

4<sup>th</sup> quarter  
Interim Report  
**2011**

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End of the Interim Report Period:	31.12.2011
Beginning of the financial year:	1.1.2011
End of the financial year:	31.12.2011
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Main activity:	Furniture production
Auditor:	AS PricewaterhouseCoopers

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## Outline

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AS Viisnurk is engaged in the field of furniture and furnishing goods retail trade and the production of furniture and building materials. The Furniture Division and Building Materials Divisions are the business units of AS Viisnurk.

Furniture store chain Skano operating in Ukraine and the Baltics and a plant producing original home furniture made of timber belong into the Furniture Division.

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.

The principal markets of the company are Scandinavia, Russia, Ukraine and the Baltics. The long-term customers and co-operation partners of Viisnurk AS are distinguished representatives of their respective fields.

The shares of AS Viisnurk have been listed on Tallinn Stock Exchange since 5 June 1997. On 19 September 2007, the division of AS Viisnurk took place and the shares of separated production enterprise have been listed again in the main list of Tallinn Stock Exchange according to the decision of Tallinn Stock Exchange Listing Committee as of 20 September 2007 and trading with the shares commenced on 25 September 2007. The majority owner of AS Viisnurk is OÜ Trigon Wood.

Largest shareholder of OÜ Trigon Wood and the entities with significant influence over the Group are: AS Trigon Capital, Veikko Laine Oy, BCB Baltic AB, Hermitage Eesti OÜ, Thominvest Oy and Assetman Oy.

## Management Report

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### **Income statement**

Consolidated net sales of 2011 was 17.3 mil. euros (13.9 mil. euros in same period of 2010) representing a 24% increase compared to 2010. The Group's gross margin in 2011 was 18.5% compared to 23.4% in 2010. Consolidated operating profit amounted to 2.8 mil. euros (0.9 mil. euros in 2010). Net sales of the comparable business units of the company (Pärnu softboard factory, furniture factory and retail chain Skano) was 16.2 mil. euros (representing a 16% increase compared to 2010), the consolidated operating profit was 1.0 mil. euros and gross margin 23.1%.

EBITDA amounted to 3.4 mil. euros in 2011 (1.4 mil. euros in 2010). Consolidated net profit amounted to 2.6 mil. euros, compared to 0.8 mil. euros in 2010, and the net margin was 14.8% (5.5% in 2010). The results of 2011 are influenced by the single revenue from revaluation at the amount of 2.46 mil. euros.

Consolidated net sales of fourth quarter 2011 was 4.8 mil. euros (4.1 mil. euros in same period of 2010) representing a 19% increase on the fourth quarter compared to Q4 2010. The Group's gross margin in the fourth quarter of 2011 was 14.9% compared to 22.1% in the fourth quarter of 2010. Consolidated operating loss amounted to 0.1 mil. euros (0.2 mil. euros profit in 2010). The consolidated operating margin of net sales was -2.8% (6.0% in Q4 2010).

EBITDA amounted to 99 thousand euros in fourth quarter (375 thousand euros in 2010). Consolidated net loss amounted to 210 thousand euros, compared to 209 thousand net profit euros in Q4 2010, and the net margin was -4.4% (5.2% in Q4 2010).

The comparable business units of the company (Pärnu softboard factory, furniture factory and retail chain Skano) exhibited the total decrease of operating profit of 48%, decreasing from 243 thousand euros in 2010 to 126 thousand euros in the fourth quarter of 2011. Net sales of furniture factory decreased by 3%, amounted to 2.0 mil. euros and profit was 162 thousand euros. Net sales of retail chain Skano increased by 3%, amounted to 631 thousand euros and profit was 59 thousand euros. Net sales of Pärnu softboard factory decreased by 2% and amounted to 1,5 mil. euros, operating loss was 104 thousand euros. The unexpectedly drastic sales drop in Scandinavia, where the activity of construction works is remarkably lowered, caused decrease the profit of the unit in fourth quarter. Due to the weak demand factory did not work in full capacity.

The net sales of the Püssi factory in fourth quarter amounted to 814 thousand euros and loss to 260 thousand euros. The sales of Püssi factory was much smaller than expected. In consideration with cooling down of European economy, the end-customers are limited their expenses and demand was very weak. The stocks of our clients were on high level. The weak demand caused usage of Püssi production line for half of its capacity.

### **Position of financial statement**

As of the end of December 2011 the total assets of Viisnurk amounted to 16.0 mil. euros (31.12.2010: 9.1 mil. euros). The liabilities of the company accounted for 52.4% (31.12.2010: 41.5%) thereof, i.e. 8.4 mil. euros (31.12.2010: 3.8 mil. euros). Assets increased by acquisition of Püssi factory and liabilities due to the loans for acquisition of the factory.

Receivables and prepayments have increased by 0.5 mil. euros i.e. 40% increase with 12 months. The reason of increase of receivables is growth of sales.

Inventories increased by 0.7 mil. euros to reach 3.2 mil euros at 31 December 2011 (31.12.2010: 2.5 mil. euros). Property, plant and intangibles increased by 6.5 mil. euros due to the acquisition of Püssi softboard factory.

