AS VIISNURK

LISTING AND TRADING PROSPECTUS

AS Viisnurk (the “Company” or “Viisnurk” and together with its subsidiaries the “Group”), registry code 11421437, a limited liability company incorporated in Estonia, has been established as a result of division of AS Trigon Property Development (former business name AS Viisnurk) (the “Division”). AS Trigon Property Development, registry code 10106774, a limited liability company incorporated in Estonia, is currently listed on the Main List of the Tallinn Stock Exchange. On 29 June 2007 AS Trigon Property Development announced through the Tallinn Stock Exchange about the conclusion of a notarized division plan (the “Division Plan”) executed on the same day, setting forth the terms and conditions of the Division. The general meeting of shareholders of AS Trigon Property Development approved the Division Plan on 6 August 2007 and the Division was registered in the Estonian Commercial Register on 19 September 2007, which is also the date of incorporation of the Company. In the course of the Division certain assets of AS Trigon Property Development were transferred to the Company. For more details on the Division see “Division of AS Trigon Property Development and Establishment of the Company”.

In connection with the Division the Company has applied for the listing of all its shares (the “Shares”) on the Main List of the Tallinn Stock Exchange (the “Listing”) (for general information on the Tallinn Stock Exchange, see “Estonian Securities Market”). The Listing and Surveillance Committee of the Tallinn Stock Exchange is expected to decide upon the Company’s listing application on or about 19 September 2007, and in case the decision is positive, trading in the Shares is expected to commence on or about 24 September 2007.

This listing and trading prospectus (the “Prospectus”) is prepared merely in connection with the Listing of the Shares on the Main List of the Tallinn Stock Exchange. This Prospectus and the Listing does not constitute an offer to sell or a solicitation of an offer to buy any of the Shares in any jurisdiction to any person by the Company or any of its shareholders.

See “Risk Factors” for a discussion of certain factors that should be considered by prospective investors.

NEITHER THE SHARES NOR THEIR DISTRIBUTION HAS BEEN AND NEITHER WILL BE REGISTERED UNDER THE U.S. SECURITIES ACT OR WITH ANY SECURITIES AUTHORITY OF THE UNITED STATES OR ANY STATE OF THE UNITED STATES, AND THE SHARES MAY NOT BE RE-OFFERED OR RE-SOLD WITHIN THE UNITED STATES OR FOR THE ACCOUNT OF U.S. PERSONS EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT OR PURSUANT TO AN EXEMPTION FROM REGISTRATION. SEE “SELLING RESTRICTIONS”.

19 September 2007

This Prospectus has been prepared by the Company in connection with the Listing of the Shares on the Tallinn Stock Exchange in accordance with the Estonian laws implementing Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 on the prospectus to be published when securities are offered to the public or admitted to trading and amending Directive 2001/34/EC (the "Prospectus Directive") and in accordance with the Commission Regulation (EC) 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements (the "Prospectus Regulation") and its subsequent amendments.

The information contained in this Prospectus has been provided by the Company and other sources identified herein. It is prohibited to copy or distribute the Prospectus or to reveal or use the information contained therein for any other purpose than for making a decision to conduct trading with Shares on the Tallinn Stock Exchange.

The Company accepts responsibility for the information contained in this Prospectus. To the best of the knowledge and belief of the Company, having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is in accordance with the facts and contains no omission likely to affect its import.

Tallinn, 19 September 2007

AS Viisnurk
Management Board

Andres Kivistik Erik Piile Einar Pähkel

The Listing and this Prospectus will be governed by and construed in accordance with Estonian law. Any disputes relating to the Listing and this Prospectus will be settled in a competent court of law, having its jurisdiction in Estonia.

No person has been authorized to give any information or to make any representation in connection with the Listing other than as contained in this Prospectus and, if given or made, such information or representation must not be relied upon as having been authorized by the Company.

The distribution of this Prospectus and the offering or sale of the Shares in certain jurisdictions is restricted by law (see "Selling Restrictions"). Persons into whose possession this Prospectus may come are required by the Company to inform themselves about and to observe such restrictions. Neither the delivery of this Prospectus nor any sale made in connection with the Listing shall, under any circumstances, create any implication that the information contained herein is correct as of any time subsequent to the date hereof or that the affairs of the Company have not since changed. The Company will update any information presented in this Prospectus in accordance with the applicable provisions of the Estonian Securities Market Act.

NEITHER THE SHARES NOR THEIR DISTRIBUTION HAS BEEN AND NEITHER WILL BE REGISTERED UNDER THE U.S. SECURITIES ACT OR WITH ANY SECURITIES AUTHORITY OF THE UNITED STATES OR ANY STATE OF THE UNITED STATES, AND THE SHARES MAY NOT BE RE-OFFERED OR RE-SOLD WITHIN THE UNITED STATES OR FOR THE ACCOUNT OF U.S. PERSONS EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT OR PURSUANT TO AN EXEMPTION FROM REGISTRATION.

The Shares may not be lawfully offered or sold to persons in the United Kingdom except in circumstances which do not constitute an offer to the public in the United Kingdom within the definition of the Financial Services and Markets Act 2000 (the "FSMA") as amended or otherwise in compliance with all applicable provisions of the FSMA. Neither this nor any other document issued in connection with the Listing has been approved by an authorized person for the purposes of section 21 of the FSMA and hence may not be passed on to any person in the United Kingdom unless that person is entitled to receive this document by virtue of him falling into one of the categories of exemptions under the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 or is a person to whom the document may otherwise lawfully be issued or passed on.

Each owner or prospective purchaser of Shares must comply with all applicable laws and regulations in force in any jurisdiction in which it purchases, subscribes, offers or sells the Shares or possesses or distributes this Prospectus and must obtain any consent, approval or permission required by it for the purchase, offer or sale by it of the Shares under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, subscriptions, offers or sales, and the Company shall bear no responsibility for these obligations.

The contents of this Prospectus are not to be construed as legal, business or tax advice. Each investor should consult with its own legal adviser, business adviser or tax adviser as to legal, business and tax advice.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in "Summary", "Risk Factors", "Business", "Management's Discussion and Analysis of the Group's Financial Condition and Results of Operations" and elsewhere in this Prospectus are forward-looking. Such forward-looking statements and information are based on the beliefs of the Company's management (the "Management") or are assumptions based on information available to the Company. When used in this document, the words "anticipate", "believe", "estimate", "expect" and similar expressions, as they relate to the Group or its management, are intended to identify forward-looking statements. Such forward-looking statements reflect the current views of the Company or the Management with respect to future events and are subject to certain risks, uncertainties and assumptions. Many factors could cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements, including, among others, risks or uncertainties associated with the Company's technological development, growth management, relations with customers and suppliers and, more generally, general economic and business conditions, changes in domestic and foreign laws and regulations (including those of the European Union), taxes, changes in competition and pricing environments, and other factors referenced in this document. Some of these factors are discussed in more detail under "Risk Factors". Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in this document as anticipated, believed, estimated or expected.

The Company does not intend, and does not assume any obligation, to update the forward-looking statements included in this Prospectus as at the date set forth on the cover.

PRESENTATION OF FINANCIAL INFORMATION AND DEFINITION OF TERMS

As the Company was formed in the course of the Division only recently and lacks itself historical financial information, the annual reports of AS Trigon Property Development for the financial years ended 31 December 2004, 2005 and 2006 and the un-audited condensed consolidated interim financial information for the six months ended 30 June 2007 have been attached to this Prospectus. Additionally, the un-audited pro forma financial information for the year ended 31 December 2006 and for the interim period ended 30 June 2007 has been attached to this Prospectus. Such un-audited pro forma financial information is intended to give prospective investors a better understanding of what the Company's financial position and results would have been, had the Division taken place and the Company been registered at the commencement of the period being reported on or at the date reported.

The financial reports of AS Trigon Property Development attached to this Prospectus have been prepared in accordance with the International Financial Reporting Standards as adopted by the European Union ("IFRS").

Certain financial information presented in this Prospectus has been obtained directly from the audited financial statements of AS Trigon Property Development, while certain other financial information presented herein has been recomputed by the Management from amounts contained in the audited financial statements. This financial information is presented in the following sections: "Summary", "Selected Financial Data", "Management's Discussion and Analysis of the Group's Financial Condition and Results of Operations", "Business and Management". All other financial information contained in this Prospectus, including certain information in the aforementioned sections and all information concerning the interim period ended 30 June 2007, has been derived by the Management from un-audited records. Financial information obtained from or recomputed on the basis of the audited financial statements should be viewed only together with the respective audited financial statements as a whole. Certain financial information contained in the audited financial statements attached to this Prospectus has been amended by subsequent financial statements (see Note 5 to the financial statements of AS Trigon Property Development for the financial year ended on 31 December 2006 and Note 28 to the financial statements of AS Trigon Property Development for the financial year ended on 31 December 2005). In such cases the amended figures have been used in the Prospectus.

Certain financial and other information set forth in a number of tables in this Prospectus has been rounded off, for the convenience of readers. Accordingly, in certain instances, the sum of the numbers in a column may not conform exactly to the total figure given.

All references in this Prospectus to (i) "kroon" or "EEK" refer to the currency of Estonia, (ii) "U.S. dollar", "U.S.$" or "USD" refer to the currency of the United States of America, (iii) "LTL" or "litas" refer to the currency of Lithuania, (iv) "LVL" or "lats" refer to the currency of Latvia, (v) "UAH" or "hryvnia" refer to the currency of Ukraine and (v) "euro" or "EUR" refer to the single currency of the European Union Member States participating in the European Monetary Union.

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SUMMARY

This summary should be read as an introduction to this Prospectus. The summary information set out below is based on, should be read in conjunction with, and is qualified in its entirety by, the full text of this Prospectus, including the financial information presented herein. Any consideration to invest in the Shares should be based on consideration of this Prospectus as a whole by the investor. Where a claim relating to the information contained in this Prospectus is brought before an Estonian court, the plaintiff investor might, under Estonian law, have to bear the costs of translating this Prospectus in the course of the legal proceedings or before such proceedings are initiated. The Company assumes civil liability in respect of this summary only if it is misleading, inaccurate or inconsistent when read together with the other parts of this Prospectus.

Overview

The Company has been formed as a result of the Division of AS Trigon Property Development (former business name AS Viisnurk), a company listed on the Tallinn Stock Exchange since 1997. The aim of the Division was to separate the company's building materials and furniture production and retailing business by means of transferring them to the Company and to retain AS Trigon Property Development only as a real estate development company. Since 2005 AS Trigon Property Development has had no significant activities besides the building materials and furniture production and retailing business, which was transferred to the Company. The Division was registered in the Estonian Commercial Register on 19 September 2007, which is also the date of incorporation of the Company. Each person who was a shareholder of AS Trigon Property Development on 18 September 2007 received upon the registration of the Division and the establishment of the Company in the Estonian Commercial Register one Share of the Company per each share of AS Trigon Property Development held by him/her/it as of the described time. For a more detailed description of the Division, see "Division of AS Trigon Property Development and Establishment of the Company".

The Company is a wood processing and retailing company, operating in three different business segments: furniture production, furniture retailing and building materials production.

The furniture production division of Viisnurk manufactures unique household furniture for living rooms, offices, dining rooms and bedrooms. Throughout the years, the Company has produced very different types of products, made both of pine and birch. In recent times the Company has shifted its production focus on birch-wood products and at the time being over 95 per cent of Viisnurk's furniture is produced from birch. Historically, Viisnurk has produced both, own brands and white label products. However, during the last few years, a very distinct focus has been on discontinuing the white label production and maximizing the efficiency of the production of Viisnurk's own brands. Most of the production is sold to Scandinavian markets (especially Finland) and C.I.S. countries (especially Russia).

As another main business line, Viisnurk's subsidiary OÜ Skano operates its own furniture retail network under the brand Skano. Skano sells mostly the products of Viisnurk. First Skano shop was opened in Tallinn, Estonia in 2003 and this was followed by first Skano store in Riga, Latvia in 2005. Based on the performance of these two stores, as well as the overall market potential, it was decided to expand the retail network significantly to open up Skano shops in all Baltic countries as well as in Ukraine. Today Skano operates already seven stores in its target markets, including two in Estonia, one in Latvia, three in Lithuania and one in Ukraine. The stores in Lithuania were opened in May 2007 and in Ukraine in August 2007.

As a third business line, Viisnurk operates its building materials division, which manufactures and distributes soft-board based products. The products vary in details but can in general be divided into two main categories: insulation and wind protection board under the Isoplaat brand name, and interior finishing boards for walls and ceilings, marketed under the Isotex brand name. The sales are directed both to Eastern and Western European markets.

In 2006, the revenue of AS Trigon Property Development totaled EEK 227.4 million, up from EEK 218.7 million in 2005. The net profit of AS Trigon Property Development also increased from EEK 9.5 million in 2005 to EEK 12.8 million in 2006. For the effects of the Division on the financial information of AS Trigon

Property Development, see the un-audited pro forma financial information included elsewhere in this Prospectus.

Group Structure

Viisnurk, a company with limited liability, incorporated in Estonia, is the operating parent company of the Group and owns all shares in its subsidiaries OÜ Skano ("Skano"), OÜ Visu ("Visu") and OÜ Isotex ("Isotex"), all incorporated in Estonia. Skano in turn owns all shares in its subsidiaries SIA Skano ("Skano Latvia"), incorporated in Latvia, UAB Skano LT ("Skano Lithuania"), incorporated in Lithuania, and TOV Skano Ukraina ("Skano Ukraine"), incorporated in Ukraine. The main field of activity of Skano and its subsidiaries is retail sales of furniture. Visu and Isotex have not been involved in any activities. The Company has no significant affiliated companies.

Strategy

Furniture Production Division

The furniture production division's strategy foresees the following:

- Focusing on limited number of product series, enabling the Company to further optimize the production process, manage the inventories and cut off on production breaks caused by retooling the machinery for production process changes.
- Close co-operation with Skano, allowing the Company to keep a close contact with end customers and react to client feedback, as well as to keep the production demand-driven.
- Increasing production volumes through increased demand from Skano**.**
- Remain the number one partner for its current key clients.

Furniture Retail Division

The furniture retail division's strategy concentrates on the following key issues:

- Aggressive expansion to Baltic and Ukrainian markets.
- Continue to run furniture boutique type of concept, as opposed to large stores oriented to medium-low segment of the market.
- Complementing the product portfolio to provide full solutions.
- Looking for co-operation partners together with whom Skano could further expand to new markets.

Building Materials Division

The main elements of the building materials division's strategy are the following:

- Further optimization of production process to significantly increase the output of its main soft-board production line.
- Increase of value-added Isotex boards in relation to the total product portfolio.
- Geographical diversification in order to minimize possible negative effects from possible construction market draw-backs in certain countries.

For more information on the Group's strategy, see "Business – Strategy".

Competitive Strengths

Furniture Production Division

The furniture production division has a solid product portfolio and it aims to further optimize the production process to improve the margins of the products. The division's competitive strengths include:

- In-depth experience, giving the Company a solid understanding of its products and their production implications.
- Low risks associated with aging of the product portfolio, since most of the furniture produced is of classic style, designed in the 19th century and is highly unlikely to suffer in sales due to going out of fashion.
- Diverse client portfolio, evidencing that there is a demand for such products in most of the markets in the region.
- Vertical integration with Skano, providing the Company full access to demand-driven market information and direct end-customer feedback.
- Focusing on limited number of product series, allowing greater efficiency and saving on product development.

Furniture Retail Division

The furniture retail division's competitive strengths include:

- Strong and classical product choice, which is much less susceptible to cheap competition from Asia as well as to possible fashion trends in interior design.
- Close ties with the supplier (Skano is the subsidiary of the Company), allowing it to focus fully on sales side and not take on costs related to supplier risk diversification.
- Competent and ambitious management team, having western market-driven approach and being at the same time experienced in doing business in the former Soviet Union countries.

Building Materials Division

The building materials division's competitive strengths include:

- Very competent and experienced key personnel.
- One of the best records in terms of production reliability.
- Client diversification in different markets, allowing the Company to re-organize the sales to a market where the construction cycle is currently peaking.

For more information on the Group's competitive strengths, see "Business – Competitive Strengths".

Risk Factors

Prospective investors should carefully consider the risks described in "Risk Factors" in addition to the other information contained in this Prospectus. The risks described in "Risk Factors" are not the only risks that the Group and investors in the Shares will face. Additional risks not currently known to the Group or that the Group currently believes are immaterial may also adversely affect its business, financial condition and results of operation. The trading price of the Shares could decline due to any of these risks and investors could lose all or part of their investment. For a more detailed description of the risks, see “Risk Factors”.

Management and Employees

The control and management of the Company is divided among the general meeting of shareholders (the “General Meeting of Shareholders”), the supervisory council (the “Supervisory Council”) and the management board (the “Management Board”). The current members of the Supervisory Council are Ülo Adamson, Joakim Johan Helenius and Gleb Ognyannikov. The current members of the Management Board are Andres Kivistik, Erik Piile and Einar Pähkel.

AS Trigon Property Development and its subsidiaries had 319 employees as of 30 June 2007 and 337 employees as of 31 December 2006. All the employment contracts of AS Trigon Property Development were transferred to the Company in the course of the Division.

Articles of Association and Share Capital

The Articles of Association of the Company are in all material aspects in accordance with the requirements of the Estonian law. The Articles of Association were appended to the Division Plan of AS Trigon Property Development signed on 29 June 2007 and were approved as part of the Division Plan by the general meeting of shareholders of AS Trigon Property Development on 6 August 2007.

As of the date of this Prospectus, the share capital of the Company is EEK 44,990,610 divided into 4,499,061 fully paid Shares with a nominal (par) value of EEK 10 each. Each Share entitles its holder to one vote at the General Meeting of Shareholders. The Company has only one class of shares and all existing Shares rank *pari passu* in all respects.

Shareholders and Related Party Transactions

As of the date of this Prospectus, the Company has, according to the shareholder register of the Company as maintained in the ECRS, two major shareholders, OÜ Trigon Wood and ING Luxembourg S.A. OÜ Trigon Wood owns approximately 59.62 per cent of the Shares and ING Luxembourg S.A. owns approximately 11.11 per cent of the Shares. OÜ Trigon Wood is in turn a subsidiary of TDI Investments Ky, a limited partnership incorporated in Finland. TDI Investments Ky holds 82.09 per cent of the shares in OÜ Trigon Wood. The general partner of TDI Investments Ky is TC Capital Oy, incorporated in Finland. Additionally, TDI Investments Ky has 11 silent partners. The remaining shares in OÜ Trigon Wood are held by BCB Baltic Ab, a limited liability company incorporated in Sweden.

The Group companies have entered into certain agreements with related parties. For the most relevant and material of the recent and on-going agreements see “Business – Related Party Transactions”.

Dividends

The Shares are eligible for dividends, if any, declared in respect of the financial year commencing as of the registration of the Company, and for subsequent periods. See “Dividends and Dividend Policy”.

Listing and Trading

In connection with the Division, the Company has applied for listing of its Shares on the Main List of the Tallinn Stock Exchange. The Listing and Surveillance Committee of the Tallinn Stock Exchange is expected to decide upon the Company’s listing application on or about 19 September 2007, and in case the decision is positive, trading in the Shares is expected to commence on or about 24 September 2007.

The international securities identification number (ISIN) for the Shares is EE3100092503, the trading code in the Tallinn Stock Exchange trading system is expected to be VSN.

Capitalization and Indebtedness

For information on capitalization and indebtedness of the Company, see “Capitalization and Indebtedness”.

Auditors and Legal Advisors

The Company’s auditor for the financial year 2007 is AS PricewaterhouseCoopers, address Pärnu mnt 15, Tallinn 10141, Estonia. For information on auditors who have audited the financial reports of AS Trigon Property Development for the financial years ended 31 December 2004, 2005 and 2006 included in this Prospectus, see “Independent Auditors”.

The principal legal advisor to the Company is OÜ Advokaadibüroo Luiga Mody Hääl Borenius, address Pärnu mnt 15, Tallinn 10141, Estonia.

Information Available for Inspection

The annual reports of AS Trigon Property Development (former AS Viisnurk) for the financial years ended 31 December 2004, 2005 and 2006 and the Articles of Association of the Company are available at its head office located at Suur-Jõe 48, Pärnu, Estonia, and on the Company’s website (www.viisnurk.ee). Any interested party may obtain a copy of these items from the Company without charge. References to the Company’s website in this Prospectus should not be deemed to incorporate the information on the Company’s website by reference.

Summary of the Consolidated Financial Statements

As the Company was established only recently and therefore lacks historical financial information, the following tables set forth certain selected financial data in regard to AS Trigon Property Development – the company from which the Company acquired the assets. For the effects of the Division on the financial information of AS Trigon Property Development, see the un-audited pro forma financial information included elsewhere in this Prospectus.

The financial information included below has been extracted or calculated based on the audited consolidated financial statements of AS Trigon Property Development for the financial years ended 31 December 2004, 2005 and 2006, prepared in accordance with IFRS, and from the un-audited condensed consolidated interim financial information for the six months ended 30 June 2006 and 2007, prepared in accordance with IFRS, which are included elsewhere in this Prospectus.

	Year ended 31 December			**Six months ended 30 June (un-audited)**	
Profit or loss account data (EEK, ´000)	**2004**	**2005**	**2006**	**2006**	**2007**
REVENUE	347,544	218,710	227,404	109,209	129,673
Cost of goods sold	(327,356)	(180,840)	(184,526)	(92,023)	(100,999)
Gross profit	20,188	37,870	42,878	17,186	28,674
Distribution costs	(22,778)	(20,473)	(21,258)	(9,918)	(14,674)
Administrative expenses	(8,729)	(6,232)	(5,414)	(833)	(1,320)
Other operating income	4,617	2,722	526	299	118
Other operating expenses	(4,878)	(1,046)	(932)	(299)	(243)
Operating profit	(11,580)	12,840	15,800	6,435	12,555
Net financial expenses	(4,805)	(3,322)	(2,575)	(1,254)	(1,256)
PROFIT BEFORE TAX	(16,385)	9,518	13,225	5,181	11,299
Corporate income tax	0	0	(438)	(438)	(475)
NET PROFIT	**(16,385)**	**9,518**	**12,787**	**4,743**	**10,824**

	As at 31 December			**As at 30 June (un-audited)**	
Balance sheet data (EEK, ´000)	**2004**	**2005**	**2006**	**2006**	**2007**
Cash and bank	3,869	5,553	13,138	4,002	10,720
Financial assets at fair value through profit or loss	0	6,785	0	0	0
Receivables and prepayments	30,306	25,750	26,628	28,965	30,188
Inventories	40,420	42,160	44,971	48,531	46,008
Tangible fixed assets for sell	50,943	0	0	0	0
Total current assets	**125,538**	**80,248**	**84,737**	**81,498**	**86,916**
Investment property	15,636	15,521	10,295	15,521	10,270
Property, plant and equipment	64,466	58,235	57,535	55,131	62,582
Intangible assets	2,885	1,818	650	1,342	382
Total non-current assets	**82,987**	**75,574**	**68,480**	**71,994**	**73,234**
TOTAL ASSETS	**208,525**	**155,822**	**153,217**	**153,492**	**160,150**
Borrowings	76,061	8,909	19,409	4,455	4,276
Payables and prepayments	44,384	32,353	30,230	34,012	27,558
Short-term provisions	937	176	221	82	94
Total current liabilities	**121,382**	**41,438**	**49,860**	**38,549**	**31,928**
Long-term borrowings	30,279	47,920	28,511	47,920	47,939
Long-term provisions	860	3,268	3,047	3,268	3,047
Total non-current liabilities	**31,139**	**51,188**	**31,558**	**51,188**	**50,986**
TOTAL LIABILITIES	**152,521**	**92,626**	**81,418**	**89,737**	**82,914**
Share capital at nominal value	44,991	44,991	44,991	44,991	44,991
Share premium	11,332	11,332	11,332	11,332	11,332

Balance sheet data (EEK, ´000)	As at 31 December 2004	2005	2006	As at 30 June (un-audited) 2006	2007
Statutory reserve capital	4,499	4,499	4,499	4,499	4,499
Currency translation reserve	0	0	0	0	12
Retained earnings	11,567	(7,144)	(1,810)	(1,810)	5,578
Net profit for financial period	(16,385)	9,518	12,787	4,743	10,824
Total equity	**56,004**	**63,196**	**71,799**	**63,755**	**77,236**
TOTAL LIABILITIES AND EQUITY	**208,525**	**155,822**	**153,217**	**153,492**	**160,150**

Cash flow data (EEK, ´000)	Year ended 31 December 2004	2005	2006	Six months ended 30 June (un-audited) 2006	2007
Net cash generated from operating activities	20,207	20,405	17,464	2,068	8,180
Net cash generated from investing activities	16,351	30,789	3,215	5,021	(9,507)
Net cash used in financing activities	(33,830)	(49,511)	(13,093)	(8,639)	(1,103)

Ratios and indicators*	Year ended 31 December (un-audited) 2004	2005	2006	Six months ended 30 June (un-audited) 2006	2007
Number of shares	4,499,061	4,499,061	4,499,061	4,499,061	4,499,061
Earnings per share (EPS), EEK	(3.64)	2.12	2.84	1.05	2.41
EBITDA EEK, ´000	6,167	24,402	26,396	11,842	17,311
EBITDA margin, %	1.8%	11.2%	11.6%	10.8%	13.3%
Operating profit margin, %	(3.3%)	5.9%	6.9%	5.9%	9.7%
Return on assets (ROA), %	(7.9%)	6.1%	8.3%	3.1%	6.8%
Return on equity (ROE), %	(29.3%)	15.1%	17.8%	7.4%	14.0%

* See ”Selected Financial Data” for the explanation of the formulas used.

RISK FACTORS

An investment in the Shares involves a high degree of risk. Prospective investors in the Shares should consider carefully, among other things, the risks set forth below and the other information contained in this Prospectus prior to making a decision to invest in the Shares. Any of the risks highlighted below could have a material adverse effect on the Group's business, financial condition and result of operations, in which case the trading price of the Shares could decline, resulting in the loss of all or part of their investment in the Shares.

Prospective investors should note that the risks described below are not the only risks that the Group and investors in the Shares will face. Additional risks not currently known to the Group or that the Group currently believes are immaterial may also have the effect set forth above.

Risks Relating to the Group's Business and Industry

Competition

The Group operates in a highly competitive business environment with respect to activities of all three divisions.

Numerous companies, both in Estonia and abroad, are actively engaged in furniture production and retail business causing an intense competition in all target markets of the Group. The major factor affecting the competitiveness of the participants in this industry is the price of the products dividing the market into different segments (i.e. low-, medium- and high-price furniture) having each different clientele. The comparability of the price levels is easier in case of a low- and medium-price furniture, since price formation of the high level production is also influenced by outside factors, such as service quality, decoration etc. The Group operates mostly in the medium- and high-price segments of the market. The Polish furniture producers are the most active competitors of the Company in the European market producing furniture of the same price level. Low cost Asian producers also exert competitive pressure in the low-price share of the market.

The production volume of the building materials division in Europe is estimated to be around two per cent. Therefore, the Company may easily loose its market position to more influential producers. The Isotex and the Isoplaat soft-boards produced by the Company are of homogeneous nature and analogous products are also offered by other Estonian and European market actors. The Isotex and the Isoplaat products are also replaceable with alternative articles of the similar nature. The intense competition is exerted in this respect by Lithuanian and Finnish producers.

The Group cannot assure investors that it will be able to compete successfully in the future against existing or potential competitors, and no assurances can be given that increased competition will not have an adverse effect on its business, financial condition or results of operations. If the Group fails to remain competitive, the Group could fail to increase, or maintain, its operating revenues. See "Business – Operations – Furniture Production – Competition", "Business – Operations – Furniture Retailing – Competition" and "Business – Operations – Building Materials Production – Competition".

Dependence on suppliers and ability to acquire materials on commercially acceptable terms

Furniture production activities of the Company depend to a large extent on its ability to acquire raw materials on commercially acceptable terms. Although the Company has in practice cooperated with its suppliers for a long time, no formal agreements have been entered into assuring the validity of such relationships in the future. Failure to acquire raw materials in the amount and with the quality necessary for the operations of the Company may adversely affect the Group's business, financial condition or results of operations. The risk is deterred to a certain extent due to the fact that the Company acquires timber from several suppliers and therefore the probability of simultaneous default or refusal from further cooperation is relatively low. Additionally, the Management cannot exclude substantial timber price fluctuations, which may affect the ability of the Company to adequately balance the costs related to its furniture production activities.

The Company acts as a supplier for the retailing business conducted by its subsidiaries (see “Company, Share Capital and Ownership Structure”). Therefore, the stoppage of the supply of the furniture division with timber will also have an adverse effect on the retail business of the Group. Additionally, the Group buys in upholstered furniture and accessories from external suppliers. Due to non-substantial purchasing power the Group is mostly not in the bargaining position and is dependent on the prices fixed by the suppliers. The intense competition in this market segment allows, however, to easily replace the supplier, should such a need arise.

The Company has not entered into any long-term agreements to supply the building materials division with the raw materials. The Company is competing with boiling plants and pellets factories with regard to purchase of chippings used by the Company as a raw material. Chippings are also an export article to the Scandinavian countries. Therefore, the Company may not assure that in the future it will be fully supplied with the raw materials to the extent necessary to procure the profitability of its operations. Any stoppage or interruption of the supply may adversely affect the Group’s business, financial condition or results of operations.

Dependence on preferences of retail clients

The Group is engaged in the sales of the Company’s products in the retail markets. The Company’s subsidiaries rent several store premises in Estonia, Latvia, Lithuania and Ukraine. Therefore, the financial position of the Group depends to a certain degree on the demand for its products in the retail market. Such demand, however, correlates to multiple factors varying from country to country and including, *inter alia*, economical situation of the respective country, as well as personal preferences of the clients. The Management may not assure that the demand for the products distributed by the Group will not fall below the existent level, which will have an adverse effect on the financial position of the Group. Since the furniture factory operated by the Company supplies, *inter alia*, the retail business of the Group, the furniture production division is also dependent on the retail market demand.

Dependence on distributors and wholesale clients

Additionally to the retail sales the Company is also engaged in long-term cooperation with certain wholesale key clients.

Among others, a Finnish co-operation partner Boknäs Huonekalut Oy purchases a significant part of the furniture produced by the Company pursuant to the Purchase and Co-operation Agreement signed between the parties (see “Business – Material Contracts”). The said agreement does not prescribe the quantity of products to be ordered annually by Boknäs Huonekalut Oy and therefore the Group cannot assure that the level of sales will not fall. Moreover, the price payable by Boknäs Huonekalut Oy is agreed separately on the annual basis. Failure to reach the agreement will result in the sale of furniture for the prices valid in previous year, which, nevertheless, does not invalidate the obligation of the Company to duly deliver the products as per submitted orders. Although in practice the parties used to set forth higher prices for each subsequent year of co-operation the risk remains that the Company will have to sell products for the price below average market price, which may have an adverse impact on the Group’s business, financial condition or results of operations.

In order to deter risks arising out of supply of the Company’s products to a limited number of distributors the Company contributes to a development of a retailing business conducted through its subsidiaries. However, its capacity does not currently allow for a self-dependent operation.

The concentration of the clientele is also a characteristic trait of the building materials division of the Company. Loss of substantial clients may adversely affect the Group’s business, financial condition or results of operations.

Inaccuracy of forecasts

The successful operation of the Group depends on its ability to adequately calculate and forecast its future cash flows, revenues and costs. Failure to account for all risks or occurrence of an expected event may have an adverse impact on the Group's business, financial condition or results of operations.

Damage to property

The property belonging to the Company or its subsidiaries may suffer physical damage caused by natural disasters, fire, floods, riots, vandalism or other causes, which may not be fully compensated by the insurance. Due to the nature of the Company's production process the fire hazard is especially serious.

The Company is a party to an insurance agreement covering buildings, equipment, machinery, raw materials etc. located at all three plots of land owned by the Company. However, certain risks may be uninsurable, the cost of insurance may be prohibitively high when compared to risk or the damage incurred may exceed the insurance limit (such as wars, terrorism). The insurance does not cover business interruption. Should an uninsured loss or loss in excess of insurance limit occur, the Company may lose capital invested in the affected property as well as future profits or sale proceeds. The probability that damage incurred simultaneously to all plots of land owned by the Company and thus entailing excess of insurance limit is, however, reduced to a certain extent due to the fact that the properties are situated on the different sides of the River Pärnu. Therefore, localised events (such as fire) are not likely to simultaneously affect properties situated on both sides of the river.

