

VIISNURK AS

Consolidated Interim Report for the 2nd Quarter of 2005

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Outline and Contact Details

AS Viisnurk is a multibusiness wood processing company, that produces home furniture and insulation and interior finishing boards.

The company has been listed on the Tallinn Stock Exchange.

Business name:	Viisnurk AS
Registry code:	10106774
Address:	Suur-Jõe 48, Pärnu 80042, Estonia
Telephone:	+372 44 78 323
Fax	+372 44 78 368
E-mail:	mail@viisnurk.ee
Homepage:	www.viisnurk.ee
Beginning of the financial year:	01.01.2005
End of the financial year:	31.12.2005
Beginning of the Interim Report Period:	01.01.2005
End of the Interim Report Period:	30.06.2005

Consolidated Balance Sheet

		Thou. kroons 30.06.2005	Thou. kroons 31.12.2004	Thou. euros 30.06.2005	Thou. euros 31.12.2004
Cash and bank		8,972	3,870	573	247
Customer receivables	(Note 1)	25,379	27,645	1,622	1,767
Other receivables		66	85	4	5
Prepayments		2,458	2,576	157	165
Inventories		38,532	40,419	2,463	2,583
Tangible fixed assets for sell		0	50,943	0	3,256
Total current assets		75,407	125,538	4,819	8,023
Long-term financial investments	(Note 2)	1	1	0	0
Investment property	(Note 3)	15,371	15,636	982	999
Tangible fixed assets	(Note 4)	59,640	64,466	3,812	4,120
Intangible fixed assets	(Note 4)	2,342	2,884	150	185
Total fixed assets		77,354	82,987	4,944	5,304
<u>TOTAL ASSETS</u>		<u>152,761</u>	<u>208,525</u>	<u>9,763</u>	<u>13,327</u>
Debt obligations	(Note 5)	4,515	76,061	289	4,861
Customer prepayments		150	11,187	10	715
Supplier payables		17,748	20,998	1,134	1,342
Taxes payable		3,280	3,443	210	220
Accrued expenses		5,998	8,756	383	560
Short-term provisions	(Note 6)	445	445	28	28
Total current liabilities		32,136	120,890	2,054	7,726
Non-current debt obligations	(Note 5)	56,829	30,279	3,632	1,935
Total non-current liabilities		56,829	30,279	3,632	1,935
Total liabilities		88,965	151,169	5,686	9,661
Share capital (nominal value)	(Note 7)	44,991	44,991	2,875	2,875
Issue premium		11,332	11,332	724	724
Mandatory capital reserve		4,499	4,499	288	288
Retained profits		(3,466)	13,383	(221)	856
Net profit for the year		6,440	(16,849)	411	(1,077)
Total equity		63,796	57,356	4,077	3,666
<u>TOTAL LIABILITIES AND EQUITY</u>		<u>152,761</u>	<u>208,525</u>	<u>9,763</u>	<u>13,327</u>

Consolidated Income Statement

		Thou. kroons 2nd quarter 2005	Thou. kroons 2nd quarter 2004	Thou. kroons Half year 2005	Thou. kroons Half year 2004	Thou. euros 2nd quart 2005	Thou. euros 2nd quart 2004	Thou. euros Half year 2005	Thou. euros Half year 2004
RETURN ON SALES	(Note 9)	56,626	89,597	118,535	195,038	3,619	5,726	7,576	12,465
Cost of production sold		(46,532)	(82,150)	(97,462)	(177,442)	(2,974)	(5,250)	(6,229)	(11,341)
Gross profit		10,094	7,447	21,073	17,596	645	476	1,347	1,125
Marketing expenses		(4,732)	(5,313)	(10,195)	(12,701)	(303)	(340)	(652)	(812)
General administrative expenses		(1,500)	(2,272)	(3,123)	(4,599)	(96)	(145)	(200)	(294)
Other income		812	1,372	2,278	4,623	52	88	146	295
Other expenses		(1,239)	(262)	(1,574)	(783)	(79)	(17)	(101)	(50)
Operating profit	(Note 9)	3,435	972	8,459	4,136	219	62	540	264
Financial income and financial expenses		(847)	(1,700)	(2,019)	(3,576)	(54)	(109)	(129)	(229)
NET PROFIT FOR THE PERIOD		2,588	(728)	6,440	560	165	(47)	411	36
Basic earnings per share	(Note 8)	0.58	-0.16	1.43	0.12	0.04	-0.01	0.09	0.01
Diluted earnings per share	(Note 8)	0.58	-0.16	1.43	0.12	0.04	-0.01	0.09	0.01

