

Annual
report

2004

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Introduction

The company


AS Viisnurk is a wood processing company with over half a century's experience in adding value to wood.

The company's main operations are carried out by two divisions. The furniture division manufactures and distributes wooden household furniture of unique design. The building materials division produces and markets two softboard-based product categories: insulation and soundproofing boards and interior finishing boards for walls and ceilings.

In addition to Estonia the company's target markets include the Nordic countries, Western and Central Europe and Russia. Its customers and business associates are recognised representatives of their area who have opted for long-term relations with AS Viisnurk.

AS Viisnurk is the first and only Estonian wood processing company to have its shares quoted in the I-list of Tallinn Stock Exchange.

AS Viisnurk places great value on the satisfaction of its customers, staff and shareholders and balanced relations with the environment.



The year in brief

- On 22 January 2004 the supervisory board of 22 AS Viisnurk approved the company's restructuring plan. Toivo Kuldmae was elected chairman of the company's management board.
- On 16 April 2004 the wood division of AS Viisnurk was closed. A contract on the divestment of the assets of the division was signed on 22 September 2004.
- On 29 October 2004 the sports goods division was closed.
- AS Viisnurk ended the year with revenues of EEK 347.5 million (€22.2 million) and a loss of EEK 16.8 million (€1.1 million), largely on account of non-recurring restructuring expenses. The results of the company's continuing operations were positive.
- The building materials division attained record-high annual sales: EEK 96.1 million (€6.1 million).
- At the beginning of October the furniture division of AS Viisnurk took over the marketing and sales operations of the Swiss-based Skano AG as well as its sales agents network in Germany, Austria and Switzerland.
- The period's operating cash flows totalled EEK 20.2 million (€1.3 million) and loan liabilities were reduced by EEK 33.8 million (€2.2 million).

Financial highlights

EEK'000	2004	2003	2002	2001	2000
Income statement					
Revenue	347,544	392,331	367,531	346,972	309,083
Operating profit/loss	(12,044)	(60,466)	(9,729)	27,249	34,197
Operating margin	(3.5%)	(15.4%)	(3.5%)	7.9%	11.1%
Net profit/loss	(16,849)	(68,840)	(19,632)	19,383	31,628
Balance sheet					
Total assets	208,525	280,996	344,893	357,520	331,878
Return on assets	(8.1%)	(24.5%)	(6.2%)	5.6%	12.4%
Equity	57,356	74,205	143,045	162,677	143,293
Return on equity	(29.4%)	(92.8%)	(15.9%)	11.9%	22.1%
Debt-to-equity ratio	72%	74%	58%	54%	57%
Share (31.12)					
Closing price	21.12	33.64	25.00	42.00	47.30
Earnings per share	(3.75)	(15.30)	(4.36)	4.31	7.03
Price-earnings ratio	-	-	-	9.7	6.7
Book value of a share	12.75	16.49	31.79	36.14	31.85
Market to book value	1.6	2.0	0.8	1.2	1.5
Market capitalisation	95,020	151,346	112,610	188,961	210,441



Introduction

€'000	2004	2003	2002	2001	2000
Income statement					
Revenue	22,212	25,074	23,489	22,171	19,750
Operating profit/loss	(770)	(3,865)	(622)	1,741	2,185
Operating margin	(3.5%)	(15.4%)	(3.5%)	7.9%	11.1%
Net profit/loss	(1,077)	(4,400)	(1,255)	1,239	2,021
Balance sheet					
Total assets	13,327	17,959	22,043	22,845	21,206
Return on assets	(8.1%)	(24.5%)	(6.2%)	5.6%	12.4%
Equity	3,666	4,743	9,142	10,395	9,156
Return on equity	(29.4%)	(92.8%)	(15.9%)	11.9%	22.1%
Debt-to-equity ratio	72%	74%	58%	54%	57%
Share (31.12)					
Closing price	1.35	2.15	1.6	2.68	3.02
Earnings per share	(0.24)	(0.98)	(0.28)	0.28	0.45
Price-earnings ratio	-	-	-	9.7	6.7
Book value of a share	0.82	1.05	2.03	2.31	2.04
Market to book value	1.6	2.0	0.8	1.2	1.5
Market capitalisation	6,073	9,673	7,197	12,074	13,447

Contacts

The core activities of AS Viisnurk are wooden furniture and softboard production.

Business name:	AS Viisnurk
Registration number:	10106774
Address:	Suur-Jõe 48, 80042 Pärnu
Telephone:	447 8323
Fax:	447 8320
Email:	mail@viisnurk.ee
Website:	www.viisnurk.ee
Beginning of financial year:	1.1.2004
End of financial year:	31.12.2004
Chairman of management board:	Toivo Kuldmäe
Auditor:	KPMG Estonia



Report by the management board

Restructuring

The past financial year was one of major structural overhaul for AS Viisnurk. The purpose of the restructuring was to attain sustainable profitability and to consolidate the company's financial position. To date, most restructuring operations have been successfully completed. The furniture and building materials divisions are earning a steady profit and developing at a fair pace, the divisions which generated losses over an extended period have been closed, and the company's overall financial position has improved substantially. AS Viisnurk signed a contract for selling the assets of the wood division and is negotiating the sale of the assets of the sports goods division. Divestment of the building materials division has been suspended until further decisions by the supervisory board. Operating cash flows with the sale of discounted operations for 2004 totalled EEK 31.2 million (€2 million), EEK 18.7 million (€1.2 million) up on 2003, and the company's loan burden decreased over the year by EEK 33.8 million (€2.2 million). If in 2003 significant losses resulted not only from non-recurring restructuring expenses but also from ordinary operations, then in 2004 the result of operations was affected, above all, by non-recurring closure and divestment expenses. The result of operating activities and cash flows have been consistently positive, creating a solid basis for continuing swift improvement of results in 2005.

Financial review

Revenue

AS Viisnurk ended 2004 with revenue of EEK 347.5 million (€22.2 million). Both continuing operations improved their result, the revenue of the furniture division amounting to EEK 156.5 million (€10 million), 2.1% up, and that of the building materials division to EEK 96.1 million (€6.1 million), 4.1% up. Overall revenue decreased due to the closure of the wood division (in April) and sports good division (at the end of October) whose annual sales remained accordingly smaller than in 2003.

AS Viisnurk's revenue:

	2004 EEK'000	2003 EEK'000	2004 €'000	2003 €'000	Change, %
Furniture division	156,715	153,985	10,016	9,841	1.8
Incl. intra-group sales	178	722	11	46	(75.3)
Sports goods division	61,256	71,809	3,915	4,589	(14.7)
Incl. intra-group sales	253		16		-
Building materials division	96,222	94,923	6,149	6,067	1.4
Incl. intra-group sales	146	2,722	9	174	-
Wood division	45,853	99,119	2,931	6,335	(53.7)
Incl. intra-group sales	12,749	24,984	815	1,597	(49.0)
Other operations	831	15,916	52	1,017	-
Incl. intra-group sales	7	14,993		958	-
Eliminations (intra-group sales)	(13,333)	(43,421)	(851)	(2,775)	(69.3)
AS VIISNURK REVENUE	347,544	392,331	22,212	25,074	(11.4)

Result of operations

For AS Viisnurk, the past financial year ended in a loss of EEK 16.8 million (€1.1 million). The loss for the preceding financial year amounted to EEK 68.8 million (€4.4 million). Similarly to 2003, a significant share of the loss comprised non-recurring expenses from the discontinuance and divestment of the unprofitable divisions. The largest portion of the loss resulted from book losses of EEK 14 million (€0.9 million) arising on the sale of the wood division, which were expensed at the end of 2004. Continuing operations ended the year in a profit: the building materials division earned a profit of EEK 18.5 million (€1.2 million) and the furniture division a profit of EEK 2.8 million (€0.2 million).

AS Viisnurk's result of operations:

	2004 EEK'000	2003 EEK'000	2004 €'000	2003 €'000	Change, %
Furniture division	2,323	6,551	180	419	(56.9)
Sports goods division	(11,771)	(24,471)	(752)	(1,564)	(51.9)
Building materials division	18,461	19,482	1,180	1,245	(5.2)
Wood division	(18,028)	(52,914)	(1,152)	(3,382)	(65.9)
Other operations	5,200	2,801	332	179	85.6
TOTAL RESULT OF DIVISIONS	(3,315)	(48,551)	(212)	(3,103)	(93.2)
Unallocated expenses (general administration)	(8,729)	(11,915)	(558)	(762)	(26.7)
AS VIISNURK OPERATING LOSS	(12,044)	(60,466)	(770)	(3,865)	(80.1)
Net financial expenses	(4,806)	(8,374)	(307)	(535)	(57.4)
AS VIISNURK LOSS	(16,850)	(68,840)	(1,077)	(4,400)	(75.5)

Balance sheet and cash flow statement

In 2004 AS Viisnurk's assets shrank by 25.7% to EEK 208.5 million (€13.3 million). Discontinuance of operations reduced current and non-current assets by 36.2% and 18.2% respectively. On the other hand, a decline also occurred in liabilities: current and non-current liabilities decreased by EEK 36 million (€2.3 million) and EEK 20 million (€1.3 million) respectively and EEK 56 million (€3.6 million) in aggregate (27% compared to 2003).

Net cash from operating activities with the sale of discounted operations totalled EEK 31.2 million (€2 million), an EEK 18.7 million (€1.2 million) increase on 2003. Cash used for acquisition of investments related to operating activity amounted to EEK 3.7 million (€0.2 million) and proceeds from sale of property, non-current assets and securities not required for the core activity totalled EEK 9 million (€0.6 million). Outstanding loan liabilities decreased by EEK 33.8 million (€2.2 million).