Current liabilities amounted in 31 December 2011 1.4 mil. euros (31.12.2010: 1.4 mil. euros). Supplier payables, tax liabilities, other payables, including payables to employees, and provisions amounted to 2.1 mil. euros (31.12.2010: 1.5 mil. euros). Current and non-current liabilities increased by 4.6 mil. euros to 8.4 mil. euros (31.12.2010: 3.8 mil euros).

## Financial highlights

<i>th. EUR</i>	12 m 2011	12 m 2010	12 m 2009
<b>Income statement</b>			
Revenue	17,330	13,929	13,152
EBITDA	3,436	1,430	653
EBITDA margin	19.8%	10.3%	5.0%
Operating profit	2,759	887	177
Operating margin	15.9%	6.4%	1.3%
Net profit	2,565	771	10
Net margin	14.8%	5.5%	0.1%
<b>Balance sheet (30.09)</b>			
Total assets	15,950	9,115	8,488
Return on assets	16.1%	8.5%	0.1%
Equity	7,693	5,331	4,570
Return on equity	33.3%	14.5%	0.2%
Debt-to-equity ratio	51.8%	41.5%	46.2%
<b>Share (30.09)</b>			
Closing price	1.62	1.44	0.72
Earnings per share	0.57	0.17	0.002
Price-earnings ratio	2.84	8.40	375.67
Book value of a share	1.71	1.19	1.02
Market to book ratio	0.95	1.21	0.71
Market capitalization	7,288	6,479	3,239

EBITDA = Earnings before interest, taxes, depreciation and amortization

EBITDA margin = EBITDA / Revenue

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

## Divisional review:

### *Net sales by business segments*

	<i>th EUR</i>		<i>sales growth</i>	<i>% of net sales</i>	
	Q4 2011	Q4 2010	%	Q4 2011	Q4 2010
Building Materials Division	2,414	1,597	51.2%	50.1%	39.4%
Furniture Factory	2,026	2,095	(3.3%)	42.1%	51.7%
Retail sales	631	614	2.8%	13.1%	15.1%
Elimination	(255)	(252)	0.8%	(5.3%)	(6.2%)
<b>TOTAL</b>	<b>4,816</b>	<b>4,054</b>	<b>18.8%</b>	<b>100.0%</b>	<b>100.0%</b>

After the acquisition of Püssi softboard factory the main activity will change to manufacturing of building materials.

**Net sales by geographical segments**

	<i>th EUR</i>		<i>% of net sales</i>	
	Q4 2011	Q4 2010	Q4 2011	Q4 2010
Finland	1,454	1,437	30.2%	35.4%
Russia	1,297	1,095	26.9%	27.0%
Estonia	506	733	10.5%	18.1%
Ukraine	282	242	5.9%	6.0%
Great Britain	526	9	10.9%	0.2%
Nederland	179	1	3.7%	0.0%
Sweden	135	105	2.8%	2.6%
Lithuania	103	94	2.1%	2.3%
Latvia	95	144	2.0%	3.6%
Kazakhstan	74	103	1.5%	2.5%
Other countries	165	91	3.4%	2.2%
<b>Total</b>	<b>4,816</b>	<b>4,054</b>	<b>100.0%</b>	<b>100.0%</b>

Regarding the markets, turnover has increased into Russia and Great Britain. The percentage of turnover has decreased most in Estonia, Latvia and Kazakhstan.

**Profit by business segments**

<i>th. EUR</i>	Q4 2011	Q4 2010
Building Materials Division	(347)	53
Furniture Factory	162	162
Furniture retail – Skano	59	10
Elimination	(8)	18
<b>TOTAL</b>	<b>(134)</b>	<b>243</b>
Net financial costs	(73)	(27)
	(3)	(7)
<b>NET PROFIT</b>	<b>(210)</b>	<b>209</b>

## Building Materials Division

The net sales of the Building Materials Division in fourth quarter amounted to 2.4 mil. euros and loss to 347 thousand euros. In the same period of the last year, the turnover of the division totaled to 1.6 mil. euros and the profit 53 thousand euros. As compared to the previous year the turnover of the division has increased by 817 thousand euros (51%).

### *Net sales by geographical segments*

	<i>th EUR</i>		<i>% of net sales</i>	
	Q4 2011	Q4 2010	Q4 2011	Q4 2010
Finland	669	598	27.7%	37.4%
Great Britain	526	9	21.8%	0.6%
Russia	403	195	16.7%	12.2%
Estonia	290	494	12.0%	30.9%
Nederland	179	0	7.4%	0.0%
Sweden	135	105	5.6%	6.6%
Bulgaria	108	0	4.5%	0.0%
Denmark	39	44	1.6%	2.8%
Ukraine	25	16	1.0%	1.0%
India	17	0	0.7%	0.0%
Latvia	15	64	0.6%	4.0%
Germany	7	16	0.3%	1.0%
Other countries	1	57	0.0%	3.6%
<b>TOTAL</b>	<b>2,414</b>	<b>1,598</b>	<b>100.0%</b>	<b>100.0%</b>

Regarding the markets, turnover has increased most into Great Britain, Russia, Nederland and Bulgaria and decreased into Estonia and Latvia.