Consolidated Cash Flow Statement

	Thou. kroons Half year 2005	Thou. kroons Half year 2004	Thou. euros Half year 2005	Thou. euros Half year 2004
Cash flow from operations				
Net profit	6,440	560	411	36
<i>Adjustments for:</i>				
Depreciation of fixed assets	5,994	14,222	383	909
Gains on sale of fixed assets	(537)	(183)	(34)	(12)
Gain on sale of investment property	(1,236)	(2,365)	(79)	(151)
Use of provisions	0	(1,493)	0	(95)
Interest expense	2,007	4,236	128	271
Operating profit before changes in operating capital	12,668	7,697	809	492
Change in operations-related receivables and prepayments	2,408	15,048	154	962
Change in inventories	45,887	2,425	2,933	155
Change in operations-related liabilities and prepayments	(17,213)	(18,126)	(1,100)	(1,159)
Cash generated from operations	43,750	7,044	2,796	450
Interest paid	(2,007)	(3,719)	(128)	(238)
Total cash flow from operations	41,743	3,325	2,668	212
Cash flow from investments				
Acquisition of fixed assets	(641)	(2,074)	(41)	(133)
Sale of fixed assets	7,496	1,702	479	109
Sale of real estate investments	1,500	3,870	96	247
Total cash flow from investments	8,355	3,498	534	223
Cash flow from financing activities				
Repayment of loans	(38,663)	(6,672)	(2,471)	(426)
Settlement of finance lease liabilities	(527)	(851)	(34)	(54)
Change in the overdraft balance	5,806	2,796	(371)	179
Total cash flow from financing activities	(44,996)	(4,727)	(2,876)	(301)
TOTAL CASH FLOW	5,102	2,096	326	134
CASH AT BEGINNING OF PERIOD	3,870	1,141	247	73
CASH AT END OF PERIOD	8,972	3,237	573	207

**Statement of Movements in
Equity**

	Thou. kroons Half year 2005	Thou. kroons Half year 2004	Thou. euros Half year 2005	Thou. euros Half year 2004
Distributable profits at beginning of period	(3,466)	13,384	(221)	855
Net profit for accounting year	6,440	560	411	36
Distributable profits at end of period	2,974	13,944	190	891

Notes to Interim Report

Accounting Policies And Measurement Bases

The accounting policies applied at the preparation of the Interim Report of Viisnurk AS for the 2nd quarter of 2005 comply with the International Accounting Standards. The same accounting policies were applied for both the Interim Report and the Annual Report for the financial year that ended on 31.12.2004.

According to the assessment of the Management Board, Viisnurk AS is a going concern and the Interim Report for the 2nd quarter of 2005 gives a true and fair view of the financial position of Viisnurk AS and the results of its operations. The present Interim Report has not been audited.

The Interim Report has been presented in thousands of Estonian croons and in thousands of euros. The exchange rate between croons and euros is 15.6466.