Environmental risks

The activities of the Company are subject to numerous legal acts related to the environment protection. See "Business – Environmental Issues". The production operations of the Company are the most susceptible to environmental risks. Although the Management believes that the Company is mostly in compliance with the relevant requirements, no assurance can be given with respect to the future activities of the Group. Since Estonia is a member to the European Union it is required to comply with the respective directives and regulations covering such issues as ambient air and water protection and waste handling. Certain environment protection related international conventions have also been entered into by Estonia. The Management may not assure that such legal acts will not be amended and that the Company will not be required to adopt additional measures to comply with the standards of environmental safety, which in turn may entail the need for substantial investments. Failure to comply with legal acts could result in substantial costs and liabilities, both of administrative and criminal character, which could adversely affect the Group's business, its financial condition and results of operations.

Due to the entry into force with regard to the Company of the regulation of the Government of the Republic No. 14 of 7 September 2004, setting forth restrictions on the amount of volatile organic substances (see „Business – Environmental Issues"), there is a risk that the Company will fail to comply with the established restrictions. In order to avoid such breach the Company has to adopt new production technologies allowing to reduce the amount of volatile organic substances emitted annually. Elaboration and implementation of these technologies may entail additional costs to the Company.

In case the fuel oil pollution at Rääma 94, Pärnu land plot (see „Business – Environmental Issues") proves to have taken place, the Company may be required to eliminate the pollution at its own expense and to compensate damage incurred thereby, which may entail additional costs having an adverse impact on the Company's financial condition and results of operations.

Contractual risks

A dispute may arise between the Company and/or its subsidiaries and their contractual counterparts on the interpretation or the validity of a contract or fulfilling of contractual obligations, which can lead to arbitration or litigation with an unfavourable outcome for the Group. Contractual claims and other demands may also have an adverse effect on the Group’s profits or financial position. See “Business – Litigation and Governmental Proceedings”.

Financial and loan agreements (cross-default)

The loan and lease agreements entered into by the Company include several restrictive covenants and requirements to obtain the lender’s consent for, among other things, further financing, payment of dividends, changes in the Group’s corporate structure or the nature of its business, and consolidating or merging with another corporation.

Some of the Company’s loan agreements with financial institutions contain customary events of default, including cross-default provisions. These cross-default clauses expose the Group to default risks based on performance under other agreements with the financial institutions in question or other creditors. In addition, under most loan agreements, it is an event of default if the borrower takes significant additional financial obligations or a third party acquires in whole or in part the issued share capital of the borrower without the prior consent of the lender.

Most of the Company’s loans are tied to EURIBOR (Euro Interbank Offered Rate) and have floating interest rates. Changes in EURIBOR and/or interest rates applicable to the Company’s borrowings affect the Company’s interest expenses. No financial instruments are used to hedge interest rate risks.

Dependence on key personnel

The business of the Group relies on a relatively small core management team and as a result, the Group is dependent on the performance of its key employees. The Group’s performance depends to a significant extent on its ability to attract and retain highly qualified technical, sales, marketing and managerial personnel. The Group anticipates that demand for management, technical and other professional staff will increase.

Also, future success depends on the continuing ability of the Group to identify, hire, train and retrain such personnel in the future. Any inability to attract and retain the Group’s officers and key employees and the necessary professional personnel could have a material adverse effect on the Group’s business, financial condition and results of operations.

Health and safety

The production activities of the Company are directly related to inherently dangerous operations, which may bring along work accidents resulting, *inter alia*, in loss of life or health damage. The Company does not hold any liability insurance and therefore no assurance can be given that employees or former employees would not file claims against the Group in respect of damage incurred due to such accidents. Such claims, if successful, may have an adverse effect on the Group’s business, financial condition and results of operations.

Risks related to intellectual property

The application for registration of the trade mark “Skano” as an internationally protected trade mark is currently pending in numerous countries (see “Business – Intellectual Property”). There is a risk that such registration may be denied in some jurisdictions. Since the Group’s retail network operates under this brand, failure to obtain protection may necessitate elaboration and marketing of a new brand. In connection therewith the Group may need to bear additional costs and the retail sales may decline. This may have an adverse effect on the Group’s business, financial condition and results of operations.

A significant part of the furniture sold by the Company is produced on the basis of drawings in regard to which the intellectual property rights belong to Boknäs Huonekalut Oy. The Company is entitled to use these drawings under the Purchase and Co-operation Agreement signed with Boknäs Huonekalut Oy (see “Business – Material Contracts” and “Business – Intellectual Property”). Should this agreement be terminated, the Company loses the right to use the said intellectual property. In such case the Company would need to implement new products, which may entail additional costs to the Company, but also a decline in sales of the furniture. Such developments may have an adverse effect on the Group's business, financial condition and results of operations.

The Company markets a significant part of its furniture produce under the brand "Björkkvist". The Company has in place an agreement for the use of this brand only on the territory of Russia (see "Business – Intellectual Property"). To the knowledge of the Company this brand is not registered as a trademark in its other target markets. However, should this brand be registered as a trademark in jurisdictions where the Group sells its furniture under this brand, the Company would need to conclude license agreements with owners of the trademark entitling it to use the trademark. Inability to reach such agreements or prolong the existent ones may cause the Company to remarket new brands for its furniture. This may entail additional costs to the Company and a decline in sales of the furniture, having an adverse effect on the Group's business, financial condition and results of operations.

Lack of permits for use

Some of the buildings located at the plots of land owned by the Company (not including main production buildings) may fail to have appropriate permits for their current use, which is why no assurance can be given that the current use of such buildings would not be required by the authorities to be ended or, in case of lack of construction permits, the buildings to be demolished. In the course of reconstruction of such buildings appropriate permits are applied for.

Risk of tort liability

A risk of tort liability of the Company and/or any of its subsidiaries exists. Namely, the Company and/or its subsidiaries may be held liable based on the product liability in case any injury, death, health damage or damage to property has been incurred by a defective product. Additionally, the Company is engaged in environment sensitive activities that may result in an environmental damage. The Company's production facilities are treated as a major source of danger and therefore the Company may also be held liable as holder of major source of danger. The Company does not hold any liability insurance. Therefore, any claims filed against the Group companies may, if successful, have an adverse effect on the Group's business, financial condition and results of operations.

Growth and its control

In recent years, AS Trigon Property Development has entered new markets and expanded its retailing operations on existent ones. The Company is intending to follow the adopted strategy of expansion, which, however, may bring along additional costs and risks to the Group. The Group will have to familiarize itself with the specific conditions of local markets. The Group may fail to perform successfully on the new markets due to external factors, such as lack of demand for specific production of the Company, or due to the internal flaw in the management or financial system of the Group. The risk may be also due to specific tax practice, legal regulations, enforcement of the contracts, instability of the economic, political and legal system of the respective country. If the Group fails to control its growth and development successfully, this may have an adverse effect on its business, results of operations and financial condition.

Inability to keep pace with technical and technological development

To keep the level of or increase its output and to assure the quality of the production the Company must invest into maintenance of existent machinery and acquisition of new equipment. Additionally, new technologies adopted by the competitors and the need to satisfy the changing market demand may entail the need for substantial capital expenditures and/or write downs of the assets. Failure to respond timely to the new trends in technology may adversely affect the Group's business, financial condition or results of operations.

Dependence on machinery

The Group's furniture and building materials production businesses are dependent on smooth working processes which rely on machinery and equipment. The Group has partly outsourced the professional maintenance of its machinery and IT systems to outside contractors. If a breakdown or malfunction of machinery or failure seriously disrupts these working processes, the Group may be unable to fulfil its obligations towards its customers. As a result, the Group may not only lose profits but it also may have to pay contractual penalties or, in extreme situations, customers may terminate their contracts with the Group.

Although the Company has an insurance cover against damage incurred to the property of the Company, the business interruption risks are not covered by the respective insurance agreements. Most of the machinery and equipment used by the Company in the production processes have been acquired more than five years ago. Therefore no guarantee is available against the suppliers.

Therefore, no assurances can be given that all technical risks associated with the Group's furniture and building materials production operations can be adequately covered by insurance or manufacturers' guarantees. Nor may it be always possible to obtain adequate insurance coverage against some risks at commercially reasonable terms. Whilst Management believes that the Group has taken appropriate measures to reduce its exposure to technical failures, such as timely maintenance of machinery and equipment, a major disruption in the Company's production operations could have a material adverse effect on Group's business, financial condition and results of operations.

Relationship with the principal shareholder

OÜ Trigon Wood owns and controls 59.62 per cent of the Shares. As a result, OÜ Trigon Wood will be able to exercise significant control over most matters requiring shareholder approval, including the election of members of the Supervisory Council and approval of significant corporate transactions, which could delay or prevent a third party from acquiring control of the Company. The ability of a major shareholder to prevent or delay such transactions could cause a decline in the price of the Shares.

Risks relating to the division of AS Trigon Property Development

According to the Estonian Commercial Code, the companies participating in a division (in the present case AS Trigon Property Development, OÜ VN Niidu Kinnisvara and the Company) will remain jointly and severally liable before creditors for the obligations of the company being divided having arisen before the entry of the division in the Estonian Commercial Register. Therefore, there is a risk that a claim may be submitted against the Company for the obligations of AS Trigon Property Development. However, if such obligations were designated in the Division Plan as obligations remaining with AS Trigon Property Development or obligations transferring to OÜ VN Niidu Kinnisvara, the Company could have recourse against AS Trigon Property Development or OÜ VN Niidu Kinnisvara, respectively, in case it would be forced to satisfy the claim of a third party relating to such obligations.

Seasonality

The revenue of the Group's retail operations is subject to seasonal variations. The amount of the furniture sales reaches its peak in the fourth quarter and decreases to a certain extent during the summer months. The Management is of the opinion that such seasonal variations will remain a characteristic trait of the operations of the retail division of the Group and are to be accounted for when estimating the profitability of the Group.

Risks Associated with the Investment in Shares

Volatility of share prices

There can be no assurances regarding the future development of a market for the Shares or the ability of holders of the Shares to sell their Shares or the price of any such sale. Prevailing market prices from time to time will depend on many factors, including then-existing interest rates, industry and market conditions, the Group's operating results and cash flows and the market for the securities of companies in the same or similar industries.

There could be significant fluctuations in the price of the Shares, including a substantial decline, following the Listing even if the Group's operating results meet expectations.

Liquidity

An application has been made for the Shares to be listed on the Main List of the Tallinn Stock Exchange. However, no assurance can be given that the Shares will be listed or that, following the Listing, an active trading market for the Shares will emerge, develop or be sustained after completion of the Listing.

The average daily trading turnover on the Tallinn Stock Exchange from 1 January to 31 December 2006 was EUR 3,038,207. A total of 17 companies were listed on the Tallinn Stock Exchange as of 1 August 2007. As of 1 August 2007, the two largest companies in terms of market capitalization, AS Eesti Telekom and AS Tallink Grupp, represented approximately 39 per cent of the Tallinn Stock Exchange's aggregate market capitalization of approximately EUR 5 billion. Consequently, the Tallinn Stock Exchange is substantially less liquid and more volatile than established markets such as those in other countries with highly developed securities markets. The relatively small market capitalization and low liquidity of the Tallinn Stock Exchange may impair the ability of shareholders to sell the Shares on the Tallinn Stock Exchange, which could increase the volatility of the price of the Shares. De-listing of any of the large companies listed on the Tallinn Stock Exchange would be likely to have a negative effect on the market capitalization and liquidity of the Tallinn Stock Exchange.

Prices on the Tallinn Stock Exchange may also be affected by external factors, such as the performance of world markets generally, or other emerging markets in particular, or the imposition of or changes in trading or capital gains taxes.

Offer for sale of substantial number of additional shares may depress the Share price

Sales or issuance of additional Shares into the public market following the Listing could adversely affect the market price of the Shares.

In addition, as of the date of this Prospectus, all Shares owned by OÜ Trigon Wood, the controlling shareholder of the Company (see "Company, Share Capital and Ownership Structure – Controlling Shareholder") are pledged for the benefit of AS Hansapank. Should OÜ Trigon Wood fail under any of the financial agreements underlying the pledge arrangements, the pledge holder has a right to realise the pledge and consequently, to sell the shares. Any such sale in the significant amount may have adverse effect on the market price of the Shares.

Future payments of dividends on the Shares

There is no assurance that the Company will pay dividends on the Shares, nor is there any assurance as to the amount of any dividend it might pay. The payment and the amount of any dividend will be subject to the discretion of the Company's Management Board, Supervisory Council and, ultimately, the General Meeting of Shareholders and will depend on available cash balances, anticipated cash needs, results of operations and financial condition of the Group and any loan agreement restrictions binding on the Company as well as other relevant factors. See "Dividends and Dividend Policy".

Continued analyst cover

The trading market for the Shares will depend on the research and reports that industry or securities analysts may publish about the Group or its business. The Group has no control over these analysts. If one or more of the analysts who cover the Group downgrade their ratings of the Shares, the price of the Shares may decline. If one or more of these analysts cease coverage of the Group or fail to publish regular reports on it, the

Company could lose visibility in the financial markets, which in turn could cause the price of the Shares or trading volume to decline.

Political, Economic and Legal Risks

Risks relating to doing business in the Baltic States

Investors investing in emerging markets such as Estonia, Latvia and Lithuania should recognize that these markets are subject to greater risks than more mature markets, including legal, economic and political risks. Estonia, Latvia and Lithuania have experienced significant political, legal and economic changes and liberalization during the last two decades of transition from the Soviet rule and plan economy to independence and a market economy.

For purposes of their accession to the European Union, Estonia, Latvia and Lithuania implemented significant social and economic changes, as well as reforms of their legal and regulatory framework. As a result, the volume of Estonian, Latvian and Lithuanian legislation and other regulations has increased and is expected to increase further pursuant to the obligation to apply European Community law.

The civil code and corporate, competition, securities, environmental and other laws in Estonia, Latvia and Lithuania have been substantially revised during the last decade as part of these countries' transition to a market economy and to meet EU requirements and standards. The new legislation remains in part largely untested in courts and no clear administrative or court interpretation practice has evolved.

Estonian, Latvian and Lithuanian businesses are in the process of adopting the business standards and practices of the European Union. Many Estonian companies, including the Company, are still adopting and developing management tools for competition law related risks, corporate governance, internal controls and risk management.

Risks relating to doing business in Ukraine

The Group has business operations in Ukraine. Investors investing in emerging markets such as Ukraine should recognize that these markets are subject to significantly greater legal, economic and political risks than those in more mature markets.

Although some progress has been made since independence in 1991 to reform Ukraine's economy and its political and judicial systems, Ukraine still lacks the necessary legal infrastructure and regulatory framework which are essential to support market institutions, the effective transition to a market economy and broad-based social and economic reforms.

Political instability

Historically, political discords in the Parliament of Ukraine have deterred political reforms aimed to attain liberalisation, privatisation and financial stability in Ukraine. Since the independence in 1991, the political landscape of Ukraine has been characterized by governmental instability and, as a result, Ukraine has had 13 prime ministers and three acting prime ministers during this period. The lately events of April 2007 when the Ukrainian parliament was dissolved and new parliamentary elections were announced, have provoked a new wave of disorders. Although the crisis seems to be solved due to agreement of the President, Prime Minister, and Chairman of the Parliament, setting forth the new parliamentary elections for 30 September 2007 the political situation in Ukraine still appears to be unstable.

Legal system

The Ukrainian legal system has been transforming since the 1990s from a planned economy to a market-based economy. The legal system in this country remains, however, in transition and is therefore subject to greater risks and uncertainties than those in more mature societies. Such risks are related, *inter alia*, to a high degree of discretion granted to governmental bodies, which may result in arbitrary actions;

discrepancies between legal acts; relative inexperience and corruption of judges; lack of judicial and governmental guidance with regard to interpretation of the Ukranian legal acts etc.

The uncertainties in the legal system pose risks to the Group's retail operations and growth potential in Ukraine particularly with respect to its ability to enforce contracts, and defend itself against unfair competition or arbitrary action by authorities.

Economic instability

In recent years, the Ukrainian economy has been characterised by a number of features which contribute to economic instability, including limited liquidity caused by a relatively weak banking system, tax evasion, significant capital flight and low wages. Although the governments in this country have generally been committed to economic reform, the implementation of reform has consistently been impeded by a lack of political consensus, controversies over privatisation, the restructuring of the energy sector, the removal of exemptions and privileges for certain state-owned enterprises or for certain industry sectors and the limited extent of cooperation with international financial institutions. No assurance can be given that current reform policies favouring privatisation, industrial restructuring and tax reform will continue to be implemented and, even if implemented, that those policies will be successful, or that the economy in Ukraine will continue to improve.

Currency exchange risks

An investment in shares denominated in kroons by a foreign currency investor exposes the investor to a foreign currency risk. Any depreciation or appreciation of the kroon in relation to such foreign currency will correspondingly reduce or increase the value of the investment in foreign currency terms.

Due to the accession of Estonia to the European Union on 1 May 2004 and the adoption of the euro the exact date of which is currently undetermined, the operating results and the financial position of the Group are expected to be reported in euros at some point in the future.

The official and only legal tender in Estonia is the kroon. The kroon is pegged to the euro at the fixed rate of EEK 15.6466 for EUR 1. Although the Bank of Estonia has expressed its intention to maintain the current fixed exchange rate and the currency board system, there can be no guarantee that the Estonian Parliament will not amend the relevant laws and that the fixed exchange rate will be maintained in the coming years. Foreign investors can open both kroon and foreign currency accounts in banks registered in Estonia. Any foreign currency may be freely purchased and sold at the market exchange rates. There are no capital movement restrictions. Any devaluation or revaluation of the kroon may have negative consequences for the Estonian economy as a whole and may have a material adverse effect on the Group's financial condition and results of operations.

Potential tax liabilities

Estonia currently enjoys a corporate income tax regime under which income tax is deferred until profits are distributed. Estonian companies are currently subject to income tax of 22/78 of the net amount of distributed profits, which rate is due to decrease over the next two years. In addition, an Estonian dividend withholding tax of 22 per cent is currently imposed on dividends paid by the Company to non-resident legal persons, holding less than 15 per cent of the shares or votes of the Company. According to the Income Tax Act currently in force, the income tax rate is due to decrease to 20 per cent (20/80 of the net distributed profit) by 2009. On 14 June 2007 the Estonian parliament has adopted an Act further reducing the income tax rates. This Act enters into force as of 1 January 2008. Pursuant to this Act, the tax rate will be 19 per cent in 2010 and 18 per cent in 2011 and afterwards (19/81 and 18/82 of the net distributed profits respectively).

The European Union has granted Estonia a transition period expiring on 31 December 2008 following which time Estonia may be required to at least partly adjust its current tax regime. The possibility that Estonia may change its corporate taxation policy has periodically been subject to political discussion but it is currently not possible to assess whether or, if so, when any such change may occur. Any change in Estonian corporate taxation policy could have a material adverse effect on the Group's business, results of operations and financial condition. See "Taxation".

Estonian tax laws and regulations have not been in force for significant periods, in contrast to more developed market economies; therefore, implemented laws and regulations may be unclear or nonexistent. Accordingly, there is limited case law on the application and interpretation of these laws. Often, differing opinions regarding legal interpretations exist both among and within tax authorities, thus creating uncertainties and areas of conflict.

The Group's tax position may be subject to possible review and investigation by tax authorities, authorized to impose severe fines, penalties and interest charges. If for any reason the Group's tax position were to be disputed by the tax authorities, the possible tax liabilities of the Group could have a substantial material adverse impact on the Group's operating results, and therefore could have a material adverse impact on the market price for the Shares.

Dependence on relatively low labour costs

As a Member States of the European Union, Estonia, Latvia and Lithuania are becoming increasingly integrated in the European markets, and particularly the Estonian price levels and salaries are gradually becoming aligned with those in the other member countries. Whilst the Estonian wages and salaries generally remain lower than in the older Member States, the further integration with the European Union, coupled with economic and legislative developments, is expected to result in a gradual erosion of this competitive advantage of Estonian businesses. The same process can be expected to take place eventually also in Lithuania and Latvia. If the Group fails to achieve new competitive advantages to off-set the impact of the rising labour costs, this could have a material adverse effect on the Group's results of operations or financial condition.

DIVISION OF AS TRIGON PROPERTY DEVELOPMENT AND ESTABLISHMENT OF THE COMPANY

The Company has been established as a result of the Division of AS Trigon Property Development. AS Trigon Property Development is currently listed on the Main List of the Tallinn Stock Exchange. On 29 June 2007 AS Trigon Property Development concluded the notarized Division Plan, setting forth the terms and conditions of the Division of AS Trigon Property Development. The Division Plan was published on 29 June 2007 through the information system of the Tallinn Stock Exchange and is available at the following web page: http://files.ee.omxgroup.com/bors/prospekt/vnu/Viisnurk1.pdf.

The aim of the Division was to separate the company’s building materials and furniture production and retailing business into a newly incorporated company and retain AS Trigon Property Development only as a real estate development company.

According to the executed Division Plan, the assets of AS Trigon Property Development were divided as follows:

- AS Trigon Property Development retained a shareholding in its wholly-owned subsidiary OÜ VN Niidu Kinnisvara with the par value of EEK 40,000 and cash in the amount of EEK 400,000;

- OÜ VN Niidu Kinnisvara received 26 real estates situated in Niidu area in Pärnu, agreements, rights and obligations related to the said real estates and cash in the amount of EEK 360,000;

- the remaining assets, including the building materials and furniture production and retailing business units and all rights and obligations related thereto (the “Enterprise”), were transferred to the Company.

The Division was approved by the resolution of the general meeting of shareholders of AS Trigon Property Development on 6 August 2007.

Pursuant to the shareholders’ resolution approving the Division Plan and an announcement published by the management board of AS Trigon Property Development on 4 September 2007, each person who was a shareholder of AS Trigon Property Development on 18 September 2007 at 23:59 received upon the registration of the Division and the establishment of the Company in the Estonian Commercial Register one Share of the Company per each share of AS Trigon Property Development held by him/her/it as of the described time. The share capitals of both, the Company and AS Trigon Property Development, amount to EEK 44,990,610 and are divided into 4,499,061 shares, each with the par value of EEK 10.

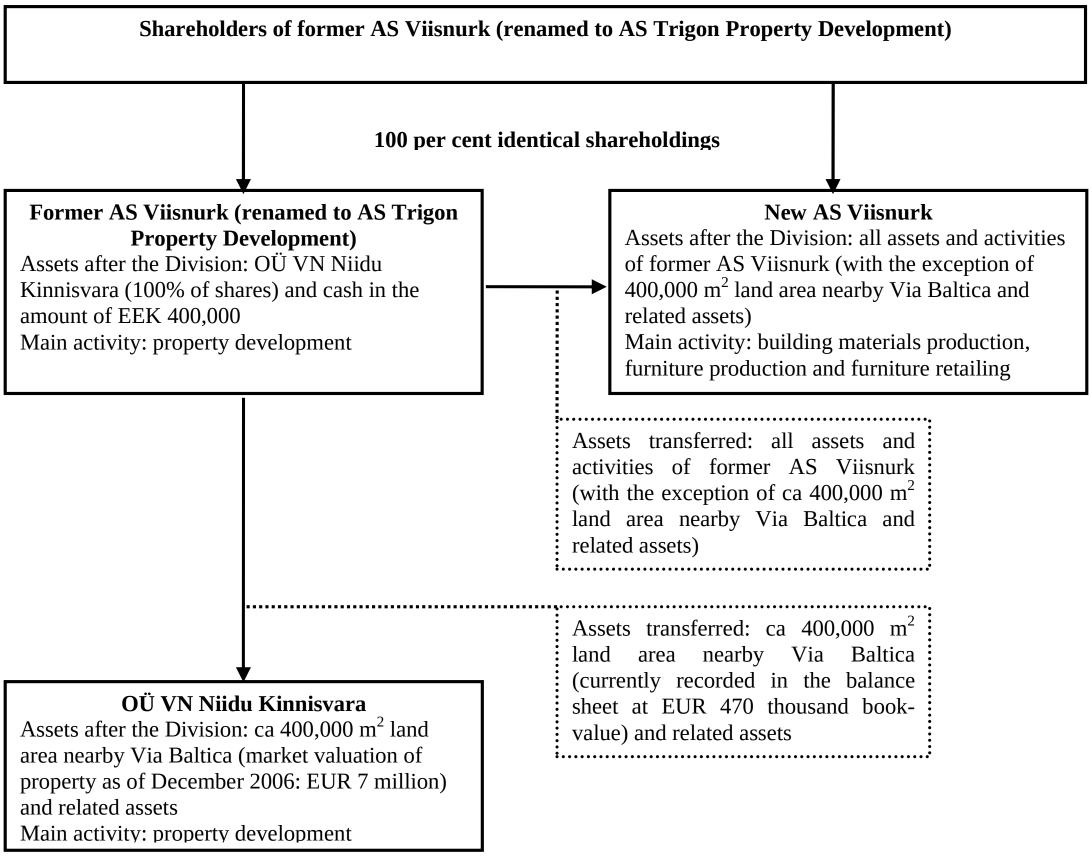
The share capital of the Company was deemed paid in by the assets of AS Trigon Property Development, transferred to the Company in the course of the Division. On 14 August 2007 the management board of the Company has performed a valuation of the transferable assets, in order to determine that the assets were sufficient to pay in the share capital of the Company. The independent auditors AS PricewaterhouseCoopers have verified the valuation of the assets performed by the management board and have issued a report confirming the correctness of the valuation on 14 August 2007.

The Division was registered in the Estonian Commercial Register on 19 September 2007, which is also the date of incorporation of the Company.

Pursuant to the Estonian Commercial Code, assets to be transferred in the course of the division are deemed transferred to the recipient companies and the shareholders of the company being divided are deemed shareholders of the recipient companies pursuant to the division plan as of the entry of the division in the Estonian Commercial Register.

According to the Commercial Code, AS Trigon Property Development, OÜ VN Niidu Kinnisvara and the Company shall remain jointly and severally liable for the obligations of AS Trigon Property Development having arisen before the entry of the Division in the Estonian Commercial Register. However, this applies only in regard to third parties and among themselves the responsibility rests with a person to whom respective obligations were appointed pursuant to the Division Plan. Therefore, even if third parties may require the Company to perform an obligation of AS Trigon Property Development that has arisen before the entry of the division in the Estonian Commercial Register and which was designated in the Division Plan as an obligation remaining with AS Trigon Property Development or transferring to OÜ VN Niidu Kinnisvara, the Company may, upon fulfillment of such obligation, have recourse against AS Trigon Property Development or OÜ VN Niidu Kinnisvara, respectively.

The following chart provides an additional illustration of the Division:



DIVIDENDS AND DIVIDEND POLICY

The Shares will be eligible for dividends, if any, declared in respect of the financial year commencing from the date of registration of the Company and for subsequent periods. All the Shares rank equally for any dividends.

Due to the fact that the Company has just been established, it has not yet paid dividends. As the Company was formed in the course of the Division of AS Trigon Property Development and on the basis of the Enterprise operated previously by AS Trigon Property Development and transferred from AS Trigon Property Development to the Company, an overview of the dividends paid by AS Trigon Property Development is hereby given.

Before the year 2005 AS Trigon Property Development has not paid any dividends. Until 2005 the profits were reinvested in the group.

At the general meeting of shareholders held on 18 May 2007 AS Trigon Property Development declared and subsequently paid out dividends in the aggregate amount of approximately EEK 5.4 million, which equals to 42 per cent of the aggregate annual net profit of AS Trigon Property Development in 2006. At the general meeting of shareholders held on 31 May 2006 AS Trigon Property Development declared and subsequently paid out dividends in the aggregate amount of approximately EEK 4.2 million, which equals to 44 per cent of the aggregate annual net profit of AS Trigon Property Development in 2005. No dividends were paid for the financial year 2004.

The table below shows dividends on Shares that AS Trigon Property Development has declared and paid in the last two years:

	2005	**2006**
Amount of dividends paid out, EEK	4,184,127	5,398,873
Number of shares	4,499,061	4,499,061
Dividend per share, EEK	0.93	1.20

Commencing from 2008, for the financial year ending 31 December 2007, the Company expects to pay dividends regularly and to maintain the aggregate amount of dividends at least at the level of 30 per cent of the annual net profit. However, the Company cannot assure that dividends will be paid in the future, or if dividends will be paid, how much they will amount to. The declaration and payment by the Company of any future dividends and the amount thereof will depend on the Company's results of operations, financial condition, cash requirements, future prospects, profits available for distribution and other factors deemed by the Management Board to be relevant at the time. Therefore, dividends paid historically are not representative of dividends to be paid in the future. Moreover, the Management Board merely makes a proposal for the amount of dividends to be distributed. The Supervisory Council has the right to amend such proposal and the proposal is ultimately to be approved by the General Meeting of Shareholders. For more details on the procedure and regulatory restrictions relating to the payment of dividends, see "Company, Share Capital and Ownership Structure – Shareholders Rights – Dividends and Other Distributions".

As to the tax considerations applicable to the dividends, see "Taxation – Income Tax Treatment of Dividends".

CAPITALIZATION AND INDEBTEDNESS

Due to the fact that the Company has just been established and lacks itself historical financial information, the following table sets forth the actual capitalization and indebtedness of AS Trigon Property Development (i.e. the company from whom the Company acquired the Enterprise in the course of the Division) based on un-audited consolidated interim financial information for six months ended 30 June 2007. The table should be interpreted in conjunction with the financial statements presented elsewhere in this Prospectus.

(EEK '000)	**30 June 2007 Un-audited**
CAPITALIZATION	
Total current debt [1]	**4,276**
- secured	4,276[2]
Total non-current debt [1]	**47,939**
- secured	47,939[3]
Shareholder's equity	**77,236**
- share capital [4]	44,991
- share premium	11,332[5]
- statutory capital reserve	4,499
- retained earnings	16,414[6]
Total capitalization and indebtedness	**129,451**
NET INDEBTEDNESS	
A. Cash and cash equivalents	10,720[7]
B. Other financial assets at fair value throw profit or loss	-
C. Total liquidity (A) + (B)	**10,720**
D. Current financial debt [1]	**4,276[2]**
E. Net current financial indebtedness (D) – (C)	**(6,444)**
F. Long-term debt [1]	**47,939[3]**
G. Net financial indebtedness (E) + (F)	**41,495**

1 The Company's financial liabilities consist of bank loans and a deferred payment to the Estonian Republic. The financial liabilities are secured by asset pledges by the Company. No sureties or guarantees have been issued in regard to the debts. For additional information please refer to the Index to Financial Statements.

2 According to un-audited pro forma financial information, the amount of EEK 196 thousand will not be transferred to the Company as a result of the Division.

3 According to un-audited pro forma financial information, the amount of EEK 2,937 thousand will not be transferred to the Company as a result of the Division.

4 The number of shares amounted to 4,499,061, each at nominal value of EEK 10, as at 30 June 2007 and 31 December 2006.

5 According to un-audited pro forma financial information, the amount of EEK 3,537 thousand will not be transferred to the Company as a result of the Division.

6 According to un-audited pro forma financial information, the amount of EEK 2,311 thousand will not be transferred to the Company as a result of the Division.

7 According to un-audited pro forma financial information, the amount of EEK 800 thousand will not be transferred to the Company as a result of the Division.

PRINCIPAL MARKETS

The following information includes extracts from information, data and statistics publicly released by officials and has been extracted from public or other sources the Group believes to be reliable. The Group accepts responsibility for extracting and reproducing accurately such information, data and statistics. As far as the Group is aware, no facts have been omitted that would render such information, data and statistics misleading, but the Group accepts no further responsibility in respect of such information, data and statistics. Such information, data and statistics may be approximations or use rounded numbers.

Viisnurk is a wood processing and retailing company, whose core activities include wood fiber soft-board production and furniture manufacturing and retailing. Viisnurk operates through three separate business divisions – furniture production, furniture retailing and building materials production divisions. All these business segments are described below.

