

AS VIISNURK

Interim Financial Statements Second Quarter 2001

Financial year 1.1.2001 - 31.12.2001
Reporting period 1.1.2001 - 30.6.2001

Business name: AS Viisnurk

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Core activity: Wood processing

Approval of the financial statements as of 30.6.2001:

Meelis Kukk
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Management Board

Toivo Kuldmäe
Member of the
Management Board

Andrus Aljas
Member of the
Management Board

Toomas Matvere
Member of the
Management Board

Jüri Rokk
Member of the
Management Board

Erik Piile
Member of the
Management Board

INCOME STATEMENT

(In thousands of kroons)

		II quarter 2001	II quarter 2000	I half year 2001	I half year 2000
<u>NET SALES</u>	(Note 6)	<u>77,509</u>	<u>62,369</u>	<u>143,647</u>	<u>121,430</u>
Cost of goods sold		(58,312)	(47,571)	(108,429)	(92,251)
Gross profit		19,197	14,798	35,218	29,179
Marketing expenses		(4,167)	(3,674)	(8,761)	(8,246)
General administrative expenses		(2,218)	(2,579)	(4,925)	(5,789)
Other income		233	333	1,168	509
Other expenses		(751)	(446)	(1,025)	(719)
Profit from operations	(Note 6)	<u>12,294</u>	<u>8,432</u>	<u>21,675</u>	<u>14,934</u>
Financial income		288	147	316	337
Financial expenses		(2,637)	(819)	(3,479)	(1,569)
Profit from ordinary activities		9,945	7,760	18,512	13,702
Income tax		0	0	0	0
NET PROFIT FOR THE PERIOD		<u>9,945</u>	<u>7,760</u>	<u>18,512</u>	<u>13,702</u>
Basic earnings per share	(Note 5)	2.21	1.72	4.11	3.05
Diluted earnings per share	(Note 5)	2.21	1.72	4.11	3.05

STATEMENT OF MOVEMENTS IN EQUITY

(In thousands of kroons)

	1st half year 2001	1st half year 2000
Distributable profits at beginning of period	84,137	53,829
Transferred to mandatory capital reserve	(1,665)	(1,320)
Net profit for the period	18,512	13,702
Distributable profits at end of period	100,984	66,211

BALANCE SHEET

(In thousands of kroons)

		30.6.2001	31.12.2000
Cash and bank		1,154	4,908
Shares and other securities			
Customer receivables		35,751	51,229
Other receivables		2,126	378
Prepaid expenses		5,351	18,331
Inventories		99,041	58,682
Total current assets		143,423	133,528
Long-term financial investments		606	606
Tangible assets	(Note 2)	208,345	197,121
Intangible assets	(Note 2)	442	623
Total non-current assets		209,393	198,350
<u>TOTAL ASSETS</u>		<u>352,816</u>	<u>331,878</u>
Debt obligations	(Note 3)	23,620	9,929
Customer prepayments		56	111
Supplier payables		30,816	41,278
Taxes payable		6,628	6,574
Accrued expenses		8,576	10,250
Total current liabilities		69,696	68,142
Long-term liabilities	(Note 3)	121,315	120,443
Total non-current liabilities		121,315	120,443
Share capital at par value		44,990	44,990
Share premium		11,332	11,332
Mandatory capital reserve		4,499	2,834
Retained earnings		82,472	52,509
Net profit for the period		18,512	31,628
Total equity	(Note 4)	161,805	143,293
<u>TOTAL LIABILITIES AND EQUITY</u>		<u>352,816</u>	<u>331,878</u>

STATEMENT OF CASH FLOWS
(INDIRECT METHOD)

(In thousands of kroons)

