Annual Report
2003

VIISNURK

Contents

Introduction

The Company

Viisnurk AS is a multi-business wood processing company with over half a century's experience in adding value to wood. The company's core business is furniture production although at present it also has other areas of activity.

The business units of Viisnurk AS include Furniture, Sports Goods, Building Materials and Wood Divisions.

Furniture Division consists of a Furniture Factory that manufactures and markets wooden household furniture.
Sports Goods Division produces and markets cross-country skis and ice hockey sticks and distributes various sports and leisure goods.
Building Materials Division produces and distributes two softboard-based product categories: insulation and soundproofing boards and interior finishing boards for walls and ceilings.
Wood Division is composed of a hardwood sawmill, a drying kilns complex and a Wood Panel Factory.
The group also includes wholly owned subsidiaries Skano OÜ, Visu OÜ and Isotex OÜ. Skano OÜ is engaged in the retail sale of furniture in Tallinn and Pärnu. Visu OÜ and Isotex OÜ were established to allow Sports Goods Division and Building Materials Division to operate independently under their own trademarks and to facilitate their development. In connection with the decision to sell these divisions use of the subsidiaries has been abandoned.

Viisnurk AS is an export-oriented company whose main target markets are Scandinavia, Western and Central Europe and North America. Our customers and business associates are recognised representatives of their area who have opted for long-term relations with Viisnurk AS.

Completely based on private property, Viisnurk AS was the first and is still the only Estonian wood processing company to have its shares quoted in the supplementary list of Tallinn Stock Exchange.

The Year in Brief

- The revenues of Viisnurk AS grew to EEK 392.3m (€ 25.1m) 6.7% up on 2002, operating loss amounted to EEK 60.5m (€3.9m) and net loss equalled EEK 68.8m (€ 4.4m).
- Investments totalled EEK 7.8m (€ 0.5m).
- In March the Softboard Factory and the Boiler House were combined into a Building Materials Division and the head office was transformed into a Business Management Division.
- The Building Materials Division attained record-high sales of EEK 92.2m (€5.9m).
- The Sports Goods Division discontinued output of older ski types, transferring entirely to the production of cap skis.
- Viisnurk AS entered into a strategic partnership with Skano AG, Switzerland, a long-term customer of the Furniture Division. In September the partners jointly participated in the German furniture fair M.O.W, where they presented a new product lines.
- The output of hockey sticks grew over 20%.
- The quality management systems of the Furniture and Building Materials Divisions were brought into compliance with ISO 9001:2000.
- The Sports Goods Division began distributing sports and leisure footwear.
- In September the company established Skano OÜ with a view to boosting furniture sales and marketing in combination with new logistical solutions.
- In November, we opened our own furniture store in Järve Keskus shopping centre, Tallinn, which operates under the Skano brand name.
- The Building Materials Division concluded an authorisation agreement for the production of heat energy with Fortum Termest AS.

Financial Highlights

EEK'000	**2003**	**2002**	**2001**	**2000**	**1999**
Income statement					
Sales revenue	**392,331**	367,531	346,972	309,083	212,570
Operating loss	**(60,466)**	(9,729)	27,249	34,197	19,787
Profit margin	**(15.4%)**	(3.5%)	7.9%	11.1%	9.3%
Net loss	**(68,840)**	(19,632)	19,383	31,628	26,212
Balance sheet					
Total assets	**280,996**	344,893	357,520	331,878	179,771
Return on assets	**(24.5%)**	(6.2%)	5.6%	12.4%	15.5%
Equity	**74,205**	143,045	162,677	143,293	111,665
Return on equity	**(92.8%)**	(15.9%)	11.9%	22.1%	23.5%
Debt-to-equity ratio	**74%**	58%	54%	57%	38%
Share (31.12)					
Closing price	**33,64**	25,00	42,00	47,30	20,70
Earnings per share	**(15,30)**	(4,36)	4,31	7,03	5,83
Price-earnings ratio	**-**	-	9,7	6,7	3,6
Book value per share	**16,49**	31,79	36,14	31,85	24,82
Market-to-book ratio	**2,0**	0,8	1,2	1,5	0,8
Market capitalisation	**151,346**	112,610	188,961	210,441	93,131

€'000	2003	2002	2001	2000	1999
Income statement					
Sales revenue	25,074	23,489	22,171	19,750	13,583
Operating loss	(3,865)	(622)	1,741	2,185	1,264
Profit margin	(15.4%)	(3.5%)	7.9%	11.1%	9.3%
Net loss	(4,400)	(1,255)	1,239	2,021	1,675
Balance sheet					
Total assets	17,959	22,043	22,845	21,206	11,487
Return on assets	(24.5%)	(6,2%)	5.6%	12.4%	15.5%
Equity	4,743	9,142	10,395	9,156	7,135
Return on equity	(92.8%)	(15.9%)	11.9%	22.1%	23.5%
Debt-to-equity ratio	74%	58%	54%	57%	38%
Share (31.12)					
Closing price	2.15	1.6	2.68	3.02	1.32
Earnings per share	(0.98)	(0.28)	0.28	0.45	0.37
Price-earnings ratio	-	-	9.7	6.7	3.6
Book value per share	1.05	2.03	2.31	2.04	1.59
Market-to-book ratio	2.0	0.8	1.2	1.5	0.8
Market capitalisation	9,673	7,197	12,074	13,447	5,951

Contacts

The core activity of Viisnurk AS is furniture production although at present the company has also other areas of activity.

Business name:	Viisnurk AS
Registration number:	10106774
Address:	Suur-Jõe 48, 80042 Pärnu, Estonia
Phone:	+372 447 8323
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E-mail:	mail@viisnurk.ee
Web page:	www.viisnurk.ee
Beginning of financial year:	01.01.2003
End of financial year:	31.12.2003
Chairman of Management Board:	Toivo Kuldmäe
Auditor:	KPMG Estonia

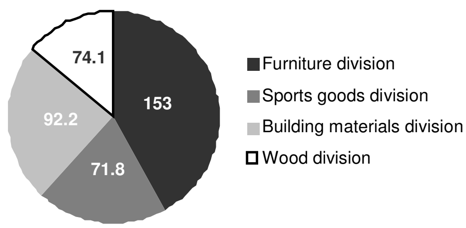
Report by the Management Board

Financial Review

Revenue

Viisnurk AS ended 2003 with revenues of EEK 392.3m (€25.1m), 6.7% up on 2002. In terms of business units, the revenues of the Wood and Building Materials Divisions increased by a third and 8% respectively, those of the Furniture Division remained stable, and the ones of the Sports Goods Division declined by roughly 14%.

Revenue 2003



Revenues and intra-group sales of Viisnurk AS:

	2003 EEK'000	2002 EEK'000	2003 €'000	2002 €'000	Change, %
Furniture Division	153,985	156,170	9,841	9,981	(1.6)
Incl. intra-group sales	722	76	46	5	
Sports Goods Division	71,809	83,099	4,589	5,311	(13.6)
Building Materials Division	94,923	87,991	6,067	5,624	7.9
Incl. intra-group sales	2,722	4,757	,174	304	(42.8)
Wood Division	99,119	74,296	6,335	4,748	33.4
Incl. intra-group sales	24,984	31,067	1,597	1,986	(19.6)
Other operations	15,916	20,026	1,017	1,280	(20.5)
Incl. intra-group sales	14,993	18,151	958	1,160	(17.4)
Eliminations (intra-group sales)	(43,421)	(54,051)	(2,775)	(3,455)	(19.7)
VIISNURK AS REVENUE	392,331	367,531	25,074	23,489	6.7

Result of Operations

Viisnurk AS ended the financial year with a loss of EEK 68.8m (€4.4m). The result for 2002 was a loss of EEK 19.6m (€1.2m). The Building Materials and Furniture Divisions earned a profit of EEK 19.5m (€1.2m) and EEK 6.8m (€0.4m) respectively, whereas the Wood and Sports Goods Divisions incurred a loss of EEK 52.9m (€3.4m) and EEK 24.5m (€1.6m) respectively. Extraordinary write-downs and provisions related to the restructuring of the company accounted for EEK 41.2m (€2.6m) of the overall loss.

Result of operations of Viisnurk AS:

	2003 EEK'000	2002 EEK'000	2003 €'000	2002 €'000	Change, %
Furniture Division	6,551	15,184	419	970	(55.4)
Sports Goods Division	(24,471)	(15,484)	(1,564)	(990)	58.0
Building Materials Division	19,482	17,275	1,245	1,104	12.8
Wood Division	(52,914)	(17,401)	(3,382)	(1,112)	204.1
Other operations	2,801	650	179	42	330.9
TOTAL RESULT OF DIVISIONS	(48,551)	224	(3,103)	14	
Unallocated expenses (general administration)	(11,915)	(9,953)	(762)	(636)	19.7
VIISNURK AS OPERATING LOSS	(60,466)	(9,729)	(3,865)	(622)	519.3
Net financial expense	(8,374)	(9,903)	(535)	(633)	(15.4)
VIISNURK AS LOSS	(68,840)	(19,632)	(4,400)	(1,255)	249.6

Balance Sheet and Cash Flow Statement

Total assets decreased by 18.5% to EEK 281 (€18m). The amount of current assets remained stable but the carrying amount of non-current assets decreased by EEK 60.2m (€3.8m) due to write-down of assets at the Wood and Sports Goods Divisions (EEK 38.0m (€2.4m) in aggregate) and the fact that depreciation expense surpassed investments made. The overall amount of liabilities remained stable (EEK 206.8m (€13.2m)) but the share of current liabilities increased substantially (EEK 156.6m (€10m)) as two loans expiring in 2004 (EEK 56m (€3.6m) in aggregate) were recorded as current items. The loans will be refinanced in the first half of 2004.

Cash flows from operating activities were positive, amounting to EEK 12.5m (€0.8m). Acquisition of investments related to operating activity totalled EEK 7.8m (€0.5m); proceeds from the sale of investment properties and property, plant and equipment amounted to EEK 4.7m (€0.3m). Loan liabilities decreased by approximately EEK 10m (€0.6m).

Performance of Units

Furniture Division

- Recognition of the Furniture Division as compliant with IWAY, an environmental, employee rights and wood monitoring standard developed by Ikea
- Adjustment of the quality management system to the requirements of ISO 9001:2000
- Participation in the German furniture fair M.O.W in September in cooperation with Skano AG and presentation of new lines.
- Opening of Skano furniture store in November

Furniture production, our core activity, is focused on the production and marketing of wooden household furniture. Our Furniture Division produces living room, dining room, bedroom and study furniture. In 2003 the division continued completing subcontracting orders as well as production of self-developed products.

Operating Results
The Furniture Division ended the financial year with revenues of EEK 153.3m (€9.8m) and a profit of EEK 6.6m (€0.4m). Sales remained comparable to 2002 but an increase in marketing and personnel expenses, brought about by the division's new strategic development plan, and problems related to implementation of new products and purchase of materials in the second half of the year cut profitability by a half. Similarly to previous periods, the largest customers were Boknas Huonekalut and IKEA Trading. The division acquired a number of smaller customers in the European market and established relations with the largest German furniture retail chain Porta. The largest distributor in the Russian market was Noves Scandinavia.

Orientation to Marketing
The new strategic development plan that was prepared in 2003 is aimed at attaining a significant sales increase in subsequent periods. In line with the plan, the organisational structure was supplemented with 12 new managerial and specialist positions to reinforce the marketing, engineering and logistics departments.
The period's greatest change was orientation to marketing, which began at the end of 2002. We entered into a strategic partnership Skano AG, began creating own Skano brand in spring and opened our first furniture store in Tallinn in December. The store operates under the Skano brand name.
Skano AG is a Swiss company that has been engaged in furniture distribution for over 20 years and is recognised as a reliable supplier, especially by purchasing groups and retail chains that operate in German speaking markets.

In September 2003 we participated with Skano AG in the German furniture fair M.O.W, where we presented not only the upgrades of established products but also Birka and Vision, two completely new product lines. In 2004 we intend to take over the operations of Skano AG and to begin serving Skano customers directly from Pärnu.

Entry Into the Retail Market
In November 2003 we opened Skano furniture store in Järve Keskus shopping centre, Tallinn, for one year as a pilot project. The purpose of the store is to identify customer expectations, promote sales in Estonia and develop our retail concept. The store sells life-style – Skano products are supplemented with sofas, lights and other furnishing elements.

Fostering Product Development
In 2003 we began putting more effort into own product development. The project was launched with a view to speeding up the development process. Since the share of own products has been practically nil the process is in the preliminary stage only. We want products that are timeless (both in terms of design and items themselves), easy to integrate and with a wide inter-collection selection. To achieve the best results, we are cooperating with both Estonian and German designers.

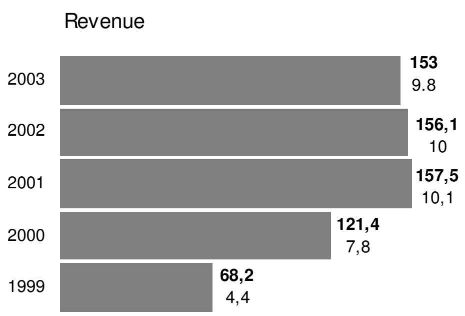
The prototype of the first collection was presented in autumn 2003 at the German furniture fair M.O.W. During the year we supplemented the range with various products with painted finishing. Our best-known own product is Björkkvist, a line of retro-style home office furniture, which was launched in 1995.

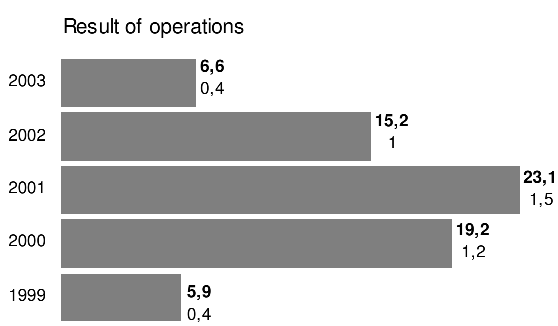
ISO Standards
At the end of 2003 the quality management system of the Furniture Division was adjusted to the requirements of ISO 9001:2000. In November, the system was audited by Det Norske Veritas Eesti OÜ.

The Furniture Division was the first unit, which implemented an ISO 14001-compliant environment management system. For an efficient operation of the system, relevant documentation has been prepared and principles established. Certification of the system has been scheduled for the second half of 2004. At the end of 2003, we submitted an application for an integrated environmental permit as required by the Integrated Pollution Prevention and Control Act.

At the end of the financial year the division had 285 employees (2002: 259).