Furniture Production

The furniture production division of Viisnurk manufactures unique household furniture for living rooms, offices, dining rooms and bedrooms. Throughout the years, the Company has produced very different types of products, made both of pine and birch. Historically, Viisnurk has produced both, own brands and white label products. However, during the last few years, a very distinct focus has been on discontinuing the white label production and maximizing the efficiency of the production of Viisnurk's own brands. Moreover, the Company has made a firm decision to cut off all pine-wood products from its furniture assortment as these are becoming increasingly difficult to compete on in Eastern Europe due to increasing production costs and their positioning on low-middle sector of the market. This is why Viisnurk has focused its furniture production on higher quality birch products, which are much less price sensitive and where requirements on quality make it much more difficult for Asian and former Soviet Union countries to compete. Today over 95 per cent of Viisnurk's furniture is produced from birch. Most of the production is sold to Scandinavian markets (especially Finland) and C.I.S. countries (especially Russia). Furniture sales through the Group's own retail network Skano is expected to increase significantly over the next few years.

Market Overview

The core markets for furniture production division are Scandinavia and former Soviet Union countries, especially the Baltic States, Ukraine, Belarus, Kazakhstan and Azerbaijan.

In general, furniture production can be divided into three large segments: home furniture, office furniture and special purpose furniture (such as kitchens, bathrooms, etc). Viisnurk is fully focused on home furniture with emphasis on dining rooms, living rooms and home office furniture.

The furniture market can further be divided into very different sub-groups, according to the materials used in the production as well as the purpose of the furniture. Viisnurk is specialized in birch-wood home furniture production with high quality and classical design.

The sector itself is very competitive both in Estonia and in Europe in general. Most of the furniture produced in Estonia accounts for pine production, which also used to be the main material used by Viisnurk in the past. However, as the pine-wood furniture demand is decreasing and it is very difficult to ensure its quality, Viisnurk has re-focused its production almost exclusively to birch-wood over the last few years. Birch-wood furniture can be viewed as a niche product because it does not compete directly with cheap Chinese low-quality furniture and there are only few birch processing furniture factories in Europe (most producers in Europe use oak or beech tree).

In the near future, the market is most likely to stay very competitive and pressurized by Chinese producers in the low and medium segment. However, the Asian producers have so far been unable to match the quality requirements for European niche products that are of high quality and where the volumes are fairly moderate.

Competition

As the majority of the Company's furniture is exported, it has to prioritize the competitiveness in its core export markets rather than local market.

In Scandinavia, there are currently only few producers of similar type of furniture that the Company considers direct competitors. One of the biggest players is Boknäs Huonekalut (especially in Finland) who is also Viisnurk's own co-operation partner and among its biggest clients and who currently sells Björkkvist product series under its own brand Boknäs. The other closest competitor is Niemi Tehtaat who is producing similar product series to Viisnurk's Björkkvist but operates on low-medium market sector. Its main competitive advantage is strong presence in many local leading retailer networks, such as Isku, Masku, Kotin Ykkönen, etc.

In Russia the Company considers a local producer Rokos to be its closest competitor, but its production is more Asian style. Most of the Scandinavian producers are also operating in Russian market but their market share is marginal.

In the Baltic States the Company sees no direct competitor with similar product assortment. There are local copies of Viisnurk's Björkkvist series but they are of lower quality and their sales are marginal in local market.

Indirect competition can be defined as nearly any furniture produced and marketed in Scandinavian and former Soviet Union countries. Chinese furniture has been the biggest gainer in market share over the last few years. However, Chinese products are to very large extent upholstery and therefore they do not compete directly with Viisnurk's products. There is also a distinct quality and price difference between high-end European niche furniture producers and lower quality Asian import producers.

Geographic Breakdown of Revenues

The following table presents the breakdown of total revenues by geographic markets of the furniture division of AS Trigon Property Development:

Furniture division (incl. retail division) (EEK, ´000)	**2004**	**2005**	**2006**	**2006 I half (un-audited)**	**2007 I half (un-audited)**
EXPORTS					
European countries					
Finland	53,380	56,460	63,277	30,041	31,986
Russia, Belarus, Ukraine	26,590	26,995	39,673	19,190	20,529
Germany	21,923	9,346	9,109	5,191	3,180
Latvia, Lithuania	4,527	2,908	5,841	3,776	2,236
Netherlands	0	103	36	0	42
Sweden	37,160	8,017	37	37	0
Other countries	696	6,770	1,182	811	127
TOTAL	144,276	110,599	119,155	59,046	58,100
Rest of the world	484	1,869	1,722	631	2,146
TOTAL EXPORTS	144,760	112,468	120,877	59,677	60,246
DOMESTIC MARKET	11,777	9,637	11,946	5,554	7,695
Total	156,537	122,105	132,823	65,231	67,941

Furniture Retailing

As another main business line, the Group operates its own retail network under the brand Skano (which is also a 100 per cent subsidiary of Viisnurk). First Skano shop was opened in Tallinn, Estonia in 2003 and this was followed by first Skano store in Riga, Latvia in 2005. Based on the performance of these two stores, as well as the overall market potential, it was decided to expand the retail network significantly to open up

Skano shops in all Baltic countries as well as in Ukraine. Today Skano operates already seven stores in its target markets, including two in Estonia, one in Latvia, three in Lithuania and one in Ukraine. The stores in Lithuania were opened in May 2007 and in Ukraine in August 2007.

Skano is more furniture boutique than furniture store and its assortment is targeted to the medium-high market segment. In all markets the demand for high quality furniture is currently rising as the markets are growing. Skano is offering the living style concept – readymade full solutions, including large sized wooden furniture, quality upholstery, lightings etc.

Market Overview

The furniture and other interior fittings markets are strongly correlated with GDP and income growth as well as with residential construction sector. While most of the construction boom is over in the Baltic States (especially Estonia and Latvia), Ukraine is still very much in the early phases of the residential construction pick-up. All of the target markets are currently experiencing a spectacular disposable income growth, which is the main driver for market growth also in specialized retail sector, including furniture retail.

The following tables show the GDP and real disposable income growths in the furniture retail division's main target markets:

	GDP Growth (%)				
	2005	**2006**	**2007F**	**2008F**	**2009F**
Estonia	10.5	11.4	8.6	6.9	6.6
Latvia	10.6	11.9	9	7	7
Lithuania	7.6	7.5	7	6.5	6.5
Ukraine	2.7	7.1	8	6	8
Russia	6.4	6.6	6	5.8	5.9

	Real Disposable Income Growth				
	2005	**2006**	**2007F**	**2008F**	**2009F**
Estonia	6.1	11.2	11	11	10
Latvia	9.5	15.5	9	8	7.5
Lithuania	7.8	15.2	14	10.5	5.5
Ukraine	23.9	13.4	14.5	13.5	14.5
Russia	9.3	12.5	10.2	8.9	8.2

Source: Hansabank Markets; International Centre of Policy Studies; Ministry of Economic Development and Trade of the Russian Federation Investment Policy Department

The income growth is expected to remain strong in the Group's home markets. In addition to fuelling the demand in general, this will give more people a chance to choose high-quality and more expensive furniture over cheaper and lower quality Asian import products.

Baltic States

Since the admission to the European Union, the Baltic States have seen a remarkable economic boom, fuelled by high domestic demand and low interest rates. The biggest gainers have been residential property market and consumer spending.

This has also had a positive impact on specialized retailing, including furniture retail. The demand has been kept high by both increased disposable income and new residential space in the market that needs to be furnished.

Following the residential sector boom, especially in Estonia and Latvia, a correction in the housing market is now expected. This is likely to have a more significant impact on housing prices and market activity than furniture and other interior fittings demand.

Ukraine

Ukrainian economy has shown a remarkable acceleration in 2006, growing by seven per cent versus a mere 2.6 per cent in 2005. This was achieved in spite of considerably higher gas prices that have significant impact on the economy. According to *Colliers,* the demand in residential real estate sector drove up construction sector growth to 9.8 per cent in 2006. Raising income levels together with decreasing interest rates are also having a major impact on domestic demand. The retail revenue grew by a remarkable 25.3 per cent in 2006 and this was achieved against the background of severe lack of quality retail space in the regional cities in Ukraine.

The retail revenue in Ukraine is expected to continue to show a rapid growth in coming years. According to *Colliers International Ukraine,* the total gross leasable area in capital Kiev reached 303,000 m^2 by the end of 2006, which is only 17 per cent or 43,000 m^2 more than year ago in 2005. It has been announced that around 100,000 m^2 of new space will be made available during 2007 and another 430,000 m^2 may be delivered during 2008-2009. Hence, the total capacity of the capital city Kiev will reach 800,000 m^2 by the end of 2009.

While the retail capacity is expected to more than double in coming two years, it is still way below the European average or even the average of the Baltic States. According to *Colliers,* the average retail space per capita in Tallinn was about 1.4 m^2 in 2006. Given the population of nearly 4.5 million in Kiev, the current level indicates an average retail space of around 0.067 m^2 per capita at the end of 2006 and should the targets be reached, this may go up to 0.18 m^2 per capita by the end of 2009, which is still nearly eight times less than the current level in Tallinn. Similar trends are currently observed also in other regional cities of Ukraine, especially in Kharkiv, Donetsk, Dnipropetrovsk, Odesa, Lviv, Zaporizhya. These are also the locations where Skano is already actively working with an aim to open its furniture outlets in near future.

Competition

The competition in furniture retail sector in the Baltic States and Ukraine is growing as in nearly any other specialized retail sector in these markets. At the same time the demand has been growing considerably over the past few years, which has made it easier for new players to enter the market.

The competition is especially tough in the Baltic States, where Finnish retailers, such as Asko/Sotka, Isku and others have a solid market share and group synergies due to close distance to their home markets.

Latvia’s biggest chain Manas Mebel is currently operating 16 stores and is a clear market leader there. In Lithuania, Renlena operates four big furniture malls that take up substantial market share. There are also smaller sub-tenants in these centers.

The Ukrainian market is underdeveloped, if compared to the Baltic States, and most of the furniture is sold on large low-quality retail spaces with no clear concept or specializing. However, there are clear signs of development and market differentiation also in Ukraine. Large centers, such as Dom Mebely in Kiev, are already emerging and as more retail space becomes available, the differentiation and quality improvement in furniture retail sector is expected to be significant.

Geographic Breakdown of Revenues

The following table presents the breakdown of total revenues by geographic markets of the furniture retailing activities of Skano and its subsidiaries:

Retail division (un-audited) (EEK, ´000)	**2004**	**2005**	**2006**	**2006 I half**	**2007 I half**
EXPORTS					
European countries					
Latvia, Lithuania		115	1,863	646	2,127
TOTAL EXPORTS		115	1,863	646	2,127

Retail division (un-audited) (EEK, ´000)	2004	2005	2006	2006 I half	2007 I half
DOMESTIC MARKET	4,381	7,149	9,485	4,134	6,731
Total	4,381	7,264	11,348	4,780	8,858

Building Materials Production

As a third business line, Viisnurk operates its building materials division, which manufactures and distributes soft-board based products. The products vary in details but can in general be divided into two main categories: insulation and wind protection board under the Isoplaat brand name, and interior finishing boards for walls and ceilings, marketed under the Isotex brand name.

The division is both, production-wise and business-wise, separated from Viisnurk's furniture production.

Viisnurk's Isotex and Isoplaat products are competing with similar soft-board products, mostly from Europe. The sales are directed both to Eastern and Western European markets, which gives the Company the necessary diversification of its client portfolio. Today most of Viisnurk's building material products are sold either locally or to EU countries, but in the future the Company sees a significant demand increase also in Eastern markets, especially in Russia and Ukraine.

The biggest constraint in the division is production capacity, which is currently fully utilized. While the Company is running the production lines 24 hours a day and seven days a week, it is still facing excess demand from its customers. The biggest constraint in increasing the capacity is the cost of new line, which can be so high that it would be uneconomical for a company like Viisnurk to take up the risk. There are no direct providers of the main production line but preliminary market studies have indicated that the total cost of installing a new raw board production line is in the region of EUR 30-40 million. This is why Viisnurk is currently not considering the investment and is focusing on increasing the productivity of the existing production facilities.

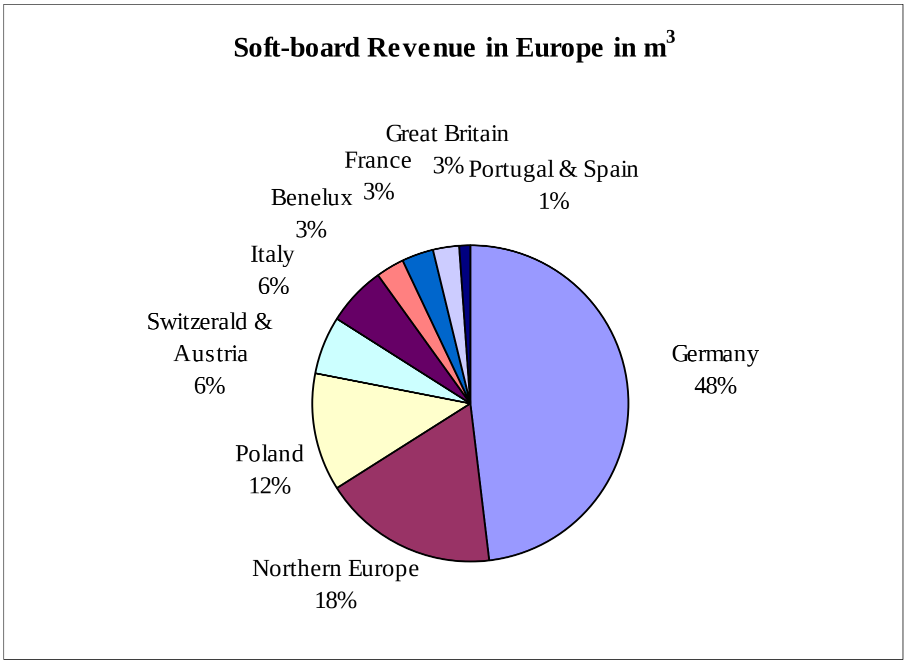
Market Overview

The market for building materials in general correlates largely with construction sector. While European and especially Baltic construction market is clearly overheated and looks to face a decline in coming years, Viisnurk is already today expanding its export markets to Russia, Ukraine and other former Soviet Union countries where the property boom is still to take off at full pace as the income growth is accelerating and interest rates are coming down.

Another aspect driving the soft-board market in Europe is the environmental trend. As soft-boards are fully natural products and environment-friendly, they are becoming increasingly popular, especially in Western Europe. At the same time, soft-board insulation works also as the single best insulation material to protect the buildings from outside heat in summer time. As the summer temperatures are reaching new highs on a regular basis, this trend should allow the market in general to grow on expense of alternative insulation materials.

Although the demand for soft-board products has peaked recently in Europe, the supply has lagged as the existing producers are unwilling to invest in very expensive new machinery, and therefore most of the supply increase has come from improving the efficiency of existing production lines. Even though most of the producers use similar technology, the production efficiency varies significantly between different producers. This is also where Viisnurk sees the biggest potential to increase its output. Compared to some of the West-European top producers, Viisnurk's main production line reaches just 50 per cent of their output. The Management is currently studying opportunities to significantly increase the output of the main line by implementing the best practices and technologies in the industry.

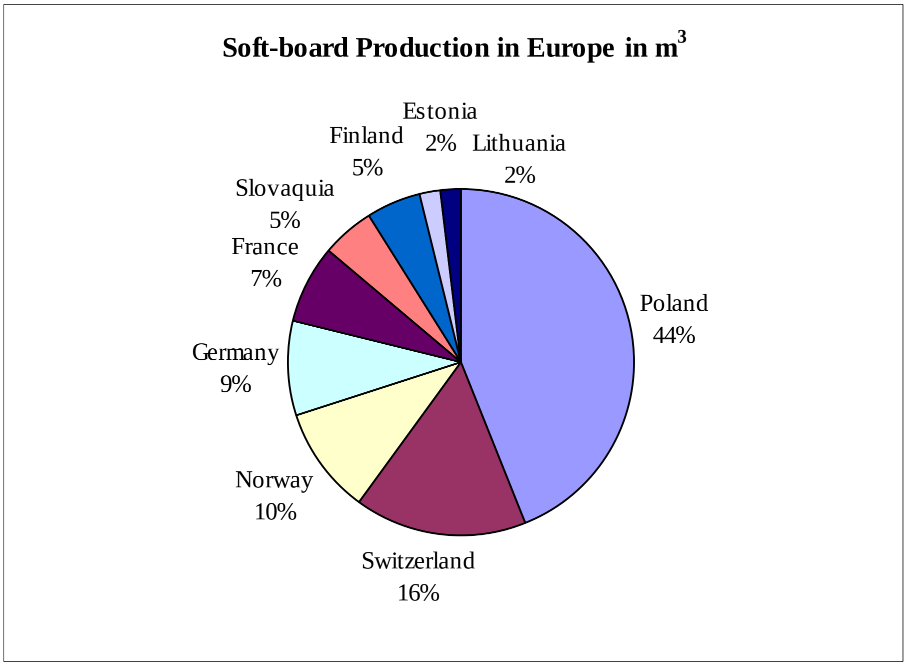
The following chart illustrates the breakdown of soft-board revenue by countries in Europe in 2006:



Source: Feropa

Germany is a clear market leader when it comes to soft-board demand, representing 48 per cent of total production sold in Europe in 2006. While Germany produces just about nine per cent of total soft-board supply in Europe, it is a large importer. This is also a reason why Polish producers have been less aggressive in Scandinavian and Eastern European markets recently as they struggle to fulfil the orders from Germany.

The following chart illustrates the breakdown by countries of soft-board production in Europe in 2006:



Source: Feropa

Poland remains by far the biggest soft-board producer in Europe with approximately 44 per cent market share.

Given the current market situation, there is a clear excess demand across Europe and most of the producers in Europe are struggling to fulfil the orders and meet the demand. This has not, though, driven up the prices considerably, as the market is not yet ready to pay significant premium for environment-friendly insulation materials compared to their alternatives.

Competition

The competition for building materials division should be viewed from two perspectives: directly competing producers and their products and alternative products. Whereas the alternative products for Viisnurk's soft-board include different mineral insulation materials, such as rockwool, polysterol products, MDF-boards, etc., most of the directly competing products are very similar to Viisnurk's own soft-boards.

Most of the European competitors have been operating for very long time already and possess the same technology as Viisnurk. As the products are quite similar, the cost competitiveness is of essential importance for long-term success in the industry. There has been a notable consolidation in the market over the last ten years where the smaller and inefficient factories have been taken over by larger and more efficient producers. All in all, the total capacity in the industry has not varied considerably over the past few years.

The biggest producers of soft-board in Europe in terms of volume produced are Steico SA (Poland), Pavatex (Switzerland), Gutex (Germany), Smrecina (Slovakia), Hunton Fiber (Norway) and Castel (France). According to Feropa, these producers produced in 2006 approximately 85 per cent of the total European output of soft-boards.

Viisnurk's building materials division counts for whole production from Estonia and represents about two per cent of total output in Europe. Its closest competitors in home markets are Medienos Plausas (Lithuania), Fibris (Poland) and Finnish Fiberboard (Finland).

Geographic Breakdown of Revenues

The following table presents the breakdown of total revenues by geographic markets of the building materials division of AS Trigon Property Development:

Building materials division (EEK, ´000)	**2004**	**2005**	**2006**	**2006 I half (un-audited)**	**2007 I half (un-audited)**
EXPORTS					
European countries					
Finland	38,228	32,733	34,905	15,547	31,311
Russia, Belarus, Ukraine	499	896	2,301	544	4,414
Germany	883	800	3,650	2,177	952
Latvia, Lithuania	522	1,296	3,697	1,400	1,731
Netherlands	6,166	5,180	2,420	2,008	194
Sweden	1,608	2,066	2,262	970	1,906
Other countries	2,622	8,371	1,418	489	396
TOTAL	50,528	51,342	50,654	23,135	40,904
Rest of the world	0	0	0	0	0
TOTAL EXPORTS	50,528	51,342	50,654	23,135	40,904
DOMESTIC MARKET	45,550	45,101	43,927	20,843	20,828
Total	96,078	96,443	94,581	43,978	61,732

BUSINESS

Summary

Viisnurk is one of the leading wood processing companies in Estonia, with strong focus on export markets, both in furniture and building materials sector.

The Group is aiming to become a significant player in furniture retail sector in Baltic and C.I.S. markets in coming years. The Group sees significant synergies from vertical integration between furniture production and retailing and expects this to have positive impact both on demand-driven production and reliable supply to its own retail network.

Regarding the building materials division, the Company is currently well positioned to take advantage of high demand for its products on Western markets and at the same time is establishing new ties with high-potential former Soviet Union countries to diversify the client portfolio and hedge against possible local set-backs in construction market sector.

In 2006, the revenue of AS Trigon Property Development (the company from whom the Company acquired the Enterprise) totalled EEK 227.4 million, up from EEK 218.7 million in 2005. The net profit of AS Trigon Property Development also increased from EEK 9.5 million in 2005 to EEK 12.8 million in 2006. For the effects of the Division on the financial information of AS Trigon Property Development, see the un-audited pro forma financial information included elsewhere in this Prospectus.

Competitive Strengths

Furniture Production Division

The furniture production division has a solid product portfolio and it aims to further optimize the production process to improve the margins of the products. The division's competitive strengths include:

- ***In-depth experience.*** Most of the products, including the biggest product group Björkkvist (also marketed under Boknäs brand name), have been in the portfolio for over 10 years, which gives the Company an in-depth understanding of the product and its production implications. Today Viisnurk is the most professional producer of this kind of furniture in the markets of the Baltic States, Scandinavia, Ukraine and Russia.

- ***Low risks associated with aging of the product portfolio.*** Most of the furniture produced is of classic style, designed in the 19th century and is highly unlikely to suffer in sales due to going out of fashion. This means also that the Company does not have to spend significant funds on product development.

- ***Diverse client portfolio.*** The produce has historically been sold to very different markets, varying from Scandinavia to Russia. This evidences that there is a demand for such products in most of the markets in the region.

- ***Vertical integration with Skano.*** The Company is benefiting from vertical integration with Skano, which is already one of its biggest buyers and is quickly growing. This means both stable and predictable client as well as full access to demand-driven market information and direct end-customer feedback.

- ***Focusing on limited number of product series.*** As the Company aims to focus on just two product series in the future (Björkkvist/Boknäs and Villinki), additional efficiencies can be found in the Company and costs will be cut on non-profitable product series as well as product development (which historically has not justified itself as existing products' demand has been only increasing).

Furniture Retail Division

The furniture retail division's competitive strengths include:

- ***Strong and classical product choice.*** Björkkvist and Villinki series are both high-quality classical furniture series, which are much less susceptible to cheap competition from Asia as well as to possible fashion trends in interior design.

- ***Close ties with the supplier.*** More than 80 per cent of Skano's current sales account for Viisnurk's own produced furniture. While this is expected to fall somewhat in the future, Viisnurk will remain the key partner for Skano, allowing it to focus fully on sales side and not take on costs related to supplier risk diversification that most of its competitors need to do.

- ***Competent and ambitious management team.*** The management team has western market-driven approach and is at the same time experienced in doing business in the former Soviet Union countries.

Building Materials Division

The building materials division's competitive strengths include:

- ***Very competent and experienced key personnel.*** Most of the key people in the division have been working for Viisnurk for over ten years and have become very professional in running the production process.

- ***One of the best records in terms of production reliability.*** Because of well-defined production procedures and good maintenance of the machinery, the Company has not suffered a major down-time in near past. This is one of the key factors to achieve profitability in the factors.

- ***Client diversification in different markets.*** The Company is supplying its products to both East-European and West-European and Scandinavian clients. As the demand correlates closely with construction sector, this gives a necessary option to re-organize the sales to a market where the construction cycle is currently peaking.

Strategy

Furniture Production Division

The furniture production division's strategy foresees the following:

- ***Focusing on limited number of product series.*** Focusing the production on two main product series, Björkkvist/Boknäs and Villinki, enables the Company to further optimize the production process, manage the inventories and cut off on production breaks caused by retooling the machinery for production process changes.

- ***Close co-operation with Skano.*** Close co-operation with Skano retail network will allow the Company to keep a close contact with end customers and react to client feedback as well as to keep the production demand-driven. This also enables Skano to expand without disruptions and guarantees smooth deliveries.

- ***Increasing production volumes through increased demand from Skano.*** Increasing orders from Skano will allow the Company to increase the production output (currently the factory is working with a reserve of approximately 25 per cent) and gain further efficiencies.

- ***Remain the number one partner for its current key clients, Boknäs Huonekalut, Skano, as well as the Russian co-operation partners.***

Furniture Retail Division

The furniture retail division's strategy concentrates on the following key issues:

- ***Aggressive expansion to Baltic and Ukrainian markets.*** The Company is currently realizing its retail expansion strategy set forth at the end of 2006. This will involve opening of new stores in key locations in three Baltic States and Ukraine. The aim is to become a leading furniture retailer in its own sector in these markets.

- ***Boutique concept.*** Continue to run furniture boutique type of concept rather than operate on large areas with wide selection of medium and low-quality Asian furniture.

- ***Complementing the product portfolio.*** Continue to add new products to shop concept that complement the current selection and match well with medium-high market segment client expectations. Currently the Skano shops already include Italian and German high-quality upholstery, exclusive lamps and related products, etc.

- ***Looking for co-operation partners.*** The Company is also looking for co-operation partners together with whom Skano could further expand to new markets. Preliminary negotiations with such possible partners have been very positive so far.

Building Materials Division

The main elements of the building materials division's strategy are the following:

- ***Further optimization of production process.*** The Company is currently in the process of studying different opportunities to significantly increase the output of its main soft-board production line. West-European experience shows that there is a significant reserve still left and the Management is determined to realize this as soon as practically possible after feasibility studies have been completed.

- ***Increase of value-added Isotex boards in relation to the total product portfolio.*** The Company is currently finalizing the installments of its second Isotex line, which will allow it to almost double the production capacity of the most profitable product, Isotex board.

- ***Geographical diversification.*** Geographical diversification helps to minimize possible negative effects from construction market draw-backs that are expected especially in Scandinavia and the Baltic States in coming years. As Russia and Ukraine are facing a construction boom that most probably has not yet peaked, the Company is making every effort to set itself ready to take full advantage of this.

History

Even though the Company itself was established only recently and formally lacks corporate history, a summary of the history of AS Trigon Property Development (the company from whom the Company acquired the Enterprise in the course of the Division) is hereby given:

- On 17 February 1945 the state enterprise *Pärnumaa Tööstuskombinaat* was founded. This was the beginning of today's Viisnurk and furniture production activities.

- In 1960 *Pärnu Tööstuskombinaat* was named to *Viisnurk*.

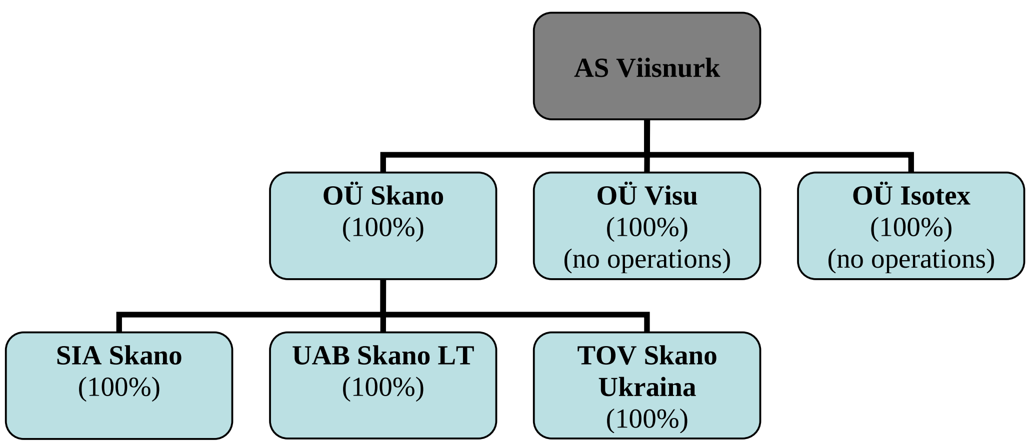
- In 1968 production of skis and soft-boards was taken up.

- In 1990 the company's privatization process was initiated. It was one of the first state-owned joint stock companies in the Soviet Union.

- In 1991 the company involved first private investors (27.3 per sent of share capital).
- In 1993 the sales were focused to Western markets and 75 per sent of production was exported.
- In 1996 the Isotex production line was launched in the building materials division.
- In 1997 the shares of AS Trigon Property Development (then AS Viisnurk) were listed on the Tallinn Stock Exchange.
- In 1999 a new division, a sawmill, was established.
- In 2000 the new wood panel factory started operations.
- In 2003 the subsidiary Skano was established and first furniture retail store opened in Tallinn, Estonia.
- In 2004 a radical restructuring was undertaken with the aim to close the wood division (sawmill and wood panel factory) and the sports goods division.
- In 2005 the restructuring was finalized by selling the assets of the wood division.
- In 2005 the first furniture store outside Estonia, operating in Riga, Latvia, was established.
- In 2006 the first benefits of radical restructuring were reaped, with all three existing divisions reaching profitability. The supervisory council approved the decisions to aggressively expand Skano retail chain as well as to invest in the new Isotex line in the building materials division.

Group Structure

In addition to the Company the Group comprises six subsidiaries from which two have no activities (see "Company, Share Capital and Ownership Structure – Subsidiaries"). The following chart illustrates the Group structure:



Operations

General Overview

The Group's business can be divided into three segments:

- furniture production
- furniture retailing
- building materials production

Furniture and building materials production activities are pursued directly by the Company, whereas furniture retailing activities are undertaken through the Company's subsidiary Skano and its foreign subsidiaries. Each of the three business divisions operates as a separate cost and profit centre.

The breakdown of revenues of AS Trigon Property Development by business divisions has been as follows:

	2004		**2005**		**2006**		**2007 I half (un-audited)**	
	EEK million	**%**	**EEK million**	**%**	**EEK million**	**%**	**EEK million**	**%**
Building materials division	96.1	27.7	96.4	44.1	94.6	41.6	61.7	47.6
Furniture division	156.5	45.0	122.1	55.9	132.8	58.4	68.0	52.4
Incl. retail business (Skano)	*4.4*	*1.3*	*7.3*	*3.3*	*11.3*	*5.0*	*8.9*	*6.9*
Other (discontinuing operations)	94.9	27.3	0.2	0.0	0	0	0	0
Total	**347.5**	**100**	**218.7**	**100**	**227.4**	**100**	**129.7**	**100**

The breakdown of net profit of AS Trigon Property Development by business divisions has been as follows:

(EEK million)	**2004**	**2005**	**2006**	**2007 I half (un-audited)**
Building materials division	18.6	13.9	11.7	10.1
Furniture division	2.9	4.8	9.5	3.8
Incl. retail business (Skano)	*0.9*	*1.1*	*0.9*	*(0.8)*
Other (discontinuing operations)	(24.4)	0.3	0	0
Corporate overheads	(8.7)	(6.2)	(5.4)	(1.3)
Financial income/expenses	(4.8)	(3.3)	(2.6)	(1.3)
Corporate income tax	0	0	0.4	0.5
Net profit of AS Trigon Property Development	**(16.4)**	**9.5**	**12.8**	**10.8**

The breakdown of EBITDA (see "Selected Financial Data" for the explanation of the formula used) of AS Trigon Property Development by business divisions has been as follows:

(un-audited) (EEK million)	**2004**	**2005**	**2006**	**2007 I half**
Building materials division	23.0	17.6	15.0	11.8
Furniture division	11.6	12.7	16.8	6.9
Incl. retail business (Skano)	*0.9*	*1.1*	*0.9*	*(0.7)*
Other (discontinuing operations)	(19.8)	0.3	0	0
Corporate overheads	(8.7)	(6.2)	(5.4)	(1.3)
Total	**6.2**	**24.4**	**26.4**	**17.3**

In 2004, AS Trigon Property Development made a strategic decision to exit from a number of business segments that were loss-making and where the general market trends did not support the turn-around of the division. AS Trigon Property Development closed down its ski factory and exited plywood production business through sale of assets. Due to write-offs related to discontinued operations, AS Trigon Property Development suffered a one-off loss of EEK 24.4 million in 2004 and EEK 74.6 million in 2003.

Over the last few years, the revenue in the building materials division has stood relatively flat due to maximum production capacity achieved during that period.

The furniture division has seen a significant decline of revenues in 2005 due to strategic decision to discontinue subcontracting co-operation with large international furniture discount chains, such as Ikea. This has resulted in significantly more profitable product series being produced and has improved profit margins.