<i>th EUR</i>	<i>Net sales</i>		<i>Profit</i>	
	Q4 2011	Q4 2010	Q4 2011	Q4 2010
Pärnu softboard factory	1,146	1,179	(63)	(4)
Pärnu interior boards factory	357	376	(41)	14
Püssi softboard factory	814	-	(260)	-
Not allocated	79	43	17	43
<b>Total</b>	<b>2,414</b>	<b>1,598</b>	<b>(347)</b>	<b>53</b>

Püssi softboard factory started the first test production in the beginning of August. Generally the launching has proceeded according to the planned schedule but during the period of launching several standstills have occurred related to adjusting and repair of equipment. By now the problems have mostly been solved. In the last week of October the factory achieved a level where it is possible to produce around 4,500 m<sup>3</sup> and the potential total sales of which would be about 500 thousand euros per month.

The net sales of the Püssi factory in fourth quarter amounted to 814 thousand euros and loss to 260 thousand euros. The sales of Püssi factory was much smaller than expected. Many clients bought remarkably smaller amounts than prognosis a few months before. In future it is planned to improve the production line and increase the speed of the line and achieve a monthly production capacity of 5,500-6,000 m<sup>3</sup>. The project related to the increase of production capacity can be processed, if the existing capacity is in use and we see increasing demand. Currently our construction material customers have given signals that their orders could decrease. Therefore we have decided that during the first quarter of 2012 the Püssi factory is going to work in three shifts and use around 50% of its capacity. The above production capacity is currently covered with orders and there is no intention to create large stocks. At the same time we see the recovering of demand in March and April.

## Furniture Division

### Furniture Retail – Skano

AS Viisnurk retail business is operated by a private limited company OÜ Skano and its subsidiaries in Latvia, Lithuania and Ukraine. Skano has totally 11 stores – two in Tallinn, Pärnu, Riga, Vilnius, two in Kiev, Donetsk, Kharkiv and two in Dnipropetrovs'k at the end of year. At first quarter 2012 one store at Dnipropetrovs'k will close.

#### *Retail sales by countries*

	<i>th EUR</i>		<i>% of net sales</i>		<i>Number of stores</i>	
	Q4 2011	Q4 2010	Q4 2011	Q4 2010	31.12.2011	31.12.2010
Estonia	197	220	31.2%	35.8%	3	2
Latvia	80	80	12.7%	13.0%	1	1
Lithuania	97	88	15.4%	14.3%	1	2
Ukraine	257	226	40.7%	36.8%	6	7
<b>TOTAL</b>	<b>631</b>	<b>614</b>	<b>100.0%</b>	<b>100.0%</b>	<b>11</b>	<b>12</b>

Turnover in Skano retail chain in the fourth quarter increased 3% compared to the previous year and made 631 thousand euros. As a result, the profit of Skano in the fourth quarter was 59 thousand euros compared to the 10 thousand euros in 2010. The results of Skano are also considerably influenced by currency movements, which brought exchange gains in the amount of 40 thousand euros in the fourth quarter of this year compared to the previous year in the amount of 12 thousand euros. Although as an independent unit Skano is still far from the objectives established by the management then from the standpoint of the enterprise it has yet brought positive receipts to the group throughout the crisis as the furniture factory sells its production to Skano upon market conditions and profitably. With the past 12 months of 2011 the sales of the furniture factory to Skano have made up the total of 917 thousand euros by bringing gross profit to the furniture factory and sales margin for covering the general expenses of the division to a considerably larger extent compared to the net loss of Skano division in the same period. The results of Skano retail chain have remained below the expectations in connection with the extremely low demand for durable goods caused by the economic environment in Ukraine and the Baltic countries.

### Furniture Production

The Furniture Factory's sales in the fourth quarter in the company's basic target markets in Russia and Finland have decreased slightly. Our clients do not estimate increase of demand in near future. Rather, a decrease in the consumers' certainty can be expected in the conditions of the European debt crisis and therefore also a decrease in the sales turnover as a result.

The net sales of the Furniture Factory in fourth quarter amounted to 2.0 mil. euros and profit to 162 thousand euros. In the same period of the last year, the turnover of the division totalled 2.1 mil. euros and the profit 162 thousand euros. As compared to the previous year the turnover of the factory has increased by 69 thousand euros (3%) and the profit has remained the same.

#### *Furniture factory sales by countries*

	<i>th EUR</i>		<i>% of net sales</i>	
	Q4 2011	Q4 2010	Q4 2011	Q4 2010
Russia	894	900	44.1%	43.0%
Finland	785	836	38.7%	39.9%
Estonia	19	22	0.9%	1.1%
Kazakhstan	74	78	3.7%	3.7%
Other countries	0	6	0.0%	0.3%
Skano	254	253	12.5%	12.1%
<b>TOTAL</b>	<b>2,026</b>	<b>2,095</b>	<b>100.0%</b>	<b>100.0%</b>



## Forecast and development

As the outlook of Europe's economy is unpredictable, our view of the future is cautious. We believe that in connection with cooling of economics, demand may decrease in the nearest future; we contribute to maintaining liquidity and not creating an excess stock reserve. We will continue production only proceeding from orders and according to the forecasts of our reliable partners.