Performance of business units

Furniture division

- Takeover of the sales operations of Skano AG and its network of agents in Germany, Austria and Switzerland
- Development of four new product lines and their presentation at the German furniture fair M.O.W
- Furniture retailer OÜ Skano's first successful year of operation in Estonia
- Cost-benefit analysis of the product portfolio, discontinuance of unprofitable lines
- Curtailment of fixed costs, implementation of organisational changes

Furniture division manufactures and markets wooden household furniture, including items for living, dining and bedrooms as well as studies. In 2004 the division continued provision of subcontracting services and manufacturing and sale of self-developed products.

Operating results

The furniture division ended 2004 with revenue of EEK 156.5 million (€10 million) and a profit of EEK 2.9 million (€0.2 million). In 2003 revenue amounted to EEK 153.5 million (€9.8 million) and profit equalled EEK 6.5 million (€0.4 million). Similarly to prior years, the main target markets were Finland, Sweden, Russia, and Germany. Penetration of the furniture retailing market in Estonia via AS Viisnurk's subsidiary OÜ Skano has proved a success.

Takeover of the operations of Skano AG

At the beginning of October the furniture division of AS Viisnurk took over the sales operations of the Swiss-based Skano AG and its network of sales agents in Germany, Austria and Switzerland. Skano AG has over 20 years' furniture distribution experience and its customers include large purchasing groups and retail chains in Europe's German-speaking markets. In 2003 the net sales of Skano AG amounted to EEK 16 million (€1 million). The transaction involves transfer of furniture sale frame agreements with major purchasing groups of the target markets. Since the second half of October retail stores of the area are served directly from Pärnu. The takeover which constituted a significant change in the division's sales strategy was triggered by the need to move closer to the end-customer in one of the largest target markets and to implement new sales channels with a view to ensuring steady growth in sales and improvement in profitability.

At the end of September the furniture division participated in M.O.W. (Möbel Ordermesse Westfalica), Germany's largest furniture ordering fair for the furniture industry held in Barnttrup. The division attended the fair under the Skano brand name and presented new Skano lines which had been developed in cooperation with German designers. The first display agreements with retailers are already in effect and sales to end-consumers have commenced.

Optimisation of the product portfolio and reduction of fixed costs

In 2004 the furniture division put a lot of effort in optimising its product portfolio and reducing various fixed costs.

Based on the results of a thorough cost-benefit analysis of all product groups performed in the first half of the year, a number of technologically problematic and less profitable lines were abandoned and the division focused on more cost-efficient and profitable products.

For reduction of fixed costs, all fixed cost levels were analysed and various cost cutting plans prepared. In the framework of the action plans the division's organisational structure was adjusted. The staff of the furniture division and the former business management division were combined. As a result, compared to the beginning of the year the number of managers and specialists declined by 11. The real effect of the cost cutting plans should become visible at the beginning of 2005.

At the end of the financial year the division had 299 employees (2003: 284), 304 including OÜ Skano (2003: 289).

Building materials division

- Record-high sales result – EEK 96.1 million (€6.1 million)
- 20% growth in the output of interior finishing boards
- Over 50,000 m³ of board produced on the main production line

The building materials division produces two softboard-based product categories: insulation and soundproofing boards and interior finishing boards for walls and ceilings.

Operating results

The building materials division attained excellent results: revenue of EEK 96.1 million (€6.1 million) and a profit of EEK 18.5 million (€1.2 million). Net sales and profit for 2003 amounted to EEK 92.2 million (€5.9 million) and EEK 19.5 million (€1.25 million) respectively. The growth in sales was achieved thanks to an upswing in the sales of interior finishing boards. Profit declined on account of an increase in the prices of wood chips, one of the main raw materials. Exports accounted for 53% of sales. Similarly to prior years, the main export markets were Finland and the Netherlands.

Insulation and soundproofing boards

Sales of insulation and soundproofing boards decreased 5%, amounting to EEK 59.9 million (€3.83 million). In quantitative terms, sales amounted to 3.09 million m², i.e. 40,373 m³ (2003: 3.73 million m², i.e. 42,738 m³). Similarly to 2003, the best-selling product groups were wind-protection and flooring boards. Sales to the domestic market accounted for 56% of sales.

The largest foreign customers were distributors and manufacturing companies, whereas in the domestic market the largest customers were building materials retail chains.

Insulation boards are also marketed under AS Viisnurk's own Isoplaat brand name.

Interior finishing boards

Only the own Isotex brand of interior finishing boards is produced. The boards are made of natural softboard, which is produced on the factory's main production line. The boards have milled tenons and the surface is covered with paper or textile. The technology allows producing boards of different colour and pattern. The main advantages are effective sound insulation and easy and fast installation.

In 2004 sales of interior finishing boards reached a level which allowed operating the production most of the time line in two shifts. Sales of interior finishing boards totalled EEK 30.4 million (€1.94 million), accounting for one third of total board sales and 31.7% of total sales by the division (2003: 26.7%). Sales for 2003 amounted to EEK 24.6 million (€1.6 million).

In quantitative terms, sales of interior finishing boards reached 496,000 m², i.e. 5,952 m³ (2003: 402,000 m², i.e. 4,818 m³). In Finland, the largest target market, sales grew roughly 30%, mainly thanks to an improvement in the positions of the Isotex brand. The largest product group was Quatro ceiling panels with tongue-and-groove tenons on all four edges which accounted for over 75% of the overall output.

The main export markets were Finland and Sweden with exports accounting for 80% of the sales of interior finishing boards. In 2004 the division also expanded sales to Ukraine, a new market with a lot of potential, where cooperation was launched with a local building materials wholesale company.

The largest customers, both in the export and domestic markets, were building materials retail chains.

At the end of the financial year the staff of the building materials division numbered 90 (2003: 92).



Discontinued operations

- Decision on the closure of the wood division was made on 16 February 2004
- The wood division was closed on 16 April 2004
- Agreement on the sale of the assets of the wood division was signed on 22 September 2004
- Decision on the closure of the sports goods division was made on 31 May 2004
- The sports goods division was gradually closed from 31 August to 31 October 2004

Wood division

The wood division of AS Viisnurk was closed in line with the company's restructuring plan on 16 April 2004. In 2004 the results of the wood division remained revenue of EEK 33.1 million (€2.1 million) and a loss of EEK 18 million (€1.15 million).

On 22 September 2004 AS Viisnurk and OÜ Desparo concluded an agreement on the sale of the assets of the wood division. The parties signed a contract under the law of obligations which transferred possession of the assets. Ownership of the assets will transfer after a real rights contract has been signed, which will take place after the land pertaining to the division has been registered as a separate immovable. The total price of the contract amounts to EEK 44 million (€2.8 million). For AS Viisnurk the transaction will result in a book loss of EEK 14 million (€0.9 million), which has been fully recognised in the annual accounts for 2004.

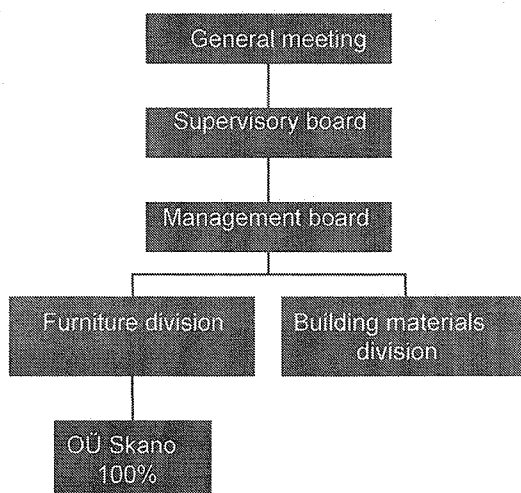
Sports goods division

The sports goods division which had been incurring losses for a number of years was closed on 29 October 2004 based on a decision adopted by the supervisory board. All contractual obligations to customers were fully performed. The division's pre-closure results for 2004 were sales of EEK 61 million (€3.9 million) and a loss of EEK 11.8 million (€0.75 million).

Negotiations regarding the sale of the assets of the sports goods division are under way. Visu and Maxx-hockey trademarks will be sold separately in 2005.



Organisation and people



Organisational chart of AS Viisnurk as at 31 December 2004*

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

By the end of 2004 the workforce of AS Viisnurk had decreased to 389 (2003: 891). Including the employees of OÜ Skano, at 31 December 2004 the company's staff totalled 394. The significant decrease in the number of employees resulted from the closure of the wood and sports goods divisions which involved the layoff of 411 people. Redundancy payments made in 2004 totalled EEK 4.6 million (€0.3 million).

At the year-end the staff comprised 325 workers and 64 specialists and managers. The average number of staff was 44.5. Employee wages and salaries totalled EEK 55.2 million (€3.5 million). The gross remuneration of the members of the management board and the executive management amounted to EEK 2.4 million (€0.15 million). The corresponding figure for 2003 was EEK 3.4 million (€0.2 million).

Employees of AS Viisnurk:

	2004	2003	Change, %
Furniture division	299	284	5.3
Building materials division	90	92	(2.2)
Sports goods division	0	272	-
Wood division	0	222	-
Business management division	0	21	-
OÜ Skano	5	5	0
TOTAL AS VIISNURK	394	896	(56)

Environmental policy

Since 2004 both the furniture and building materials divisions have an integrated environmental permit with an unspecified term as required by the Integrated Pollution Prevention and Control Act. Adherence to requirements outlined in the permits ensures that production activity has the minimum harmful impact on the environment. The requirements prescribed by an integrated environmental permit ensure protection of water, air and soil and management of the waste generated by an installation in an environmentally sustainable manner.

To improve waste management and optimise related expenses, in 2004 a tender was arranged for selection of a waste management company. Integrated service and selective waste collection increase the share of recyclable waste and reduce waste management expenses.

In 2004 6.63 thousand m³ of wood waste was recycled for the generation of heat energy (2003: 14,135 m³).