The furniture division continued to focus on the profitable product portfolio, increasing the production efficiency and optimizing cost levels. These activities are the key for sustainable profitability in an environment of growing competition and cost inflation. The division increased the share of high-margin furniture made of birch to 91 per cent in 2006 and aims to increase it to nearly 100 per cent by the end of 2007. The target customers of the furniture division are primarily medium and small wholesalers and retailers who value the unique design of furniture, high quality and flexible customer service.

The furniture retailing division Skano is the fastest-growing business unit of the Group. Since its inception in 2003, the retail concept of the furniture division has been successful. The active development of furniture retail trade in the neighboring markets is the main strategy of the furniture division of the Group. While the volumes were very small, the divisional sales grew by 66 per cent in 2005 and by another 56 per cent in 2006. As the Management is planning an aggressive expansion of the division and has year-to-date already increased the number of outlets from three to seven, it is realistic to assume that Skano will continue to increase its revenues rapidly also in 2007. Although the divisional profitability has decreased due to expansion, it is currently still above Management’s original estimations as the costs related to new store openings have been kept under control and at the same time the existing stores have shown strong performance.

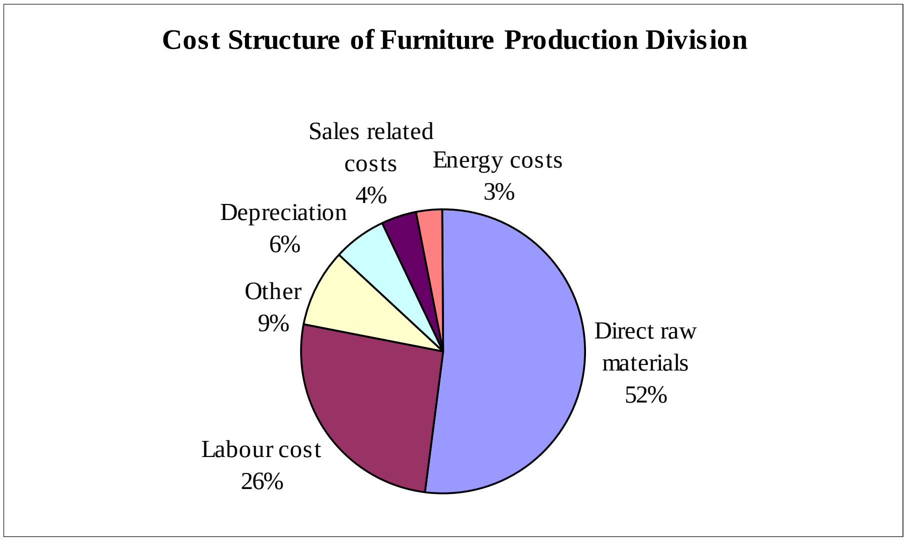
Furniture Production

Production process

Furniture production is a uniform procedure where most of the production process activities are similar across the industry. In producing birch-wood furniture, Viisnurk is buying in the sawed raw material. Depending on the particular batch, the wood is either dried in local dryer (about 50 per cent of the total input) or sent directly to processing. The production process consists of a number of different phases where the components are cut, primped and varnished. The final phases include assembling and packaging of the goods. There are manual quality controls set in each production phase which makes the production process significantly more reliable, decreases the material costs and increases the quality of the final product. This is also where Viisnurk (and many other European niche furniture producers) gain competitive advantage over lower cost Asian producers, who cannot compete in terms of quality requirements.

Division cost structure

The breakdown of costs of the furniture production division in the financial year 2006 was the following:



The most significant costs related to production are direct materials, which accounted for 52 per cent of total costs in the division in 2006.

Labour cost represented 26 per cent of total costs in the division in 2006. Even though there is a significant pressure to increase wages in Estonia, the Company does not expect labour costs to increase significantly in proportion due to reserves to be found in production efficiency and possibly increased volumes in 2007-2008.

Sales related costs include commissions paid to re-sellers and agents. These costs are directly related to sales volume of the division.

Investments

With respect to the furniture production division AS Trigon Property Development has invested in total EEK 3.9 million since 1 January 2004 up to 30 June 2007. The following table represents the breakdown of investments for each financial year starting with 1 January 2004 up to 30 June 2007:

(un-audited) **(EEK million)**	**2004**	**2005**	**2006**	**2007 I half**
Renovation of buildings	-	-	0.3	-
Production line renovation	-	0.7	1.9	0.3
Renovation of pump station	-	-	-	0.3
Other	0.2	0.1	0.0	0.1
Total	**0.2**	**0.8**	**2.2**	**0.7**

The Company is also planning to invest into the renovation of the pump station additionally EEK 0.74 million. The costs of the renovation will be covered through own funds of the Company.

Capital expenditures of the furniture production division for the years 2007 and 2008 are expected to remain in the region of EEK 3-4 million per year and will mostly be related to purchasing of production machinery and improvement of working conditions in the factory.

Apart from the above, the Company is not planning any significant investments with regard to the furniture production division in 2007-2008.

Furniture Retailing

Purchasing

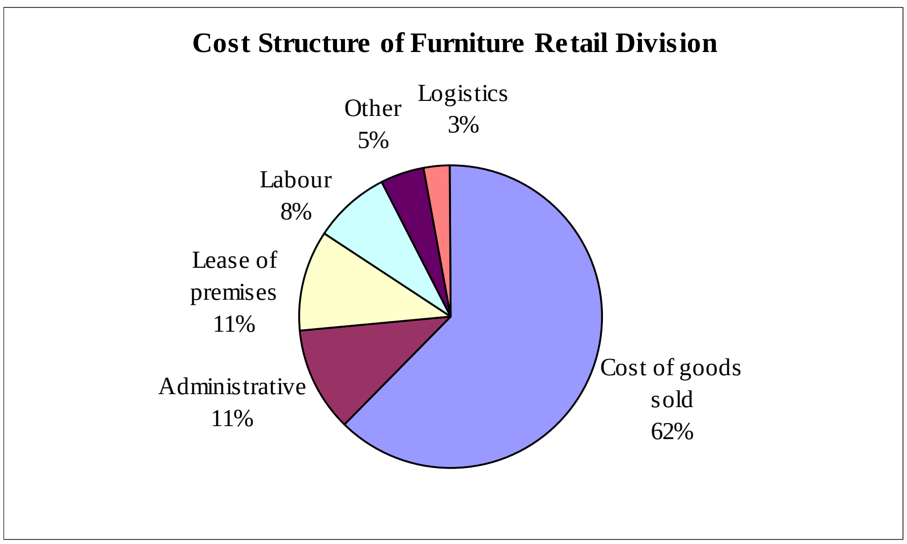
Skano purchases most of the goods sold on a chain-wide agreement with suppliers. The deliveries go directly from suppliers to the outlets and logistics is fully outsourced. The Company is the biggest supplier of Skano shops, supplying more than 80 per cent of all goods sold. This is expected to decline gradually but the Company will remain the biggest supplier of Skano shops also in 2007 and 2008.

Sales

The retail outlets of Skano operate in a boutique format with average shop size of 150-200 m^2. Except for one outlet situated in the head office building of the Company at Suur-Jõe 48, Pärnu, Estonia, the Group's retail outlets operate on rental premises (see "Business – Property, Plant and Equipment – Leased Property"). The outlets are situated in big shopping malls and the aim is to continue the expansion to new malls to be opened in near future in the target markets. Skano targets to open its next outlets mostly in regional cities of Ukraine, with a size of at least 500,000 inhabitants.

Divison cost structure

The breakdown of costs of the furniture retail division in the financial year 2006 was the following:



Cost of goods sold made up 62 per cent of divisional costs in 2006. In 2007 this is expected to decline, mostly due to other cost increases related to expansion.

Lease costs are expected to increase in 2007-2008 as the Group enters new markets where rental levels are higher.

Administrative and labour costs are expected to increase over the aggressive expansion period as the shops need to be fully staffed already before they are operating in full capacity.

Investments

Skano has not made any significant investments in its furniture retail activities and does not plan to invest significantly in fixed assets in coming periods either. Its new retail outlets will be operating exclusively on leased premises and most of the costs related to shop openings are expensed immediately.

Building Materials Production

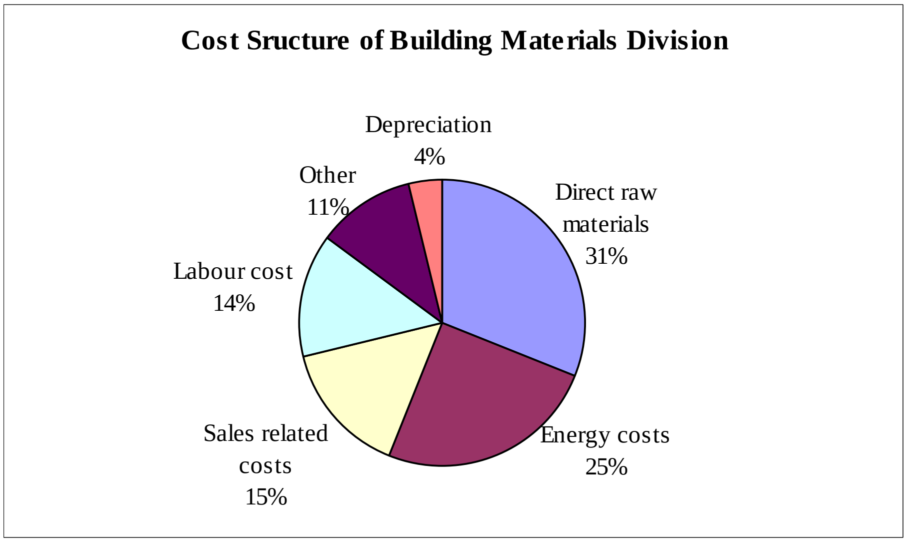
Production process

The main inputs to insulation soft-board production are wooden chips, steam and electricity. The principal production process in main line is straightforward: milled wood chips are sodden in basins, after which the mass is spread to layers and the water is gradually filtered out of the mass. At the later stage the boards are dried in the stream-heated ovens. In the last stage the boards are cut in appropriate size.

Isotex boards are further developed from insulation boards where the production input is insulation soft-board and where value is added by laminating the boards with cover (similar to wallpaper).

Division cost structure

The breakdown of costs of the building materials division in the financial year 2006 was the following:



The most significant costs related to production are direct material and energy costs, which together represented 56 per cent of all costs in the division in 2006.

Labor costs represented 14 per cent of total costs in the division in 2006. These costs are expected to grow in coming years but not to the extent to start seriously pressuring the margins, mostly due to the fact that most direct competitors (Polish and Lithuanian producers) operate in a similar environment and the cost increases are passed on to consumers to a large extent.

Sales related costs include commissions paid to re-sellers and agents. These costs are directly related to the Company's sales and are not expected to vary significantly in coming periods.

Investments

With respect to the building materials division AS Trigon Property Development has made investments in the sum of EEK 17.7 million since 1 January 2004 up to 30 June 2007. The following table represents the breakdown of investments for each financial year starting with 1 January 2004 up to 30 June 2007:

(un-audited) (EEK million)	**2004**	**2005**	**2006**	**2007 I half**
New Isotex line and building	-	-	-	9.7
Renovation of buildings	0.6	0.2	2.4	0.1

(un-audited) (EEK million)	2004	2005	2006	2007 I half
Production line renovation	1.9	1.5	0.6	0.5
Other	-	0.1	0.1	-
Total	**2.5**	**1.8**	**3.1**	**10.3**

The Company is going to invest into the Isotex line construction additionally EEK 2 million, which will be financed through the Company's own funds. The Isotex production line is expected to start operations already in September 2007.

Other investments in fixed assets are related to increasing the production efficiency as well as managing the risks, such as environmental and fire accident risks. The size of other investments in 2007 is expected to remain in the region of EEK 3 million, which will expectedly be financed through the Company's own funds.

For 2008, the Company foresees capital expenditures of EEK 3-4 million, which is expected to be spent mostly on production line renovation. The investment need may turn out to be larger, subject to results of the feasibility study of increasing the production capacity of the main line. Any such larger investments will be confirmed by the Supervisory Council.

With the exception of the above the Company is not planning any significant investments with regard to the building materials division in 2007-2008.

Employees

Overview

AS Trigon Property Development and its subsidiaries had 319 employees as of 30 June 2007, 337 employees as of 31 December 2006, 330 employees as of 31 December 2005 and 394 employees as of 31 December 2004. All the employment contracts of AS Trigon Property Development were transferred to the Company in the course of the Division.

The following table represents the breakdown of employees by main category of activity as of the specified dates:

	31 December 2004	31 December 2005	31 December 2006	30 June 2007
Furniture production division	299	239	239	218
Furniture retailing division	5	8	11	20
Building materials division	90	83	87	81

The following table represents the breakdown of employees by geographic location as of the specified dates:

	31 December 2004	31 December 2005	31 December 2006	30 June 2007
Estonia	394	327	334	307
Latvia	-	3	3	3
Lithuania	-	-	-	9

Most of employment contracts have been concluded for an indefinite term. As a rule the Group companies do not employ temporary employees.

Health and Safety

The Company employs its best efforts to ensure the safety of its employees at work by maintaining safety equipment and safe premises and by providing adequate instruction, training and supervision in the health and safety issues. However, due to the nature of the Company's activities mainly as a production enterprise, work related accidents still occur once in a while and the Company may at times be liable for damages caused thereby.

Shareholding and stock options

Apart from certain members of the Management (see "Management"), no employees of the Group hold any Shares or options over Shares in the Company or any of its subsidiaries.

Labour unions and collective agreements

Approximately 30 employees of the Company belong to a labour union.

A collective agreement was entered into by AS Trigon Property Development on 1 January 1996 with the term of one year. According to the Collective Agreement Act upon expiry of the term of a collective agreement, the parties are required to comply with the terms and conditions thereof until a new agreement is entered into, with the exception of the obligation to refrain from calling a strike or lock-out. Therefore the terms and conditions of the aforementioned agreement are still valid.

The collective agreement regulates, *inter alia*, salary conditions, working time, termination of employment contracts and work safety.

Although the prohibition on calling a strike is not in force due to expiry of the term of the collective agreement the actual risk related to potential strikes is not substantial. Pursuant to the Collective Labour Dispute Resolution Act only employees which are members to a labour union are entitled to call a strike. Since only approximately 30 employees of the Company are members to a labour union, negative effects to the Company of a potential strike would be limited.

Property, Plant and Equipment

Land ownership

The Company owns the following three real estates located in Pärnu, Estonia:

General data	Main encumbrances [1]	Situated on the land
Address: Suur-Jõe 48, Pärnu, Estonia Registry part No.: 1409705 Cadastre unit No.: 62511:162:5710 Area: 25,644 m²	1) a transferable personal right of use in favour of OÜ Ülejõe Soojusvõrk entitling the latter to build, own and operate heating pipelines on the real estate 2) a mortgage in the sum of EEK 10,000,000 in favour of AS Sampo Pank, with the mortgage interest of 10 per cent per annum and the accessory claims of EEK 1,500,000 3) a mortgage in the sum of EEK 19,500,000 in favour of AS Sampo Pank	main office of the Company, furniture store, production facilities of the furniture division, warehouses
Address: Rääma 31, Pärnu, Estonia Registry part No.: 1409605 Cadastre unit No.: 62506:042:0240 Area: 43,963 m²	1) a transferable personal right of use in favour of OÜ Ülejõe Soojusvõrk entitling the latter to build, own and operate heating pipelines on the real estate 2) a mortgage in the sum of EEK 10,000,000 in favour of AS Hansapank, with the mortgage interest of 12 per cent per annum and the accessory claims of	production facilities of the building materials division

General data	Main encumbrances [1]	Situated on the land
	EEK 1,000,000 3) a mortgage in the sum of EEK 15,000,000 in favour of AS Hansapank 4) a mortgage in the sum of EEK 20,000,000 in favour of AS Hansapank	
Address: Rääma 94, Pärnu, Estonia Registry part No.: 1403305 Cadastre unit No.: 62506:043:2810 Area: 25,343 m²	1) a transferable personal right of use in favour of OÜ Ülejõe Soojusvõrk entitling the latter to build, own and operate heating pipelines on the real estate 2) a personal right of use in favour of Fortum Termest AS entitling the latter to build and operate gas pipelines on the real estate 3) a joint mortgage in the sum of EEK 36,000,000 in favour of AS Hansapank [2]	heating facilities for the building materials division, wood chips storage area of the building materials division, warehouse for furniture production division, old Isotex production and storage complex of building materials division

[1] Encumbrances are not listed in the order of their priority in the Real Title Book.
[2] The Company intends to delete this mortgage and has started respective discussions with AS Hansapank.

Part of the land plot located at Rääma 31, Pärnu, accounting to approximately 20,000 m^2, is subject to real estate development by the Company with the assistance of AS Trigon Capital as the advisor (see “Business – Related Party Transactions”). On 9 April 2007 the City Government of Pärnu adopted a resolution on initiating the procedure for adopting the detailed plan of the Rääma street real estate development area. At the time being, the Company is conducting an architectural contest for finding the best solution for housing of the area. The results of the contest are expected to be known by October 2007.

Leased property

The Company and its subsidiaries lease various properties in Estonia, Latvia and Lithuania. Those leased properties that are material for the Company and its subsidiaries are described below.

Skano rents from AS Silikaat a total of 193 m² of furniture store space at Pärnu mnt 234/238, Tallinn, Estonia (shopping center *Järve*), pursuant to a lease agreement entered into on 3 October 2003. This lease is for an indefinite period and can be terminated by either party with three months prior notice.

Skano Latvia rents from SIA MKEE a total of 450 m² of commercial premises at Jaunmoku 13, Riga, Latvia (shopping center *Spice*), pursuant to a lease agreement entered into on 12 June 2007. These premises are still being built and it is expected that the rooms will be given into Skano Latvia’s use in October or November 2007. This lease expires on 1 November 2012.

Currently Skano Latvia rents also from Sopono Ltd. a total of 180 m² of commercial premises at Krasta 68a, Riga, Latvia, pursuant to a lease agreement entered into on 28 September 2005. Skano Latvia has submitted to the lessor a notice on unilateral termination of the agreement, pursuant to which the agreement shall be terminated as of 15 October 2007.

On 15 March 2007 Skano Lithuania has signed with UAB Neiseris three sublease agreements pursuant to which it rents commercial premises of 210 m² at Ozo g. 25, Vilnius, Lithuania (furniture store Renlena), 240 m² at Taikos pr. 64, Klaipeda, Lithuania (furniture store *Renlena*), and 200 m² at Islandijos pl. 32, Kaunas, Lithuania (furniture store *Renlena*). The agreements are entered into for a term of three years.

Skano Ukraine rents from OOO Perfekt-Limited a total of 200 m² of furniture store space at Geroev Truda st. 7, Harkov, Ukraine (shopping center *Karavan*), pursuant to a sub-lease agreement entered into on 22 May 2007. The agreement is entered into for a term of one year.

Buildings

The following table provides an overview of most significant buildings owned by the Company and used in the operations of the furniture production division:

Building type	Address	Built	Renovated	Area (m^2)
Office building	Suur-Jõe 48, Pärnu	1971	2000	1,838
Main production building	Suur-Jõe 48, Pärnu	1968	1990	12,915
Warehouse of material	Suur-Jõe 48, Pärnu	1978	-	1,584
Packaging building	Suur-Jõe 48, Pärnu	2001	-	707
Intermediary storage facility for saw material	Suur-Jõe 48, Pärnu	1997	-	304
Wood dryers	Suur-Jõe 48, Pärnu	1997	-	174
Pump station	-*	~1970	2007	60
Production building of wood panels	Suur-Jõe 48, Pärnu	1970	1997	3,892
Warehouse	Rääma 94, Pärnu	1976	-	1,060

* The pump station is located on the shore of River Pärnu, belonging either to the City of Pärnu or to the Republic of Estonia. The Company is planning to apply for a servitude or personal right of use to be established on this land so as to enable the Company to own the pump station on the land not belonging to it. Due to the height of the shore of River Pärnu the Company does not have a suitable location for the pump station on its own land. Inability to acquire a servitude or personal right of use may necessitate the relocation of the pump station. The pump station is crucial for the Company in order to meet the fire safety requirements.

The following table provides an overview of most significant buildings owned by the Company and used in the operations of the building materials division:

Building type	Address	Built	Renovated	Area (m^2)
Office building	Rääma 31, Pärnu	1961	-	812
Production building	Rääma 31, Pärnu	1961	-	5,511
Preparation building	Rääma 94, Pärnu	1962	-	513
Warehouse	Rääma 31, Pärnu	1991	-	271
Warehouse	Rääma 31, Pärnu	1981	-	501
Open storage place	Rääma 31, Pärnu	1981	-	400
Building of technical services	Rääma 31, Pärnu	1981	-	454
Pump station	Rääma 31, Pärnu	1968	-	80
Old production building for the Isotex line	Rääma 94, Pärnu	1992	1999	2,581
Office building	Rääma 31, Pärnu	1977	2006	2,656
Production building for the Isotex line	Rääma 31, Pärnu	1926	2007	4,500

Machinery and equipment

The Company's building materials and furniture production plants rely heavily on different machinery and equipment, whereas no significant machinery or equipment is used in furniture retail sales activities. The substantial part of machinery and equipment used by the Company has been acquired more than five years ago. The regular maintenance of the machinery is performed by the Company or respective specialists. Therefore, no need for any substantial replacement of equipment is expected to arise in the near future.

The following table provides an overview of most significant machinery and equipment used by the Company:

Machinery and equipment	Address	Built	Residual book value as of 30 June 2007 (EEK, ´000)
Furniture production division:			
Furniture production equipment	Suur-Jõe 48, Pärnu		5,414
Building materials division:			
Main production line for Isoplaat soft-boards	Rääma 31, Pärnu	1962	4,756
Old Isotex line	Rääma 31, Pärnu	1996	16
New Isotex line	Rääma 31, Pärnu	2007	518

Floating charge

The Company's movable assets are encumbered with a floating charge in favour of AS Hansapank in the collateral amount of EEK 35,000,000. The floating charge was transferred from AS Trigon Property Development to the Company in the course of the Division. The floating charge secures the Company's obligations arising from loan agreements concluded with the bank.

According to the Estonian Floating Charge Act, a floating charge extends to all movable property of the pledgor, except for the following:

- money in a cash register or credit institution; shares, stocks, investment fund shares, contributions in co-operatives or participation in other companies belonging to an undertaking; promissory notes or other loan documents accepted in common usage; or other securities;

- property on which another class of registered security over movables or the pledge may be established, property to which a mortgage established on the immovable before or after establishment of the floating charge extends or property on which a possessory pledge is established;

- property which, pursuant to law, cannot be subject to a claim for payment.

Intellectual Property

National trade marks

The Company owns six registered national trade marks in Estonia and has three trade mark registration applications pending in Estonia. No trade marks are registered for the subsidiaries of the Company and no applications are pending in this respect. The most important trade marks of the Company include the following: "Viisnurk", "Skano", "Isotex" and "Isoplaat". Trade marks "Plasvi" and "Maxxhockey" are not used by the Company.

The Company has registered the trade mark "Isotex" as a national trade mark in Finland and Sweden as well. Applications for registration of the aforementioned trade mark in the Russian Federation and Latvia have been submitted and are currently pending. In the course of the trade mark registration procedure in the Russian Federation it has been resolved that the applied trade mark is similar to an existing one. The Company is expected to submit its objections by December 2007.

International trade marks

An application for the international registration of the trade mark "Skano" has been filed under the Madrid Agreement Concerning the International Registration of Marks and the Protocol Relating Thereto with principal registration in Estonia applying for protection in Austria, Switzerland, Germany, Finland, France, United Kingdom, Latvia, Lithuania, Russian Federation, Sweden and Ukraine.

Based on the aforementioned application, protection has been granted as of the date of this Prospectus to the trade mark “Skano” in the United Kingdom and Sweden. The registration has been denied in Finland due to existence of a similar trade mark. The relevant resolution is currently being disputed (see “Business – Litigation and Governmental Proceedings”). The application is pending in the rest of the afore-mentioned countries.

License agreements

The Group has entered into several agreements for use of certain trade marks owned by third persons.

Among others, the Company uses the name “Björkkvist” for an antique furniture series produced pursuant to drawings of Boknäs Huonekalut Oy (see “Business – Material Contracts”) and distributed in Estonia, Latvia, Lithuania, Russia, Ukraine, Belorussia and other members to the former Soviet Union.

To the knowledge of the Company, the trade mark “Björkkvist” is currently registered only in the Russian Federation. The Company has in place an agreement for the use of the trade mark “Björkkvist” in the Russian Federation until 31 December 2009 (unless the agreement is terminated earlier by a six months’ notice). The Company is not planning to register the said trade mark to its own name in any jurisdiction. Instead, the Company will seek to reach license agreements with potential future owners of the described trade mark.

Domain names

The Group is currently using the following significant domain names: viisnurk.ee, isotex.ee, skano.ee, skano.lv, skano.lt, skano.de, skano.com and skano.ua.

Copyrights

Most service contracts entered into between the Group companies and their members of the management boards specify that the proprietary copyrights to work created by members of the management boards under service contracts belong to the respective Group company.

The employment contracts entered into by the Group companies and their employees do not as a rule regulate issues related to the ownership of the copyrights. Under the Estonian Copyright Act, the proprietary copyrights of employees belong to the employer when the work is created pursuant to an employment contract, unless otherwise specifically agreed.

Environmental Issues

Environmental restrictions

A varnishing line operated by the Company as a part of its furniture production activities constitutes a source of pollution producing volatile organic substances subject to restrictions deriving from the regulation of the Government of the Republic No. 14 of 7 September 2004. The restrictions set forth in this regulation will enter into force with regard to the Company on 31 October 2007. However, based on the amount of volatile organic substances currently emitted in the course of the production activities, the Company will not be able to comply with the applicable requirements. In order to comply with the emission quota, the Company needs to implement alternative production mechanisms enabling to decrease the amount of volatile organic substances emission.

Environmental permits

Due to its operations the Company is required to hold certain environmental permits. An integrated environmental permit No. L.KKL.PM-31834 has been granted to the building materials division of AS Trigon Property Development and an integrated environmental permit No. L.KKL.PM-27692 has been granted to the furniture production division of AS Trigon Property Development. The relevant permits have been transferred to the Company in the course of the Division.

Potential dangers to the environment

A fuel oil pollution may have occurred on the Company's real estate located at Rääma 94, Pärnu, where fuel oil storage facilities used to be placed. Although facilities have been removed, the Company cannot exclude the possibility that some of the fuel oil has leaked into the soil. If this is the case the Company may have to remove the pollution on its own expense and to compensate any damage caused thereby.

Material Contracts

Significant part of the production of the Company's furniture division is sold under the Purchase and Co-operation Agreement concluded with Boknäs Huonekalut Oy on 26 June 2003. Under this agreement the Company produces for Boknäs Huonekalut Oy furniture which is sold by Boknäs Huonekalut Oy under the brand Boknäs. The agreement also grants the Company the right to produce furniture pursuant to drawings of Boknäs Huonekalut Oy and sell such furniture in Estonia, Latvia, Lithuania, Russia, Ukraine, Belorussia and other member states of the former Soviet Union. The Company sells such furniture under the name "Björkkvist" (see also "Business – Intellectual Property – License Agreements"). The agreement is entered into for a term of ten years but can be prematurely terminated by either party by a three years' prior notice.

See "Business – Related Party Transactions" for information on the Development Management Services Agreement between the Company and AS Trigon Capital.

See "Management's Discussion and Analysis of the Group's Financial Condition and Results of Operation – Liquidity and Capital Resources" for information on the loan and financing agreements entered into by the Group.

Litigation and Governmental Proceedings

As a result of an inspection conducted by the Western Estonian Rescue Center certain non-compliances with fire safety requirements have been discovered in which respect AS Trigon Property Development was issued a precept dated 22 May 2006. From several obligations imposed by the precept the following two have not yet been met:

- an obligation to reconstruct a fire pump station; and
- an obligation to install a lightning protection device and secure its maintenance.

The Company has entered into contracts for ordering necessary works to comply with these requirements and expects the works in regard to the reconstruction of the fire pump station to be finished by October this year.

The Company is also a party to a dispute over the registration of the international trade mark "Skano" in the Republic of Finland (see "Business – Intellectual Property – International Trade Marks"). On 29 August 2005 AS Trigon Property Development submitted an appeal with regard to the resolution of the Patent Office of Finland pursuant to which the registration of the trade mark "Skano" has been denied to AS Trigon Property Development. The proceedings are currently pending.

With the exception of the above neither the Company nor any subsidiaries thereof have been during the 12 months preceding the date of this Prospectus and are not currently involved in any governmental, legal or arbitration proceedings which may have or have had a material adverse effect on the Group's financial condition or profitability**.**

Related Party Transactions

The Company and its subsidiaries are parties to certain agreements with related parties. The most relevant and material of the recent and on-going agreements (excluding intra-group related party transactions) are the following:

- Share purchase agreement between Skano and Andres Kivistik, a member of the Management Board of the Company, dated 27 April 2007 regarding the acquisition by Skano from Andres Kivistik of 100 per cent of the shares of Skano Lithuania for an aggregate consideration of LTL 10,000. This transaction has been closed, the shares have been transferred and Skano has paid the purchase price in full.

- Development Management Services Agreement between AS Trigon Capital and AS Trigon Property Development dated 30 November 2006 regarding management services to be rendered exclusively by AS Trigon Capital to AS Trigon Property Development with respect to development of part of the real estate at Rääma 31, Pärnu (see "Business – Property, Plant and Equiment – Land Ownership"). AS Trigon Capital is a company controlled by Joakim Johan Helenius, a member of the Supervisory Council of the Company. AS Trigon Capital is also a silent partner of TDI Investments Ky, the parent company of the Company's parent company OÜ Trigon Wood and the parent company of TC Capital Oy, the general partner of TDI Investments Ky (see "Company, Share Capital and Ownership Structure – Controlling Shareholder"). Additionally, a member of the Supervisory Council of the Company Ülo Adamson serves as a member of the management board of AS Trigon Capital and Joakim Johan Helenius serves as a member of the supervisory council of AS Trigon Capital. Under the agreement AS Trigon Capital has been paid a management fee in the aggregate sum of EUR 20,000 (plus VAT) and shall additionally be paid a success fee which shall be 20 per cent of the difference between net proceeds of the land plot and the base value of the land plot to which an annual linear hurdle rate of six per cent is added. The development of the real estate has not yet been finalized and the success fee has not been paid to AS Trigon Capital. This agreement was transferred from AS Trigon Property Development to the Company in the course of the Division.

The Company and its subsidiaries have also executed several intra-group transactions, such as loan agreements. For additional information regarding related party transactions concerning the Enterprise transferred from AS Trigon Property Development to the Company in the course of the Division, see Note 27 to the financial statements of AS Trigon Property Development for the financial year ended on 31 December 2006, Note 24 to the financial statements of AS Trigon Property Development for the financial year ended on 31 December 2005 and Note 24 to the financial statements of AS Trigon Property Development for the financial year ended on 31 December 2004.

Management believes that all of the above agreements have been entered into at an arms length basis.

SELECTED FINANCIAL DATA

As the Company was established only recently and therefore lacks historical financial information, the following tables set forth certain selected financial data in regard to AS Trigon Property Development – the company from which the Company acquired the Enterprise. For the effects of the Division on the financial information, see the un-audited pro forma financial information included elsewhere in this Prospectus.

The selected financial data of AS Trigon Property Development is given as at the end of and for each of the three financial years ended 31 December 2004, 2005 and 2006, and as at the end of and for each of the six months ended 30 June 2006 and 2007. Results for interim periods are not necessarily indicative of results for the full financial year. The financial information as at and for the years ended 31 December 2004, 2005 and 2006 has been derived from the audited consolidated financial statements for the respective financial years. The financial information as at and for the six months ended 30 June 2006 and 2007 has been derived from the un-audited condensed consolidated interim financial information for the respective six months' periods. The annual consolidated financial statements for the years ended 31 December 2004, 2005 and 2006 and the consolidated condensed interim financial information for the six months ended 30 June 2006 and 2007 have been prepared in accordance with IFRS. The selected financial data set forth below should be read in conjunction with "Management's Discussion and Analysis of the Group's Financial Condition and Results of Operations" and the financial statements including Notes thereto included elsewhere in this Prospectus.