1. Customer receivables

	Thou. kroons	Thou. kroons	Thou euros	Thou euros
	30.06.2005	31.12.2004	30.06.2005	31.12.2004
Accounts receivable	27,179	29,605	1,737	1,892
Allowance for doubtful receivables	(1,800)	(1,960)	(115)	(125)
TOTAL	25,379	27,645	1,622	1,767

2. Long-term financial investments

	Thou. kroons	Thou. kroons	Thou euros	Thou euros
	30.06.2005	31.12.2004	30.06.2005	31.12.2004
Other shares and issues	1	1	0	0
TOTAL	1	1	0	0

Investments in Subsidiaries

	Skano OÜ	Visu OÜ	Isotex OÜ
	(Estonia)	(Estonia)	(Estonia)
Number of shares 01.01.2005	1	1	1
Number of shares 30.06.2005	1	1	1
Participation % 30.06.2005	100	100	100

Owner's equity of subsidiaries 30.6.2005

	Skano OÜ	Visu OÜ	Isotex OÜ	Total
	(Estonia)	(Estonia)	(Estonia)	
Share capital	40	40	40	120
Net profit for the last year	690	0	0	690
Net profit for the year	606	0	0	606
Total equity	1,336	40	40	1,416

Thou euros

	Skano OÜ (Estonia)	Visu OÜ (Estonia)	Isotex OÜ (Estonia)	Total
Share capital	2	3	3	8
Net profit for the last year	44	0	0	44
Net profit for the year	39	0	0	39
Total equity	85	3	3	91

3. Investment property

	Thou. kroons	Thou euros
Acquisition cost at 01.01.2005	19,215	1,228
Disposals in 6 months of 2005	(416)	(27)
Acquisition cost at 30.06.2005	18,799	1,201
Accumulated depreciation at 01.01.2005	(3,579)	(229)
Depreciation in 6 months of 2005	(1)	(0)
Depreciation disposed of in 6 months of 2005	152	10
Accumulated depreciation at 30.06.2005	(3,428)	(219)
Net book value at 01.01.2005	15,636	999
Net book value at 30.06.2005	15,371	982

In the 6 months Viisnurk earned 1,236 thousand kroons (79 thousand euros) of profit (other income) from the sales of real estate investments.
Costs of maintenance for 6 months of 2005 were 132 thousand kroons (8 thousand euros).

4. Tangible and Intangible Fixed Assets

	Thou kroons		
	Tangible fixed assets	Intangible fixed assets	TOTAL
Acquisition cost at 01.01.2005	146,119	5,769	151,888
Acquired in 6 months of 2005	1,986		1,986
Fixed assets disposed of in 6 months of 2005	(959)		(959)
Acquisition cost at 30.6.2005	147,146	5,769	152,915
Depreciation at 01.01.2005	(83,300)	(2,885)	(86,185)
Depreciation in 6 months of 2005	(5,450)	(542)	(5,992)
Depreciation on fixed assets disposed of in 6 months of 2005	943		943
Depreciation at 30.06.2005	(87,807)	(3,427)	(91,234)
Net book value at 01.01.2005	62,819	2,884	65,703
Net book value at 30.06.2005	59,339	2,342	61,681

	Thou euros		
	Tangible fixed assets	Intangible fixed assets	TOTAL
Acquisition cost at 01.01.2005	9,339	369	9,708
Acquired in 6 months of 2005	127		127
Fixed assets disposed of in 6 months of 2005	(61)		(61)
Acquisition cost at 30.6.2005	9,405	369	9,774
Depreciation at 01.01.2005	(5,324)	(184)	(5,508)
Depreciation in 6 months of 2005	(348)	(35)	(383)
Depreciation on fixed assets disposed of in 6 months of 2005	60		60
Depreciation at 30.06.2005	(5,612)	(219)	(5,831)
Net book value at 01.01.2005	4,015	185	4,200
Net book value at 30.06.2005	3,793	150	3,943

The balance of construction in progress amounted to 301 thousand kroons (19 thousand euros) as of 30.06.2005 and 1,647 thousand kroons (105 thousand euros) as of 01.01.2005.