**Building Materials Division.** On the main production line in the production is performed in three shifts in Pärnu softboard factory and it continues according to preliminary estimations until the end of first quarter 2012. According to orders list, factory fill produce in full capacity again in second quarter. Isotex lines are used one or two shifts accordingly the demand of clients.

Due to the low demand Püssi softboard factory shall operate about 50% of capacity in the first quarter 2012.

In connection with the decreasing sales volumes in Scandinavia we have continued the search of customers from other areas, especially the Asian countries as well as Russia.

**Skano.** We do not expect significant growth of retail sale in the first quarter of 2012. Therefore we shall continue to save the costs and do not plan any extension of the retail chain.

**Furniture Factory.** In the first quarter of 2012 we expect similar turnover as in the preceding quarters in the furniture factory, but the volume will still remain lower than the production capabilities would allow. Therefore the workload is continuously low in the furniture factory. Agreements have been concluded with the employees for application of undertime until 31.03.2012.

## Investments

During 12 months 2011 investments into fixed assets totalled 7.2 mil. euros. At the same period of 2010 investments totalled 754 thousand euros.

The biggest investment in second quarter was purchase of Püssi factory as the bankruptcy assets at total amount 4 mil. euros. To take factory into use additional investments and other income includes the gain from a bargain purchase will be added to the acquisition costs.

## People

At 31 December 2011 Concern employed 369 people (316 people in the same date of the last year). The average number of personnel in the twelve months of 2011 was 351 (2010: 308).

In the 12 months of 2011, wages and salaries amounted 4.4 mil. euros (3.5 mil. euros in the same period of the last year).

Payments made to management and supervisory board members of all companies of Concern with relevant taxes:

<i>th. EUR</i>	12 m 2011	12 m 2010
Board member and other remuneration	234	190
Social tax and unemployment insurance premiums	78	65
<b>TOTAL</b>	<b>312</b>	<b>225</b>

## 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 December 2011, 6 months' EURIBOR was 1.617 and at 31 December 2010 1.227. Interest rates are reviewed on the basis of changes in EURIBOR every year on 30 November and 30 May.

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. Currency risk increases with the increase of the number of stores of Skano due to the use of local currencies in the market. Subsidiaries assets and liabilities outside Estonia are subject to currency risk. AS Viisnurk's foreign currency risk from other operations 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. According recent process of world economy the risk of economic environment has increased significantly.

### **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

Country of location	OÜ Skano Estonia	OÜ Isotex Estonia	SIA Skano Latvia	UAB Skano LT Lithuania	TOV Skano Ukraina Ukraine
Number of shares at 31.12.2010	1	1	1	100	1
Ownership at 31.12.2010 (%)	100	100	100	100	100
Number of shares at 31.12.2011	1	1	1	100	1
Ownership at 31.12.2011 (%)	100	100	100	100	100

OÜ Skano is engaged with the retail trade of furniture in Estonia. The company owns three furniture stores – one in Järve Keskus in Tallinn, one in Rocca Al Mare Kaubanduskeskus in Tallinn and one on the first floor of the headquarters of AS Viisnurk in Pärnu. OÜ Skano holds 100% of the shares in enterprises SIA Skano, UAB Skano LT and TOV Skano Ukraine.

SIA Skano is engaged in the retail sale of furniture in Latvia since November 2005. UAB Skano LT started in May 2007 retail of furniture in Klaipeda, Kaunas and Vilnius. TOV Skano Ukraina started in June 2007 and retail of furniture in Kharkiv, Kiev, Donetsk and Dnipropetrovs'k.

OÜ Isotex was established to allow former division to operate independently under its own trademarks and to facilitate its development. In connection with restructuring, use of the subsidiary has been abandoned. OÜ Isotex did not have any operations in the financial year 2011 and 2010.

## Declaration of the Management Board

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The Management Board of AS Viisnurk is prepared consolidated unaudited Interim Report for the 4<sup>th</sup> quarter of 2011, which is presented on pages 4 to 22 have been correctly prepared, and represents and warrants that to the best of their knowledge:

- 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;
- the management report presents true and fair view of significant events that took place during the accounting period and their impact to financial statements and includes the description of major risks and doubts;
- AS Viisnurk and its subsidiaries are going concerns.