Water intake

In thousands of m³

	2004	2003	Change, %
Water intake:	126.21	132.36	(-4.8)
Ground water (municipal water)	12.0	15.95	(-32.9)
Ground water (own bore wells)	26.9	31.02	(-15.3)
Surface water	67.32	85.38	2.3
Water discharge:	111.14	90.07	23.4
Conditionally clean wastewater	46.4	31.05	49.4
Wastewater	64.74	59.02	9.7
Water losses	32.94	42.29	(-28.4)

Water intake and wastewater discharge

	2004 EEK'000	2003 EEK'000	2004 €'000	2003 €'000	Change, %
Water intake:	118.15	135.32	7.55	8.6	(-14.5)
Ground water (municipal water)	88.26	108.16	5.64	6.9	(-22.5)
Ground water (own bore wells)	14.25	14.89	0.91	1	(-4.5)
Surface water	15.64	12.26	1	0.8	27.6
Water discharge:	2012.02	1494.72	128.59	95.5	34.6
Conditionally clean wastewater					
Wastewater	2012.02	1494.72	128.59	95.5	34.6
Total expense	2130.17	1630.04	136.14	104.2	30.7

Main pollutants

In tons

	2004	2003	Change, %
Volatile organic compounds	92.0	124.7	-35.5
Organic dust	5.9	21.1	-257.6
Volatile organic compounds (boiler house)	16.2	14.8	2.7
Sold particles (boiler house)	256.0	248.2	3.1
NO	9.1	33.2	-264.8
CO	90.7	309.8	-241.6
SO ₂	1.2	11.6	-866.7
Heavy metals	0.1	0.2	-100
Other pollutants		1.9	
Total	455.0	765.5	-68.2

Waste handling

	2004 EEK'000	2003 EEK'000	2004 €'000	2003 €'000	Change, %
Handling of hazardous waste	136.78	113.9	8.74	7.3	20.0
Handling of non-hazardous waste	293.97	141.68	18.79	9.1	65.1
Total expenses	430.75	255.54	27.53	16.3	68.6
Recycling of waste in the production of heat energy	327.85	1164.43	20.95	74.4	-255.2
Sales of wood waste	86.5	504.75	5.46	32.3	-490.4
Sales of metal waste	18.47	39.52	1.18	2.5	-114.0
Total conditional income	431.82	1708.70	27.6	109.2	-295.7

Consolidated annual financial statements

Statement of management responsibility

The management board acknowledges its responsibility for the preparation, integrity and fair presentation of the annual financial statements of AS Viisnurk for 2004 as set out on pages 13 to 37 of this report, and confirms that to the best of its knowledge, information and belief:

- the accounting policies applied in the preparation of the annual financial statements comply with International Financial Reporting Standards;
- the annual financial statements give a true and fair view of the financial position of AS Viisnurk and the results of its operations and its cash flows;
- all significant events that occurred until the date on which the financial statements were authorised for issue (4 April 2005) have been properly recognised and disclosed; and
- AS Viisnurk is a going concern.



Toivo Kuldmae
Chairman of Management Board



Andrus Aljas
Member of Management Board



Initialed for identification purposes only

Allkirjastatud identifitseerimiseks

Date/kuupäev..... 04.04.2005

Signature/allkiri..... 

Consolidated balance sheet

As at 31 December 2004

	Group 2004 EEK	Group 2003 EEK	Group 2004 €	Group 2003 €
Cash and bank balances	3,889,622	1,140,750	247,314	72,907
Trade receivables (Note 1)	27,645,029	45,005,445	1,766,839	2,876,372
Other receivables (Note 2)	84,970	114,965	5,431	7,348
Prepayments (Note 2)	2,576,047	7,127,463	164,639	455,528
Inventories (Note 3)	40,418,880	63,818,935	2,583,237	4,078,773
Non-current assets held for sale (Note 3)	60,943,176	0	3,258,862	0
Total current assets	125,537,724	117,207,558	8,023,322	7,490,928
Long-term financial investments (Note 4)	600	1,435,600	38	91,751
Investment property (Note 5)	15,636,379	2,535,201	999,347	162,029
Tangible assets (Note 6)	64,466,656	156,101,509	4,120,107	9,976,705
Intangible assets (Note 7)	2,884,278	3,715,661	184,339	237,474
Total non-current assets	82,986,913	163,787,971	5,303,831	10,467,959
TOTAL ASSETS	208,524,637	280,995,529	13,327,153	17,958,887
Debt obligations (Note 8)	76,061,374	90,010,556	4,861,208	5,752,723
Customer advances	11,186,335	219,228	714,937	14,011
Trade payables	20,997,906	38,801,660	1,342,011	2,479,878
Tax liabilities (Note 11)	3,443,133	6,956,372	220,056	444,593
Accrued expenses (Note 10)	8,755,995	17,513,797	559,610	1,119,336
Provisions (Note 12)	444,898	3,128,849	28,434	199,970
Total current liabilities	120,889,841	156,630,462	7,726,266	10,010,511
Long-term debt obligations (Note 8)	30,279,128	50,159,767	1,935,189	3,205,793
Total non-current liabilities	30,279,128	50,159,767	1,935,189	3,205,793
Total liabilities	151,168,769	206,790,229	9,661,445	13,216,304
Share capital at par value	44,990,610	44,990,610	2,875,424	2,875,424
Share premium	11,331,780	11,331,780	724,233	724,233
Mandatory capital reserve	4,499,061	4,499,061	287,542	287,542
Retained earnings	13,383,849	82,223,390	856,384	5,255,032
Loss for the period	(16,849,432)	(68,839,541)	(1,076,875)	(4,399,648)
Total equity (Note 13)	57,355,868	74,205,300	3,665,708	4,742,583
TOTAL LIABILITIES AND EQUITY	208,524,637	280,995,529	13,327,153	17,958,887

The consolidated financial statements should be read in conjunction with the notes to and forming part of the consolidated financial statements set out on pages 13 to 37.

The information in euros has been presented for the user's convenience and does not form part of the audited consolidated financial statements.



ANNUAL REPORT 2004 AS VIISNURK

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Allkirjastatud identifitseerimiseks

Date/kuupäev.....04.04.2005.....

Signature/allkiri..........

KPMG, Tallinn

Consolidated income statement

For the year ended 31 December 2004

	Group 2004 EEK	Group 2003 EEK	Group 2004 €	Group 2003 €
REVENUE (Note 22)	347,544,350	392,330,919	22,212,132	25,074,516
Cost of goods sold (Note 15)	(327,820,050)	(414,156,621)	(20,951,520)	(26,469,433)
Gross profit/loss	19,724,300	(21,825,702)	1,260,612	(1,394,917)
Marketing expenses (Note 16)	(22,777,705)	(23,210,022)	(1,455,761)	(1,483,391)
General administrative expenses (Note 17)	(8,728,551)	(11,915,379)	(557,856)	(761,532)
Other income (Note 19)	4,851,098	6,864,422	310,042	438,717
Other expenses (Note 20)	(5,112,644)	(10,379,562)	(326,757)	(663,375)
Operating loss	(12,043,502)	(60,466,243)	(769,720)	(3,864,498)
Financial income and expenses (Note 21)	(4,805,930)	(8,373,298)	(307,155)	(535,151)
NET LOSS FOR THE YEAR	(16,849,432)	(68,839,541)	(1,076,875)	(4,399,649)
Basic loss per share (Note 14)	(3.75)	(15.30)	(0.24)	(0.98)
Diluted loss per share (Note 14)	(3.75)	(15.30)	(0.24)	(0.98)

The consolidated financial statements should be read in conjunction with the notes to and forming part of the consolidated financial statements set out on pages 13 to 37.

The information in euros has been presented for the user's convenience and does not form part of the audited consolidated financial statements.

Consolidated statement of cash flows

For the year ended 31 December 2004

	Group 2004 EEK	Group 2003 EEK	Group 2004 €	Group 2003 €
Cash flows from operating activities				
Loss for the year	(16,849,432)	(68,839,541)	(1,076,875)	(4,399,649)
Adjustments for:				
Depreciation and amortisation	17,746,513	27,886,837	1,134,209	1,782,294
Impairment of non-current assets	12,936,295	38,018,026	826,780	2,429,795
Gains on long-term financial investments	(1,664,968)	0	(106,411)	0
Gains on sale of investment property	(3,232,262)	(2,479,466)	(206,579)	(158,467)
Gains on sale of non-current assets	(1,293,424)	(410,132)	(62,665)	(26,212)
Loss from write-down of receivables	2,099,874	1,488,804	134,206	95,152
Loss from write-down of inventories	0	7,107,058	0	454,224
Provisions	(2,378,849)	1,635,532	(152,036)	104,529
Interest expense	6,432,092	8,182,324	411,086	522,946
Operating profit before working capital changes	13,795,840	12,589,442	881,715	804,612
Change in current assets	20,056,903	6,769,196	1,281,870	432,630
Change in inventories	23,502,233	(12,324,200)	1,502,066	(787,660)
Change in current liabilities	(30,537,103)	14,602,557	(1,961,677)	933,274
Net cash from operating activities	26,817,872	21,636,995	1,713,974	1,382,856
Interest paid	(6,610,476)	(9,102,554)	(422,486)	(581,759)
Net cash from operating activities	20,207,396	12,534,441	1,291,488	801,097
Cash flows from investing activities				
Sale of investment property	3,950,000	2,652,500	252,451	169,526
Acquisition of tangible assets	(3,424,879)	(6,449,050)	(218,890)	(412,170)
Sale of tangible assets	1,958,307	2,010,747	125,159	128,510
Acquisition of intangible assets	(232,100)	(1,374,352)	(14,834)	(87,837)
Sale of long-term financial investments	3,099,968	0	198,124	0
Sale of discontinued operations	11,000,000		703,028	
Net cash from/used in investing activities	16,351,296	(3,160,155)	1,045,038	(201,971)
Cash flows from financing activities				
Repayment of loans received	(20,900,076)	(5,841,934)	(1,335,768)	(373,368)
Settlement of finance lease liabilities	(1,574,312)	(2,526,707)	(100,617)	(161,486)
Decrease in outstanding overdraft balance	(11,355,432)	(1,629,146)	(725,745)	(104,121)
Net cash used in financing activities	(33,829,820)	(9,997,787)	(2,162,120)	(638,975)
NET INCREASE/DECREASE IN CASH	2,728,872	(623,501)	174,407	(39,849)
CASH AT BEGINNING OF YEAR	1,140,750	1,764,251	72,907	112,756
CASH AT END OF YEAR	3,869,622	1,140,750	247,314	72,907

The consolidated financial statements should be read in conjunction with the notes to and forming part of the consolidated financial statements set out on pages 13 to 37.

