31.3.2006</b>	<b>18,949</b>	<b>1,211</b>
<b>Accumulated depreciation at 31.3.2006</b>	<b>(3,428)</b>	<b>(219)</b>
<b>Net book amount at 31.3.2006</b>	<b>15,521</b>	<b>992</b>
Cost at 31.12.2006	11,398	729
Accumulated depreciation at 31.12.2006	(1,103)	(71)
Net book amount at 31.12.2006	10,295	658
<b>Cost at 31.3.2007</b>	<b>11,398</b>	<b>729</b>
<b>Accumulated depreciation at 31.3.2007</b>	<b>(1,103)</b>	<b>(71)</b>
<b>Net book amount at 31.3.2007</b>	<b>10,295</b>	<b>658</b>

Depreciation of investment property has been ceased because the estimated residual values of the investment properties exceed their carrying amounts.

Costs of maintenance for three months of 2007 were 3 thousand kroons/0,2 thousand euros and 28 thousand kroons/2 thousand euros in the same period of 2006.

**Note 4 Tangible Fixed Assets**

	<i>Th EEK</i>	<i>Th EEK</i>	<i>Th EUR</i>	<i>Th EUR</i>
	<b>31.3.2007</b>	<b>31.12.2006</b>	<b>31.3.2007</b>	<b>31.12.2006</b>
Land	1,320	1,320	84	84
Buildings and constructions	37,189	37,697	2,377	2,409
Machinery, plant and equipment	14,738	16,313	942	1,043
Other equipment and fixtures	726	490	46	31
Construction in progress	4,329	1,714	277	110
<b>TOTAL</b>	<b>58,302</b>	<b>57,534</b>	<b>3,726</b>	<b>3,677</b>

	<i>Th EEK</i>	<i>Th EUR</i>
Cost at 31.12.2005	153,568	9,815
Accumulated depreciation at 31.12.2005	(95,333)	(6,093)
Net book amount at 31.12.2005	58,235	3,722
Acquired in 3 months of 2006	1,451	93
Depreciation in 3 months of 2006	(2,483)	(159)
Net book amount at 31.3.2006	57,203	3,656
<b>Cost at 31.3.2006</b>	<b>155,019</b>	<b>9,908</b>
<b>Accumulated depreciation at 31.3.2006</b>	<b>(97,816)</b>	<b>(6,252)</b>

<b>Net book amount at 31.3.2006</b>	<b>57,203</b>	<b>3,656</b>
Cost at 31.12.2006	163,732	10,464
Accumulated depreciation at 31.12.2006	(106,198)	(6,787)
Net book amount at 31.12.2006	57,534	3,677
Acquired in 3 months of 2007	3,031	194
Depreciation in 3 months of 2007	(2,263)	(145)
Net book amount at 31.3.2007	58,302	3,726
Cost at 31.3.2007	166,763	10,658
Accumulated depreciation at 31.3.2007	(108,461)	(6,932)
Net book amount at 31.3.2007	58,302	3,726

#### Note 5 Intangible Fixed Assets

	<i>Th EEK</i>	<i>Th EUR</i>
Cost at 31.12.2005	5,771	369
Accumulated depreciation at 31.12.2005	(3,953)	(253)
Net book amount at 31.12.2005	1,818	116
Depreciation in 3 months of 2006	(231)	(14)
Net book amount at 31.3.2006	1,587	102
<b>Cost at 31.3.2006</b>	<b>5,771</b>	<b>369</b>
<b>Accumulated depreciation at 31.3.2006</b>	<b>(4,184)</b>	<b>(267)</b>
<b>Net book amount at 31.3.2006</b>	<b>1,587</b>	<b>102</b>
Cost at 31.12.2006	5,771	369
Accumulated depreciation at 31.12.2006	(5,121)	(327)
Net book amount at 31.12.2006	650	42
Depreciation in 3 months of 2007	(150)	(10)
Net book amount at 31.3.2007	500	32
<b>Cost at 31.3.2007</b>	<b>5,771</b>	<b>5,771</b>
<b>Accumulated depreciation at 31.3.2007</b>	<b>(5,271)</b>	<b>(337)</b>
<b>Net book amount at 31.3.2007</b>	<b>500</b>	<b>32</b>

Intangible assets include computer software not directly linked to the hardware and the customer base acquired in the takeover of the activities of the Swiss company Skano AG in 2004.