The ratios and indicators set forth in the table below are provided to illustrate certain aspects of the business and financial performance of AS Trigon Property Development. Certain of these ratios and indicators are used by the Management to evaluate the performance of AS Trigon Property Development, while others are provided for the benefit of investors holding the Shares. Although certain of these ratios and indicators are not IFRS defined measures of performance, the Company believes that the ratios and indicators set forth below are customary and often used by public companies to illustrate their business and financial performance.

	Year ended 31 December			**Six months ended 30 June (un-audited)**	
Profit or loss account data (EEK, ´000)	**2004**	**2005**	**2006**	**2006**	**2007**
REVENUE	347,544	218,710	227,404	109,209	129,673
Cost of goods sold	(327,356)	(180,840)	(184,526)	(92,023)	(100,999)
Gross profit	20,188	37,870	42,878	17,186	28,674
Distribution costs	(22,778)	(20,473)	(21,258)	(9,918)	(14,674)
Administrative expenses	(8,729)	(6,232)	(5,414)	(833)	(1,320)
Other operating income	4,617	2,722	526	299	118
Other operating expenses	(4,878)	(1,046)	(932)	(299)	(243)
Operating profit	(11,580)	12,840	15,800	6,435	12,555
Net financial expenses	(4,805)	(3,322)	(2,575)	(1,254)	(1,256)
PROFIT BEFORE TAX	(16,385)	9,518	13,225	5,181	11,299
Corporate income tax	0	0	(438)	(438)	(475)
NET PROFIT	(16,385)	9,518	12,787	4,743	10,824

	As at 31 December			**As at 30 June (un-audited)**	
Balance sheet data (EEK, ´000)	**2004**	**2005**	**2006**	**2006**	**2007**
Cash and bank	3,869	5,553	13,138	4,002	10,720
Financial assets at fair value through profit or loss	0	6,785	0	0	0
Receivables and prepayments	30,306	25,750	26,628	28,965	30,188
Inventories	40,420	42,160	44,971	48,531	46,008
Tangible fixed assets for sell	50,943	0	0	0	0
Total current assets	**125,538**	**80,248**	**84,737**	**81,498**	**86,916**
Investment property	15,636	15,521	10,295	15,521	10,270
Property, plant and equipment	64,466	58,235	57,535	55,131	62,582

Balance sheet data (EEK, ´000)	As at 31 December 2004	2005	2006	As at 30 June (un-audited) 2006	2007
Intangible assets	2,885	1,818	650	1,342	382
Total non-current assets	**82,987**	**75,574**	**68,480**	**71,994**	**73,234**
TOTAL ASSETS	**208,525**	**155,822**	**153,217**	**153,492**	**160,150**
Borrowings	76,061	8,909	19,409	4,455	4,276
Payables and prepayments	44,384	32,354	30,231	34,013	27,559
Short-term provisions	937	176	221	82	94
Total current liabilities	**121,382**	**41,439**	**49,861**	**38,550**	**31,929**
Long-term borrowings	30,279	47,920	28,511	47,920	47,939
Long-term provisions	860	3,268	3,047	3,268	3,047
Total non-current liabilities	**31,139**	**51,188**	**31,558**	**51,188**	**50,986**
TOTAL LIABILITIES	**152,521**	**92,627**	**81,419**	**89,738**	**82,915**
Share capital at nominal value	44,990	44,990	44,990	44,990	44,990
Share premium	11,332	11,332	11,332	11,332	11,332
Statutory reserve capital	4,499	4,499	4,499	4,499	4,499
Currency translation reserve	0	0	0	0	12
Retained earnings	11,568	(7,144)	(1,810)	(1,810)	5,578
Net profit for financial period	(16,385)	9,518	12,787	4,743	10,824
Total equity	**56,004**	**63,195**	**71,798**	**63,754**	**77,235**
TOTAL LIABILITIES AND EQUITY	**208,525**	**155,822**	**153,217**	**153,492**	**160,150**

Cash flow data (EEK, ´000)	Year ended 31 December 2004	2005	2006	Six months ended 30 June (un-audited) 2006	2007
Net cash generated from operating activities	20,207	20,405	17,464	2,068	8,180
Net cash generated from investing activities	16,351	30,789	3,215	5,021	(9,507)
Net cash used in financing activities	(33,830)	(49,511)	(13,093)	(8,639)	(1,103)

Ratios and indicators	Year ended 31 December (un-audited) 2004	2005	2006	Six months ended 30 June (un-audited) 2006	2007
Number of shares	4,499,061	4,499,061	4,499,061	4,499,061	4,499,061
Earnings per share (EPS), EEK	(3.64)	2.12	2.84	1.05	2.41
EBITDA EEK, ´000	6,167	24,402	26,396	11,842	17,311
EBITDA margin, %	1.8%	11.2%	11.6%	10.8%	13.3%
Operating profit margin, %	(3.3%)	5.9%	6.9%	5.9%	9.7%
Return on assets (ROA), %	(7.9%)	6.1%	8.3%	3.1%	6.8%
Return on equity (ROE), %	(29.3%)	15.1%	17.8%	7.4%	14.0%

Calculation of Financial Ratios

1) EBITDA	Earnings before interest, taxes, depreciation and amortization. EBITDA is included here as a supplemental item, because we believe that EBITDA, when considered in connection with cash flows from operating, investing and financing activities, may provide useful information. EBITDA is not a measure of operating performance calculated in accordance with IFRS and should not be considered as a substitute for operating profit, net income, cash flow from operations or other profit or loss or cash flow data determined in accordance with IFRS. EBITDA might not be comparable with similar ratios published by other companies.
2) EBITDA margin	EBITDA / Revenue. EBITDA margin measures the relationship between different measures of profitability and revenue providing information about a company's profitability from the operations of its business and are independent of the company's financing and tax position and depreciation related estimate.
3) Operating profit margin	Operating profit / Revenue. Operating profit margin measures the relationship between different measures of profitability and revenue providing information about a company's profitability from the operations of its business and are independent of both the company's financing and tax position.
4) Return on assets (ROA)	Net profit / Total assets. Return on assets compares income with total assets (i) measuring management's ability and efficiency in using the firm's assets to generate profits and (ii) reporting the total return accruing to all providers of capital (debt and equity), independent of the source of capital.
5) Return on equity (ROE)	Net profit / Shareholders' equity. Return on equity excludes debt in the denominator and uses either pre-tax income or net income.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE GROUP'S FINANCIAL CONDITION AND RESULTS OF OPERATIONS

As the Company was established only recently and therefore lacks historical financial information, the following discussion is based on the financial information of AS Trigon Property Development, the company from whom the Company acquired the Enterprise. For the effects of the Division on the financial information of AS Trigon Property Development, see the un-audited pro forma financial information included elsewhere in this Prospectus.

The following discussion should be read in conjunction with the financial statements of AS Trigon Property Development, including the notes thereto, and the un-audited pro forma financial information included elsewhere in this Prospectus. The financial information for the years ended 31 December 2004, 2005 and 2006 and the financial information for the six months ended 30 June 2007 were prepared in accordance with IFRS.

Results of Operations

AS Trigon Property Development in general

The following table presents a general overview of the financial information of AS Trigon Property Development for the periods indicated:

(EEK, ´000)	**2004**	**2005**	**2006**	**2006 I half (un-audited)**	**2007 I half (un-audited)**
Income statement					
Revenue	347,544	218,710	227,404	109,209	129,673
Operating profit/loss	(11,579)	12,840	15,800	6,435	12,555
Operating margin	(3.3%)	5.9%	6.9%	5.9%	9.7%
Net profit/loss	(16,385)	9,518	12,787	4,743	10,824
Net margin	(4.7%)	4.4%	5.6%	4.3%	8.4%
Balance sheet					
Total assets	208,525	155,822	153,217	153,493	160,150
Return on assets	(7.9%)	6.1%	8.3%	3.1%	6.8%
Equity	56,004	63,195	71,798	63,755	77,236
Return on equity	(29.3%)	15.1%	17.8%	7.4%	14.0%
Debt ratio	73%	59%	53%	58%	52%

These figures take also into account revenues and costs related to assets of AS Trigon Property Development that were not transferred to the Company in the course of the Division. For more information on such revenues and costs, see the un-audited pro forma financial information included elsewhere in this Prospectus.

No significant change in the financial or trading position of AS Trigon Property Development has occurred since 30 June 2007 (except for the Division).

Six months ended 30 June 2007 compared to six months ended 30 June 2006

The revenue of AS Trigon Property Development for the six months ended 30 June 2007 was EEK 129.7 million (EEK 109.2 million during the same period in 2006) and the net profit amounted to EEK 10.8 million (EEK 4.7 million during the same period in 2006). As of 30 June 2007, the total assets of AS Trigon Property Development amounted to EEK 160.2 million (as of 30 June 2006: EEK 153.5 million). The liabilities of AS Trigon Property Development accounted for 52 per cent of total assets thereof (as of 30 June 2006: 58 per cent), i.e. EEK 82.9 million (as of 30 June 2006: EEK 89.7 million).

The revenue of the furniture division (including the retailing operations) in the six months ended 30 June 2007 amounted to EEK 67.9 million (EEK 65.2 million during the same period in 2006) and the profit amounted to EEK 3.7 million (EEK 2.3 million during the same period in 2006).

The revenue of the building materials division in the six months ended 30 June 2007 amounted to EEK 61.7 million (EEK 44.0 million during the same period in 2006) and the profit amounted to EEK 10.1 million (EEK 5.0 million during the same period in 2006).

The profit of the divisions does not reflect the general administrative costs of the company in the amount of EEK 1.3 million (EEK 833 thousand during the same period in 2006) and the financial expenses of EEK 1.3 million (EEK 1.3 million during the same period in 2006) that have been recorded in the report of business segments as unallocated expenses.

In the first half of 2007 dividends were distributed in the amount of EEK 5.4 million, i.e. EEK 1.20 per share. Corresponding income tax expense amounted to EEK 475 thousand. In 2006, dividends were distributed in the amount of EEK 4.2 million, i.e. EEK 0.93 per share. Corresponding income tax expense amounted to EEK 438 thousand.

Year ended 31 December 2006 compared to year ended 31 December 2005

In 2006, the revenue of AS Trigon Property Development totalled EEK 227.4 million and in 2005, EEK 218.7 million.

In 2006, the net profit of AS Trigon Property Development amounted to EEK 12.8 million. As a comparison, the net profit in 2005 totalled EEK 9.5 million.

As at 31 December 2006, the total assets of AS Trigon Property Development amounted to EEK 153.2 million, decreasing by EEK 2.6 million as compared with 31 December 2005. As at 31 December 2006, the liabilities of AS Trigon Property Development totalled EEK 81.4 million, decreasing by EEK 11.2 million as compared with 31 December 2005, and the debt ratio of AS Trigon Property Development decreased to 53 per cent (as of 31 December 2005: 59 per cent).

Year ended 31 December 2005 compared to year ended 31 December 2004

In 2005, the revenue of AS Trigon Property Development totalled EEK 218.7 million and in 2004, EEK 347.5 million. In 2005, the revenue of discontinued operations and other totalled EEK 0.2 million, but in 2004, EEK 94.9 million.

In 2005, the net profit of AS Trigon Property Development amounted to EEK 9.5 million. As a comparison, the net loss in 2004 totalled EEK 16.4 million. The net loss for 2004 was a result of closing down wood division and sport goods division.

As at 31 December 2005, the total assets of AS Trigon Property Development amounted to EEK 153.2 million. The total assets decreased by EEK 52.7 million, as compared with 31 December 2004. As at 31 December 2005, the liabilities of AS Trigon Property Development totalled EEK 92.6 million, decreasing by EEK 59.9 million as compared with 31 December 2004, and the debt ratio of AS Trigon Property Development decreased to 59 per cent (as of 31 December 2004: 73 per cent).

Segment analysis

	REVENUE				
(EEK, ´000)	**2004**	**2005**	**2006**	**2006 I half (un-audited)**	**2007 I half (un-audited)**
Furniture division	156,537	122,105	132,823	65,231	67,941
Incl. retail division	*4,381*	*7,264*	*11,348*	*4,780*	*8,858*
Building materials division	96,076	96,443	94,581	43,978	61,732

(EEK, ´000)	REVENUE 2004	2005	2006	2006 I half (un-audited)	2007 I half (un-audited)
Discontinued operations and other	94,931	162	0	0	0
TOTAL	347,544	218,710	227,404	109,209	129,673

The figures shown in the table above take into account also revenues and costs related to assets of AS Trigon Property Development that were not transferred to the Company in the course of the Division.

(EEK, ´000)	OPERATING PROFIT 2004	2005	2006	2006 I half (un-audited)	2007 I half (un-audited)
Furniture division	2,938	4,817	9,540	2,309	3,730
Incl. retail division	*905*	*1,100*	*901*	*591*	*(773)*
Building materials division	18,565	13,910	11,674	4,959	10,145
Discontinued operations and other	(24,354)	345	0	0	0
TOTAL	(2,851)	19,072	21,214	7,268	13,875
General overhead	(8,729)	(6,232)	(5,414)	(833)	(1,320)
OPERATING PROFIT	(11,580)	12,840	15,800	6,435	12,555
Financial income/expenses	(4,805)	(3,322)	(2,575)	(1,254)	(1,256)
PROFIT BEFORE TAX	(16,385)	9,518	13,225	(5,181)	11,299
Corporate income tax	0	0	(438)	(438)	(475)
NET PROFIT	(16,385)	9,518	12,787	4,743	10,824

The figures shown in the table above take into account also revenues and costs related to assets of AS Trigon Property Development that were not transferred to the Company in the course of the Division.

	Furniture division		*Incl. retail division*		Building materials division		GROUP TOTAL	
(un-audited) (EEK, ´000)	**2007 I half**	**2006 I half**	***2007 I half***	***2006 I half***	**2007 I half**	**2006 I half**	**2007 I half**	**2006 I half**
Total revenue	67,941	65,231	*8,858*	*4,780*	61,732	43,978	129,673	109,209
Total cost of goods sold	(57,008)	(58,613)	*(4,828)*	*(2,677)*	(43,991)	(33,410)	(100,999)	(92,023)
Gross profit	10,933	6,618	*4,030*	*2,103*	17,741	10,568	28,674	17,186
Distribution costs	(7,159)	(4,514)	*(4,800)*	*(1,509)*	(7,515)	(5,404)	(14,674)	(9,918)
Other operating income	117	294	*1*	*0*	1	5	118	299
Other operating expenses	(161)	(89)	*(4)*	*(3)*	(82)	(210)	(243)	(299)
Segment results of operations	3,730	2,309	*(773)*	*591*	10,145	4,959	13,875	7,268
General overhead							(1,320)	(833)
Operating profit							**12,555**	**6,435**
Net financial expenses							(1,256)	(1,254)
Profit before tax							**11,299**	**5,181**
Corporate income tax							(475)	(438)
Net profit for the financial year							**10,824**	**4,743**

The figures shown in the table above take into account also revenues and costs related to assets of AS Trigon Property Development that were not transferred to the Company in the course of the Division.

Year ended 31 December 2006 (EEK, ´000)	Furniture division	*Incl. retail division*	Building materials division	Discontinued operations and others	Elimina-tions	GROUP TOTAL
External revenue	132,823	*11,348*	94,581	0	0	**227,404**
Inter-segmental revenue	0	*0*	0	0	0	0
Total revenue	132,823	*11,348*	94,581	0	0	227,404
Cost of goods sold	(113,582)	*(6,509)*	(70,944)	0	0	(184,526)
Inter-segmental cost of goods sold	0	*0*	0	0	0	0
Total cost of goods sold	(113,582)	*(6,509)*	(70,944)	0	0	(184,526)
Gross profit	19,241	*4,839*	23,637	0	0	42,878

Year ended 31 December 2006 (EEK, ´000)	**Furniture division**	***Incl. retail division***	**Building materials division**	**Discontinued operations and others**	**Elimina-tions**	**GROUP TOTAL**
Distribution costs	(9,871)	*(3,928)*	(11,387)	0	0	(21,258)
Other operating income	459	*1*	67	0	0	526
Other operating expenses	(289)	*(11)*	(643)	0	0	(932)
Segment results of operations	9,540	*901*	11,674	0	0	21,214
General overhead						(5,414)
Operating profit						**15,800**
Net financial expenses						(2,575)
Profit before tax						**13,225**
Corporate income tax						438
Net profit for the financial year						**12,787**

The figures shown in the table above take into account also revenues and costs related to assets of AS Trigon Property Development that were not transferred to the Company in the course of the Division.

Year ended 31 December 2005 (EEK, ´000)	**Furniture division**	***Incl. retail division***	**Building materials division**	**Discontinued operations and others**	**Elimina-tions**	**GROUP TOTAL**
External revenue	122,105	*7,264*	96,443	162	0	**218,710**
Inter-segmental revenue	0	*0*	86	0	(86)	0
Total revenue	122,105	*7,264*	96,529	162	(86)	218,710
Cost of goods sold	(109,962)	*(4,358)*	(70,133)	(745)	0	(180,840)
Inter-segmental cost of goods sold	0	*0*	(86)	0	86	0
Total cost of goods sold	(109,962)	*(4,358)*	(70,219)	(745)	86	(180,840)
Gross profit	12,143	*2,906*	26,310	(583)	0	37,870
Distribution costs	(8,439)	*(1,806)*	(12,034)	0	0	(20,473)
Other operating income	1,427	*1*	223	1,072	0	2,722
Other operating expenses	(314)	*(1)*	(589)	(143)	0	(1,046)
Segment results of operations	4,817	*1,100*	13,910	345	0	19,072
General overhead						(6,232)
Operating profit						**12,840**
Net financial expenses						(3,322)
Profit before tax						**9,518**
Corporate income tax						**0**
Net profit for the financial year						**9,518**

The figures shown in the table above take into account also revenues and costs related to assets of AS Trigon Property Development that were not transferred to the Company in the course of the Division.

Year ended 31 December 2004 (EEK, ´000)	**Furniture division**	***Incl. retail division***	**Building materials division**	**Discontinued operations and others**	**Elimina-tions**	**GROUP TOTAL**
External revenue	156,537	4,381	96,076	94,931	0	**347,544**
Inter-segmental revenue	178	*0*	146	13,009	(13,333)	0
Total revenue	156,715	*4,381*	96,222	107,940	(13,333)	347,544
Cost of goods sold	(145,353)	*(2,450)*	(67,502)	(114,501)	0	(327,356)
Inter-segmental cost of goods sold	(178)	*0*	(146)	(13,009)	13,333	0
Total cost of goods sold	(145,531)	*(2,450)*	(67,648)	(127,510)	13,333	(327,356)
Gross profit	11,184	*1,931*	28,574	(19,570)	0	20,188
Distribution costs	(7,748)	*(1,026)*	(9,874)	(5,156)	0	(22,778)
Other operating income	107	*0*	11	4,499	0	4,617
Other operating expenses	(605)	*0*	(146)	(4,127)	0	(4,878)
Segment results of operations	2,938	*905*	18,565	(24,354)	0	(2,851)
General overhead						(8,729)
Operating profit						**(11,580)**

Year ended 31 December 2004 (EEK, ´000)	Furniture division	*Incl. retail division*	Building materials division	Discontinued operations and others	Elimina-tions	GROUP TOTAL
Net financial expenses						(4,805)
Profit before tax						**(16,385)**
Corporate income tax						**0**
Net profit for the financial year						**(16,385)**

The figures shown in the table above take into account also revenues and costs related to assets of AS Trigon Property Development that were not transferred to the Company in the course of the Division. For information on assets and liabilities not transferred to the Company, see the un-audited pro forma financial information included elsewhere in this Prospectus.

The following tables specify the division of assets and liabilities of AS Trigon Property Development between its different business units and show also the assets that were not transferred to the Company in the course of the Division:

Balance sheet data as of 30 June 2007 (un-audited) (EEK, ´000)	Furniture division	*Incl. retail division*	Building materials division	GROUP TOTAL	*Incl. assets not transferred to the Company*
Cash and bank	3,920	*1,793*	6,800	10,720	*800*
Receivables and prepayments	13,151	*2,232*	17,036	30,188	*0*
Inventories	38,489	*3,114*	7,519	46,008	*0*
Tangible fixed assets for sell	0	*0*	0	0	*0*
Total Current assets	**55,560**	***7,139***	**31,355**	**86,916**	***800***
Property, plant and equipment	29,200	*339*	33,382	62,583	*789*
Intangible assets	382	*10*	0	382	*0*
Segment assets	**85,142**	***7,488***	**64,737**	**149,880**	***1,589***
Assets unrelated to divisions				10,270	*7,392*
Total assets				**160,150**	***8,981***
Payables and prepayments	17,853	*1,849*	9,706	27,559	
Liabilities unrelated to divisions				55,356	
Total liabilities				**82,915**	
Total equity				**77,235**	
Total liabilities and equity				**160,150**	

Balance sheet data as of 30 June 2006 (un-audited) (EEK, ´000)	Furniture division	*Incl. retail division*	Building materials division	GROUP TOTAL	*Incl. assets not transferred to the Company*
Cash and bank	2,584	*1,566*	1,418	4,002	*800*
Receivables and prepayments	13,671	*462*	15,294	28,965	*0*
Inventories	38,902	*908*	9,629	48,531	*0*
Tangible fixed assets for sell	0	*0*	0	0	*0*
Total Current assets	**55,157**	***2,936***	**26,341**	**81,498**	***800***
Property, plant and equipment	33,308	*99*	21,823	55,131	*842*
Intangible assets	1,342	*13*	0	1,342	*0*
Segment assets	**89,807**	***3,048***	**48,164**	**137,971**	***1,642***
Assets unrelated to divisions				15,521	*7,392*
Total assets				**153,492**	***9,034***
Payables and prepayments	24,851	*334*	9,162	34,013	
Liabilities unrelated to divisions				55,725	
Total liabilities				**89,738**	
Total equity				**63,754**	
Total liabilities and equity				**153,492**	

Balance sheet data as of 31 December 2006 (EEK, ´000)	**Furniture division**	***Incl. retail division***	**Building materials division**	**Discontinued operations**	**GROUP TOTAL**	***Incl. assets not transferred to the Company (un-audited)***
Cash and bank	6,979	*2,802*	6,159	0	13,138	*800*
Receivables and prepayments	9,273	*839*	17,355	0	26,628	*0*
Inventories	35,637	*995*	9,334	0	44,971	*0*
Tangible fixed assets for sell	0	*0*	0	0	0	*0*
Total Current assets	**51,889**	***4,636***	**32,848**	**0**	84,737	***800***
Property, plant and equipment	31,289	*155*	26,246	0	57,535	*815*
Intangible assets	650	*12*	0	0	650	*0*
Segment assets	**83,828**	***4,803***	**59,094**	**0**	142,922	***1,615***
Assets unrelated to divisions					10,295	*7,392*
Total assets					153,217	***9,007***
Payables and prepayments	20,211	1,078	10,020	0	30,231	
Liabilities unrelated to divisions					51,188	
Total liabilities					81,419	
Total equity					71,798	
Total liabilities and equity					153,217	

Balance sheet data as of 31 December 2005 (EEK, ´000)	**Furniture division**	***Incl. retail division***	**Building materials division**	**Discontinued operations**	**GROUP TOTAL**	***Incl. assets not transferred to the Company (un-audited)***
Cash and bank	2,908	*1,311*	2,434	211	5,553	*800*
Receivables and prepayments	13,610	*461*	11,237	902	25,749	*0*
Inventories	32,785	*852*	9,375	0	42,160	*0*
Tangible fixed assets for sell	0	*0*	0	0	0	*0*
Total Current assets	49,303	*2,624*	23,046	1,113	73,462	*800*
Property, plant and equipment	35,147	*121*	23,088	0	58,235	*868*
Intangible assets	1,818	*2*	0	0	1,818	*0*
Segment assets	86,268	*2,747*	46,134	1,113	133,515	*1,668*
Assets unrelated to divisions					22,307	*7,392*
Total assets					155,822	*9,060*
Payables and prepayments	24,518	386	7,813	23	32,354	
Liabilities unrelated to divisions					60,273	
Total liabilities					92,627	
Total equity					63,195	
Total liabilities and equity					155,822	

Balance sheet data as of 31 December 2004 (EEK, ´000)	**Furniture division**	***Incl. retail division***	**Building materials division**	**Discontinued operations**	**GROUP TOTAL**	***Incl. assets not transferred to the Company (un-audited)***
Cash and bank	2,816	*758*	830	223	3,869	*800*
Receivables and prepayments	14,454	*(14)*	10,596	5,256	30,306	*0*
Inventories	29,862	*337*	10,516	42	40,420	*0*
Tangible fixed assets for sell	0	*0*	0	50,943	50,943	*0*
Total Current assets	47,132	*1,081*	21,942	56,464	125,538	*800*
Property, plant and equipment	37,662	*88*	23,516	3,288	64,466	*921*
Intangible assets	2,386	*0*	0	499	2,885	*0*
Segment assets	87,180	*1,169*	45,457	60,251	192,889	*1,721*
Assets unrelated to divisions					15,637	*7,392*
Total assets					208,526	*9,113*
Payables and prepayments	22,213	*197*	8,120	14,052	44,385	
Liabilities unrelated to divisions					108,137	

Balance sheet data as of 31 December 2004 (EEK, ´000)	Furniture division	*Incl. retail division*	Building materials division	Discontinued operations	GROUP TOTAL	*Incl. assets not transferred to the Company (un-audited)*
Total liabilities					152,522	
Total equity					56,004	
Total liabilities and equity					208,526	

Furniture Production and Retail Divisions

Six months ended 30 June 2007 compared to six months ended 30 June 2006

The aggregate revenue of the furniture production and retail divisions for the six months ended 30 June 2007 was EEK 67.9 million (EEK 65.2 million during the same period in 2006) and the net profit of these divisions amounted to EEK 3.7 million (EEK 2.3 million during the same period in 2006).

The assets of these divisions decreased by 5.5 per cent, from EEK 89.8 million as of 30 June 2006 to EEK 85.1 million as of 30 June 2007. Cash reserve grew by EEK 1.3 million as compared to the previous year. Receivables and prepayments decreased by EEK 0.5 million as compared to the previous year. Decrease of inventories amounted to EEK 0.4 million (one per cent), as compared to the previous year. Amount of property, plant and equipment decreased by EEK 4.1 million.

The revenue of the furniture production and retail divisions in main target markets Finland and Russia for the six months ended 30 June 2007 has been as projected and has increased considerably as compared with the same period in 2006. The divisions have increased the share of revenue of higher margin birch-wood furniture up to 94 per cent in the accounting period (90 per cent during the same period in 2006). Thus, the share of pine-wood furniture was six per cent (10 per cent during the same period in 2006) and the market demand in the respective sector is decreasing. The Company intends to further increase the share of birch-wood furniture.

Among potential markets the divisions see an opportunity to increase revenue in Eastern and Central Europe.

The revenue from the retail business shows a rising tendency. During six months ended 30 June 2007 the retail sale has increased by 85 per cent as compared to the same period in 2006.

In May 2007 three new stores were opened in Lithuania – in Vilnius, Kaunas and Klaipeda.

In August 2007 one new store was opened in Ukraine – in Kharkov.

Year ended 31 December 2006 compared to year ended 31 December 2005

In 2006, the furniture production and retail divisions’ revenue totalled EEK 132.8 million and the net profit totalled EEK 9.5 million. In 2005, the respective figures were EEK 122.1 million and EEK 4.7 million. As compared with the previous year, the divisions’ profit margin increased by 3.3 per cent.

The furniture production division’s main markets continued to be Finland, Russia and Germany, which accounted for 84 per cent of the division’s total revenue.

The division’s segment assets decreased by 2.9 per cent from EEK 86.3 million as at 31 December 2005 to EEK 83.8 million as at 31 December 2006. End of 2006 was successful for the furniture production and retail divisions and due to solid revenue cash reserve grew by EEK 4.2 million, as compared to the beginning of year. This allows the Group to invest into Skano’s expansion and other necessary equipment, also to pay out dividends in 2007. Receivables and prepayments decreased by EEK 4.3 million as compared to the previous year. Growth of inventories amounted to EEK 2.9 million (8.7 per cent higher than in 2005).

Amount of property, plant and equipment decreased by EEK 3.9 million as compared to the previous year. The depreciation exceeded investments into new equipment.

Furniture production

In 2006, the furniture production division continued to focus on the profitable product portfolio, increasing the production efficiency and optimising cost levels.

These activities are the key for sustainable profitability in an environment of growing competition and cost inflation.

In 2006, the division increased the share of high-margin furniture made of birch to 91 per cent (in 2005: 79 per cent). The demand for pine-wood furniture has been decreasing and the Company plans to further increase the share of birch-wood furniture.

The target customers of the furniture production division are primarily medium and small wholesalers and retailers who value the unique design of furniture, high quality and flexible customer service.

Retail business

Greater emphasis was put on the development of furniture retail revenue. AS Trigon Property Development had set up two wholly-owned subsidiaries which are engaged in retail sales – Skano in Estonia and Skano Latvia in Latvia (owned through Skano).

Since its inception in 2003, the retail concept of the furniture division has been successful. In 2005, furniture retail trade was expanded into the Republic of Latvia, where a new furniture store was opened in Riga. Since then, the active development of furniture retail trade in the neighbouring markets has become the main strategy of the furniture retail division.

In 2007, several furniture stores are planned to be opened in the neighbouring markets.

In the financial year 2006, the revenue of Skano increased by about 56 per cent as compared to 2005.

<u>Year ended 31 December 2005 compared to year ended 31 December 2004</u>

The furniture production and retail divisions ended the financial year 2005 with revenue of EEK 122.1 million and a profit of EEK 4.8 million. For comparison, the revenue in 2004 amounted to EEK 156.5 million and profit to EEK 2.9 million. The profit margin of operations improved by two per cent.

Similarly to previous years, the main markets were Finland, Russia and Germany, which accounted for 76 per cent of revenue.

Division’s segment assets decreased by 3.9 per cent, from EEK 87.2 million as at 31 December 2004 to EEK 83.8 million as at 31 December 2005. Cash reserve remained almost at the same level – EEK 2.9 million in 2005 as compared to EEK 2.8 million in 2004. Receivables and prepayments decreased by EEK 0.8 million. Growth of inventories amounted to EEK 2.9 million (9.7 per cent). Amount of property, plant and equipment decreased by 2.6 million. The depreciation exceeded investments into new equipment.

Furniture production

In 2005, the furniture production division discontinued the supply of subcontracting services to major customers (IKEA, etc.) and focused on the design of a profitable product portfolio, improvement of production efficiency and optimisation of expenses.

Such developments were indispensable for ensuring sustainable production in an environment of growing competition and cost inflation.

The division's target customers are small and medium-sized furniture wholesalers and retailers who seek unique design, high quality and flexible customer service.

Retail business

In the financial year 2005, development of retail operations became a priority for AS Trigon Property Group. The latter had two wholly owned subsidiaries, which were engaged in the retail sale of furniture - Skano in Estonia and Skano Latvia in Latvia (owned through Skano).

The retailing concept has proved its viability since 2003 when it was devised. In 2005, retail operations were expanded to Riga, Latvia, where a new furniture store was opened in November. Furniture sales by Skano in 2005 grew by an exceptional 66 per cent as compared to 2004.

The division's strategy for the next few years foresees proactive development of retail operations in the nearby markets.

Building materials division

<u>*Six month ended 30 June 2007 compared to six month ended 30 June 2006*</u>

The revenue of the building materials division for the six months ended 30 June 2007 amounted to EEK 61.7 million and profit to EEK 10.1 million. The revenue for the same period in 2006 totalled EEK 44.0 million and the net profit EEK 5.0 million. As compared to the previous year the revenue of the division has increased by EEK 17.8 million and the profit by EEK 5.2 million.

The division's segment assets increased by 34 per cent from EEK 48.2 million to EEK 64.7 million. Cash reserve grew by EEK 5.4 million as compared to the previous year. Receivables and prepayments grew by EEK 1.7 million. The inventories level decreased from EEK 9.6 million to EEK 7.5 million. Amount of property, plant and equipment increased by EEK 11.6 million (mostly on account of expanding the Isotex soft-board production).

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

Isoplaat boards

The results of the first six months of 2007 have mostly been influenced by the sale success of Isoplaat wind protection boards in Northern Europe. The demand for wind protection boards is increasing in the domestic market as well. In other neighbouring markets, especially in Latvia and Russia, the sale of floor boards has increased. Wind protection boards were the product group with the largest share in the sale of building boards.