The information in euros has been presented for the user's convenience and does not form part of the audited consolidated financial statements.



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Consolidated statement of changes in equity

For the year ended 31 December 2004

EEK	Share capital	Share premium	Mandatory capital reserve	Retained earnings	Profit/loss for the year	Total
31.12.2002	44,990,610	11,331,780	4,499,061	101,855,218	(19,631,828)	143,044,841
Allocation of the loss for 2002	0	0	0	(19,631,828)	19,631,828	0
Loss for 2003	0	0	0	0	(68,839,541)	(68,839,541)
31.12.2003	44,990,610	11,331,780	4,499,061	82,223,390	(68,839,541)	74,205,300
Allocation of the loss for 2003	0	0	0	(68,839,541)	68,839,541	0
Loss for 2004	0	0	0	0	(16,849,432)	(16,849,432)
31.12.2004	44,990,609	11,331,780	4,499,061	13,383,849	(16,849,432)	57,355,868

€	Share capital	Share premium	Mandatory capital reserve	Retained earnings	Profit/loss for the year	Total
31.12.2002	2,875,424	724,233	287,542	6,509,735	(1,254,703)	9,142,231
Allocation of the loss for 2002	0	0	0	(1,254,703)	1,254,703	0
Loss for 2003	0	0	0	0	(4,399,648)	(4,399,648)
31.12.2003	2,875,424	724,233	287,542	5,255,032	(4,399,648)	4,742,583
Allocation of the loss for 2003	0	0	0	(4,399,648)	4,399,648	0
Loss for 2004	0	0	0	0	(1,076,875)	(1,076,875)
31.12.2004	2,875,424	724,233	287,542	855,384	(1,076,875)	3,665,708

The consolidated financial statements should be read in conjunction with the notes to and forming part of the consolidated financial statements set out on pages 13 to 37.


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Notes to the consolidated financial statements

For the year ended 31 December 2004

Significant accounting policies

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

A Statement of compliance

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

B Bases of preparation

In compliance with Tallinn Stock Exchange rules, the financial statements are presented in Estonian kroons (EEK) and in euros (€). The measurement currency of AS Viisnurk is the Estonian kroon. The Estonian kroon is pegged to the euro at the rate of EEK 15.64660 to €1. The information in euros has been presented for the user's convenience and does not form part of the financial statements. The financial statements have been prepared, in all material respects, on the historical cost basis.

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

Group enterprises use uniform accounting policies. There have been no significant changes in accounting policies compared to the previous year.

C Foreign currency

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

D Cash and bank balances

Cash and bank balances comprise cash in hand and at bank.

E Receivables

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

F Inventories

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

G Investments in debt and equity securities

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

H Subsidiaries

Subsidiaries are enterprises controlled by AS Viisnurk. Control is presumed to exist when AS Viisnurk has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date the control commences until the date the control ceases. At 31 December 2004 AS Viisnurk had three wholly owned subsidiaries: Skano OÜ, Visu OÜ and Isotex OÜ.



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I Basis of consolidation

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

J Investment property

Investment properties are items of real estate that are held to earn rentals or to benefit from an increase in value, or both. Investment properties are reported at cost.

Investment properties are depreciated over their estimated useful lives using the straight-line method. The annual depreciation rates applied are 2.5 – 15%.

K Tangible assets

Purchases are recognised as tangible assets if their cost exceeds EEK 10,000 and estimated useful life extends beyond one year. Items of smaller value are recognised as an expense on implementation.

Tangible assets are carried at cost less accumulated depreciation and impairment losses (see policy M). The cost of self-constructed assets includes direct and indirect costs of construction. Renovation and improvement costs are added to the cost of tangible assets only when they increase future economic benefits that can be expected from the assets.

L Depreciation

Tangible assets are depreciated over their estimated useful lives using the straight-line method. The following annual depreciation rates are applied:

- buildings and constructions 2.5 – 15%
- machinery, plant and equipment 10 – 25%
- motor vehicles 10 – 20%
- other equipment and fixtures 20 – 40%

M Impairment

At each balance sheet date management assesses whether there is any indication that an asset, other than inventories (see policy F) may be impaired. If any such indication exists, the asset is tested for impairment and its recoverable amount measured. The recoverable amount is the higher of the asset's net selling price and value in use. In determining value in use, estimated future cash flows are discounted to their present value by applying a pre-tax discount rate which reflects the time value of money and the risks specific to the asset. When an asset does not generate independent cash flows, the recoverable amount of the cash generating unit to which the asset belongs is determined.

An impairment loss is recognised when the recoverable amount of an asset or the cash-generating unit to which the asset belongs is less than the carrying amount of the asset or the cash-generating unit. An impairment loss is recognised in the income statement.

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

N Intangible assets

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

O Operating and finance lease

Leases are recognised as operating and finance leases based on the economic substance of the transaction. Leases that transfer substantially all the risks and rewards of ownership to the lessee are classified as finance leases. All other leases are treated as operating leases.

Assets held under finance lease are carried as tangible assets at cost, which is equal to the discounted present value of the minimum lease payments at the inception of the lease, less accumulated depreciation and impairment losses (see policy M).

Assets held under finance lease are depreciated similarly to other tangible assets over their estimated useful lives (see policy L).

P Interest-bearing loans

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

Q Taxation

Corporate income tax

In accordance with the effective Estonian Income Tax Act, from 1 January 2000 income tax is not levied on profits earned but dividends distributed. The tax rate is 24/76 of the amount distributed as the net dividend. The income tax payable on a dividend distribution is recognised as income tax expense in the income statement of the period in which the dividend is declared.

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

Other taxes

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

- VAT

18% of taxable value unless provided for otherwise;

0% of the value of exported goods or services.

- Income tax

26/74 of fringe benefits to individuals, gifts, donations, entertainment expenses, profit distributions, and non-business expenses and disbursements. From 1 January 2005 the income tax rate is 24/76.

- Social tax

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

- Unemployment insurance contributions

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

R Revenue

Revenue from the sale of goods is recognised when all significant risks and rewards of ownership have been transferred to the buyer and collection of consideration is probable.

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

S Financing costs

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

T Cash flow statement

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


U Segment reporting

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

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W Provisions

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

W Trade and other payables

Trade and other payables are stated at cost.

X Discontinuing operations

A discontinuing operation is a clearly distinguishable component of the group's business that is abandoned or terminated pursuant to a single plan, and which represents a separate major line of business or geographical area of operations.

Y Subsequent events

The annual financial statements reflect all significant events affecting the valuation of assets and liabilities that became evident between the balance sheet date (31 December 2004) and the date on which the financial statements were authorised for issue (4 April 2005) but are related to the reporting or prior periods.

1 Trade receivables

	Group 2004 EEK	Group 2003 EEK	Group 2004 €	Group 2003 €
Accounts receivable	29,605,026	46,601,958	1,892,106	2,978,408
Allowance for doubtful receivables	(1,959,997)	(1,596,513)	(125,267)	(102,036)
TOTAL	27,645,029	45,005,445	1,766,839	2,876,372

In 2004 receivables written off as irrecoverable totalled EEK 1,736,391 (€110,976). Items that were considered doubtful amounted to EEK 2,099,875 (€134,206). In 2004 the company did not collect any items that were considered doubtful in 2003.

2 Prepayments

	Group 2004 EEK	Group 2003 EEK	Group 2004 €	Group 2003 €
Prepaid VAT	2,506,515	6,780,593	160,131	433,359
Prepaid expenses	70,532	346,870	4,508	22,169
TOTAL	2,576,047	7,127,463	164,639	455,528

3 Inventories

	Group 2004 EEK	Group 2003 EEK	Group 2004 €	Group 2003 €
Materials	10,218,916	20,785,052	653,108	1,328,407
Work in progress	10,424,093	25,449,560	666,221	1,626,523
Finished goods	16,052,562	12,908,936	1,025,945	,825,031
Merchandise purchased for resale	3,157,405	3,642,148	201,795	232,776
Prepayments to suppliers	565,904	1,033,239	36,168	66,036
TOTAL	40,418,880	63,818,935	2,583,237	4,078,773

At 31 December 2004 no inventories were reported at net realisable value. At 31 December 2003, the carrying amount of inventories reported at net realisable value amounted to EEK 16,803,332 (€1,073,926).

Non-current assets held for sale

Segment	Land, buildings and constructions	Plant and equipment	Other equipment and fixtures	EEK
				TOTAL
Wood division	28,124,941	15,794,497	80,562	44,000,000
Sports goods division	0	6,943,176	0	6,943,176
TOTAL	28,124,941	22,737,673	80,562	50,943,176

Segment	Land, buildings and constructions	Plant and equipment	Other equipment and fixtures	€
				TOTAL
Wood division	1,797,511	1,009,452	5,149	2,812,112
Sports goods division	0	443,750	0	443,750
TOTAL	1,797,511	1,453,202	5,149	3,255,862

Non-current assets held for sale comprise the non-current assets of divisions closed in 2005 which the company intends to realise in 2005. Assets held for sale are reported at their net realisable value which is based on the agreements made for the sale of the assets.