	1st half year 2001	1st half year 2000
Operating activities		
<i>Profit before income tax</i>	<i>18,512</i>	<i>13,702</i>
<i>Adjustments for:</i>		
Accumulated depreciation for the period	10,756	5,908
Gain on sale of shares		(310)
Gains and losses on sale of non-current assets	(191)	65
Interest expense	3,350	1,428
<i>Operating profit before changes in working capital</i>	<i>32,427</i>	<i>20,793</i>
Change in current assets	(13,649)	(27,956)
Change in current liabilities	(12,320)	1,327
<i>Cash generated from operations</i>	<i>6,458</i>	<i>(5,836)</i>
Interest paid	(3,167)	(1,435)
Net cash from operating activities	3,291	(7,271)
Investing activities		
Acquisition of non-current assets	(20,884)	(20,708)
Sale of non-current assets	490	116
Acquisition of shares and other securities		(819)
Sale of shares and other securities		1,350
Net cash used in investing activities	(20,394)	(20,061)
Financing activities		
Proceeds from borrowing	5,000	
Repayment of loans	(5,680)	(578)
Settlement of finance lease liabilities	(632)	(320)
Change in the overdraft balance	14,661	
Proceeds from the issue of dept securities		31,293
Net cash from/used in financing activities	13,349	30,395
NET CHANGE IN CASH	(3,754)	3,063
CASH AT BEGINNING OF PERIOD	4,908	2,946
CASH AT END OF PERIOD	1,154	6,009

NOTES TO THE INTERIM FINANCIAL STATEMENTS

1. Significant accounting policies

The financial statements of AS Viisnurk for the second quarter of 2001 have been prepared in accordance with *Instructions for the preparation and presentation of interim financial statements* by the Estonian Accounting Board. The accounting policies and measurements bases of these financial statements comply with the ones used in the preparation of the annual financial statements for the year ended 31 December 2000.

The management board declares that AS Viisnurk is a going concern and the financial statements for the second quarter of 2001 give a true and fair view of the company's financial position and the results of its operations.

The financial statements have not been audited.

2. Non-current assets

In thousands of kroons

	Tangible assets	Intangible assets	TOTAL
Acquisition cost 1.1.2001	158,490	1,445	159,935
Additions in 1st half year 2001	95,208		95,208
Disposals in 1st half year 2001	435		435
Acquisition cost 30.6.2001	253,263	1,445	254,708
Depreciation 1.1.2001	59,493	822	60,315
Depreciation for 1st half year 2001	10,575	181	10,756
Depreciation on items disposed of in 1st half year 2001	191		191
Depreciation 30.6.2001	69,877	1,003	70,880
Net book value 30.6.2001	183,386	442	183,828

At 30 June 2001 the balance of constructions in progress stood at 24,959 thousand kroons.

3. Debt obligations and long-term liabilities

(In thousands of kroons)

	30.6.2001	31.12.2000
Debt obligations	23,620	9,929
Long-term liabilities	121,315	120,443
incl. long-term loans	82,048	82,048
non-convertible debt	39,267	38,395
TOTAL	130,037	130,372

In the accounting period, Viisnurk increased its overdraft by the amount of 14,661 thousand kroons.

4. Equity

At 30 June 2001 the share capital of AS Viisnurk amounted to 44,490,610 kroons, being made up of 4,449,061 shares with a par value of 10 kroons each. The maximum share capital outlined in the Articles of Association is 177,480,800 kroons.

In the second quarter of 2001 the company's share capital did not change.

5. Earnings per share

The period's basic earnings per share have been calculated by dividing the period's net profit by the number of shares:

Basic earnings per share = $18,511,630 / 4,499,061 = 4.11$ kroons

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

6. Information by business segments

(In thousands of kroons)

	Ski Factory		Furniture Factory		Softboard Factory		Wood Panels Factory		Other activities		Eliminations		VIISNURK TOTAL	
	2001 I hy	2000 I hy	2001 I hy	2000 I hy	2001 I hy	2000 I hy	2001 I hy	2000 I hy	2001 I hy	2000 I hy	2001 I hy	2000 I hy	2001 I hy	2000 I hy
External sales	16,001	17,435	76,719	60,195	37,672	38,443	1,144		12,111	5,357			143,647	121,430
Inter-segment sales		2,736	26	24			2,427		23,490	15,930	(25,943)	(18,690)	0	0
Total sales revenue	16,001	20,171	76,745	60,219	37,672	38,443	3,571		35,601	21,287	(25,943)	(18,690)	143,647	121,430
Segment result	606	(996)	13,293	10,046	12,359	10,655	(3,886)		4,228	1,018			26,600	20,723
Unallocated expenses													(4,925)	(5,789)
Operating profit													21,675	14,934
Net financial expenses													(3,163)	(1,232)
Net profit for the period													18,512	13,702