5. Debt Obligations

	Thou. kroons	Thou. kroons	Thou euros	Thou euros
	30.06.2005	31.12.2004	30.06.2005	31.12.2004
Current liabilities	4,515	76,061	289	4,861
Non-current debt obligations	56,829	30,279	3,632	1,935
Incl. long-term loans	53,108	26,558	3,394	1,697
Non-convertible debt	3,721	3,721	238	238
TOTAL	61,344	106,340	3,921	6,796

6. Short-term provisions

	Thou. kroons	Thou. kroons	Thou euros	Thou euros
	30.06.2005	31.12.2004	30.06.2005	31.12.2004
Guaranty provision	445	445	28	28
TOTAL	445	445	28	28

7. Owners' Equity

	Number of shares	Share capital	Share capital
		Thou. kroons	Thou euros
Balance 30.06.2005	4,499,061	44,991	2,875

At 30.6.2005, the share capital of Viisnurk AS totaled 44,990,610 kroons (2,875,424 euros) that was made up of 4,499,061 shares with the nominal value of 10 kroons (0.64 euros) each; the maximum share capital outlined in the Articles of Association is 177,480,800 kroons (11,343,090 euros).

The share capital did not change in the 6 months of the year 2005.

8. Earnings per share

Basic earnings per share have been calculated by dividing the net profit for the period 6,440,581 kroons (411,628 euros) by the number of shares 4,499,061.

Basic earnings per share for 6 months of 2005 = 6,440,581 / 4,499,061 = 1.43 kroons / 0.09 euros

Basic earnings per share for 6 months of 2004 = 559,942 / 4,499,061 = 0.12 kroons / 0.01 euros

Basic earnings per share equal diluted earnings per share because the company does not have any potential ordinary shares, which might reduce earnings per share.

9 . Business Segments (consolidated)

Thou kroons

	Furniture Division*		Building Materials Division		Finished activities**		Supporting units		Eliminations		TOTAL OF VIISNURK	
	Half Year 2005	Half Year 2004	Half Year 2005	Half Year 2004	Half Year 2005	Half Year 2004	Half Year 2005	Half Year 2004	Half Year 2005	Half Year 2004	Half Year 2005	Half Year 2004
External sales	64,605	88,652	53,768	48,924	162	57,096	0	366	0	0	118,535	195,038
Inter-segmental sales		133	35	83		12,804	0	2	(35)	(13,022)	0	0
Total sales revenue	64,605	88,785	53,803	49,007	162	69,900	0	368	(35)	(13,022)	118,535	195,038
Segment's result	3,113	2,421	9,609	9,143	(1,140)	(7,557)	0	4,727	0	0	11,582	8,734
Unallocated expenses											(3,123)	(4,599)
Operating profit											8,459	4,135
Net financial expenses											(2,019)	(3,575)
Net profit for accounting period											6,440	560

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

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

Thou euros

	Furniture Division*		Building Materials Division		Finished activities**		Supporting units		Eliminations		TOTAL OF VIISNURK	
	Half Year 2004	Half Year 2004	Half Year 2004	Half Year 2004	Half Year 2004	Half Year 2004	Half Year 2004	Half Year 2004	Half Year 2004	Half Year 2004	Half Year 2004	Half Year 2004
External sales	4,129	5,666	3,437	3,127	10	3,648	0	24	0	0	7,576	12,465
Inter-segmental sales		8	2	5		819	0	0	(2)	(832)	0	0
Total sales revenue	4,129	5,674	3,439	3,132	10	4,467	0	24	(2)	(832)	7,576	12,465
Segment's result	199	155	614	584	(73)	(483)	0	302	0	0	740	558
Unallocated expenses											(200)	(294)
Operating profit											540	264
Net financial expenses											(129)	(228)
Net profit for accounting period											411	36

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

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

Explanatory Note to Interim Report

The net sales of Viisnurk AS in the first six months of 2005 amounted to 118.5 mil Estonian kroons (7.6 mil euros) and net profit 6.4 mil kroons (411 thousand euros). The net sales of the 2nd quarter of the accounting year totalled 56.6 mil kroons (3.6 mil euros) and the net profit 2.6 mil kroons (165 thousand euros). Last year, the company profited by 560 thousand kroons/36 thousand euros (whereas the loss in the 2nd quarter of 2004 was 728 thousand kroons/47 thousand euros) within the same period. AS Viisnurk's total sales of the first six months of 2004 were 195 mil kroons (12.5 mil euros), but this included a substantial amount of the sales of divisions closed in 2004.