EEK, millions
€, millions





EEK, millions
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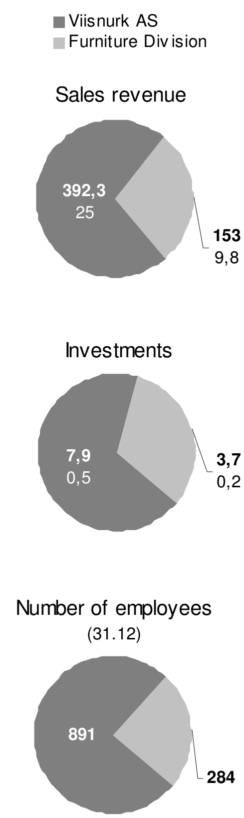


Sports Goods Division

- Termination of the output of older ski types, complete transfer to the production of cap skis
- Participation with own stand in the largest sports and leisure goods fair ISPO Winter 2003
- Over 20% increase in the output of ice hockey sticks
- Launch of the distribution of sports and leisure footwear

The Sports Goods Division produces and markets cross-country skis and ice hockey sticks and distributes various sports and leisure goods in Estonia, Latvia and Lithuania.

Operating Results
The Sports Goods Division earned revenues of EEK 71.8m (€4.6m) but incurred a loss of EEK 24.5m (€1.6m).
Sales of skis and hockey sticks accounted for 67% and 20% of sales, respectively, and retail and wholesale distribution of sports goods contributed 13%.
Sales declined largely because of the output reduction strategy adopted at the beginning of the year to solve production problems. The loss resulted primarily from claims related to delayed supply and large quantities of substandard skis. In addition, results for the period reflect non-recurring expenses of EEK 6.8m (€0.4m) that stemmed from the claims of prior periods of EEK 2.7m (€0.2m), write-downs and a decline in the value of work in progress of EEK 4.1m (€0.2m). In addition, in the fourth quarter the property, plant and equipment of the division were written down to the extent of EEK 6.8m (€0.4m). Despite problems, the orders of all major customers were completed and the division's customer relations remained good. Cooperation with Atomic, one of the largest customers, was restored. The sales and production plans of 2004 are covered with contracts and to minimise production problems, acceptance of orders for more complicated skis has been reduced. Exports accounted for 83% of sales. The main export markets were the USA, Norway, Finland and Canada.

Cross-country Skis
In 2003 the world market for cross-country skis was affected, above all, by a warm winter in Europe and a qualitative shift towards cheaper skis. In 2003 the division discontinued output of older ski types (plastic skis and skis with epoxy sidewalls) and transferred completely to the production of cap skis. To increase the competitiveness of the skis, a number of development projects were launched to iron out production problems and add value to products.
Skis were exported to 12 countries. Exports accounted for 96% of ski sales. Sales to the domestic market dropped by 14% levelling at 4% of sales.

Visu
Similarly to previous years, the division acted mostly as a subcontractor to the world's leading ski producers and sports supplies retail chains. Products of our own Visu brand were sold to 15 countries, the sales accounting for 16% of the annual ski output. Compared to 2002, sales to Europe (via distributors) and the domestic market shrank by 1% and 14% respectively. Sales to North America, on the other hand, shot up by 77%. The main markets were Finland, the USA and Germany.

Ice Hockey Sticks
In the world hockey stick market, the rising products are composite shafts and sticks. In 2003, the Sports Goods Division increased hockey stick output by over 20%. Approximately 40% of the products were light and durable goalkeeper sticks, most of which were supplied to North America. A significant step in product development was the implementation of the adjustable mould, which allows producing sticks with custom-curved blades. In 2003 the division exported 98% of its hockey sticks; products were supplied to 18 countries.

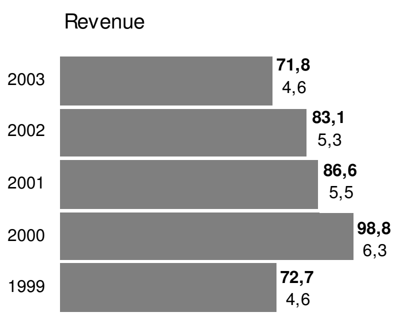
Maxxhockey
Maxxhockey is our own hockey stick brand that is marketed in a number of recognised ice hockey countries from Russia to Japan. The collection comprises approximately 25 models including player and goalkeeper sticks, replacement blades and composite shafts. Approximately 10% of the annual output was exported.

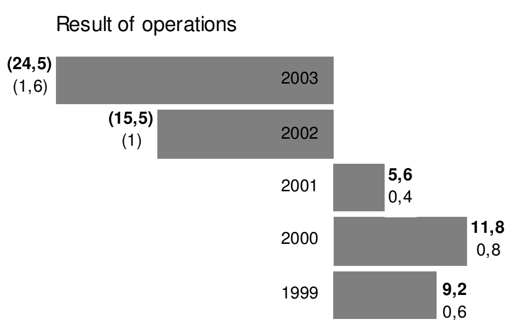
Sports and Leisure Goods
In addition to the production of sports goods, the division distributes and represents a number of famous brands in Estonia, Latvia and Lithuania. Distribution revenues declined by 30% largely because the assortment of goods distributed depends on the season, and because the winter was exceptionally warm. In addition, in the summer the division terminated sales of beach attire and curtailed on-site retailing. Altogether, the division distributes 12 brands including Wilson, Exel, Uvex, Alpina, and Hyper. In 2003 the range of brands was supplemented with Kelme (sports footwear) and Meindl (hiking and leisure footwear).

Quality
Due to problems experienced in recent years, quality has become a priority. In the second half of 2003 the division developed and implemented a system for instructor motivation, trainee instruction and training and quality control. In the fourth quarter a quality team was appointed for analysing the reasons for non-compliance, developing adjusting activities and supervising their implementation, and developing a quality manual with relevant process management and work instructions.

At the end of the financial year the division employed 272 people (2002: 298).

EEK, millions
€, millions





EEK, millions
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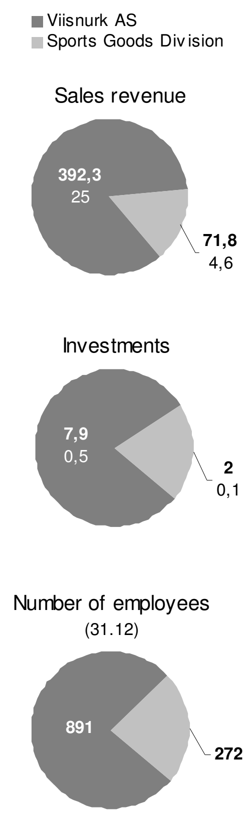


Building Materials Division

- Exceptional sales of EEK 92.2m (€5.9m)
- Combination of the Boiler House with the Building Materials Division
- Conclusion of an authorisation agreement for the production of heat energy with Fortum Termest AS
- Renewal of the quality management certificate

The Building Materials Division produces and distributes two softboard-based product categories: insulation and soundproofing boards and interior finishing boards for walls and ceilings.

Operating Results
The results of the building materials division were exceptional: sales of EEK 94.9m (€6.1m), 8% up, and a profit of EEK 19.5m (€1.2m), 13% up on 2002. Results have improved because of the optimisation of the basic line portfolio by increasing the share of items with higher margins. Optimisation has been possible due to strong demand in the domestic and closer export markets. The plan to increase sales of Isotex interior finishing boards that contain more added value was completed successfully: sales of Isotex grew to 28% of the total sales of the division (22% in 2002). Exports accounted for 56% of sales. Similarly to previous periods, the main export markets were Finland and the Netherlands.

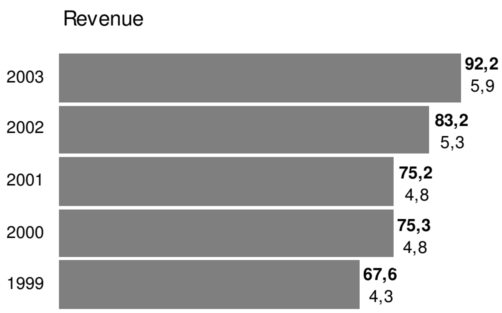
Insulation and Soundproofing Boards
Sales of insulation and soundproofing boards amounted to EEK 62.3m (€4m), remaining similar to 2002. In quantitative terms, sales amounted to 3.74m m^2, i.e. 42,738 m^3 (2002: 3.79 m^2, i.e. 42,721 m^3). The best-selling product groups were wind-protection and flooring boards. Sales to the domestic market grew substantially, increasing from 40% to 51%. The largest foreign customers were our distributors and manufacturing companies, whereas in the domestic market the largest customers were building materials retail chains.
Insulation boards are also marketed under our own Isoplaat brand name.

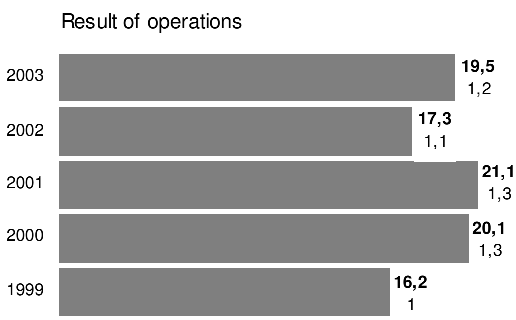
Interior Finishing Boards
We produce only our own Isotex brand of interior finishing boards. The boards are made of natural softboard, which is produced on our primary production line. The boards have milled tenons and the surface is covered with paper or textile. The technology allows producing boards of different colours and patterns.
Sales of interior finishing boards totalled EEK 24.6m (€1.6m), a significant improvement on the EEK 17.6m (€1.1m) attained in 2002, accounting for 28% of the total softboard output (2002: 22%). In quantitative terms, sales of interior finishing boards amounted to 402,000 m^2, i.e. 4,818 m^3 (2002: 290,000 m^2, i.e. 3,483 m^3). Thanks to successful marketing, sales to the domestic market grew by 25%. In Finland, the largest target market, sales increased by over 35%, reflecting a clear growth in Isotex market share. Sales of the largest product group, Quatro ceiling panels with tongue-and-groove tenons on all four edges, increased to ¾ of the overall output.
The main export markets were Finland and Sweden with exports accounting for 77% of sales. Success was also attained in new markets where the use of softboard-based interior finishing boards is still minimal.
The largest customers, both in the export and domestic markets, were building materials retail chains.

Quality
Similarly to the Furniture Division, the Building Materials Division brought its quality management system in compliance with the requirements of ISO 9001:2000. The quality audit was performed and the efficiency of the system was appraised by Det Norske Veritas Eesti OÜ. The certificate encompasses the design, production and sales of softboard designed for general and interior finishing purposes.

At the end of the financial year the division employed 92 people (2002: 130).

EEK, millions
€, millions





EEK, millions
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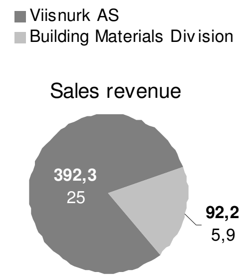
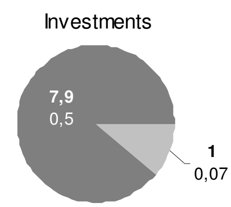
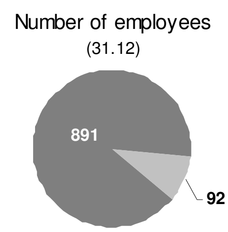






Wood Division

- Establishment of the Wood Division of the basis of the Wood Panel Factory and the Forestry Centre
- Increase in total division sales by 33% to EEK 99.1m (€6.3m)
- Three-fold increase in exports

The Wood Division is composed of the Wood Panel Factory, a hardwood sawmill and a drying kilns complex. The output of the factory (wood panels) is the main production input for the solid wood furniture industry. The forestry centre deals with the procurement of roundwood and the production and sales of sawn timber.

Operating Results
The Wood Division ended 2003 with revenues EEK 99.1m (€6.3m), 33% up on 2002, with intra-group sales accounting for EEK 25m (€1.6m) of the total. The revenues of the sawmill and drying kiln complex totalled EEK 33.7m (€2.2m), 3% up on 2002, and the revenues of the Wood Panel Factory amounted to EEK 65.4m (€4.2m), 58% up on 2002. The operation of the division ended in a loss of EEK 52.9m (€3.4m), including EEK 34.4m (€2.2m) resulting from write-downs and provisions related to the closure of the division.
In spite of increasing revenues the division continued incurring losses on the core activity. Low prices caused by overproduction in the European market and high fixed costs did not allow the division to earn a profit. In addition, in the fourth quarter the operation of the division was adversely affected by the scarcity of raw material.
Exports accounted for 58% of sales; the main export markets were Denmark, Germany and the United Kingdom.

Wood Panels
In 2003 the Wood Panel Factory produced 8,173 m^3 of panels, 12% of birch and 88% of pine. The ratio of birch and pine remained stable although in the second half of the year the factory produced only pine panels, which allowed improving efficiency and increasing output. Exports grew almost three-fold to EEK 41.3m (€2.6m)(2002: EEK 12.4m (€0.8m)). The main export market (with 46.7% of exports) was Denmark. Sales to the domestic market amounted to EEK 22.1m (€1.4m), including sales of EEK 9.9m (€0.6m) to our own Furniture Factory.

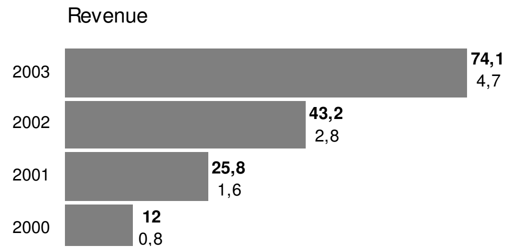
In the domestic market, the main customers are furniture producers. In export markets, the largest customers are furniture producers and wood panel importers and agents.

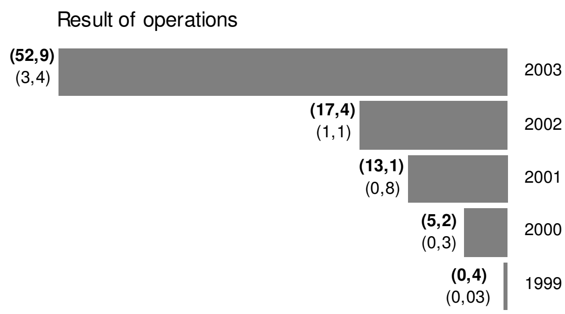
Sawn Timber
Divisions require both soft- and hardwood. Sawn softwood, basically pine, is purchased from wood processing companies. As regards hardwood, the divisions use mostly birch, which is supplied by our own sawmill. Roundwood and sawn timber are purchased from both foreign and domestic suppliers.

In 2003 the sawmill sawed 21,000 m^3 of round birch. Finished goods output amounted to 11,530 m^3. Sales of sawn birch totalled EEK 33.2m (€2.1m), a 14% increase on 2002. Most of acquired sawn pine was internally used.

Sales of sawn timber comprised sales to our own Furniture Factory (EEK 17.7m (€1.1m), 53%), sales to Estonian customers (EEK 13.3m (€0.9m), 40%) and exports (EEK 2.2m(€0.1m), 7%). Compared to 2002, sales to the Furniture Factory and exports increased (67% and 57% respectively), whereas sales to Estonian customers decreased (22%).