Isotex boards

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

In March 2007, ceiling panels with new patterns were introduced in Finland and Estonia helping to strengthen leading positions in the above markets even more.

Ceiling panels comprised 78 per cent (80 per cent in 2006) and wall panels 22 per cent (20 per cent in 2006) of the revenue of interior finishing boards.

Revenue of Isotex interior finishing boards comprised 35 per cent of the total revenue of the division in the first six months of 2007 (42 per cent in the same period in 2006). Interior finishing boards are being produced since 1996 and they are sold 100 per cent under the company's own trademark Isotex.

Year ended 31 December 2006 compared to year ended 31 December 2005

In 2006, the financial results of the building materials division continued to be successful, as planned. In 2006, the division's revenue was EEK 94.6 million and its net profit was EEK 11.7 million (in 2005 the respective figures were EEK 96.4 million and EEK 13.9 million).

Exports made up 54 per cent of the division's total revenue, the largest export markets continued to be Finland and Germany. The period's results were affected by unusual weather conditions at the beginning of the year and a fire which occurred in May. These negative factors had a one-time effect on the division's results of operations.

Division's segment assets increased by 28.2 per cent from EEK 46.1 million to EEK 59.1 million. Year 2006 was successful for the building materials division and due to good sales cash reserve grew by EEK 3.7 million as compared to the beginning of the year. This allows the Company to invest into new Isotex line and other necessary equipment, also to pay out dividends in 2007. Receivables and prepayments grew by EEK 6.1 million. The inventories level decreased slightly (from EEK 9.4 million to EEK 9.3 million). Amount of property, plant and equipment increased by EEK 3.2 million.

Isotex boards

In 2006, the revenue of interior finishing boards totalled EEK 35 million. As compared with the previous year, revenue increased by about five per cent. Interior finishing boards made up 34 per cent of the division's total revenue (35 per cent in 2005).

In the coming periods, the main strategic aim of the building materials division will be increasing the volumes of Isotex products and focusing primarily on the Eastern market where the fast development of the construction sector creates good preconditions for the division's long-term growth. For this purpose, construction of a new product line for the manufacturing of Isotex interior finishing boards was launched. In the fourth quarter of 2006, the renovation works of the building designed for the line were commenced. Increasing of the volume of Isotex products allows the Company to improve sales margins and add more value to the current production.

Isoplaat boards

As compared with the previous year, the revenue of insulation and soundproofing boards stayed at almost the same level, reaching EEK 59.4 million. Wind-protection boards, being the largest product group, accounted for 39 per cent of the revenue of insulation and soundproofing boards.

The demand for wind-protection boards has increased steeply in the domestic market. Additionally, direct sales of products under own brand have been successful in all largest chains of the main target market of Finland.

In addition, the division has increased the share of direct sales as compared to the products sold through distributors – this leads to higher margins and increases sustainability over the longer term. In 2006, the division introduced its insulation and soundproofing boards in the Eastern markets with a great potential – Russia and Ukraine.

Year ended 31 December 2005 compared to year ended 31 December 2004

For the building materials division, the financial year 2005 was very successful and corresponded to projections. Revenue remained similar to 2004 and amounted to EEK 96.4 million, whereas the net profit was EEK 13.9 million (EEK 18.6 million in 2004).

Exports accounted for 53 per cent of revenue. The main export markets were Finland, Portugal and the Netherlands.

The division's segment assets increased by one per cent from 45.5 million to EEK 46.1 million. Cash reserve grew by EEK 1.6 million as compared to the beginning of the year. Receivables and prepayments grew by EEK 0.6 million. The inventories level decreased from EEK 10.5 million to EEK 9.4 million. Amount of property, plant and equipment decreased by EEK 0.4 million.

Isotex boards

In 2005, revenue of interior finishing boards totalled EEK 33 million, approximately 10 per cent more than in 2004. The figure accounts for 35 per cent of the division's total revenue. Similarly to previous years, the largest product group was Quatro ceiling panels with tongue-and-groove tenons on all four edges, which accounted for over 73 per cent of the revenue of Isotex products.

During the year, the division consolidated positions in Finland, the largest target market, and sustained growth in the domestic market.

For subsequent years the strategy of the division foresees increasing the output of Isotex products with a view to exporting to Russia where the construction sector is developing at a high pace, creating excellent opportunities for continued improvement of the division's operating results.

Isoplaat boards

Revenue of Isoplaat boards amounted to EEK 59.4 million, a result similar to 2004. The best-selling product group was wind-protection board which accounted for 39 per cent of the revenue of Isoplaat boards.

The division's largest foreign customers are distributors and manufacturers, whereas in the domestic market the largest customers are building materials retail chains. Insulation boards are also marketed under own brand Isoplaat.

In 2005, competition heightened in all the principal markets. In recent years, European soft-board manufacturers had increased their capacities substantially but market growth was considerably slower. This has increased manufacturers' inventories and triggered a price decline. The developments have had an adverse effect on the profitability of the building materials division.

Liquidity and Capital Resources

The following table outlines AS Trigon Property Development's consolidated equity and balances of interest bearing obligations as at 31 December 2004, 2005 and 2006 and 30 June 2006 and 2007:

(EEK, ´000)	**2004**	**2005**	**2006**	**2006 I half (un-audited)**	**2007 I half (un-audited)**
Interest bearing liabilities	108,137	60,273	51,188	55,725	55,356
Equity	56,004	63,195	71,798	63,755	77,236

Interest bearing liabilities and operating cash flows have been the main sources of financing over the past three years. Incoming cash flows from sale of assets of closed divisions were used for loan payments.

Equity

The amount of issued shares has not changed during the period reviewed. The number of issued shares has been 4,499,061, with the par value of EEK 10 each.

Working Capital

Management believes that, considering the current state of the Group's assets and financial resources, the Group's working capital is sufficient to meet all the liabilities arising as a result of the ongoing operations in the next 12 months after the date of this Prospectus.

Borrowings

(EEK, ´000)	As at 31 December			As at 30 June (un-audited)	
	2004	**2005**	**2006**	**2006**	**2006**
Short-term borrowings	76,061	8,909	19,409	4,455	4,276
Long-term borrowings	30,279	47,920	28,511	47,920	47,939
Total borrowings	**106,340**	**56,829**	**47,920**	**52,375**	**52,215**

Information regarding loans of AS Trigon Property Development as at 31 December 2006:

(EEK, ´000)	Total	Due date				
		One year or less	**More than 1 year: total**	**Between 1-2 years**	**Between 3-5 years**	**More than 5 years**
EUR 2,660,000 – 6 month EURIBOR+1.5%	31,591	6,017	25,574	6,017	18,052	1,504
EUR 830,851 – 6 month EURIBOR+2%	13,000	13,000	0	0	0	0
EEK 5,874,880 – fixed interest 39 166 EEK per year	3,329	392	2,937	392	1,175	1,371
TOTAL	**47,920**	**19,409**	**28,511**	**6,409**	**19,227**	**2,875**

In May 2007 AS Trigon Property Development assumed a loan in the amount of EEK 7.5 million for financing new Isotex production line and building. The term of this loan is three years. The term of an additional loan in the amount of EUR 830,851 was extended by two years.

Critical Accounting Policies

Revenue

Revenue is recognised at the fair value of the consideration received or receivable net of value-added tax, returns, rebates and discounts.

Revenue from the sale of goods and products is recognised when all significant risks and rewards of ownership have been transferred to the buyer, when the amount of revenue and costs incurred in respect of the transaction can be measured reliably and it is probable that future economic benefits associated with the sales transaction will be collected by the Group.

Revenue from the rendering of services is recognised in the period in which the services are rendered. If a service is rendered over a longer period of time, revenue is recorded using the stage of completion method.

Lease income from operating leases is recognised on a straight-line basis over the lease term. Lease incentives granted to lessees upon concluding lease agreements are included within lease income.

Corporate income tax

According to the Estonian Income Tax Act, from 1 January 2000 the profits earned by companies are not taxed in Estonia. Instead, the distribution of retained earnings is subject to income tax of 22/78 (until 31 December 2006: 23/77, until 31 December 2005: 24/76, and until 31 December 2004: 26/74) of the amount paid out as net dividends, from which income tax paid before 1 January 2000 can be deducted using a respective coefficient. The corporate income tax arising from the payments of dividends is accounted for as an expense in the period when dividends are declared, regardless of the actual payment date or the period for which dividends are paid.

Due to the peculiarity of the Estonian taxation system, the term tax base of assets and liabilities does not have economic substance and therefore no deferred tax liabilities and assets can arise.

According to local income tax legislation, in Latvia the profits of companies are adjusted for the differences provided by the law.

In Latvia and Lithuania, the corporate profits are taxed with the 15 per cent tax rate and in Ukraine the corporate profits are taxed with the 25 per cent tax rate. Pursuant to the Latvian, Lithuanian and Ukrainian tax legislation, temporary differences arise between the carrying amount and tax bases of assets and liabilities; therefore, deferred income tax liabilities and assets may arise. As at 31 December 2006 and 31 December 2005, the Latvian subsidiary did not have any deferred tax assets and liabilities.

Principles of consolidation and accounting for subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one-half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

In the consolidated financial statements the subsidiaries have been combined on a line-by-line basis. Inter-company transactions, balances and unrealised gains on transactions between the Group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Investments into subsidiaries are reported at cost (less any impairment losses) in the separate primary financial statements of the parent company.

Foreign currency transactions

During the years, all foreign currency transactions of AS Trigon Property Development have been translated into Estonian kroons using the foreign currency exchange rate of the Bank of Estonia prevailing at the dates of transactions. Monetary assets and liabilities denominated in foreign currencies are translated into Estonian kroons using the exchange rate prevailing at the balance sheet date. All gains and losses from foreign currency transactions are recognised in the income statement.

Foreign currency risk arises when future commercial transactions and recognised assets or liabilities are denominated in a currency that is not the entity’s functional currency. Opening of new stores in Ukraine has increased foreign currency risk.

Cash and cash equivalents

For the purposes of the balance sheet and the cash flow statement, cash and cash equivalents comprise cash on hand, bank account balances (except for overdraft) and term deposits with maturities of three months or less. Cash and cash equivalents are carried at fair value.

Financial assets

The purchases and sales of financial assets are recognised at trade date. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Depending on the purpose for which financial assets were acquired as well as Management's intentions, financial assets are divided into the following groups:

- financial assets at fair value though profit or loss;
- loans and receivables;
- held-to-maturity investments; and
- available-for-sale financial assets.

Financial assets at fair value through profit or loss are financial assets held for trading purposes (i.e. assets acquired principally for the purpose of selling in the short term). Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement, and subsequently are carried at fair value with changes in fair value recognised in the income statement. The fair values of quoted investments are based on current bid prices.

Loans and receivables are initially recognised at fair value plus transaction costs and are subsequently carried at amortised cost using the effective interest method (less any impairment losses).

The Group has not classified any financial assets as "held-to-maturity investments" and "available-for sale financial assets".

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

Trade receivables

Trade receivables are non-derivative financial assets with fixed or determinable payments, and are not quoted in an active market. Trade receivables are recognised initially at fair value plus transaction costs and are subsequently measured at amortised cost using the effective interest method, less provision for impairment.

An allowance for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Recoverability of receivables is assessed separately. Doubtful receivables are written down to their recoverable value. The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the market rate of similar borrowers. Impairment losses are charged to income statement.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost consists of purchase costs, direct and indirect production costs and other costs incurred in bringing the inventories to their current condition and location.

Purchase costs include the purchase price, other non-refundable taxes and directly attributable transport and other costs related to purchase, less discounts and subsidies. The production costs of inventories include costs directly related to the units of production (such as direct materials and packing material costs, unavoidable storage costs related to work in progress, direct labour), and also a systematic allocation of fixed and variable production overheads that are allocated to the cost of products on the basis of normal production capacities.

The weighted average cost method is used for the evaluation of inventories.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The amount of the impairment loss is recognised in the income statement line Cost of goods sold.

Investment property

Real estate properties (land, buildings) that the entity owns or leases under finance lease terms to earn lease income or for capital appreciation or both, and that are not occupied by the Group, are classified as investment property.

Investment property is measured initially at its cost, including related transaction costs. After initial recognition, investment property is carried at historical cost less accumulated depreciation and any accumulated impairment losses. Depreciation is calculated based on the straight-line method. Annual depreciation rates of investment property range from 2.5 to 15 per cent. Refer to policy regarding property, plant and equipment for more detailed principles applied to both, property, plant and equipment, and investment property.

Property, plant and equipment

Property, plant and equipment are non-current assets used in the operating activities of the entity with a useful life of over one year. An item of property, plant and equipment is initially recognised at its acquisition cost which consists of purchase price (including customs duties and other non-refundable taxes) and other expenditures directly related to the acquisition, and that are necessary for bringing the asset to its operating condition and location. Costs include borrowing costs incurred on specific or general funds borrowed to finance construction of qualifying assets. The cost of a self-constructed asset is determined using the same principles as for an acquired asset.

Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Property, plant and equipment are subsequently carried at cost less any accumulated depreciation and impairment losses (refer to policy regarding impairment of assets). The difference between the acquisition cost and the residual value of an asset is depreciated over the useful life of the asset. Each part of an item with a cost that is significant in relation to the total cost of the item and with the useful life different from other significant parts of that same item is depreciated separately based on its useful life. The assets’ residual values and useful lives are reviewed, and adjusted, if appropriate, at each balance sheet date. When the asset’s residual value exceeds its carrying amount, no depreciation is recognised.

Depreciation is calculated based on the straight-line method. The annual depreciation rates applied to individual assets by groups of property, plant and equipment are as follows (per cent):

- buildings and facilities 2.5 – 15
- machinery and equipment 10 – 25
- motor vehicles 10 – 20
- other fixtures and fittings 20 – 40
- land is not depreciated

Intangible assets

Intangible assets are initially recorded at acquisition cost. Subsequently, intangible assets are carried at cost less any accumulated amortisation and impairment losses.

Intangible assets with definite useful lives are amortised over their useful lives (2.5-5 years) using the straight-line method. The Group has no intangible assets with indefinite useful lives.

Impairment of assets

Assets that are subject to amortisation and depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date. The previous impairment loss is reversed only to the extent that the remaining carrying amount does not exceed the carrying amount which would have been determined considering regular deprecation, had the impairment loss not been recognised.

Operating lease and finance lease

Leases in which a significant portion of the risks and rewards of ownership are transferred to the lessee are classified as finance leases. All other leases are classified as operating leases.

Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property and the present value of minimum lease payments. Each lease payment is apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Payments made or received under operating leases are charged to the income statement on a straight-line basis over the period of the lease. Properties leased out under operating leases are classified as investment property.

Financial liabilities

Financial liabilities (trade payables, borrowings, accrued expenses and other short and long-term borrowings) are initially recognised at their fair value and subsequently measured at amortised cost using the effective interest rate method. Upon the initial recognition of such financial liabilities which are not accounted for at fair value through profit or loss, the transactions costs directly related to the acquisition are deducted from their fair value.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset shall be capitalised as part of the cost of that asset. All other borrowing costs are charged to period expenses.

Provisions and contingent liabilities

Provisions are recognised in the balance sheet when the Group has a present legal or contractual obligation arisen as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and the amount has been reliably estimated.

The provisions are recognised based on the management's (or independent experts') estimates regarding the amount and timing of the expected outflows. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Guarantees and other commitments that in certain circumstances may become obligations, but it is not probable that an outflow of resources will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability are disclosed in the notes to the financial statements as contingent liabilities.

Provisions for long-term disability compensations

Under law, the Group is obliged to pay compensations to former employees who have lost their ability to work during their employment in the Group. The level of the benefit depends on the extent of disability, the average monthly salary of the employee, and the changes of pension payments by the state. The level of benefit does not depend on the length of service and obligation arises when employee suffers injury that causes permanent disability.

The amount recognised as a liability amounts to the present value of the obligation at the balance sheet date. Management's best estimates of the variables that will determine the ultimate cost of providing post-employment benefits, are used, including demographic assumptions about the future characteristics of former employees who are eligible for benefits (matters such as mortality), financial assumptions (dealing with items such as the discount rate and future benefit levels).

The rate used to discount the obligation shall be determined by reference to market yields at the balance sheet date on high quality corporate bonds, currency and term of which is consistent with the currency and estimated term of the obligation.

Employee benefits

Payables to employees contain the contractual right arising from employment contracts and performance-based pay which is calculated on the basis of the Group's financial results and meeting of objectives set for the employees. Performance-based pay is included in period expenses and as a liability if it is payable in the next financial year.

Pursuant to employment contracts and current legislation, payables to employees also include an accrued holiday pay liability as at the balance sheet date. This liability also includes accrued social and unemployment taxes calculated on it.

The companies of the Group only operate defined contribution plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group does not have a legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all benefits acquired by the employees in the current period and in prior years. Under the defined contribution plans, the Group pays mandatory contributions to pension insurance plans under public administration. Once the determined contributions have been paid, the Group does not have any further obligations. Contributions are recognized as an employee benefit expense when they are due.

Discontinued operations

Discontinued operations are part of the Group's business which the Group has decided to transfer or discontinue according to a specific plan. This part may represent a major line of business or a geographical area of operations, a separate major line of business or a geographical area of operations, or a subsidiary which has been acquired for the purpose of selling.

Critical Accounting Estimates and Judgements

The preparation of the financial statements in conformity with International Financial Reporting Standards requires management to make accounting estimates. Management also needs to make judgements regarding the choice of accounting policies and their application.

Management judgements and estimates are reviewed on an ongoing basis and they are based on historical experience and other factors such as forecasts of future events which are considered reasonable under current circumstances.

The areas which require more significant or complex management decisions and estimates and which have a major effect on the financial statements, include valuation of inventories, and estimation of useful lives of property, plant and equipment, intangible assets and investment property, and of the provisions for compensations for long-term disability.

Valuation of inventories

Management measures inventories using its best judgement, historical experience, general background information and assumptions and conditions of future expected events. In determining the recoverable value of inventories, the sales potential and potential net realisable value of finished goods is considered; in assessing the recoverable value of raw materials and materials, their potentiality of usage in producing finished goods and earning income is estimated. In assessing work-in-progress, its stage of completion which can be measured reliably is used as the basis. In assessing cost of the part of the raw materials which are not measurable precisely, management uses estimates based on historical experience.

Useful lives and residual values of investment property; property, plant and equipment; and intangible assets

Management determined the useful lives of real estate properties, buildings and equipment on the basis of physical conditions and prognosis of production volumes. The residual values are determined based on historical experience in the area and future outlook.

Estimation of provisions for long-term disability compensations

Calculation of the amount of compensations depends on several estimates of which most significant are assumptions regarding expected remaining lifetime of employees receiving the compensation, and assumptions on discount rate. Management has used the statistical data publicly available at Statistical Office of Estonia regarding expectations of remaining period of payments. The discount rate has been determined based on market yields on high quality corporate bonds, available at Baltic Bond List.

Financial Risks Management

Currency Fluctuation Impact

The foreign exchange risk is very low because most of the export-import agreements have been concluded in euros.

Interest Rate Risk

The interest rate risk of the Company arises primarily from possible changes in EURIBOR (Euro Interbank Offered Rate), because most of the Company's loans are tied to EURIBOR.

Interest rate risk also depends on the overall economic condition of the Estonian economy and the changes in the average interest rates at banks. The Company faces also cash flow risk arising from changes in interest rates because most of the Company's loans have floating interest rates. No financial instruments are used to hedge risks.

MANAGEMENT

Pursuant to the provisions of the Estonian Commercial Code and the Company's Articles of Association, the control and management of the Company is divided among the General Meeting of Shareholders, the Supervisory Council and the Management Board. See "Estonian Securities Market – Corporate Governance" for further information.

Supervisory Council

The Supervisory Council is responsible for planning the business activities of the Company, organizing the management of the Company and supervising the activities of the Management Board. The Supervisory Council reports to the General Meeting of Shareholders. According to the Company's Articles of Association and the Estonian Commercial Code, the Supervisory Council's functions also include the following:

- appointment and removal of members of the Management Board and procurators;
- approving and amending the Company's overall strategy;
- approval of the annual budget;
- review of the annual report prepared by the Management Board;
- determination of agendas of general meetings;
- approval of transactions between the Company and members of its Management Board and decisions regarding taking action against members of the Management Board, and appointing a representative for the Company in such action or transaction;
- approval of transactions outside the ordinary course of business of the Company.

According to the Company's Articles of Association and the Estonian Commercial Code, the Supervisory Council's approval is required for transactions, which are beyond the ordinary course of business of the Company, and in particular any transaction involving:

- acquisition or disposal of shares in other companies;
- establishing and winding-up of subsidiaries;
- significant changes in the Company's business or involvement of the Company in business which is not related to the Company's former business.

Pursuant to the Company's Articles of Association, the Supervisory Council comprises three to seven members elected by the General Meeting of Shareholders for a term of five years. The Supervisory Council elects one of its members to act as the chairman, who is responsible for organizing the activities of the Supervisory Council. If it is not possible for the chairman to exercise his tasks, other members of the Supervisory Council are allowed to elect from among themselves a deputy of the chairman for the time of the chairman's absence.

Pursuant to the Division Plan of AS Trigon Property Development adopted on 29 June 2007, the Supervisory Council of the Company is as follows:

Name	Year of birth	Member since	Position	Current term expires
Ülo Adamson	1978	29 June 2007	Chairman	29 June 2012
Joakim Johan Helenius	1957	29 June 2007	Member	29 June 2012
Gleb Ognyannikov	1972	29 June 2007	Member	29 June 2012

Ülo Adamson. Mr. Ülo Adamson, born 1978, is the chairman of the Supervisory Council of the Company. His term of office commenced on 29 June 2007 and will expire on 29 June 2012. He is also currently member of the management board of AS Trigon Alternative Funds, AS Trigon Baltic Farming, AS Trigon Capital, AS Trigon Property Advisors, Kärla Põllumajandusühistu, AS Martinson Trigon Venture Partners, OÜ Invenio, OÜ Kärla PM, OÜ Chester Universal, OÜ Nienta, OÜ Rosamil, OÜ Trigon Wood, Trigon Agri A/S, member of the supervisory council of AS Trigon Funds, AS Trigon Securities, AS Trigon Property Development, OÜ Kaiu LT, OÜ Macro Kinnisvara, OÜ Revino, OÜ VR-Vasavere, Quadro Media Sp.Z.o.o, member of the board of directors of TC Farming Russia Ltd, TC Farming Ukraine Ltd and TC Valkeasaari Development. Previously, Mr. Adamson was a member of the management board of AS Ergo Trigon Fund Company until 2007, OÜ Revino until 2004, OÜ Revino Aiand until 2005, OÜ Davingale until 2006, OÜ KMA Invest until 2006, a member of the supervisory council of AS Martinson Trigon until 2005, AS Trigon Dalmatian Properties until 2003, AS Martinson Trigon Venture Partners until 2004, AS Telema until 2005, a member of the board of directors of Trigon Capital Sp.Z.o.o. until 2006 and ST Coffe Advisors until 2006. Mr. Adamson graduated in 1999 from Stockholm School of Economics where he specialized in finance and business.

Joakim Johan Helenius. Mr. Joakim Johan Helenius, born 1957, is a member of the Supervisory Council of the Company. His term of office commenced on 29 June 2007 and will expire on 29 June 2012. He is also currently member of the management board of A/S Trigon Capital Latvia, OÜ Helenius Baltic, AS Martinson Trigon Venture Partners, Baltic Republic Fund, member of the supervisory council of AS Trigon Capital, AS Trigon Baltic Farming, AS Trigon Farming, AS Trigon Dalmatian Properties, AS Trigon Securities, AS Trigon Gardening, AS Trigon Property Advisors, AS Trigon Property Development, AS Martinson Trigon, OÜ Revino Aiand, and chairman of the board of Trigon Capital Praha. Mr. Helenius was a member of the management board of OÜ Trigon Food Investments until 2006, BRF Eesti Holding OÜ until 2006, OÜ KMA Invest until 2006, a member of the supervisory council of AS Ergo Trigon-Fund Company until 2006, AS Trigon Investment Management until 2006, AS Trigon Alternative Funds until 2007, AS Marat until 2004, OÜ Panter until 2002, AS Baltika until 2006, OÜ Revino until 2007, OÜ VR-Vasavere until 2007. Mr. Helenius graduated in 1985 from Cambridge University where he specialized in economics.

Gleb Ogyannikov. Mr. Gleb Ogyannikov, born 1972, is a member of the Supervisory Council of the Company. His term of office commenced on 29 June 2007 and will expire on 29 June 2012. He is also currently a member of the supervisory council of Quadro Media Sp.Z.o.o., director of OOO Dobruchi, OOO Dobruchi – 2, OOO Russian Agri Investors, OOO Logistik Center Tosno, OOO TC Logistic Partners, OOO Key Development, OOO Trigon Wealth Management Limited and AS Trigon Property Development, and member of the board of directors of TWM Limited. Mr. Ognyannikov was a member of the management board of AS Trigon Capital until 2007 and ST Coffe Advisors until 2006. Mr. Ognyannikov graduated in 1995 from St. Petersburg University of Economics and Finance where he specialized in economy cybernetics.

Management Board

The Management Board manages the Company's daily business operations. See "Estonian Securities Market – Corporate Governance" for further information on the duties of the Management Board. According to the Company's Articles of Association, the Management Board consists of one to seven members elected by the Supervisory Council for a term of three years. If the Management Board has more than two members, Supervisory Council appoints one of the members of the Management Board to serve as the chairman and if necessary, a vice-chairman is appointed by the Supervisory Council as well.

The Management Board of the Company is as follows:

Name	Year of birth	Appointed on	Position	Current term expires
Andres Kivistik	1966	29 June 2007	Chairman	29 June 2010
Erik Piile	1964	29 June 2007	Member	29 June 2010
Einar Pähkel	1974	29 June 2007	Member	29 June 2010

Andres Kivistik. Mr. Andres Kivistik, born 1966, is the chairman of the Management Board of the Company and serves as the Chief Executive Officer. His term of office commenced on 29 June 2007 and will expire on 29 June 2010. He is also currently member of the management board of AS Trigon Property Development, OÜ Skano, OÜ Magicstyle and OÜ Piano Baltic. Mr. Kivistik was a member of the management board of Hydro Texaco Eesti AS until 2006. Mr. Kivistik graduated in 2006 from Tallinn University of Technology where he specialized in public administration.

Erik Piile. Mr. Erik Piile, born 1964, is a member of the Management Board of the Company and is in charge of the operations of the building materials division. His term of office commenced on 29 June 2007 and will expire on 29 June 2010. He is currently also member of the management board of AS Trigon Property Development and OÜ Ventervik. Mr. Piile graduated in 1990 from the Polytechnic Institute of Tallinn where he specialized in electrical engineering.

Einar Pähkel. Mr. Einar Pähkel, born 1974, is a member of the Management Board of the Company and serves as the Chief Financial Officer. His term of office commenced on 29 June 2007 and will expire on 29 June 2010. He is also currently a member of the management board of AS Trigon Property Development, OÜ Skano, OÜ Isotex, OÜ VN Niidu Kinnisvara and OÜ Visu. Until 2007 Mr. Pähkel was a member of the bankruptcy committee of OÜ Puuslane R.L. Mr. Pähkel graduated in 1997 from Tartu University where he specialized in corporate finance and accounting.

Other Key Executives

Name	Year of birth	Position
Jelena Gerassimova	1955	Production Manager of the furniture production division
Tanel Press	1970	Sales Manager of the furniture production division
Marko Šorin	1974	Marketing Manager of the building materials division
Lauri Treimann	1975	Brand and Product Manager of Skano
Tiit Mölder	1968	Development and Quality Manager of the furniture production division
Toomas Liidemaa	1972	Production Manager of the building materials division

Jelena Gerassimova. Ms. Jelena Gerassimova, born 1955, is the Production Manager of the furniture production division of the Company. Ms. Gerassimova does not hold any positions outside the Company. Ms. Gerassimova graduated in 1980 from the Pedagogical Institute of St. Petersburg where she specialized in mathematics.

Tanel Press. Mr. Tanel Press, born 1970, is the Sales Manager of the Company. Mr. Press is also currently a member of the management board of OÜ Skano. Mr. Press graduated in 1998 from the Estonian Business School where he specialized in business administration.

Marko Šorin. Mr. Marko Šorin, born 1974, is the Marketing Manager in the building materials division of the Company. Mr. Šorin does not hold any positions outside the Company. Mr. Šorin graduated in 1997 from Pärnu Business School where he specialized in management of small business and in 1999 from Tartu University Pärnu College where he specialized in business management.

Lauri Treimann. Mr. Lauri Treimann, born 1975, is the Brand and Product Manager in Skano. Mr. Treimann is also currently a member of the management board in OÜ DLT. Mr. Treimann graduated in 1996 from Tallinn School of Economics where he specialized in middle level hotel management and in 2004 from the Estonian School of Hotel and Tourism Management where he specialized in higher level hotel management.

Tiit Mölder. Mr. Tiit Mölder, born 1968, is the Development and Quality Manager of the Company. Mr. Mölder is also currently a member of the management board of OÜ Skano. Mr. Mölder graduated in 1995 from Tallinn University of Technology where he specialized in wood processing technology.

Toomas Liidemaa. Mr. Toomas Liidemaa, born 1972, is the Production Manager of the Company. Mr. Liidemaa does not hold any management positions outside the Company. Mr. Liidemaa graduated in 1999 from Tallinn University of Technology where he specialized in pulp and paper technology.

The business address for all members of the Management is: c/o AS Viisnurk, Suur-Jõe 48, 80042 Pärnu, Estonia.

Corporate Governance

The Estonian Financial Supervision Authority (the EFSA) has approved the Corporate Governance Recommendations, which entered into force on 1 January 2006.

Following the listing of the Shares on the Tallinn Stock Exchange, the Company is required to either comply with the recommendations or explain reasons for its non-compliance ("comply or explain" principle). The recommendations regulate, among other matters, the calling of and the procedure of the general meeting of shareholders, requirements for the compositions, duties and activities of the supervisory council and the management board, continuous disclosure requirements and financial reporting.

The Corporate Governance Recommendations require that at least half of the members of the supervisory council must be independent. If the supervisory council has an odd number of members, there may be one independent member less than the number of dependent members. According to the recommendations, an independent member is a person, who has no such business, family or other ties with the issuer, a company controlled by the issuer, a controlling shareholder of the issuer, a company belonging to the issuer's group or a member of a directing body of these companies, that can affect their decisions by the existence of conflict of interests.

The Supervisory Council of the Company is currently composed of three members, none of whom may be considered independent under the Corporate Governance Recommendations. Ülo Adamson and Joakim Johan Helenius are members of the management board of OÜ Trigon Wood, the controlling shareholder of the Company (see "Company, Share Capital and Ownership Structure") and Gleb Ognyannikov is, *inter alia*, a member of the supervisory council of Quadro Media Sp.Z.o.o., a company belonging to the same group of companies with OÜ Trigon Wood.

Although the composition of the Supervisory Council of the Company does not meet the independence requirements set forth in the recommendations, the Company does not plan to make any changes in the composition of the Supervisory Council. The Company believes that the exceptional experience and knowledge of the afore-mentioned persons will contribute to the effective and profitable management of the Company and is therefore in the best interest of the shareholders.

The Corporate Governance Recommendations also call for the disclosure of the remuneration of each member of the Management Board on the Company's website including the details about his/her base salary, performance related bonuses, severance packages, other financial benefits and bonuses. The Supervisory Council of the Company believes that publishing such personal information would seriously damage the privacy of the members of the Management Board, and has therefore decided that the Company will not publish such information in the manner contemplated in the Corporate Governance

Recommendations. However, details of the salary and other benefits of members of the Management Board are published in the annual reports of the Company as required by law.

In all other respects the Company complies with the Corporate Governance Recommendations.

Remuneration

As the Company was established only recently no remuneration and benefits have been paid by the Company to the members of its Supervisory Council and Management Board in 2006. Since the service and employment contracts of the members of the Management Board and other key executives were transferred from AS Trigon Property Development to the Company, the following table provides the aggregate gross amounts of salaries and other remuneration paid to the members of the Management Board and to other key executives by AS Trigon Property Development for the financial year ended 31 December 2006:

(un-audited)	Salary (EEK)	Bonuses (EEK)	Total remuneration (EEK)
Members of the Management Board[1]	942,735	0	942,735
Key Executives[2]	2,318,122	304,283	2,622,405

[1] Includes the remuneration paid for 2006 to Andrus Aljas and Toivo Kuldmäe who were the members of the management board of AS Trigon Property Development in 2006. Does not include the remuneration paid for 2006 to present members of the management board, Andres Kivistik, Erik Piile and Einar Pähkel, since they were appointed members of the management board of AS Trigon Property Development on 26 February 2007.