4 Long-term financial investments

	Group 2004 EEK	Group 2003 EEK	Group 2004 €	Group 2003 €
Equity securities available-for-sale	600	1,435,600	38	91,751
TOTAL	600	1,435,600	38	91,751

Equity securities available-for-sale include 6 shares in AS Fiiber (0.15% interest) of EEK 600 (€38). In 2004 5,504 shares in AS Mööblimaja (10% interest) were sold and arising gains of EEK 1,664,968 (€106,411) were recognized as financial income. The shares of AS Fiiber are not listed at the stock exchange. Therefore their value cannot be determined reliably and they are carried at cost.

5 Investment property

	Group EEK	Group €
Cost 1.1.2004	3,361,859	214,862
Addition	17,500	1,118
Reclassification	17,231,285	1,101,280
Disposal	(1,394,942)	(89,153)
Cost 31.12.2004	19,215,702	1,228,107
Depreciation 1.1.2004	(826,658)	(52,833)
Reclassification	(3,377,242)	(215,845)
Depreciation of 2004	(35,128)	(2,245)
Disposal	659,705	42,163
Depreciation 31.12.2004	(3,579,323)	(228,760)
Carrying amount 1.1.2004	2,535,201	162,029
Carrying amount 31.12.2004	15,636,379	999,347

In 2004 the land and buildings of the wood and sports goods divisions which will not be realised in the sales process were reclassified and recognised as investment property.

According to the valuation performed by an independent and licensed real estate company, at 26 January 2005 the estimated market value of investment property amounted to EEK 32,050,000 (€2,048,368).


In 2004 gains on the sale of investment property amounted to EEK 3,232,262 (€206,579) and were recognised as other income.

Investment management expenses for the financial year totalled EEK 155,287 (€9,925).

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6 Tangible assets

	Group 2004 EEK	Group 2003 EEK	Group 2004 €	Group 2003 €
Land, buildings, and constructions	49,684,835	116,811,130	3,175,440	7,465,592
Plant and equipment	91,860,572	194,549,800	5,870,960	12,433,998
Other equipment and fixtures	4,573,299	6,126,093	292,288	391,529
Accumulated depreciation	(83,299,817)	(162,181,296)	(5,323,829)	(10,365,274)
Construction in progress	1,646,767	795,782	105,248	50,860
TOTAL	64,465,656	156,101,509	4,120,107	9,976,705

Movements in tangible assets 2004 (group)

	Land, buildings and constructions	Plant and equipment	Other equipment and fixtures	EEK TOTAL
Cost 1.1.2004	116,811,130	194,549,800	6,126,093	317,487,023
Reclassification	(67,886,864)	(103,245,119)	(838,265)	(171,970,248)
Addition	1,098,705	920,594	137,160	2,156,459
Disposal	(338,136)	(364,703)	(851,689)	(1,554,528)
Cost 31.12.2004	49,684,835	91,860,572	4,573,299	146,118,706
Depreciation 1.1.2004	(29,373,407)	(127,886,090)	(4,921,799)	(162,181,296)
Reclassification	25,907,879	80,507,447	757,703	107,173,029
Depreciation of 2004	(3,121,867)	(12,972,714)	(553,321)	(16,647,902)
Impairment in 2004	(8,268,921)	(4,643,688)	(23,686)	(12,936,295)
Disposals	112,794	341,866	837,987	1,292,647
Depreciation 31.12.2004	(14,743,522)	(64,653,179)	(3,903,116)	(83,299,817)
Carrying amount 1.1.2004	87,437,723	66,663,710	1,204,294	155,305,727
Carrying amount 31.12.2004	34,941,313	27,207,393	670,183	62,818,889

	Land, buildings and constructions	Plant and equipment	Other equipment and fixtures	€ TOTAL
Cost 1.1.2004	7,465,592	12,433,998	391,529	20,291,119
Reclassification	(4,338,761)	(6,598,566)	(53,575)	(10,990,902)
Addition	70,220	58,837	8,766	137,823
Disposal	(21,611)	(23,309)	(54,432)	(99,352)
Cost 31.12.2004	3,175,440	5,870,960	292,288	9,338,688
Depreciation 1.1.2004	(1,877,303)	(8,173,411)	(314,560)	(10,365,274)
Reclassification	1,655,815	5,145,364	48,426	6,849,605
Depreciation of 2004	(199,524)	(829,107)	(35,364)	(1,063,995)
Impairment in 2004	(528,480)	(296,786)	(1,514)	(826,780)
Disposals	7,209	21,849	53,557	82,615
Depreciation 31.12.2004	(942,283)	(4,132,091)	(249,455)	(5,323,829)
Carrying amount 1.1.2004	5,588,289	4,260,587	76,969	9,925,845
Carrying amount 31.12.2004	2,233,157	1,738,869	42,833	4,014,859

At 31 December 2004 the cost of fully depreciated items that were still in use amounted to EEK 16,512,863 (€1,055,364).

For further information on reclassification of tangible assets please refer to Notes 3 and 5.

Impairment


Segment	Land, buildings and construction	Plant and equipment	Other equipment and fixtures	EEK TOTAL
Wood division	8,268,921	4,643,688	23,686	12,936,295
TOTAL	8,268,921	4,643,688	23,686	12,936,295

Segment	Land, buildings and construction	Plant and equipment	Other equipment and fixtures	€ TOTAL
Wood division	528,480	296,786	1,514	826,780
TOTAL	528,480	296,786	1,514	826,780

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In the fourth quarter of 2004 the assets of the discontinuing wood division were written down to the recoverable amount on the basis of their net selling price which was determined on the basis of the price fixed in the sales contract concluded under the law of obligations. The arising impairment losses were recognised under the cost of goods sold.

Leased assets

At 31 December 2004 the carrying amount of plant and equipment held under finance lease amounted to EEK 587,316 (€37,536). Lease liabilities are secured with leased assets (see Note 8).

Construction in progress

At the balance sheet date, the largest item under constructions in progress was an investment of EEK 1,208,800 (€77,300) made in the defibrator of the building materials division.

7 Intangible assets

	Group EEK	Group €
Cost 1.1.2004	5,537,224	353,893
Addition	232,100	14,834
Cost 31.12.2004	5,769,324	368,727
Amortisation 1.1.2004	(1,821,563)	(116,419)
Amortisation 2004	(1,063,483)	(67,969)
Amortisation 31.12.2004	(2,885,046)	(184,388)
Carrying amount 1.1.2004	3,715,661	237,474
Carrying amount 31.12.2004	2,884,278	184,339

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

8 Debt obligations

SHORT-TERM DEBT OBLIGATIONS	Group 2004 EEK	Group 2003 EEK	Group 2004 €	Group 2003 €
Finance lease	979,073	2,096,027	62,574	133,961
Debt securities	0	31,293,200	0	2,000,000
Current portion of long-term loans	69,275,899	39,459,493	4,427,537	2,521,921
Short-term bank loans	5,806,403	17,161,836	371,097	1,096,841
TOTAL	76,061,375	90,010,556	4,861,208	5,752,723
LONG-TERM DEBT OBLIGATIONS	Group 2004 EEK	Group 2003 EEK	Group 2004 €	Group 2003 €
Long-term finance lease liabilities	3,720,751	4,569,766	237,799	292,061
Long-term bank loans	26,558,377	45,590,001	1,697,390	2,913,732
TOTAL	30,279,128	50,159,767	1,935,189	3,205,793

Notes to the consolidated financial statements

Debt obligations at 31 December 2004:

	TOTAL	Payable in				EEK
		Less than 1 year	Between 1-2 years	Between 2-5 years	Over 5 years	
<i>Bank loans:</i>						
EUR 2,660,000 - fixed 5.5%	41,619,956	41,619,956	0	0	0	
EEK 38,000,000 – EURIBOR + 1.75%	27,467,669	9,155,890	9,155,890	9,155,890	0	
EEK 19,000,000 - EURIBOR + 2.25%	8,746,500	3,000,000	3,000,000	2,746,500	0	
EUR 639,115 - EURIBOR + 1.75%	4,999,988	2,499,993	2,499,995	0	0	
EUR 830,851 - EURIBOR + 2.25%	13,000,000	13,000,000	0	0	0	
<i>Overdraft:</i>						
Limit EUR 765,000 5.25%	5,806,403	5,806,403	0	0	0	
<i>Finance lease:</i>						
Plant and equipment	587,316	587,316	0	0	0	
<i>Payable in instalments:</i>						
Privatisation of land - 10% per year of the outstanding amount	4,112,409	391,658	391,658	1,174,974	2,154,119	
TOTAL	106,340,241	76,061,215	15,047,543	13,077,364	2,154,119	€

	TOTAL	Payable in			
		Less than 1 year	Between 1-2 years	Between 2-5 years	Over 5 years
<i>Bank loans:</i>					
EUR 2,660,000 - fixed 5.5%	2,660,000	2,660,000	0	0	0
EEK 38,000,000 – EURIBOR + 1.75%	1,755,504	585,168	585,168	585,168	0
EEK 19,000,000 - EURIBOR + 2.25%	559,003	191,735	191,735	175,533	0
EUR 639,115 - EURIBOR + 1.75%	319,558	159,779	159,779	0	0
EUR 830,851 - EURIBOR + 2.25%	830,851	830,851	0	0	0
<i>Overdraft:</i>					
Limit EUR 765,000 5.25%	371,097	371,097	0	0	0
<i>Finance lease:</i>					
Plant and equipment	37,536	37,536	0	0	0
<i>Payable in instalments:</i>					
Privatisation of land - 10% per year of the outstanding amount	262,831	25,032	25,032	75,094	137,673
TOTAL	6,796,380	4,861,198	961,714	835,795	137,673

Bank loans are secured with a mortgage agreement with the Estonian Privatisation Agency under which the company's immovable property at 11 Niidu Street has been mortgaged to the extent of EEK 5,874,900 (€375,474). The mortgage is of the first ranking and established for the benefit of the Republic of Estonia. In addition, the same property has been encumbered with a divided mortgage of the second ranking established for the benefit of AS Sampo Pank (to the extent of EEK 38,000,000 (€2,428,636)) and AS Eesti Ühispank (to the extent of EEK 19,000,000 (€1,214,318)). The company's immovable property at 31 Rääma Street has been mortgaged to the extent of EEK 45,000,000 (€2,876,024) for the benefit of AS Hansapank and the property at 48 Suur-Jõe Street has been mortgaged to the extent of EEK 29,500,000 (€1,885,394) for the benefit of AS Sampo Pank.