Chairman of Management board

Andres Kivistik



Member of Management board

Einar Pähkel

29<sup>th</sup> February 2012

## Consolidated statement of financial position

	<i>Tb EUR</i> <b>2011</b>	<i>Tb EUR</i> <b>2010</b>
Cash and bank	206	1,011
Receivables and prepayments (Note 2)	1,674	1,198
Inventories (Note 3)	3,177	2,484
<b>Total current assets</b>	<b>5,057</b>	<b>4,693</b>
Investment property (Note 4)	185	185
Tangible fixed assets (Note 5)	10,692	4,217
Intangible fixed assets (Note 6)	16	20
<b>Total fixed assets</b>	<b>10,893</b>	<b>4,422</b>
<b><u>TOTAL ASSETS</u></b>	<b><u>15,950</u></b>	<b><u>9,115</u></b>
Debt obligations (Note 7)	1,380	1,383
Payables and prepayments (Note 8)	2,137	1,462
Short-term provisions (Note 9)	11	8
<b>Total current liabilities</b>	<b>3,528</b>	<b>2,853</b>
Non-current debt obligations (Note 7)	4,490	733
Non-current provisions (Note 9)	239	198
<b>Total non-current liabilities</b>	<b>4,729</b>	<b>931</b>
<b>Total liabilities</b>	<b>8,257</b>	<b>3,784</b>
Share capital (at nominal value) (Note 10)	2,699	2,875
Issue premium	364	364
Statutory capital reserve	288	288
Currency translation reserve	(11)	16
Retained profits	1,788	1,017
Net profit (loss) for the year (Note 11)	2,565	771
<b>Total equity</b>	<b>7,693</b>	<b>5,331</b>
<b><u>TOTAL LIABILITIES AND EQUITY</u></b>	<b><u>15,950</u></b>	<b><u>9,115</u></b>

## Consolidated statement of comprehensive income

	<i>Tb EUR</i> 4 <sup>th</sup> q 2011	<i>Tb EUR</i> 4 <sup>th</sup> q 2010	<i>Tb EUR</i> 2011	<i>Tb EUR</i> 2010
RETURN ON SALES (Note 12)	4,816	4,054	17,330	13,929
<b>Cost of production sold</b>	<b>(4,097)</b>	<b>(3,158)</b>	<b>(14,119)</b>	<b>(10,665)</b>
<b>Gross profit</b>	<b>719</b>	<b>896</b>	<b>3,211</b>	<b>3,264</b>
Marketing expenses	(683)	(541)	(2,383)	(2,001)
General administrative expenses	(184)	(167)	(532)	(427)
Other income*	60	78	2,621	198
Other expenses	(46)	(23)	(158)	(147)
<b>Operating profit (loss) (Note 12)</b>	<b>(134)</b>	<b>243</b>	<b>2,759</b>	<b>887</b>
Financial income and financial expenses	(73)	(27)	(187)	(109)
<b>Profit (loss) before taxes</b>	<b>(207)</b>	<b>216</b>	<b>2,572</b>	<b>778</b>
Prepaid income tax	(3)	(7)	(7)	(7)
<b>NET PROFIT (LOSS) FOR THE PERIOD</b>	<b>(210)</b>	<b>209</b>	<b>2,565</b>	<b>771</b>
<b>Basic earnings per share (Note 11)</b>	<b>(0.05)</b>	<b>0.04</b>	<b>0.57</b>	<b>0.17</b>
<b>Diluted earnings per share (Note 11)</b>	<b>(0.05)</b>	<b>0.04</b>	<b>0.57</b>	<b>0.17</b>
Currency translation differences	(18)	(7)	(27)	(10)
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>(228)</b>	<b>202</b>	<b>2,538</b>	<b>761</b>

\*The other income includes the gain from a bargain purchase 2,455 th. EUR.

## Consolidated cash flow statement

	<i>Tb EUR</i> <b>2011</b>	<i>Tb EUR</i> <b>2010</b>
<b>Cash flow from operations</b>		
<b><i>Net profit before taxes</i></b>	<b>2,572</b>	<b>778</b>
<i>Adjustments for:</i>		
Depreciation of fixed assets (Note 5; 6)	677	543
Profit (loss) on disposals of fixed assets (Note 5)	20	35
Acquired through business combinations (Note 5)	(2,455)	0
Interest expense	188	106
<b><i>Operating profit before changes in operating capital</i></b>	<b>1,002</b>	<b>1,462</b>
Change in operations-related receivables and prepayments	(476)	4
Change in inventories (Note 3)	(693)	196
Change in operations-related liabilities and prepayments	719	(5)
<b><i>Cash generated from operations</i></b>	<b>552</b>	<b>1,657</b>
Interest paid	(188)	(106)
Income tax	(7)	(7)
<b><i>Total cash flow from operations</i></b>	<b>357</b>	<b>1,544</b>
<b>Cash flow from investments</b>		
Acquisition of fixed assets (Note 5; 6)	(4,713)	(783)
<b>Total cash flow from investments</b>	<b>(4,713)</b>	<b>(783)</b>
<b>Cash flow from financing activities</b>		
Raise a loan (Note 7)	5,905	445
Repayment of loans (Note 7)	(1,899)	(537)
Settlement of finance lease liabilities (Note 7)	(252)	(37)
Decrease the share capital (Note 10)	(176)	0
<b>Total cash flow from financing activities</b>	<b>(3,578)</b>	<b>(129)</b>
<b>TOTAL CASH FLOW</b>	<b>(778)</b>	<b>632</b>
<b>Currency translation differences</b>	<b>(27)</b>	<b>(10)</b>
<b>CASH AT BEGINNING OF PERIOD</b>	<b>1,011</b>	<b>389</b>
<b>CASH AT END OF PERIOD</b>	<b>206</b>	<b>1,011</b>