EEK, millions
€, millions





EEK, millions
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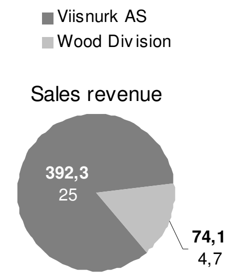
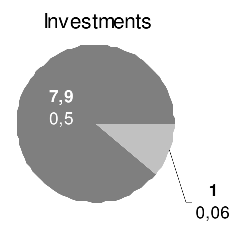
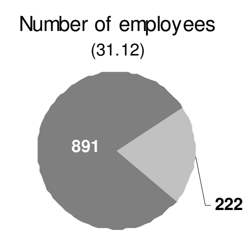
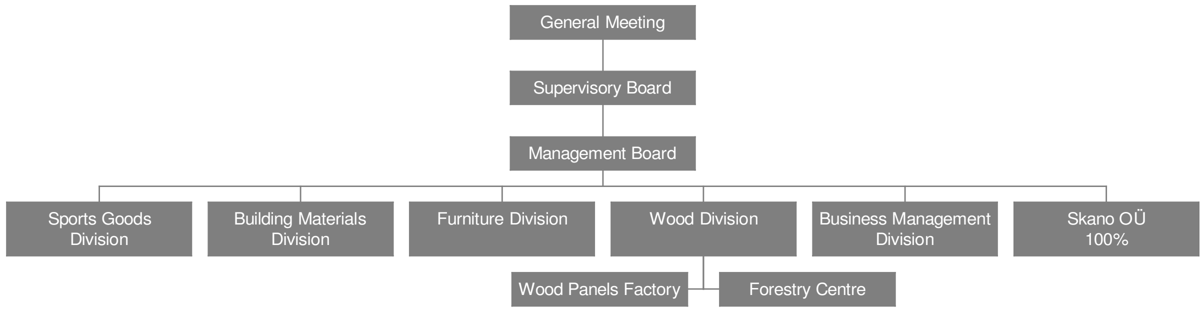






Organisation and People



At 31 December 2003

* - the chart does not reflect wholly owned subsidiaries Isotex OÜ and Visu OÜ because the companies did not conduct business operations in 2003.

By the end of 2003 our workforce had decreased to 891 (2002: 1013). We employed 754 workers and 137 specialists and managers. The average number of employees was 41. Employee wages and salaries of the period totalled EEK 98.1m (€6.3m). The gross remuneration of the members of the management board and the executive management amounted to EEK 3,436,035 (€219,602). The corresponding figure for 2002 was EEK 3,046,617 (€194,714).

The year 2003 was one of major structural and human resource management changes for Viisnurk AS.

Structural Changes
Because of restructuring and termination of the production of low-margin skis, the Sports Goods Division had to lay off 48 people from 6 March to 4 April.

In March the Softboard Factory and Boiler House were combined into a Building Materials Division. The head office was transformed into a Business Management Division, composed of business analyses, finance and accounting units and personnel, IT and administration departments. The objective of the Business Management Division is to provide other divisions with clearly defined and measurable services.

In April the Furniture and Wood Panels Factories and Forestry Centre were combined into a Furniture Division. The division was formed with a view to transforming smaller units into a single furniture production company. On 1 December, however, the Furniture Factory was made an independent business unit again and the Wood Panel Factory and Forestry Centre were combined into a Wood Division.

To focus on the core activity, we have discontinued a number of supporting functions: the assets and staff of the cleaning and transport units have been transferred to Minu Vara Lääne AS.

In July operation of the Boiler House was transferred to Fortum Termest.

Since 1 October security services are provided by Falck Lääne AS.

At the beginning of December, the metalworkers of the technical maintenance unit were transferred to Adrem Pärnu AS.

Altogether, workforce declined by 78 people, most of whom were offered equivalent work by business associates.

Three new sales people were recruited for the Skano furniture store, which was opened in Järve Keskus shopping centre, Tallinn, in November.

Changes in Human Resource Management
In order to involve our people in the decision-making process and facilitate information exchange, employee boards were established in all divisions. The boards include representatives of all production units and meet with the management on a monthly basis to discuss operating results, management activities, production organisation and working conditions.

In September Viisnurk AS and Pärnumaa Vocational Education Centre signed a cooperation agreement, according to which the Centre is going to train the employees of Viisnurk AS. The project is aimed at improving and expanding vocational competencies, enhancing teamwork intelligence, and acquiring practical instruction and supervision skills. Those who have passed the programme have to be able to provide in-house training, i.e. instruct and supervise new employees. The training covers the basics of wood technology, teamwork training, quality and process management guidance, and trainer training. The first programme was arranged for 24 workers of the Wood Panel Factory. In 2004 an analogous programme will be provided to the staff of the Furniture Factory.

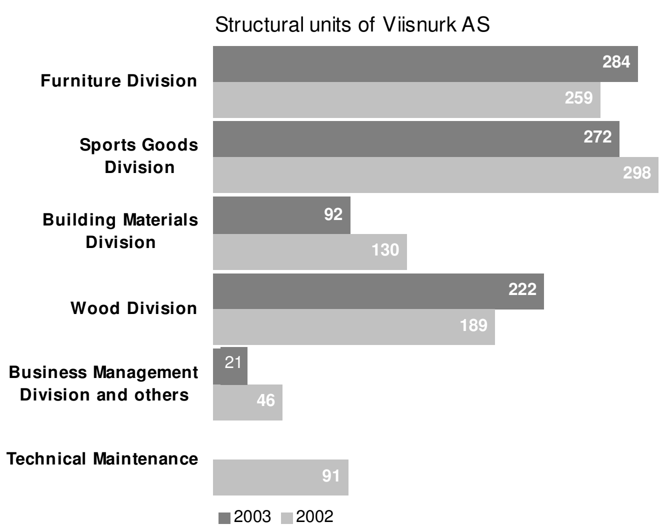
Extensive teamwork and change management trainings were also arranged for the managers and specialists of the Business Management and Furniture Divisions.

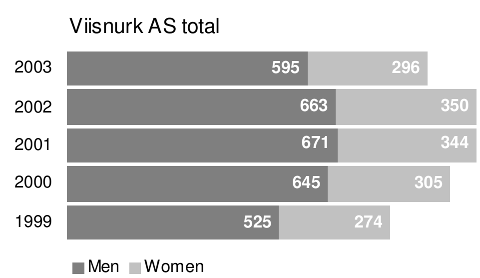
Over 20 people attended risk analysis, occupational healthcare and work safety trainings. From May to November a thorough risk analysis of the work environment was performed.

Since 1 April 2003 the Furniture Division (Furniture Factory, Wood Panel Factory, and Forestry Centre) has a new remuneration system that is based on the wage scales methodology.

In the framework of the pan-European survey “Best employers, best results” we conducted a complete personnel satisfaction enquiry. The enquiry was performed for the fourth time and took place from 15 to 19 September. Questions covered work, people, opportunities, remuneration, and the environment. The overall average satisfaction rating was 3.72 on the scale of 0 to 6 (2002: 3.88; 2001: 3.94).

Number of employees (31.12):





Our Commitment to Society

In 2003 Viisnurk AS continued supporting the community and society by contributing to local sports and culture programmes.

We remain committed to supporting and encouraging the healthy lifestyles of our employees.

To add value to our basic raw material, wood, we arranged a forestation day in May 2003. The employees of the Furniture Division planted over 4,400 fir trees in Kivimäe area, Audru forest management district.

Environmental Policy

In November 2003 the Management Board approved the environmental policy of Viisnurk AS, which sets out the company's environmental targets and principles.

Environmental Policy of Viisnurk AS:

- Environmentally sustainable development is an essential precondition for ensuring the company's long-term operation and high quality physical and social environment.
- The personnel of Viisnurk AS observe the requirements of applicable environmental legislation and are committed to minimising the company's environmental impacts.
- Our people are aware of their responsibility for the condition of the environment and employ environmentally sustainable and economical work methods.
- Sustainable development assumes consistent improvement of environmental activities and allocation of the required corporate resources.
- We consider the environmental impacts of our products throughout their life cycles (from acquisition of raw materials to disposal).
- On investment in production technology, we always consider the environmental impacts.
- Viisnurk AS observes the principles of ISO 14001, which regulates environment management systems.

In line with the above, a lot of attention is paid to efficient and economical use of financial and natural resources, waste minimisation, pollution prevention, and employee safety and health.

Our Furniture Division has implemented an ISO 14001-compliant environment management system. The division has identified its significant environmental aspects and has prepared and implemented appropriate procedures (who does what and when), instructions (how things should be done and how to assess the results), and action plans.

Due to changes caused by the restructuring, the certification of the environment management system that was scheduled for the end of 2003 will be performed in the second half of 2004.

To observe compliance with the requirements of environmental legislation, we have established a legal documents management system. The Furniture and Sports Goods Divisions have applied for integrated environmental permits as required by the law. Expenditures on the preparation of the applications and assessment of the company's environmental impacts totalled EEK 145,000 (€9,300).

In the production of heart energy we recycled 14,135 m^3 of wood waste (2002: 13,338 m^3). For the disposal of ordinary waste we have an integrated service agreement with a waste management company. The services include rental of containers, waste removal and landfilling.

In 2003 the environmental investments of Viisnurk AS totalled EEK 569,800 (€36,400).

Water Intake

In thousands of m³	2003	2002	Change %
Water intake:	132.36	136.50	(3)
Ground water (municipal water)	15.95	27.50	(42)
Ground water (own bore wells)	31.02	31.10	(0.2)
Surface water	85.38	77.90	9.6
Water discharge:	90.07	87.90	2.5
Conditionally clean wastewater	31.05	31.50	(1.4)
Wastewater	59.02	56.40	4.6
Water losses	42.29	48.60	(13)

Water Intake and Wastewater Discharge

	2003 *EEK'000*	2002 *EEK'000*	2003 *€'000*	2002 *€'000*	Change %
Water intake:	135.32	206.90	8.6	13.2	(34.6)
Ground water (city water)	108.16	181.70	6.9	11.6	(40.5)
Ground water (own bore wells)	14.89	13.70	1	0.9	8.7
Surface water	12.26	11.50	0.8	0.7	6.6
Water discharge:	1494.72	1194.60	95.5	76.3	25.1
Conditionally clean wastewater					
Wastewater	1494.72	1194.60	95.5	76.3	25.1
Total expense	1630.04	1401.50	104.2	89.6	16.3

Main Pollutants

In tons	2003	2002	Change %
Volatile organic compounds	124.7	112.2	11.2
Organic dust	21.1	20.1	4.8
Volatile organic compounds (boiler house)	14.8	14.7	0.7
Sold particles (boiler house)	248.2	259	(4.2)
NO	33.2	32.9	0.7
CO	309.8	307.7	0.7
SO_2	11.6	11.7	(1.4)
Heavy metals	0.2	0.2	(8.7)
Other pollutants	1.9	0.2	
Total	765.5	758.9	0.9

Waste Handling

	2003 *EEK'000*	2002 *EEK'000*	2003 *€'000*	2002 *€'000*	Change %
Handling of hazardous waste	113.9	96.47	7.3	6.2	18
Handling of non-hazardous waste	141.68	134.41	9.1	8.6	5.4
Total expense	255.54	230.88	16.3	14.8	10.7
Recycling of waste in the production of heat energy	1164.43	960.75	74.4	61.4	21.2
Sales of wood waste	504.75	270.64	32.3	17.3	86.5
Sales of metal waste	39.52	12.44	2.5	0.8	217.7
Total conditional income	1708.70	1243.83	109.2	79.5	37.4

Restructuring

To improve the company's financial position and allow focusing on the core activity (furniture production), the Supervisory Board of Viisnurk AS has decided that the company should

- sell the Building Materials Division;
- sell the Sports Goods Division; and
- close the Wood Division and sell or let its property, plant and equipment.

Following the decisions, in the fourth quarter of 2003 the property, plant and equipment of the Wood and Sports Goods Divisions were written down on the basis of market value appraisals performed for each item. The divestment of the Sports Goods Division and divestment or lease of the assets of the Sports Goods Division is still in progress. Therefore, it is possible, depending on the buyer's business plan and other circumstances, that the sales prices of the divisions when sold as sets may prove considerably higher than the total carrying amounts of their individual assets.

The property, plant and equipment of the Wood Division were written down to the extent of EEK 31.3m (€2m). Closure-related inventory write-downs totalled EEK 1.2m (€0.1m) and severance settlements were established a provision of EEK 1.9m (€0.1m).

The property, plant and equipment of the Sports Goods Division were written down to the extent of EEK 6.8m (€0.4m).

Altogether, write-downs performed and provisions established because of the restructuring totalled EEK 41.2m (€2.6m).

The Management and Supervisory Boards of Viisnurk AS believe that a possibility to focus on the core activity and a stronger financial position will allow the company not only to attain its primary objective (to become the leading furniture producer of the Baltic countries) but also to maintain profitability. The year 2004 is going to bring major changes whose first positive impacts should become visible in 2005.

Consolidated Annual Financial Statements

Statement of Management Responsibility

The Management Board acknowledges its responsibility for the preparation, integrity and fair presentation of the annual financial statements of Viisnurk AS for 2003 as set out on pages 22 to 50 of this report, and confirms that to the best of its knowledge, information and belief:

- the accounting policies applied in the preparation of the annual financial statements comply with International Financial Reporting Standards;
- the annual financial statements give a true and fair view of the financial position of Viisnurk AS and the results of its operations and its cash flows;
- all significant events that occurred until the date on which the financial statements were authorised for issue 25.05.2004 have been properly recognised and disclosed; and
- Viisnurk AS is a going concern.