In addition, bank loans are secured with a commercial pledge of the first ranking of EEK 35,000,000 (€2,236,902) established for the benefit of AS Hansapank (85%) and AS Eesti Ühispank (15%) and a commercial pledge of the second ranking of EEK 10,000,000 (€639,115) established for the benefit of AS Eesti Ühispank (50%) and Hüvitusfond (50%).

According to agreements, the interest payable on finance leases in 2005 amounts to EEK 6,729 (€430) respectively.

9 Operating lease

Operating lease payments made and expensed in 2004 totalled EEK 444,960 (€28,438). Operating lease payments made and expensed in 2003 totalled EEK 716,670 (€45,803).

Under effective agreements, operating lease payments to be made in 2005 and 2006-2009 amount to EEK 582,808 (€37,248) and EEK 818,852 (€52,334) respectively.

Lease income of 2004 amounted to EEK 598,025 (€38,221). The figure breaks down between income from the lease of land of EEK 579,060 (€37,009) and income from the lease of premises of EEK 18,965 (€1,212). In 2003 lease income amounted to EEK 634,645 (€40,561) including the lease of land of EEK 586,111 (€37,459) and the lease of premises of EEK 48,534 (€3,102). Information about leased assets is disclosed in note 5.

10 Accrued expenses

	Group 2004 EEK	Group 2003 EEK	Group 2004 €	Group 2003 €
Payables to employees	5,690,313	9,406,567	363,677	601,189
Interest payable	0	192,815	0	12,323
Other accrued expenses	3,065,682	7,914,415	195,933	505,824
TOTAL	8,755,995	17,513,797	559,610	1,119,336

Payables to employees include the vacation pay liability. At 31 December 2004 the liability amounted to EEK 1,983,346 (€126,759) and at 31 December 2003 to EEK 5,049,664 (€322,732). Payables to employees also include a provision for bonuses, which at 31 December 2004 amounted to EEK 1,588,297 (€101,511) and at 31 December 2003 equalled EEK 280,350 (€17,918). Other accrued expenses as of 31 December 2004 include payments of EEK 2,009,682 (€128,442) to be made in connection with the takeover of SKANO AG and performance bonuses of EEK 1,056,000 (€67,491) payable for the sale of the assets of the wood division.

11 Tax liabilities

	Group 2004 EEK	Group 2003 EEK	Group 2004 €	Group 2003 €
Social tax and unemployment insurance contributions	2,135,032	4,244,897	136,454	271,298
Personal income tax	1,248,245	2,621,063	79,777	167,517
Funded pension contributions	59,855	90,412	3,825	5,778
TOTAL	3,443,133	6,956,372	220,056	444,593

12 Provisions

	EEK		Total
	Discontinuance provision	Warranty provision	
1.1.2004	1,922,497	1,206,352	3,128,849
Used	1,922,497	761,454	2,683,951
31.12.2004	0	444,898	444,898
			€
	Discontinuance provision	Warranty provision	Total
1.1.2004	122,870	77,100	199,970
Used	122,870	48,666	171,536
31.12.2004	0	28,434	28,434

The warranty provision has been established on the basis of statistics of preceding periods for claims that may be submitted to the sports goods division in subsequent periods. Expenses related to potential claims have been recognised under other expenses.

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At 31 December 2004 the provision for potential warranty-related claims amounted to EEK 444,898 (€28,434).

13 Equity

Share capital

	Number of shares	Share capital EEK	Share capital €
31.12.2004	4,499,061	44,990,610	2,875,424

At 31 December 2004 the share capital of AS Viisnurk amounted to EEK 44,990,610 (€2,875,424). The authorised share capital comprised 4,499,061 ordinary shares (2003: 4,499,061) with a par value of EEK 10 (€0,64) each. According to the Articles of Association, the company's maximum share capital amounts to EEK 177,480,800 (€11,343,090).

During the financial year, share capital did not change.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company.

At 31 December 2004 the company had 304 shareholders. Shareholders whose interest exceeded 5% included:

- Bank of Bermuda (Guernsey) Ltd Clients Account with 2,675,752 shares (59.4736%)
- ING Luxembourg S.A. with 498,000 shares (11.0690%)

Members of the supervisory and management boards had the following number of shares:

Management board members:

- Toivo Kuldmäe 49,231 shares (1.0943%)
- Andrus Aljas does not have shares in the company

At 31 December 2004 members of the supervisory board did not have shares in AS Viisnurk.

Mandatory capital reserve

The mandatory capital reserve is established with annual net profit transfers and other transfers that are made on the basis of the law or the Articles of Association. The size of the capital reserve is prescribed by the Articles of Association and it cannot be less than 1/10 of share capital. Every year, the company has to transfer to the capital reserve at least 1/20 of its net profit. When the required level has been attained, transfers may be terminated.

At the decision of the general meeting, the reserve may be used for covering losses if these cannot be covered with unrestricted equity.

14 Loss per share

	Group 2004 EEK	Group 2003 EEK	Group 2004 €	Group 2003 €
Basic loss per share	(3.75)	(15.30)	(0.24)	(0.98)
Diluted loss per share	(3.75)	(15.30)	(0.24)	(0.98)
Book value of a share	12.75	16.49	0.81	1.05
Price/earnings ratio (P/E)	-	(2.2)	-	(2.2)
Closing price of the share at Tallinn Stock Exchange at 31.12.	21.12	33.64	1.35	2.15

Basic loss per share has been calculated by dividing the loss for the period by the number of shares:

Basic loss per share for 2004 = (16,849,431)/4,499,061 = EEK (3.75) / €(0.24)

Basic loss per share for 2003 = (68,839,541)/4,499,061 = EEK (15.30) / €(0.98)

Basic loss per share equals diluted loss per share because the company does not have any potential ordinary shares whose effect might affect loss per share.

15 Cost of goods sold

	Group 2004 EEK	Group 2003 EEK	Group 2004 €	Group 2003 €
Materials	149,247,827	189,768,170	9,538,675	12,128,397
Personnel expenses	71,613,242	87,585,958	4,576,920	5,597,763
Electricity and heat energy	30,083,488	34,616,489	1,922,685	2,212,397
Depreciation	16,854,562	26,898,587	1,077,203	1,719,133
Impairment losses	12,936,295	38,018,026	826,780	2,429,795
Cost of merchandise	20,251,046	23,132,282	1,294,278	1,478,422
Other	15,508,702	17,661,162	991,187	1,128,754
Change in work in progress	14,468,614	(2,420,214)	924,706	(154,680)
Change in finished goods	(3,143,626)	(1,103,839)	-200,914	(70,548)
TOTAL	327,820,050	414,156,621	20,951,520	26,469,433

16 Marketing expenses

	Group 2004 EEK	Group 2003 EEK	Group 2004 €	Group 2003 €
Transport	8,490,374	10,295,902	542,634	658,028
Personnel expenses	5,200,556	3,935,349	332,376	251,515
Advertising expenses	3,063,702	2,790,033	195,806	178,316
Agency fees	2,897,093	2,752,397	185,158	175,910
Other	3,125,980	3,436,341	199,787	219,622
TOTAL	22,777,705	23,210,022	1,455,761	1,483,391

17 General administrative expenses


	Group 2004 EEK	Group 2003 EEK	Group 2004 €	Group 2003 €
Personnel expenses	4,392,351	7,495,288	280,722	479,036
Office expenses	886,914	1,215,600	56,684	77,691
Cost of services	3,029,650	2,186,429	193,630	139,739
Other	419,636	1,018,062	26,820	65,066
TOTAL	8,728,551	11,915,379	557,856	761,532

18 Personnel expenses

	Group 2004 EEK	Group 2003 EEK	Group 2004 €	Group 2003 €
Wages and salaries	55,236,573	66,320,672	3,530,260	4,238,664
Social security and unemployment insurance contributions	18,525,805	22,236,964	1,184,015	1,421,201
Transfers to vacation pay liability	6,773,038	9,518,925	432,876	608,370
TOTAL	80,535,416	98,076,561	5,147,151	6,288,235

In 2004 AS Viisnurk employed, on average, 689 people (2003: 953).


The gross remuneration of the members of the management board and executive management totalled EEK 2,427,184 (€155,125). The corresponding figure for 2003 was EEK 3,436,035 (€219,603). According to contracts, members of the management board are entitled to severance compensation equal to their 4 months' remuneration.