## Consolidated statement of changes in equity

<i>Tb EUR</i>	Share capital	Share premium	Statutory capital reserve	Currency translation	Retained earnings	Total
<b>Balance at 31.12.2009</b>	<b>2,875</b>	<b>364</b>	<b>288</b>	<b>26</b>	<b>1,017</b>	<b>4,570</b>
Comprehensive income 2010	0	0	0	(10)	771	761
<b>Balance at 31.12.2010</b>	<b>2,875</b>	<b>364</b>	<b>288</b>	<b>16</b>	<b>1,788</b>	<b>5,331</b>
Decrease of share capital	(176)	0	0	0	0	(176)
Comprehensive income 2011	0	0	0	(27)	2,565	2,538
<b>Balance at 31.12.2011</b>	<b>2,699</b>	<b>364</b>	<b>288</b>	<b>(11)</b>	<b>4,353</b>	<b>7,693</b>

## Notes to the consolidated interim report

### Accounting Policies And Measurement Bases

The consolidated financial statements prepared for the period ended 31 December 2011 include the financial information of the Company and its subsidiaries (together referred to as the Group): OÜ Skano, OÜ Isotex and OÜ Skano's wholly-owned subsidiaries SIA Skano, UAB Skano LT and TOV Skano Ukraina. 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 31.12.2010. The consolidated financial statements have been prepared in accordance with International Accounting Standard (IAS) 34: Interim Financial Reporting.

To the assets of the Softboard Factory in Püssi bought at the second quarter of this year have been done the acquisition analysis which is corrigible in the period 12 month from the fact of purchase moment. The single-entry arising profit has been written up through the financial statement as the gain from a bargain purchase.

According to the assessment of the Management Board, AS Viisnurk is a going concern and the Interim Report for the 4<sup>th</sup> quarter of 2011 gives a true and fair view of the financial position of AS Viisnurk and the results of its operations. The present Interim Report has not been audited.

The Interim Report has been presented in thousands of euros.

### Note 1 Correction of prior period

The benefits paid to the members of the Management and Supervisory Board including taxes have been expanded to the members of the Management and Supervisory Board all entities in the same consolidation group and in relative to this the comparable indicators of previous period have been corrected.

	<i>Tb EUR</i>	<i>Tb EUR</i>
	<b>31.12.2010 adjusted</b>	<b>31.12.2010</b>
Short-term benefits	190	107
Social tax	65	35
<b>TOTAL</b>	<b>255</b>	<b>142</b>

### Note 2 Receivables and prepayments

	<i>Tb EUR</i>	<i>Tb EUR</i>
	<b>31.12.2011</b>	<b>31.12.2010</b>
Customer receivables	1,257	925
Prepaid VAT	327	198
Other receivables	33	41
Prepaid services	57	34
<b>TOTAL</b>	<b>1,674</b>	<b>1,198</b>



**Note 3 Inventories**

	<i>Tb EUR</i>	<i>Tb EUR</i>
	<b>31.12.2011</b>	<b>31.12.2010</b>
Raw materials and other materials	918	611
Work-in-progress: production	508	527
Work-in-progress: real estate development	214	214
Finished goods	1,293	929
Goods purchased for resale	167	185
Goods in transit	74	0
Prepayments to suppliers	3	18
<b>TOTAL</b>	<b>3,177</b>	<b>2,484</b>

In 2011, materials were written off in the amount of 3 thousand euros (2010: 6 thousand euros).

In 2011, finished goods were written off in the amount of 29 thousand euros (2010: 20 thousand euros).

In 2011, goods purchased for resale were written off in the amount of 1 thousand euros (2010: 5 thousand euros).

**Work-in-progress: real estate development**

At 31 December 2011, work-in-progress: real estate development comprised the old Sports goods division real property (buildings and land ca 20 000 m<sup>2</sup>) located at Rääma street 31, what is covered whit development contract.

Work-in-progress: real estate development was stated at the lower of cost and fair value less costs to sell. Work-in-progress: real estate development was stated at the costs 214 thousand euros (31.12.2010: 214 thousand euros).

**Note 4 Investment property**

	<i>Tb EUR</i>
<b>Cost at 31.12.2009</b>	<b>469</b>
<b>Accumulated depreciation at 31.12.2009</b>	<b>(284)</b>
<b>Net book amount at 31.12.2009</b>	<b>185</b>
<b>Cost at 31.12.2010</b>	<b>469</b>
<b>Accumulated depreciation at 31.12.2010</b>	<b>(284)</b>
<b>Net book amount at 31.12.2010</b>	<b>185</b>
<b>Cost at 31.12.2011</b>	<b>469</b>
<b>Accumulated depreciation at 31.12.2011</b>	<b>(284)</b>
<b>Net book amount at 31.12.2011</b>	<b>185</b>

Costs of maintenance for 2011 were 20 thousand euros (2010: 6 thousand euros). Rental income from investment properties for 2011 was 6 thousand euros (2010: 1 thousand euros).