Toivo Kuldmäe	Andrus Aljas
Chairman of Management Board	Member of Management Board

Consolidated Balance Sheet

As at 31 December 2003

	Group 2003 EEK	Group 2002 EEK	Group 2003 €	Group 2002 €
Cash and bank	1,140,750	1,764,251	**72,907**	**112,756**
Trade receivables (Note 1)	45,005,445	54,143,625	2,876,365	3,460,399
Other receivables	114,965	1,915,536	7,348	122,425
Prepayments (Note 2)	7,127,463	4,446,709	455,527	284,196
Inventories (Note 3)	63,818,935	58,601,793	4,078,763	3,745,328
Total current assets	**117,207,558**	**120,871,914**	**7,490,910**	**7,725,104**
Long-term financial assets (Note 4)	1,435,600	1,435,600	91,751	91,751
Investment properties (Note 5)	2,535,201	0	162,028	0
Property, plant and equipment (Note 6)	156,101,509	221,800,785	9,976,679	14,175,618
Intangible assets (Note 7)	3,715,661	785,150	237,474	50,180
Total non-current assets	**163,787,971**	**224,021,535**	**10,467,932**	**14,317,549**
TOTAL ASSETS	**280,995,529**	**344,893,449**	**17,958,842**	**22,042,653**
Debt obligations (Note 8)	90,010,556	38,773,012	5,752,708	2,478,041
Customer advances	219,228	619,581	14,011	39,598
Trade payables	38,801,660	30,978,303	2,479,872	1,979,869
Tax liabilities (Note 11)	6,956,372	5,944,159	444,592	379,900
Accured expenses (Note 10)	17,513,797	12,266,687	1,119,333	783,982
Provisions (Note 12)	3,128,849	1,493,317	199,969	95,440
Total current liabilities	**156,630,462**	**90,075,059**	**10,010,485**	**5,756,830**
Long-term debt obligations (Note 8)	50,159,767	111,773,549	3,205,785	7,143,614
Total non-current liabilities	**50,159,767**	**111,773,549**	**3,205,785**	**7,143,614**
Total liabilities	**206,790,229**	**201,848,608**	**13,216,270**	**12,900,444**
Share capital at par value	44,990,610	44,990,610	2,875,417	2,875,417
Share premium	11,331,780	11,331,780	724,231	724,231
Mandatory capital reserve	4,499,061	4,499,061	287,542	287,542
Retained earnings	82,223,390	101,855,218	5,255,019	6,509,718
Loss for the period	(68,839,541)	(19,631,828)	(4,399,637)	(1,254,699)
Total equity (Note 13)	**74,205,300**	**143,044,841**	**4,742,572**	**9,142,209**
TOTAL LIABILITIES AND EQUITY	**280,995,529**	**344,893,449**	**17,958,842**	**22,042,653**

The consolidated Balance Sheet is to be read in conjunction with the notes to and forming part of the consolidated financial statements set out on pages 27 to 50.

Consolidated Income Statement

Fro the year ended 31 December 2003

	Group 2003 EEK	Group 2002 EEK	Group 2003 €	Group 2002 €
REVENUE	**392,330,919**	**367,530,658**	**25,074,452**	**23,489,430**
Cost of goods sold (Note 15)	(414,156,621)	**(343,168,006)**	**(26,469,365)**	**(21,932,377)**
Gross profit / loss	**(21,825,702)**	**24,362,652**	**(1,394,913)**	**1,557,053**
Marketing expenses (Note 16)	(23,210,022)	(19,663,697)	(1,483,387)	(1,256,736)
General administrative expenses (Note 17)	(11,915,379)	(9,952,720)	(761,530)	(636,093)
Other income (Note 19)	6,864,422	1,641,391	438,715	104,904
Other expenses (Note 20)	(10,379,562)	(6,116,714)	(663,372)	(390,928)
Operating loss	**(60,466,243)**	**(9,729,088)**	**(3,864,487)**	**(621,800)**
Financial income and expenses (Note 21)	(8,373,298)	(9,902,740)	(535,150)	(632,899)
NET LOSS FOR THE YEAR	**(68,839,541)**	**(19,631,828)**	**(4,399,637)**	**(1,254,699)**
Basic loss per share (Note 14)	**(15.30)**	**(4.36)**	**(0.98)**	**(0.28)**
Diluted loss per share (Note 14)	**(15.30)**	**(4.36)**	**(0.98)**	**(0.28)**

The consolidated Income Statement is to be read in conjunction with the notes to and forming part of the consolidated financial statements set out on pages 27 to 50.

Consolidated Statement of Cash Flows

For the year ended 31 December 2003

	Group 2003 *EEK*	Group 2002 *EEK*	Group 2003 *€*	Group 2002 *€*
Operating activities				
Loss for the year	**(68,839,541)**	**(19,631,828)**	**(4,399,637)**	**(1,254,699)**
Adjustments for:				
Depreciation and amortisation	27,886,837	26,698,546	1,782,289	1,706,344
Impairment of property, plant and equipment	38,018,026	0	2,429,788	0
Gains on long-term financial assets	0	(297,216)	0	(18,996)
Gains on sale of investments properties	(2,479,466)	0	(158,466)	0
Gain/loss on sale of non-current assets	(410,132)	91,454	(26,212)	5,845
Loss from write-down of receivables	1,488,804	1,944,793	95,152	124,295
Loss from write-down of inventories	7,107,058	9,535,867	454,223	609,451
Provisions	1,635,532	1,493,317	104,529	95,440
Interest expense	8,182,324	9,984,067	522,945	638,097
Operating profit before working capital changes	**12,589,442**	**29,819,000**	**804,611**	**1,905,777**
Change in current assets	6,769,196	(2,291,060)	432,629	(146,425)
Change in inventories	(12,324,200)	6,438,671	(787,658)	411,505
Change in current liabilities	14,602,557	(2,062,352)	933,271	(131,808)
Net cash from operating activities	**21,636,995**	**31,904,259**	**1,382,853**	**2,039,049**
Interest paid	(9,102,554)	(10,108,601)	(581,758)	(646,056)
Net cash from operating activities	**12,534,441**	**21,795,658**	**801,095**	**1,392,993**
Investing activities				
Sale of investment properties	2,652,500	0	169,525	0
Acquisition of tangible assets	(6,449,050)	(29,182,047)	(412,168)	(1,865,068)
Sale of tangible assets	2,010,747	436,580	128,510	27,902
Acquisition of intangible assets	(1,374,352)	(39,527)	(87,837)	(2,526)
Dividends received	0	297,216	0	18,996
Net cash used in investing activities	**(3,160,155)**	**(28,487,778)**	**(201,970)**	**(1,820,696)**
Financing activities				
Loans received	0	10,000,000	0	639,115
Repayment of loans received	(5,841,934)	(1,453,657)	(373,367)	(92,905)
Settlement of finance lease liabilities	(2,526,707)	(2,384,252)	(161,486)	(152,381)
Decrease in overdraft balance	(1,629,146)	(2,741,487)	(104,121)	(175,213)
Net cash from / used in financing activities	**(9,997,787)**	**3,420,604**	**(638,974)**	**(218,616)**
NET DECREASE IN CASH	**(623,501)**	**(3,271,516)**	**(39,849)**	**(209,616)**
CASH AT BEGINNING OF PERIOD	**1,764,251**	**5,035,767**	**112,756**	**321,843**
CASH AT END OF PERIOD	**1,140,750**	**1,764,251**	**72,907**	**112,756**

The consolidated Cash Flow statement is to be read in conjunction with the notes to and forming part of the consolidated financial statements set out on pages 27 to 50.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2003

EEK	Share capital	Share premium	Mandatory capital reserve	Retained earnings	Profit/loss for the period	Total
31.12.2001	44,990,610	11,331,780	4,499,061	82,471,833	19,383,385	162,676,669
Distribution of the profit for 2001	0	0	0	19,383,385	(19,383,385)	0
Loss for 2002	0	0	0	0	(19,631,828)	(19,631,828)
31.12.2002	44,990,610	11,331,780	4,499,061	101,855,218	(19,631,828)	143,044,841
Covering of the loss for 2002	0	0	0	(19,631,828)	19,631,828	0
Loss for 2003	0	0	0	0	(68,839,541)	(68,839,541)
31.12.2003	44,990,610	11,331,780	4,499,061	82,223,390	(68,839,541)	74,205,300

€	Share capital	Share premium	Mandatory capital reserve	Retained earnings	Profit/loss for the period	Total
31.12.2001	2,875,417	724,231	287,542	5,270,897	1,238,821	10,396,908
Covering of the loss for 2001	0	0	0	1,238,821	(1,238,821)	0
Loss for 2002	0	0	0	0	(1,254,699)	(1,254,699)
31.12.2002	2,875,417	724,231	287,542	6,509,718	(1,254,699)	9,142,209
Covering of the loss for 2002	0	0	0	(1,254,699)	1,254,699	0
Loss for 2003	0	0	0	0	(4,399,637)	(4,399,637)
31.12.2003	2,875,417	724,231	287,542	5,255,019	(4,399,637)	4,742,572

The consolidated Statement of Changes in Equity is to be read in conjunction with the notes to and forming part of the consolidated financial statements set out on pages 27 to 50.

Significant Accounting Policies

Viisnurk AS (the "Company") is a company domiciled in Estonia. The consolidated financial statements of Viisnurk AS Comprise the Company and its subsidiaries (together referred to as the "Group").

A Statement of Compliance

The financial statements of Viisnurk AS have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB.

B Bases of Preparation

In compliance with Tallinn Stock Exchange rules, the financial statements are presented in Estonian kroons (EEK) and in euro (€). The measurement currency of Viisnurk AS is the Estonian kroon. The Estonian kroon is pegged to the euro at the rate of EEK 15.64664 to €1. The information in euro is supplementary information presented for the convenience of non-Estonian users of the financial statements. The financial statements have been prepared, in all material respects, on the historical cost basis.

Differences between the figures for the parent and the Group are immaterial. Therefore, only the figures for the Group have been reported.

The accounting policies have been consistently applied by Group Enterprises and are consistent with those used in previous periods.

C Foreign Currency

Transactions in foreign currencies are translated to Estonian kroons at the foreign exchange rates ruling at the date of the transaction. Monetary assets and liabilities that are denominated in foreign currency at the balance sheet date are translated to Estonian kroons using the exchange rate ruling at that date. Foreign exchange differences arising on translation are reported in the income statement. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated to Estonian kroons at foreign exchange rates ruling at the date of the transaction.

D Cash and Bank

Cash and bank comprise cash in hand and at bank.

E Receivables

Receivables are carried at cost less impairment losses (see policy m). Irrecoverable receivables are written off the balance sheet.

F Inventories

Inventories are carried at the lower of cost and net realisable value. Work in progress and finished goods are stated at product cost, which includes direct and indirect costs of production. Inventories are recognised as an expense using the weighted average cost formula.

G Investments in Equity Securities

Available-for-sale investments are recognised/derecognised by the Group on the date it commits to purchase/sell the investments. These investments are stated at fair value.

H Subsidiaries

Subsidiaries are enterprises controlled by Viisnurk AS. Control is presumed to exist when Viisnurk AS has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date the control commences until the date the control ceases.

At 31 December 2003 Viisnurk AS had three wholly owned subsidiaries: Skano OÜ, Visu OÜ and Isotex OÜ.

I Basis of Consolidation
On consolidation, the financial statements of the parent and its subsidiaries are combined line by line so that the financial statements reflect the results of the parent and its subsidiaries as those of a single enterprise. All intra-group balances and transactions and any unrealised gains and losses arising from intra-group transactions are eliminated.

J Investment Properties
Investment properties are items of real estate that are held to earn rentals or to benefit from an increase in value, or both. Investment properties are reported at cost.
Investment properties are depreciated over their estimated useful lives using the straight-line method. The annual depreciation rates applied are 2.5 –15%.

K Property, Plant and Equipment
Purchases are recognised as items of property, plant and equipment if their cost exceeds EEK 10,000 and their estimated useful life extends beyond one year. Items of smaller value are recognised as an expense on implementation.
Items of property, plant and equipment are carried at cost less accumulated depreciation and impairment losses (see policy m). The cost of self-constructed assets includes direct and indirect costs of construction. Renovation and improvement costs are added to the cost of property, plant and equipment only when it increases the future economic benefits embodied in the item of property, plant and equipment.

L Depreciation
Items of property, plant and equipment are depreciated over their estimated useful lives using the straight-line method. The following annual depreciation rates are applied:
- buildings and constructions 2.5 –15%
- machinery, plant and equipment 10 – 25%
- motor vehicles 10 – 20%
- other equipment and fixtures 20 – 40%

M Impairment
At each balance sheet date management assesses whether there is any indication that an asset, other than inventories (see policy f) may be impaired. If any such indication exists, the asset is tested for impairment and its recoverable amount measured. An impairment loss is recognised when the recoverable amount of an asset or the cash-generating unit to which the asset belongs is less than the carrying amount of the asset or the cash-generating unit. An impairment loss is recognised in the income statement.

The recoverable amount of the Group's receivables is calculated as the present value of expected future cash flows, discounted at the original effective interest rate inherent in the asset. Receivables with a short duration are not discounted.

The recoverable amount of other assets is the greater of their net selling price and value is use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

N Intangible Assets
Intangible assets are stated at cost less accumulated amortisation and impairment losses (see policy m). Items are amortised over their estimated useful lives (2.5-5 years) on a straight-line basis.

O Operating and Finance Lease
Leases are recognised as operating and finance leases based on the economic substance of the transaction. Leases that transfer substantially all the risks and rewards of ownership to the lessee are classified as finance leases. All other leases are treated as operating leases.
Assets held under finance lease are carried as items of property, plant and equipment at cost, which is equal to the discounted present value of the minimum lease payments at the inception of the lease, less accumulated depreciation and impairment losses (see policy m).

Assets held under finance lease are depreciated similarly to other items of property, plant and equipment over their estimated useful lives (see policy l).

P Interest-bearing Loans

Interest-bearing loans are initially recognised at cost less attributable transaction costs. Subsequent to initial recognition, interest-bearing loans are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the loans on an effective interest basis.

Q Taxation

Corporate Income Tax

In accordance with the effective Estonian Income Tax Act, from 1 January 2000 income tax is not levied on profits earned but dividends distributed. The tax rate is 26/74 of the amount distributed as the net dividend. The maximum income tax liability that could arise at the distribution of dividends is disclosed in Note 13.

The income tax payable on a dividend distribution is recognised as income tax expense in the income statement of the period in which the dividend is declared.

Because of the specific nature of the taxation concept, the term *tax base of assets and liabilities* does not have economic substance and deferred income tax liabilities and assets cannot arise.

Other Taxes

In accordance with Estonian Laws, other taxes include value-added tax, income tax, social tax and unemployment insurance premiums.

VAT

18% of taxable value unless provided for otherwise;

0% of the value of exported goods or services.

Income tax

26/74 of fringe benefits to individuals, gifts, donations, entertainment expenses, profit distributions, and non-business expenses and disbursements.

Social tax

33% of wages, salaries and other payments to employees, fringe benefits, and the income tax payable on fringe benefits.

Unemployment insurance premiums

0.5% of wages, salaries and other payments to employees.

R Revenue

Revenue from the sale of goods is recognised when all significant risks and rewards of ownership have transferred to the buyer and it is probable that the buyer will settle the account.

Revenue from the rendering of a service is recognised in proportion to the stage of completion of the transaction at the balance sheet date. Rental income from investment property is recognised in the income statement on a straight-line basis over the term of the lease.

S Financing Costs

Financing costs are recognised in the income statement. Financing costs that are directly related to the acquisition or construction of a qualifying asset are capitalised. Capitalisation is ended when all significant operations for the implementation of the asset have been completed.

T Cash Flow Statement

The cash flow statement is prepared using the indirect method. Cash flows from operating activities are found by adjusting the result for the period by eliminating the effect of non-cash transactions, changes in assets and liabilities related to operating activity and income and expenses from investing and financing activities.