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19 Other income

	Group 2004 EEK	Group 2003 EEK	Group 2004 €	Group 2003 €
Gains on sale of investment property	3,232,262	2,479,466	206,579	158,467
Gains on sale of non-current assets	1,317,475	507,635	84,202	32,444
Exchange gains	132,148	532,549	8,446	34,037
Insurance indemnification	92,760	3,056,838	5,929	195,368
Other	76,453	287,934	4,886	18,401
TOTAL	4,851,098	6,864,422	310,042	438,717

20 Other expenses

	Group 2004 EEK	Group 2003 EEK	Group 2004 €	Group 2003 €
Losses on sale of non-current assets	38,484	97,503	2,460	6,232
Exchange losses	131,163	310,454	8,383	19,842
Doubtful receivables	2,099,874	1,498,510	134,206	95,772
Contract fees	330,417	263,951	21,117	16,869
Loss from destroyed insured assets	64,612	3,077,966	4,129	196,718
Claims	76,807	4,487,184	4,909	286,783
Performance bonuses	1,408,000	0	89,988	0
Other	963,286	643,994	61,565	41,159
TOTAL	5,112,643	10,379,562	326,757	663,375

21 Financial income and expenses

	Group 2004 EEK	Group 2003 EEK	Group 2004 €	Group 2003 €
<i>Financial income:</i>				
Interest income	16,881	10,749	1,079	687
Gains on sale of shares	1,664,968	0	106,411	0
Other	118,051	45,577	7,545	2,913
Total financial income	1,799,900	56,326	115,035	3,600
<i>Financial expenses:</i>				
Interest expense	6,418,136	8,182,324	410,194	522,946
Exchange loss	111,049	219,420	7,097	14,023
Other	76,645	27,880	4,899	1,782
Total financial expenses	6,605,830	8,429,624	422,190	538,751
Total financial income and expenses	4,805,930	8,373,298	307,155	535,151

22 Segment reporting

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

Management has identified the following business segments:

Furniture division produces household furniture. Furniture division includes the furniture factory of AS Viisnurk and Skano OÜ.

Building materials division produces softboard and interior finishing boards.

Notes to the consolidated financial statements

Sports goods division produced cross-country skis and ice hockey sticks, and distributed and sold sports goods. The division was closed on 29 October 2004 in accordance with the restructuring plan of AS Viisnurk.

Wood division produced wood panels of pine and birch and sawn timber. The division was closed on 16 April 2004 in accordance with the restructuring plan of AS Viisnurk.

Other operations comprise activities of small volume.

Segment results, assets and liabilities encompass items that are directly attributable to a segment or can be allocated to it on a reasonable basis.

Items that cannot be allocated include interest-bearing loans, financial income and expenses, the assets and expenses of the head office and other items that cannot be divided on a reasonable basis.

Reporting by business segments is presented on pages 31-32.



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Notes to the consolidated financial statements

Reporting by business segments (group)

EEK'000

	Sports goods division		Furniture division		Building materials division		Wood division		Other operations		Eliminations		TOTAL GROUP	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
External sales	61,003	71,809	156,537	153,263	96,076	92,201	33,104	74,135	824	923			347,544	392,331
Inter-segmental sales	253	0	178	722	146	2,722	12,749	24,984	7	14,993	(13,333)	(43,421)	0	0
Total revenue	61,256	71,809	156,715	153,985	96,222	94,923	45,853	99,119	831	15,916	(13,333)	(43,421)	347,544	392,331
Segment result	(11,771)	(24,471)	2,823	6,551	18,461	19,482	(18,028)	(52,914)	5,200	2,801			(3,315)	(48,551)
Unallocated expenses													(8,729)	(11,915)
Operating loss													(12,044)	(60,466)
Net financial expenses													(4,806)	(8,374)
Loss for the financial year													(16,850)	(68,840)
Segment assets	20,599	54,355	87,180	85,691	45,457	42,358	44,183	84,664	0	0			197,419	267,068
Unallocated assets													11,106	13,928
Total assets													208,525	280,996
Segment liabilities	1,222	18,059	22,453	19,465	8,120	8,043	12,167	19,685	0	0			43,962	65,252
Unallocated liabilities													107,207	141,538
Total liabilities													151,169	206,790
Acquisitions of non-current segment assets	551	4,245	96	4,044	1,459	1,529	51	960	0	0			2,156	10,778
Unallocated acquisitions of non-current assets													250	127
Total acquisitions of non-current assets													2,406	10,905
Inter-segmental movements	10,116	185	628	1,364	481	1,279	(459)	55	(10,766)	(2,883)			0	0
Impairment of assets	0	6,759	0	0	0	0	12,936	31,259	0	0			12,936	30,018
Segment depreciation and amortisation	5,454	5,057	7,923	6,947	4,463	4,305	2,888	10,039	0	0			20,728	26,348
Unallocated depreciation and amortisation													780	1,539
Total depreciation													21,508	27,887
Inventory write-down	0	4,119	0	279	0	828	0	1,881	0	0			0	7,107

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Notes to the consolidated financial statements

	€'000												TOTAL GROUP	
	Sports goods division		Furniture division		Building materials division		Wood division		Other operations		Eliminations		2004	2003
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003		
External sales	3,899	4,589	10,005	9,795	6,140	5,893	2,116	4,738	52	59			22,212	25,074
Inter-segmental sales	16	0	11	46	9	174	815	1,597	0	958	(851)	(5,084)	0	0
Total revenue	3,915	4,589	10,016	9,841	6,149	6,067	2,931	6,335	52	1,017	(851)	(5,084)	22,212	25,074
Segment result	(752)	(1,564)	180	419	1,180	1,245	(1,152)	(3,382)	332	179			(212)	(3,103)
Unallocated expenses													(558)	(762)
Operating loss													(770)	(3,865)
Net financial expenses													(307)	(535)
Loss for the financial year													(1,077)	(4,400)
Segment assets	1,316	3,474	5,572	5,477	2,905	2,707	2,824	5,411	0	0			12,617	17,069
Unallocated assets													710	890
Total assets													13,327	17,959
Segment liabilities	78	1,154	1,435	1,244	519	514	777	1,258	0	0			2,809	4,170
Unallocated liabilities													6,852	9,046
Total liabilities													9,661	13,216
Acquisitions of non-current segment assets	35	272	6	258	93	98	4	61	0	0			138	689
Unallocated acquisitions of non-current assets													16	8
Total acquisitions of non-current assets													154	697
Inter-segmental movements	646	12	40	87	31	82	(29)	4	(688)	(185)			0	0
Impairment of assets	0	432	0	0	0	0	827	1,998	0	0			827	2,430
Segment depreciation and amortisation	349	323	506	444	285	275	185	642	0	0			1,325	1,684
Unallocated depreciation and amortisation													50	98
Total depreciation													1,375	1,782
Inventory write-down	0	263	0	18	0	53	0	120	0	0			0	454

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Sales by markets:

	Group 2004 EEK'000	Group 2003 EEK'000	Group 2004 €'000	Group 2003 €'000
EXPORTS				
<i>Europe:</i>				
Finland	97,341	77,140	6,221	4,930
Sweden	45,594	49,862	2,914	3,188
Germany	23,567	42,039	1,506	2,687
The Netherlands	6,166	16,561	394	1,058
Austria	3,205	548	205	35
Great Britain	2,164	10,551	138	674
France	5,463	2,439	349	156
Norway	7,560	9,371	483	599
Denmark	14,933	19,614	955	1,254
Latvia, Lithuania	6,362	1,885	407	120
Other	4,601	8,125	294	519
TOTAL	216,956	238,135	13,866	15,220
Russia, Ukraine, Byelorussia, Kazakhstan	31,749	28,106	2,029	1,796
North America (the USA and Canada)	16,068	27,585	1,027	1,763
Rest of the world	15	689	1	44
TOTAL EXPORTS	264,788	294,515	16,923	18,823
DOMESTIC MARKET	82,756	97,816	5,289	6,251
GRAND TOTAL	347,544	392,331	22,212	25,074

23 Shares in subsidiaries and subsidiaries' equities

Shares in subsidiaries

	Skano OÜ (Estonia)	Visu OÜ (Estonia)	Isotex OÜ (Estonia)	EEK Total
Number of shares 31.12.2004	1	1	1	
Interest 31.12.2004	100	100	100	
Market value at end of year		Cannot be measured reliably		
	Skano OÜ (Estonia)	Visu OÜ (Estonia)	Isotex OÜ (Estonia)	€ Total
Number of shares 31.12.2004	1	1	1	
Interest 31.12.2004	100	100	100	
Market value at end of year		Cannot be measured reliably		

Skano OÜ is engaged in the retail sale of furniture in Estonia. It has two stores: one in Järve Keskus, Tallinn, and the other on the ground floor of the head office of AS Viisnurk in Pärnu. The company's first full year of operation was successful.

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

Subsidiaries' equities at 31 December 2004

	Skano OÜ (Estonia)	Visu OÜ (Estonia)	Isotex OÜ (Estonia)	EEK Total
Share capital	40,000	40,000	40,000	120,000
Profit for the financial year	903,966	0	0	903,966
Retained earnings	(213,643)	0	0	(213,643)
Total equity	730,323	40,000	40,000	810,323
				€
	Skano OÜ (Estonia)	Visu OÜ (Estonia)	Isotex OÜ (Estonia)	€ Total
Share capital	2,556	2,556	2,556	7,668
Profit for the financial year	57,774	0	0	57,774
Retained earnings	(13,654)	0	0	(13,654)
Total equity	46,676	2,556	2,556	51,788

24 Transactions with related parties

Related parties include:

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

Payments made to management and supervisory board members in 2004 with relevant taxes:

	Group 2004 EEK	Group 2003 EEK	Group 2004 €	Group 2003 €
Board member and other remuneration	1,516,466	2,491,057	96,920	159,208
Social tax and unemployment insurance contributions	505,416	826,818	32,302	52,843
TOTAL	2,021,882	3,317,875	129,222	212,051

In 2004 the subsidiary Skano OÜ purchased from the parent AS Viisnurk goods of EEK 2,370,670 (€151,513). The corresponding figure for 2003 was EEK 540,421 (€34,539). At 31 December 2004 OÜ Skano's payables to AS Viisnurk amounted to EEK 241,536 (€15,437). At 31 December 2003 OÜ Skano's payables to AS Viisnurk equalled EEK 418,473 (€26,745). Transactions with the subsidiary were conducted at market prices.

In 2004 no transactions were conducted with subsidiaries OÜ Visu and OÜ Isotex.