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

**Note 5 Tangible Fixed Assets**

	<i>Tb EUR</i>	<i>Tb EUR</i>
	<b>31.12.2011</b>	<b>31.12.2010</b>
Land	226	79
Buildings and constructions	2,886	2,407
Machinery, plant and equipment	7,481	1,653
Other equipment and fixtures	40	62

Construction in progress	59	16
<b>TOTAL</b>	<b>10,692</b>	<b>4,217</b>

	<i>Tb EUR</i>
<b>Cost at 31.12.2009</b>	<b>11,694</b>
<b>Accumulated depreciation at 31.12.2009</b>	<b>(7,663)</b>
<b>Net book amount at 31.12.2009</b>	<b>4,031</b>
Acquired in 2010	762
Disposals in 2010	(35)
Depreciation in 2010	(540)
Currency translation	(1)
<b>Cost at 31.12.2010</b>	<b>12,240</b>
<b>Accumulated depreciation at 31.12.2010</b>	<b>(8,023)</b>
<b>Net book amount at 31.12.2010</b>	<b>4,217</b>
Acquired in 2011	4,713
Acquired through business combinations in 2011	2,455
Disposals in 2011	(189)
Depreciation in 2011	(673)
Write-off of accumulated amortisation in 2011	169
<b>Cost at 31.12.2011</b>	<b>19,219</b>
<b>Accumulated depreciation at 31.12.2011</b>	<b>(8,527)</b>
<b>Net book amount at 31.12.2011</b>	<b>10,692</b>

#### Note 6 Intangible Fixed Assets

	<i>Tb EUR</i>
<b>Cost at 31.12.2009</b>	<b>332</b>
<b>Accumulated depreciation at 31.12.2009</b>	<b>(331)</b>
<b>Net book amount at 31.12.2009</b>	<b>1</b>
Acquired in 2010	21
Disposals in 2010	(259)
Write-off of accumulated amortisation in 2010	259
Depreciation in 2010	(2)
<b>Cost at 31.12.2010</b>	<b>94</b>
<b>Accumulated depreciation at 31.12.2010</b>	<b>(74)</b>
<b>Net book amount at 31.12.2010</b>	<b>20</b>
Depreciation in 2011	(4)
<b>Cost at 31.12.2011</b>	<b>94</b>
<b>Accumulated depreciation at 31.12.2011</b>	<b>(78)</b>
<b>Net book amount at 31.12.2011</b>	<b>16</b>

Intangible assets include computer software not directly linked to the hardware.

**Note 7 Debt Obligations**

	<i>Tb EUR</i>	<i>Tb EUR</i>
	<b>31.12.2011</b>	<b>31.12.2010</b>
Current liabilities	1,380	1,383
incl non-convertible debt	33	200
Non-current debt obligations	4,490	733
incl non-convertible debt	67	17
<b>TOTAL</b>	<b>5,870</b>	<b>2,116</b>

**Note 8 Payables and prepayments**

	<i>Tb EUR</i>	<i>Tb EUR</i>
	<b>31.12.2011</b>	<b>31.12.2010</b>
Supplier payables	1,116	612
Payables to employees	389	377
Taxes payables	303	249
Other payables	138	149
Customer prepayments	191	75
<b>TOTAL</b>	<b>2,137</b>	<b>1,462</b>

**Note 9 Provisions**

	<i>Tb EUR</i>
<b>Balance at 31.12.2009</b>	<b>219</b>
Incl current portion	8
non-current portion	211
Movements in 2010:	
Used during the year	(22)
Increased during the year	6
Decreased during the year	(12)
Interest cost	15
<b>Balance at 31.12.2010</b>	<b>206</b>
Incl current portion	8
non-current portion	198
Movements in 2011:	
Used during the year	(24)
Increased during the year	52
Interest cost	16
<b>Balance at 31.12.2011</b>	<b>250</b>
Incl current portion	11
non-current portion	239

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. The amount of compensations for 2011 were 24 thousand euros, (2010: 22 thousand euros).

#### Note 10 Share Capital

	Number of shares	Share capital
	<i>pcs</i>	<i>Tb EUR</i>
Balance 31.12.2011	4,499,061	2,699
Balance 31.12.2010	4,499,061	2,875

The General Meeting of Shareholders held on 30<sup>th</sup> of June 2011 resolved to decrease the share capital of AS Viisnurk by decreasing the nominal value of the share of AS Viisnurk. The share capital of AS Viisnurk totalled 2,699,436.60 euros that were made up of 4,499,061 shares with the nominal value of 0.60 euros each; the maximum share capital outlined in the Articles of Association is 10,797,744 euros. Each ordinary share grants its owner one vote in the General Meeting of Shareholders and the right to receive dividends.

In 2010 and 2011, the dividends were not distributed.