U Segment Reporting
A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

V Provisions
A provision is recognised when the company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

W Trade and Other Payables
Trade and other payables are stated at cost.

X Discontinuing Operations
A discontinuing operation is a clearly distinguishable component of the Group's business that is abandoned or terminated pursuant to a single plan, and which represents a separate major line of business.

Y Subsequent Events
The annual financial statements reflect all significant events affecting the valuation of assets and liabilities that became evident between the balance sheet date (31 December 2003) and the date on which the financial statements were authorised for issue (25.05.2004) but are related to the reporting or prior periods.

1 Trade Receivables

	Group 2003 EEK	Group 2002 EEK	Group 2003 €	Group 2002 €
Accounts receivable	46,601,958	56,381,900	2,978,400	3,603,451
Allowance for doubtful receivables	(1,596,513)	(2,238,275)	(102,035)	(143,052)
TOTAL	**45,005,445**	**54,143,625**	**2,876,365**	**3,460,399**

In 2003 receivables written off as irrecoverable totalled EEK 1,980,565 (€126,581). Items that were considered doubtful amounted to EEK 1,488,804 (€95,152). In 2003 we collected EEK 150,000 (€9,587) of receivables that had been considered doubtful in 2002.

2 Prepayments

	Group 2003 EEK	Group 2002 EEK	Group 2003 €	Group 2002 €
Prepaid VAT	6,780,593	4,044,816	433,358	258,510
Prepaid expenses	346,870	401,893	22,169	25,686
TOTAL	**7,127,463**	**4,446,709**	**455,527**	**284,196**

3 Inventories

	Group 2003 EEK	Group 2002 EEK	Group 2003 €	Group 2002 €
Materials	20,785,052	19,362,170	1,328,404	1,237,465
Work in progress	25,449,560	22,718,167	1,626,519	1,451,953
Finished goods	12,908,936	11,805,097	825,029	754,480
Merchandise purchased for resale	3,642,148	4,517,352	232,775	288,711
Prepayments to suppliers	1,033,239	199,007	66,036	12,719
TOTAL	**63,818,935**	**58,601,793**	**4,078,763**	**3,745,328**

At 31 December 2003, the carrying amount of inventories reported at net realisable value amounted to EEK 16,803,332 (€1,073,926). At 31 December 2002, the corresponding figure was EEK 20,676,041 (€1,321,436).

Write-down of Inventories

EEK	Sports Goods Division	Furniture Division	Building Materials Division	Wood Division	Total
Materials	148,383	279,110	694,816	41,425	1,163,734
Work in progress	2,023,580	0	0	1,596,398	3,619,978
Finished goods	713,123	0	133,474	242,624	1,089,221
Merchandise purchased for resale	1,234,125	0	0	0	1,234,125
TOTAL	**4,119,211**	**279,110**	**828,290**	**1,880,447**	**7,107,058**

€	Sports Goods Division	Furniture Division	Building Materials Division	Wood Division	Total
Materials	9,483	17,838	44,407	2,648	74,376
Work in progress	129,330	0	0	102,028	231,358
Finished goods	45,577	0	8,531	15,506	69,614
Merchandise purchased for resale	78,875	0	0	0	78,875
TOTAL	**263,265**	**17,838**	**52,938**	**120,182**	**454,223**

Inventories were written down due to a shrinkage in demand and a decline in net realisable value.

4 Long-term Financial Assets

	Group 2003 *EEK*	**Group 2002** *EEK*	**Group 2003** *€*	**Group 2002** *€*
Equity securities available-for-sale	1,435,600	1,435,600	91,751	91,751
TOTAL	**1,435,600**	**1,435,600**	**91,751**	**91,751**

Equity securities available-for-sale include 5,504 shares in AS Tallinna Mööblimaja (10% interest) of EEK 1,435,000 (€91,713) and 6 shares in AS Fiiber (0.15% interest) of EEK 600 (€38).
The shares of Mööblimaja AS and Fiiber AS are not listed at the stock exchange. Therefore, their fair value cannot be determined reliably. Long-term financial assets are carried at cost.

5 Investment Properties

	Group *EEK*	Group *€*
Cost 01.01.2003	0	0
Reclassification	3,563,285	227,735
Sales and write-off	(201,426)	(12,874)
Cost 31.12.2003	3,361,859	214,861
Depreciation 01.01.2003	0	0
Reclassification	(770,779)	(49,262)
Depreciation for 2003	(84,270)	(5,386)
Sales and write-off	28,391	1,815
Depreciation 31.12.2003	(826,658)	(52,833)
Carrying amount 01.01.2003	0	0
Carrying amount 31.12.2003	2,535,201	162,028

According to the valuation made by an independent and licensed real estate company, at 28 February 2003 the estimated market value of the investment properties amounted to EEK 17,260,000 (€1,103,112).
Investment management expenses and rental income of the period amounted to EEK 183,451 (€11,725) and EEK 18,180 (€1,162) respectively.

6 Property, Plant and Equipment

	Group 2003 EEK	Group 2002 EEK	Group 2003 €	Group 2002 €
Land, buildings, and constructions	116,811,130	119,109,693	7,465,573	7,612,478
Plant and equipment	194,549,800	194,558,521	12,433,966	12,434,524
Other equipment	6,131,502	6,945,681	391,873	443,909
Accumulated depreciation	(162,186,705)	(102,438,666)	(10,365,593)	(6,547,008)
Construction in progress	795,782	3,625,556	50,860	231,715
TOTAL	**156,101,509**	**221,800,785**	**9,976,679**	**14,175,618**

Movements in Property, Plant and Equipment in 2003 (Group)

EEK	Land, buildings and constructions	Plant and equipment	Other equipment and fixtures	TOTAL
Cost 01.01.2003	119,109,693	194,558,521	6,945,681	**320,613,895**
Reclassification	(3,449,062)	(114,223)	0	**(3,563,285)**
Acquired in 2003	1,155,499	5,910,763	579,077	**7,645,339**
Disposals in 2003	(5,000)	(5,805,261)	(1,393,256)	**(7,203,517)**
Cost 31.12.2003	116,811,130	194,549,800	6,131,502	**317,492,432**
Depreciation 01.01.2003	(18,784,627)	(79,115,270)	(4,538,769)	**(102,438,666)**
Reclassification	706,974	63,805	0	**770,779**
Depreciation of 2003	(4,914,885)	(21,382,999)	(1,175,360)	**(27,473,244)**
Impairment in 2003	(6,428,071)	(31,172,446)	(417,509)	**(38,018,026)**
Disposals in 2003	47,203	3,720,820	1,204,429	**4,972,452**
Depreciation 31.12.2003	(29,373,406)	(127,886,090)	(4,927,209)	**(162,186,705)**
Carrying amount 01.01.2003	100,325,066	115,443,251	2,406,912	**218,175,229**
Carrying amount 31.12.2003	87,437,724	66,663,710	1,204,293	**155,305,727**

€	Land, buildings and constructions	Plant and equipment	Other equipment and fixtures	TOTAL
Cost 01.01.2003	7,612,478	12,434,524	443,909	**20,490,911**
Reclassification	(220,435)	(7,300)	0	**(227,735)**
Acquired in 2003	73,850	377,765	37,010	**488,625**
Disposals in 2003	(320)	(371,023)	(89,046)	**(460,389)**
Cost 31.12.2003	7,465,573	12,433,966	391,873	**20,291,412**
Depreciation 01.01.2003	(1,200,554)	(5,056,375)	(290,079)	**(6,547,008)**
Reclassification	45,184	4,078	0	**49,262**
Depreciation of 2003	(314,117)	(1,366,619)	(75,119)	**(1,755,855)**
Impairment in 2003	(410,828)	(1,992,277)	(26,683)	**(2,429,788)**
Disposals in 2003	3,017	237,803	76,976	**317,796**
Depreciation 31.12.2003	(1,877,298)	(8,173,390)	(314,905)	**(10,365,593)**
Carrying amount 01.01.2003	6,411,924	7,378,149	153,830	**13,943,903**
Carrying amount 31.12.2003	5,588,275	4,260,576	76,968	**9,925,819**

At 31 December 2003 the cost of fully depreciated items that were still in use amounted to EEK 49,279,200 (€3,149,507).

Impairment

EEK

Segment	Land, buildings and constructions	Plant and equipment	Other equipment and fixtures	TOTAL
Sports Goods Division	0	6,758,796	0	6,758,796
Wood Division	6,428,071	24,413,650	417,509	31,259,230
TOTAL	**6,428,071**	**31,172,446**	**417,509**	**38,018,026**

€

Segment	Land, buildings and constructions	Plant and equipment	Other equipment and fixtures	TOTAL
Sports Goods Division	0	431,965	0	431,965
Wood Division	410,828	1,560,312	26,683	1,997,823
TOTAL	**410,828**	**1,992,277**	**26,683**	**2,429,788**

Impairment losses have been recognised as a separate item in cost of goods sold. In the fourth quarter of 2003 the property, plant and equipment of the Wood and Sports Goods Divisions were written down. The current cash flows of both divisions have been negative and it has been decided that the Wood Division will be closed and the Sports Goods Division will be sold. Therefore the divisions do not have long-term business plans that would allow testing their value under the future cash flows method. In the balance sheet, each item of property, plant and equipment of the two divisions has been stated at the net selling price that could be obtained if the item were sold separately. The net selling prices of items have been identified on the basis of market value estimates for land and buildings and wood processing equipment suppliers' estimates of the sales prices of plant and equipment that could be obtained in the secondary market for such equipment. Based on the valuations, items of property, plant and equipment have been stated at the lower of net selling price and carrying amount. The sale of the divisions is still in progress. Therefore, it is possible, depending on the buyer's business plan or other circumstances, that the sales prices of the divisions as sets may prove higher than the combined values of individual items of property, plant and equipment, which have been reported in the balance sheet.

Leased Assets

During the financial year assets of EEK 280,000 (€17,895) were acquired with finance lease. At 31 December 2003, the carrying amount of plant and equipment held under finance lease amounted to EEK 2,161,640 (€138,154). Lease liabilities are secured with leased assets (see Note 8).

Construction in Progress

At the balance sheet date, the largest item under constructions in progress was an investment of EEK 364,000 (€23,300) made in the renovation of the Isotex finishing boards production facility of the Building Materials Division.

7 Intangible Assets

	Group *EEK*	Group *€*
Cost 01.01.2003	2,277,390	145,551
Acquired in 2003	3,259,834	208,342
Cost 31.12.2003	5,537,224	353,893
Amortisation 01.01.2003	(1,492,240)	(95,371)
Amortisation for 2003	(329,323)	(21,048)
Amortisation 31.12.2003	(1,821,563)	(116,419)
Carrying amount 01.01.2003	785,150	50,180
Carrying amount 31.12.2003	3,715,661	237,474

Intangible assets comprise computer software that cannot be directly linked to hardware and investments made for the takeover of the operations of the Swiss company Skano AG.

8 Debt Obligations

SHORT-TERM DEBT OBLIGATIONS	**Group 2003** *EEK*	**Group 2002** *EEK*	**Group 2003** *€*	**Group 2002** *€*
Finance leases	2,096,027	2,654,037	133,960	169,623
Debt securities	31,293,200	0	1,999,995	0
Current portion of long-term loans	39,459,493	17,327,994	2,521,915	1,107,458
Short-term bank loans	17,161,836	18,790,981	1,096,838	1,200,960
TOTAL	**90,010,556**	**38,773,012**	**5,752,708**	**2,478,041**

LONG-TERM DEBT OBLIGATIONS	**Group 2003** *EEK*	**Group 2002** *EEK*	**Group 2003** *€*	**Group 2002** *€*
Long-term finance lease liabilities	4,569,766	38,210,114	292,060	2,442,066
Long-term bank loans	45,590,001	73,563,435	2,913,725	4,701,548
TOTAL	**50,159,767**	**111,773,549**	**3,205,785**	**7,143,614**

Debt Obligations at 31 December 2003:

EEK		Payable in			
	TOTAL	less than 1 year	1-2 years	2-5 years	over 5 years
Bank loans:					
€1,490,000 - EURIBOR+2.5%	23,313,494	23,313,494	0	0	0
€2,428,636 EURIBOR +1.75%	38,000,000	9,500,000	9,500,000	19,000,000	0
EEK 19,000,000 - euribor+2.25%	16,236,000	4,146,000	4,146,000	7,944,000	0
€639,115 – EURIBOR +1.75%	7,500,000	2,499,999	2,499,999	2,500,002	0
Overdrafts:					
Limit EEK 11,000,000 – 6.75%	9,540,617	9,540,617	0	0	0
Limit €765,000 – 5.25%	6,940,328	6,940,328	0	0	0
Limit €63,911 – 6.75%	680,891	680,891	0	0	0
Finance leases:					
Motor vehicles	308,605	308,605	0	0	0
Plant and equipment	1,853,121	1,395,764	457,357	0	0
Debt securities:					
€2,000,000 - 7.4%	31,293,200	31,293,200	0	0	0
Payable in instalments:					
Privatisation of land – 10% of repayment amount in year	4,504,067	391,658	391,658	1,174,974	2,545,777
TOTAL	**140,170,323**	**90,010,556**	**16,995,014**	**30,618,976**	**2,545,777**

€		Payable in			
	TOTAL	less than 1 year	1-2 years	2-5 years	over 5 years
Bank loans:					
€1,490,000 - EURIBOR r+2.5%	1,490,000	1,490,000	0	0	0
€2,428,636 EURIBOR +1.75%	2,428,636	607,159	607,159	1,214,318	0
EEK 19,000,000 - EURIBOR +2.25%	1,037,667	264,977	264,977	507,713	0
€639,115 – EURIBOR +1.75%	479,337	159,779	159,779	159,779	0
Overdrafts:					
Limit EEK 11,000,000 – 6.75%	609,755	609,755	0	0	0
Limit €765,000 – 5.25%	443,567	443,567	0	0	0
Limit €63,911 – 6.75%	43,517	43,517	0	0	0
Finance leases:					
Motor vehicles	19,723	19,723	0	0	0
Plant and equipment	118,430	89,200	29,230	0	0
Debt securities:					
€2,000,000 - 7.4%	2,000,000	2,000,000	0	0	0
Payable in instalments:					
Privatisation of land – 10% of repayment amount in year	287,861	25,031	25,031	75,094	162,705
TOTAL	**8,958,493**	**5,752,708**	**1,086,176**	**1,956,904**	**162,705**

Bank loans have been secured with a mortgage agreement with the Estonian Privatisation Agency under which the company's immovable property at 11 Niidu Street has been mortgaged to the extent of EEK 5,874,900 (€375,474). The mortgage is of the first ranking and has been established for the benefit of the Republic of Estonia. In addition, the same property has been encumbered with a divided mortgage of the second ranking, which has been established for the benefit of Sampo Pank (to the extent of EEK 38,000,000 (€2,428,636)) and Eesti Ühispank (to the extent of EEK 19,000,000 (€1,214,318)). The company's immovable property at 31 Rääma Street has been mortgaged to the extent of EEK 10,000,000 (€639,115) for the benefit of Hansapank and the property at 48 Suur-Jõe Street has been mortgaged to the extent of EEK 10,000,000 (€639,115) for the benefit of Sampo Pank.
In addition, the loans are secured with a commercial pledge of the first ranking of EEK 35,000,000 (€2,236,902) established for the benefit of Hansapank (85%) and Eesti Ühispank (15%) and a commercial pledge of the second ranking of EEK 10,000,000 (€639,115) established for the benefit of Eesti Ühispank (50%) and Hüvitusfond (50%).
According to agreements, the interest payable on finance leases in 2004 and 2005 amounts to EEK 88,250 (€5,640) and EEK 6,729 (€430) respectively.