#### Note 6 Debt Obligations

	<i>Th EEK</i>	<i>Th EEK</i>	<i>Th EUR</i>	<i>Th EUR</i>
	<b>31.3.2007</b>	<b>31.12.2006</b>	<b>31.3.2007</b>	<b>31.12.2006</b>
Current liabilities	17,905	19,409	1,144	1,241
Non-current debt obligations	28,511	28,511	1,822	1,822
Incl. long-term loans	25,574	25,574	1,634	1,634
Non-convertible debt	2,937	2,937	188	188
<b>TOTAL</b>	<b>47,920</b>	<b>47,920</b>	<b>3,062</b>	<b>3,062</b>



#### Note 7 Payables and prepayments

	<i>Th EEK</i>	<i>Th EEK</i>	<i>Th EUR</i>	<i>Th EUR</i>
	<b>31.3.2007</b>	<b>31.12.2006</b>	<b>31.3.2007</b>	<b>31.12.2006</b>
Supplier payables	19,623	20,352	1,254	1,301
Payables to employees	6,642	4,617	425	295
Taxes payables	3,387	3,714	216	237
Other payables	11	266	1	17
Customer prepayments	2,596	1,281	166	82
<b>TOTAL</b>	<b>32,259</b>	<b>30,230</b>	<b>2,062</b>	<b>1,932</b>

#### Note 8 Provisions

	<i>Th EEK</i>	<i>Th EEK</i>	<i>Th EUR</i>	<i>Th EUR</i>
	<b>31.3.2007</b>	<b>31.12.2006</b>	<b>31.3.2007</b>	<b>31.12.2006</b>
Short-term provision	176	221	11	15
Long-term provision	3,046	3,046	195	195
<b>TOTAL</b>	<b>3,222</b>	<b>3,267</b>	<b>206</b>	<b>210</b>

Provisions relate to the compensations for loss of working capacity of former employees after work accidents. The total amount of the provision has been estimated considering the number of persons receiving the compensation, extent of their disability, their former level of salary, level of pension payments, and estimations of the remaining period of payments.

#### Note 9 Share Capital

	Number of shares	Share capital	Share capital
	<i>pcs</i>	<i>Th EEK</i>	<i>Th EUR</i>
Balance 31.12.2005	4,499,061	44,991	2,875
Balance 31.3.2006	4,499,061	44,991	2,875
Balance 31.12.2006	4,499,061	44,991	2,875
Balance 31.3.2007	4,499,061	44,991	2,875

At 31.12.2006, the share capital of Viisnurk AS totaled 44,990,610 kroons/2,875,424 euros that were 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. Each ordinary share grants its owner one vote in the General Meeting of Shareholders and the right to receive dividends.

#### Note 10 Earnings per share

	<i>EEK</i>	<i>EEK</i>	<i>EUR</i>	<i>EUR</i>
	<b>31.3.2007</b>	<b>31.3.2006</b>	<b>31.3.2007</b>	<b>31.3.2006</b>
Basic earnings per share (Note 1)	1,66	0,41	0,11	0,03
Diluted earnings per share (Note 1)	1,66	0,41	0,11	0,03
Book value of share (Note 1)	17,62	14,51	1,13	0,93
Price/earnings ratio (P/E) (Note 1)	28,94	93,12	28,94	93,12
Closing price of the share of AS Viisnurk on Tallinn Stock Exchange at 31.3.	48,04	38,18	3,07	2,44

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

Basic earnings per share for 3 months of 2007 = 7,489,611 / 4,499,061 = 1.66 kroons/0.11 euros

Basic earnings per share for 3 months of 2006 = 1,840,833 / 4,499,061 = 0.41 kroons/0.03 euros

Diluted earnings per share equal the basic earnings per share because the Group does not have any potential ordinary shares with a dilutive effect on the earnings per share.

Price/earnings ratio (P/E) for 3 months of 2007 = 48.04 / 1.66 = 28.94

Price/earnings ratio (P/E) for 3 months of 2006 = 38.18 / 0.41 = 93.12

#### Note 11 Segments

Segment reporting includes reporting by **business segments**. The results of business segments are derived from management accounting. Inter-segmental sales are recognized at market process. Business segments by the areas of operations are considered as the primary segment of the Group.

**Management has identified the following business segments:**

*The Furniture Division (FD)* is engaged in the production and retail sale of household furniture. The Furniture Division includes the furniture factory of AS Viisnurk and Skano OÜ (including SIA Skano).