In 2004, services purchased from companies in which members of the supervisory board have significant influence totalled EEK 399,049. Expenses recognised on an accrual basis under contracts with such companies amounted to EEK 1,056,000. The items have been recognised under accrued expenses.

25 Discontinuing operations

Discontinuing operations include the sports goods division which was closed on 29 October 2004 in accordance with the restructuring plan of AS Viisnurk. The plant and equipment of the sports goods division will be sold. Negotiations concerning the terms of the sales contract are under way. According to plan, the sales price of the assets should more or less equal their carrying amount. AS Viisnurk intends to complete the sale in the first half of 2005.

Discontinuing operations also include the wood division which was closed in April 2004. In September 2004 AS Viisnurk concluded a contract under the law of obligations for sale of the division's assets.

Therefore, the assets of the wood division have been reported in the financial statements as non-current assets held for sale. For further information please refer to Note 3. Information on impairment-related write-down of assets can be found in Note 6.

Sale of the building materials division, which was presented as a discontinuing operation in the financial statements for 2003 was suspended in 2004 based on the decision of the supervisory board. Therefore, in these financial statements the building materials division has been reported as a continuing operation.

Discontinuing operations – assets and liabilities

Sports goods division

	2004 EEK	2003 EEK	2004 €	2003 €
Current assets	12,226,977	36,759,607	781,446	2,349,361
Non-current assets	242,394	17,595,113	15,482	1,124,630
TOTAL ASSETS	12,469,371	54,354,720	796,928	3,473,991
Current liabilities	1,222,057	18,059,296	78,104	1,154,196
TOTAL LIABILITIES	1,222,057	18,059,296	78,104	1,154,196

Discontinuing operations – revenues, expenses and result of operations

Sports goods division

	2004 EEK	2003 EEK	2004 €	2003 €
REVENUE	61,002,773	71,809,099	3,898,733	4,589,426
Cost of goods sold	(68,225,736)	(90,775,574)	(4,360,419)	(5,801,602)
Gross loss	(7,222,963)	(18,966,475)	(461,631)	(1,212,176)
Marketing expenses	(3,239,526)	(2,670,663)	(207,043)	(170,686)
Other income	89,377	374,137	5,712	23,912
Other expenses	(1,398,376)	(3,208,409)	(89,373)	(205,054)
Operating loss	(11,771,488)	(24,471,410)	(752,335)	(1,564,004)
Financial income and expenses	(391,229)	(935,627)	(25,004)	(59,797)
LOSS FROM ORDINARY OPERATIONS	(12,162,717)	(25,407,037)	(777,339)	(1,623,801)

Discontinuing operations – revenues, expenses and result of operations

Wood division

	2004 9 months EEK	2003 EEK	2004 9 months €	2003 €
REVENUE	45,640,382	99,118,586	2,916,952	6,334,816
Cost of goods sold	(46,325,919)	(145,646,621)	(2,960,766)	(9,308,492)
Gross loss	(685,537)	(46,528,035)	(43,814)	(2,973,676)
Marketing expenses	(1,929,043)	(4,816,179)	(123,288)	(307,809)
Other income	57,359	3,220,021	3,660	205,796
Other expenses	(590,096)	(4,789,926)	(37,714)	(306,131)
Operating loss	(3,147,317)	(52,914,119)	(201,150)	(3,381,820)
Financial income and expenses	(3,578,725)	(5,750,040)	(228,722)	(367,494)
LOSS FROM ORDINARY OPERATIONS	(6,726,042)	(58,664,159)	(429,872)	(3,749,314)

Discontinuing operations – cash flows (indirect method)

Sports goods division

	2004 EEK	2003 EEK	2004 €	2003 €
Cash flows from operating activities				
Loss from ordinary operations	(13,012,717)	(25,407,037)	(831,864)	(1,623,801)
<i>Adjustments for:</i>				
Depreciation and value adjustments	2,459,982	5,057,384	157,221	323,225
Loss from revaluation of non-current assets	0	6,758,796	0	431,965
Gain/loss on sale of non-current assets	13,702	(16,738)	876	(1,070)
Loss from write-down of receivables	982,525	162,134	62,795	10,362
Loss from write-down of inventories	0	4,119,211	0	263,265
Provisions	(456,353)	(32,152)	(29,167)	(2,055)
Interest expenses	410,990	882,619	26,267	56,409
Operating loss before working capital changes	(9,601,871)	(8,475,783)	(613,672)	(541,700)
Change in current assets	12,903,703	10,842,334	824,697	692,949
Change in inventories	17,356,475	596,557	1,109,281	38,127
Change in current liabilities	(16,389,204)	249,139	(1,047,461)	15,923
Net cash from operating activities	4,269,104	3,212,247	272,845	205,299
Interest paid	(410,990)	(882,619)	(26,267)	(56,409)
Net cash from operating activities	3,858,114	2,329,628	246,578	148,890
Cash flows from investing activities				
Acquisition of tangible assets	(330,971)	(2,197,540)	(21,153)	(140,448)
Sale of tangible assets	97,453	28,528	6,228	1,823
Acquisition of subsidiary	0	(40,000)	0	(2,556)
Net cash used in investing activities	(233,518)	(2,209,012)	(14,925)	(141,181)
Cash flows from financing activities				
Repayment of loans received	0	0	0	0
Settlement of finance lease liabilities	(429,980)	(403,271)	(27,481)	(25,774)
Change in outstanding overdraft balance	(1,106,858)	(1,797,645)	(70,741)	(114,890)
Net cash used in financing activities	(1,536,838)	(2,200,916)	(98,222)	(140,664)
Change in internal debt	(2,369,178)	1,560,513	(151,418)	99,735
DECREASE IN CASH	(261,421)	(519,787)	(17,987)	(33,220)
CASH AT BEGINNING OF PERIOD	358,985	878,772	22,944	56,164
CASH AT END OF PERIOD	77,564	358,985	4,957	22,944

26 Financial risks

Interest rate risk

The company's interest rate risk depends, above all, on changes in EURIBOR (Euro Interbank Offered Rate) because most loans taken by the company are linked to EURIBOR. On 1 January 2004, 6 months' EURIBOR equalled 2.168 and at 31 December 2003 2.218.

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

- The loan of EEK 13,000,000 every year on 30 November and 30 May
- The loan of EEK 38,000,000 every year on 28 February and 28 August
- The loan of EEK 19,000,000 every year on 1 March and 1 September
- The loan of EEK 10,000,000 every year on 31 January and 31 July

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

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

Credit risk

Credit risk is the risk that a business partner will fail to discharge a contractual obligation and will cause AS Viisnurk to incur a financial loss. At the balance sheet date the company was not aware of any major risks relating to trade receivables (except for those related to doubtful items of EEK 1,959,997 (€125,267)). The financial positions and settlement practice of existing and potential partners is monitored on an ongoing basis. The company does not have any significant credit risk.

Currency risk

The currency risk of AS Viisnurk is low because most export-import agreements are concluded in euro. During the financial year the company received EEK 14.1 million (€0.9 million) in currencies to which the Estonian kroon is not directly or indirectly pegged (81% of the amount in USD), and paid for goods and services EEK 5.0 million (€0.3 million) in currencies with an exchange risk (66% in USD and 16% in SEK). Currency risk has been hedged with forward transactions.

Fair value

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



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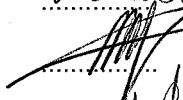
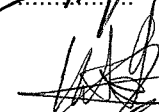
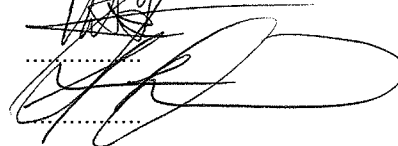
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Signature/allkiri..... [Signature].....

Signatures

The management board has prepared the company's annual report for 2004. The annual report (pp. 1 – 40) consists of a management report, consolidated financial statements, a profit allocation proposal and an auditor's report. The supervisory board has reviewed the annual report prepared by the management board and has approved its presentation to the shareholders' general meeting.

Chairman of Management Board	Toivo Kuldmae	<u>04.04.05</u>	
Member of Management Board	Andrus Aljas	<u>04.04.05</u>	
Chairman of Supervisory Board	Ülo Adamson	<u>28.04.05</u>	
Member of Supervisory Board	Joakim Helenius	<u>28/4/05</u>	
Member of Supervisory Board	Claire Chabrier

Signatures

The management board has prepared the company's annual report for 2004. The annual report (pp. 1 – 40) consists of a management report, consolidated financial statements, a profit allocation proposal and an auditor's report. The supervisory board has reviewed the annual report prepared by the management board and has approved its presentation to the shareholders' general meeting.

Chairman of Management Board	Toivo Kuldmae
Member of Management Board	Andrus Aljas
Chairman of Supervisory Board	Ülo Adamson
Member of Supervisory Board	Joakim Helenius.....
Member of Supervisory Board	Claire Chabrier	<i>Mad.</i> 28/04/05



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Auditors' Report

To the shareholders of AS Viisnurk

We have audited the accompanying consolidated balance sheet of AS Viisnurk and its subsidiaries ("the Group") as of 31 December 2004, and the related consolidated statements of income, changes in equity and cash flows for the year then ended. These consolidated financial statements, as set out on pages 13 to 37, are the responsibility of the Group's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2004, and of the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards as promulgated by the International Accounting Standards Board.

Tallinn, 4 April 2005

KPMG Estonia AS

Kristina Ude
Authorised Public Accountant

KPMG: Andris Jegers
Partner

Profit allocation proposal

Undistributed profits of AS Viisnurk:

Undistributed profits 31.12.2003	EEK 13,557,492	€866,479
Loss for 2004	EEK (16,849,432)	€(1,076,872)
Undistributed profits/losses 31.12.2004	EEK (3,291,940)	€(210,393)

The management board proposes that no allocations be made.



Toivo Kuldmäe
Chairman of Management Board



Andrus Aljas
Member of Management Board