9 Operating Lease

Operating lease payments made in 2003 totalled EEK 716,670 (€45,803). Operating lease payments made in 2002 totalled EEK 1,060,575 (€67,783).
Under effective agreements, operating lease payments to be made in 2004 and 2005-2008 amount to EEK 618,269 (€39,514) and EEK 644,228 (€41,174) respectively.
Lease income of the period amounted to EEK 634,645 (€40,561). The figure breaks down between income from the lease of land of EEK 586,111 (€37,459) and income from the lease of premises of EEK 48,534 (€3,102). Lease income in 2002 amounted to EEK 826,773 (€52,840) including the lease of land EEK 579,060 (€37,008) and the lease of premises EEK 247,713 (€15,832).

10 Accrued Expenses

	Group 2003 *EEK*	Group 2002 *EEK*	Group 2003 *€*	Group 2002 *€*
Payables to employees	9,406,567	8,235,488	601,188	526,343
Interest payable	192,815	1,113,045	12,323	71,136
Other accrued expenses	7,914,415	2,918,154	505,822	186,503
TOTAL	**17,513,797**	**12,266,687**	**1,119,333**	**783,982**

Payables to employees include the vacation pay liability. At 31 December 2003 the latter amounted to EEK 5,049,664 (€322,732). At 31 December 2002 the corresponding figure equalled EEK 4,641,804 (€296,665). Other accrued expenses as of 31 December 2003 include factoring advances of EEK 5,902,741 (€377,253). At 31 December 2002 factoring advances amounted to EEK 2,895,925 (€185,083).

11 Tax Liabilities

	Group 2003 *EEK*	Group 2002 *EEK*	Group 2003 *€*	Group 2002 *€*
Social security and unemployment insurance premiums	4,244,897	3,670,123	271,298	234,563
Personal income tax	2,621,063	2,244,822	167,516	143,470
Statutory state pension payable	90,412	29,214	5,778	1,867
TOTAL	**6,956,372**	**5,944,159**	**444,592**	**379,900**

12 Provisions

EEK	Discontinuance provision	Warranty provision	TOTAL
01.01.2003	1,493,317	0	1,493,317
Added	1,922,497	1,206,352	3,128,849
Used	1,493,317	0	1,493,317
31.12.2003	**1,922,497**	**1,206,352**	**3,128,849**

€	Discontinuance provision	Warranty provision	TOTAL
01.01.2003	95,440	0	95,440
Added	122,870	77,099	199,969
Used	95,440	0	95,440
31.12.2003	**122,870**	**77,099**	**199,969**

Discontinuance of operations involves the lay-off of 191 employees. Lay-off expenses have been recognised as personnel expenses under cost of goods sold. Discontinuance of operations involves the closure of the Wood Division on 16 April 2004. (refer note 25)
The warranty provision has been established on the basis of historical data for claims that may be submitted to the Sports Goods Division in 2004. Expenses related to potential claims have been recognised under other expenses.

13 Equity

Share Capital

	Number of shares	Share capital *EEK*	Share capital €
31.12.2003	4,499,061	44,990,610	2,875,417

At 31 December 2003 the share capital of Viisnurk AS amounted to EEK 44,990,610 (€2,875,417). The authorised, issued and fully paid share capital comprised 4,499,061 ordinary shares (2002: 4,499,061) with a par value of EEK 10 (€0,64) each. According to the Articles of Association, the company's maximum share capital amounts to EEK 177,480,800 (€11,343,062). During the financial year, share capital did not change.
The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

At 31 December 2003 the company had 310 shareholders. Shareholders whose interest exceeded 5% included:

- Bank of Bermuda (Guernsey) Ltd Clients Account with 2,675,752 shares (59.4736%)
- Nordea Bank Finland Plc Clients Account Trading with 539,600 shares (11.9936%)

Members of the Supervisory and Management Boards had the following number of shares:
Management Board members:

- Toivo Kuldmäe 49,231 shares (1.0942%)
- Andrus Aljas does not have shares in the company

Members of the Supervisory Board do not have shares in Viisnurk AS.

Mandatory Capital Reserve
The mandatory capital reserve is established by way of annual net profit transfers and other transfers that are made on the basis of the law or the Articles of Association. The size of the capital reserve is prescribed by the Articles of Association and it cannot be less than 1/10 of share capital. Every year, the company has to transfer to the capital reserve at least 1/20 of its net profit. When the required level has been attained, transfers may be terminated.
On the decision of the general meeting, the reserve may be used for covering losses if these cannot be covered with unrestricted equity, or for increasing the share capital.
At 31 December 2003 capital reserve amounted to 4,499,061 (€287,542), i.e. the maximum outlined in the Articles of Association.

Restriction on Distribution of Profits

At 31 December 2003, the undistributed profits of Viisnurk AS amounted to EEK 13,557,492 (€866,479). The income tax liability that would arise if all of the undistributed profits were distributed as dividends amounts to EEK 2,133,290 (€136,342). Thus, the maximum amount that could be distributed as the net dividend is EEK 11,424,202 (€730,138).
The liability arising at the distribution of dividends may be reduced by the income tax paid on distributable profits in 1994-1999.
The maximum contingent income tax liability has been calculated under the assumption that the net dividend and the dividend tax reported in the income statement for 2004 cannot exceed distributable profits as of 31 December 2003.

14 Earnings (Loss) per Share

	Group 2003 EEK	Group 2002 EEK	Group 2003 €	Group 2002 €
Basic earnings (loss) per share	(15.30)	(4.36)	(0.98)	(0.28)
Diluted earnings (loss) per share	(15.30)	(4.36)	(0.98)	(0.28)
Book value of a share	16.49	31.79	1.05	2.03
Price/earnings ratio (P/E)	(2.2)	(5.7)	(2.2)	(5.7)
Closing price of the share at Tallinn Stock Exchange at 31.12	33.64	25.03	2.15	1.66

Basic earnings per share have been calculated by dividing the loss for the period by the number of shares:
Basic earnings per share for 2003 = (68,839,541)/4,499,061 = EEK (15.30) / €(0.98)
Basic earnings per share for 2002 = (19,631,828)/4,499,061 = EEK (4.36) / €(0.28)
Basic earnings per share equal diluted earnings per share because the company does not have any potential ordinary shares whose effect might reduce earnings per share.

15 Cost of Goods Sold

	Group 2003 EEK	Group 2002 EEK	Group 2003 €	Group 2002 €
Materials	189,768,170	161,734,573	12,128,366	10,336,697
Personnel expenses	87,585,958	78,180,541	5,597,749	4,996,635
Power and heat energy	34,616,489	34,748,769	2,212,390	2,220,845
Depreciation	26,898,587	25,746,892	1,719,129	1,645,522
Impairment losses	38,018,026	0	2,429,789	0
Cost of merchandise	23,132,282	20,313,588	1,478,418	1,298,272
Other	17,661,162	13,477,578	1,128,751	861,372
Change in work in progress	(2,420,214)	1,683,022	(154,679)	107,564
Change in finished goods	(1,103,839)	7,283,043	(70,548)	465,470
TOTAL	**414,156,621**	**343,168,006**	**26,469,365**	**21,932,377**

16 Marketing Expenses

	Group 2003 EEK	Group 2002 EEK	Group 2003 €	Group 2002 €
Transport	10,295,902	8,391,711	658,026	536,327
Personnel expenses	3,935,349	3,026,431	251,514	193,424
Advertising expenses	2,790,033	2,935,591	178,315	187,618
Agency fees	2,752,397	2,211,390	175,910,	141,333
Other	3,436,341	3,098,574	219,622	198,034
TOTAL	**23,210,022**	**19,663,697**	**1,483,387**	**1,256,736**

17 General Administrative Expenses

	Group 2003 EEK	Group 2002 EEK	Group 2003 €	Group 2002 €
Personnel expenses	7,495,288	5,437,551	479,035	347,522
Office expenses	1,215,600	1,193,054	77,691	76,250
Cost of services	2,186,429	2,204,738	139,738	140,908
Other	1,018,062	1,117,377	65,066	71,413
TOTAL	**11,915,379**	**9,952,720**	**761,530**	**636,093**

18 Personnel Expenses

	Group 2003 EEK	Group 2002 EEK	Group 2003 €	Group 2002 €
Wages and salaries	66,320,672	58,835,730	4,238,653	3,760,279
Social security and unemployment insurance premiums	22,236,964	19,736,110	1,421,197	1,261,364
Transfers to vacation pay liability	9,518,925	8,350,049	608,369	533,664
TOTAL	**98,076,561**	**86,921,889**	**6,268,219**	**5,555,307**

In 2003 Viisnurk AS had, on average, 953 employees (in 2002: 1037).
The gross remuneration of the members of the Management Board and executive management totalled EEK 3,436,035 (€219,602). The corresponding figure for 2002 was EEK 3,046,617 (€194,714).

19 Other Income

	Group 2003 EEK	Group 2002 EEK	Group 2003 €	Group 2002 €
Gains on sale of investment properties	2,479,466	0	158,466	0
Gains on sale of non-current assets	507,635	300,434	32,444	19,201
Exchange gains	532,549	450,335	34,037	28,782
Insurance indemnification	3,056,838	421,261	195,367	26,924
Other	287,934	469,361	18,401	29,997
TOTAL	**6,864,422**	**1,641,391**	**438,715**	**104,904**

20 Other Expenses

	Group 2003 EEK	Group 2002 EEK	Group 2003 €	Group 2002 €
Losses on sale of non-current assets	97,503	381,798	6,232	24,401
Exchange losses	310,454	260,740	19,842	16,664
Doubtful receivables	1,498,510	1,956,793	95,772	125,062
Loss from destroyed insured assets	3,077,966	431,408	196,717	27,572
Claims	4,487,184	493,111	286,781	31,515
Other	907,945	2,592,864	58,028	165,714
TOTAL	**10,379,562**	**6,116,714**	**663,372**	**390,928**

21 Financial Income and Expenses

	Group 2003 EEK	Group 2002 EEK	Group 2003 €	Group 2002 €
Financial income:				
Interest income	10,749	24,630	687	1,574
Dividends received	0	297,216	0	18,996
Other	45,577	59,173	2,913	3,781
Total financial income	**56,326**	**381,019**	**3,600**	**24,351**
Financial expenses:				
Interest expense	8,182,324	9,984,067	522,945	638,097
Exchange loss	219,420	242,579	14,023	15,503
Other	27,880	57,113	1,782	3,650
Total financial expenses	**8,429,624**	**10,283,759**	**538,750**	**657,250**
Total financial income and expenses	**8,373,298**	**9,902,740**	**535,150**	**632,899**

22 Segment Reporting

Segment reporting includes reporting by business segments. Viisnurk AS provides products and services in Estonia only. Therefore the annual financial statements do not contain reporting by geographical segments. The results of business segments are derived from management accounting. Intra-segmental sales are recognised at market prices. Due to the specific nature of the company's products and services, prices are based on agreements between segment managements.

Business Segments:
Management has identified the following business segments:

Sports Goods Division produces cross-country skis and ice hockey sticks, and distributes sports goods. In 2003, exports accounted for 83% of its sales. The main markets were Norway, Finland, Sweden, Canada and the USA.

Furniture Division produces household furniture. The Furniture Division includes the Furniture Factory and Skano OÜ of Viisnurk AS. Skano OÜ ended 2003 with sales revenues of EEK 312,000 (€20,000) and a loss of EEK 214,000 (€14,000). In 2003 the division exported 92% of its output. The main markets were Finland, Sweden, Russia and Germany.

Building Materials Division produces softboard and interior decoration boards. In 2003 exports accounted for 56% of sales and the largest customers were in Finland and the Netherlands.

Wood Division produces wood panels of pine and birch and sawn timber. In 2003, external sales and sales to the company's own Furniture Factory accounted for 76% and 24% of total sales respectively. Exports made up 76% of external sales and the main export markets were Denmark and Great Britain.

Other operations comprise activities of small volume.
Segment results, assets and liabilities encompass items that are directly attributable to a segment or can be allocated to it on a reasonable basis.
Items that cannot be allocated include interest-bearing loans, financial income and expenses, the assets and expenses of the head office and other items that cannot be divided on a reasonable basis.

For financial information on business segments, please refer to page 40-41.