As at 31.12.2011, the Group had 632 shareholders (31.12.2010: 566 shareholders) of which with more than 5% ownership interest were:

- Trigon Wood OÜ with 2,682,192 shares or 59.62% (2010: 59.47%)

The number of shares owned by the members of the Management Board and Supervisory Board of AS Viisnurk was as follows:

Ülo Adamson: 0 shares (2010: 0 shares)  
 Joakim Johan Helenius: 20,000 shares (2010: 20,000 shares)  
 Heiti Rüsberg: 0 shares (2010: 0 shares)  
 Andres Kivistik: 0 shares (2010: 0 shares)  
 Einar Pähkel: 0 shares (2010: 0 shares)

#### Note 11 Earnings per share

	<i>EUR</i>	<i>EUR</i>
	<b>31.12.2011</b>	<b>31.12.2010</b>
Basic earnings per share	0.57	0.17
Diluted earnings per share	0.57	0.17
Book value of share	1.71	1.19
Price/earnings ratio (P/E)	2.84	8.47
Closing price of the share of AS Viisnurk on Tallinn Stock Exchange at 31.12.*	1.62	1.44

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

Basic earnings per share for 2011 = 2,564,910 / 4,499,061 = 0.57 euros

Basic earnings per share for 2010 = 711,307 / 4,499,061 = 0.17 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 2011 = 1.62 / 0.57 = 2.84

Price/earnings ratio (P/E) for 2010 = 1.44 / 0.17 = 8.47

\* The share of Viisnurk AS has been listed on Tallinn Stock Exchange starting from 25.09.2007.

## Note 12 Segments

Operating segments have been determined based on the reports reviewed by the management board that are used to make strategic decision. The management board considers the business based on the types of products and services as follows:

*Furniture factory (FF)* is engaged in the production and wholesales of household furniture. The factory is located in Estonia.

*Skano (SK)* is engaged in retail sales of furniture in Estonia, Latvia, Lithuania and Ukraine.

*Building materials division (BMD)* manufactures and sells to wholesale customers general construction boards based on soft woodfibre boards, and interior finishing boards. The fibreboard factories are located in Estonia.

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

### Business segment by the types of product/service – primary segment:

th EUR	Furniture factory		Skano		Building materials division		Eliminations		SEGMENTS TOTAL	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Revenue from external customers	6,419	5,778	2,002	1,837	8,909	6,314	0	0	17,330	13,929
Inter-segment revenue	917	860	0	0	0	0	0	0	917	860
Operating profit/loss	635	542	(93)	(88)	2,226	445	(9)	(12)	2,759	887
Segment assets	4,042	4,570	710	693	11,253	3,896	(55)	(44)	15,950	9,115
Segment liabilities	1,891	1,958	222	129	6,144	1,697	0	0	8,257	3,784

### Business segment by the geographical location of customers – secondary segment:

th EUR	2011				2010			
	FF	SK	BMD	TOTAL	FF	SK	BMD	TOTAL
Finland	2,987	0	3,545	6,532	3,004	3	2,536	5,543
Russia	3,158	0	1,428	4,586	2,394	0	686	3,080
Estonia	68	683	1,634	2,385	99	654	1,819	2,572
Ukraine	0	720	72	792	0	594	33	627
England	0	0	720	720	0	0	63	63
Sweden	0	0	482	482	0	0	456	456
Lithuania	0	375	32	407	0	382	18	400
Latvia	0	224	136	360	0	204	189	393
Kazakhstan	194	0	9	203	225	0	25	250
Netherlands	0	0	179	179	1	0	0	1
Denmark	0	0	153	153	1	0	115	116
Bulgaria	0	0	108	108	0	0	0	0
India	0	0	96	96	0	0	63	63
Germany	0	0	84	84	29	0	70	99
Israel	0	0	55	55	0	0	33	33
Japan	0	0	36	36	0	0	0	0
Greece	0	0	36	36	0	0	21	21
China	0	0	32	32	0	0	65	65
Belarusian	12	0	14	26	23	0	7	30
France	0	0	16	16	0	0	0	0
Malaysia	0	0	14	14	0	0	46	46
Other countries	0	0	28	28	2	0	69	71
<b>TOTAL</b>	<b>6,419</b>	<b>2,002</b>	<b>8,909</b>	<b>17,330</b>	<b>5,778</b>	<b>1,837</b>	<b>6,314</b>	<b>13,929</b>

### **Note 13 Related party transactions**

The following parties are considered to be related parties:

- Parent company OÜ Trigon Wood and owners of the parent company;
- Other entities in the same consolidation group;
- Members of the Management, the Management Board and the Supervisory Board of AS Viisnurk Group and their close relatives;
- Entities under the control of the members of the Management Board and Supervisory Board;
- Individuals with significant ownership unless these individuals lack the opportunity to exert significant influence over the business decisions of the Group.

The ultimate controlling party of the the Group at 31.12.2010 are shareholders of OÜ Trigon Wood: AS Trigon Capital (30,13%), Veikko Laine Oy (15,52%), BCB Baltic AB (14,07%), Hermitage Eesti OÜ (11,94%), Thominvest Oy (11,94%) and Assetman Oy (11,94%).

The benefits paid to the members of the Management and Supervisory Board all entities in the same consolidation group including taxes:

	<i>Tb EUR</i>	<i>Tb EUR</i>
	<b>2011</b>	<b>2010 adjusted</b>
Short-term benefits	234	190
Social tax	78	65
<b>TOTAL</b>	<b>312</b>	<b>255</b>

According to the contracts, the members of the Management Board of AS Viisnurk will receive severance pay amounting to 6-month remuneration.

In 2011 and 2010, there were no transactions between the related parties.