[2] Includes also the remuneration paid for 2006 to Andres Kivistik, Erik Piile and Einar Pähkel (present members of the management board, appointed on 26 February 2007) who were at that time key employees and received remuneration pursuant to employment contracts, not as members of the management board.

Members of the Supervisory Council were paid no remuneration during the financial year ended 31 December 2006.

Service and Employment Contracts

The Company has entered into a service contract with each member of the Management Board and an employment contract with each key executive. No service or employment contracts have been concluded with the members of the Supervisory Council.

Pursuant to service contracts of the members of the Management Board each member of the Management Board receives a monthly remuneration and additionally an annual or quarterly bonus, the amount of which is based on the financial targets reached and is represented either by a fixed amount, percentage of financial results or as a multiple of the monthly remuneration. The financial targets are set individually for each member of the Management Board of the Company.

Other benefits granted to members of the Management Board and certain other key executives include company cars and mobile phones and reimbursement of fuel, car insurance and maintenance costs and mobile phone costs.

Under their service contracts members of the Management Board of the Company are entitled to compensation in the event of their dismissal from the Management Board without cause. The amount of compensation will depend on the term served prior to the termination of the service contract, ranging from two to six months' remuneration.

The employment contracts of key executives contain customary terms and conditions regarding salary, benefits, and termination. Under the terms of their employment contracts, most key executives are paid a monthly remuneration and an additional bonus based on the competence and efficiency of the employee. Other benefits of key executives include a company car, car fuel, and use of a mobile phone. Most of the agreements also include confidentiality and non-compete clauses.

Pension Benefits

The Company does not have pension plans, arrangements, or executive schemes for its members of the Supervisory Council and the Management Board and other key executives.

Loan Agreements

As of the date of this Prospectus there are no outstanding loans, guarantees or other collaterals issued or provided by the Group companies to the Company's members of the Supervisory Council or the Management Board or other key executives.

Share Incentive Schemes

No member of the Supervisory Council or the Management Board has any options to purchase or sell Shares, or rights to subscribe for shares in any other company within the Group.

Share Ownership

Erik Piile is the only member of the Management who owns shares in the Company. Erik Piile owns 395 Shares constituting 0.0088 per cent of the Shares of the Company.

Transactions with the Company, Legal Issues

No member of the Supervisory Council or the Management Board has had any interest in transactions effected by AS Trigon Property Development and/or the Company or its subsidiaries, which are unusual in their nature or which contain unusual terms or conditions, during the financial years ended 31 December 2004, 2005 and 2006, or the current financial year. For more details see "Business – Related Party Transactions". The Company is not aware of any other potential conflicts of interest between the duties of the above mentioned persons to the Company and their private interests or other duties.

The Company is not aware of any convictions in relation to fraudulent offences or any official public incrimination and/or sanctions with respect to the members of its Supervisory Council or Management Board or other key executives.

The Company is not aware that any member of the Supervisory Council or the Management Board has been disqualified by any court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer.

The Company is not aware of any bankruptcies or liquidations with which any member of the Supervisory Council or the Management Board acting in the capacity of a member of a supervisory council or a management board was associated for at least five years prior to the date of this Prospectus.

COMPANY, SHARE CAPITAL AND OWNERSHIP STRUCTURE

General Information on the Company

Name, place of registration, legal form

The legal (business) name of the Company is Aktsiaselts Viisnurk. The Company is a public limited company (*aktsiaselts*) incorporated pursuant to the laws of the Republic of Estonia.

The Company is registered with the Estonian Commercial Register (*Äriregister*) under the registry code 11421437.

The Company has been established for an indefinite term.

Registered office

The Company's registered office is in Pärnu, Estonia at the address Suur-Jõe 48, 80042 Pärnu, Estonia, telephone (+372) 447 8323.

Fields of activities

The Company's principal fields of activities are: (i) production of building materials; (ii) production of furniture; and (iii) retail sales of furniture.

Financial year

The financial year of the Company runs from 1 January to 31 December.

Subsidiaries

The Company owns all shares of its subsidiary OÜ Skano ("Skano"), incorporated in Estonia with its registered office at Suur-Jõe 48, 80042 Pärnu, Estonia. The share capital of Skano is EEK 40,000, divided into one share. The main field of activity of Skano is retail sales of furniture.

Skano in turn owns all shares of its subsidiaries SIA Skano ("Skano Latvia"), UAB Skano LT ("Skano Lithuania") and TOV Skano Ukraina ("Skano Ukraine"). The main field of activity of all these companies is retail sales of furniture.

Skano Latvia is a company incorporated in Latvia with its registered address at Krasta iela 68, Riga, Latvia. The share capital of Skano Latvia is LVL 2,000, divided into 100 shares of nominal value LVL 20 each.

Skano Lithuania is a company incorporated in Lithuania with its registered address at Naugarduko 3, Vilnius, Lithuania. The share capital of this company is LTL 10,000, divided into 100 shares of nominal value LTL 100 each.

Skano Ukraine is a company incorporated in Ukraine with its registered address at Vulicia Sim'y Sosninih, Budinok 3, 03148 Kiiv, Svjatochinski raion, Ukraine. The share capital of this company is UAH 50,500, divided into one share.

The Company owns 100 per cent of shares of OÜ Visu ("Visu"), incorporated in Estonia with its registered office at Rääma 31, 80044 Pärnu, Estonia. The share capital of Visu is EEK 40,000, divided into one share. Visu has not been involved in any activities.

The Company owns 100 per cent of shares of its subsidiary OÜ Isotex ("Isotex"), incorporated in Estonia with its registered office at Rääma 31, 80044 Pärnu, Estonia. The share capital of Isotex is EEK 40,000, divided into one share. Isotex has not been involved in any activities.

Affiliated Companies

The Company has no significant affiliated companies.

Information on Share Capital and Shares

As of the date of this Prospectus the Company's registered share capital is EEK 44,990,610 divided into 4,499,061 fully paid Shares with a nominal (par) value of EEK 10 each.

The Shares have been issued under the laws of the Republic of Estonia and all the Shares are registered with the Estonian Commercial Register. All the Shares have been paid up to the full extent.

The Shares have been registered in book-entry form in the Estonian Central Register of Securities (as maintained by AS Eesti Väärtpaberikeskus, address Tartu mnt 2, Tallinn, 10145) under ISIN EE3100092503.

Free transferability of the Shares has not been restricted in the Company's Articles of Association.

The share capital of the Company has not been increased or decreased since the incorporation of the Company.

Option Rights, Securities with Warrants, Convertible Securities and Capital Loans

In absence of express authorisation in the Articles of Association, any decision which alters the share capital or number of shares in an Estonian public limited company must be passed by the general meeting of shareholders. Under Estonian law, convertible bonds are the only debt instruments granting a conversion right for the company's shares. The general meeting of shareholders can decide on the issuance of convertible bonds, if such right has been provided for in the Articles of Association, as is the case with the Company.

In addition, upon the decision of the general meeting of the shareholders for conditional share capital increase, share subscription rights may be granted to the employees and members of governing bodies of the company or related undertakings. Such subscription rights may be granted also in connection with the preparation for a merger.

Whilst the Company's Articles of Association provide for the right to issue convertible securities, the Company has not, prior to the date of this Prospectus, issued any option rights, convertible bonds, bonds or other securities with warrants, capital loans or other instruments convertible into or exchangeable for Shares.

Shareholders of the Company

As of the date of this Prospectus, the Company has according to the shareholder register of the Company as maintained in the ECRS, two major shareholders, OÜ Trigon Wood and ING Luxembourg S.A. holding the Shares in the Company as follows:

Name	Number of Shares	%
OÜ Trigon Wood	2,682,192	59.62
ING Luxembourg S.A.	500,000	11.11
Total	**3,182,192**	**70.73**

Neither major shareholder has any different voting rights compared to other shareholders.

Neither the Company nor any of its subsidiaries owns any of the Shares.

Controlling Shareholder

OÜ Trigon Wood, a company incorporated in Estonia with its registered office at Pärnu mnt 15, 10141 Tallinn, Estonia, owns 2,682,192 Shares of the Company, entitling it to 59.62 per cent of the votes that can be cast in the General Meeting of Shareholders. Members of the management board of OÜ Trigon Wood, Ülo Adamson and Joakim Johan Helenius, are also members of the Supervisory Council of the Company.

OÜ Trigon Wood is in turn a subsidiary of TDI Investments Ky, a limited partnership incorporated in Finland with its registered address at Mariankatu 28, 00170 Helsinki, Finland. TDI Investments Ky holds 82.09 per cent of the shares in OÜ Trigon Wood. The general partner of TDI Investments Ky is TC Capital Oy, a company incorporated in Finland with its registered address at Mariankatu 28, 00170 Helsinki, Finland. TC Capital Oy is a wholly owned subsidiary of AS Trigon Capital, an Estonian limited liability company controlled by Joakim Johan Helenius, a member of the Supervisory Council of the Company. Additionally, TDI Investments Ky has 11 silent partners. The remaining shares in OÜ Trigon Wood are held by BCB Baltic Ab, a limited liability company incorporated in Sweden with its registered address at Box 1747, 751 47 Uppsala, Sweden.

Neither OÜ Trigon Wood nor TDI Investments Ky has entered into any transactions with the Company.

Immediately after the Listing OÜ Trigon Wood will still control approximately 59.62 per cent of the votes that can be cast in the General Meeting of Shareholders, provided that no new Shares will be issued and assuming it will not sell its Shares.

Shareholders' Agreements

To the knowledge of the Company, no shareholders' agreements exist between shareholders in relation to their holdings of Shares in the Company.

Shareholder Rights

General meetings of shareholders

Under the Estonian Commercial Code, shareholders exercise their power to decide on corporate matters at general meetings of shareholders. The general meeting of shareholders considers, among other things, the annual report and the distribution of profits. Resolutions may be adopted at either annual or extraordinary general meetings.

In accordance with the Commercial Code, an annual general meeting of shareholders must be held within six months after the end of a financial year, at the latest. The management board can convene an extraordinary general meeting of shareholders whenever it deems it appropriate. In addition, the management board must convene an extraordinary general meeting when it is required by the Commercial Code (for example, if the company's equity capital falls below the minimum level required by law) and when the supervisory council, the auditor or shareholders representing at least one-tenth of the share capital of the company so request. If the management board fails to convene an extraordinary general meeting within one month after the receipt of such a request, the shareholders, the supervisory council or the auditor are entitled to convene an extraordinary general meeting themselves.

Notices to convene an annual general meeting of shareholders must be given no later than three weeks prior to the meeting, and notices to convene extraordinary general meetings of shareholders must be given no later than one week before the meeting. Notices to convene a general meeting of shareholders must be sent to shareholders by registered mail to their registered addresses (being the address of the shareholder entered in the shareholders' register of the company as maintained in the ECRS). If the company is aware or should be aware that the address of a shareholder is different from the one entered in the share register, the notice must be sent also to such address. Notices may be sent by normal mail or fax provided that the letter or fax is accompanied by a notice requesting the recipient to immediately confirm the receipt to the management board. However, if the company has more than 50 shareholders, notices need not be sent to shareholders, but may be published in at least one national daily newspaper in Estonia.

The supervisory council of the company normally sets the agenda for the general meeting of shareholders. If, however, the shareholders or the auditor call a general meeting of shareholders, they also set the agenda for it. The management board or one or more shareholders whose shares represent at least one-tenth of the share capital of the company is entitled to request items be included on the agenda for a general meeting of shareholders. If, upon convening a general meeting of shareholders, the requirements of law or the articles of association have been breached, no decision may be adopted at the meeting unless all shareholders participate or are represented at the meeting.

In order to have the right to attend and vote at a general meeting of shareholders, a shareholder must be registered in the shareholders' register on the cut-off date ten days before the meeting. Voting rights may not be exercised by a shareholder whose shares are registered in the name of a nominee unless the nominee account holder has given a power of attorney to the shareholder.

A general meeting of shareholders is capable of passing resolutions when more than half of the votes represented by shares held by shareholders are present at the meeting. If the meeting has no quorum, the management board must call a new general meeting of shareholders to take place within three weeks but no earlier than seven days after the original meeting, and such further meeting shall be subject to no quorum requirements.

Voting rights

The Company has one class of shares with a nominal value of EEK 10 each. Each share entitles the holder to one vote. A shareholder may attend and vote at a general meeting of shareholders in person or by proxy. At a general meeting of shareholders, resolutions generally require the approval of a majority of the votes represented at the meeting. However, certain resolutions, such as amending the Articles of Association, increasing or decreasing the share capital and, in certain cases, resolutions relating to a merger, division, reorganisation or liquidation of the company, require a majority of two-thirds of the votes represented at the general meeting of shareholders. Any issuance of new shares disapplying the existing shareholders' pre-emptive subscription rights requires a majority of at least three-quarters of the votes represented at the meeting. Creating a new class of shares requires an amendment of the articles of association with a two-thirds majority of votes represented at the meeting. According to Estonian law, the rights attaching to any class of shares may be amended only by a decision of the general meeting of shareholders which is supported by a qualified majority of four-fifths of all votes attaching to the shares of the Company and nine-tenths of all the shareholders who own shares affected by the amendment.

Dividends and other distributions

Under the Estonian Commercial Code, a general meeting of shareholders may authorize the payment of dividends on the terms and conditions set out in the profit distribution proposal presented by the management board. The supervisory council has the right to make changes to the proposal of the management board before submission to the general meeting.

Dividends, if any, should be paid in cash or, if the shareholders consent, in kind. The shareholders decide annually the dividend amount and procedure of payment on the basis of the approved annual report, as set out in the Articles of Association (the decision may, however, stipulate that the dividends are paid out in several instalments). As a general rule, no interim dividends may be paid in respect of a financial period for which an annual report (together with the audited financial statements) has not yet been approved by the general meeting. However, the articles of association may provide that the management board has the right, upon the consent of the supervisory council, to make advance payments to the shareholders on account of the estimated profit after the end of a financial year but before the approval of the annual report, provided that such advance payments do not exceed one-half of the amount that may be distributed among shareholders. The Company's Articles of Association provide for such right of the Management Board.

Dividends may only be paid out from net profit or undistributed profit from previous financial years, and from which uncovered losses from previous years have been deducted. Dividends may not be paid to the shareholders if the net assets of the company, as recorded in the approved annual report of the previous financial year, are less than or would be less than the total of share capital and reserves, which, pursuant to applicable law or the Articles of Association, may not be distributed to the shareholders.

Dividends of companies listed on the Tallinn Stock Exchange are paid only to those shareholders (or their nominees) who are entered on the list of shareholders (shareholders' register) as maintained in the ECRS on the respective record date. The Tallinn Stock Exchange Rules provide that a listed company is required to disclose information about closing the list of shareholders (fixing the record date) at least nine trading days before the record date. If a general meeting adopts a resolution that relates to rights attached to the shares (for example, the declaration of payment of dividends), the record date may not be fixed at an earlier date than ten trading days after the date of the relevant general meeting.

All existing Shares are registered with the Estonian Commercial Register and grant the same rights with regard to dividends and other distributions of the Company (including distribution of assets in the event of dissolution).

For a description of restrictions on payment of dividends, see "Dividends and Dividend Policy".

Pre-emptive subscription rights

Under Estonian law, existing shareholders of limited liability companies have pre-emptive rights to subscribe for new shares in the company, in proportion to their existing shareholding. A resolution waiving pre-emptive rights must be approved by at least three-fourths of all votes represented at the general meeting of shareholders.

Right to acquire own shares

A public limited company is entitled to acquire its own shares only if the following conditions are met:

(i) the acquisition occurs within one year after the adoption of a resolution of the general meeting which specifies the conditions and term for the acquisition and the price to be paid for the shares;

(ii) the sum of the nominal value of the shares held by the company does not exceed one-tenth of its share capital; and

(iii) the shares are paid for from assets excluding the share capital, reserve capital and premium.

However, a public limited company may acquire its shares by inheritance or by a resolution of the supervisory council without requiring a resolution of the general meeting if the acquisition of the shares is necessary to prevent significant damage to the company. The shareholders must be informed of the circumstances of the acquisition of the company's own shares at the next general meeting of shareholders. In any event, a public limited company, which has acquired its own shares, must transfer those shares within one year from the date on which they were acquired. In the event that the public limited company acquires its own shares in violation of the law, such shares must be disposed of or cancelled (by decreasing the share capital) within three months of acquisition. In the event that the shares acquired contribute to more than one-tenth of the share capital, such excess shares must be disposed of within six months of their acquisition.

The rules regarding acquisition of a company's own shares are also applied to the acquisition of a parent company's shares by the subsidiaries. In the event that a subsidiary acquires the shares of its parent company, the parent company shall be regarded as the acquiring party.

Disclosure of shareholdings

Pursuant to the Estonian Commercial Code, the management board is required to submit to the Estonian Commercial Register, together with the approved annual report, a proposal for profit distribution and an auditors' report, a list of shareholders holding more than 10 per cent of the votes as of the date of the approval of the annual report by the general meeting of shareholders. See "Estonian Securities Market - Estonian Company Law - The Estonian Central Registry of Securities and Registration of Shares" for a description of other instances when information concerning the shareholders is accessible to the public.

Taxation of dividends

See "Taxation – Income Tax Treatment of Dividends".

ESTONIAN SECURITIES MARKET

Estonian Company Law

The following is a brief overview of the provisions of Estonian legislation regulating the legal status and management of public limited companies. The following summary does not constitute an exhaustive description of the subject matter. It is based on the laws of Estonia as in force on the date of this Prospectus, and is subject to changes as a result of any future amendments to Estonian legislation.

Introduction

Estonian law recognizes two basic forms of limited liability companies; (i) a private limited company (*osaühing*, abbreviation *OÜ*) and (ii) a public limited company (*aktsiaselts*, abbreviation AS). Shareholders in either form are generally not personally liable for the obligations of the companies. The two company forms mainly differ in their requirements for capital and management structures. Public limited companies have greater capital requirements and can issue more classes of shares than private limited companies, and are required to register their shares with the Estonian Central Registry of Securities (*Eesti väärtpaberite keskregister*) ("ECRS"). ECRS maintains the share registers of companies and records all the share transactions.

Under Estonian law, essential details about commercial undertakings must be entered in the Commercial Register, and a company acquires legal capacity when it has been entered in the Register. Accordingly, a company organized under Estonian law must be registered with the Commercial Register. Commercial Registers are kept by the courts of first instance and they are attached to the Real Estate Registers. The registers are kept in Estonian and all documents in other languages must be submitted with a verified translation.

The minimum share capital required for incorporating a public limited company is EEK 400,000. A public limited company's share capital must be fully paid-up when it is registered in the Commercial Register. Shares must be paid up in cash, unless the company's articles of association allow payment by means of a non-monetary contribution. The value of non-monetary contributions must be confirmed by the company's auditor. The shares of public limited companies must have a nominal value of EEK 10 each or a full multiple thereof. Shares are freely transferable, but the company's articles of association may grant the shareholders a right of first refusal. Dividends must be distributed to holders of shares of same class pro rata, based upon the nominal value of the shares held by each shareholder. Public limited companies may also issue non-voting shares, which grant the preferential right to receive dividends and to participate in the distribution of the remaining assets of the company upon dissolution (preferred shares). The sum of the nominal values of preferred shares shall not be greater than one-third of the share capital.

Corporate governance

The management board, supervisory council and general meeting of shareholders are responsible for the corporate governance and management of public limited company. The general meeting of shareholders is the highest authority in a public limited company and makes the most important decisions in the company, such as amending the articles of association, increasing and reducing share capital, electing members of the supervisory council, approving the annual report and distributing profit. See "Company, Share Capital and Ownership Structure - General meetings of shareholders" for further information on the responsibilities and procedures relating to the general meeting of shareholders.

A public limited company incorporated in Estonia must have a two-tier management structure, with a supervisory council and a management board. The management board is an executive body responsible for the day-to-day management of the company, and it represents the company towards third parties, such as entering into contracts on its behalf. Unless a shorter term is specified in the articles of association, the management board is elected for a term of three years. Members of the management board have fiduciary duty of loyalty and due diligence, and must preserve the business secrets of the company. Members of the management board may not serve as members of a managing body of another company in the same field of business without the consent of the supervisory council, unless the companies belong to the same group of companies. The management board must follow the instructions of the supervisory council, provided that they do not breach the law. At least half of the management board members in a public limited company must be residents of Member States of the European Economic Area (“EEA”) or Switzerland. Members of the management board may not simultaneously serve as members of the supervisory council of the same company.

Whilst most Estonian listed companies have a management board comprising several members, the law also allows a management board comprising only of one person, who acts as the chief executive officer of the company.

The supervisory council is responsible for overseeing the work of the management board, devising business plans and generally organizing the management of the company. The supervisory council must have at least three members. The general meeting of shareholders elects and appoints the supervisory council for a period of five years, unless a shorter period is prescribed in the articles of association. The supervisory council reports to the general meeting of shareholders. There are no residency or nationality requirements for the members of the supervisory council. A member of the supervisory council may not simultaneously serve as a member of the management board of the same company, or any of its subsidiaries.

Members of the management board and supervisory council have a number of general obligations towards the company, including a fiduciary duty of loyalty, acting with due diligence, performing their duties with sufficient skill and in a manner commensurate with their knowledge and abilities, and acting to maximize the benefit of the company and prevent losses in the company. Members of the supervisory council and management board must inform the company about any conflicts of interest and other material facts related to the performance of their duties. Members of the supervisory council and management board are subject to a strict confidentiality obligation for any information that they may learn in connection with the discharge of their duties. This confidentiality applies to the company’s business and trade secrets and any other information that the company has a legitimate interest to keep confidential. To the extent necessary to protect the company’s interests, the confidentiality obligation continues even after the member of the management board or supervisory council no longer is in that position. Exceptions to the confidentiality obligation arise where the company authorizes the disclosure, or where it is required by law. Unauthorized disclosure of business secrets may result in criminal sanctions.

Pursuant to the Estonian Commercial Code, a public limited company is required to engage an auditor who is appointed by the general meeting of shareholders. The general meeting of shareholders shall also determine the principles of remuneration of the company’s auditors. The auditors may be appointed for a specified term or for a single audit. A public limited company is required to have its annual report audited. After the end of the financial year, the management board prepares the annual accounts and activity reports and presents them to the auditor for his review. The management board presents the annual report (comprising the annual accounts and management report) and the auditor’s report and a proposal regarding distribution of profit to the general meeting shareholders for approval. The shareholders whose shares represent at least one tenth of the share capital may demand that the auditor who prepared the auditor's report participate in the making of the decision to approve the annual report, and provide explanations concerning the auditor's report. Such request must be submitted to the company in writing at least five days before the general meeting of shareholders. No later than six months after the end of the financial year, the approved annual report, the auditor’s report and the proposal regarding distribution of profit (if any) must be filed with the Commercial Register. The Rules of the Tallinn Stock Exchange provide that the audited annual report has to be made public immediately after its approval by the supervisory council but not later than four months after the end of the accounting period. Minority shareholders in a public limited company have the right to require an extraordinary audit, but they are not entitled to investigate the company’s books or records. Every shareholder has the right to receive information in regard to the activities of the company from the management board at the general meeting of shareholders. However, the management board may refuse to disclose information if such disclosure might seriously harm the interests of the company.

The protection of minority shareholders includes, among other things, the right of shareholders with shares representing at least one-tenth of the share capital to (i) demand the convening of an extraordinary meeting of the shareholders, (ii) submit an application to the court demanding a dismissal of a member of the supervisory council, (iii) request an extraordinary audit (which would have to be approved by the simple majority of votes at a duly convened general meeting of shareholders), (iv) require certain issues to be included in the agenda of the general meeting of shareholders, (v) demand a meeting of the supervisory council, and (vi) prevent modifications to the rights of certain types of shares.

The Commercial Code provides that a shareholder whose shares, together with the shares of its parent undertaking and its subsidiaries, represent at least 90 per cent of the share capital of a public limited company, can make an offer to acquire the shares held by the minority shareholders for a fair monetary compensation. Such an offer will be presented to the general meeting of shareholders, and if at least 95 per cent of all the votes attaching to the company's shares vote in favour, it will be binding on all shareholders.

The Rules of the TSE impose a number of additional restrictions and limitations on the supervisory council and management board of a company listed on the TSE. Most of these restrictions apply to a company from the moment when it submits its application for listing of its shares on the TSE.

The Estonian Financial Supervision Authority (*Finantsinspektsioon*) ("EFSA") has adopted the Corporate Governance Recommendations ("Recommendations"), which entered into force on 1 January 2006. As of that date, all companies whose shares are admitted for trading at the TSE are required to either comply with the Recommendations or explain the reasons for their non-compliance ('comply or explain'). The Recommendations regulate, among other matters, the convening of and procedure in the general meetings of shareholders, the requirements for the composition, duties and activities of the management board and supervisory council, conflict of interest guidelines, requirements for the disclosure of information and financial reporting.

The Recommendations require that at least half of the members of the supervisory council must be independent.

The Tallinn Stock Exchange and the Estonian Securities Market

The TSE and the Estonian Central Securities Depository (*AS Eesti Väärtpaberikeskus*) ("ECSD") are the two leading securities market infrastructure operators in Estonia. Set out below is a brief overview of the information concerning the Estonian regulated securities market and certain provisions of Estonian law and current securities market regulations in effect on the date of this Prospectus. The summary is based on Estonian laws and securities market regulations and publicly available information on OMX AB group, the principal shareholder of the company operating the TSE.

Tallinn Stock Exchange

The TSE is the only stock exchange operating in Estonia. It is operated by AS Tallinna Börs, a public limited company whose principal shareholder is the Swedish company OMX AB, through its Finnish subsidiary. OMX AB group companies also operate the Copenhagen Stock Exchange, the Stockholm Stock Exchange, the Helsinki Stock Exchange, the Iceland Stock Exchange, the Riga Stock Exchange and the Vilnius Stock Exchange. The TSE is also a member of NOREX, an alliance of Nordic and Baltic stock exchanges all using the SAXESS trading system.

The TSE is a self-regulated organization, issuing and enforcing its own rules and regulations consistent with standard exchange operating procedures, but is licensed and supervised by the EFSA. The TSE Rules are established by AS Tallinna Börs, the operator of the TSE, in order to ensure the regular and lawful operation of the stock exchange. The operator may unilaterally amend the TSE Rules, though the EFSA must approve such amendments. The rules and regulations of the TSE regulate the listing of securities and trading in them on the TSE and the performance of the obligations arising from securities transactions performed on the TSE. The TSE Rules are established by the Management Board of the TSE. The Rules are binding on the members of the TSE, and the issuers whose securities are listed on the TSE or admitted to trading on the Secondary List which is a separate market regulated by the TSE.

The activities of, and trading on, the TSE are subject to two tiers of regulation. Laws and government regulations comprise the basic regulatory framework, which is then supplemented by the TSE Rules. The principal laws governing the activities of, and trading on, the TSE are the Estonian Securities Market Act and the Estonian Central Registry of Securities Act.

Estonian Central Registry of Securities and registration of shares

The ECRS is a public register established, among other matters, for the registration and maintenance of shares, debt obligations and other securities stipulated in the Estonian Central Registry of Securities Act, and transactions executed with such securities (including pledges). The ECRS is operated by the ECSD. The ECSD is organized as a public limited company, and all of its shares are fully owned by the TSE's operator AS Tallinna Börs. The ECSD's primary functions include clearing and settling securities transactions, maintaining records of share ownership and pledges, and providing securities-related services to issuers and investors. The ECSD is the responsible body for the only securities settlement system (SSS) in Estonia, which settles stock exchanges and over-the-counter trades. Eesti Pank acts as a settlement bank of the netted cash position of the participants in the SSS.

All shares listed and traded on the TSE must be registered in the ECRS or another register of securities if it is approved by the TSE. No share certificates are issued with respect to the registered shares. Shares are registered in the ECRS in book-entry form and are held in dematerialized form in the respective shareholders' electronic securities accounts opened in the ECRS. Therefore, all transactions involving shares listed on the TSE must be recorded on the ECRS' electronic database by account operators and are cleared and settled through the ECSD. The rights attached to the shares are deemed to belong to the persons who are registered as the shareholders in the share register of the issuer maintained by the ECSD.

The public has access to certain basic information, and has the right to obtain extracts and transcripts of documents from the ECRS, concerning the issuer (its name, seat and registry code) and the securities (the type, nominal value and amount of securities) registered with the ECRS. If shares are quoted on the stock exchange, the information concerning the shareholders is also accessible to the public. The Estonian Central Registry of Securities Act stipulates further circumstances when additional information registered with the ECRS is available to third parties.

A securities account can be opened in the ECRS by any Estonian or foreign person. The opening of the account takes place through an account administrator (custodian). Account administrators are institutions that qualify under Estonian law as professional participants in the securities market, such as banks, investment firms, credit institutions and other persons specified by law. Foreign companies that hold an activity license of a professional securities market participant and are registered in a Member State of the EU, or with which the Republic of Estonia has a legal agreement may also qualify as account administrators.

Professional participants in the Estonian securities market and foreign legal entities meeting certain criteria are entitled to open a nominee account in the ECRS. A notation is made and maintained in the ECRS indicating the nominee status of the relevant account. Shares held in the nominee account are deemed to be the client's shares, and not the shares of the account owner, and thus cannot be brought into the bankruptcy estate of the owner of the nominee account. In the exercise of voting rights and other rights arising from a share, the owner of a nominee account must follow the instructions of the client. At the request of the client, the owner of a nominee account must grant authorization in the required format to the client so that the client can represent the owner of the nominee account in the exercise of rights arising from the shares.

Listing on the Tallinn Stock Exchange

An application has been made to list the Shares on the main list. In order to list shares on the main list of the TSE, among other requirements, a sufficient number of such shares must be held by the public. As a general rule, this condition is fulfilled if at least 25 per cent of the share capital represented by the shares to be listed is held by the public, or taking into consideration the number of shares and their distribution among the public, the market would also operate properly at a lower percentage of shares held by the public, or such level of distribution is expected to be achieved shortly after listing. The TSE Rules set out certain specific criteria as to determining whether shares are held by the public.

Trading on the Tallinn Stock Exchange

The trading system of the TSE is open for trading to its members. Trading on the TSE takes place on each business day from 10:00 a.m. to 1:50 p.m. (Estonian time). From 2:05 p.m. to 2:30 p.m. the TSE carries out after-market trading. The TSE uses the Nordic-Baltic trading system SAXESS, which in addition to Estonia is used by exchanges in Sweden, Finland, Denmark, Norway, Iceland, Latvia and Lithuania. The official trading currency of the Tallinn Stock Exchange trading system is the euro. Investors of the TSE instruments can place transaction orders and pay for transactions also in Estonian kroons without extra charge; stock exchange members use the official Bank of Estonia central rate (EUR 1 = EEK 15.6466) for the calculations needed to fulfil customer's orders.

Transactions can be concluded on the TSE either through automatic matching or through negotiated deals. In the case of automatic matching, the buy and sell orders are matched by the trading system automatically according to price and time priorities. Automatically matched transactions are settled on the third day after the transaction (T+3), unless agreed otherwise. Negotiated trades can be concluded during the TSE trading period at a price between the best bid and offer prices quoted at the time of concluding the transaction. Negotiated deals concluded after the TSE's trading period must be concluded at a price at or between the closing prices of that day or prices of transactions made during the trading period on that day. Negotiated deals are negotiated between stock exchange members outside the system and brokers must enter the deal in the trading system as soon as possible, and in any event not later than five minutes after its conclusion. Negotiated deals may have a settlement day between T+1 (inclusive) and T+6 (inclusive) if agreed between the relevant stock exchange members.

The operator of the TSE is required to ensure constant access on its website to information on the securities traded on the market, including the acquisition and transfer prices of the securities, recent prices, price changes, the highest and lowest prices and the volume and number of transactions. According to the Estonian Securities Market Act such information must be accurate, clear, precise and complete. The TSE operates an electronic trading system that provides real-time stock quotes, distributes issuer announcements and displays information regarding executed transactions, statistics and other such data. The operator of the TSE must record at least the following regarding transactions concluded on the exchange: (i) the time at which the transaction is concluded; (ii) information regarding the market participant who concluded the transaction; (iii) the securities which served as the object of the transaction; and (iv) their number, nominal value and price. In accordance with the TSE Rules, the operator of the TSE has the right to request additional information regarding a transaction for the purposes of recording the transaction.