Reporting by Business Segments (Group)

EEK'000	Sports Goods Division		Furniture Division		Building Materials Division		Wood Division		Other operations		Eliminations		**TOTAL GROUP**	
	2003	**2002**	**2003**	**2002**	**2003**	**2002**	**2003**	**2002**	**2003**	**2002**	**2003**	**2002**	**2003**	**2002**
External sales	71,809	83,099	153,263	156,094	92,201	83,234	74,135	43,229	923	1,875			**392,331**	**367,531**
Inter-segmental sales	0	0	722	76	2,722	4,757	24,984	31,067	14,993	18,151	(43,421)	(54,051)	**0**	**0**
Total revenue	71,809	83,099	153,985	156,170	94,923	87,991	99,119	74,296	15,916	20,026	(43,421)	(54,051)	**392,331**	**367,531**
Segment result	(24,471)	(15,484)	6,551	15,184	19,482	17,275	(52,914)	(17,401)	2,801	650			**(48,551)**	**224**
Unallocated expenses													**(11,915)**	**(9,953)**
Operating loss													**(60,466)**	**(9,729)**
Net financial expenses													**(8,374)**	**(9,903)**
Loss for the financial year													**(68,840)**	**(19,632)**
Segment assets	54,355	80,210	85,691	79,271	42,358	46,689	84,664	117,712	0	0			**267,068**	**323,882**
Unallocated assets													**13,928**	**21,011**
Total assets													**280,996**	**344,893**
Segment liabilities	18,059	17,843	19,465	12,897	8,043	8,817	19,685	8,432	0	0			**65,252**	**47,989**
Unallocated liabilities													**141,538**	**153,860**
Total liabilities													**206,790**	**201,849**
Acquisition of non-current segment assets	4,245	5,504	4,044	18,308	1,529	5,948	960	9,924	0	0			**10,778**	**39,684**
Unallocated acquisitions of non-current assets													**127**	**4,084**
Total acquisitions of non-current assets													**10,905**	**43,768**
Inter-segmental movements	185	0	1,364	0	1,279	0	55	0	(2,883)	0			**0**	**0**
Impairment of assets	6,759	0	0	0	0	0	31,259	0	0	0			**38,018**	**0**
Segment depreciation and amortisation	5,057	4,675	6,947	6,171	4,305	4,421	10,039	9,635	0	0			**26,348**	**24,902**
Unallocated depreciation and amortisation													**1,539**	**1,797**
Total depreciation													**27,887**	**26,699**

€'000	Sports Goods Division		Furniture Division		Building Materials Division		Wood Division		Other operations		Eliminations		TOTAL GROUP	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
External sales	4,589	5,311	9,795	9,976	5,893	5,320	4,738	2,762	59	120			**25,074**	**23,489**
Inter-segmental sales	0	0	46	5	174	304	1,597	1,986	958	1,160	(2,775)	(3,455)	**0**	**0**
Total revenue	4,589	5,311	9,841	9,981	6,067	5,624	6,335	4,748	1,017	1,280	(2,775)	(3,455)	**25,074**	**23,489**
Segment result	(1,564)	(990)	419	970	1,245	1,104	(3,382)	(1,112)	179	42			**(3,103)**	**14**
Unallocated expenses													**(762)**	**(636)**
Operating loss													**(3,865)**	**(622)**
Net financial expenses													**(535)**	**(633)**
Loss for the financial year													**(4,400)**	**(1,255)**
Segment assets	3,474	5,126	5,477	5,066	2,707	2,984	5,411	7,524	0	0			**17,069**	**20,700**
Unallocated assets													**890**	**1,343**
Total assets													**17,959**	**22,043**
Segment liabilities	1,154	1,140	1,244	824	514	564	1,258	539	0	0			**4,170**	**3,067**
Unallocated liabilities													**9,046**	**9,833**
Total liabilities													**13,216**	**12,900**
Acquisition of non-current segment assets	272	352	258	1,170	98	380	61	634	0	0			**689**	**2,536**
Unallocated acquisitions of non-current assets													**8**	**261**
Total acquisitions of non-current assets													**697**	**2,797**
Inter-segmental movements	12	0	87	0	82	0	4	0	(185)	0			**0**	**0**
Impairment of assets	432	0	0	0	0	0	1,998	0	0	0			**2,430**	**0**
Segment depreciation and amortisation	323	299	444	394	275	283	642	615	0	0			**1,684**	**1,591**
Unallocated depreciation and amortisation													**98**	**115**
Total depreciation													**1,782**	**1,706**
Inventory write-down	263	505	18	11	53	27	120	67	0	0			**454**	**610**

Sales by Markets:

	Group 2003 EEK'000	Group 2002 EEK'000	Group 2003 €'000	Group 2002 €'000
EXPORTS				
Europe:				
Finland	77,140	81,519	4,930	5,210
Sweden	49,862	64,210	3,188	4,104
Germany	42,039	17,273	2,687	1,104
The Netherlands	16,561	20,896	1,058	1,336
Austria	548	11,724	35	749
Great Britain	10,551	6,457	674	413
Norway	9,371	7,971	599	509
Denmark	19,614	5,802	1,254	371
Latvia, Lithuania	1,885	3,136	120	200
Other	10,564	13,542	675	865
TOTAL	238,135	232,530	15,220	14,861
Russia, Ukraine, Byelorussia	28,106	25,544	1,796	1,633
North America (the USA and Canada)	27,585	19,203	1,763	1,227
The rest of the world	689	794	44	51
TOTAL EXPORTS	294,515	278,071	18,823	17,772
DOMESTIC SALES	97,816	89,460	6,251	5,717
TOTAL	**392,331**	**367,531**	**25,074**	**23,489**

23 Shares in Subsidiaries and Subsidiaries´ Equities

Shares in Subsidiaries

EEK	Skano OÜ (Estonia)	Visu OÜ (Estonia)	Isotex OÜ (Estonia)	TOTAL
Date of registration	01.09.2003	08.12.2003	19.12.2003	
Shares acquired during the period	1	1	1	
Number of shares 31.12.2003	1	1	1	
Interest 31.12.2003	100	100	100	
Cost of shares acquired during the period	40,000	40,000	40,000	120,000
Loss for the period under the equity method	(40,000)	0	0	(40,000)
Book value 31.12.2003	0	40,000	40,000	80,000
Cost 31.12.2003	40,000	40,000	40,000	120,000

€	Skano OÜ (Estonia)	Visu OÜ (Estonia)	Isotex OÜ (Estonia)	TOTAL
Date of registration	01.09.2003	08.12.2003	19.12.2003	
Shares acquired during the period	1	1	1	
Number of shares 31.12.2003	1	1	1	
Interest 31.12.2003	100	100	100	
Cost of shares acquired during the period	2,556	2,556	2,556	7,668
Loss for the period under the equity method	(2,556)	0	0	(2,556)
Carrying amount 31.12.2003	0	2,556	2,556	5,112
Cost 31.12.2003	2,556	2,556	2,556	7,668

Skano OÜ was established to improve furniture sales and marketing and to provide new logistical solutions. On 10 November 2003 Skano OÜ opened a furniture store of 140m^2 in Järve Keskus shopping centre in Tallinn.
Visu OÜ and Isotex OÜ were established to allow former divisions to operate independently under their own trademarks and to facilitate their development. In connection with the decision to sell the divisions use of the subsidiaries has been abandoned.

Subsidiaries' Equities at 31 December 2003

EEK	Skano OÜ (Estonia)	Visu OÜ (Estonia)	Isotex OÜ (Estonia)	TOTAL
Share capital	40,000	40,000	40,000	120,000
Loss for the period	(213,643)	0	0	(213,643)
Total equity	**(173,643)**	**40,000**	**40,000**	**(93,643)**

€	Skano OÜ (Estonia)	Visu OÜ (Estonia)	Isotex OÜ (Estonia)	TOTAL
Share capital	2,556	2,556	2,556	7,668
Loss for the period	(13,654)	0	0	(13,654)
Total equity	(11,098)	2,556	2,556	(5,986)

24 Related Party Transactions

Related parties include:

- the parent company (and its shareholders);
- subsidiaries;
- other group companies;
- members of the Management and Supervisory Boards and individuals whose interest in the company is significant unless the persons cannot exert significant influence on the company's operating decisions. In addition, related parties include immediate family members of and companies related to the above.

Payments made to members of the Management and Supervisory Boards in 2003 together with taxes:

	Group 2003 *EEK*	**Group 2002** *EEK*	**Group 2003** *€*	**Group 2002** *€*
Remuneration and payments for work on the board	2 491 057	1 651 575	159 207	105 555
Social security and unemployment insurance charges	826 818	551 639	52 843	35 256
TOTAL	3 317 875	2 203 214	212 050	140 811

In 2003 subsidiary Skano OÜ purchased from the parent Viisnurk AS goods of EEK 540,421 (€34,539) and at 31 December 2003 Skano OÜ's payables to Viisnurk AS amounted to EEK 418,473 (€26,745). Transactions with the subsidiary were conducted at market prices.
In 2003 no transactions were conducted with subsidiaries Visu OÜ and Isotex OÜ.

25 Discontinuing Operations

In accordance with a decision adopted by the Management and Supervisory Boards of Viisnurk AS on 16 February 2004, the operation of the Wood Division will be terminated from 16 April 2004. The Wood Division comprised a sawmill and a drying kiln complex (were engaged in the purchase of wood and production of sawn timber) and a Wood Panels Factory (was engaged in the production of wood panels). The decision was adopted because the division continued incurring losses.
Considering the development of the Group's operations in 2003 and events taken place before the year end, the management is of the opinion that valid expectations had been raised in those affected that the restructuring will take place and, therefore, the Group had incurred a constructive obligation.
In connection with the closure of the division, the inventories and property, plant and equipment of the division were written down and a provision of EEK 1,745,588 (€111,563) was established for the lay-off of 186 employees from the Wood Division and a provision of EEK 176,909 (€11,307) was established for the lay-off of 5 employees from the Business Management Division. The loss from the write-down of inventories amounted to EEK 1,183,562 (€75,643) and the one from the write-down of property, plant and equipment equalled EEK 31,259,229 (€1,997,823).

The assets of the Wood Division will be sold in a set or separately depending on negotiations with buyers. The divestment process is managed by Trigon Capital AS.

The carrying amount of the assets of the Wood Division is EEK 84,663,652 (€5,410,980) and the time of collection of the estimated sales price is uncertain.

On 22 January 2004 the Supervisory Board of Viisnurk AS decided to launch the divestment of the Building Materials and Sports Goods Divisions in order to allow the company to focus on its core activities: furniture production and distribution. Both divisions will be sold as a set. Transaction advice will be provided by Trigon Capital AS.
The carrying amounts of the assets of the Sports Goods Division and Building Materials Division equal EEK 54,354,720 (€3,473,891) and EEK 42,358,001 (€2,707,163). The time of collection of the estimated sales price is uncertain.

The Building Materials Division produces and distributes two softboard-based product categories: insulation and soundproofing boards and interior finishing boards for walls and ceilings.

The Sports Goods Division produces and markets cross-country skis and ice hockey sticks and distributes various sports and leisure goods.

The divisions will be sold without loans.

Viisnurk AS intends to complete the divestment of the Building Materials and Sports Goods Divisions in 2004.

In connection with the divestment of the divisions, their inventories and property, plant and equipment were restated.
The losses of the Sports Goods Division from an additional restatement of inventories and property plant and equipment amounted to EEK 1,156,866 (€73,937) and EEK 6,758,796 (€431,965) respectively. In addition, a warranty provision of EEK 1,206,352 (€77,100) was established for potential claims.
The loss of the Building Materials Division from additional restatement of inventories amounted to EEK 167,320 (€10,694).

Discontinuing Operations - Assets and Liabilities

EEK	Sports Goods Division		Building Materials Division		Wood Division		TOTAL	
	2003	**2002**	**2003**	**2002**	**2003**	**2002**	**2003**	**2002**
Cash and bank	358,985	878,772	42,948	247,716	26,257	30,941	428,190	1,157,429
Trade receivables	18,216,837	29,228,998	9,812,118	10,238,669	7,968,688	5,443,581	35,997,643	44,911,248
Other receivables	1,263	11,093	74,280	43,640	14,240	198	89,783	54,931
Prepayments	820,675	803,154	1,004,444	580,873	2,488,456	540,346	4,313,575	1,924,373
Inventories	17,361,847	22,077,615	6,371,872	8,125,479	14,062,676	11,305,592	37,796,395	41,508,686
Total current assets	**36,759,607**	**52,999,632**	**17,305,662**	**19,236,377**	**24,560,317**	**17,320,658**	**78,625,586**	**89,556,667**
Long-term financial assets	40,000	0	40,000	0	0	0	80,000	0
Property, plant and equipment	17,555,113	27,210,492	25,012,339	27,453,238	60,103,335	100,390,933	102,670,787	155,054,663
Total non-current assets	**17,595,113**	**27,210,492**	**25,052,339**	**27,453,238**	**60,103,335**	**100,390,933**	**102,750,787**	**155,054,663**
TOTAL ASSETS	**54,354,720**	**80,210,124**	**42,358,001**	**46,689,615**	**84,663,652**	**117,711,591**	**181,376,373**	**244,611,330**
Customer advances	0	11,036	0	0	216	9,638	216,	20,674
Trade payables	7,833,968	9,357,768	5,738,104	6,694,174	12,730,847	4,946,134	26,302,919	20,998,076
Tax liabilities	2,008,035	1,730,230	742,929	774,401	1,458,809	1,075,967	4,209,773	3,580,598
Accrued expenses	7,010,940	5,504,772	1,562,047	1,348,248	3,749,027	2,399,351	12,322,014	9,252,371
Provisions	1,206,353	1,238,505	0	0	1,745,588	0	2,951,941	1,238,505
Total current liabilities	**18,059,296**	**17,842,311**	**8,043,080**	**8,816,823**	**19,684,487**	**8,431,090**	**45,786,863**	**35,090,224**
TOTAL LIABILITIES	**18,059,296**	**17,842,311**	**8,043,080**	**8,816,823**	**19,684,487**	**8,431,090**	**45,786,863**	**35,090,224**

€	Sports Goods Division		Building Materials Division		Wood Division		TOTAL	
	2003	2002	2003	2002	2003	2002	2003	2002
Cash and bank	22,943	56,164	2,745	15,832	1,678	1,977	27,366	73,973
Trade receivables	1,164,265	1,868,069	627,107	654,370	509,291	347,907	2,300,663	2,870,346
Other receivables	81	709	4,747	2,789	910	13	5,738	3,511
Prepayments	52,451	51,331	64,196	37,124	159,041	34,535	275,688	122,990
Inventories	1,109,621	1,411,013	407,236	519,311	898,767	722,557	2,415,624	2,652,881
Total current assets	**2,349,361**	**3,387,286**	**1,106,031**	**1,229,426**	**1,569,687**	**1,106,989**	**5,025,079**	**5,723,701**
Long-term financial assets	2,556	0	2,556	0	0	0	5,112	0
Property, plant and equipment	1,121,974	1,739,063	1,598,576	1,754,577	3,841,293	6,416,134	6,561,843	9,909,774
Total non-current assets	**1,124,530**	**1,739,063**	**1,601,132**	**1,754,577**	**3,841,293**	**6,416,134**	**6,566,955**	**9,909,774**
TOTAL ASSETS	**3,473,891**	**5,126,349**	**2,707,163**	**2,984,003**	**5,410,980**	**7,523,123**	**11,592,034**	**15,633,475**
Customer advances	0	705	0	0	14	616	14	1,321
Trade payables	500,681	598,069	366,731	427,835	813,647	316,115	1,681,059	1,342,019
Tax liabilities	128,335	110,582	47,481	49,492	93,235	68,767	269,051	228,841
Accrued expenses	448,080	351,818	99,833	86,169	239,607	153,346	787,520	591,333
Provisions	77,100	79,155	0	0	111,563	0	188,663	79,155
Total current liabilities	**1,154,196**	**1,140,329**	**514,045**	**563,496**	**1,258,066**	**538,844**	**2,926,307**	**2,242,669**
TOTAL LIABILITIES	**1,154,196**	**1,140,329**	**514,045**	**563,496**	**1,258,066**	**538,844**	**2,926,307**	**2,242,669**