*The Building Materials Division (BMD)* produced softboard and interior finishing boards.

The secondary segment of the Group is defined according to the **geographical** location of customers.

**Business segment by area of operations - primary segment:**

<i>Th EEK</i>	Furniture Division		Building Material Division		TOTAL	
	1 <sup>st</sup> quarter 2007	1 <sup>st</sup> quarter 2006	1 <sup>st</sup> quarter 2007	1 <sup>st</sup> quarter 2006	1 <sup>st</sup> quarter 2007	1 <sup>st</sup> quarter 2006
Revenue	33,705	32,017	33,038	21,026	66,743	53,043
Segment's result	2,668	1,221	5,918	1,658	8,586	2,879
Unallocated expenses					(512)	(498)
Operating profit					8,074	2,381
Net financial expenses (Note 1)					(584)	(540)
Net profit for accounting period (Note 1)					7,490	1,841

<i>Th EUR</i>	Furniture Division		Building Material Division		TOTAL	
	1 <sup>st</sup> quarter 2007	1 <sup>st</sup> quarter 2006	1 <sup>st</sup> quarter 2007	1 <sup>st</sup> quarter 2006	1 <sup>st</sup> quarter 2007	1 <sup>st</sup> quarter 2006
Revenue	2,154	2,046	2,112	1,344	4,266	3,390
Segment's result	171	78	378	106	549	184
Unallocated expenses					(33)	(32)
Operating profit					516	152
Net financial expenses (Note 1)					(37)	(35)
Net profit for accounting period (Note 1)					479	117

**Geographical segment by location of customers - secondary segment:**

<i>Th EEK</i>	1 <sup>st</sup> quarter 2007			1 <sup>st</sup> quarter 2006		
	FD	BMD	TOTAL	FD	BMD	TOTAL
<b>EXPORT</b>						
<i>European countries</i>						
Finland	16,162	17,961	34,123	15,685	7,645	23,330
Russia, Ukraine, Belarusian	9,253	1,711	10,964	8,291	33	8,324
Germany	1,790	754	2,544	2,259	1,097	3,356
Latvia, Lithuania	1,647	711	2,358	2,049	457	2,506
Netherlands	0	0	0	0	1,435	1,435
Sweden	0	837	837	37	419	456
Other European countries	100	396	496	532	272	804
<b>TOTAL</b>	<b>28,952</b>	<b>22,370</b>	<b>51,322</b>	<b>28,853</b>	<b>11,358</b>	<b>40,211</b>
Other countries	1,627	0	1,627	36	0	36
<b>TOTAL EXPORT</b>	<b>30,579</b>	<b>22,370</b>	<b>52,949</b>	<b>28,889</b>	<b>11,358</b>	<b>40,247</b>
<b>Domestic Market</b>	<b>3,126</b>	<b>10,668</b>	<b>13,794</b>	<b>3,128</b>	<b>9,668</b>	<b>12,796</b>
<b>TOTAL</b>	<b>33,705</b>	<b>33,038</b>	<b>66,743</b>	<b>32,017</b>	<b>21,026</b>	<b>53,043</b>

<i>Th EUR</i>	1 <sup>st</sup> quarter 2007			1 <sup>st</sup> quarter 2006		
	FD	BMD	TOTAL	MD	BMD	TOTAL
<b>EXPORT</b>						
<i>European countries</i>						
Finland	1,033	1,149	2,182	1,002	489	1,491
Russia, Ukraine, Belarusian	591	109	700	530	2	532
Germany	114	48	162	144	70	214
Latvia, Lithuania	105	45	150	131	29	160
Netherlands	0	0	0	0	92	92
Sweden	0	53	53	2	27	29
Portugal	7	25	32	34	17	51
<b>TOTAL</b>	<b>1,850</b>	<b>1,429</b>	<b>3,279</b>	<b>1,844</b>	<b>726</b>	<b>2,570</b>
Other countries	104	0	104	2	0	2
<b>TOTAL EXPORT</b>	<b>1,954</b>	<b>1,429</b>	<b>3,383</b>	<b>1,846</b>	<b>726</b>	<b>2,572</b>
<b>Domestic Market</b>	<b>200</b>	<b>683</b>	<b>883</b>	<b>200</b>	<b>618</b>	<b>818</b>
<b>TOTAL</b>	<b>2,154</b>	<b>2,112</b>	<b>4,266</b>	<b>2,046</b>	<b>1,344</b>	<b>3,390</b>