The Listing and Surveillance Committee of the TSE has the right, for the purpose of ensuring sufficient liquidity of a security, to demand that the issuer concludes a market-making agreement with a member of the TSE with respect to the securities to be listed. Market makers have the obligation with respect to a specific security to display the buy and sell prices in the order book throughout the trading period.

Supervision of the Tallinn Stock Exchange

Activities of the TSE are supervised by the EFSA, which is a body carrying out the supervision of all Estonian financial institutions including banks, insurance companies, investment and pension funds and the securities market. Compliance with the TSE Rules by its members is monitored by the Listing and Surveillance Committee of the TSE. The operator of the TSE exercises supervision over the exchange with respect to the prices of securities traded on the exchange and the conduct and execution of transactions for the purpose of detecting and reducing transactions conducted on the basis of inside information, market manipulation and other violations of the law. The operator of the TSE also supervises the diclosure of adequate information to the investors, protection of the interests of the investors as well as their fair and equal treatment. The operator of the TSE can apply contractual penalties, full or partial suspensions of the rights accompanying the status of participator or member of the exchange up to 30 days, suspension of the listing of or trading with the security of up to 30 days, termination of membership of the exchange, or permanent termination of the listing or trading with the security. The operator is under an obligation to notify the EFSA immediately of any violation of law. The EFSA also has specific supervisory obligations for monitoring transactions concluded on the exchange.

Disclosure of transactions and ownership

A person who has acquired, either directly or indirectly, individually or together with persons operating in concert, a qualifying holding in a public limited company, and thus acquires or increases the number of votes owned thereby to more than one-tenth, one-fifth, one-third, fifty per cent or two-thirds of all votes represented by the shares of the public limited company, must immediately, but not later than within four business days, notify the public limited company and the securities market supervisory agency of the state where the public limited company is founded or registered, disclosing the number of votes owned by such person. The same notification requirements also apply in case the holding falls below the prescribed levels. The EFSA has the right to make exemptions from such notification requirements in certain circumstances. In the case of a company whose shares are listed on the TSE, the disclosure obligations described above also apply in the case of the acquisition or reduction of a holding of five per cent. The issuer is also required to ensure that shareholders holding more than five per cent of the shares of the issuer disclose, through the issuer, all the significant provisions of all the agreements made with other shareholders or third parties which are aimed at restricting the free transferability of the shares or which may have a significant effect on the price of the shares.

In order to ensure that disclosure obligations established by law are also fulfilled in respect of shareholdings held by nominee accounts, the operator of a nominee account is required to enter into written agreements with the clients on whose behalf the operator holds securities. These agreements must, among other things, require the client to notify the issuer and/or the competent supervisory body (the exact person to whom the notification must be submitted may vary depending on a particular transaction) if a holding in a company exceeds the threshold established by law or to obtain the permission of the competent supervisory body for the holding to exceed the threshold established by law (such permission is required, for example, in the case of the acquisition of a holding above a certain level in financial institutions, or in the case of an acquisition subject to concentration control by competition authorities). The TSE Rules also regulate the disclosure of the issuer's dealings in its own shares.

Market abuse

The Estonian Securities Market Act prohibits market abuse, which (within the meaning of the said Act) is misuse of inside information and market manipulation. The Act also requires all persons providing investment services as a permanent activity to immediately notify the EFSA of a reasonable suspicion of market abuse.

Restrictions established for the misuse of inside information apply to all financial instruments admitted for trading on the market of Estonia or in a Member State of the EEA, but also to instruments not admitted for trading, but the value of which depends on a financial instrument that are admitted to trading in Estonia or in an EEA Member State. Inside information is precise information which has not been made public, relating directly or indirectly to the financial instrument or its issuer and which, if it were made public, would probably have a significant effect on the price of the financial instrument or a derivative linked to the financial instrument. The law establishes additional conditions under which information may qualify as inside information.

An insider is a person who possesses inside information by virtue of being a partner or member of the management or supervisory bodies of the issuer, or by virtue of his shareholding in the issuer, or by virtue of having access to the information through the exercise of his employment, profession or duties, or by virtue of his criminal activities. Third parties who possess inside information are also treated as insiders if they knew or should have known that the information is inside information. The TSE Rules stipulate that, among other persons, persons who hold or control at least 10 per cent of shares in an issuer, the subsidiaries of the issuer and certain officials of such shareholders and subsidiaries and persons associated with them are deemed to be insiders for the purpose of the TSE Rules.

Misuse of inside information comprises, among other actions, the trading on the basis of inside information, unauthorized disclosure of inside information, and the making of recommendations on the basis of inside information for the acquisition or disposal of financial instruments to which that information relates. Misuse of inside information is a criminal offence, and may result in fines or imprisonment. The Securities Market Act also provides under set circumstances the right to demand from the issuer of the financial instrument traded on the Estonian market compensation of damages arising from the failure to disclose the information directly.

Issuers of publicly-traded securities and other individuals or entities that have regular access to inside information are required to establish internal rules and procedures to monitor access to inside information and prevent the disclosure of such information.

The Estonian Securities Market Act contains a non-exhaustive list of actions including price fixing, dissemination of rumours and false news and other methods that are deemed to constitute market manipulation. Under the Estonian Securities Market Act, market manipulation may be punishable by a fine. Credit institutions, investment firms and others providing investment recommendations must disclose any conflicts of interest they may have when providing investment advice. On 15 March 2007, amendments to the Penal Code took effect, creating a new criminal offense based on market manipulation of market prices of financial instruments in regulated markets or regulated trading systems. The amendment prohibits shareholders of the issuer and individuals related to the issuer through employment or their work duties from carrying out transactions or distributing information that is misleading or could be misleading. The penalty for such activities ranges from a pecuniary penalty up to three years in prison.

The TSE Rules also restrict transactions involving an issuer’s securities by certain officials of the issuer and by persons connected with such officials, to avoid profiting from short-term price fluctuations of the issuer’s securities and during restricted periods (in particular, after the end of a financial period but when the financial results of the issuer have not yet been made public). The Listing and Surveillance Committee of the TSE has the right to make exemptions from the requirement to abstain from trading during a restricted period if the Committee is of the opinion that the transaction will not be executed on the basis of confidential information.

Mandatory takeover bid

A person who has gained dominant influence over the target issuer, either directly or together with other persons acting in concert, is required within twenty days as of gaining that dominant influence to make a takeover bid for all the remaining shares of the target issuer with a minimum duration of twenty-eight days. Exemptions from the obligation to make the mandatory takeover bid may be granted by the EFSA in case of certain specific circumstances provided by law.

For the purposes of the mandatory takeover bid, a “dominant influence” is a situation where a person: (i) holds the majority of votes represented by the issuer’s shares or holds the majority of the votes as a general partner or limited partner; or (ii) person who is the general or limited partner of the company and has the right to appoint or remove the majority of the members of the supervisory council or management board of the company; or (iii) person being a shareholder or general or limited partner of the company controls alone the majority of the votes pursuant to an agreement with other partners or shareholders. The Securities Market Act requires that the offeror must obtain approval for the takeover bid from the Supervision Authority, and that the purchase price in a takeover bid must be fair and in proportion to the rights and obligations deriving from the shares being acquired.

TAXATION

The following summary is based on the tax laws of Estonia as in effect on the date of this Prospectus, and is subject to changes in such laws, including changes that could have a retroactive effect. The following summary is not exhaustive and does not take into account or discuss the tax laws of any jurisdiction other than Estonia. Investors are advised to consult their own professional tax advisors as to the Estonian or other tax consequences of the Listing and the purchase, ownership and disposition of Shares. Prospective investors who may be affected by the tax laws of other jurisdictions should consult their own tax advisors with respect to the tax consequences applicable to their particular circumstances.

Corporate Income Tax

Pursuant to the Estonian Income Tax Act (*tulumaksuseadus*), the accrued profits of a resident legal entity such as the Company are not subject to corporate income tax at the time of earning the profit regardless of whether reinvested or merely retained. Instead, the resident corporate taxpayers are subject to distribution tax on distributed profits which also includes hidden profit distributions. In particular, income tax is charged on the following:

- fringe benefits to employees and the management;
- gifts, donations and entertainment costs;
- dividends and other profit distributions;
- expenses and other payments not related to the taxpayers business.

In 2007, the corporate income tax rate is 22 per cent of the gross amount distributed, although technically the tax amount is calculated on the amount of the profit distribution which constitutes the rate of 22/78 of the net amount distributed. The rate of the distribution tax is planned to be reduced to 21/79 for 2008 and 20/80 for 2009 (21 per cent and 20 per cent of the gross distribution amount respectively). The amount of income tax due is required to be declared and paid to the bank account of the Tax and Customs Board by the 10^{th} day following the month in which the payment was made.

Departing from the general rule described above, pursuant to the Income Tax Act some profit distributions are exempted from the distribution tax. An Estonian resident company holding at least 15 per cent of the share capital or the votes in the company that is distributing profits has to pay no income tax upon re-distributing the part of the profit income tax that has already been paid by the distributing company, regardless of whether the taxation had occurred in Estonia or abroad.

Income Tax Treatment of Dividends

In addition to the corporate income tax upon profit distributions, there is no additional withholding tax on dividend payments to resident companies, resident and non-resident individuals.

By default, in addition to the corporate income tax upon profit distributions, Estonian dividend withholding tax at the rate of 22 per cent is currently imposed on dividends paid by a resident legal person to non-resident legal persons. According to an exemption, no withholding tax is levied upon dividend payments in case the non-resident legal person is holding at least 15 per cent of the share capital or the votes in the company that is distributing profits. However, the exemption does not apply when the shareholder is situated in a low tax rate territory for the purposes of Estonian tax laws.

Some non-resident legal entities might enjoy more favourable tax treatment under international treaties (conventions between Estonia and other states with respect to taxes on income and on capital). Such treaties sometimes provide a lower threshold for qualifying companies to benefit from a more favourable income tax rate.

Capital Gains

Income tax is not charged on capital gains received by non-residents (whether individuals or legal persons) from the sale or exchange of shares of Estonian companies except for in cases where at least 10 per cent of the shares of a real estate company are being held at the time of the transfer. Pursuant to the Income Tax Act, a real estate company for these purposes is a holding in a company, a contractual investment fund or other pool of assets, of whose assets real property (immovables) or structures as movables situated in Estonia constitute at the moment of transfer or have constituted at any moment within two years prior to transfer directly or indirectly more than 50 per cent. According to the Company's opening balance sheet, immovables and structures as movables situated in Estonia did not constitute more than 50 per cent of the assets of the Company.

In accordance with the income tax system currently applicable in Estonia, the earnings of an Estonian legal entity are not taxed upon receipt, but only after distribution of the profits. Therefore, income tax is not charged on capital gains received by an Estonian legal person from the sale or exchange of Shares.

Income tax is charged on gains received by Estonian resident individuals from the sale or exchange of Shares.

If the income tax on capital gains as described in previous paragraphs is to be charged, the taxable amount is deemed to be the difference between the acquisition costs and the sale price or exchange value of the Shares.

Currently the capital gains are subject to income tax at the rate of 22 per cent and the capital gains are required to be declared by 31 March of the year following the sale or exchange of the Shares.

Any payments made by the Company to its shareholders as a result of any redemption of its Shares or any purchase of its own Shares or proceeds of the liquidation of the Company are treated as capital gains for tax purposes and will be taxed accordingly.

Pursuant to tax regulations currently in force, the income tax rate will be reduced to 21 per cent of the gross amount of capital gains by 2008 and 20 per cent by 2009.

Possible Changes in Corporate Taxation in Estonia

As described above, Estonia currently has an income tax regime under which income tax is not charged on earned profits of legal persons but is instead charged on distributed profits. The tax rate is 22/78 of the net amount of the distributed profits, resulting in 22 per cent effective rate of the gross amount of distributed profits. Income tax rates are to be reduced to 20 per cent (20/80 of the net profit) by 2009. In addition to the distribution tax, dividend payments from Estonian resident legal persons to non-resident legal persons with a shareholding of less than 15 per cent are subject to an additional withholding tax of 22 per cent (also to be reduced to 20 per cent by 2009).

The distribution tax pertaining to distributions to parent companies in the European Union Member States and the withholding tax referred to above have been found to be in breach of the Council Directive of 23 July 1990 on the common system of taxation applicable in the case of parent companies and subsidiaries of different Member States (the EC parent-subsidiary directive, 90/435/EEC). At Estonia's accession to the European Union on 1 May 2004, Estonia was granted a transitional period to harmonize its income tax regime with the EC parent-subsidiary directive by the end of the year 2008. It is necessary to adjust Estonia's tax regime only partly, but due to fiscal reasons Estonia might be interested in re-introducing the traditional corporate income tax regime that imposes income tax on earned profits and not on distributed profits. The possible adjustments in the current income tax system have been subject to political discussions but currently it is not yet possible to assess whether or to what extent such adjustments of the corporate income tax regime may be implemented.

Stamp Duty and Other Transfer Taxes

Currently there are no stamp duties or transfer taxes payable upon the transfer of Shares, except for the service fees of the custodians and/or the ECRS which maintains the stock register.

SELLING RESTRICTIONS

Because of the following restrictions, persons receiving Shares in connection with the Division and persons purchasing Shares after the Division are advised to consult legal counsel prior to making any offer for, resale, pledge or other transfer of the Shares.

General

No action has been taken or will be taken in any jurisdiction other than Estonia by the Company or any party on behalf of the Company that would permit a public offering of the Shares, or the possession or distribution of this Prospectus or any other documents relating to the Listing, or any amendment or supplement thereto, in any country or jurisdiction where specific action for that purpose is required. Persons receiving a copy of this Prospectus are required by the Company to inform themselves about and to observe any restrictions as to the acquiring or resale of the Shares.

European Economic Area

In relation to each Member State of the European Economic Area that has implemented the Prospectus Directive (each, a relevant Member State), with effect from and including the date on which the Prospectus Directive is implemented in that relevant Member State (the relevant implementation date), the Shares may not be offered to the public in that relevant Member State prior to the publication of a prospectus in relation to the Shares that has been approved by the competent authority in that relevant Member State or, where appropriate, approved in another relevant Member State and notified to the competent authority in that relevant Member State, all in accordance with the Prospectus Directive, except that, with effect from and including the relevant implementation date, an offer of securities may be offered to the public in that relevant Member State at any time:

- to any legal entity that is authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities; or

- to any legal entity that has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than EUR 43,000,000 and (3) an annual net revenues of more than EUR 50,000,000, as shown in its last annual or consolidated accounts; or

- in any other circumstances that do not require the publication of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an “offer to the public” in any relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the securities to be offered so as to enable an investor to decide to purchase or subscribe for the securities, as the expression may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, and the expression “Prospectus Directive” means Directive 2003/71/EC and includes any relevant implementing measure in each relevant Member State.

United States

Neither the Shares nor their distribution has been and neither will be registered under the United States Securities Act of 1933 (as amended) (the “Securities Act”) or with any securities authority of the United States or any state of the United States, and the Shares may not be re-offered or re-sold within the United States or for the account of U.S. persons (as defined in Regulation S under the Securities Act) except pursuant to an effective registration statement or pursuant to an exemption from registration.

United Kingdom

This document (i) is directed only at persons who fall within the definition of “qualified investors” as that term is defined in Section 86(1) of the United Kingdom Financial Services and Markets Act 2000 (the

“FSMA”) or otherwise in circumstances which do not result in an offer of transferable securities to the public in the United Kingdom within the meaning of the FSMA, and (ii) is being communicated or caused to be communicated only to investment professionals and to such other persons to whom communications of this nature may be made without the financial promotion restriction in Section 21(1) of the FSMA applying.

The Company represents that:

(i) it has not offered or sold, and will not offer or sell, prior to the expiry of a period of six months from the date of the Prospectus, and will not offer or sell any Shares to persons in the United Kingdom except when the offer is made to or directed at qualified investors only (as defined in the FSMA) or the offer is made to or directed at fewer than 100 persons, other than qualified investors, per EEA State and will not constitute an offer to the public in the United Kingdom within the definition of the FSMA (as amended);

(ii) it has complied with and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Shares, in, from or otherwise involving or capable of having an effect in the United Kingdom; and

(iii) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) in connection with the offering of the Shares in circumstances in which section 21(1) of the FSMA does not or would not otherwise apply to the Company.

LEGAL MATTERS

In respect of Estonian law, certain legal matters will be passed upon for the Company by OÜ Advokaadibüroo Luiga Mody Hääl Borenius, Kawe Plaza, Pärnu mnt 15, Tallinn 10141, Estonia.

INDEPENDENT AUDITORS

The auditor of the Company for the year 2007 is AS PricewaterhouseCoopers, Pärnu mnt 15, Tallinn, Estonia. AS PricewaterhouseCoopers is a member of the Estonian Auditing Board.

The auditor of AS Trigon Property Development for the financial years 2004 and 2005 was KPMG Baltics AS, Ahtri 10A, Tallinn, Estonia, a member of the Estonian Auditing Board, and for the financial years 2006 and 2007 AS PricewaterhouseCoopers.

The consolidated financial statements of AS Trigon Property Development for the financial year ended 31 December 2006 appearing in this Prospectus have been audited by AS PricewaterhouseCoopers. The consolidated financial statements of AS Trigon Property Development for the financial years ended 31 December 2005 and 31 December 2004 have been audited by KPMG Baltics AS. The financial information of AS Trigon Property Development for the interim periods ended 30 June 2007 and 2006 appearing in this Prospectus has not been audited.

AS PricewaterhouseCoopers conducted an examination of the un-audited pro forma financial information for the year ended 31 December 2006 and for the six month period ended 30 June 2007, prepared for the purposes of this Prospectus, and issued a report, included elsewhere in this Prospectus. Responsibility of AS PricewaterhouseCoopers for the content of this Prospectus is limited to this report and the respective responsibility statement of AS PricewaterhouseCoopers has been included within this report. AS PricewaterhouseCoopers expressed its written consent, which has not been withdrawn, for the inclusion of its report in this Prospectus in the form and context in which it is included.

INDEX TO FINANCIAL STATEMENTS

UN-AUDITED PRO FORMA FINANCIAL INFORMATION

Introduction

The un-audited pro forma financial information set forth below comprising the un-audited pro forma consolidated balance sheet as of 30 June 2007, the un-audited pro forma consolidated income statement for the six months ended 30 June 2007 and the un-audited pro forma consolidated income statement for the year ended 31 December 2006, and the explanatory notes thereto, has been prepared for the Prospectus, solely for illustrative purposes and presents a hypothetical situation. Therefore, it does not present the actual consolidated financial results or position of the Group. The un-audited pro forma financial information should be read in conjunction with the information included in the consolidated financial statements of AS Trigon Property Development, included elsewhere in this Prospectus.

The un-audited pro forma financial information was prepared to present the division of AS Trigon Property Development, described in detail in chapter "Division of AS Trigon Property Development and Establishment of the Company" of the Prospectus, and the impact it could have on the consolidated financial statements of the Group, had this transaction taken place as at the beginning of the periods in respect of the presented pro forma income statements or as at the balance sheet date in respect of the presented pro forma balance sheet. The assumptions underlying the pro forma adjustments and the sources of information are described in the accompanying explanatory notes. The un-audited pro forma adjustments were based upon the information available and certain assumptions which, in the opinion of the Management, are reasonable given the circumstances.

The un-audited pro forma financial information was prepared in accordance with the accounting principles applied by AS Trigon Property Development and described in its financial statements included elsewhere in this Prospectus. It has been provided solely for illustrative purposes and does not purport to present what the consolidated results of the Group would actually have been had the Division taken place on the dates assumed nor does it purport to be representative of the consolidated results of the Group for any future periods.

Un-audited Pro Forma Consolidated Income Statement for the Year Ended 31 December 2006

(EEK, ´000)	Unadjusted historical data of AS Trigon Property Development	Pro forma adjustment (Division)	Pro forma data of AS Viisnurk
	Audited **Note A**	Un-audited **Note B**	Un-audited
REVENUE	227,404	(536)	226,868
Cost of goods sold	(184,526)	-	(184,526)
Gross profit	42,878	(536)	42,342
Distribution costs	(21,258)	-	(21,258)
Administrative expenses	(5,414)	227	(5,187)
Other operating income	526	-	526
Other operating expenses	(932)	-	(932)
Operating profit	15,800	(309)	15,491
Financial income	158	-	158
Finance costs	(2,733)	39	(2,694)
PROFIT BEFORE TAX	13,225	(270)	12,955
Corporate income tax	(438)	-	(438)
NET PROFIT	12,787	(270)	12,517

Explanatory notes:

A AS Trigon Property Development (formerly AS Viisnurk) financial information used to prepare the Un-audited Pro Forma Financial Information was extracted from the audited consolidated financial statements of AS Trigon Property Development for the financial year 2006 included elsewhere in this Prospectus.

B In the period covered by the pro forma financial information, data referring to the operations not transferred to the Company as a result of the Division were included in the financial information of AS Trigon Property Development. The adjustment reflects the elimination of financial results of the business operations that were not transferred to the Company. The adjustment to revenue amounting to EEK 536 thousand reflects the income from renting the land plots in the Niidu area as described in section 5.1 of the Division Plan (the Division Plan has been published by AS Trigon Property Development through the information system of the Tallinn Stock Exchange and is available at the following web page: http://files.ee.omxgroup.com/bors/prospekt/vnu/Viisnurk1.pdf), that were not transferred to the Company. The adjustment to administrative expenses in the amount of EEK 227 thousand reflects the land tax for the Niidu area land plots in the amount of EEK 187 thousand and the valuation report cost of the Niidu area land plots in the amount of EEK 40 thousand. All general overhead expenses have been allocated to the operations transferred to the Company as a result of the Division. The adjustment to finance costs amounting to EEK 39 thousand reflects the interest costs of the loan from the Estonian Republic for acquisition of the Niidu land area. The adjustments do not reflect the legal and administrative costs of the Division process, as they were allocated to the business being transferred to the Company. Corporate income tax has been wholly allocated to the operations transferred to the Company and accordingly no adjustment to corporate income tax was made. The adjustments will have a continuing impact on the Group's activity.

Un-audited Pro Forma Consolidated Income Statement for the Period 1 January – 30 June 2007

(EEK, ´000)	Unadjusted historical data of AS Trigon Property Development	Pro forma adjustment (Division)	Pro forma data of AS Viisnurk
	Un-audited Note A	Un-audited Note B	Un-audited
REVENUE	129,673	(171)	129,502
Cost of goods sold	(100,999)	-	(100,999)
Gross profit	28,674	(171)	28,503
Distribution costs	(14,674)	-	(14,674)
Administrative expenses	(1,320)	59	(1,261)
Other operating income	118	-	118
Other operating expenses	(243)	-	(243)
Operating profit	12,555	(112)	12,443
Financial income	149	-	149
Finance costs	(1,405)	20	(1,385)
PROFIT BEFORE TAX	11,299	(92)	11,207
Corporate income tax	(475)	-	(475)
NET PROFIT	10,824	(92)	10,732

Explanatory notes:

A AS Trigon Property Development (formerly AS Viisnurk) financial information used to prepare the Un-audited Pro Forma Financial Information was extracted from the un-audited consolidated interim financial statements of AS Trigon Property Development for the period 1 January – 30 June 2007 included elsewhere in this Prospectus.

B In the period covered by the pro forma financial information, data referring to the operations not transferred to the Company as a result of the Division were included in the financial information of AS Trigon Property Development. The adjustment reflects the elimination of financial results of the business operations that were not transferred to the Company. The adjustment to revenue amounting to EEK 171 thousand reflects the income from renting the land plots in the Niidu area as described in section 5.1 of the Division Plan (the Division Plan has been published by AS Trigon Property Development through the information system of the Tallinn Stock Exchange and is available at the following web page: http://files.ee.omxgroup.com/bors/prospekt/vnu/Viisnurk1.pdf), that were not transferred to the Company. The adjustment to administrative expenses in the amount of EEK 59 thousand reflects the land tax for the Niidu area land plots. All general overhead expenses have been allocated to the operations transferred to the Company as a result of the Division. The adjustment to finance costs amounting to EEK 20 thousand reflects the interest costs of the loan from the Estonian Republic for acquisition of the Niidu land area. The adjustments do not reflect the legal and administrative costs of the Division process, as they were allocated to the business being transferred to the Company. Corporate income tax has been wholly allocated to the operations transferred to the Company and accordingly no adjustment to corporate income tax was made. All adjustments will have a continuing impact on the Group's activity.

Un-audited Pro Forma Consolidated Balance Sheet as at 30 June 2007

(EEK, ´000)	Unadjusted historical data of AS Trigon Property Development	Pro forma adjustment (Division)	Pro forma data of AS Viisnurk
	Un-audited	Un-audited	Un-audited
	Note A	**Note B**	
Cash and bank	10,720	(800)	9,920
Financial assets at fair value through profit or loss	-	-	-
Receivables and prepayments	30,187	-	30,187
Inventories	46,008	-	46,008
Total current assets	86,915	(800)	86,115
Investment property	10,270	(7,392)	2,878
Property, plant and equipment	62,583	(789)	61,794
Intangible assets	382	-	382
Total non-current assets	73,235	(8,181)	65,054
TOTAL ASSETS	**160,150**	**(8,981)**	**151,169**
Borrowings	4,276	(196)	4,080
Payables and prepayments	27,558	-	27,558
Short-term provisions	94	-	94
Total current liabilities	31,928	(196)	31,732
Long-term provisions	3,047	-	3,047
Long-term borrowings	47,939	(2,937)	45,002
Total non-current liabilities	50,986	(2,937)	48,049
TOTAL LIABILITIES	**82,914**	**(3,133)**	**79,781**
Share capital at nominal value	44,991	-	44,991
Share premium	11,332	(3,537)	7,795
Statutory reserve capital	4,499	-	4,499
Currency translation reserve	12	-	12
Retained earnings	16,402	(2,311)	14,091
Total equity	77,236	**(5,848)**	71,388
TOTAL LIABILITIES AND EQUITY	**160,150**	**(8,981)**	**151,169**

Explanatory notes:

A AS Trigon Property Development (formerly AS Viisnurk) financial information used to prepare the Un-audited Pro Forma Financial Information was extracted from the un-audited consolidated interim financial statements of AS Trigon Property Development for the period 1 January – 30 June 2007 included elsewhere in this Prospectus.

B As at the date of the pro forma balance sheet, data referring to the operations not transferred to the Company as a result of the Division were included in the financial information of AS Trigon Property Development. The adjustment reflects the elimination of assets and liabilities that were not transferred to the Company. The adjustment to cash and bank in the amount of EEK 800 thousand reflects the cash in the amount of EEK 40 thousand of OÜ VN Niidu Kinnisvara (which has been renamed to AS Trigon Property Development) and EEK 760 thousand cash that was left to Trigon Property Development, in accordance with sections 5.3. and 5.5 of the Division Plan (the Division Plan has been published by AS Trigon Property Development through the information system of the Tallinn Stock Exchange and is available at the following web page: http://files.ee.omxgroup.com/bors/prospekt/vnu/Viisnurk1.pdf). The adjustment to investment property in the amount of EEK 7,392 thousand reflects the net book value as at 30 June 2007 of the properties in Niidu area as described in section 5.1 of the Division Plan. The adjustment to property, plant and equipment in the amount of EEK 789 thousand reflects the carrying amount of the fire trass in the Niidu area, which was not transferred to the Company. The adjustments to short- and long-term borrowings represent the loan from the Estonian Republic for the financing of the acquisition of the land plots, which was not transferred to the Company. As at the balance date the unpaid total amount of the loan was EEK 3,133 thousand, which consisted of EEK 196 thousand of short-term part and EEK 2,937 thousand of long-term part of the loan. The adjustment to share premium inn the amount of EEK 3,537 thousand reflects the amount of shareholders' contribution of EEK 800 thousand as described in sections 5.3 and 5.5 of the Division Plan, EEK 1,948 thousand for financing of the properties in the Niidu area and EEK 789 thousand for financing of the fire trass in the Niidu area. The adjustment to retained earnings in the amount of EEK 2,311 thousand reflects the accumulated rental income from the Niidu land area as defined in sections 5.1 and 5.3 of the Division Plan. All adjustment will have a continuing impact on the Group's activity.

PRICEWATERHOUSECOOPERS

AS PricewaterhouseCoopers
Pärnu mnt. 15
10141 Tallinn
Estonia

Telephone +372 614 1800
Facsimile +372 614 1900
www.pwc.ee

To the Management Board of AS Viisnurk

INDEPENDENT ASSURANCE REPORT ON EXAMINATION OF PRO FORMA FINANCIAL INFORMATION

We have examined the accompanying pro forma financial information set out in Annex I of the prospectus of AS Viisnurk (the "Company" and together with its subsidiaries "the Group") comprising the unaudited pro forma consolidated income statement for the year ended 31 December 2006, the unaudited pro forma consolidated income statement for the six-month period ended 30 June 2006, the unaudited pro forma consolidated balance sheet as at 30 June 2007, and explanatory notes thereto (the "Pro Forma Financial Information").

The Pro Forma Financial Information has been prepared on the basis stated therein, for illustrative purposes only, to provide information on how the Group's consolidated financial information prepared on the basis of its accounting policies may have been affected had the transaction described in the introduction to the Pro Forma Financial Information occurred at earlier dates.

This report is required by item 20.2 of Annex I to the Commission Regulation (EC) 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements (the "EU Prospectus Regulation") and is given for the purposes of complying with these regulations and for no other purposes.

Preparation of the Pro Forma Financial Information in accordance with item 20.2 of Annex I to the EU Prospectus Regulation and guidance issued by the Committee of the European Security Regulators is the responsibility of the Management Board of the Company. It is our responsibility to form an opinion, as required by item 7 of Annex II of the EU Prospectus Regulation, as to the proper compilation of the Pro Forma Financial Information. We are not responsible for expressing and do not express any other opinion on the Pro Forma Financial Information or on any of its constituent elements. In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro Forma Financial Information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

We conducted our examination in accordance with International Standard on Assurance Engagements 3000 Assurance Engagements Other Than Audits or Reviews of Historical Financial Information. Our work, which involved no independent examination of any of the underlying financial information, on which the Pro Forma Financial Information is based, consisted primarily of comparing the unadjusted financial information with the source documents, considering evidence supporting the adjustments and discussing the Pro Forma Financial Information with the management of the Company.

PRICEWATERHOUSECOOPERS

We have planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro Forma Financial Information has been properly compiled on the basis stated therein and that such basis is consistent with the accounting policies of the Group.

Based on our examination, in our opinion:

a) the Pro Forma Financial Information has been properly compiled on the basis stated therein;
b) such basis is consistent with the accounting policies of the Group described in the consolidated financial statements of AS Trigon Property Development for the year ended 31 December 2006, included elsewhere in this Prospectus.

Without qualifying our opinion, we draw attention to the fact that, as outlined in the introduction to the Pro Forma Financial Information, this Pro Forma Financial Information has been prepared by using management's assumptions. It is not necessarily indicative of the effects on the financial position that would have been attained had the transaction described in the introduction to the Pro Forma Financial Information actually occurred earlier. Moreover, this accompanying Pro Forma Financial Information is not intended to, and does not, provide all the information and disclosures necessary to present a true and fair view in accordance with International Financial Reporting Standards.

For the purpose of item 1.2 of Annex I and item 1.2 of Annex III of the EU Prospectus Regulation we are responsible for this report as part of the Prospectus and we declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with item 1.2 of Annex I and item 1.2 of Annex III of the EU Prospectus Regulation.

On behalf of AS PricewaterhouseCoopers:

/signature/
Urmas Kaarlep
AS PricewaterhouseCoopers

19 September 2007

[ANNEXES III-VI ARE PRESENTED IN SEPARATE FILES]

ISSUER

AS Viisnurk
Suur-Jõe 48
80042 Pärnu
Estonia

LEGAL ADVISER TO THE ISSUER

OÜ Advokaadibüroo Luiga Mody Hääl Borenius
Pärnu mnt 15
10141 Tallinn
Estonia

INDEPENDENT AUDITORS

AS PricewaterhouseCoopers
Pärnu mnt 15
10141 Tallinn
Estonia