Discontinuing Operations – Revenues, Expenses and Results of Operation

EEK	Sports Goods Division		Building Materials Division		Wood Division		TOTAL	
	2003	2002	2003	2002	2003	2002	2003	2002
REVENUE	**71,809,099**	**83,098,678**	**94,922,643**	**87,990,605**	**99,118,586**	**74,295,988**	**265,850,328**	**245,385,271**
Cost of goods sold	**(90,775,574)**	**(92,031,967)**	**(64,494,436)**	**(58,301,280)**	**(145,646,621)**	**(89,103,180)**	**(300,916,631)**	**(239,436,427)**
Gross profit/loss	**(18,966,475)**	**(8,933,289)**	**30,428,207**	**29,689,325**	**(46,528,035)**	**(14,807,192)**	**(35,066,303)**	**5,948,844**
Marketing expenses	(2,670,663)	(3,352,934)	(11,084,017)	(11,907,053)	(4,816,179)	(1,941,739)	(18,570,859)	(17,201,726)
Other income	374,137	263,939	290,232	110,848	3,220,021	552,110	3,884,390	926,897
Other expenses	(3,208,409)	(3,461,578)	(152,589)	(617,804)	(4,789,926)	(1,204,625)	(8,150,924)	(5,284,007)
Operating profit/loss	**(24,471,410)**	**(15,483,862)**	**19,481,833**	**17,275,316**	**(52,914,119)**	**(17,401,446)**	**(57,903,696)**	**(15,609,992)**
Financial income and expenses	(935,627)	(1,211,169)	(22,293)	(87,147)	(5,750,040)	(6,937,416)	(6,707,960)	(8,235,732)
PROFIT/LOSS FOR THE PERIOD	**(25,407,037)**	**(16,695,031)**	**19,459,540**	**17,188,169**	**(58,664,159)**	**(24,338,862)**	**(64,611,656)**	**(23,845,724)**

€	Sports Goods Division		Building Materials Division		Wood Division		TOTAL	
	2003	2002	2003	2002	2003	2002	2003	2002
REVENUE	**4,589,426**	**5,310,960**	**6,066,647**	**5,623,610**	**6,334,816**	**4,748,367**	**16,990,889**	**15,682,937**
Cost of goods sold	**(5,801,602)**	**(5,881,900)**	**(4,121,935)**	**(3,726,121)**	**(9,308,492)**	**(5,694,717)**	**(19,232,029)**	**(15,302,738)**
Gross profit/loss	**(1,212,176)**	**(570,940)**	**1,944,712**	**1,897,489**	**(2,973,676)**	**(946,350)**	**(2,241,140)**	**380,199**
Marketing expenses	(170,686)	(214,291)	(708,396)	(760,997)	(307,809)	(124,099)	(1,186,891)	(1,099,387)
Other income	23,912	16,869	18,549	7,084	205,796	35,286	248,257	59,239
Other expenses	(205,054)	(221,235)	(9,752)	(39,485)	(306,131)	(76,989)	(520,937)	(337,709)
Operating profit/loss	**(1,564,004)**	**(989,597)**	**1,245,113**	**1,104,091**	**(3,381,820)**	**(1,112,152)**	**(3,700,711)**	**(997,658)**
Financial income and expenses	(59,797)	(77,407)	(1,425)	(5,570)	(367,494)	(443,381)	(428,716)	(526,358)
PROFIT/LOSS FOR THE PERIOD	**(1,623,801)**	**(1,067,004)**	**1,243,688**	**1,098,521**	**(3,749,314)**	**(1,555,533)**	**(4,129,427)**	**(1,524,016)**

Discontinuing Operations - Cash Flows (indirect method)

EEK	Sports Goods Division		Building Materials Division		Wood Division		TOTAL	
	2003	**2002**	**2003**	**2002**	**2003**	**2002**	**2003**	**2002**
Operating activities								
Profit/loss for the period	***(25,407,037)***	***(16,695,031)***	***19,459,540***	***17,188,169***	***(58,664,159)***	***(24,338,862)***	***(64,611,656)***	***(23,845,724)***
Adjustments for:								
Depreciation and amortisation	5,057,384	4,674,592	4,304,896	4,421,600	10,038,637	9,634,833	19,400,917	18,731,025
Restatement of property, plant and equipment	6,758,796	0	0	0	31,259,230	0	38,018,026	0
Gain/loss from sale of property, plant and equipment	(16,738)	241,161	(190,150)	16,141	5,061	32,194	(201,827)	289,496
Loss from write-down of receivables	162,134	1,415,247	0	5,676	1,326,670	470,985	1,488,804	1,891,908
Loss from write-down of inventories	4,119,211	7,903,984	828,290	418,616	1,880,447	1,047,310	6,827,948	9,369,910
Provisions	(32,152)	1,238,505	0	0	1,745,588	0	1,713,436	1,238,505
Interest expense	882,619	1,210,076	6,417	66,993	5,706,568	6,903,838	6,595,604	8,180,907
Operating profit/loss before working capital changes	***(8,475,783)***	***(11,466)***	***24,408,993***	***22,117,195***	***(6,701,958)***	***(6,249,702)***	***9,231,252***	***15,856,027***
Change in current assets	10,842,334	(6,129,690)	(27,662)	(1,393,718)	(5,813,932)	(1,847,099)	5,000,740	(9,370,507)
Change in inventories	596,557	(3,067,778)	925,316	3,245,806	(4,637,531)	3,356,141	(3,115,658)	3,534,169
Change in current liabilities	249,139	6,118,460	(758,172)	840,959	10,412,469	169,058	9,903,436	7,128,477
Net cash flow from the core activity	***3,212,247***	***(3,090,474)***	***24,548,475***	***24,810,242***	***(6,740,952)***	***(4,571,602)***	***21,019,770***	***17,148,166***
Interest paid	(882,619)	(1,228,020)	(21,988)	(104,139)	(6,611,228)	(6,973,281)	(7,515,835)	(8,305,440)
Net cash from/used in operating activity	**2,329,628**	**(4,318,494)**	**24,526,487**	**24,706,103**	**(13,352,180)**	**(11,544,883)**	**13,503,935**	**8,842,726**
Investing activities								
Acquisition of tangible assets	(2,197,540)	(2,885,266)	(1,043,525)	(3,483,094)	(711,066)	(7,735,526)	(3,952,131)	(14,103,886)
Sale of tangible assets	28,528	0	648,528	0	0	0	677,056	0
Acquisition of subsidiary	(40,000)	0	(40,000)	0	0	0	(80,000)	0
Net cash used in investing activities	**(2,209,012)**	**(2,885,266)**	**(434,997)**	**(3,483,094)**	**(711,066)**	**(7,735,526)**	**(3,355,075)**	**(14,103,886)**
Financing activities								
Repayment of loans	0	0	(577,994)	(1,155,997)	(2,764,000)	0	(3,341,994)	(1,155,997)
Settlement of finance lease liabilities	(403,271)	(785,254)	0	0	(873,327)	(807,917)	(1,276,598)	(1,593,171)
Change in overdraft balance	(1,797,645)	(3,096,301)	0	0	141,432	378,610	(1,656,213)	(2,717,691)
Net cash used in financing activities	**(2,200,916)**	**(3,881,555)**	**(577,994)**	**(1,155,997)**	**(3,495,895)**	**(429,307)**	**(6,274,805)**	**(5,466,859)**
Change in internal debt	1,560,513	10,016,441	(23,718,264)	(20,871,886)	17,554,457	19,689,913	(4,603,294)	8,834,468
DECREASE IN CASH	**(519,787)**	**(1,068,874)**	**(204,768)**	**(804,874)**	**(4,684)**	**(19,803)**	**(729,239)**	**(1,893,551)**
CASH AT BEGINNING OF PERIOD	**878,772**	**1,947,646**	**247,716**	**1,052,590**	**30,941**	**50,744**	**1,157,429**	**3,050,980**
CASH AT END OF PERIOD	**358,985**	**878,772**	**42,948**	**247,716**	**26,257**	**30,941**	**428,190**	**1,157,429**

€	Sports Goods Division		Building Materials Division		Wood Division		TOTAL	
	2003	2002	2003	2002	2003	2002	2003	2002
Operating activities								
Profit/loss for the period	***(1,623,801)***	***(1,067,004)***	***1,243,688***	***1,098,521***	***(3,749,314)***	***(1,555,533)***	***(4,129,427)***	***(1,524,016)***
Adjustments for:								
Depreciation and amortisation	323,225	298,760	275,132	282,591	641,585	615,776	1,239,942	1,197,127
Restatement of property, plant and equipment	431,965	0	0	0	1,997,824	0	2,429,789	0
Gain/loss from sale of property, plant and equipment	(1,070)	15,413	(12,153)	1,032	323	2,058	(12,900)	18,503
Loss from write-down of receivables	10,362	90,451	0	363	84,789	30,101	95,151	120,915
Loss from write-down of inventories	263,265	505,155	52,938	26,754	120,182	66,935	436,385	598,844
Provisions	(2,055)	79,155	0	0	111,563		109,508	79,155
Interest expense	56,409	77,338	410	4,282	364,715	441,235	421,534	522,855
Operating profit/loss before working capital changes	***(541,700)***	***(732)***	***1,560,015***	***1,413,543***	***(428,333)***	***(399,428)***	***589,982***	***1,013,383***
Change in current assets	692,949	(391,757)	(1,769)	(89,075)	(371,576)	(118,052)	319,604	(598,884)
Change in inventories	38,127	(196,066)	59,138	207,444	(296,391)	214,496	(199,126)	225,874
Change in current liabilities	15,923	391,040	(48,456)	53,747	665,476	10,805	632,943	455,592
Net cash flow from the core activity	***205,299***	***(197,515)***	***1,568,928***	***1,585,659***	***(430,824)***	***(292,179)***	***1,343,403***	***1,095,965***
Interest paid	(56,409)	(78,485)	(1,405)	(6,656)	(422,533)	(445,673)	(480,347)	(530,814)
Net cash from/used in operating activity	**148,890**	**(276,000)**	**1,567,523**	**1,579,003**	**(853,357)**	**(737,852)**	**863,056**	**565,151**
Investing activities								
Acquisition of tangible assets	(140,448)	(184,402)	(66,693)	(222,610)	(45,445)	(494,389)	(252,586)	(901,401)
Sale of tangible assets	1,823	0	41,448	0	0	0	43,271	0
Acquisition of subsidiary	(2,556)	0	(2,556)	0	0	0	(5,112)	0
Net cash used in investing activities	**(141,181)**	**(184,402)**	**(27,801)**	**(222,610)**	**(45,445)**	**(494,389)**	**(214,427)**	**(901,401)**
Financing activities								
Repayment of loans	0	0	(36,940)	(73,881)	(176,651)	0	(213,591)	(73,881)
Settlement of finance lease liabilities	(25,774)	(50,187)	0	0	(55,816)	(51,635)	(81,590)	(101,822)
Change in overdraft balance	(114,890)	(197,889)	0	0	9,039	24,198	(105,851)	(173,691)
Net cash used in financing activities	**(140,664)**	**(248,076)**	**(36,940)**	**(73,881)**	**(223,428)**	**(27,437)**	**(401,032)**	**(349,394)**
Change in internal debt	99,735	640,165	(1,515,869)	(1,333,953)	1,121,931	1,258,412	(294,203)	564,624
DECREASE IN CASH	**(33,220)**	**(68,313)**	**(13,087)**	**(51,441)**	**(299)**	**(1,266)**	**(46,606)**	**(121,020)**
CASH AT BEGINNING OF PERIOD	**56,164**	**124,477**	**15,832**	**67,273**	**1,977**	**3,243**	**73,973**	**194,993**
CASH AT END OF PERIOD	**22,944**	**56,164**	**2,745**	**15,832**	**1,678**	**1,977**	**27,367**	**73,973**

26 Financial Risks

Interest Rate Risk

The company's interest rate risk depends, above all, on changes in EURIBOR (Euro Interbank Offered Rate) because all loans taken by the company are linked to EURIBOR. On 1 January 2003, 6 months' EURIBOR equalled 2.800 and at 31 December 2003 2.168.

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

- The loan of €1,490,000 every year on 20 September and 20 March
- The loan of EEK 38,000,000 every year on 28 February and 28 August
- The loan of EEK 19,000,000 every year on 1 March and 1 September
- The loan of EEK 10,000,000 every year on 31 January and 31 July

The interest rate risk also depends on the overall economic situation in Estonia and on changes in the banks' average interest rates. The company does not hedge against cash flow risk.

The company is subject to interest rate cash flow risk with respect to all borrowings at variable rates – see note 8 for details.

The debt securities are subject to interest rate pricing risk.

Credit Risk

Credit risk is the risk that a business partner will fail to discharge a contractual obligation and will cause Viisnurk AS to incur a financial loss. At the balance sheet date the company was not aware of any major risks relating to trade receivables (except for those related to doubtful items of EEK 1,596,513 (€102,036)). The financial positions and settlement practice of existing and potential partners are monitored on an ongoing basis. No significant concentrations of credit risk.

Currency Risk

The currency risk of Viisnurk AS is very low because most of the export-import agreements are concluded in euro. During the financial year the company received EEK 18.6m (€1.2m) in currencies to which the Estonian kroon is not directly or indirectly pegged (73% of the amount was in USD), and paid for goods and services EEK 11.7m (€0.7m) in currencies with an exchange risk (55% in USD and 36% in SEK). The company does not hedge against foreign currency fluctuations risk.

Fair Value

The fair values of cash, receivables, loans and debt obligations do not differ materially from their carrying amounts because their interest rates approximate market rates.

Signatures

The Management Board has prepared the company's Annual Report for 2003. The Annual Report (pp. 1 – 53) consists of a review of operations, annual financial statements, a profit allocation proposal and an auditor's report. The Supervisory Board has reviewed the Annual Report prepared by the Management Board and has approved its presentation to the shareholders' general meeting.

Chairman of Management Board	25.05.2004	Toivo Kuldmäe
Member of Management Board	25.05.2004	Andrus Aljas
Chairman of Supervisory Board	25.05.2004	Ülo Adamson
Member of Supervisory Board	25.05.2004	Joakim Helenius
Member of Supervisory Board	25.05.2004	Claire Chabrier

Auditor’s Report

To the shareholders of Viisnurk AS

We have audited the accompanying consolidated balance sheet of Viisnurk AS and its subsidiaries (“the Group”) as of 31 December 2003, and the related consolidated statements of income, changes in equity and cash flows for the year then ended. These consolidated financial statements, as set out on pages 22 to 50, are the responsibility of the Group’s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2003, and of the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Tallinn, 25 May 2004

Marek Sukk
Authorised Public Accountant

Veiko Tarvis
Authorised Public Accountant

KPMG: Sulev Luiga
Partner

Profit Allocation Proposal

Undistributed Profits of Viisnurk AS:

Retained earnings as of 31.12.2002	EEK 82,223,390	€ 5,255,019
Loss for 2003	EEK (68,665,898)	€ (4,388,540)
Undistributed profits at 31.12.2003	EEK 13,557,492	€ 866,479

The Management Board proposes that profits be retained.

Toivo Kuldmäe
Chairman of Management Board

Andrus Aljas
Member of Management Board