As of 30.06.2005 the total assets of Viisnurk AS amounted to 152.8 mil kroons (9.8 mil euros). The liabilities of the company accounted for 58% thereof, i.e. 89 mil kroons (5.7 mil euros). Compared to the beginning of the year, the liabilities of the company have decreased by 62.2 mil kroons (4 mil euros).

In the 2nd quarter, the sales processes of the set of assets of the Wood Division and the machines and equipment of the Sports Goods Division of Viisnurk AS were completed. The transactions did not significantly influence the current economic performance of the company, as the profit and costs of the transactions were included in the annual report 2004. The company used the received funds in full to reduce debts.

Divisional review:

(Thousand kroons)	Net sales		Profit	
	2005 6m	2004 6m	2005 6m	2004 6m
Furniture Division	64 605	88 652	3 113	2 421
Building Materials Division	53 768	48 924	9 609	9 143
Terminated business activities	162	57 096	(1 140)	(7 557)
Other activities	0	366	0	4 727
TOTAL	118 535	195 038	11 582	8 734
Unallocated expenses			(3 123)	(4 599)
OPERATING PROFIT			8 459	4 135
Net financial expenses			(2 019)	(3 575)
NET PROFIT			6 440	560

(Thousand euros)	Net sales		Profit	
	2005 6m	2004 6m	2005 6m	2004 6m
Furniture Division	4 129	5 666	199	155
Building Materials Division	3 437	3 127	614	584
Terminated business activities	10	3 648	(73)	(483)
Other activities	0	24	0	302
TOTAL	7 576	12 465	740	558
Unallocated expenses			(200)	(294)
OPERATING PROFIT			540	264
Net financial expenses			(129)	(228)
NET PROFIT			411	36

Furniture Division

The six-month net sales of AS Viisnurk's Furniture Division were 64.6 mil kroons (4.1 mil euros) and the profit 3.1 mil kroons (199 thousand euros). Compared to the last year, the division's net sales have declined by 24 mil kroons (1.6 mil euros) and the profit increased by 14%. Thus, the profitability of the division has almost doubled compared to the previous year.

The six-month performance of the Furniture Division proves the success of the selected strategy that focuses on stable customers and production of profitable product lines only. The share of the sales of the division's own brands with higher profitability is constantly increasing. The economic performance was positively influenced also by the implementation of the fixed costs reduction programme.

The plan to increase the division's sales in the German-speaking markets has been realised to a lesser extent than expected due to a general recession in the target market. The six-month sales in German-speaking markets amounted to ca 10% of the division's net sales. To increase sales volumes in the area, several new product lines have been prepared as a result of active product development. They will be introduced in September at one of the largest furniture fairs in Germany - M.O.W. 2005 in Barntrup. Viisnurk AS has displayed its products at the fair for several years already.

Building Materials Division

The six-month net sales of the Building Materials Division amounted to 53.8 mil kroons (3.4 mil euros) and profit to 9.6 mil kroons (614 thousand euros). Last year, the turnover of the division totalled 48.9 mil kroons (3.1 mil euros) and the profit 9.1 mil kroons (584 thousand euros) within the same period. The increasing sales of the division's product line Isotex (which has a higher upgrading level), making up already more than a third of the sales of the accounting period, can be regarded as a positive trend.

The divisions of Viisnurk AS that were closed in 2004 resulted in a loss of 1.1 mil kroons (73 thousand euros) during the first six months of 2005. This was mainly due to the storage of the divisions' assets prior to sales and costs related to the sales process. The extraordinary expenses of the 2nd quarter amounted to 0.2 mil kroons (13 thousand euros). By today, the sales processes of both the Sports Goods Division and the Wood Division have been completed. The respective costs will not be included in the coming periods.