EXPLANATIONS TO THE INTERIM FINANCIAL STATEMENTS

The net sales of Viisnurk AS for the first half of 2001 were 143.6m kroons and the net profit 18.5m kroons. As compared to the same period of the last year, the net sales of the company increased by ab. 18 per cent and net profit by 35 per cent (in the first half of 2000, they were 121.4m and 13.7m kroons, respectively). The net sales of Viisnurk AS for the second quarter were 77.5m kroons (+24% as compared to the last year) and net profit 9.9m kroons (+28%).

At 30 June 2001 AS Viisnurk did not have any subsidiary companies. Therefore, the financial statements reflect only the results of the parent company.

As to the various divisions of primary activities of Viisnurk AS in the first half of the current year, the net sales of the Ski Factory were 16m kroons, which is ab. 8 per cent less than that of the last year. The Ski Factory earned 600 thousand kroons of profit in the accounting period. In the same period of the last year, ski production suffered loss of about a million kroons. In the situation of the shrinking total volume of the global ski market, the Ski Factory focuses more aggressively on the production of more expensive skis and promotion of its trade mark 'Visu'; it has also started the test production of the metal edge skis and continues to increase the output of hockey sticks.

The increase in the sales volumes of the Furniture Factory continued in the first half of the year. The net sales of the Factory (76.7m kroons) increased as compared to the same period of the last year by 27.5 per cent and the profit (13.3m kroons) by 32.3 per cent. The development of the Furniture Factory has led close to the utilisation of maximum production capacity on the existing territory. Viisnurk AS has initiated activities to consider possible expansion alternatives for further development of furniture production.

The net sales of the Softboard Factory (37.7m kroons) stayed practically the same as that of the first half of the previous year. The increased sales to the neighbouring regions have enabled, however, to increase the profitability of the factory. The Softboard Factory earned 12.4m kroons of profit in the accounting period, which is approximately 16 per cent more than the year before.

The net sales of the Wood Panels Factory, which was put into operation at the end of the 1st quarter of the year, to the external customers was 1.1m kroons and the loss resulting from the high depreciation and interest costs was 3.9m kroons in the first half of 2001. The production of edge-glued panels for the Furniture factory of Viisnurk AS amounted to 2.4m kroons in the accounting period.

At the net sales of 12.1m kroons, the company gained 4.2m kroons of profit from the other activities (Forestry Centre, production of heat energy, rental income). From the total profit earned in the first half of the year, the sale of heat energy formed 1.8m kroons. The Forestry Centre of Viisnurk AS earned the same amount of profit.

The total assets of Viisnurk AS were 352.8m kroons as of 30.6.2001 (increase by 20.9m kroons or 6.3 per cent as compared to the beginning of the year). The

inventories in the assets of the balance sheet increased by 40.3m kroons and the customer receivables decreased by 15.4m kroons. The increase in the inventories mainly results from the seasonal nature of the ski production and the activities of the Forestry Centre. Apart from that, the other divisions produced goods to stock to compensate the collective vacations in July. For financing the increase in inventories, current liabilities were increased by the amount of 13.7m kroons in the accounting period.

The financial ratios of AS Viisnurk at 30 June 2001:

	II quarter 2001	II quarter 2000	I half year 2001	I half year 2000
Current ratio (current assets/current liabilities)	2.06	2.94	2.06	2.94
Debt to total assets ratio	54%	44%	54%	44%
Operating margin (operating profit/net sales)	15.9%	13.5%	15.1%	12.3%
Net profit margin (net profit/net sales)	12.8%	12.4%	12.9%	11.3%
Return on assets (net profit/average total assets)	2.9%	3.7%	5.4%	6.8%
Return on equity (net profit/shareholders' equity)	6.2%	6.2%	11.4%	10.9%